



August 14, 2008

Dear Individual Fund Investor,

Economic issues have grabbed the headlines lately. We're hearing about the impact of subprime mortgage lending and the growing number of foreclosures on homes in California and other areas. You may be wondering how this impacts your investment with the Texas Methodist Foundation, and I want to take this opportunity to reacquaint you with our lending environment.

Most importantly, conservative underwriting is the mainstay for qualifying churches for loans – as it has been since we began providing loans in the early 1960s. This practice not only supports the long-term stability of the Methodist Loan Fund (Individual Fund), it promotes the long-term vitality of the churches we serve. Compromising programs and staff, for example, to meet debt service obligations is not in the best interests of a church's long-term effectiveness. Sometimes saying "no" is the best way to serve a church.

By relying on the underwriting skill and experience of our loan department, as well as the broad expertise of the loan committee of our board of directors, the Foundation has never suffered a loss of principal or accrued interest on any Foundation-originated loan. With approximately \$260 million in loans, the past due ratio, another indicator of loan portfolio health, remains extremely low. In addition, the Foundation's Undesignated Endowment – now approaching \$14 million – is available to protect investors in the unlikely event such protection is needed.

The economy in Texas remains strong. For example, during this past year foreclosures nationally increased 48%, while foreclosures in Texas increased only 4% (according to Susan Combs, Texas Comptroller, www.texasahead.org/economy/tracking/). We continue to see high demand for loans from churches. This part of the country is fortunate to have strong, vibrant congregations planning for future ministries.

The Texas Methodist Foundation remains strong, as well. With over \$330 million in assets under management, we are the largest United Methodist foundation in the country and the largest lender to United Methodist churches in the country. More importantly, this growth shows we are fulfilling our mission of empowering United Methodist churches and individuals in the six annual conferences we serve to use their resources to help others.

I hope these thoughts, as well as the accompanying interview, are helpful to you in understanding the strength of this organization. I thank you for your investment in the Individual Fund at the Texas Methodist Foundation. Because of investors like you, we are able to provide loans for growing churches that reach out to people in their community, offering the love and hope of Christ.

For the Foundation,

A handwritten signature in black ink that reads "Tom Locke".

Tom Locke
President