



# TEXAS METHODIST FOUNDATION OFFERING CIRCULAR

Relating to a maximum of \$100,000,000  
Participation Interests offered in minimum principal amounts of  
\$1,000 to individuals and trusts and \$100,000 to partnerships

*The date of this Offering Circular is*

**January 15, 2009**

An investment in the Participation Interests does not qualify as a  
deductible charitable contribution under federal tax laws.

**This offering is made only to qualified residents of the states of Texas and New Mexico.**

**See "Risk Factors" for a discussion of certain material factors that should be considered  
in connection with an investment in the Participation Interests.**

## TEXAS METHODIST FOUNDATION

*Incorporated under the Not-for-Profit  
Corporation Law of the State of Texas*

**11709 BOULDER LANE, SUITE 100  
AUSTIN, TEXAS 78726-1808  
800/933-5502  
WWW.TMF-FDN.ORG**

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THESE PARTICIPATION INTERESTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, THE STATES OF TEXAS, NEW MEXICO OR ANY OTHER STATE SECURITIES COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THIS CIRCULAR HAS BEEN PREPARED ON A CONFIDENTIAL BASIS FOR THE BENEFIT OF INVESTORS IN CONNECTION WITH THE SALE OF THE PARTICIPATION INTERESTS. THE PARTICIPATION INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE ACT"), OR THE SECURITIES LAWS OF ANY STATE, IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH LAWS, AND CANNOT BE MORTGAGED, PLEDGED, HYPOTHECATED, TRANSFERRED OR RESOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE UNDER THE ACT AND SUCH LAWS.

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PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENT OF THIS OFFERING CIRCULAR OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS RELATED TO THE PARTICIPATION INTERESTS AS LEGAL OR TAX ADVICE OR AS INFORMATION NECESSARILY APPLICABLE TO A PROSPECTIVE INVESTOR'S PARTICULAR FINANCIAL SITUATION. EACH INVESTOR SHOULD CONSULT HIS OWN FINANCIAL ADVISOR, LEGAL COUNSEL, AND ACCOUNTANT AS TO TAX, LEGAL AND RELATED MATTERS CONCERNING HIS INVESTMENT.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS RELATING TO THIS OFFERING ON BEHALF OF TEXAS METHODIST FOUNDATION OTHER THAN AS INCLUDED IN THIS OFFERING CIRCULAR. NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM MAY BE EMPLOYED IN THE OFFERING OF THE PARTICIPATION INTERESTS OTHER THAN THIS OFFERING CIRCULAR. THIS OFFERING CIRCULAR HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF PERSONS INTERESTED IN THE PARTICIPATION INTERESTS, AND ANY REPRODUCTION, DISTRIBUTION, OR DISCLOSURE OF ANY OF THE CONTENT OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART WITHOUT THE PRIOR WRITTEN CONSENT OF TEXAS METHODIST FOUNDATION IS PROHIBITED.

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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.

## 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 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."

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 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. (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.

### 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, 2003 to December 31, 2007. 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, 2007

	2003	2004	2005	2006	2007
<b>ASSETS</b>					
Cash and cash equivalents	49,717	390,296	(64,076)	4,912,845	<b>2,233,703</b>
Accrued Interest Rec.	714,280	695,455	853,887	1,168,158	<b>1,197,933</b>
Loans, net and Church Bonds	213,006,801	226,025,655	233,349,258	243,194,754	<b>259,263,099</b>
	213,770,798	227,111,406	234,139,069	249,275,757	<b>262,694,735</b>
 <b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Principal Due Investors	211,770,798	226,911,406	233,043,536	249,265,599	<b>262,694,735</b>
Notes Payable	2,000,000	200,000	1,095,533	10,158	<b>-0-</b>
	213,770,798	227,111,406	234,139,069	249,275,757	<b>262,694,735</b>

## DESCRIPTION OF SECURITIES

### General

Each investor in Participation Interests will have an account maintained by the Foundation evidencing that the investor has made an investment of a specified dollar amount with the Foundation and is entitled under the conditions and upon the terms specified in this Offering Circular to participate to that extent in the Master Certificate of Participation. The minimum investment is \$1,000 for individuals and trusts and \$100,000 for partnerships. At the Foundation's discretion, deposits may be established by property contributions other than cash.

While Variable Rate Participation Interests are intended to be for periods of one (1) year or more, investments are returnable upon 30 days' prior written demand. Although the Foundation has 30 days to honor withdrawal requests, in practice those requests have been honored within one business day.

Fixed Rate Participation Interests are generally for a fixed period of twelve (12), twenty four (24), thirty six (36), forty-eight (48) or sixty (60) months and the maturity date is 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 the 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 "Withdrawals and Returns."

### Interest Rate Payments

Interest on the Participation Interests will be compounded monthly. Each investor other than an investor purchasing a Participation Interest through an IRA 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. Interest on a Participation Interest purchased through an IRA will accrue and be compounded until maturity or withdrawal, in the case of Variable Rate Participation Interests.

The difference between the rate paid to the Master Certificate of Participation and the rate paid to Participation Interest holders will be used by the Foundation to defray its operating costs and expenses of operating and maintaining the Participation Interest accounts, including costs and expenses of this offering.

Interest rates payable on the Variable Rate Participation Interests are subject to change monthly. The Foundation's Board of Directors meets semi-annually to, among other items, examine Loan returns and earnings payments to investors, review and approve proposed budgets and amendments, and review budget performance. Operating within the budgets and goals set by the Foundation's Board of Directors, the Foundation's staff may set and modify interest rates on certificates of participation.

The interest rate payable on a Fixed Rate Participation Interest will be established at the time the investment is made and will remain in effect until the maturity date of the Participation Interest.

Additions may not be made to the account after the initial investment. The interest rate and terms offered on Fixed Rate Participation Interests may be set by the Foundation's staff on a weekly basis. The terms being offered at the time the investment is made will determine the interest rate and maturity date of the Fixed Rate Participation Interest. Upon maturity, a Fixed Rate Participation Interest will automatically be converted to a Variable Rate Participation Interest unless the funds are withdrawn or a new Fixed Rate Participation Interest is established by the investor.

The variable interest rate set for the Variable Rate Certificates of Participation and the Master Certificate of Participation, and the fixed rate terms offered for the Fixed Rate Participation Interests are based in part on the earnings from the portfolio of loans that include a combination of both variable and fixed rate loans. There is no minimum interest rate that must be paid by the Foundation on the Master Certificate of Participation and on Variable Rate Participation Interests. (See "**Risk Factors.**").

#### Withdrawals and Returns

Variable Rate Participation Interests will bear no maturity date. Investments may be withdrawn by their record owner, in whole or in part, at face value upon 30 days written demand to the Foundation. Withdrawals will be made in the order of the requests. There can be no assurance, however, the Foundation will have sufficient funds available to honor withdrawal requests. (See "**Risk Factors - Return Upon Demand.**").

Fixed Rate Participation Interests have a maturity date determined at the time the investment is made. Except as provided below, 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. The penalty for an account with an original maturity date of a year or more is four (4) months interest on the amount withdrawn up to the amount of interest earned. The penalty will be charged first against any interest then in the account and then from the principal. This early withdrawal penalty will be waived if: (1) the account owner dies or is declared incompetent, or (3) the account is an IRA account and the request for withdrawal is made within seven days of establishing the account. (The penalty in such case will be all interest earned on the amount withdrawn.)

#### Redemption Rights

The Foundation reserves the right to redeem any Variable Rate Participation Interest, in whole or in part, by payment of the then invested amount plus accrued interest. If the Foundation elects to redeem a Fixed Rate Participation Interest prior to its maturity date, the Foundation will pay a penalty of four (4) months interest up to the amount of interest earned. If the Foundation elects to redeem Participation Interests, it will attempt to select the Participation Interests to be redeemed on a random basis; however, the Foundation reserves the right to use other methods to determine which Participation Interests it will redeem at any given time. Although the Foundation will use its reasonable best efforts to redeem all of an investor's Participation Interests at the same time, partial redemptions may be made at the Foundation's election.

#### Form of Investment

All Participation Interests must be held by individuals residing in Texas and New Mexico, including an IRA, trusts of which all trustees and all current trust beneficiaries are individuals residing in Texas and New Mexico and partnerships of which all partners are individuals residing in Texas and New Mexico. 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. If spouses jointly invest, the account will be held under both names and, unless otherwise directed, will be held under the designation of “joint tenants with right of survivorship.” This designation means that either spouse may access the account for withdrawals and, on the death of one spouse, the entire Participation Interest account will be owned by the surviving spouse.

#### Transferability

Except as provided below, Participation Interests are not transferable. All transfers must be approved by the Foundation. Upon receipt of proper authorization, including evidence of authority and written assignments, Participation Interests may be transferred:

- (i) on death, to the estate or beneficiaries of the deceased Participation Interest holder; or to the beneficiary named in a P. O. D. account
- (ii) by gift or donation; and
- (iii) pursuant to a marital property division ordered or approved by a court order.

#### Notices

All notices of, or requests for, withdrawals, change of address or account information, and transfer requests must be in writing and addressed to the Foundation at 11709 Boulder Lane, Suite 100, Austin, Texas 78726. The Foundation will send all notices and checks to the Participation Interest holder at the address set forth on the Application for Investment, or other address designated in writing by the Participation Interest holder.

#### Liquidity Protection

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. The Foundation may also sell loan participations within the guidelines determined by the Board of Directors. The Foundation may modify its liquidity guidelines at any time without notice to the Participation Interest holders.

## MANAGEMENT'S DISCUSSION OF BUSINESS OPERATIONS

### General

The Foundation has undertaken this offering to provide non-institutional investors an opportunity to participate in the Portfolio. The Foundation facilitates this investment by aggregating the offering proceeds from the Participation Interests and maintaining an investment in the Portfolio through the Master Certificate of Participation.

The Foundation maintains and administers proceeds of the Master Certificate of Participation as well as other certificates of participation from institutional investors for the purpose of making Loans to Borrowers.

The Portfolio's revenues are primarily derived from the interest earned on the Loans. Any portion of the annual revenues earned by the Foundation not used to pay operating expenses and investment returns is added to the Foundation capital and shown in the Foundation's financial statements as undesignated net assets. It is uncertain whether interest rates will increase, decrease or remain constant in the future. A significant increase in interest rates would likely have a material adverse effect on the demand for Loans, thereby causing the Foundation to adjust interest rates paid to investors, including Participation Interest holders, over the long term.

### Operating and Investment Policies

The Foundation generally makes Loans only to Borrowers within the Constituent Community, but may from time to time make Loans to other Borrowers within the United Methodist community. The Foundation administers Loan origination, negotiation and compliance through two committees: the Directors' Loan Committee, composed of directors elected by the Foundation's Board of Directors and the Officers' Loan Committee, composed of the Senior Vice President of Loans and other Foundation officers and personnel appointed by the Foundation's President. Every Loan must be approved by the Directors' Loan Committee or, if the Loan is for \$100,000 or less, the Officers' Loan Committee. The Foundation may make direct Loans to Borrowers or participate with commercial banks and other financial institutions or other not-for-profit corporations in making joint Loans. Loans originated by the Foundation are for either:

- (i) building programs and secured by the first lien deeds of trust on the Borrower's real property; or
- (ii) capital improvements, acquisitions or working capital for Borrowers.

In very rare circumstances, a Loan may be originated which is not secured by a first lien deed of trust.

In considering each Loan application, the Directors' Loan Committee reviews data on construction costs of the proposed project, the value of the property to be mortgaged, the financial capability of the Borrower seeking the Loan and other purposes of the Loan such as

operating capital, along with the Officers' Loan Committee recommendation as to approval or disapproval. The Foundation may from time to time require independent appraisals of properties to be mortgaged, although it is not required to do so by the Loan Policy.

With rare exceptions, every Loan made by the Foundation will be secured by a first lien deed of trust on the real property to be improved or acquired with the Loan proceeds. The priority of the lien is insured by a mortgagee's title insurance policy, naming the Foundation as the mortgagee, issued by a title insurance company licensed to do business in Texas. The documents evidencing the Loans are substantially the same as those used by commercial banks and other institutional lenders in Texas.

Although Loans are typically secured by a first lien on real property, the Foundation's underwriting standards focus primarily on a Borrower's present and anticipated cash flow. The Foundation's expertise in this area shows that cash flow for Borrowers is a stronger indication of credit worthiness than property value. The Borrower must demonstrate the ability to repay the Loan from cash flow. In most cases, full payment of apportionments is required for Borrowers that are churches.

The Foundation will consider unsecured Loans to Borrowers only when the Borrower exhibits impeccable financial strength and an identifiable source of repayment. Unsecured Loans will generally not exceed one (1) year in maturity and interest is collected monthly.

Loans secured by assets other than real estate (e.g., computers, copiers, organs and pianos) will not be for a term that exceeds the asset's useful life, or one (1) year for working capital. Interest is payable monthly on these loans.

The typical Loan is secured by real estate, and is for a term not to exceed 23 years. This term provides for interest and payment terms as follows:

- (i) initially, the Loan interest rate is set in relation to a target rate such as the *Wall Street Journal* prime interest rate (or other major quoted rate), and will be either fixed for a specific time period or may float between interest rate ceilings and floors. These ceilings and floors are generally 3 percentage points above or below (as the case may be) the target rate set on the Loan at the origination date or any subsequent adjustment date. In addition, these loans will have a minimum interest rate that is set so that in no case will the rate on the Loan fall below a set minimum rate;
- (ii) variable interest rate loans may float between the floor and ceilings. These will generally be for a three year period during the term of the Loan, and are adjusted at the end of each period to reflect the then prevailing target rate;
- (iii) monthly loan payments of principal and interest are initially based on a term not to exceed a 20 year amortization, adjusted at the anniversary date

of the Loan during the term of the Loan to reflect adjustments in the interest rate and amortization for the remaining term of the Loan; and

- (iv) Loans are not assumable and may be prepaid without penalty.

Rates and terms offered by the Foundation are set by the Officer's Loan Committee in consultation with the Board of Directors' and take into consideration factors outstanding at the time the Loan is approved. These include general economic conditions, competitive lending environment, liquidity needs and other factors deemed necessary by the Board. The Loan Policy allows for the collection of any such fees as is deemed necessary. These fees are not limited to origination, discount, legal or any other fees associated with the loan process.

#### Origination of Loans

All Borrowers are required to follow certain procedures to authorize the purchase of property, construction or remodeling of buildings, and the borrowing of funds, including provisions found within the Book of Discipline of The United Methodist Church and the Foundation's Loan Policy.

The Foundation evaluates Loan applications in accordance with procedures promulgated from time to time by the Foundation's Board of Directors. At present, the procedures are as follows:

The Borrower must first submit a Loan application on a standard form provided by the Foundation. The completed application contains:

- (a) relevant statistical and financial information about the Borrower's congregation, organization and the proposed project or borrowing need;
- (b) certification by the Borrower's recording secretary showing that the proposed borrowing has been properly authorized by the Borrower's members; and
- (c) formal consent by the district superintendent and the Church's pastor and certification by the district superintendent that the proposed borrowing has been approved by the District Board of Church Location and Building.

The Loan application then is evaluated by the Officers' Loan Committee of the Foundation. In determining the soundness of a Loan, the Officers' Loan Committee must (a) consider the overall financial situation of the applicant Borrower to determine whether it has the resources on hand to make debt service payments based upon written information and reports, (b) evaluate the Borrower, including whether its congregation membership and attendance is growing, evidence the general level of support for the Borrower's programs, including the proposed project, and whether the Borrower is physically located in an area experiencing increasing or decreasing economic growth, and (c) consider whether the project itself is appropriate for the Borrower to be undertaking in light of its financial situation, support for the project, and location of the project. In addition, representatives of the Foundation normally visit the proposed site and meet with the leading members of the Borrower before recommending any Loan for approval by the Directors' Loan Committee. Other information may include:

- (i) most recent two years Local Church Annual Report Form;
- (ii) most recent two years Annual Report of Trustees;
- (iii) most recent two years Annual Report of the Committee on Finance;
- (iv) current year's budget; and
- (v) other information as the Foundation may determine.

If the Officers' Loan Committee determines the Loan to be sound, and the Foundation has sufficient funds to make the Loan, the Loan application is presented to the Directors' Loan Committee, with the Officers' Loan Committee's recommendation for approval. The Directors' Loan Committee evaluates a summary of the Loan Application and either disapproves or approves the Loan and establishes its terms. If the Loan is approved, the Foundation issues a written commitment to the Borrower setting forth the terms and any conditions of the Loan. The Officers' Loan Committee may approve Loans of up to \$100,000 without the Directors' Loan Committee approval. Two members of the Officers' Loan Committee must approve the Loan, one of which must be the Foundation's President or Vice President Loans. Loans approved in this manner are reported to the Directors' Loan Committee at its next scheduled meeting.

#### Employees

As of May 15, 2008, the Foundation employs 32 full and part-time employees. Key officers and staff are described under "**Management.**"

The Foundation has no collective bargaining agreements covering any of its employees, has never experienced any material labor disruption and is unaware of any efforts or plans to organize its employees. The Foundation considers relations with its employees to be excellent.

## MANAGEMENT

#### Directors and Executive Officers

The Foundation's current Board of Directors is set forth on Appendix A.

Operation of the Portfolio is managed and administered through the Directors' Loan Committee (elected by the Foundation's Board of Directors), the Officers' Loan Committee (appointed by the Foundation's President) and certain officers and Foundation staff. As of May 15, 2008, these individuals and their positions are as follows:

Directors' Loan Committee

Mr. George E. Johnson, Jr., Missouri City (Chair)

Dr. Timothy K. Bruster, Fort Worth

Dr. Roberto L. Gomez, Mission

Mr. Terry Kelley, Dallas

Rev. Michael McKee, Hurst

Dr. Clayton Oliphint, Richardson

Rev. Barbara J. Ruth, Corpus Christi

Mr. Robert B. Sunderland,

San Antonio

Officers' Loan Committee

Tom Locke – President, Texas Methodist Foundation

David McCaskill – Senior Vice President Loans, Texas Methodist Foundation

Robert Hoppe - Vice President Special Assets, Texas Methodist Foundation

Carol Nelson – Assistant Vice President, Texas Methodist Foundation

Key Officers and Staff

Tom Locke - President. Mr. Locke joined the Foundation in 1988. His prior experience is in the banking industry. Mr. Locke graduated from Texas A & M University (B.B.A. 1974) and from the Southwestern Graduate School of Banking at S.M.U. (1989). Mr. Locke is in charge of the Foundation's overall operations.

David McCaskill – Senior Vice President Loans. Mr. McCaskill joined the Foundation August 1, 1999. He has twenty-one years of experience at all levels of banking, including working for the Office of the Controller of the Currency (OCC). Mr. McCaskill graduated from Texas A & M University (B.B.A. 1978). Mr. McCaskill's responsibilities include overseeing lending.

Curtis Vick – Senior Vice President Operations. Mr. Vick joined the Foundation in 1982. Mr. Vick graduated from Southwestern University (B.S. 1984). Mr. Vick is primarily responsible for operational, budget and audit functions at the Foundation.

Candy Gross – Vice President Fund and Investor Services. Ms. Gross joined the Foundation in 1989. She currently has oversight of Investor Services, which includes the management of agency, individual, life income and endowment funds, including grants.

Robert Hoppe - Vice President Loans. Mr. Hoppe joined the Foundation in 1989. Mr. Hoppe graduated from The University of Texas at Arlington (B.B.A. 1971). Mr. Hoppe is a licensed real estate broker. He is primarily responsible for the Portfolio's real estate and construction loans.

Karyl Seibert – Special Funds Administrator. Ms. Seibert joined the Foundation in 1992. Ms. Seibert graduated from Texas Tech University (B.B.A. 1984). She is primarily responsible for the administration of Special Funds such as life income and endowment funds for the Foundation.

Sara Beltran - Investor Services. Ms. Beltran's background includes more than 15 years in executive administration and banking. She brings her expertise to the Foundation as the primary administrator of all institutional accounts and individual accounts for the Foundation.

#### Compensation of Directors

Directors of the Foundation do not receive any compensation for serving on the Foundation's Board, although each director receives reimbursement of reasonable out-of-pocket expenses incurred in connection with the director's attendance at meetings of the Foundation's Board of Directors.

Pursuant to the Foundation's By-Laws, the Foundation will indemnify its officers and directors for liability incurred in the performance of their duties on behalf of the Foundation.

### FINANCIAL INFORMATION

Included in this Offering Circular is the Selected Financial Information for the Foundation as of December 31, 2007, from the audited Financial Statements prepared by Maxwell, Locke & Ritter P.A., independent certified public accountants. A complete audit is available on request.

### TAX MATTERS

The following general discussion sets forth certain anticipated federal income tax consequences of the purchase, ownership, or disposition of Participation Interests. The discussion of anticipated federal income tax consequences is based on the Code. The discussion below does not purport to address all aspects of federal taxation that may be relevant to particular investors in light of their individual circumstances, or to certain types of investors subject to special treatment under the federal tax laws. Moreover, there can be no assurance that contrary positions to those positions expressed below will not be taken by the Internal Revenue Service. Prospective investors are advised to consult their own tax advisor regarding the federal income tax consequences from the purchase, ownership, or disposition of Participation Interests, as well as any tax consequences arising under the laws of the States of Texas and New Mexico, or any local government, or any foreign government.

Except for interest earned on Participation Interests held by an IRA, interest earned on Participation Interests will be treated as interest income for federal tax purposes. Therefore, unless the Participation Interest holder is exempted from the federal income tax by Section 501(a) (or another Section) of the Code, the Participation Interest holder must include the interest earned in his or her income on an annual basis.

Unless an exception to the reporting requirement applies, the Foundation will report annually (or more frequently if required) to the Participation Interest holders and to the Internal Revenue Service with respect to the interest paid or credited to such Participation Interest holders.

The Foundation has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code as an organization described by Section 501 (c)(3) of the Code. However, an investment in Participation Interests does not entitle the investor to an income tax deduction and will not qualify as a charitable contribution under Section 170 of the Code.

Under the Code, a Participation Interest holder other than a corporation may, under certain circumstances, be subject to “backup withholding” at a rate of 28% with respect to payments on the Participation Interests. This withholding generally applies if the non-corporate Participation Interest holder

- (i) fails to furnish the Foundation such holder’s social security number or other taxpayer identification number (“TIN”),
- (ii) furnishes the Foundation an incorrect TIN,
- (iii) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code, or
- (iv) under certain circumstances, fails to provide the Foundation or such holder’s broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such holder is not subject to backup withholding.

Participation Interest holders should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedures for obtaining the exemption.

If the holder of Participation Interests sells or otherwise transfers Participation Interests for an amount other than its face value, taxable gain or loss may result, as with any sale or other transfer of an investment.

Because Participation Interests are general unsecured obligations of the Foundation, investors in Participation Interests exceeding \$250,000 in the aggregate may be viewed by the Internal Revenue Service as participating in a loan subject to Section 7872 of the Code. In the event Section 7872 is determined to apply to such investors and none of the exceptions under Section 7872 apply, interest income will be imputed to (i.e., deemed received by) the investor over and above the actual interest paid by the Foundation and deemed gifted by the investor to the Foundation as a charitable contribution. A corresponding charitable contribution deduction may be available to any investor required to impute interest income under Section 7872. Investors should consult their own tax advisor concerning the application of Section 7872.

## ADDITIONAL INFORMATION

Upon request, each Participation Interest holder will be provided with the Foundation’s most recent annual financial statement prepared by an independent public accounting firm.

Prospective investors may obtain additional information regarding the Foundation, its activities, and any other matter discussed in this Offering Circular by contacting Investor Services at (800) 933-5502 or (512) 331-9971, or by writing at 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808. Information may also be obtained by visiting our website at [www.tmf-fdn.org](http://www.tmf-fdn.org).

Any statements contained herein concerning the provisions of any document are not necessarily complete, and in each such instance reference is made to the copy of such document filed as an exhibit to this Offering Circular. Each such statement is qualified in its entirety by such reference.

## SUBSCRIPTION PROCEDURES

To subscribe to Participation Interests, each interested investor other than an IRA should complete the applicable Application for Investment included in this Offering Circular as Appendix C, Appendix D or Appendix E, as applicable. Persons wishing to purchase Participation Interests through IRAs must follow the subscription procedures set forth under the heading “**Individual Retirement Accounts**” herein. The completed Application for Investment, including the investor’s check for the initial investment, and any request for IRA investment materials should be delivered to:

Investor Services  
Texas Methodist Foundation  
11709 Boulder Lane  
Suite 100  
Austin, Texas 78726-1808

APPENDIX A  
BOARD OF DIRECTORS - TEXAS METHODIST FOUNDATION

Robert W. Dupuy, Chair	HOUSTON
ABILENE	Bishop Janice Riggle Huie
Bynum Miers	Jacki Lammert
ALBUQUERQUE, NM	* Ruth Palmer
*Bishop D. Max Whitfield	James V. Walzel
AMARILLO	HURST
Charles King	Bliss Dodd
** Clifford E. Trotter	Rev. Michael McKee
AUSTIN	** Dr. Sidney Roberts
Jefferson K. Brim, III	LUBBOCK
James A. Cox, Jr.	Rev. Ava B. Berry
Beverly S. Silas	** Harold O. Harriger
BRYAN	MISSION
Dr. Donald R. House	Dr. Roberto L. Gómez
COLLEGE STATION	MISSOURI CITY
Dr. W. Earl Bledsoe	George E. Johnson, Jr.
COPPELL	Rev. Gail Ford Smith
* Cheryl Haynes	PERRYTON
CORPUS CHRISTI	Randy W. Brillhart
Rev. Barbara J. Ruth	RICHARDSON
DALLAS	Dr. Clayton Oliphint
Rev. James Dorff	ROWLETT
Robert W. Dupuy	Rev. Katherine Glaze Lyle
Terry Kelley	SAN ANTONIO
Bishop W. Earl Bledsoe	Dr. J. Michael Lowry
De LEON	* Bishop Jim Dorff
Hiram Smith	Robert T. Rork
DeSOTO	Robert C. Scott
Dr. Thalia Matherson	Robert B. Sunderland
FORT WORTH	Abel Vega, Jr.
Dr. Timothy K. Bruster	TEXARKANA
Bishop J. Michael Lowry	** Gloria J. Moores
Tom Harkrider	WICHITA FALLS
FRISCO	Patricia M. Deal
Joseph W. Holmes	Kay Yeager
	* Advisory Directors
	** Directors Emeritus

APPENDIX B

**TEXAS METHODIST FOUNDATION  
SELECTED FINANCIAL INFORMATION**

from the Audited Financial Statements prepared by Maxwell, Locke & Ritter, P.A.

**CONSOLIDATED SUPPLEMENTAL SCHEDULES OF FINANCIAL POSITION BY FUND**

**DECEMBER 31, 2007**

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2006)

	<u>Total 2006</u>	<u>Total 2007</u>	<u>Funds Owned</u>	<u>Life Income Fund</u>	<u>Endowment Fund</u>	<u>Funds Managed for Investors</u>	
						<u>Foundation Designated Investments</u>	<u>Owner Designated Investments</u>
<b>ASSETS</b>							
Cash	\$ 6,516,766	\$ 4,942,898	95,964	535,640	1,121,333	2,743,283	446,678
Accrued interest receivable	1,621,426	1,388,885	49,973	37,495	136,257	1,112,155	53,005
Stewardship consulting fees receivable	16,000	79,125	79,125	-	-	-	-
Pledges receivable	194,358	183,208	183,208	-	-	-	-
Loans	251,541,945	267,910,529	10,746,884	4,759,019	19,769,609	224,312,571	8,322,446
Corporate bonds and government securities	15,675,708	9,356,395	-	975,514	2,343,698	3,605,681	2,431,502
Stocks	33,867,684	36,106,025	202,787	7,045,402	12,965,736	12,331,792	3,560,308
Certificates of deposit	4,002,642	5,589,686	11,996	35,588	97,045	5,445,057	-
Land and buildings	1,428,643	406,176	-	-	48,669	-	357,507
Oil and gas interests	84,817	43,387	954	-	39,433	-	3,000
Other investments	69,093	123,328	-	-	123,327	-	1
Fixed assets, net	3,199,258	3,144,953	3,134,953	-	10,000	-	-
Prepaid expenses	486	146,218	146,218	-	-	-	-
<b>TOTAL</b>	<u>\$ 318,218,826</u>	<u>\$ 329,420,813</u>	<u>14,652,062</u>	<u>13,388,658</u>	<u>36,655,107</u>	<u>249,550,539</u>	<u>15,174,447</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES:</b>							
Distributions, grants and accounts payable	\$ 2,043,267	\$ 2,368,979	155,156	36,183	1,533,260	11,105	633,275
Deferred revenue	30,941	121,726	121,726	-	-	-	-
Deferred grant revenue	800,000	400,000	400,000	-	-	-	-
Funds managed for investors	256,463,595	264,080,606	-	-	-	249,539,434	14,541,172
Funds held as agent	30,800,888	32,174,428	-	13,246,498	18,927,930	-	-
Total Liabilities	<u>290,138,691</u>	<u>299,145,739</u>	<u>676,882</u>	<u>13,282,681</u>	<u>20,461,190</u>	<u>249,550,539</u>	<u>15,174,447</u>
<b>NET ASSETS</b>	<u>28,080,135</u>	<u>30,275,074</u>	<u>13,975,180</u>	<u>105,977</u>	<u>16,193,917</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 318,218,826</u>	<u>\$ 329,420,813</u>	<u>14,652,062</u>	<u>13,388,658</u>	<u>36,655,107</u>	<u>249,550,539</u>	<u>15,174,447</u>

APPENDIX B continued

**THE TEXAS METHODIST FOUNDATION**

**SCHEDULE OF SELECTED FINANCIAL DATA  
FOR EACH OF THE SEVEN YEARS IN THE PERIOD ENDED DECEMBER 31, 2007**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>FOR THE YEAR ENDED:</b>							
Contributions and bequests, net	134,415	253,529	247,423	833,655	2,141,631	2,105,212	<b>982,585</b>
Other contributed capital	-	145,260	325,953	104,703	272,184	145,519	<b>551,570</b>
Net principal additions in funds managed for investors	12,476,771	32,366,942	6,033,495	11,446,161	6,651,159	17,285,387	<b>7,617,011</b>
<b>AT YEAR END:</b>							
Cash	2,076,002	981,108	49,844	392,304	197,860	6,516,766	<b>4,942,898</b>
Loans and church bonds	182,119,269	220,698,876	219,582,162	222,510,383	239,448,532	251,541,945	<b>267,910,529</b>
Other securities	36,352,555	33,850,456	40,158,663	50,028,561	47,236,572	53,546,034	<b>51,052,106</b>
Operating and memorial net assets	6,164,933	7,280,488	8,645,678	9,518,041	11,312,376	12,791,079	<b>12,349,487</b>
TMF Institute for Clergy and Congregational Excellence	-	-	-	-	-	-	<b>1,625,693</b>
Permanent Gifts (Foundation, trustee)	25,786,530	25,373,834	28,896,522	31,281,898	37,838,194	45,239,861	<b>49,097,027</b>
Total assets	226,613,821	261,341,466	265,646,023	277,861,048	292,478,260	318,218,826	<b>329,420,813</b>

APPENDIX C

TEXAS METHODIST FOUNDATION
APPLICATION FOR INVESTMENT – FOR INDIVIDUALS

Please complete the following application to purchase a Participation Interest. IF THE PURCHASE WILL BE MADE THROUGH AN IRA, PLEASE CONTACT THE FOUNDATION FOR THE APPROPRIATE SUBSCRIPTION MATERIALS. If choosing to set up the account as a joint investment the account will be styled as joint tenants with right of survivorship. (Please print)

Please circle – Salutation: Mr. Ms. Mrs. Rev. Dr.

Mr. Ms. Mrs. Rev. Dr.

OWNER \_\_\_\_\_ JOINT OWNER \_\_\_\_\_

BIRTH DATE \_\_\_\_\_ BIRTH DATE \_\_\_\_\_

OWNER SOCIAL SECURITY NO. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ JOINT OWNER SOCIAL SECURITY NO. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

MAILING ADDRESS \_\_\_\_\_
Street City State Zip

TELEPHONE (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ FAX (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

EMAIL \_\_\_\_\_

CHURCH NAME (Optional) \_\_\_\_\_

The undersigned's personal net worth (total assets minus total liabilities) exceeds five (5) times the amount of investment in the Participation Interests.
\_\_\_\_ YES \_\_\_\_NO

AMOUNT OF INVESTMENT: \$ \_\_\_\_\_ (include check)

The minimum investment is \$1,000.00. Please make your check payable to:
Texas Methodist Foundation, 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808

TERM: (Please check one)

- \_\_\_\_ Variable Rate
\_\_\_\_ 12 Months – Fixed
\_\_\_\_ 24 Months – Fixed
\_\_\_\_ 36 Months – Fixed
\_\_\_\_ 48 Months – Fixed
\_\_\_\_ 60 Months – Fixed

INCOME DISTRIBUTION OPTIONS: (Please check one)

- \_\_\_\_ Reinvest - Interest to be paid by check upon written request
\_\_\_\_ SEMI-ANNUAL (Interest to be paid by check on or about January 1 and July 1)
\_\_\_\_ MONTHLY (Available only if investment is \$10,000 or more, interest to be paid by check)

PAYABLE ON DEATH OPTIONS: (Please check one)

\_\_\_\_ Yes, I would like to designate a P. O. D. beneficiary(ies).

Beneficiary(ies):

\_\_\_\_ No, I do not wish to designate a P. O. D. beneficiary at this time.

If yes, please include your designated beneficiaries.

\_\_\_\_
\_\_\_\_
\_\_\_\_

Initials \_\_\_\_\_

APPENDIX C continued

**TEXAS METHODIST FOUNDATION  
APPLICATION FOR INVESTMENT – FOR INDIVIDUALS**

Page 2

A fixed rate investment account has a designated maturity date. Principal may not be added to the account after the initial investment is made and the account is opened. Principal may not be withdrawn from this account before the maturity date without the consent of Texas Methodist Foundation; and, except as provided below, a penalty will be charged for such early withdrawal. The penalty for an account with an original maturity date of a year or more is four (4) months interest on the amount withdrawn up to the amount of interest earned. The penalty will be charged first against any interest then in the account, second from the principal and any excess will be deducted from the amount withdrawn. This early withdrawal penalty will be waived if: (1) any account owner dies or is declared incompetent, or (2) the account is an I.R.A. account and the undersigned is at least 59 ½ years of age or disabled at the time of the withdrawal request, or (3) the account is an I.R.A. account and the request for withdrawal is made within seven days of establishing the account. (The penalty in such case will be all interest earned on the amount withdrawn.) Upon maturity this account shall be automatically converted to a variable rate investment account unless the funds are withdrawn or another fixed rate investment opportunity is offered to and specifically chosen by the undersigned.

The undersigned hereby makes application for investment in the amount indicated above in the Participation Interests offered by Texas Methodist Foundation (“Foundation”) to be applied toward investment in the Master Certificate of Participation as described in the Foundation’s Offering Circular dated March 10, 2006 (“Offering Circular”).

The undersigned certifies that a copy of the Offering Circular has been received. The undersigned further certifies that the undersigned is (i) over the age of eighteen (18) years; (ii) not under any disability which would require approval of any third person for this investment; (iii) acquiring the Participation Interests for personal investment and not with the intent of transferring the Participation Interests; and (iv) a full-time resident of Texas or New Mexico. The undersigned understands and agrees that the undersigned’s investment in Participation Interests will be held and administered by the Foundation under the terms of the Offering Circular.

On August 5, 1983, Congress repealed the law that would provide for withholding 10% of all interest payments made to individuals. At the same time, it adopted a new provision called “Backup Withholding”. This became effective January 1, 1984 and will require the Portfolio to withhold 28% of the undersigned’s interest payments unless it has been furnished a correct Social Security Number. To avoid this, please include your Social Security Number and sign the following IRS Certification.

Under penalties of perjury, by signing below, I certify that the number shown on this form is my correct Social Security Number. I further certify that I am not now subject to Backup Withholding either: (a) because the IRS has not notified me that I am, or (b) the IRS has notified me that I am no longer subject to Backup Withholding.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Spouse’s Signature

\_\_\_\_\_  
Date

APPENDIX D

**TEXAS METHODIST FOUNDATION  
APPLICATION FOR INVESTMENT – FOR TRUSTS**

Please complete the following application to purchase Participation Interests. (Please print)

TRUSTEE: \_\_\_\_\_

TITLE AND DATE OF TRUST INSTRUMENT: \_\_\_\_\_ TRUST TAX  
IDENTIFICATION NO. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

MAILING ADDRESS \_\_\_\_\_  
Street City State Zip

TELEPHONE (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ FAX (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ EMAIL \_\_\_\_\_

CHURCH NAME (Optional) \_\_\_\_\_

The net worth of the trust making this application (the "Trust") (total assets minus total liabilities) exceeds five (5) times the amount of investment in the Participation Interests. \_\_\_\_ YES \_\_\_\_ NO

AMOUNT OF INVESTMENT: \$ \_\_\_\_\_ (include check)

**The minimum investment is \$1,000.00. Please make your check payable to:  
Texas Methodist Foundation, 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808**

<p><b>TERM: (Please check one)</b></p> <p>_____ Variable Rate</p> <p>_____ 12 Months - Fixed</p> <p>_____ 24 Months - Fixed</p> <p>_____ 36 Months – Fixed</p> <p>_____ 48 Months – Fixed</p> <p>_____ 60 Months – Fixed</p>	<p><b>INCOME DISTRIBUTION OPTIONS: (Please check one)</b></p> <p>_____ Reinvest - Interest to be paid by check upon written request</p> <p>_____ SEMI-ANNUAL (Interest to be paid by check on or about January 1 and July 1)</p> <p>_____ MONTHLY (Available only if investment is \$10,000 or more, interest to be paid by check)</p>
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A fixed rate investment account has a designated maturity date. Principal may not be added to the account after the initial investment is made and the account is opened. Principal may not be withdrawn from this account before the maturity date without the consent of Texas Methodist Foundation; and, except as provided below, a penalty will be charged for such early withdrawal. The penalty for an account with an original maturity date of a year or more is four (4) months interest on the amount withdrawn up to the amount of interest earned. The penalty will be charged first against any interest then in the account, second from the principal and any excess will be deducted from the amount withdrawn. Upon maturity this account shall be automatically converted to a variable rate investment account unless the funds are withdrawn or another fixed rate investment opportunity is offered to and specifically chosen by the Trust.

The trustee named above (the "Trustee") hereby makes application on behalf of the Trust for investment in the amount indicated above in the Participation Interests offered by Texas Methodist Foundation ("Foundation") to be applied toward investment in the Master Certificate of Participation as described in the Foundation's Offering Circular dated March 10, 2006 ("Offering Circular").

The Trustee certifies that a copy of the Offering Circular has been received. The Trustee further certifies that (i) the Trustee is the trustee of the Trust; (ii) the Trustee has full power and authority to make this investment on behalf of the Trust; (iii) the Trustee is acquiring the Participation Interests on behalf of the Trust as investment and not with the intent of transferring the Participation Interests; and (iv) the Trust was not organized for the purpose of purchasing Participation Interests. The Trustee understands and agrees that the Trust's investment in Participation Interests will be held and administered by the Foundation under the terms of the Offering Circular. The Trustee further certifies that the Trustee is a full-time resident of the State of Texas or New Mexico, that each current beneficiary of the Trust is a resident of the State of Texas or New Mexico and that the trust instrument creating the trust is governed by Texas or New Mexico law. Each rollover of an investment will constitute the Trustee's certification that the foregoing certification remains true at the time of such rollover.

On August 5, 1983, Congress repealed the law that would provide for withholding 10% of all interest payments made to individuals. At the same time, it adopted a new provision called "Backup Withholding". This became effective January 1, 1984 and will require the Portfolio to withhold 28% of your interest payments unless we have been furnished a correct Social Security or Tax Identification Number. To avoid this, please include your Social Security Number or Tax Identification Number and sign the following IRS Certification.

Under penalties of perjury, by signing below, I certify that the number shown on this form is my correct Social Security or Tax Identification Number. I further certify that I am not now subject to Backup Withholding either: (a) because the IRS has not notified me that I am, or (b) the IRS has notified me that I am no longer subject to Backup Withholding.

\_\_\_\_\_  
Signature Date

## APPENDIX E

### TEXAS METHODIST FOUNDATION APPLICATION FOR INVESTMENT – FOR PARTNERSHIPS

Please complete the following application to purchase Participation Interests. (Please print)

NAME OF GENERAL PARTNER (if a limited partnership): \_\_\_\_\_

NAME OF PARTNERSHIP: \_\_\_\_\_

PARTNERSHIP TAX ID NO. \_\_\_\_\_

MAILING ADDRESS \_\_\_\_\_

Street City State Zip

TELEPHONE (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ FAX (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ EMAIL \_\_\_\_\_

CHURCH NAME (Optional) \_\_\_\_\_

The net worth of the partnership making this application (the "Partnership") (total assets minus total liabilities) exceeds five (5) times the amount of investment in the Participation Interests.  YES  NO

AMOUNT OF INVESTMENT: \$ \_\_\_\_\_ (include check)

**The minimum investment is \$100,000.00. Please make your check payable to:  
Texas Methodist Foundation, 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808**

<p><b>TERM: (Please check one)</b></p> <p><input type="checkbox"/> Variable Rate</p> <p><input type="checkbox"/> 12 Months - Fixed</p> <p><input type="checkbox"/> 24 Months - Fixed</p> <p><input type="checkbox"/> 36 Months - Fixed</p> <p><input type="checkbox"/> 48 Months - Fixed</p> <p><input type="checkbox"/> 60 Months - Fixed</p>	<p><b>INCOME DISTRIBUTION OPTIONS: (Please check one)</b></p> <p><input type="checkbox"/> Reinvest - Interest to be paid by check upon written request</p> <p><input type="checkbox"/> SEMI-ANNUAL (Interest to be paid by check on or about January 1 and July 1)</p> <p><input type="checkbox"/> MONTHLY (Available only if investment is \$10,000 or more, interest to be paid by check)</p>
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A fixed rate investment account has a designated maturity date. Principal may not be added to the account after the initial investment is made and the account is opened. Principal may not be withdrawn from this account before the maturity date without the consent of Texas Methodist Foundation; and, except as provided below, a penalty will be charged for such early withdrawal. The penalty for an account with an original maturity date of a year or more is four (4) months interest on the amount withdrawn up to the amount of interest earned. The penalty will be charged first against any interest then in the account, second from the principal and any excess will be deducted from the amount withdrawn. Upon maturity this account shall be automatically converted to a variable rate investment account unless the funds are withdrawn or another fixed rate investment opportunity is offered to and specifically chosen by the Partnership. Each rollover of an investment will constitute the Partnership's certification that the foregoing certification remains true at the time of such rollover.

The Partnership hereby makes application for investment in the amount indicated above in the Participation Interests offered by Texas Methodist Foundation ("Foundation") to be applied toward investment in the Master Certificate of Participation as described in the Foundation's Offering Circular dated March 10, 2006 ("Offering Circular").

The undersigned certifies that a copy of the Offering Circular has been received by the Partnership. The undersigned further certifies that (a) he or she is a partner of the Partnership; (b) he or she has full power and authority to make this investment on behalf of the Partnership; (c) the Partnership is acquiring the Participation Interests for investment and not with the intent of transferring the Participation Interests; and (d) the Partnership was not formed for the purpose of purchasing Participation Interests. The undersigned understands and agrees that the Partnership's investment in Participation Interests will be held and administered by the Foundation under the terms of the Offering Circular. The undersigned certifies that the Partnership's principal place of business is located in Texas or New Mexico, that all partners of the Partnership are individuals residing full-time in Texas or New Mexico and that the partnership agreement establishing the Partnership is governed by Texas or New Mexico law.

\_\_\_\_\_  
Signature Date

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