

Church Extension Fund

Policies and Guidelines





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1 CHURCH EXTENSION FUND POLICIES AND GUIDELINES

1.1 PURPOSE

The Baptist Foundation of Oklahoma, doing business as WatersEdge Ministry Services (WatersEdge), was organized in 1946 by the Baptist General Convention of Oklahoma (Oklahoma Baptists) as its sole incorporated trust agency, offering a means whereby Southern Baptists can provide perpetual support for Southern Baptist causes within Oklahoma and around the world. (The Church Extension Fund Policies and Guidelines are set forth by the Board of Directors (Board) of WatersEdge in order to govern the administration of Kingdom Investments and Ministry Loans offered by WatersEdge.

1.2 SCOPE

The Church Extension Fund Policies and Guidelines govern the following:

- Kingdom Investments that WatersEdge offers to Southern Baptist entities and individuals, and like-minded entities and individuals (Clients).
- Ministry Loans that WatersEdge offers to Southern Baptist entities and like-minded organizations (Clients).

1.3 RESPONSIBILITY

1.3.1 Ministry Services Committee (Committee)

The Committee is a standing committee of the Board created to fulfill the responsibilities of the Board related to the supervision of Kingdom Investments and Ministry Loans. As a standing committee, they shall report to the Board and only discharge those responsibilities specifically assigned to them by the Ministry Services Committee Charter.

1.3.2 Risk Management Committee

The Risk Management Committee is responsible for administering the day-to-day operations of the Church Extension Fund (CEF) and for ensuring compliance with this policy. The Risk Management Committee is composed of WatersEdge's Chief Executive Officer, WatersEdge Ministry Services President, Chief Lending Officer, Chief Investment Officer, Chief Financial Officer, and Director of Ministry Investments. Additional staff may be invited to participate on an as-needed basis.

1.4 KINGDOM INVESTMENTS

1.4.1 Guiding Principles

1.4.1.1 WatersEdge offers Kingdom Investments to Southern Baptist entities and individuals, and other organizations and individuals with like beliefs and commitments as the Baptist General Convention of the State of Oklahoma, dba Oklahoma Baptists (Oklahoma Baptists). This limited class is determined solely by WatersEdge and referred to collectively as Investors.

1.4.1.2 Because WatersEdge is a not-for-profit, religious entity providing services to Investors, the investments that it offers through its CEF may either be registered or exempt from registration in the various states or jurisdictions in which they are offered or sold. Investments offered by WatersEdge are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or any other federal or state agency. WatersEdge investments are only offered through its Offering Circular. Consult the Offering Circular for details.

1.4.1.3 These Policies and Guidelines reflect the commitment of WatersEdge to act prudently in the investment of funds entrusted to it. Investors are dependent on the financial condition of WatersEdge for the repayment of principal and interest. Consult the Offering Circular for a more detailed description of the risk factors.

1.4.2 Policy Statements

1.4.2.1 Agreement

An Investment Application shall, set forth the terms of agreement between the Investor and WatersEdge. WatersEdge shall provide Terms and Conditions to Clients when an account is opened. Terms and Conditions shall apply to all of the Investor's Kingdom Investments administered by WatersEdge.

1.4.2.2 Classification of Investments

- Demand Investments have interest rates that may be adjusted on a monthly basis and which permit additions of principal and partial withdrawal at any time without penalty or service fee upon request.
- Term Investments have interest rates that remain fixed throughout their respective term ranging from six (6) months to five (5) years, as may be offered by WatersEdge from time to time.

1.4.2.3 Investment Allocation

The Investor shall designate desired asset allocation on the Investment Application and Agreement.

1.4.2.4 Contributions of Cash

The Investor shall transfer funds for purchase of Kingdom Investments via personal delivery, mail, special delivery service, wire transfer, or ACH transfer.

- Term Investments: Term Investments may be purchased on any business day. Subsequent contributions designated for Term Investments will be used to purchase new Term Investments.
- Demand Investments: Demand Investments may be purchased on any business day.

1.4.2.5 Contributions of Noncash Financial Assets

The Investor may transfer noncash financial assets (stocks, bonds, royalty interests, etc.) for purchase of Kingdom Investments upon prior approval by WatersEdge. Such assets shall be sold with the net proceeds used to purchase Kingdom Investments offered by WatersEdge.

1.4.2.6 Renewal

- Term Investments: Automatic renewal of Term Investments, including interest earned, is assumed unless written notice is received from an authorized representative of the Investor, subject to state law. However, the Investor has a 15-day grace period after purchase or automatic extension of a Term Investment whereby the Investor can withdraw or reallocate funds without penalty. Renewal of Term Investments will be at the prevailing rates.
- Demand Investments: Demand Investments will remain invested until written notice of withdrawal or reallocation is received from an authorized representative of the Investor.

1.4.2.7 Reallocation

The Investor may reallocate its funds between Term Investments and Demand Investments, as follows:

- Term Investments: Funds may be reallocated at maturity or within the grace period to new Term Investments and/or Demand Investments. If reallocated to Demand Investments, funds may be immediately invested.
- Demand Investments: Funds may be reallocated on any business day.

1.4.2.8 Redemption

The Investor may redeem its Kingdom Investments by providing written notice from an authorized representative of the Investor, as follows:

- Term Investments:
 - A redemption of a Term Investment at maturity incurs no penalty.
 - A partial withdrawal shall be considered as an early redemption of the Term Deposit, with penalty.
- Demand Investments: Demand Investments will be redeemed without penalty.

1.4.2.9 Penalty for Early Withdrawal of Term Investments

- For Term Investments with terms twelve (12) months or shorter, the penalty is ninety (90) days of interest. The penalty shall be limited to accrued interest and shall not invade principal.
- For Term Investments with terms longer than twelve (12) months, the penalty is one hundred and eighty (180) days of interest. The penalty shall be limited to accrued interest and shall not invade principal.
- Early redemption penalties may be waived from time to time at the sole discretion of WatersEdge.

1.4.2.10 Exceptions

Exceptions to the above stated policies shall require the approval of the Board.

1.4.3 Guidelines

The Guidelines contained in these Policies and Guidelines are intended to be a guide to all parties involved. Changes to these Guidelines may be recommended by the Committee to the Board for approval.

Deviations from these Guidelines may occur from time to time. Such deviations are not considered violations of these Policies and Guidelines.

1.4.3.1 *Minimum Investment*

The minimum investment to purchase Kingdom Investments is one thousand dollars (\$1,000).

1.4.3.2 *Minimum Balance*

The minimum balance needed to maintain Kingdom Investments is one thousand dollars (\$1,000). In the event the balance falls below the minimum, the Investor will be given an opportunity to bring the balance up within 30 days or the account will be closed and remaining funds returned to the Investor.

1.4.3.3 *Transactions*

Transaction requests received after 3:00 pm CST will be processed the next business day.

1.4.3.4 *Distributions*

- Term Investments: Funds shall be distributed within two business days upon written notice from an authorized representative of the Investor.
- Demand Investments: Funds shall be distributed within two business days upon written notice from an authorized representative of the Investor.

1.4.3.5 *Interest Rates*

- The Risk Management Committee shall establish Kingdom Investment interest rates as market conditions dictate.
- Interest rates are set effective as of the first day of each month.
- Interest rates are quoted as annualized rates.
- Interest is paid on the last day of the month for Demand Investments and on the last day of each calendar quarter for Term Investments.
- Interest will be added to the principal amount of the Kingdom Investment unless the Investor requests that it be withdrawn.

1.4.3.6 *Statements*

WatersEdge will provide the Investor with statements showing the activity of the prior period at the end of each calendar quarter, either in writing or, with Investor consent, electronically. Other information may be available to the Investor upon request.

1.4.3.7 *Miscellaneous*

- Amount of Offering: The Risk Management Committee shall determine the total amount of the offering based on anticipated growth and the past year's performance.
- Offering Circular: The Offering Circular shall comply with the Statement of Policy Regarding Church Extension Fund Securities (SOP) set forth by the North American Securities Administrators Association, Inc. (NASAA).

1.5 MINISTRY LOANS

1.5.1 Guiding Principles

1.5.1.1 The Ministry Loan program of WatersEdge is a credit assistance program for the benefit of the Members of the Foundation. A Member is defined as (1) an Oklahoma Baptist entity cooperating with Oklahoma Baptists, (2) an entity residing outside of Oklahoma cooperating with a state Baptist convention with like beliefs and commitments as Oklahoma Baptists, or (3) an organization that possesses like beliefs and commitments as Oklahoma Baptists.

1.5.1.2 Loans are made to qualifying Members for the acquisition of sites, for the construction of facilities, for the purchase of buildings and equipment, for operating expenses, for promoting strategic ministry planning, for assisting in capital campaigns, and for other purposes approved by the Board consistent with the mission and ministry of WatersEdge.

1.5.1.3 The Committee directs and oversees the operation of the program. In discharging its duties of approving loans to Members, the Committee is guided by these Policies and Guidelines.

1.5.2 Policy Statements

1.5.2.1 Minimum Eligibility

Borrowers must be able to demonstrate to the satisfaction of WatersEdge that they meet and maintain membership qualifications and possess like beliefs and commitments as Oklahoma Baptists.

- Churches: WatersEdge determines churches' qualification as Members cooperating with Oklahoma Baptists, or a state Baptist convention with like beliefs and commitments as Oklahoma Baptists, on the basis of regular contributions to mission causes through the Cooperative Program.
- Other: WatersEdge determines other entities' qualification as Members at its sole discretion and on a case-by-case basis.

In the event a borrower ceases to demonstrate membership qualification, the borrower's remaining indebtedness shall become due and payable on call.

1.5.2.2 Debt Service Ratio

- No loan shall be made where installment payments on indebtedness, including payments on a loan to WatersEdge, exceeds twenty-five percent (25%) of the average annual budget receipts for the two (2) previous years. Members receiving loans from WatersEdge shall agree to not increase indebtedness beyond the twenty-five percent (25%) debt ratio limit without prior written permission from WatersEdge. **Failure to secure such written permission may result in the loan becoming due and payable on call.**
 - If a Member has completed capital fundraising that seeks to raise funds toward the overall cost of a project, an amount equal to twenty-five percent (25%) debt service ratio may be loaned to the Member, plus an amount equal to one-half (½) of the total outstanding amount pledged.

- Any loan request with a debt service ratio over twenty-five percent (25%) but less than twenty-seven and one-half percent (27.5%) shall be approved by the Committee.
- Any loan request with a debt service ratio in excess of twenty-seven and one-half percent (27.5%) shall be approved by the Board.

1.5.2.3 Loan to Value Ratio

- No loan shall be made where the loan amount exceeds seventy-five percent (75%) of the fair market value of the property and facilities offered as collateral. The cost of new construction shall be added to the fair market value.
- Any loan request with a loan-to-value ratio in excess of seventy-five percent (75%) shall be approved by the Board.

1.5.2.4 Collateral

- Ministry Loans shall be secured by a first mortgage or deed of trust on property owned by the Member. Construction, renovation, or purchase of a cabin on leased Southern Baptist campgrounds will require the main property and facilities of the Member as collateral.
 - Exception to the collateral requirement set forth above may be made when, at the discretion of WatersEdge, the loan has no form of collateral and is made on an unsecured basis on loans of fifty thousand dollars (\$50,000) or less.

1.5.2.5 Lending Limit

- Any single loan or combination of loans made to a Member in excess of ten million dollars (\$10,000,000) shall be approved by the Board.
- The lending limit for loans with no form of collateral and made on an unsecured basis shall not exceed fifty thousand dollars (\$50,000). A Member requesting a loan made on an unsecured basis cannot exceed total indebtedness of fifty thousand dollars (\$50,000).

1.5.2.6 Approval of Loan Requests

Final approval of loan requests that fall within the policies set forth above shall be made by an Internal Loan Committee, except in cases where limited authority has been granted by the Board. The Internal Loan Committee shall be composed of WatersEdge's Chief Executive Officer, President, and Chief Lending Officer. Loans approved by the Internal Loan Committee will be reported at the next scheduled Committee meeting. Any loan that has one or more exceptions to the policies set forth above shall be approved by the Ministry Services Committee or Board at a regular or special meeting of the Committee and/or the Board, except in cases where limited authority has been granted by the Board.

1.5.2.7 Exceptions

Exceptions to the above stated policies shall require the approval of the Board.

1.5.3 Guidelines

The Guidelines contained in these Policies and Guidelines are intended to be a guide to all parties involved. Changes to these Guidelines shall be recommended by the Committee to the Board for approval.

Deviations from these Guidelines may occur from time to time. Such deviations are not considered violations of these Policies and Guidelines. All deviations shall be brought to the attention of the Committee at the next scheduled meeting.

1.5.3.1 Administrative Guidelines

- **Written Budget:** Members applying for loans should have a written budget plan which is adopted at least annually by appropriate organizational action and which gives evidence of a consistent pattern of financial operations.
- **Incorporation:** Members applying for loans must be incorporated in the state in which the Member is located.

1.5.3.2 Application Process

- All applications for loans shall be made on forms provided by WatersEdge.
- Information submitted by the Member on the application forms must be current and complete.
- When applications have been received and evaluated, a representative of WatersEdge shall arrange a meeting with the Member. The purpose of such meetings shall be to discuss the loan request, actions required to process the loan and mortgage property, and WatersEdge's purposes and obligations in the administration of the Ministry Loan program.
- A WatersEdge representative will, prior to the approval of any loan request, inspect the real property and improvements that are to be used as collateral for the loan.
 - Exception to the inspection of real property and improvements requirement set forth above may be made when, at the discretion of WatersEdge, 1) the loan has no form of collateral and is made on an unsecured basis, 2) the location of the

Member prohibits timely inspection, or 3) the loan amount does not warrant inspection.

- A WatersEdge representative will perform a market value analysis on real property pledged as collateral for a loan.
 - Exception to the market analysis requirement set forth above may be made when, at the discretion of WatersEdge, the loan has no form of collateral and is made on an unsecured basis.

1.5.3.3 *Interest Rates*

- The Risk Management Committee shall establish interest rates as market conditions dictate. The interest rate charged to Members shall be the rate in effect when the loan documents are executed.
- Members shall have the option of choosing from the currently available adjustable rates of interest:
 - One-Year Adjustable Interest Rate: This interest rate will be adjusted to WatersEdge's One-Year Adjustable Interest Rate on each anniversary date of the original promissory note. The interest rate may not be increased or decreased more than one and one-half percent (1.5%) per adjustment or more than five percent (5%) over the duration of the loan.
 - Three-Year Adjustable Interest Rate: This interest rate will be adjusted to WatersEdge's Three-Year Adjustable Interest Rate on each third (3rd) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than three percent (3%) per adjustment or more than five percent (5%) over the duration of the loan.
 - Five-Year Adjustable Interest Rate: This interest rate will be adjusted to WatersEdge's Five-Year Adjustable Interest Rate on each fifth (5th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five percent (5%) over the duration of the loan.
 - Seven-Year Adjustable Interest Rate: This interest rate will be adjusted to WatersEdge's Seven-Year Adjustable Interest Rate on each seventh (7th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five percent (5%) over the duration of the loan.
 - Ten-Year Adjustable Interest Rate: This interest rate will be adjusted to WatersEdge's Ten-Year Adjustable Interest Rate on each tenth (10th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five percent (5%) over the duration of the loan. The Ten-Year Adjustable Interest Rate is not available for loans with no form of collateral and made on an unsecured basis.
- The interest rate shall be fixed for the adjustable-rate period chosen by the Member at the time of closing.
- Loans will be amortized at the time of closing and again at the date of each adjustable interest rate period chosen by the Member. Monthly installment payments shall include accrued interest on the unpaid principal balance and a monthly principal reduction necessary to retire the loan within the remaining term of the loan.

1.5.3.4 *Method of Payment*

- The Permanent Financing Phase shall not exceed twenty-five (25) years.
- Prepayment of principal may be made at any time without penalty.

- Monthly loan payments may be accomplished by automatic bank draft by WatersEdge on the Member's account.
- Transactions received after 3:00 pm CST will be processed the next business day.
- The Member may request the deferment of monthly payments of principal and interest during the Permanent Financing Phase or interest-only payments during the Construction Phase. Approval of payment deferment requests is at the sole discretion of WatersEdge.

1.5.3.5 *Mortgage Title Insurance*

- A mortgage title insurance policy from a mortgage title insurance underwriter shall be required on loans in excess of fifty thousand dollars (\$50,000) on real property used as collateral. A mortgage title insurance commitment must be received and all requirements, if any, satisfied before loan documents can be executed.
- A mortgage title report from a mortgage title insurance underwriter shall be required on loans up to and including fifty thousand dollars (\$50,000) on real property used as collateral. A mortgage title report must be received and all requirements, if any, satisfied before loan documents can be executed.

1.5.3.6 *Types of Loans*

- Construction Loans: When property market value is sufficient, a loan may be established before the project is begun and the loan funds used for construction. At the conclusion of the Construction Phase, fully amortized payments shall begin with monthly principal and interest payments required.
 - The interest rate charged during the Construction Phase shall be at the One-Year Adjustable Interest Rate and shall be fixed during the full term of the Construction Phase, not to exceed twenty-four (24) months. A Construction Phase exceeding twenty-four (24) months shall require approval of the Committee and the interest rate will be adjusted to the current One-Year Adjustable Rate.
 - Monthly interest-only payments shall be required during the Construction Phase. The interest payments will be the accrued interest based on the daily principal balance during the month. The Member will be invoiced for accrued interest due at the end of each calendar month during the Construction Phase, the amount of which is due upon receipt.
 - At the conclusion of the Construction Phase, the outstanding principal balance will be automatically converted to the Permanent Financing Phase at the adjustable interest rate previously chosen by the Member.
- Amortizing Loans: WatersEdge will make fully amortizing loans for acquisition of property and buildings and other ministry-related purposes. These loans will be amortized for up to twenty-five (25) years and will be structured under one of the currently available adjustable interest rates as chosen by the Member.
- Unsecured Loans: Loans of fifty thousand dollars (\$50,000) or less with no form of collateral may be made to Members under the following guidelines:
 - Loans may be made to fund any ministry-related project.
 - Loans made on an unsecured basis shall have a term not to exceed seven (7) years and will be based on a seven (7) year amortization.
 - The Member shall choose between one of four interest rate options: One-Year Adjustable Rate, Three-Year Adjustable Rate, Five-Year Adjustable Rate, or Seven-Year Adjustable Rate based on a seven (7) year amortization.

- The decision to approve loans on an unsecured basis is at the sole discretion of WatersEdge.
- Line of Credit: A line of credit may be made to the Member under the following guidelines. Unless otherwise stated, all other Policies and Guidelines shall apply:
 - Initial application for a line of credit shall be made on forms provided by WatersEdge.
 - A line of credit of less than fifty thousand dollars (\$50,000) may be made on an unsecured basis. A line of credit greater than fifty thousand dollars (\$50,000) but not greater than five hundred thousand dollars (\$500,000) shall be secured by a first mortgage or deed of trust on real property owned by the Member.
 - A line of credit shall be made on a one (1) year term and may be renewed annually. Renewal of a line of credit shall be at the sole discretion of WatersEdge. A Member requesting renewal of an existing line of credit shall submit an income statement reflecting the last fiscal year's income and expenses and an income statement reflecting the current fiscal year's income and expenses.
 - The interest rate applied to a line of credit shall be the One-Year Adjustable Interest Rate in effect at the time of application or at the time of renewal of an existing line of credit. The interest rate shall be fixed during the one (1) year term of the line of credit.
 - A Member obtaining a line of credit may make periodic advances and paydowns as needed.
 - Payment of accrued interest shall be required on a monthly basis. The Member will be invoiced for accrued interest as of the end of each calendar month, the amount of which is due upon receipt.
 - A line of credit with an outstanding principal balance that is not renewed may be converted to a conventional amortizing loan.
 - Upon renewal of a line of credit, the Member shall pay a renewal fee of one-quarter percent (0.25%) of the amount of the line of credit.

1.5.3.7 Insurance

The Member shall maintain full coverage insurance on properties held as collateral on loans with WatersEdge. Coverage in an amount necessary to protect the loan shall include fire and extended coverage (including flood insurance if the property is located in a recognized flood plain). The policy shall list WatersEdge as mortgagee/loss payee. Proof of insurance shall be required at closing and throughout the term of the loan.

1.5.3.8 Future Advance Clause

- The Future Additional Advance (Advance) clause permits the Member, on written request and approval of WatersEdge, to re-advance prepayments of principal. The prepayments that could be drawn upon would generally be limited to principal prepayments **in excess** of regularly scheduled payments of principal and interest. WatersEdge would have sole discretion over approval of the Advance.
- Following appropriate organizational approval, the Member shall submit a written request along with current financial information, stating the amount of the Advance. The amount of the Advance shall not exceed the amount of prepayment of principal and could, in some instances, be an amount less than the prepayment of principal.
- The amount of the Advance will be subject to the applicable amortization schedule in effect at the time the request is made and approved by WatersEdge. If an amount requested would jeopardize the remaining amortization of the loan based on the current

monthly payment, the amount of the monthly payment will increase so as to fully amortize the loan for the remaining term of the loan. However, the increase in the monthly payment based on the Advance and the new principal balance of the loan shall not exceed the twenty-five percent (25%) debt service ratio of the Member, based on current financial information of the Member.

- There shall be a fee of one-quarter percent (0.25%) of the amount of the Advance for each Advance made under the terms of this clause.
- The approval of any Advance will be at the sole discretion of WatersEdge.

1.5.3.9 Loans Secured by WatersEdge Term Investments

- Members who have existing Term Investments or agree to purchase Term Investments with WatersEdge may, under certain circumstances, pledge Term Investments as collateral on a loan with WatersEdge by giving WatersEdge the Right-of-Offset against such Term Investments for amounts owed to WatersEdge by the Member.
- The Member agrees that pledging Term Investments as collateral on a loan with WatersEdge through the Right-of-Offset will result in the Member not having access to all or a portion of the Term Investments which may be needed to cover the outstanding principal balance plus accrued interest.
- The Right-of-Offset grants WatersEdge the right, in the event WatersEdge declares the loan to be in default and notifies the Member in writing of the default, to offset Term Investments pledged as collateral to pay off all indebtedness of the Member, to include all unpaid principal and accrued interest.
- The Member agrees to pay an interest rate on a loan secured by the Member's Term Investments of two percent (2%) above the rate being paid on the Member's Term Investments. In those instances that multiple Term Investments are used as collateral to secure a loan, the Member agrees to pay an interest rate on the loan of two percent (2%) above the highest rate of the Term Investments being pledged as collateral to secure the loan. Term Investments pledged as collateral on a loan with WatersEdge will continue to accrue interest at the stated interest rate of the Term Investments.

1.5.3.10 Fee Schedule

Fees are charged by WatersEdge to cover its administrative and overhead costs.

- **Origination Fee:** The Member shall be responsible for paying the origination fee. Origination fees shall be based on the loan amount at origination as follows:
 - Loan amounts up to and including three hundred thousand dollars (\$300,000) – one percent (1%), maximum of three thousand dollars (\$3,000).
 - Loan amounts more than three hundred thousand dollars (\$300,000) and up to and including six hundred thousand dollars (\$600,000) – three thousand dollars (\$3,000) plus one-half percent (0.5%) of amount over three hundred thousand dollars (\$300,000), maximum of forty-five hundred dollars (\$4,500).
 - Loan amounts over six hundred thousand dollars (\$600,000) – forty-five hundred dollars (\$4,500) plus one-quarter percent (0.25%) of amount over six hundred thousand dollars (\$600,000).
- **Mortgage Filing Fee (if applicable):** The Member shall be responsible for paying a fee to file the mortgage and any other documents necessary to perfect WatersEdge's priority lien on the real property being used as collateral.
- **Mortgage Title Insurance/Mortgage Title Report (if applicable):** The Member shall be responsible for paying the costs associated with providing WatersEdge with a clear and marketable title to the real property being used as collateral.
- **Loan Document Fee:** The Member shall be responsible for paying a loan document fee.

- Other Associated Costs: The Member shall be responsible for any other costs associated with completing the transaction.
- All fees will be collected when the loan is closed.

1.5.3.11 Reserve for Loan Loss

Understanding that the Ministry Loan portfolio is not a risk-free investment for WatersEdge, a Reserve for Loan Loss (RLL) is established in accordance with Generally Accepted Accounting Principles (GAAP) as a contra-asset to Ministry Loans to more closely estimate the fair value of the Ministry Loan Portfolio.

- The RLL shall be calculated according to GAAP and will be determined using the Current Expected Credit Loss model. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable forecasts that affect the collectability of the reported amount. The approach includes the use of the Weighted Average Remaining Maturity method to estimate credit losses by portfolio segment, management's expectation of losses based on forward-looking economic scenarios over a forecast period, and the application of qualitative loss factors to all portfolio segments.
- The RLL shall be funded from current income from the Ministry Loan portfolio on a quarterly basis, as necessary.
- The Committee shall approve any special allocation of the RLL to specifically identified loans.
- The Committee shall approve any charges to the RLL due to loan write-offs. Charges to the RLL shall be approved by the Board.

1.5.3.12 Miscellaneous

- A loan shall be scheduled for closing only after final inspection is made and approved by a WatersEdge representative, title policy/title report requirements are satisfied, proof of insurance coverage is provided, and other terms and provision for purchase have been fulfilled by both seller and buyer.
- WatersEdge may participate with other lenders in loans made by WatersEdge.

1.6 CASH/LIQUIDITY

WatersEdge shall maintain cash, cash equivalents, readily marketable securities, and available lines of credit at a value of at least eight percent (8%) of the principal balance of outstanding Demand and Term Investments, as determined at the end of each fiscal year. Available lines of credit shall not exceed two percent (2%) of the principal balance of total outstanding Demand and Term Investments.

1.7 CAPITAL ADEQUACY

WatersEdge shall maintain net assets at an amount equal to five percent (5%) or more of total assets, as determined at the end of each fiscal year.

1.8 INVESTMENT POLICY STATEMENT

Proceeds from the sale of Demand and Term Investments and repayments of principal on loans made by the CEF shall, to the extent possible, be first reinvested in new loans. Any Demand and Term Investments proceeds and principal repayments on loans not applied to new loans will be invested pursuant to WatersEdge's Investment Policy Statement as follows.

1.8.1 Minimum Liquidity

It is WatersEdge's policy to maintain operating and reserve liquidity, comprised of cash, cash equivalents, readily marketable securities and immediately available funds through a line of credit, equal to at least eight (8%) of outstanding Demand and Term Investments (with no more than two percent (2%) from an available line of credit) , as determined at the end of each fiscal year.

1.8.1.1 No less than three percent (3%) of an amount equal to the value of outstanding Demand and Term Investments shall be invested in risk free securities including:

- Bank deposits with full FDIC insurance coverage
- U.S. Treasury Securities
- Certificates of Deposit with full FDIC insurance coverage with maturity less than twelve (12) months.

1.8.1.2 The next twelve percent (12%) of an amount equal to the value of outstanding Demand and Term Investments may consist of any of the following eight (8) asset classes, with no more than three percent (3%) of an amount equal to the value of outstanding Demand and Term Investments being invested in any single asset class except as indicated:

- Bank deposits with full FDIC insurance coverage (no limit)
- U.S. Treasury Securities (no limit)
- Certificates of Deposit with full FDIC insurance coverage with maturity less than twelve (12) months (no limit)
- Fixed income church extension fund securities
- Money market funds or accounts (without full FDIC insurance coverage)
- U.S. Bonds (including mutual funds)
- Foreign Bonds (including mutual funds)
- Certificates of Deposit with full FDIC insurance coverage with maturity less than sixty (60) months.

1.8.2 Excess Liquidity

When liquidity exceeds fifteen percent (15%) of an amount equal to the value of outstanding Demand and Term Investments, the remaining investment portfolio may consist of any asset class included above and to the extent that equity also exceeds five percent (5%), additional asset classes may consist of any of the following four (4) asset classes:

- Developed Market Equity (including mutual funds)
- Real Estate Investment Trusts
- Hedge Funds
- Private equity or other limited partnerships.

1.9 MISCELLANEOUS

1.9.1 Business Day

A business day is defined as any day WatersEdge is open for business. Transactions may not be posted on federal holidays.

1.9.2 Notice

Any notice required to be given by WatersEdge shall be deemed validly given if mailed to the Client at the address last provided to WatersEdge, whether mailed separately or as a part of any other document customarily mailed by WatersEdge. Any such notice shall be deemed to have been given on the date on which it was mailed.

1.9.3 Applicable Law

The investments offered by WatersEdge and their obligation to pay are issued and arise, respectively, in the State of Oklahoma and shall be interpreted and construed under the laws of the State of Oklahoma.

1.9.4 Privacy Statement

WatersEdge shall rely only upon written instructions signed by designated representatives of the Client regarding any information pertaining to Kingdom Investments and Ministry Loans. Additionally, WatersEdge shall communicate privileged information by telephone, email or any other means of communication only with designated representatives of the Client regarding Kingdom Investments and Ministry Loans.

1.10 ADOPTION AND REVISION

Adopted: December 14, 2018

Last Revised:

Authors: Jerry Vaughan, Chase Ritter, David Depuy, Brad Johnson, Shryln Treadwell

Revisionary Synopsis: To establish the Church Extension Fund Policies and Guidelines for WatersEdge Ministry Services

Date of Review: December 3, 2019

Reviewed by: Jerry Vaughan

Reversionary Synopsis: No changes needed

Date of Review: September 30, 2020

Reviewed by: Jerry Vaughan

Reversionary Synopsis: No changes needed

Date of Adoption: January 29, 2021

Authors: Jerry Vaughan, David Depuy, Kyndal Kliewer, Sam Youngs

Revisionary Synopsis: To reflect revision of the membership clause of the bylaws, update the investment policy, update references to WatersEdge and Church Extension Fund programs in light of re-branding efforts, and make other changes to the Ministry Loan program as needed.

Date of Adoption: July 29, 2022

Authors: Bobby Hart, Kyndal Kliewer, Sam Youngs, Jerry Vaughan

Revisionary Synopsis: To clarify membership of the Risk Management Committee and create an internal loan committee.

Date of Adoption: January 27, 2023

Authors: Bobby Hart, Kyndal Kliewer, Sam Youngs

Revisionary Synopsis: To expand the definition of investors in the Church Extension Fund to include individuals.

Date of Adoption: April 21, 2023

Authors: Bobby Hart, Kyndal Kliewer, Sam Youngs

Revisionary Synopsis To make policy verbiage consistent with other WatersEdge policies and to reflect the new loan loss reserve requirement due to the implementation of CECL.



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