

Some things you should know about church bonds.



WHAT ARE CHURCH BONDS?

Church Bonds are certificates of indebtedness issued by churches or other non-profit organizations to provide funds for the acquisition of property, renovation of existing facilities and/or the construction of new facilities. Government, school districts, corporations and utilities are other issuers of bonds.

ARE BONDS LIKE STOCK?

No. Stock is ownership; Bonds are debt. With Bonds the borrower repays principal with interest generally at a fixed rate. With stock investors receive a share of the profit (dividends) when (and if) there is any.

WHAT SECURES MY INVESTMENT?

Church Bonds are generally secured by a First Mortgage on the church's property. The prospectus for each issue includes a section entitled Security for the Bonds. Review this section carefully before you make your investment decision.

HOW IS THE INTEREST PAID?

Simple interest Church Bonds pay interest by check each six months. Compound interest Church Bonds reinvest interest into the bond each six months and pay all principal and compounded interest at maturity.

WHEN DO CHURCH BONDS START EARNING INTEREST?

Interest begins on the issue date provided the Escrow Agent receives payment for the Church Bond on or before that date. Otherwise, interest begins on the date payment is received by the Escrow Agent.

IS THE INTEREST TAXABLE?

Yes. Interest on Church Bonds is taxable as ordinary income. You will receive a 1099 annually from the Paying Agent for the interest you earned whether it was paid to you (simple interest) or reinvested in the principal (compound interest).

HOW LONG DO I HAVE TO INVEST MY MONEY AND HOW MUCH DO I HAVE TO INVEST?

Church Bond maturities generally range from six months to 30 years. You should choose a maturity based on your investment objectives and liquidity needs. Church Bonds are available starting at \$250 and may be purchased in increments of that amount up to the amount available.

HOW DO I PURCHASE CHURCH BONDS?

Church Bonds are offered only by means of a prospectus which provides the information you need to make an informed investment decision. Copies of the prospectus are available from the church or from Rives, Leavell & Co.

CAN I BUY CHURCH BONDS IN MY IRA ACCOUNT?

Yes. Simply transfer/roll over your IRA funds into a Self-Directed IRA Account (if they are not already in one). Then instruct your IRA Trustee to purchase Church Bonds for that account.

HOW DO I REDEEM MY CHURCH BONDS?

Since Church Bonds are issued in book entry form, you don't need to do anything to redeem your Bond. At maturity the Paying Agent will automatically mail you a check for your principal and interest. Just be sure to keep your current address on record with them. Their address and phone number will be on the front of the prospectus.

CAN THE CHURCH PAY OFF THE BONDS BEFORE MATURITY?

Yes. Church Bonds can be "called" by the church on any three month anniversary of the issue date. Interest will be paid on the Church Bond up to (but not after) the "call" date.

CAN I CASH MY CHURCH BOND IN AT ANY TIME?

No. You should not buy a Church Bond with a maturity beyond when you think you will need the principal back. However, Church Bonds may be negotiable and can only be sold by the bondholder to a subsequent investor willing to purchase them, and the seller may incur a loss. The underwriter does not make an active secondary market in these bonds.

DISCLOSURES:

- A. This is a best efforts offering, and no assurance is given that all Bonds will be sold. There is no assurance that the Bonds will be successfully marketed. In the event all Bonds are not sold, the Issuer may not have or be able to obtain sufficient funds to complete the project which could have a material adverse effect on the project, which is the security for the Bonds.
- B. The Issuer is primarily dependent on contributions of the membership to meet expenses for operation, to provide funds to complete the project, and to pay principal and interest on the Bonds. Contributions may fluctuate upward or downward from year to year. If the project is not completed, it will have a material adverse effect on the security for the Bonds.
- C. If actual costs of the project are higher than projected, the Issuer must provide additional funds to complete the project, and there is no assurance that such additional funds would be available if needed. If construction of the facility is not completed, it could have a material adverse effect on the security for the Bonds.
- D. The Fiscal Advisor does not intend to make a secondary market in the Bonds with which it is associated. A public market for the Bonds does not exist, and the Fiscal Advisor is not obligated to maintain a secondary market. Investors may not be able to resell any Bonds purchased should they wish to do so and should be prepared to have funds committed for an indefinite period of time, perhaps until Bond maturity or early redemption.
- E. There is potential for early call redemption, which means that the bondholder will not get any further interest payments on or after the date fixed for redemption.