

Investment Disclosures

The Philanthropy Protection Act of 1995 (P.L. 104-62) includes a provision requiring charities that maintain collective investment funds, such as Texas Presbyterian Foundation, to furnish certain information to donors. This disclosure is provided in compliance with the terms of that Act.

Texas Presbyterian Foundation, a Texas not-for-profit corporation established in 1925, is a public charity qualified under Section 501(c)(3) of the Internal Revenue Code. Responsibility for governing the organization is vested in a Board of Trustees comprised of twenty-four persons, whose election is subject to approval of the Synod of the Sun, Presbyterian Church (U.S.A.) or its agencies.

Most of the assets managed by Texas Presbyterian Foundation are organized as common, or collective, funds. These funds are administered according to investment policies adopted by the Board of Trustees and guidelines set forth by the Investment Committee of the Board of Trustees. The guidelines are implemented to meet the investment objectives of each fund within reasonable risk levels and to obtain the highest total return on assets consistent with safety of principal. Specific investment objectives and strategies are subject to change from time to time.

The common funds operated by Texas Presbyterian Foundation include only the assets of charitable trusts, general endowment funds and other specified types of assets authorized by law to be jointly invested by a charity.

Texas Presbyterian Foundation provides an accounting of its transactions with respect to each account invested in its common funds on a periodic basis, usually quarterly, but in no event less often than annually. Contributions and withdrawals from each common fund are allowed monthly at the calculated net asset value, except in the case of the Money Market Fund, which are allowed on every business day. There are no specific charges assessed in connection with contributions or withdrawals.

Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995.

Each of the common funds is invested in financial securities. Texas Presbyterian Foundation will take reasonable risks in seeking to accomplish the objectives of each fund. Because these are investments in financial securities, the income and market value of the assets will fluctuate due to general market conditions and the specific investments within each fund.

All of the assets of TPF's common funds are held by third-party custodians, principally Northern Trust Bank of Chicago. Some assets are also held at Goldman Sachs & Company, Merrell Lynch / U.S. Trust Bank and several mutual fund custodians.

The trading costs for securities transactions are reflected in the net amounts paid or realized upon the purchase or sale of securities in the funds. The Foundation maintains

an agreement with Segal Marco Advisors, an independent consulting firm based in Darien, Connecticut, to provide certain fee based investment consultation, research and evaluation services for all of our funds. The Foundation has entered “commission recapture” agreements with a variety of major brokerage firms to provide equity trading at discounted commission rates, a portion of which are refunded to the Foundation and used to offset the costs of the consultant fees and other investment-related expenses. The Foundation’s equity investment managers are instructed to direct at least half of all trades through this arrangement. The commission rates paid for the trading is not more than would be paid for such transactions without such agreements, and, in fact, in most cases, is less. This arrangement actually reduces the overall costs of operating the pooled funds, which, of course, directly benefits the holders of the funds. The Foundation also participates in a fully collateralized Securities Lending program administered by Northern Trust that provides modest additional income to the funds.

The operating expenses of the Foundation are deducted monthly from the balances of each common fund. A portion of this charge covers accounting and management costs within our organization, and the remainder is used to compensate the outside investment advisors and the bank custodian. Operating expenses are partially offset by income from the Trustee’s Endowment Fund and income received from non pooled fund operations.

A complete listing of the common funds administered by Texas Presbyterian Foundation can be found on our website at <http://www.tpf.org/reports/investments/>.