

STATEMENT OF POLICY REGARDING
CHURCH EXTENSION FUND SECURITIES

Adopted April 17, 1994; Amended April 18, 2004

I. INTRODUCTION. The North American Securities Administrators Association, Inc. (“NASAA”) has determined that the following Statement of Policy (“SOP”) for offerings of CHURCH EXTENSION FUND (“CEF”) securities is consistent with public INVESTOR protection and is in the public interest. Under this SOP, the term “Church” includes worship facilities or religious organizations identified by other terms such as “Synagogue”, “Mosque” or “Parish”. Other terms are defined under I.B. and capitalized throughout this SOP.

A. Application.

1. The standards contained in this SOP apply to the offer and sale of NOTES issued by a CEF, the proceeds of which primarily finance or refinance the purchase, construction or improvement of church property and/or buildings or related capital expenditures or the operational needs of various affiliated churches and related religious organizations of a DENOMINATION.
2. It is intended that this SOP may be applied by an ADMINISTRATOR in any STATE, whether required as a condition for exemption from securities registration or for registration of the NOTES. The ADMINISTRATOR may also allow or require this SOP to be applied by analogy to similar loan funds of NOT-FOR-PROFIT ORGANIZATIONS other than CEFs or religious organizations.
3. Registration or exemption of NOTES may be denied or disallowed by the ADMINISTRATOR if a proposed offering of NOTES does not sufficiently comply with standards under this SOP. The ADMINISTRATOR may allow waivers or exceptions from certain standards under this SOP, if good cause is shown, or may require different or additional standards based on provisions of statutes or regulations of a STATE.
4. This SOP is not applicable to single project financing by individual churches or congregations, which is the subject of a separate Statement of Policy Regarding Church Bonds that was adopted by the North American Securities Administrators Association, Inc. on April 14, 2002.

COMMENT: General obligation financing by a CEF is different in its purposes and operation than the one-time offering of Church Bonds by an individual church or congregation to finance the construction of a single, specific church building or other related capital improvements, in which all of the securities are repaid within a set period of time. CEF NOTES are sold for various terms and at varying interest rates and the offerings are normally continuous in nature to provide an ongoing source of financing to the various affiliated churches and related organizations. In order to maintain the CEF as a permanent resource for the affiliated churches and related organizations, repayments of principal on loans made by the CEF are continuously reinvested in new loans to affiliated churches and related organizations.

A CEF should be a single purpose organization or fund with most of its activities related to raising and managing funds for the purpose of making capital loans to its affiliated churches and related organizations, and it should either be incorporated and operated separately from the DENOMINATION and its affiliated churches and related organizations, or its accounting records should be maintained separately. Assets of the CEF should be used primarily for the purpose of financing building projects or property acquisitions for affiliated churches and related organizations. If the CEF is a separately incorporated entity, it normally is not liable for any debts arising from other unrelated activities or programs of the DENOMINATION or its affiliated churches and related organizations.

The primary indebtedness of CEFs is the outstanding NOTES. A significant number of INVESTORS reinvest with the CEF when their NOTES mature. Due to the continuous nature of the offerings and the fact that the funds are not designated for specific capital projects, special repayment provisions, including a sinking fund or trust indenture, for the purpose of making payments on principal or interest due on NOTES, are normally unnecessary and inappropriate.

B. Definitions.

1. **ADMINISTRATOR** - The official or agency responsible for administering the securities law of a STATE.
2. **ADVERTISING** - All information and promotional materials, including, but not limited to, magazine or newsletter advertisements, brochures, video tapes, fliers, church bulletin inserts, mailers and Internet information posted by the ISSUER or DENOMINATION that are used in addition to an OFFERING CIRCULAR to solicit INVESTORS.
3. **AUDITED FINANCIAL STATEMENTS** - Financial statements that have been audited and reported upon by an independent Certified Public Accountant in accordance with auditing standards generally accepted in the United States.
4. **CHANGE IN NET ASSETS** – The Change in NET ASSETS as reported in the Statement of Activities of the CEF in conformity with GAAP which reflects the net increase or decrease in NET ASSETS of the CEF.
5. **CHURCH EXTENSION FUND (“CEF”)** - A NOT-FOR-PROFIT ORGANIZATION affiliated or associated with a DENOMINATION, or a fund that is accounted for separately by a DENOMINATION organized as a NOT-FOR-PROFIT ORGANIZATION, that offers and sells NOTES primarily to provide funding for loans to various affiliated churches and related religious organizations of the DENOMINATION for the acquisition of property, construction or acquisition of buildings and other related capital expenditures or operating needs.
6. **DENOMINATION** - A national or regional religious organization or association that consists of or acts on behalf of its individual affiliated churches as well as various affiliated national or regional administrative and religious organizations or units. The organizations, associations, churches or units described in this definition shall be organized as or associated with a NOT-FOR-PROFIT ORGANIZATION.
7. **DENOMINATIONAL ACCOUNTS** - Demand and other obligations of a CEF held by national, regional or other affiliated organizations of the DENOMINATION, other than congregations.
8. **GAAP** – Generally Accepted Accounting Principles in the United States as established by the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), Accounting Research Bulletins (ARB) and American Institute of Certified Public Accountants (AICPA). The *AICPA AUDIT AND ACCOUNTING GUIDE FOR NOT-FOR-PROFIT ORGANIZATIONS* provides guidance on specific GAAP for NOT-FOR-PROFIT ORGANIZATIONS.

9. INVESTOR(s) - PERSON(s) who purchase(s) NOTES.
10. ISSUER - The CEF that issues or proposes to issue NOTES.
11. LOAN DELINQUENCIES - Borrower's loan balances on which payments of principal or interest are delinquent ninety (90) days or more, whether in default or not.
12. NET ASSETS (as defined by GAAP) – The excess or deficiency of assets over liabilities, classified according to the existence or absence of donor-imposed restrictions.
13. NOTES - Notes, certificates, similar debt instruments or other evidences of indebtedness which may be certificated or issued in book-entry form by a CEF and represent a general unsecured obligation to repay a specific principal amount at a stated or variable rate of interest when due. The NOTES shall not include DENOMINATIONAL ACCOUNTS (See COMMENT below).
14. NOT-FOR-PROFIT ORGANIZATION – An entity as described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended, that is accounted for as a not-for-profit organization under GAAP. A not-for-profit organization generally possesses the following characteristics (in varying degrees) that distinguish it from a business enterprise: (a) contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return, (b) operating purposes other than to provide goods or services at a profit, and (c) absence of ownership interests like those of business enterprises.
15. OFFERING CIRCULAR - The disclosure document or “prospectus” that provides material information about the ISSUER and the offering of NOTES.
16. PERSON - An individual, a corporation, a limited liability company, a partnership, an association, organization, a government or a political subdivision of a government, or other legal entity.
17. SEASONED ISSUER - A CEF that, alone or through a predecessor organization, has been in continuous existence for more than ten (10) years, has offered NOTES for more than ten (10) years, and has paid or otherwise satisfied all obligations to pay principal and interest on its NOTES in a timely manner.
18. SENIOR SECURED INDEBTEDNESS - Any debt or debt securities incurred or issued by a CEF and secured by assets of the CEF in such a manner as to have a priority claim against any of the assets of the CEF over and above the NOTES. Such debt may include, but is not limited to, a mortgage loan incurred for the purchase of an advance church site or CEF headquarters building, and a secured operating line of credit with a commercial financial institution.
19. STATE – A state, commonwealth, province or similar jurisdiction in the United States, Canada, Puerto Rico or Mexico.

COMMENT: Although DENOMINATIONAL ACCOUNTS are not included under the definition of NOTES above, a CEF should determine and comply with registration or exemption provisions of securities laws in all STATES where such obligations are held by affiliated organizations of the DENOMINATION.

II. QUALIFICATION, LICENSING AND MARKETING REQUIREMENTS

A. Qualification Requirements.

An ISSUER shall take all steps required under applicable STATE securities laws to insure compliance with the registration or exemption provisions in all STATES in which it intends to offer and sell NOTES. Filing, procedural and review requirements will vary among the STATES. A CEF shall file such forms and pay such fees and comply with the filing, procedural and review requirements to achieve qualification for the offer and sale of its NOTES in each STATE, whether by registration, exemption or otherwise, as determined by that STATE's securities laws, rules and regulations.

COMMENT: The NOTES should be exempt from federal registration pursuant to Section 3(a) (4) of the Securities Act of 1933, as amended. Many STATES have adopted laws based upon the Uniform Securities Act, which contains an exemption from registration for the NOTES that is similar to the exemption contained in the Securities Act of 1933. There are certain STATES, however, which do not exempt the NOTES from registration. Furthermore, several other STATES provide an exemption from registration but require notice filings or administrative approval before the exemption is available.

B. No Fees and Commission.

The NOTES shall be offered and sold without the payment of any direct or indirect underwriting, sales or similar fees or commissions.

C. Licensing Requirements.

1. General Policy.

An ISSUER shall comply with the applicable broker-dealer and agent licensing requirements in each STATE in which it offers or sells NOTES. Therefore, it is necessary to check with the ADMINISTRATOR in each STATE where the NOTES will be offered to determine whether registration or licensure is required.

2. Waiver.

If a STATE's securities laws or regulations allow, the ADMINISTRATOR may consider waiving:

- a. Testing requirements;
- b. Broker-dealer registration requirements for the ISSUER; and/or
- c. Agent registration requirements for any individual who represents the CEF with respect to its offer or sale of NOTES if that individual is not compensated in connection with the individual's participation by the payment of commissions or other remuneration based, directly or indirectly, on transactions in the NOTES.

COMMENT: When an ADMINISTRATOR considers waiving certain registration and testing requirements, the following factors may be considered: agents normally are officers, directors, or employees of the CEF; the offer and sale of the NOTES are to a limited class of INVESTORS and not to the general public; the communications with prospective INVESTORS by the Agents normally are accomplished at the offices of the CEF through delivery of the OFFERING CIRCULAR and other written communications by means of the U.S. mails, the Internet or through verbal communications. In connection with any such waiver, an ADMINISTRATOR may collect such fees as are appropriate and required and shall require such affidavits or documents as are deemed appropriate and necessary.

D. Limited Class of INVESTORS.

The NOTES shall be sold to a limited class of INVESTORS. The ISSUER shall specify a limited class of INVESTORS that is consistent with its operations and is compatible with

the mission, structure, organization and theology of its DENOMINATION. A suggested form of limited class of INVESTORS is:

PERSONS who are, prior to the receipt of the OFFERING CIRCULAR, members of, contributors to (including previous INVESTORS), or participants in the DENOMINATION, the CEF or in any program, activity or organization which constitutes a part of the DENOMINATION or the CEF, or in other religious organizations that have a programmatic relationship with the DENOMINATION or the CEF.

COMMENT: It is recognized that the concept of “membership” or similar affiliation within the various DENOMINATIONS involves various church structure, organizational and/or theological concepts with which federal and STATE governmental entities cannot and should not interfere. CEFs should direct their offering efforts to PERSONS who have some reasonable association or affiliation with the CEF, its affiliated DENOMINATION or its religious programs.

E. ADVERTISING.

1. General Standards.

An ISSUER may use ADVERTISING that complies with the following standards:

a. ADVERTISING shall set forth a statement to the following effect:

This is not an offer to sell our securities to you and we are not soliciting you to buy our securities. We will offer and sell our securities only in STATES where authorized. The offering is made solely by our OFFERING CIRCULAR.

b. ADVERTISING shall not set forth statements, data or information that:

- i. Are materially inconsistent with the statements, data or information set forth in the OFFERING CIRCULAR; or**
- ii. When read in connection with the OFFERING CIRCULAR renders either the OFFERING CIRCULAR or ADVERTISING materially misleading; or**
- iii. Emphasizes the religious aspect or any other aspect of the offering or ISSUER in a manner that is materially misleading.**

2. Filing.

Subject to the requirements of individual STATES,

- a. Proposed ADVERTISING shall be filed with the ADMINISTRATOR prior to use, except no filing is required for “Tombstone” advertisements with limited information about the ISSUER and proposed offering of NOTES. Such limited information may include: the name and address of the ISSUER; the amount and terms of the NOTES; the purpose of the offering; and the name, address and contact information for PERSONS who may be contacted regarding the offering. The limited “Tombstone” advertisement shall include a statement as required by II.E.1.a., and should also state that interested INVESTORS should request and carefully read the OFFERING CIRCULAR before making their investment decision.**
- b. ADVERTISING, filed pursuant to II.E.2.a. that is subsequently materially changed or modified during the applicable offering period, except as provided in II.E.2.c., below, shall be filed with the ADMINISTRATOR prior to use. The changes and**

modifications shall be clearly marked, and the ADVERTISING changes and modifications shall comply with II.E.1.

- c. ADVERTISING, that has been filed with the ADMINISTRATOR, and which is subsequently changed or modified in a non-material manner, need not be refiled.
 - d. If an advertisement will include interest rates and it is not possible to specify interest rates in advertisements prior to use of the advertisements, the interest rate information shall be filed concurrently with its use.
3. Use of ADVERTISING.
- a. ADVERTISING shall not be directed at potential INVESTORS in a particular STATE before the proposed offering of NOTES has become registered or authorized for exemption, as applicable, in such STATE.
 - b. ADVERTISING shall not be directed to PERSONS who are not or potentially may not be within the limited class of INVESTORS described in II.D.
 - c. Subject to the requirements of individual STATES, national, regional or other multi-state publications or information provided by a DENOMINATION or its CEF may include ADVERTISING if the statement required by II.E.1.a. is included in such ADVERTISING.

III. OPERATIONAL AND STRUCTURAL STANDARDS

A. Organization and Structure.

The CEF shall be a NOT-FOR-PROFIT ORGANIZATION, validly organized and existing under the laws of a STATE, that operates exclusively for religious, charitable or educational purposes and qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

B. Exempt from Federal Registration.

The NOTES offered and sold by a CEF should be exempt from registration pursuant to the provisions of Section 3 (a) (4) of the Securities Act of 1933, as amended.

C. General Obligation Securities.

1. The NOTES, which provide general obligation financing for the CEF, shall not be specifically secured by particular loans to specific borrowing entities.
2. The proceeds from the NOTES may be deposited to a general fund or unrestricted account from which the CEF will make or complete commitments for loans primarily to churches and religious organizations affiliated with the DENOMINATION.
3. If a material amount of assets, liabilities, revenues or expenses of the CEF are unrelated to CEF operations, appropriate disclosure shall be provided in the OFFERING CIRCULAR. The ADMINISTRATOR may require management of the ISSUER to explain or justify any material balances or transactions that are unrelated to operation of the CEF.
4. In all cases there shall be a separate accounting for the operations, financial position and cash flows of the CEF.

D. Limited SENIOR SECURED INDEBTEDNESS.

The amount of any SENIOR SECURED INDEBTEDNESS to which the NOTES are or will be subordinated shall not exceed ten percent (10%) of the tangible assets (total assets less intangible assets as defined by GAAP) of the CEF. To the extent that such subordination of the NOTES exists, appropriate disclosure shall be provided in the OFFERING CIRCULAR.

E. Limit on Securitization of CEF Loan Portfolio.

A CEF may ordinarily securitize up to ten percent (10%) of its loan portfolio, if all of the following are met:

1. The loans are securitized and sold on a non-recourse basis predominantly to entities not affiliated with the CEF;
2. The proceeds from the sale of the securitized loans will be used to make additional loans to churches and other entities within the DENOMINATION; and
3. The securitization will not hinder the ability of the CEF to repay the principal and interest on the NOTES when due.

The ADMINISTRATOR may allow a greater portion of the CEF's loan portfolio to be securitized if management of the CEF provides sufficient justifications based on the particular circumstances of the CEF.

COMMENT: Reasonableness of the extent of securitization of a CEF's loan portfolio can vary in relation to several factors, including but not limited to: experience and expertise of CEF management personnel; the extent to which the CEF meets or exceeds the requirements of financial standards under IV.; and the loan policies of the CEF.

F. Management of the CEF.

One or more executive officers or other individuals engaged in the day to day management of the CEF shall have at least three years of relevant experience in lending and investment activities involving churches or similar organizations or otherwise must demonstrate sufficient knowledge and experience to manage loans, investments and operations of the CEF.

IV. FINANCIAL STANDARDS

A. General.

1. An ISSUER shall not offer and sell more NOTES than it can reasonably expect to repay, when due, in the ordinary course of its operations. Although each offering must be viewed in the context of the individual facts and circumstances surrounding each ISSUER and its offering, the following are the financial standards which an ADMINISTRATOR may consider in reviewing a proposed offering.
2. AUDITED FINANCIAL STATEMENTS of the ISSUER and/or the OFFERING CIRCULAR must disclose sufficient information to evaluate the extent of compliance with the standards in this section of the SOP. To facilitate review by the ADMINISTRATOR and INVESTORS, the OFFERING CIRCULAR should provide the financial information required by this section in a tabular or graphic presentation. An ISSUER may be deemed to have complied with certain standards in this section of the SOP even if it fails to meet one or more of the other standards at the time of any one offering period, if: the ISSUER complies with or exceeds the requirements of the

remaining standards and the information and data furnished reflects the ability of the ISSUER to repay its NOTES and other debt obligations when due in the ordinary course of its operations.

B. Capital Adequacy.

At the end of its most recent fiscal year as reported in its AUDITED FINANCIAL STATEMENTS, the ISSUER's NET ASSETS shall be positive and equal to five percent (5%) or more of its total assets.

C. Liquidity Status.

1. At the end of its most recent fiscal year as reported in its AUDITED FINANCIAL STATEMENTS, the ISSUER's cash, cash equivalents, readily marketable securities and available lines of credit shall have a value of at least eight percent (8%) of the principal balance of its total outstanding NOTES, except that the value of available lines of credit for meeting this standard shall not exceed two percent (2%) of the principal balance of its total outstanding NOTES.
2. Management of the CEF shall establish and administer investment policies that provide for reasonable and prudent diversification and preservation of its cash, cash equivalents and readily marketable securities for compliance with IV.C.1.

D. Cash Flow Performance.

For each of the ISSUER's three (3) most recent fiscal years as reported in its AUDITED FINANCIAL STATEMENTS, the coverage ratio of available cash as compared to cash redemptions of NOTES, exclusive of DENOMINATIONAL ACCOUNTS, shall be at least one to one (1:1). In determining the ISSUER's available cash, the following may be considered:

1. Cash provided by its normal CEF operating activities as reported in its Statements of Cash Flows;
2. Liquid assets (the total of cash, cash equivalents and readily marketable securities) at the beginning of its fiscal year;
3. Loan principal repayments, less loan disbursements;
4. Cash generated from the sale of NOTES, exclusive of DENOMINATIONAL ACCOUNTS, except to the extent that year-end redemptions exceed deposits to, or investments in, such DENOMINATIONAL ACCOUNTS during its fiscal year; and
5. Funds from other sources.

COMMENT: In determining the amount of the ISSUER's available cash, the ADMINISTRATOR also may consider any other source of immediately available funds, such as a line of credit or other source of credit with a bank or other financial institution.

E. Loan Quality.

1. LOAN DELINQUENCIES during the ISSUER's most recent fiscal year as reported in its AUDITED FINANCIAL STATEMENTS and disclosed in the OFFERING CIRCULAR shall not be excessive and shall be at such a level that the overall quality of its loan portfolio will allow the ISSUER:
 - a. To maintain sufficient Capital Adequacy in compliance with IV.B.; and

- b. Receive the timely repayments of sufficient loan principal necessary to meet the liquidity and cash flow requirements as set forth in IV.C. and IV.D.
2. When the LOAN DELINQUENCIES are material, the extent of the LOAN DELINQUENCIES and the quality of the ISSUER's loan portfolio should be explained and emphasized as a risk factor in the OFFERING CIRCULAR.

If LOAN DELINQUENCIES exceed ten percent (10%) of the CEF's total loan portfolio and no risk factor is disclosed, the ADMINISTRATOR may require management of the ISSUER to provide information to demonstrate that its LOAN DELINQUENCIES do not represent a material risk based on historical trends of the CEF and management's ability to obtain satisfactory repayments of delinquent loans.

COMMENT: A risk factor disclosure based on part 2 does not necessarily correct a deficiency under part 1 of this standard.

3. Management of the CEF shall establish and administer lending policies that provide reasonable assurance of sufficient loan quality to prevent excessive LOAN DELINQUENCIES that could result in loan losses by the CEF. The provisions of lending policies, such as, but not limited to, requirements for appraisals of properties to be financed, financial statements of borrowers, and limits or criteria for loan to value ratios, debt-service ratios and geographic concentration of loans shall be disclosed in the OFFERING CIRCULAR.
4. A CEF's loan program shall be primarily secured. Unless a lower percentage is justified by management of the ISSUER, at least ninety percent (90%) of the CEF's outstanding loans shall be secured by real or personal property or guaranteed by third parties. In evaluating justifications provided by management of the ISSUER, the ADMINISTRATOR may take into account, in addition to the quantity of secured and unsecured loans, the CEF's compliance with the other financial standards in this section, history of repayments of unsecured loans, provision for loan losses and other factors relative to the CEF's loan program and financial strength. The ADMINISTRATOR may require management of the CEF to file information about the property securing loans or the ability of third parties to provide guarantees.

F. Operating Trends.

The CHANGE IN NET ASSETS of the ISSUER, less any non-recurring or extraordinary items, for three (3) of the last five (5) fiscal years as reported in the AUDITED FINANCIAL STATEMENTS of the ISSUER shall be positive. The ADMINISTRATOR may limit or require justification of material non-monetary contributions to be included in the CHANGE IN NET ASSETS of the ISSUER.

G. SEASONED ISSUER Compliance.

The ADMINISTRATOR may consider the ISSUER's status as a SEASONED ISSUER for evaluating compliance with the above financial standards in any given fiscal year, if the ISSUER can show that:

1. It has fulfilled the requirements of the financial standards for at least three (3) out of its five (5) most recent fiscal years; or
2. The average of the relevant financial information for its five (5) most recent fiscal years reflects compliance with the financial standards; and

3. Management of the ISSUER has taken appropriate action to correct or mitigate the circumstances that caused noncompliance and can demonstrate satisfactory plans or ability to meet the financial standards and repay NOTES in future years.

H. Transition.

1. A CEF which has offered and sold NOTES prior to adoption of this SOP may continue to comply with the Capital Adequacy and Liquidity Status provisions in IV.B. and IV.C. of the NASAA Statement of Policy Regarding Guidelines for “General Obligation Financing by Religious Denominations”, adopted April 17, 1994, based on information in its AUDITED FINANCIAL STATEMENTS for fiscal years ending before January 1, 2007. A CEF must comply with IV.B. and IV.C. of this SOP based on information in its AUDITED FINANCIAL STATEMENTS for fiscal years ending after January 1, 2007. The ADMINISTRATOR may allow a longer transition period if management of the ISSUER provides information to the ADMINISTRATOR which justifies a longer transition period.
2. A new CEF that begins operations after the date this SOP is adopted by NASAA shall comply with the capital adequacy and liquidity standards under IV.B. and IV.C. of this SOP, but the CEF will not be expected to completely comply with IV.D. and IV.F. that require several years of operations. The new CEF shall demonstrate compliance with subsections other than IV.B. and IV.C. based on its actual period of operations since inception as reported in its AUDITED FINANCIAL STATEMENTS.

V. ISSUANCE OF NOTES

An ISSUER that meets the standards of this SOP shall be entitled to offer and sell its NOTES under the following provisions.

A. No Trust Indentures or Sinking Fund Required.

Trust indentures or sinking funds shall not be required in connection with the NOTES.

B. Extension or Roll-Over After Notice.

1. NOTES, upon maturity, may be extended or rolled over under the expressed terms and conditions stated in the OFFERING CIRCULAR, if:
 - a. Each INVESTOR is provided with written notification of the maturity and the proposed extension or rollover of the NOTES at least thirty (30) days prior to the NOTES’ maturity dates and the ISSUER retains appropriate documentation as may be required by the ADMINISTRATOR to demonstrate mailing or delivery of the written notification; and
 - b. Each INVESTOR is or has been provided with the ISSUER’s most current OFFERING CIRCULAR.
2. If the INVESTOR notifies the Issuer in writing on or prior to the maturity date that the INVESTOR elects not to extend or roll-over the NOTE, then at maturity, the ISSUER shall promptly repay the principal and interest accrued thereon.

C. Compound Interest.

Interest payable on NOTES may be compounded for payment at maturity of the NOTES if accrued interest is included with redemption amounts for determining compliance with IV.D.

VI. OFFERING CIRCULAR

INVESTORS shall receive adequate material information in order to make informed investment decisions, and the ISSUER must provide INVESTORS with a complete OFFERING CIRCULAR prior to their purchase of NOTES.

The OFFERING CIRCULAR must be written in clearly understandable language and disclose all relevant and material information that affects or would affect a prospective INVESTOR's decision to purchase the NOTES. **THE INFORMATION OUTLINED BELOW IS PROVIDED AS A GUIDE, BUT IS NOT INTENDED TO BE ALL-INCLUSIVE AND THE ISSUER MUST INCLUDE OTHER INFORMATION NOT SPECIFICALLY LISTED THAT WOULD BE IMPORTANT FOR AN INVESTOR'S UNDERSTANDING OF THE ISSUER AND THE NOTES.**

Any material adverse changes in the financial condition of the ISSUER or material changes in other information in the OFFERING CIRCULAR during the offering period shall be promptly disclosed in an appropriate supplement, or an amendment to the OFFERING CIRCULAR, and shall be promptly filed with each ADMINISTRATOR.

The following information must be included in the OFFERING CIRCULAR unless the ISSUER can demonstrate to the ADMINISTRATOR that a particular type of information is not applicable or material to an understanding of the ISSUER or the NOTES. Disclosure of additional types of information not listed below may be requested by the ADMINISTRATOR.

A. Cover Page.

1. Name of the ISSUER.
2. Principal address and telephone number of the ISSUER.
3. A brief description of the NOTES offered including interest rates and maturity terms available.
4. The total amount of the offering, the estimated offering expenses and the net proceeds of the offering.
5. A statement that the offering is subject to certain risks and the page number(s) in the OFFERING CIRCULAR where the risk factors are disclosed.
6. The limited class of INVESTORS to whom the NOTES will be sold.
7. The date of the OFFERING CIRCULAR and the proposed offering period.
8. Any legends that are required by applicable STATE laws, rules or regulations, or are deemed to be appropriate by the ADMINISTRATOR. The following are uniform model legends:

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, [NAME OF DENOMINATION], OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH [NAME OF DENOMINATION].

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY [NAME OF ISSUER].

9. Disclose any other state-specific limitations or conditions of sales to INVESTORS.
10. An advisory disclosure such as the following should be included for consideration by INVESTORS:

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

COMMENT: An ISSUER may use a national OFFERING CIRCULAR in all STATES in which it offers and sells its securities. Disclosure of specific legends or other information may be required by various STATE laws, rules or ADMINISTRATORS. If there is insufficient space on the front side of the cover page of the OFFERING CIRCULAR for the information described in VI.A., or when otherwise appropriate, such information may be disclosed on the reverse side of the cover page or on additional pages immediately following the cover page of the OFFERING CIRCULAR.

B. SUMMARY

A summary of narrative and financial information that highlights the key aspects and risks of the NOTES and the financial and operational characteristics of the ISSUER should be presented concisely in the OFFERING CIRCULAR following the cover page or risk factor section. The Summary section should include the disclosure of the ISSUER's proposed use of proceeds and a summary in tabular form of the financial data specified by VII.1. for the ISSUER's most recent fiscal year.

C. RISK FACTORS

1. Format and Use of Risk Factors.
 - a. Risk factors should immediately follow the Cover or the Summary. Consistent with investor protection, a comprehensive listing of the material risks to the potential INVESTOR in the offering should be located at the forefront of the OFFERING CIRCULAR. Potential INVESTORS often focus on the forefront of the document. When comparing potential investment opportunities, consistency in format of complex disclosure documents further assists the INVESTOR.
 - b. The Risk factor section is a list identifying the material risks associated with the offering. The risk factor section should **not** be a comprehensive discussion of the risks and counterbalancing considerations. Like the summary section, the risk factor section is a summary of the material disclosures that are discussed and analyzed in more detail in the appropriate, related sections of the body of the OFFERING CIRCULAR. Consistent with this purpose, most risk factors will not be comprehensive discussions of the issues. The risk factor section itself should be limited in length. In order to emphasize the nature of the disclosures as risks, no ameliorative statements should appear in the risk factors.
 - c. The risk factors that identify risks the potential INVESTOR is likely to find most significant should appear at or close to the beginning of the list.
 - d. A caption shall precede each risk factor and shall appear in off-set or emphasized type. As a listing of the material risks of the NOTES, captions should stand out to the eye of the reader. *Italicized*, **bold-face**, or underlined type assists the reader to quickly comprehend the scope and nature of the particular risk factors, and permits the reader to focus further on the risk factors of most interest to that reader. For the same reason, ISSUERS should avoid lengthy captions.
2. Risk Factor Content.
 - a. Each caption should succinctly identify the risky element of the factor. The caption should avoid the use of general, boiler-plate language. As a topic sentence to the factor, the caption can further streamline and shorten the factor.
 - b. Specific cross-references point the reader to complete discussions of the issue. Risk factors should not merely repeat *verbatim* disclosure appearing elsewhere in the disclosure document. Where appropriate, the risk factor should be a two or three sentence summary with a cross reference to the discussion appearing elsewhere in the OFFERING CIRCULAR. In some cases, there may be no need to

repeat the risk factor in the body of the OFFERING CIRCULAR. Potential INVESTORS often focus interest on disclosure that is of most interest to them, and cross-references assist the potential INVESTOR in locating this disclosure.

- c. Eliminate general, boiler-plate risk factors that could apply to any type of securities offering. Include only risks that are material to the particular offering, the particular ISSUER, or specific to NOTES.

3. Specific Risk Factors for CEF NOTES.

The ISSUER must describe to the INVESTORS the risks of investing in the NOTES. Particular care must be taken with respect to risks associated with the financial condition of the ISSUER. Statements to the effect that little or no risk is involved in buying NOTES are prohibited, and such statements by most ISSUERS will be regarded as material misrepresentations. It is important that the ISSUER concisely describe all of the relevant and material risks. These risks could include, but are not limited to, explanations of any of the following risks, **if applicable** to the particular offering. The captions of those risk factors may be, but are not required to be, similar to the following:

- a. **NOTES are unsecured general obligations of the ISSUER, and INVESTORS will be dependent solely upon the financial condition and operations of the ISSUER for repayment of principal and interest.**
- b. **No sinking fund or trust indenture has been or will be established to ensure or secure the repayment of NOTES.**
- c. **The NOTES are subordinate in ranking and priority in relation to the ISSUER's existing and anticipated future SENIOR SECURED INDEBTEDNESS (See III.D.).**
- d. **No public market exists for the NOTES and none will develop, and therefore, the transferability of the NOTES is limited and restricted.**
- e. **The recent negative changes or trends in the financial condition of the ISSUER and its operations may adversely affect the ISSUER's ability to make payments of principal and interest on the NOTES when due.**
- f. **The ISSUER's liquid assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline.**
- g. **There are no income tax benefits with respect to investment in the NOTES and interest paid or payable on NOTES is taxed as ordinary income regardless of whether interest is received by the INVESTOR or retained and compounded by the ISSUER.**
- h. **The ISSUER's loans are made primarily to affiliated churches and related religious organizations, including local churches, whose ability to repay the loans depend primarily upon contributions that they receive from their members.**
- i. **The loan policies of the ISSUER for loans to its affiliated churches and its related religious organizations are less stringent than loan policies of commercial lenders.**

- j. **Future changes in federal or STATE laws may adversely affect the ISSUER's ability to continue to sell its NOTES.**
- k. **The ISSUER is involved in activities other than its CEF Operations.**
- l. **There are risks involved in specific transactions or arrangements, such as loan securitizations, undertaken or entered into by the CEF.**
- m. **There are risks related to geographic concentration of loans to affiliated churches or other related organizations within a limited region, such that changes in economic conditions of that region could affect the ability of the churches or organizations, as a group, to repay the loans.**
- n. **Risks of investment in the NOTES may be greater than implied by relatively low interest rates on the NOTES and the NOTES are not insured by any governmental agency or private insurance company.**

D. HISTORY AND OPERATIONS

1. Describe the ISSUER, including the name, address of principal business office, STATE and date of incorporation, type and nature of the corporation (not-for-profit, tax exempt, etc.).
2. Describe the history of the ISSUER and its denominational affiliation or association.
3. Describe the religious purposes of the ISSUER and the general nature and purposes of its operations.
4. Describe the nature and extent of the offering of the NOTES and the extent of the ISSUER's offerings on a nationwide basis.
5. Describe the current operation and principal business activities of the ISSUER.
6. Disclose or cross-reference information required by III.C.1.

E. USE OF PROCEEDS

Describe in detail how the proceeds from the sale of the NOTES are expected to be used by the CEF and other material information related thereto. If a material amount of proceeds are to be used for purposes other than operating a CEF program, the OFFERING CIRCULAR shall include thorough explanations and justifications for such uses. The ADMINISTRATOR may disallow the offering of NOTES if such unrelated uses are not sufficiently explained or justified.

F. FINANCING AND OPERATIONAL ACTIVITIES

Describe the financing operations and activities of the ISSUER, including;

1. A description and summary, in tabular form, of the ISSUER's outstanding NOTES and debt obligations, categorized to the extent necessary to inform an INVESTOR of the nature and type of NOTES and debt obligations that it has sold and incurred. To the extent that the information is not disclosed in the AUDITED FINANCIAL STATEMENTS of the ISSUER or the footnotes attached thereto, the OFFERING CIRCULAR should include the principal amounts due at maturity.
2. A description of the receipts that the ISSUER received from the sale of its NOTES and the amount of any redemptions that it made on its NOTES in its prior fiscal year.

3. A description and summary, in tabular form, of the amount and nature of the ISSUER's outstanding loans receivable at the end of its last fiscal year. To the extent that the information is not disclosed in the AUDITED FINANCIAL STATEMENTS of the ISSUER or the footnotes attached thereto, the OFFERING CIRCULAR should include a summary of the maturities of the outstanding loans receivable and a listing of individually material loans receivable. The disclosure of loans receivable shall also demonstrate that loans are primarily secured as required under IV.E.4. Information concerning loans guaranteed by third parties, including a summary of the financial condition of guarantors, shall be disclosed if material.
4. Descriptions of the ISSUER's direct and indirect revenues and expenses that are unrelated to its CEF operations, if material.
5. A description of any other related material financial information of the ISSUER's financial activities and operations that relate to its ability to repay the principal and interest on its outstanding NOTES and other debt securities when due.

G. LENDING ACTIVITIES

Describe the lending activities of the ISSUER such as:

1. The nature and types of its loans receivable;
2. Its loan policies;
3. Material loans made to a single borrower;
4. The nature and extent of any material LOAN DELINQUENCIES for its last three (3) fiscal years; and
5. The nature and extent of any material loan losses that the ISSUER has incurred within its last three (3) fiscal years.

H. INVESTING ACTIVITIES

Describe the investing activities of the ISSUER, including:

1. A description and summary of the nature and amount of any invested funds which the ISSUER maintains pending utilization for its loan activities or for purposes of maintaining a reasonable liquidity as required by IV.C.1.
2. A description of the policies of the ISSUER as required by IV.C.2. with respect to making and maintaining such investments, including the types of investments the ISSUER is permitted to make under its investment policy and any limitations on such investments. Any investment(s) currently held by the ISSUER that does not comport with this policy must be disclosed and a reason provided as to why the ISSUER holds that investment(s).
3. The name(s) of the PERSON(s) responsible for setting or altering the ISSUER's investment policy and the PERSON(s) responsible for making and maintaining the ISSUER's investments. If the ISSUER has engaged a third party to make or maintain its investments, the identity of that third party must be disclosed.
4. A description in tabular form of the ISSUER's outstanding investments categorized according to the types of investments held (equity securities, government securities, corporate bonds, etc.) which discloses the amount invested in each category, both in monetary terms and as a percentage of the ISSUER's total investments. The monetary

value of investments disclosed in the table should be presented in conformity with GAAP for NOT-FOR-PROFIT ORGANIZATIONs.

5. The ISSUER's aggregate realized and unrealized gains and losses from investments for each of its last three fiscal years.
6. Any other material information regarding the ISSUER's investments.

I. SELECTED FINANCIAL DATA

1. Disclose the following selected financial data in tabular form for each of the ISSUER's last five fiscal years as reported in or derived from its AUDITED FINANCIAL STATEMENTS:
 - a. cash, cash equivalents and readily marketable securities (combined);
 - b. total loans receivable;
 - c. amount and percent of unsecured loans receivable;
 - d. LOAN DELINQUENCIES as a percent of loans receivable;
 - e. total assets;
 - f. total NOTES payable;
 - g. amount of NOTES redeemed during the fiscal year;
 - h. other long-term debt;
 - i. NET ASSETS; and
 - j. CHANGE IN NET ASSETS.
2. Include, to the extent relevant and material, any discussion and analysis by management of the ISSUER that will assist INVESTORs in understanding the nature of the operations of the ISSUER and the selected financial data.

J. DESCRIPTION OF NOTES

1. Describe the type and nature of the NOTES and the manner in which the interest thereon will be computed and/or accrued.
2. Describe the terms of the NOTES, including any right to early redemption and any penalties that will be applied thereto.
3. Describe the nature of cash or cash equivalent that will be acceptable for purchase of the NOTES.
4. Describe the restrictions and limitations on transferability of the NOTES.
5. Describe the ranking and priority of the NOTES in relation to other indebtedness of the ISSUER.

K. PLAN OF DISTRIBUTION

1. Describe the method and manner in which the NOTES will be offered and sold to INVESTORs, including the methods of solicitation and subscription.
2. State that no underwriting or selling agreements exist, and that no direct or indirect commissions or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of the NOTES.

COMMENT: The NOTES will be offered and sold through officers and/or employees of the ISSUER or other representatives of the DENOMINATION, subject to the requirements of II.C. which should be disclosed if relevant to the offering.

L. TAX ASPECTS

Describe the federal tax aspects of ownership of the NOTES and state that the interest paid or accrued on the NOTES will be taxable as ordinary income to INVESTORS.

M. LITIGATION AND OTHER MATERIAL TRANSACTIONS

1. Describe all present, pending or threatened material legal proceedings, including those that are known to be contemplated by governmental authorities, administrative bodies, or other administrative PERSONs to which the ISSUER or its property is or may become a party.
2. Include the name of the court or agency in which the proceedings are pending, the date that the proceedings were instituted, the principal parties involved, a description of the factual basis underlying the proceedings and the relief sought.
3. Disclose any transactions that may materially affect the offering or an INVESTOR's investment decision and which are not otherwise mentioned in the OFFERING CIRCULAR.

N. MANAGEMENT

1. Describe the organizational structure of the ISSUER, including how the members of its Board of Directors or other legal governing body are chosen or replaced.
2. Identify all directors and executive officers or PERSONs having similar authority of the ISSUER, and describe their experience and credentials, the functions they perform for the ISSUER and the dates that their terms of office expire.
3. Disclose if any director or officer of the ISSUER has, during the past ten years, been convicted of any criminal proceeding (other than for traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgment or decree of any court enjoining such individual from any activities associated with the offer or sale of securities.
4. Disclose in tabular form all direct and indirect remuneration, which includes, but is not limited to, salaries, health and other insurance, pensions or retirement plans and the use of the ISSUER's assets for personal purposes, that are paid by the ISSUER to the following:
 - a. its executive officers, directors or PERSONs having similar authority for the ISSUER's last fiscal year in the aggregate, and
 - b. its executive officers, directors or PERSONs having similar authority, individually, if the remuneration equals or exceeds \$150,000 during the ISSUER's last fiscal year.
5. Describe all material employment contracts, perquisites of employment and conflicts of interests of the ISSUER's officers, directors, or PERSONs having similar authority.

O. FINANCIAL STATEMENTS

1. AUDITED FINANCIAL STATEMENTS of the ISSUER are required in the OFFERING CIRCULAR for the proposed offering of NOTES and shall include all financial statements and notes required by GAAP as follows:
 - a. Statements of Financial Position (Balance Sheets) for the ISSUER's two most recent fiscal years;
 - b. Statements of Activities (Revenues, Expenses and the CHANGE IN NET ASSETS) for the ISSUER's three most recent fiscal years;
 - c. Statements of Cash Flows for the ISSUER's three most recent fiscal years with gross rather than net reporting of financing and investing activities; and
 - d. Notes to the Financial Statements to explain accounting policies and provide other disclosures required by GAAP for NOT-FOR-PROFIT ORGANIZATIONS or as required by this SOP.

If the ISSUER has not existed or been in operation for the time periods specified above, the ISSUER shall provide AUDITED FINANCIAL STATEMENTS for the actual number of fiscal years or period of operation since its inception.

2. The audit report of independent Certified Public Accountants shall include an unqualified opinion that indicates the financial statements are presented fairly, in all material respects, in conformity with GAAP, and the audit report shall not include an explanatory paragraph regarding substantial doubt about the ISSUER's ability to continue as a "going concern".

P. INVESTOR REPORTS

The OFFERING CIRCULAR shall state that the ISSUER's current AUDITED FINANCIAL STATEMENTS will be made available to INVESTORS upon written request, and will be mailed to INVESTORS within 120 days of its last fiscal year end.

CROSS REFERENCE SHEET

The ISSUER shall file a cross reference sheet or supplemental outline with the ADMINISTRATOR to provide references to documents or tabular information to demonstrate compliance with the standards under Sections III. through VI. of this SOP. Cross references to the OFFERING CIRCULAR or other documents filed with the ADMINISTRATOR should indicate the page numbers where compliance is demonstrated by disclosures or contents of documents.

Provisions of the offering of NOTES or documents filed with the ADMINISTRATOR which vary from requirements of this SOP must be explained by footnote. Footnotes should be numbered sequentially and presented on an attachment to the cross reference sheet or outline. Requests for waivers or exceptions from standards should be thoroughly explained and justified in a letter to the ADMINISTRATOR and filed with the application for registration or exemption of the NOTES.