

Information for Participants



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The Baptist Foundation of Alabama

Information for Participants

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This Information for Participants describes the availability of certain Common Investment Funds and portfolios, and the terms and conditions under which The Baptist Foundation of Alabama offers its investment services to Baptist and other qualifying charitable organizations. This Information for Participants is given in compliance with the Philanthropy Protection Act of 1995, and is addressed only to organizations in the categories described below (see “Eligible Participants”). This Information for Participants is not intended to be distributed to any other person or entity, or for any other purpose. There is certain investment risks associated with participation in the Investment Funds as described in this Information for Participants.

THIS INFORMATION STATEMENT HAS NOT BEEN REVIEWED OR APPROVED BY THE SECURITIES EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE BAPTIST FOUNDATION OF ALABAMA IS NOT REGISTERED AS AN INVESTMENT ADVISER AND DOES NOT PROVIDE INVESTMENT ADVICE TO PARTICIPANTS OR THE COMMON INVESTMENT FUNDS OR PORTFOLIOS DESCRIBED HEREIN. INVESTMENT ADVICE, IF ANY, TO PARTICIPANTS OR THE COMMON INVESTMENT FUNDS OR PORTFOLIOS IS PROVIDED BY SEPARATELY COMPENSATED THIRD PARTY INVESTMENT ADVISERS WHO ARE REGISTERED UNDER FEDERAL AND/OR STATE LAW OR ARE EXEMPT FROM SUCH REGISTRATION.

Who is The Baptist Foundation of Alabama?

The Baptist Foundation of Alabama, an Alabama nonprofit corporation, was incorporated in 1940 by incorporators selected by the Executive Board of the Alabama Baptist Convention. A board of 20 trustees governs it. The Foundation staff includes staffing for fund management, stewardship, planned giving, trust administration and legal matters, in addition to its President. As of January 2011, the Foundation manages over \$200 + million in endowment and long-term funds for ministries of Alabama Baptists and such other qualified charitable trusts or entities, which may or may not be affiliated with a Baptist Convention, the funds of which the Board of Trustees of The Baptist Foundation of Alabama determines it will receive and administer.

What is the purpose of The Baptist Foundation of Alabama?

The mission of The Baptist Foundation of Alabama is to strengthen the mission and ministry efforts of Alabama Baptists.

The purpose of The Baptist Foundation of Alabama is to develop, manage, and distribute financial resources for the benefit of Alabama Baptists' mission and ministry efforts within Alabama, other states, and around the world.

The priorities of The Baptist Foundation of Alabama are to promote Christian stewardship, assist with the planning and implementation of charitable gift arrangements and manage assets entrusted to the Foundation to provide perpetual support for the mission and ministry efforts of Alabama Baptists.

The Foundation encourages faithful stewardship by:

- Managing funds entrusted to it in an effective and socially responsible manner,
- Educating people in appropriate Christian estate stewardship and financial management techniques,
- Providing trustee services to facilitate good financial management,
- Encouraging individuals to be good Christian stewards,
- Educating individuals about tax effective means of contributing to Baptist causes while maintaining an income stream for themselves or their family or friends,
- Striving for excellence and continuous improvement in its operation,
- Operating with the highest Christian moral and ethical standards, as exemplified by its membership in the Evangelical Council for Financial Accountability.

In the fulfillment of this mission the Foundation seeks to serve the Alabama Baptist institutions by offering investment opportunities that are socially screened and diversified in ways that an investor may not otherwise be able to achieve. The Foundation also seeks to build endowments for future Baptist ministries at state, national and worldwide levels through development and planned giving services.

Who can invest with The Baptist Foundation of Alabama?

The Foundation manages funds for any investor who is recognized as exempt from federal income tax under §501(c)(3) of the Internal Revenue Code of 1986, as amended, and falls into one, or more, of the following categories of Eligible Participants: (i) Baptist institutions, agencies, commissions, foundations, associations and churches affiliated with the Alabama Baptist Convention, the Southern Baptist Convention or other state Baptist Conventions; or (ii) a trust with either its total remainder or its income for a predetermined period designated for charitable organizations in accordance with IRS guidelines and at least one-half the distribution designated to be made to a Baptist institution, agency, commission, association or church affiliated with the Alabama Baptist Convention, the Southern Baptist Convention or other state Baptist Conventions; or (iii) such other qualified charitable trust or entity, which may or may not be affiliated with said Baptist Conventions, the funds of which the Board of Trustees of The Baptist Foundation of Alabama determines it will receive and administer. None of the funds invested with the Foundation may be held for retirement plans.

What are the risks?

Investing in the securities markets, whether domestic or international, involves risk of possible loss of principal and/or income. Even though the Foundation believes long-term investment of these Funds will result in positive rates of return, there is no guarantee of such written or implied. Past performance is no guarantee of future performance.

Note: The value of portfolios and Funds will fluctuate. An investing organization should consult its own advisors regarding risks, rewards and other aspects of investing in any Fund made available through the Foundation.

What are the investment options with The Baptist Foundation of Alabama?

The Baptist Foundation of Alabama offers a total of six common investment funds (the “Funds”); each managed by one or more professional investment managers. For investors requiring exposure to specific sectors of the market, where appropriate, the Foundation may offer access to individually customized portfolios and allocations. The following is a summary of the various options available to Participants with The Baptist Foundation of Alabama.

Cash Fund - The Cash Fund's objective is liquidity and a reasonable rate of return. This Fund is designed for short-term investment of funds when the timing of the investor's liquidity needs is uncertain or variable. This is a money market fund.

Income Fund - The short to ultra short duration fixed income strategy will maintain an average duration of up to one year. Investments can include government and corporate debt securities, mortgage and other asset-backed securities, money market instruments and derivatives. The Fund can invest up to 10% in issues rated below BBB, but no lower than BB.

Bond Fund - The Bond Fund's objective is current income and preservation of nominal capital. No provision is made for protection against inflation. The Fund is primarily invested in government and corporate bonds, commercial paper, mortgage backed securities, and collateralized mortgage securities. The Fund is designed for investors whose main objective is current income. The fund seeks to track the Intermediate Government/Credit Bond Index.

Fixed Emphasis Fund - The objective of the Fixed Emphasis Fund is to provide a reasonable level of current income and simultaneously to protect the purchasing power of the principal against inflation. Approximately 80% of the Fund is invested in the Bond Fund and 20% in the Equity Fund.

Balanced Fund - The objective of the TBFA Balanced Fund is to provide a total return comprised of current income and capital appreciation while seeking to protect the purchasing power of the principal against inflation. To meet its objectives this fund invests in the Equity Fund, Bond Fund, hedge funds and alternative investments. This fund is designed for those investors who are seeking a single fund to provide broad diversification, growth of principal, capital appreciation, and protection against inflation.

Equity Fund - The primary objective of the Equity Fund is growth of principal. Current income is low and of secondary importance. The portfolio follows a core-satellite approach to investing that is designed to be fully invested in long only stocks from the U.S, international and emerging markets. The portfolio is 1/3 invested in a US Core Equity portfolio with 2/3 dispersed across seven managers specializing in specific styles and sectors.

How does The Foundation select investments for social responsibility?

The Baptist Foundation of Alabama, responding to the Biblical challenge of responsible stewardship, calls for conscious investment decisions consistent

with Christian morality and ethical principles of Alabama Baptists. Investment objectives for the Funds are pursued with consideration for the Christian moral and ethical implications of investing. The Foundation encourages investments in those corporations that promote the common good and avoids investment in companies whose principal business activities are inconsistent with Christian moral and ethical principles of Alabama Baptists. An overview of the social screening characteristics applied to equity and debt investments is described in the TBFA Investment Policy Statement with more detail provided in the TBFA Investment Screening Policy. These company policies will be made available upon request.

Who is involved in Funds management for The Foundation?

A Board of Trustees who represents the breadth and diversity of the Alabama Baptist Convention governs the Baptist Foundation of Alabama. The Trustees meet two times each year and also act through a three-member executive committee when necessary. The Foundation has a standing staff of an Investment Officer overseeing the Investment Committee composed of 6 board members chosen for expertise and experience in the field of institutional money management. The Investment Officer, Investment Committee and Institutional Consultant review investment policy, investment processes and evaluate performance of the various money managers. The Foundation reserves the right to change any or all investment managers at any time without notice to participants. Regions Trust Services provide custodial services for the Funds invested through The Foundation of Alabama. The Foundation provides administration and reporting to investors. Details regarding any of the foregoing can be obtained through The Foundation office.

What does it cost to invest with the Foundation?

The Baptist Foundation of Alabama seeks to keep the costs to its Participants as low as possible. Those costs are charged directly to and paid out of the assets of each respective Fund. The total current costs are explained in other documents. Information concerning such costs is also available upon request.

How does an organization invest with the Foundation?

Each organization wishing to invest in one or more of the Foundation Funds or portfolios described above must sign an Investment Custodial Agreement. Once

the signed Agreement and assets are received in the Foundation office, investments are made in the desired Fund(s) or portfolio(s). All investments made pursuant to the Agreement will be held in the name of the Foundation (or such other entity selected by the Foundation) as nominee for the Participant, with actual ownership of the investments remaining in the Participant. Each Participant is responsible for choosing one or more of the Funds and/or portfolios into which it wishes to direct its investment. Further, each investment manager utilized by the Foundation with respect to Participant assets is to be considered as acting for each Participant for whose benefit the investment manager has invested assets.

Each Participant will be assigned an interest (an “Ownership Interest”) in the assets of each chosen Fund or portfolio reflecting the pro rata interest of the Participant in the assets of the particular Fund or portfolio. The value of a Participant’s Ownership Interest may fluctuate as the value of the particular Fund or portfolio fluctuates. Purchases and withdrawals may be made in the form of check, wire transfer, or direct deposit.

When may purchases or redemption occur?

The assets of the Bond Fund, Income Fund, Equity Fund, Balanced Fund and Fixed Emphasis Fund are valued on the last business day of each month and a net asset value of the Ownership Interests in the assets of each of the Funds is calculated.

Ownership Interests in the assets of other Funds may be purchased or redeemed at net asset value at month end, provided that written notice has been received at the Foundation office at least ten (10) calendar days before such month end. Any properly requested redemption checks for all Funds except the TBFA Cash Fund and TBFA Income Fund are disbursed by the 15th business day following each month end evaluation date.

In order to protect the assets of the Fund, timing of redemptions of \$1,000,000 or more within a calendar month shall be negotiated with the Foundation as large redemptions may impact the Fund. Further information including current portfolio size, performance, fees, and updates of this information for participants, can be obtained from the Foundation office.



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