



TMF  
Stewarding Potential



JULY 2022

# INVESTMENT OPPORTUNITIES INFORMATION STATEMENT

**TEXAS METHODIST FOUNDATION Inc. (“TMF”)**  
**INVESTMENT OPPORTUNITIES**  
**INFORMATION STATEMENT**  
**Effective July 1, 2022**

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## **ABOUT THE FOUNDATION**

TMF (the “Texas Methodist Foundation Inc.”) is a Texas not-for-profit corporation operated as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986 (“Code”). TMF was founded in 1938 and exists to empower churches and related entities – with purposes in alignment with the Wesleyan tradition – to achieve their God-appointed missions.

TMF serves United Methodist Churches and related institutions within six separate geographically designated conferences in Texas and New Mexico (said churches and related institutions collectively the “Constituent Community”).

TMF is the issuer of Investment Notes (“TMF Investment Notes” or “TMF Notes”), the proceeds of which support the origination of – and investment in -- loans to churches and related entities which draw their origins from the Wesleyan-Episcopal movement of the 18<sup>th</sup> Century and those churches and entities which share common purposes. The TMF Notes are issued in both variable rate and fixed rate form, and are herein referred to as the:

### **TMF Variable Rate Notes**

**and;**

### **TMF Fixed Rate Notes**

TMF’s investment services also include the management of the following Investment Portfolios (herein so called) which are described in this Information Statement (“Information Statement”) and the investment composition of which are governed by TMF’s Investment Policy Statement (the “Investment Policy”) established from time to time by TMF’s Board of Directors (the “Board”):

### **TMF Short Term Portfolio**

### **TMF Balanced Portfolio**

TMF typically uses one or more of these Investment Portfolios for the investment of its own undesignated endowment assets and funds for which it has investment responsibility. TMF is willing to allow Eligible Investors (hereafter defined) to invest in one or more of the Investment Portfolios based upon the independent judgment of the respective Eligible Investor. TMF’s allowing investment in the Investment Portfolios by Eligible Investors is to accommodate the Eligible Investor and in so doing the TMF is not offering any investment advice or direction and is not recommending any investment.

In addition to the above referenced Investment Portfolios, TMF uses selected Wespath Funds for the investment of its own funds and funds for which it has investment responsibility.

TMF offers the following Wespath Funds to Eligible Investors to invest in one or more based upon the independent judgment of the respective Eligible Investor:

**Wespath U.S. Equity Fund – I Series    Wespath International Equity Fund – I Series**  
**Wespath Fixed Income Fund – I Series    Wespath Inflation Protection Fund – I Series**  
**Wespath Multiple Asset Fund – I Series**

As used in this Information Statement the term “Eligible Investor” or, alternately, “Constituent Community” means, except as otherwise provided in this paragraph: (i) United Methodist Churches and United Methodist related institutions, both described in Section 501(c)(3) of the Internal Revenue Code of the United States and tax exempt and (ii) other Christian churches and related entities which



trace their origin to the Wesleyan-Episcopal movement of the 18<sup>th</sup> Century; and (iii) those churches and related entities engaged in activities with purposes in alignment with the Wesleyan tradition (provided that each is a tax-exempt entity described in Section 501(c)(3) of the Internal Revenue Code of the United States. An Eligible Investor must have its principal place of its activities or incorporation in the states of Texas and New Mexico.

“Eligible Investor” does not include individuals. Nor does “Eligible Investor” include entities with their principal place of business/state of incorporation in a state other than Texas and New Mexico.

Eligible Investors may obtain a copy of the Investment Policy by making a request for a copy to TMF. See “*Additional Information*” herein.

In addition to making available the TMF Investment Notes, the TMF Investment Portfolios and the Wespath Funds, TMF provides various other financial services and non-financial services to churches and related entities within the Constituent Community, including:

- Consulting on proposed building projects, including financing options and debt service capabilities
- Consulting with congregations on issues of purpose and identity
- Connecting congregations with the resources they need to live out God’s purposes for them
- Developing cultures of generosity within congregations
- Providing loans to churches
- Building endowments to fund current and future ministries
- Assisting individuals in expressing their deepest values through legacy giving
- Providing grants for worthy causes working toward lasting change
- Offering learning platforms for clergy and lay leaders

## **THE INVESTMENT PORTFOLIOS**

### **CERTAIN DEFINITIONS**

As used in this Information Statement the following terms have the indicated meaning:

“Valuation Date” means the last business day of the respective calendar month.

“Wespath” means Wespath Institutional Investments LLC, a not-for-profit subsidiary of Wespath Benefits and Investments, which works exclusively with 501(c)(3) organizations—churches and related entities. Wespath Institutional Investments provides investment services to companies organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes, and to certain pooled investment vehicles maintained by such companies (collectively, “Charitable Organizations”). WII is not registered as an investment advisor under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or under any comparable local, state or federal law or statute, in reliance on exemptions from such registration available to investment advisers to such Charitable Organizations.

“Wespath Fund” means an investment fund formed and managed by Wespath and designated by a name reflecting the type of investment fund it is (e.g. Wespath Equity Fund, Wespath Fixed Income Fund, etc.) The Wespath Funds in which the Foundation currently invests and/or offers are listed in the section below “Wespath Funds”. Descriptions of the Wespath Funds may be found at: <https://www.wespath.com/home.html>

## REFERENCES TO PAST PERFORMANCE

*All expressed or implied references to the past performance of any of the Investment Portfolios are qualified by the following: Past performance does not predict or guarantee future performance.*

### TMF SHORT TERM PORTFOLIO:

**Purpose:** The principal purpose of the TMF Short Term Portfolio is to provide a vehicle by which Eligible Investors can invest money in an investment pool to achieve current income consistent with the preservation of capital and the maintenance of liquidity through investments in short term investments.

**Investments:** The TMF Short Term Portfolio pools invested funds and purchases cash equivalents, money market funds, certificates of deposits and high-grade government, government agency and corporate bonds and commercial paper. In addition, TMF may direct investment of up to 25% of TMF Short Term Portfolio assets into TMF Investment Notes (described below). An investment in the TMF Short Term Portfolio does not entitle the investor to an interest in any particular assets in the TMF Short Term Portfolio. All of these investments are made pursuant to the Investment Policy, which requires, among other things, that all investments have a term of less than five years and that at least one-third of all investments mature within one year.

**Terms of Investment:** The TMF Short Term Portfolio is designed for Eligible Investors who seek short term investments. There is no minimum investment and no suggested minimum retention period. Investors may request a withdrawal at any time. Although TMF may take up to 90 days to honor all proper withdrawal requests, TMF historically has processed withdrawals within one business day of receipt of written request. See “*Risks of Investment – Liquidity of Investment*” and “*—Return of Investment*” herein. TMF receives reimbursement from the TMF Short Term Portfolio of the costs incurred by TMF in operating the TMF Short Term Portfolio. See “*Administration and Management Fees*” herein.

**Returns:** The TMF Short Term Portfolio has historically provided a stable rate of return on investments comparable to that of money market accounts. Operating within the budgets and goals set by the Board, TMF’s staff sets and modifies the rate of return paid to investors in the TMF Short Term Portfolio on a monthly basis. Current rates, as established from time to time by TMF, may be found at: <https://tmf-fdn.org/invest/impact-investments>. The rate of return paid is based in large part on changes in interest rates and changes in the broader financial markets.

Earnings at the applicable rate of return on investments in the TMF Short Term Portfolio are credited monthly and paid at the times requested by each individual investor (e.g., monthly or quarterly), but not more often than monthly. Earnings are prorated for partial periods and computed daily based on the amount invested.

**Portfolio Stability:** The overall stability of the TMF Short Term Portfolio is dependent on the nature and quality of its assets and the Foundation does not make any representation regarding the stability of the TMF Short Term Portfolio. Historically, the rate of return paid on investments in the TMF Short Term Portfolio has been comparable to that of money market accounts maintained at for profit financial institutions.

**Suitability:** The TMF Short Term Portfolio is suitable for Eligible Investors who desire a short term investment for cash management purposes.

**Risks:** Investment in the TMF Short Term Portfolio is subject to one or more risks as described in the section of this Information Statement entitled “**RISKS OF INVESTMENT**”.

## **TMF INVESTMENT NOTES (ALSO KNOWN AS THE “LOAN PORTFOLIO”):**

**Purpose:** The principal purpose of the TMF Investment Notes is to raise capital for the origination of – and investment in -- loans to members of the Constituent Community for building programs and other capital investments.

**Loans:** The TMF Investment Notes pools money invested by Eligible Investors and provides loans to members of the Constituent Community, mostly United Methodist Churches. An investment in the Loan Portfolio does not entitle the investor to an interest in any particular assets or loans in the Loan Portfolio.

Loans are made pursuant to TMF’s Loan Policy which is established by the Board from time to time and implemented by the Foundation’s Director’s Loan Committee and TMF’s Officer’s Loan Committee. The Director’s Loan Committee and the Officer’s Loan Committee must approve any exception to the Loan Policy. Typically, the loans are for (i) building programs and secured by first lien deeds of trust on the borrower’s real property; or (ii) capital improvements and acquisitions or working capital for borrowers. Real estate-secured loans comprise the vast majority of all loans originated by TMF. Most borrowers are within the Constituent Community, but TMF may originate loans to borrowers outside of the Constituent Community from time to time. Occasionally, a loan may be originated which is not secured by a first lien deed of trust. In general, the loans are documented and secured by agreements and assignments of interests typical of “for profit” commercial lenders used in connection with real estate loans through borrowing entities, and, where applicable, must show compliance with the rules governing their denominational affiliation. The loans have terms that generally do not exceed 23 years and may be fixed for a specific time period or provide for adjustable interest rates. The loan interest rate is typically set by reference to the prime rate as reported in the *Wall Street Journal* and the variance (either above or below) from said prime rate is set by TMF from time to time.

TMF’s Offering Circular describes in detail the risks associated with TMF Investment Notes.

Eligible Investors may obtain a copy of the Loan Policy upon request.

**Investments:** Most of the proceeds of the TMF Investment Notes are invested in loans originated by TMF. When the capital raised by TMF through the issuance of Notes exceeds the amount invested in loans, TMF may invest these assets in the TMF Short Term Portfolio (described above) in accordance with the Investment Policy.

**Terms of Investment:** Investments may be made in the TMF Investment Notes through either a “Variable Rate Investment” or a “Fixed Rate Investment.”

A Variable Rate Investment in the TMF Investment Notes is designed for investments of one year or more at variable rates reset from time to time by TMF. Rates vary and the current rates may be found at <https://tmf-fdn.org/invest/impact-investments>. Although TMF may take up to 90 days to honor all proper withdrawal requests, TMF historically has processed withdrawal requests within one business day of receipt of written request. Because most of the proceeds received by TMF through the issuance of Notes are placed in loans, and therefore relatively illiquid, availability of sufficient liquid assets to return investments is contingent on available cash resources. If an unusual number of investors demand repayment in a short period of time, TMF may not have sufficient liquid assets to honor all repayments at once. See “*Risks of Investment – Liquidity of Investment*” and “*—Return of Investment*” herein.

A Fixed Rate Investment in the TMF Investment Notes is designed for investments at a fixed rate and for a designated period of time in accordance with the terms offered by TMF at the time the investment

is made. Current rates, which may be changed from time to time by TMF, may be found at: <https://tmf-fdn.org/invest/impact-investments>.

Each Fixed Rate TMF Investment Notes 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 the account before the maturity date without the consent of TMF, and a penalty will be charged for such early withdrawal. The penalty for early withdrawal is four month's interest on the amount withdrawn. The penalty will be charged first against any interest then in the account and then from principal. Upon maturity a Fixed Rate Investment account is automatically converted to a Variable Rate Investment account unless the account assets are withdrawn, or another fixed rate investment opportunity is offered by TMF and specifically chosen by the Investor.

**Returns:** Historically, an investment in the TMF Variable Rate Investment Notes has provided a stable rate of return on investment. Operating within the budgets and goals set by the Board, TMF's staff sets and modifies the rate of return paid on Variable Rate Investments on a monthly basis. The rate of return on Variable Rate Investments is based in part on changes in interest rates and other changes in the broader financial markets.

A Fixed Rate Investment in the TMF Fixed Rate Notes provides a fixed rate of return for a designated period of time. TMF's staff, operating within the budgets and goals set by the semi-annual meetings of the Board of Directors, sets and modifies the rate of earnings on new Fixed Rate Investment Note offerings on a weekly basis. The offering of TMF Fixed Rate Note investments is based on the needs of TMF for fixed rate obligations and the current market for fixed rate investments.

Earnings on both Variable Rate Investment Notes and Fixed Rate Investment Notes accrue daily, are credited monthly, and paid at the time requested by the respective Eligible Investor (e.g., monthly or quarterly), but not more often than monthly. Earnings are prorated for partial periods and computed daily based on the amount invested.

**Portfolio Stability:** The overall stability of the portfolio of loans held by TMF is dependent on the creditworthiness of its borrowers and the value of the collateral pledged to secure the loans and TMF does not make any representation regarding its stability. The standards in the Loan Policy established by the Board historically have been successful in generating performing loans, with a very low percentage of defaults.

As of July 1, 2022, TMF has foreclosed on six loans within its portfolio since 1938. In each case, the assets of TMF's undesignated endowment were utilized to purchase the defaulted loans, thereby removing the risk of loss from investors in the TMF Investment Notes. In each case, TMF has been able to sell these properties so that no loss of principal occurred. TMF merged with another UMC Foundation in 2019 and the merged entity continues under the name, TMF. Prior to the merger with TMF, that entity experienced a loan loss on a loan that it originated. No foreclosures or losses have occurred since this merger. TMF generally intends, but is not obligated, to continue such practice of using the undesignated endowment to reduce risk of loss from investors in the TMF Investment Notes. TMF's prior practice of repurchasing troubled loans has given greater security of investment return at par with the principal value of each investment

**Suitability:** An investment in the TMF Variable Rate Notes is designed for investors with a time horizon of at least one year. There is no minimum investment requirement. A Variable Rate Investment Notes may be suitable for Eligible Investors that desire a stable investment with a variable rate of return and are interested in furthering the capital and borrowing needs of the United Methodist community within the States of Texas and New Mexico.



An investment in the TMF Fixed Rate Investment Notes is also designed for investors with a designated time horizon of at least one year. While there is no minimum investment in the Fixed Rate Notes, TMF encourages Eligible Investors to invest at least \$1,000. A Fixed Rate Investment is suitable for Eligible Investors that desire a fixed rate and fixed term investment and are interested in furthering the capital and borrowing needs of the United Methodist community within the States of Texas and New Mexico.

**Risks:** Investment in the TMF Investment Notes is subject to one or more risks as described in the section of this Information Statement entitled “**RISKS OF INVESTMENT**”.

## **OVERVIEW OF THE TMF BALANCED PORTFOLIO**

TMF offers the Balanced Portfolio, which is a fund vehicle (detailed below) designed specifically to enable Eligible Investors to achieve their long-term investment objectives.

### ***TMF Balanced Portfolio***

The TMF Balanced Portfolio offered by TMF is constructed primarily for consideration by fiduciaries of endowment funds and trust funds seeking prudent levels of diversification, growth, income, protection from inflation, and risk over long-term time horizons.

It is intended that the TMF Balanced Portfolio will typically allocate 60% and 70% of assets to equities and between 30% and 40% to debt instruments, including notes, and cash equivalents.

**Investments:** The TMF Balanced Portfolio is a blended portfolio that invests in both equities and debt instruments. The portfolio mix is determined by the Investment Committee upon recommendation by staff and is reviewed quarterly. Set forth on Appendix A is the current target allocation and permissible allocation ranges for the TMF Balanced Portfolio. A description of said Wespath Funds may be found at: [Wespath.com](http://Wespath.com)

Said description includes historic performance information but historic performance does not predict or guarantee future performance. TMF may change the allocation ranges and target allocations in accordance with the Investment Policy. Interim investments may invest in the TMF Short Term Portfolio as described in the *Terms of Investment* subsection within this *Balanced Portfolio* section.

**Terms of Investment:** There is a minimum investment amount of \$25,000 and investors in the TMF Balanced Portfolio are provided monthly liquidity.

The market value of the TMF Balanced Portfolio, and each Investor's investment, is generally determined as of the close of trading on the final business day of each calendar month (the 'Valuation date'). The market value, determined as of the respective Valuation Date, is the value used for purposes of additions to and withdrawals from the Portfolio. Additions to the TMF Balanced Portfolio must be received by TMF at least five business days prior to the respective Valuation Date to be able to invest in the Portfolios following that month's Valuation Date. Any additions made within five business days of a Valuation Date or the following month, prior to that month's Valuation Date, will be invested in the TMF Short Term Portfolio until the accounts are transferred into the appropriate TMF Multi-Asset Portfolio. All withdrawals must be requested at least five business days prior to a Valuation Date and will be paid within five business days following the Valuation Date. During the time from the first day of the month following the respective Valuation Date until the withdrawal is transferred, the withdrawal amount will be invested in the TMF Short Term Portfolio. TMF receives reimbursements of its costs from the Multi-Asset Portfolios for costs incurred in operating the Balanced Portfolio. See “*Administration and Management Fees*” herein.

**Returns:** The value of the TMF Balanced Portfolio reflects the aggregate value of the net assets owned within the respective underlying portfolio. The return is based on the actual performance of the investments within the respective Portfolio, after the deduction of all applicable fees.

Earnings on investments are reflected in the Portfolio's value. The valuation is established as of the close of business on each Valuation Date. Each Investor will have the choice to receive distributions on a scheduled basis, but not more often than monthly. If an Eligible Investor requests disbursement on a set frequency, disbursements will be paid within five business days following the respective Valuation Date. Unscheduled disbursement requests must be made at least five business days prior to a Valuation Date and will be paid within five business days following the respective Valuation Date.

**Portfolio Stability:** The overall stability of the Balanced Portfolio is dependent on the nature and quality of its assets and the performance of those assets and TMF does not make any representation regarding the stability of the Portfolio.

**Suitability:** The TMF Balanced Portfolio is designed for TMF to use for its long term investments and is available to Eligible Investors that likewise seek a vehicle for long term growth and understand and desire a return associated with a significant investment in assets usually associated with a greater risk of loss. The TMF Balanced Portfolio may not be a suitable investment vehicle for Eligible Investors whose investment period is less than three years. Also, if an Eligible Investor cannot sustain a loss of a significant portion of the investment, an investment in the Balanced Portfolio may not be appropriate.

**Risks:** Investment in the Balanced Portfolio is subject to one or more risks as described in the section of this Information Statement entitled "**RISKS OF INVESTMENT**".

## **WESPATH FUNDS**

TMF offers selected Wespath Funds to Eligible Investors to invest in one or more based upon the independent judgment of the respective Eligible Investor. Selected Wespath Funds include:

- Wespath U.S. Equity Fund – I Series
- Wespath International Equity Fund – I Series
- Wespath Fixed Income Fund – I Series
- Wespath Inflation Protection Fund – I Series
- Wespath Multiple Asset Fund – I Series

Eligible Investors can find the full Investment Funds Description and other information about the selected Funds online at <https://www.wespath.com/fund-performance>.

Wespath Institutional Investments

1901 Chestnut Avenue

Glenview, IL 60025-1604

1-847-866-4100

## BOARD REVIEW AND SUPERVISION, TARGET ALLOCATIONS

The Board meets semi-annually to, among other items, examine returns of the respective Investment Portfolios and earnings payments to investors in the Investment Portfolios, approve budgets for the next annual period and review budget performance for the current period. The Allocation Ranges and Targets are set forth on Appendix A. Due to the nature of investing, actual holdings may at times fall outside the target asset allocation ranges and TMF may change the allocation ranges and target allocations from time to time in accordance with the Investment Policy. The allocation objective is to move toward compliance with the stated asset allocation ranges unless TMF's Investment Committee makes a specific decision to do otherwise. TMF's Investment Committee will use the benchmarks set forth on Appendix B to evaluate the performance of the respective Wespath Funds. (The applicable benchmarks may be changed by TMF from time to time. Due to the nature and objective of the TMF Short Term Portfolio and the TMF Investment Notes and the fact that the applicable interest rate is specified by TMF as described in this Information Statement, a specific benchmark to measure the relative performance of said portfolios is not appropriate.)

## SUSTAINABLE INVESTMENT STRATEGIES

TMF shall endeavor to adhere to sustainable and socially responsible investments guidelines and practices as outlined by Wespath from time to time.

## RISKS OF INVESTMENT

Participation in the Investment offerings are subject to a number of investment risks, some of which are inherent in investments of the types contemplated by the Investment Portfolios and some of which are unique to the Investment Portfolios. The following is a non-exclusive listing of possible risks of investment. Eligible Investors should consult their own advisers, and consider carefully the following risk factors, in addition to other information contained in this Information Statement, before participating in the Investment Portfolios.

**Market Risks:** The TMF Short Term Portfolio and the TMF Investment Notes are each unique in that each concentrates on one part of the general debt market. However, each of these offerings, along with the TMF Balanced Portfolio, are also subject to general market conditions, national economic conditions, and global market conditions. Adverse changes in global or national economic markets may affect all of the Investment offerings.

**Unsecured Obligations:** An Investor's investment in any Investment Portfolio is not a secured investment. Eligible Investors have no direct right, either individually or as a group, in the assets of the Investment Portfolios. As unsecured obligations of TMF, each noteholder will have a claim on the assets equal to that of all other noteholders, both of Notes now outstanding and those which may be issued by TMF in the future, as all noteholders are unsecured creditors of The Fund.. Subject to the last sentence of this paragraph, TMF and its advisers will make all decisions regarding investments, sales, collection, amendment, enforcement and management of the Investment Portfolios' assets, all in the sole discretion of TMF's Board and its staff and officers. Provided however, as long as the TMF Balanced Portfolio is invested in the Wespath Funds, investment decisions within the respective Wespath Fund will be made exclusively by Wespath and the external investment management service providers hired by Wespath.

**No Trust Agreement:** Participation in the Investment Portfolios is not issued pursuant to any trust agreement or indenture involving any Eligible Investor, and no indenture trustee or other agent has been appointed to represent the interests of any of the Eligible Investors. If TMF fails to perform its obligations pursuant to the Investment Management Agreement or the terms of the Information Statement, the Eligible Investors must seek damages or other remedies against TMF and will have no direct recourse against any other entity or agency of The United Methodist Church.

***Return of Investment:*** An investment in the Investment Portfolios is returnable as described in this Information Statement. At any given time, a substantial portion of each Investment Portfolio's assets are invested in stocks, bonds, loans, and other permissible investments. It is, therefore, likely that TMF would be unable to fully and timely return investments if a substantial number of Eligible Investors present withdrawal requests within a short period of time. See "*Liquidity of Investment*" herein.

Participation in the Investment Portfolios is not the same as or similar to deposit accounts with banks or other financial institutions. The Investment Portfolios are not regulated by any federal or state governmental authority and are not guaranteed or insured by any person or entity.

***No Licensing:*** Due to certain provisions of the Philanthropy Protection Act of 1995, TMF and its personnel are exempt from registration or licensing requirements applicable at both the federal level and in the states of Texas and New Mexico. Thus, neither TMF nor TMF personnel that administer the Investment Portfolios are licensed or registered as investment advisers, or otherwise, with any federal or state authority. TMF employs outside investment advisers for certain of its management decisions in the TMF Balanced Portfolio. Currently, the investment consultant is Wespath.

***No Minimum Interest Rate or Rate of Return:*** There is no minimum interest rate that must be paid by TMF to Eligible Investors in the TMF Short Term Portfolio or in the Variable Rate Investment Notes. Likewise, there is no minimum rate of return on the TMF Balanced Portfolio. The rate of interest payable to investors in the TMF Short Term Portfolio and TMF Variable Rate Investment Notes are adjustable and will be set by TMF's staff within guidelines established by the Board. The rate of return on all of the Investment offerings (other than the TMF Investment Notes) will be entirely dependent on the performance of the investments in such portfolios.

The rate of interest offered on newly originated TMF Fixed Rate Investment Notes will be set by TMF's staff on a weekly basis within guidelines established by TMF's Board. Both the interest rate and maturity date on the TMF Fixed Rate Investment Notes will be established when the investment account is opened or renewed.

***Not Insured by the FDIC or other entities.*** The Investment Notes are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or any other state or federally regulated institution or private insurance company. The Notes are also not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities.

***Inability of borrowers to repay mortgage loans.*** Where the Investment Notes contain within the managed portfolio the purchase of interests in the Loan Fund, those interests in the Loan Fund depend on churches making prompt payment of their mortgage obligations to TMF. Those mortgage payments are the primary source of funds for TMF's payment of its obligations to noteholders in the Loan Fund. Churches most often rely on their receipt of contributions from church members to repay their mortgage loans. If a significant number of church borrowers should experience declines in church attendance, they may not receive sufficient contributions to make full scheduled payments of their mortgage debt.

***The fund's lending standards and forbearance practices; single purpose buildings secure loans.*** As to investments which include interests in the Loan Fund, TMF's lending standards and its policies regarding the legal documentation of loans, particularly construction loans, are different than, and in some cases, less stringent than, those of commercial lenders. Moreover, TMF's policies with regard to delinquencies are also less stringent than those of commercial lenders. As a result, TMF may experience a greater incidence of defaulting loans than a commercial lender would experience.

If a borrower should default, TMF may have greater difficulty than a commercial bank would have in



recovering the full amount of its loan. The mortgaged properties that secure TMF's loans often include church buildings which are "single-purpose buildings" that have a limited market.

If TMF should experience a significant number of delinquencies or defaults, it may not be able to recover the full amount of the outstanding mortgage debt due it. The repayment to TMF of outstanding mortgage debt is material to TMF's ability to discharge its obligations to noteholders.

***Liquidity of Investment:*** There is no public trading market for the Investment Portfolios, and no trading market is ever likely to develop. The transferability of the interests in the Investment Portfolios is subject to restrictions that are established by applicable state and federal securities laws and as set forth below. An investment in the Investment Portfolios is returnable upon proper written demand subject to the terms of this Information Statement.

***Transferability of Investment:*** Except as provided below, investment accounts are not transferable. Upon receipt of proper authorization, including evidence of authority and written assignments, investment accounts may be transferred:

- (i) on the merger of two or more Eligible Investors;
- (ii) on the expressed, written, transfer from one Eligible Investor to another qualifying Eligible Investor provided that TMF is provided adequate documentary or other support confirming the transfer; or
- (iii) on the discontinuance of an Eligible Investor without merger or transfer as outlined above, to the denominational affiliation if the entity's bylaws do not provide for an alternate charitable beneficiary.

***Limited Publicly Available Information:*** TMF does not, and is not required, to file annual or other periodic reports with any governmental agency. Accordingly, only limited information is publicly available relating to the Investment Portfolios. Certain financial information regarding TMF, including its most recent audited financial statements, is posted on TMF's website at <https://tmf-fdn.org/about#finance>. A copy of TMF's current audited financial statements will be mailed to any investor that submits a written request for such statements mailed to TMF's address listed under Additional Information on page 14. As required by Tennessee law, TMF will mail a copy of its audited financial statements to each investor domiciled in Tennessee no later than 120 days after the end of each fiscal year of the Foundation.

***Offering Limited in Tennessee: Investments made by organizations domiciled in Tennessee shall not exceed \$50 million.***

## INVESTMENT CONSULTANT

Wespath Institutional Investments is the investment consultant for the TMF Balanced Portfolio. See "*Administration and Management Fees*" for discussion of investment management fees charged by Wespath.

## MANAGERS

Wespath selects and monitors the investment managers of the Wespath Funds.

TMF does not currently engage third party managers for the TMF Short Term Portfolio or the TMF Investment Notes.

## ADMINISTRATION AND MANAGEMENT FEES

**Texas Methodist Foundation** TMF is a not-for-profit corporation whose primary goal is to provide financial, charitable, and educational assistance and support to United Methodist congregations and affiliated organizations within the Constituent Community. TMF achieves this mission, in part, through its own funds, separate endowments and expense reimbursements from the programs it administers, including the Investment Portfolios. The Investment Portfolios are offered and sold without the payment of any direct or indirect underwriting, sales, or similar fees or commissions.

Expense reimbursements to TMF are intended to cover its direct costs of administration and its indirect overhead costs.

TMF will receive cost reimbursement from the Investment Portfolios in the following manner:

- **TMF Short Term Portfolio:** Periodically, the Board reviews the performance and rate of return on the Short Term Portfolio. The rate of return payable to Investors is lower than the actual rate of return earned by the Short Term Portfolio. This difference is retained by TMF to cover its general costs of working with the Constituent Community, as well as the direct costs of operating the Short Term Portfolio.
- **TMF Investment Notes:** The Board also reviews the performance and rate of interest payable on the loans originated and held by TMF. The rate of return payable to Investors is expected to be lower than the weighted average rate of interest earned on the loans within the TMF portfolio. This difference is retained by TMF to cover its general costs of working with the Constituent Community, as well as the direct costs of operating the Loan Portfolio.
- **TMF Balanced Portfolio:** TMF receives administration fees in connection with portion of each Balanced Portfolio's respective allocation of assets to the Wespath funds. The annual administration fee is the sum of 40 basis points (0.40%) of the market value of those funds. The market value of the TMF Investment Notes is not included in the calculation of any fees described in this paragraph. The administration fee is payable monthly based on the market value of the respective investment as of the Valuation Date that immediately precedes the respective payment date. Fees are collected from the respective portfolio or fund.
- **Wespath Funds:** TMF receives administration fees in connection with the selected Wespath Funds offered to Eligible Investors on a stand-alone basis. The annual administration fee is the sum of 50 basis points (0.50%) of the market value of those funds.

The administrative fees are intended to cover TMF's costs of administering the TMF Balanced Portfolio and selected Wespath Funds as applicable and are not intended to be related to the sale of Wespath securities. TMF reserves the right to increase or decrease the administrative fees based on its experience of the actual costs or other factors.

Wespath will cause the respective Wespath Fund to pay fees based upon the expenses of managing the respective Wespath Fund. Those expenses include investment management fees, operating expenses, bank custodial fees and miscellaneous fund administration expense. Thus, said fees are reflected in and reduce the value of the unit price of the respective Wespath Fund. The investment management fees charged by Wespath are set forth on the attached Appendix C. The amount of these fees may vary at the discretion of Wespath.

## TAX ASPECTS

Eligible Investors must be organizations exempt from income tax under Section 501(c)(3) of the Code. Each Eligible Investor must provide proof of tax-exempt status.

TMF DOES NOT PROVIDE ANY TAX ADVICE AND ELIGIBLE INVESTORS ARE URGED TO AND SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE CONSEQUENCES OF THEIR INVESTMENTS IN THE INVESTMENT PORTFOLIOS.

## MANNER OF INVESTMENT

In order to participate in the Investment Portfolios, each Eligible Investor must complete and return the **Investment Application** and **Master Investment Management Agreement**. An investment is completed only upon acceptance by TMF. The **Investment Application** contains the terms of its investment and information regarding investment choices and re-investment alternatives and the **Master Investment Management Agreement** governs all investments made by the Eligible Investor in the Investment Portfolios as outlined in this Information Statement. Checks should be made payable and delivered to TMF, Attn: Sara Beltran, 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808.

## LITIGATION AND TRANSACTIONS

TMF is not a party to or involved in any present, pending, or threatened material legal proceeding, and no such proceeding is known to be contemplated by any governmental authority, administrative body, or other administrative person. TMF is not a party to or involved in any transaction that may materially affect the offering of its Investment Portfolios or an investor's investment decision.

**ADDITIONAL INFORMATION**

Each Eligible Investor is urged to contact TMF with any questions or requests for additional information or documents. For additional information concerning the Investment Portfolios, wiring instructions, or assistance with any questions, please contact Sara Beltran or Funds Administration at TMF at (512) 331-9971 or (800) 933-5502. Written requests may be faxed to 512-331-0670 or mailed to:

TMF, 11709 Boulder Lane, Suite 100, Austin, Texas 78726-1808



## GOVERNANCE

TMF seeks to assemble a Board of Directors representing all of its diverse Eligible Investors that it serves to govern TMF. The Board represents a diversity of backgrounds and experiences and is comprised of laypersons and clergy. The Board sets the policies for the Foundation and monitors the performance of staff in following policy.

The present members of the Board, as of the date of this Information Statement are:

### **Board of Directors:**

Teresa Keese

Board Chair – Brady, TX

#### **Albuquerque, NM**

John Goodwin

Dr. Eduardo Rivera

Tom Toeys

#### **Arlington**

Dr. Chris Hayes

#### **Atlanta, GA**

Roland Fernandes

#### **Austin**

\*\* James A. Cox, Jr.

Rev. Taylor Fuerst

Henry Joyner

Rev. Laura Merrill

Amy Thomas

#### **Brady**

Teresa Keese

#### **Clovis, NM**

Sid Strebeck

#### **Dalhart**

Judge Ron Enns

#### **Dallas**

Jim Adams

Rev. Richie Butler

Robert Dupuy

Dr. William Green

Rev. Katherine Glaze Lyle

Bishop Michael McKee

Dr. Andrew Stoker

Kelvin Walker

Julie Yarbrough

#### **Damon**

Rev. Sharon Sabom

#### **Fort Worth**

\*\* Hiram Smith

#### **Georgetown**

Dr. Dale Knobel

Dr. Ron Swain

#### **Houston**

John Esquivel

Gene Graham

Rev. Morris Matthis

Dr. Matthew Russell

Dr. Deborah Vaughn

\*\* Jim Walzel

#### **Indianapolis, IN**

Dr. Colette Pierce Burnette

#### **Larkspur, CO**

Barbara Boiegrain

#### **Lubbock**

Dr. Todd Salzwedel

#### **Lufkin**

Dr. Richard White

#### **Mansfield**

Randall Canedy

#### **McKinney**

Rev. Jeff Lust

#### **Pearland**

Rev. Reginald Clemons

#### **Plainview**

Randy Stutes

#### **Richardson**

Dr. Clayton Oliphint

#### **San Antonio**

Nathan Johnson, Jr.

Dr. Robert Lopez

\*\* Robert C. Scott

#### **Seguin**

Rev. Thelma Flores

#### **Waco**

Dr. Leah Hidde-Gregory

#### **Wichita Falls**

Patricia M. Deal

Kathryn Prothro Yeager

### **Advisory Directors:**

#### **Houston**

Bishop Scott Jones

#### **San Antonio**

Bishop Robert Schnase

\*\* Directors Emeritus

### **The officers of the Foundation are:**

Thomas R. Locke, President

Curtis Vick, Executive Vice President

David McCaskill, Senior Vice President – Loan Fund Services

Justin Gould, Vice President – Foundation Relations

Lisa Greenwood, Vice President – Leadership Ministries

Robert Hoppe, Vice President – Loans and Special Assets

Carol Montgomery, Vice President – Area Representatives

Dorena Moore, Vice President - Operations

Patti Simmons, Vice President – Communications

Tom Stanton, Vice President – General Counsel

Sara Beltran, Asst. Vice President – Fund Administration

Susan Puhar, Asst Vice President - HR

Sonia Riley, Asst Vice President - Operations

Gerry Schoening, Asst. Vice President & Controller

Karyl Seibert, Asst. Vice President – Donor Services

Paula Sini, Asst. Vice President – Loans

Edgar Vallarta, Asst. Vice President - Operations

Cheryl Westbrook, Asst Vice President – Loans

Krystol Wheeler, Asst Vice President – Strategic Projects

Laura Fuqua, Corporate Secretary

## Appendix A

### Allocations Ranges and Targets of the TMF Balanced Portfolio

#### *TMF Balanced Portfolio*

	<u>Allocation Range</u>	<u>Target Allocation</u>
Wespath U.S. Equity Fund – I Series	33% - 37%	35%
Wespath International Equity Fund – I Series	28% - 32%	30%
Wespath Fixed Income Fund – I Series	12% - 20%	15%
Wespath Inflation Protection Fund – I Series	0% - 10%	5%
TMF Investment Notes	0% - 20%	15%

It is intended that the TMF Balanced Portfolio will typically allocate between 60 and 70% of assets to equities and between 30% and 40% to fixed income and cash equivalents, including, but not limited to, TMF Investment Notes.

#### *Wespath Funds*

Information regarding the allocation guidelines for the Wespath Multiple Asset Fund, U.S. Equity fund, International Equity fund, Fixed Income fund, Inflation Protection fund, or any other Wespath Fund offered by TMF can be found at the Wespath website: <https://www.wespath.com>

#### *TMF Short Term Portfolio*

This Portfolio is to be invested in certificates of deposit, cash equivalents, money market funds and other debt instruments that have maturities within five years. At least one-third of the Portfolio investments shall have maturities within one year. Up to 25% of the Portfolio may be invested in TMF Investment Notes.

#### *TMF Investment Notes*

Proceeds of the TMF Investment Notes shall be invested in loans to United Methodist churches and institutions and other entities engaged in activities with purposes in alignment with the Wesleyan tradition. When amounts invested in the TMF Investment Notes exceed amounts placed in loans, TMF may invest in assets appropriate to the TMF Short Term Portfolio.

## APPENDIX B

### Benchmarks for the Wespath Funds

<u>Fund</u>	<u>Benchmark</u>
Wespath U.S. Equity Fund – I Series	Russell 3000 Index
Wespath International Equity Fund – I Series	MSCI All Country World Index (ACWI) ex-USA Investable Market Index
Wespath Fixed Income Fund – I Series	Bloomberg U.S. Universal ex-Mortgage Backed Securities Index
Wespath Inflation Protection Fund – I Series	80% Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Emerging Market Tradeable Inflation Linked Bond Index (Unhedged), and 10% Bloomberg Commodity Index
Wespath Multiple Asset Fund – I Series	A blended index based on the following weightings: 35% Russell 3000 Index; 30% MSCI All Country World Index ex-USA Investable Market Index; 25% Bloomberg U.S. Universal Index ex-Mortgage Backed Securities; and 10% Inflation Protection Fund Custom Benchmark.

## APPENDIX C

### Actual Expense Ratios for the Wespath Funds During the 2021 Calendar Year

Wespath U.S. Equity Fund - I Series	0.56%
Wespath International Equity Fund – I Series	0.74%
Wespath Fixed Income Fund – I Series	0.52%
Wespath Inflation Protection Fund – I Series	0.48%
Wespath Multiple Asset Fund – I Series	0.59%