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THE PARTICIPATION INTERESTS ARE OFFERED WHEN, AS, AND IF ISSUED, SUBJECT TO THE RIGHT OF TEXAS METHODIST FOUNDATION, IN ITS SOLE DISCRETION, TO REJECT ANY

SUBSCRIPTION, AND TO CERTAIN OTHER CONDITIONS. SUBSCRIPTIONS FOR PARTICIPATION INTERESTS CAN BE MADE ONLY BY DELIVERY OF EXECUTED APPLICATIONS FOR INVESTMENT, A FORM OF WHICH IS ATTACHED TO THIS OFFERING CIRCULAR FOR USE BY PROSPECTIVE INVESTORS.

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CERTAIN PROVISIONS OF RELEVANT DOCUMENTS RELATING TO THE PARTICIPATION INTERESTS HAVE BEEN SUMMARIZED IN THIS OFFERING CIRCULAR. SUCH SUMMARIES DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS. COPIES OF SUCH DOCUMENTS ARE AVAILABLE UPON REQUEST TO TEXAS METHODIST FOUNDATION.

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## CERTAIN DEFINED TERMS

Certain capitalized terms used in this Offering Circular have the meanings given below:

*“Borrower”* means the institutions affiliated with The United Methodist Church that apply for and/or become the debtor of any Loan.

*“Code”* means the Internal Revenue Code of 1986, as amended.

*“Constituent Community”* means the following six annual conferences of The United Methodist Church: the Texas Conference, the Central Texas Conference, the North Texas Conference, the Southwest Texas Conference, the Northwest Texas Conference and the Rio Grande Conference.

*“Foundation”* means the Texas Methodist Foundation, a Texas not-for-profit corporation.

*“Portfolio”* means the Methodist Loan Portfolio, also known as Methodist Loan Fund, managed by the Foundation for the purpose of providing Loans and financial assistance to Borrowers. The Portfolio is not a separate legal entity. It consists of an investment pool of assets, the primary asset being the Loans, managed by the Foundation. See **“Capitalization.”**

*“Loans”* means the real estate, asset-based or unsecured loans provided by the Portfolio, under the direction of the Foundation, to the Borrowers for the purpose of furthering the goals and aims of the United Methodist faith. The loans described do not apply to designated loans which are originated outside of the Portfolio. Designated loans are those loans made directly by an investor to a Borrower and held within the investor’s account. The investor assumes all responsibility for the qualification of the loan and any loss that might occur on the loan is charged to the investor’s account and not to the Portfolio.

*“Loan Policy”* means the loan policies promulgated from time to time by the Foundation’s Board of Directors under which the Loans are originated and handled.

*“Master Certificate of Participation”* means the certificate under which the aggregated Participation Interests are invested in the Portfolio. The amount of the Master Certificate of Participation will vary from time to time in accordance with the aggregate amount of Participation Interests.

*“Participation Interests”* means the interests in the Master Certificate of Participation offered by the Foundation through this Offering Circular, which represents each non-institutional investor’s participation by amount and which are accounted for by separate accounts maintained by the Foundation. The Participation Interests are referred to as either the Individual Portfolio or the Individual Fund. The Participation Interests are general obligations of the Foundation and are not secured or otherwise backed by an interest in the Loans in the Portfolio.

## **SUMMARY INFORMATION**

*The following summary is qualified in its entirety by the more detailed information, including Financial Information thereto, appearing elsewhere in this Offering Circular and the exhibits hereto.*

### **The Foundation**

Texas Methodist Foundation (“Foundation”) is a Texas not-for-profit corporation operated as a tax-exempt organization under § 501(c)(3) of the Internal Revenue Code of 1986 (“Code”). The Foundation was organized in 1938, during the Great Depression, from the vision of leaders of the Methodist Church across the State of Texas. The Foundation serves six separate annual conferences of The United Methodist Church: the Texas Conference, the Central Texas Conference, the North Texas Conference, the Southwest Texas Conference, the Northwest Texas Conference and the Rio Grande Conference (the “Constituent Community”).

### **The Portfolio**

Among the Foundation’s financial services is the Methodist Loan Portfolio (the “Portfolio”). The Portfolio is designed to provide:

- (i) a secure and stable repository for investments by United Methodist congregations and institutions and qualified residents of the States of Texas and New Mexico, and
- (ii) a source for loans to congregations and other United Methodist institutions for building programs and projects, and occasionally other uses.

The Portfolio is not a distinct legal entity. It is one of several investment pools operated by the Foundation on the terms described in this Offering Circular. The Participation Interests are general obligations of the Foundation and are not secured or otherwise backed by the Loans in the Portfolio. The Foundation may borrow funds from time to time, both for purposes related and unrelated to the Portfolio. These borrowings may be secured by an interest in the Loans in the Portfolio.

The principal purpose of the Portfolio is to provide financial services and assistance, which may include loans to United Methodist churches and institutions such as hospitals, colleges and other entities affiliated with the United Methodist Church (“Borrowers”) for building programs and other capital investments, as described in this Offering Circular.

The Portfolio pools money invested by United Methodist congregations and institutions and residents of the States of Texas and New Mexico and lends it to Borrowers. Specific investments or accounts are not tied to particular loans. Loans originated by the Portfolio are generally for either (i) building programs and secured by first lien deeds of trust on the Borrower’s real property; or (ii) capital improvements, acquisitions or working capital for Borrowers (the “Loans”). Real estate-secured Loans comprise the vast majority of all Loans originated by the Portfolio. Most Borrowers are located in the Constituent Community, but the Portfolio originates Loans to Borrowers outside of the Constituent Community from time to time. In very rare circumstances, a Loan may be originated which is not secured by a first lien

deed of trust. Loans are made pursuant to the Loan Policy of the Foundation. The Loan Policy has been promulgated by the Foundation's Board of Directors, and may be revised by the Board of Directors from time to time. The Loan Policy is implemented by the Board's Loan Committee and officers. A copy of the Loan Policy is available upon request.

### **Participation Interests**

In the past, investment in the Portfolio was limited to institutional investors. Typically, institutional investments are in large amounts. To broaden investment participation, the Foundation created one Master Certificate of Participation for all non-institutional investors residing in Texas and New Mexico. Investments from these non-institutional investors are aggregated and invested in the Portfolio through the Master Certificate of Participation. A non-institutional investor may purchase Participation Interests, with a minimum investment of \$1,000 for individuals and trusts and \$100,000 partnerships, which will represent a participation in the Master Certificate of Participation. No actual certificates will be issued for the Participation Interests. Instead, the Foundation maintains a separate account for each investor to record that investor's initial investment, additional investments, withdrawals and interest payments.

### **Strategy**

The Foundation's overall business strategy is to promote the growth and development of The United Methodist Church by loaning as much of the Portfolio as is prudent to creditworthy Borrowers while offering a competitive return for investors. The desires of investors to promote church growth, as evidenced by their investments, has historically allowed the Portfolio to make Loans at interest rates generally lower than those charged by commercial banks and other institutional lenders. In addition to helping build and expand United Methodist communities of faith, investors in the Portfolio enable the Foundation to respond to identified needs of United Methodist churches and agencies through the Foundation's other services. The Foundation's core values of servanthood, integrity, and competence define the added value provided as the Foundation manages investments from a United Methodist, not-for-profit perspective, in accordance with the Social Principles of The United Methodist Church.

## **THE OFFERING**

Participation Interests Currently Offered	\$100,000,000
Use of Proceeds	100% invested in Master Certificate of Participation in the Portfolio

The Foundation is offering up to \$100,000,000 in Participation Interests. The minimum investment is \$1,000 for individuals and trusts and \$100,000 partnerships. All investors must be residents of either Texas or New Mexico. All proceeds from the sale of Participation Interests will be aggregated and deposited by the Foundation in the Portfolio through the Master

Certificate of Participation. The Portfolio is managed and operated by the Foundation. Participation Interests are not represented by a separate certificate.

Investment in the Master Certificate of Participation may be made through either Variable Rate or Fixed Rate Participation Interests. See "Description of Securities."

The Foundation will establish and maintain a distinct account for each investor in Participation Interests to record the dates of investments, terms of investments, interest payments and withdrawals. A Participation Interest entitles the holder to interest payments and withdrawals in accordance with the terms of this Offering Circular. See "Description of Securities." Participation Interests are general obligations of the Foundation and are not secured or otherwise backed by the Loans in the Portfolio.

Investment in the Participation Interests will be in cash unless the Foundation authorizes, at its discretion, other forms of investment that can be easily converted to cash.

Interest on the Participation Interests will be compounded monthly. Each investor other than an investor who has invested through an individual retirement account has the option of receiving the interest semi-annually (on or about January 1<sup>st</sup> and July 1<sup>st</sup> of each year) or receiving the interest upon written request, but not more often than once per calendar month. Additionally, if the amount of the investment is \$10,000 or greater, the investor may choose to receive this interest automatically as often as monthly. Interests on a Participation Interest purchased through an individual retirement account will accrue and be compounded until maturity or withdrawal, in the case of Variable Rate Participation Interests.

The variable interest rate payable to Variable Rate Participation Interest holders and the fixed rate offered for Fixed Rate Participation Interests will be set and periodically adjusted by the Foundation's staff. Current rates are available on the Texas Methodist Foundation website at [www.tmf-fdn.org](http://www.tmf-fdn.org) or by calling Investor Services at (800)933-5502 or (512)331-9971.

On a monthly basis, the Foundation's staff may adjust the rate of interest payable on the Master Certificate of Participation and Variable Rate Participation Interests. Adjustments are made in light of the average rate of return received by the Portfolio on its Loans, the then prevailing rate of interest being paid to investors on similar investments, and the budgets and goals set by the Foundation's Board of Directors.

At the time of the monthly adjustment on the Master Certificate of Participation, the Foundation's staff may adjust the interest rate payable to Variable Rate Participation Interest holders. This adjustment will reflect the costs and expenses of operating and maintaining the Participation Interest accounts, including the costs and expenses of this offering. There is no minimum interest rate that must be paid on the Variable Rate Participation Interests.

The Foundation's staff may adjust the interest rate and terms offered on Fixed Rate Participation Interests on a weekly basis. An investment in a Fixed Rate Participation Interest will generally be for a fixed period of time of twelve (12), twenty four (24), thirty six (36), forty-eight (48) or sixty (60) months and the maturity date will be established when the investment in the Fixed Rate Participation Interest is made. Principal may not be added after the initial investment is made. Principal may not be withdrawn from this account before the maturity date without the consent of the Foundation, and a penalty will be charged for such early withdrawal except as provided herein. See "**Description of Securities.**"

The Foundation reserves the right from time to time to offer special rates to specific groups.

The Foundation is offering the Participation Interests only to qualified investors who intend to acquire the Participation Interests solely for investment and who make the representations contained in the Application for Investment in the form that is attached as Appendix "C", "D" and "E" to this Offering Circular. (See Appendix C - "**Application for Investment – For Individuals,**" Appendix D - "**Application for Investment – For Trusts**" or Appendix E - "**Application for Investment – For Partnerships,**" as applicable.) The offering is not underwritten.

While an investment in Variable Rate Participation Interests is intended to be for periods of one (1) year or more, investments are returnable upon written demand. The Foundation has a 30-day period to honor a request for withdrawal of investment. Although this right exists, the Foundation has historically honored withdrawal requests within one business day.

The Foundation is solely responsible for the return of both interest payments and principal amounts of investments to holders of the Participation Interests. Should the Foundation be unable to meet its obligations to holders of the Participation Interests, the Participation Interest holders will have no recourse against any other party. Participation Interest holders have no direct ownership interest in the Loans or any other assets of the Foundation and the Participation Interests are unsecured debt obligations of the Foundation. The Foundation may from time to time borrow funds, both related and unrelated to the Portfolio, and may grant a security interest in or pledge the Loans in the Portfolio to secure such borrowings. (See "**Risk Factors.**") Selected financial information about the Foundation is set forth as Appendix "B" to this Offering Circular. (See Appendix B - "**Selected Financial Information.**").

## **RISK FACTORS**

Historically, investors in the Portfolio desire to benefit church development in the United Methodist Church as well as receive a return on investment commensurate with the risk involved. Prospective investors should consider carefully the following factors, in addition to other information contained in this Offering Circular, before acquiring Participation Interests.

### **Unsecured Obligations**

The Participation Interests are not secured. Holders of the Participation Interests have no direct right, either individually or as a group, in the Loans or to foreclose upon the Loans payable to the Foundation. The Foundation will make all decisions regarding collection, amendment, enforcement and management of the Loans, all in the sole discretion of the Foundation's Board of Directors, its officers and staff.

### **Ownership of Loans; Right to Pledge**

The Foundation maintains ownership of the Loans in the Portfolio and has the right to grant security interests in and pledge the Loans, including collections thereon, to secure indebtedness of the Foundation, whether related or unrelated to the Portfolio. The holder of any such security interest or pledge will have rights in the Loans superior to the general creditors of the Foundation and may foreclose on the Loans if the Foundation defaults on its obligations to such holder.

As of June 1, 2010, the Foundation has pledged the Loans to secure a \$30 million line of credit of which \$2.3 million was outstanding at that time.

**No Trust Agreement**

The Participation Interests are not issued pursuant to any trust agreement or indenture, and no indenture trustee or other agent has been appointed to represent the interests of Participation Interest holders. If the Foundation fails to pay interest on any Participation Interest on the date due, or fails to return an investment within 30 days of the written request of a Participation Interest holder, the holder must seek damages or other remedies against the Foundation and will have no direct recourse against any other entity or agency of The United Methodist Church or any officer, director or staff of the Foundation.

**Return Upon Demand**

Because a Variable Rate Participation Interest is returnable within 30 days of written demand and at any given time a substantial portion of the Portfolio's assets will be invested in the Loans, it is likely that the Foundation will be unable to fully return investments if a substantial number of Participation Interest holders request to close their accounts within a short period of time. To date the Foundation has always redeemed an investment on demand. The Foundation's staff manages its daily liquidity position in an effort to continually maximize the rate of return on the total investment portfolio, while providing the necessary liquidity to provide funds for daily operations, withdrawals, and outstanding loan commitments. The Foundation currently maintains a line of credit in accordance with guidelines set by the Foundation's Board of Directors. Information regarding the current line of credit is available upon request.

**No Deposit Account or Guaranty**

Participation Interests represent an obligation of the Foundation under the Master Certificate of Participation. Participation Interests are not the same as or similar to deposit accounts with banks or other financial institutions, are not regulated by any federal or state governmental authority, and are not guaranteed by the FDIC or any other person or entity.

**No Minimum Interest Rate**

There is no minimum interest rate that must be paid by the Foundation to the Master Certificate of Participation or to the Variable Rate Participation Interest holders.

**Dependence Upon Voluntary Contributions**

The financial stability of the Borrowers and their ability to make payments of principal and interest on Loans is primarily dependent upon voluntary contributions of their members. Because church membership and attendance may be adversely affected by a variety of factors outside of the control of a Church, it is possible that a Church will not receive sufficient voluntary contributions to allow it to meet its obligations under a Loan made to it by the Foundation. The Foundation's remedies against a Borrower that defaults under a Loan are limited by the terms of the security documents and applicable provisions of law. Neither the trustees nor any other members of a Borrower will be required to personally guarantee any Loan from the Foundation. Throughout its history, the Foundation has foreclosed on five (5) loans since offering the Loan program to churches. Although no loss of principal or interest was incurred on these Loans or on any other Loan originated within the Portfolio, there can be no

guarantee that the Foundation will be able to collect the principal and interest coming due on any particular Loan.

**Deficiency in Value of the Mortgaged Property**

The Foundation has not adopted a formal policy limiting the ratio of the amount of a Loan to the value of the property securing the Loan, but applies the loan policies and guidelines adopted by the Foundation's Board of Directors (the "Loan Policies"). Although the Loan Policies set income and debt service standards for loan qualification, the market value of a project is generally less than the cost of constructing or remodeling because of the limited market for facilities of the type constructed and used by the Borrowers. Therefore, in the event of a foreclosure of a Loan, there is no guarantee that the Foundation will be able to sell the mortgaged property for an amount sufficient to repay the Loan secured by such property. The Foundation has not experienced a loss of investment on any Loan it originated within the Portfolio.

**Unpredictability of Demand for First Mortgage Loans**

There can be no assurance that the demand for Loans will be sufficiently strong to allow all of the Portfolio proceeds to be used for Loans. To the extent that the Portfolio has monies in excess of the demand for Loans, the investment of such excess monies in alternative investments pursuant to the Investment Policies may affect the interest return to investors.

**Geographic Concentration of Loans**

Most of the Loans are to congregations or institutions in the States of Texas and New Mexico. Poor economic conditions or decreases in real estate values in either of those states could have an adverse impact on the overall collectability of the Loans.

**Illiquidity of Investment**

There is no public trading market for the Participation Interests, and no trading market is ever likely to develop. The transferability of the Participation Interests is subject to restrictions that are established by applicable state and federal securities laws, and as approved by the Foundation. Therefore, an investor may be unable to sell any of the Participation Interests for an indefinite period of time, although an investment in Participation Interests is returnable within thirty (30) days upon written demand. The Participation Interests may be transferred by gift or donation and by the qualified executor or administrator of the estate of a deceased Participation Interest holder. The Foundation may require suitable evidence of authority in either of such events.

**No Publicly Available Information**

The Foundation and the Portfolio do not, and are not required to, file annual or other periodic reports with the Securities Exchange Commission. Accordingly, there is no publicly available information relating to the Portfolio.

**METHOD OF OFFERING**

The Participation Interests are offered only by the Foundation. At the discretion of the Foundation, investments for Participation Interests may be established by property other than

cash. The Participation Interests are offered only to individuals, including an individual's individual retirement account, trusts of which all trustees and all beneficiaries are individuals residing in Texas and New Mexico and partnerships of which all partners are individuals residing in Texas and New Mexico. The minimum investment is \$1,000 for individuals and trusts and \$100,000 for partnerships. Joint investments are permitted only between husband and wife. All individual investors may establish a "payable on death," or P. O. D. account. A P. O. D. account permits the investor to designate a beneficiary to receive the Participation Interest on the death of the investor. During the investor's life, the investor may change the beneficiary or terminate the P. O. D. account.

No officer, director or staff of the Foundation will receive any fee or pecuniary benefit from the sale of the Participation Interests or the Portfolio's operation, except for reasonable compensation for services actually rendered in performing his or her regular duties. No fees or commission of any kind will be paid to any underwriter, broker or independent salesman for the sale of Participation Interests.

There is no minimum amount of Participation Interests that must be sold, and if the entire amount of the offering is not needed for the purposes intended, the offering may be terminated or limited and the acceptance of subscriptions suspended at any time. The Foundation reserves the right to limit the amount of Participation Interests that may be purchased by any person at any time.

## **INDIVIDUAL RETIREMENT ACCOUNTS**

The Foundation has a program permitting the purchase of Participation Interests as investments for Individual Retirement Accounts ("IRAs"). In order to do so, investors must have an existing IRA that will accept Participation Interests as investments (prospective investors should inquire of their existing IRA to determine if such is the case) or establish a new IRA with a trust company selected by the Foundation. The Foundation currently has an agreement with a trust company whereby the trust company will establish self-directed IRAs to facilitate the purchase of the Foundation's Participation Interests. An investor using this trust company to set up a self-directed IRA will be responsible for the trust company's normal fees and costs.

The trust company will establish IRAs to accommodate IRA roll-overs, transfers from existing IRAs and new accounts, will act as the custodian for such self-directed IRAs and will invest IRA funds in accordance with the IRA holder's instructions to invest in the Portfolio. The Foundation reserves the right to limit the amount it will accept from IRA rollovers or transfers.

Participation Interests purchased as IRA investments will be subject to the same terms, conditions and risks as Participation Interest having the same term to maturity, provided that interest earned on Fixed Rate Participation Interest purchased as investments for IRAs must accrue and be compounded until maturity.

Investors who establish IRAs with the trust company selected by the Foundation may choose either a traditional IRA or, if they qualify, a Roth IRA. IRAs are subject to the rules and

regulations for IRAs as set forth in the Internal Revenue Code and Regulations. Consultation with a competent financial and tax adviser is recommended.

Prospective investors who are considering purchasing one or more Participation Interests for an IRA should contact Investor Services at (512) 331-9971, or by writing to the Foundation at 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808. The Foundation will provide the trust company's IRA kit containing the trust company's IRA application and related materials. The completed IRA application, related documentation and check (made payable to the trust company) in payment for the Participation Interest should be returned to the Foundation as described herein under "**SUBSCRIPTION PROCEDURES.**"

## CAPITALIZATION

The following table sets forth the capitalization of the Methodist Loan Portfolio in terms of balances and investments for the periods December 31, 2005 to December 31, 2009. This table should be reviewed in conjunction with the Selected Financial Information thereto included elsewhere in this Offering Circular. A complete audit is available upon request.

TEXAS METHODIST FOUNDATION  
METHODIST LOAN PORTFOLIO  
DECEMBER 31, 2009

	2005	2006	2007	2008	2009
<b>ASSETS</b>					
Cash and cash equivalents	(64,076)	4,912,845	2,233,703	134,466	249,597
Accrued Interest Rec.	853,887	1,168,158	1,197,933	1,057,376	1,152,533
Loans, net and Church Bonds	233,349,258	243,194,754	259,263,099	267,415,383	305,343,840
	234,139,069	249,275,757	262,694,735	268,607,225	306,745,970
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Principal Due Investors	233,043,536	249,265,599	262,694,735	268,607,225	305,792,079
Notes Payable	1,095,533	10,158	-0-	-0-	953,891
	234,139,069	249,275,757	262,694,735	268,607,225	306,745,970