

**Agreement and Disclosure Document**  
**for participation in the**  
**Long-Term Investment Portfolio (LTIP)**  
(For use commencing January 2013)

Today's Date: \_\_\_\_\_

Name of Church: \_\_\_\_\_

Name of Authorized Person: \_\_\_\_\_

Position of Person with Church: \_\_\_\_\_

*When the terms "we" or "our", or terms with similar meaning, are used in this Agreement and Disclosure Document ("Agreement"), the terms refer to the Church named above and on the Application and Acceptance Page submitting this Agreement, and to any person with the Church who has participated in the decision to submit this Agreement.*

**Introduction.** We understand that the Baptist Foundation of Colorado ("Foundation") has a Long-Term Investment Portfolio ("Portfolio") in which it invests some of its cash resources based on recommendations of the Foundation's Investment Committee (with respect to publicly-traded securities) and Loan Committee (with respect to church loans), and supervision by the Foundation's Board of Directors. We also understand that the Foundation has offered participation in the Portfolio to members of the Colorado Baptist General Convention ("CBGC") who are included within the CBGC's exemption under §501(c)(3) of the U.S. Internal Revenue Code, and to other 501(c)(3) organizations whose mission and goals are spiritually and practically compatible with those of the CBGC and the Foundation. We further understand that this Agreement constitutes the Participation Agreement for an investment in the Portfolio and the Disclosure Document relating to that investment.

**Nature of Participants.** We represent to the Portfolio, the Foundation, and the CBGC that we have reviewed this Agreement with our advisors and that we desire to make an investment in the Portfolio as described on the Application and Acceptance Page to this Agreement. To induce the Portfolio to accept our investment, we represent and warrant to the Portfolio, the Foundation and the CBGC as follows:

- We are qualified under §501(c)(3) of the Internal Revenue Code and intend to maintain that qualification and to operate in accordance with the rules and regulations promulgated by the Internal Revenue Service ("IRS");
- We are organized and operated exclusively for religious, charitable, and educational purposes, and we are not organized or operated for the purposes or benefit of any shareholder or natural person;
- Our principal place of business is within the state of Colorado, and our operations are conducted within the state of Colorado;
- We have immediate, unencumbered, unrestricted, and exclusive use, benefit, and enjoyment of the funds that we propose to invest in the Portfolio;
- None of the funds being invested in the Portfolio are attributable to a retirement plan; and
- Any and all return of our funds to us upon termination of our investment will be used solely for our tax-exempt purposes (as that term is defined in §501(c)(3) of the Internal Revenue Code).

**Transferability Restrictions.** We understand that our investment in the Portfolio cannot be transferred, pledged, gifted, encumbered or assigned to any other person, whether or not that person is a person eligible to invest in the Portfolio itself. We understand that we must maintain unencumbered ownership in our interest in the Portfolio throughout the term of the investment as set forth on the Application and Acceptance Page to this Agreement. We

understand that our interest in the Portfolio will not be represented by physical certificates of participation, certificates of interest, or in any other tangible form; we understand that our interest in the Portfolio will be handled by the Portfolio on a book-entry basis.

**Investment Guidelines; Investment Committee Discretion.** As stewards of the funds made available to us, we understand our need and obligation to make a fair return on the investment of those funds and to do so in a manner that is compatible with our scriptural basis and religious principles. We understand that the term "fair return" depends on current and long-term market conditions which are not within the control of the Foundation or any other person. We also understand that because of the anticipated conservative nature of the Portfolio's investments, the actual return will likely vary from returns that might be obtained from a more aggressive investment strategy. We also understand that the Portfolio's investments are intended to be accomplished in a socially-responsible way, but because the Portfolio's investments include broad-based funds and indices, its investments may include an interest in individual securities that do not meet the Portfolio's desires.

We understand that the Portfolio's Investment Committee will provide a copy of its specific investment guidelines at our request, but generally (and based on current market conditions) we understand that the investment guidelines are as follows:

- ✓ The Portfolio will generally invest in appropriate mutual funds and broad-based indices, or by making loans to member-churches (which loans will not be liquid). The Portfolio will generally not, but may on occasion, invest in individual, publicly-traded securities.
- ✓ The Portfolio's target is that 0-40% of the Portfolio's available resources be invested in equity stock funds.
- ✓ The Portfolio's target is that 60-100% of the Portfolio's available resources be invested in fixed and variable rate income investments. This includes both (1) publicly traded instruments, and (2) loans to member-churches for their land and/or construction, renovation or improvement of their facilities ("church loans") based on loan guidelines that are available for our review. The church loans are not liquid, and therefore, it is not expected that the amount of church loans will exceed 80% of the total Portfolio. Church loans will be administered by the Foundation's Loan Committee, although the Loan Committee will have available to it only funds made available by Foundation's Investment Committee.
- ✓ The Portfolio expects to maintain approximately 5% of its available resources in money market funds, certificates of deposit and cash.

We understand that we may request more current information regarding the allocation of the Portfolio's resources at any time. We understand that the Portfolio's Investment Committee may change these allocations from time-to-time as it determines that market conditions warrant a change. We further understand that the Investment Committee may retain and compensate licensed investment advisors from time-to-time as the Investment Committee, in its discretion, determines appropriate. We also understand that the Portfolio's Loan Committee may change its loan guidelines from time-to-time to meet changing circumstances.

**Nature of Investment.** We understand that any investment we make into the Portfolio must be assets as to which we have immediate, unencumbered, unrestricted, and exclusive use, benefit, and enjoyment, and we represent to the Portfolio and the Foundation that the funds described on the Application and Acceptance Page as the "Amount of Investment" are funds as to which we have immediate, unencumbered, unrestricted, and exclusive use, benefit, and enjoyment.

We further understand that the Portfolio's past performance is no guarantee of future performance and that any return on our investment will be dependent on a number of factors that are not within the Portfolio's control, including general market conditions. We will hold the Foundation, and the CBGC, or its officers, directors, employees and agents harmless for any damages, injuries, or liabilities that may result from such performance or any other act or omission of the Portfolio, the Foundation, the CBGC, or its officers, directors, employees, and agents unless any such damage, injury, or liability results directly from intentional misconduct or gross negligence of the Portfolio, the Foundation, the CBGC, or its officers, directors, employees, and agents.

We also understand that the Portfolio is in the name of the Foundation and is not a separate legal entity, and that ultimately the Foundation will control the Portfolio and (through its Investment Committee, but subject to supervision by the Foundation's Board of Directors) determine the Portfolio's investments.

We also understand that, in managing the loans made to churches (which will be a portion of our Portfolio as described above), the Foundation's Board of Directors and its Loan Committee may be influenced to some extent by affiliation to the CBGC and/or the national Southern Baptist Convention in deciding whether to approve loan applications or to foreclose mortgages given by defaulting church borrowers.

**Committee Administration; Board Supervision.** The Foundation's Board of Directors will supervise the activity of both:

1. The Investment Committee (which will administer the Portfolio's publicly traded investments and allocate funds for church loans); and
2. The Loan Committee (which will receive and approve loan applications from member-churches).

The Board of Directors has approved both (1) the Investment Guidelines and Policies, and (2) the Loan Guidelines and Policies, and will receive reports from both committees on a regular basis.

**Long-Term Investment; Investment Verification.** We understand that any investment we make into the Portfolio must be considered to be a long-term investment of not less than one year. We will designate the desired term of our investment ("Term of Investment") on the Application and Acceptance Page. At the end of the term of our investment, we understand that we will have the right to receive the net asset value of our investment determined based on the market price of the publicly traded securities in the Portfolio and the remaining principal amount due on church loans (not including church loans that are then in default). Church loans that are in default will be valued by the Loan Committee based on likely recovery (if any) less estimated costs of recovery.

We understand that at the termination of our investment (as specified on the Application and Acceptance Page hereto) we may have the opportunity to renew our investment for an additional period of time (not less than one year) if the Foundation is currently offering such investment opportunities. We understand that the Foundation may terminate the Portfolio or the investment opportunity at any time in its sole discretion and, in such case, will return the net asset value of our investment to us calculated as above.

**Premature Withdrawal; Penalty.** We understand that if we desire to withdraw our investment from the Portfolio prematurely (before the term stated on the Application and Acceptance Page hereto), we may do so on not less than 60 days prior written notice, and that such withdrawal will be effective the first day of the month following such 60-day notice period. If we request a premature withdrawal, we understand that (because of illiquidity of the church loans and the difficulties to the Portfolio resulting from such premature withdrawal), church loans that are in default will be valued at 80% of the determination made by the Loan Committee (subject to the supervision of the Board of Directors) as to likely recovery (if any) less estimated costs of recovery.

**No Guaranteed Return.** We understand that neither the Portfolio, nor the Foundation, nor the CBGC has guaranteed that there will be any positive return on any amount that we may invest in the Portfolio and that the Portfolio may, in fact, incur losses. We further understand that we will share (*pro rata* with other Portfolio participants) any expenses, gains, or losses that the Portfolio may incur.

**No Fees; Reimbursement of Expenses.** We understand that the Portfolio will pay no fees to the Foundation for managing the Portfolio. We further understand, however, that the Portfolio will pay directly or reimburse the Foundation for directly allocable expenses that the Foundation incurs in administering the Portfolio, including (without limitation):

- salaries and benefits of the Foundation's or the CBGC's employees who are involved in managing or supervising the Portfolio's operation, preparing reports, or performing other activities necessary or appropriate to the Portfolio's operation;
- expenses incurred by the Foundation for the benefit of the Portfolio (including postage, photocopy charges, long-distance telephone expenses, accountant and auditor fees and expenses, and the fees and expenses of any licensed advisor, attorney, or other professionals that the Portfolio may retain); and

- a general overhead expenses equal to 10% of the total of the sum of the foregoing to reimburse the Foundation for general overhead expenses that cannot be directly allocated to the Portfolio.

We understand that the Foundation will account to the Portfolio for these reimbursable expenses not paid by the Portfolio directly, and that the Foundation will summarize all reimbursable expenses in reports sent to us and to the other Portfolio participants. We understand that the total expenses reimbursement will not exceed 100 basis points or 1% of the current investment balance per year.

**Reports.** We understand that the Portfolio will provide us reports of the Portfolio's investments, changes in investment allocation strategy, performance, and net asset value on a regular basis and such reports will be sent to us not later than the end of the month after receipt of the Annual Audit. In addition to such reports, we understand that the Portfolio will retain an independent certified public accountant to audit its financial statements annually as of December 31 of each year, and the Portfolio expects that its audited financial statements will be distributed to us as well as to the other participants in the Portfolio no later than May 31<sup>st</sup> of the following year. We understand that the year in audit of the Portfolio will be available for our review after May 31<sup>st</sup> at our request.

We also understand that we are entitled to review the Portfolio's books and records on at least five days' written notice to the Portfolio during normal business hours. Any inspection or review of the Portfolio's books and records must be done at our own expense.

**Securities Exemptions; No Registration as an Investment Advisor or Investment Company.** We understand that our investment in the Portfolio and the activities of the Foundation are exempt from regulation under the federal Securities Act of 1933, Securities Exchange Act of 1934, the Investment Company Act of 1940, and the Philanthropy Protection Act of 1995 and comparable provisions of Colorado law. We understand that the protections generally provided by a review of investment opportunities, investment companies, and investment advisors by the Securities and Exchange Commission and Colorado Division of Securities is not available to participants in the Portfolio.

**Notification.** If circumstances develop that any of our representations and warranties to the Portfolio, the Foundation, and the CBGC in the foregoing paragraphs is or becomes untrue or incorrect in any material respect, we will promptly notify the Foundation in writing. We understand that if the Investment Committee determines that the facts set forth in our notification result in our no longer being eligible to participate in the Portfolio, our withdrawal will be treated as a premature withdrawal (as described above) effective on the first day of the month following 60 days after the date of such notification.

**Notices.** We understand that all notices and other communications relating to our investment or to the Portfolio must be in writing and must be hand-delivered, mailed by first-class mail, couriered by next-day air courier or by facsimile (which facsimile must be confirmed in writing by delivery as above) to the addresses set forth on the Application and Acceptance Page below. All such notices and communications shall be deemed to have been duly given: (i) when delivered by hand, if personally delivered; (ii) five business days after being deposited in the mail, postage prepaid, if mailed certified mail, return receipt requested; (iii) one business day after being timely delivered to a next-day air courier guaranteeing overnight delivery; (iv) the date of transmission if sent via facsimile prior to 5:00 p.m. on a business day, or (v) the business day following the date of transmission if sent via facsimile after 5:00 p.m., or on a date that is not a business day. We understand that we or you can change our or your address or facsimile number by giving notice to each other in accordance with this paragraph.

**Survival Clause.** We understand that our representations, warranties, agreements and covenants set forth in this Agreement shall survive during the entire term of our investment in the Portfolio and thereafter.

**Successors.** We understand that this Agreement shall inure to the benefit of and be binding upon us and our successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions contained herein; this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person.

**No Waiver; Modifications in Writing.** We understand that no failure or delay on our part or on the part of the Portfolio, the Foundation, or the CBGC in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No waiver of or consent to any departure from any provision of this Agreement shall be effective unless signed in writing by the party entitled to the benefit thereof, provided that notice of any such waiver shall be given to each party hereto as set forth below. No amendment, modification or termination of any provision of this Agreement shall be effective unless signed in writing by or on behalf of us and by the Foundation on behalf of the Portfolio.

**Entire Agreement.** We understand that this Agreement, together with other documents referenced herein constitutes the entire agreement among the parties hereto and supersedes all prior agreements, understandings and arrangements, oral or written, among us and the Portfolio, the Foundation, and the CBGC hereto with respect to the subject matter hereof and thereof.

**Severability.** If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby.

**Applicable Law.** The validity and interpretation of this Agreement, and the terms and conditions set forth herein shall be governed by and construed in accordance with the laws of the state of Colorado, without giving effect to provisions relating to conflicts of law to the extent the application of the laws of another jurisdiction would be required thereby. The parties hereby irrevocably and unconditionally agree that actions, suits or proceedings arising out of or relating to the Agreement may be brought only in state courts for such purpose.

**Effectiveness.** We understand that we must submit this Agreement to the Foundation for its acceptance on behalf of the Portfolio, and that this Agreement is not effective until and unless accepted in writing by the Foundation. To encourage the Foundation to accept our Agreement, we reaffirm the foregoing representations, warranties, and agreement, we further represent that the undersigned is duly, legally, and properly authorized by us to execute this Agreement as our obligation and agreement, and we include a check for the Amount of Investment set forth on the Application and Acceptance Page hereto. We further understand that any acceptance by the Foundation is subject to our delivery of good funds for the entire Amount of Investment.

**Documents Available for Review.** We understand that, prior to making any investment in the Portfolio, we are entitled to review other relevant documents including (without limitation) the Portfolio's Investment Committee and Loan Committee information regarding the Portfolio's current investments and historical performance, and other information that the Portfolio can obtain without unreasonable difficulty or expertise.

**Consultation with Advisors.** We also understand that you have recommended to us that we not only review the relevant documents but that we consult with our legal, financial, tax, and investment advisors to the extent we consider such consultation to be necessary or appropriate in the circumstance. We understand that neither the Portfolio, nor the Foundation, nor the CBGC nor any person associated with any of you have made any recommendation as to whether to invest in the Portfolio. We understand that the decision to invest in the Portfolio is our decision alone and will be based on our review with our advisors (as we deem appropriate) of such information as we have determined to be necessary or appropriate to reach that decision.

**APPLICATION**

**Agreement and Disclosure Document**

(to be completed by applicant)

Date of Application: \_\_\_\_\_

Name of Church: \_\_\_\_\_

Name of Church's Pastor: \_\_\_\_\_

Church's Address: \_\_\_\_\_

Church's Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Church's E-Mail: \_\_\_\_\_

Church's Tax ID No: \_\_\_\_\_

Alternate Name and Title of Person at Church (e.g. Finance Committee Chair)

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Alternate Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Alternate E-Mail: \_\_\_\_\_

Amount of Investment (How much): \$ \_\_\_\_\_

Term of Investment (When repaid): \_\_\_\_\_

Name of Person Signing for Church: \_\_\_\_\_

Title of Person Signing for Church: \_\_\_\_\_

Signature: \_\_\_\_\_

Please submit two copies of this page, fully completed and signed by a person authorized by the Church to sign. You must also return the check for your investment. We recommend that you make delivery of this page and check by hand delivery or overnight courier since the Foundation cannot be responsible for documents lost in the mails. If you prefer to wire funds to the Foundation, please contact Douglas B. Lohrey at the Foundation.

**ACCEPTANCE - Agreement and Disclosure Document**

(to be completed by the Foundation only)

Date of Acceptance: \_\_\_\_\_

Subject to the receipt of good funds for the amount of the investment set forth on the above Application, the Baptist Foundation of Colorado hereby accepts the investment described, from the Church named, on the attached above Application; and, the Foundation agrees to operate the Portfolio in accordance with the Agreement and Disclosure Document to which this Application and Acceptance Page is attached.

Signed: \_\_\_\_\_

Douglas B. Lohrey, Chief Executive Officer  
Baptist Foundation of Colorado  
7393 South Alton Way  
Centennial, CO 80110-6272

This investment is not made until and unless accepted by the Foundation. If the Foundation accepts your investment, it will return a copy of the signed Application and Acceptance Page to you. If the Foundation does not accept your investment, it will return your check to you.

