

**ATLANTIC BAPTIST FOUNDATION  
REAL ESTATE MORTGAGE FUND  
OFFERING MEMORANDUM  
NOVEMBER 2011**

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**DESCRIPTION OF THE UNITS**

**Type of Fund:** Real Estate Mortgage Fund.

**Investment Objective:** The Fund's objective is to provide capital preservation by investing principally in real estate mortgages. The Fund is managed by the Investment Manager.

**Investment Manager:** The Investment Committee of the Board of Directors of the Atlantic Baptist Foundation, who will also act as Trustee of the Fund.

**Investment Strategy:** The Investment Manager invests principally in real estate mortgages of Churches and Agencies of the Convention of Atlantic Baptist Churches. Investments may also be made in short term deposits issued by a Canadian chartered bank or trust company and other securities authorized or eligible under the Income Tax Act (Canada).

**Restriction on Earnings:** No part of the net earnings of the Fund or the Foundation will enure to the benefit of, or be distributed to, any Unitholder. Additional Units, or fractions thereof, will be allocated to participants in the Fund on a semiannual basis, in June and December, based on accrued interest earned on Units at a rate equal to the Bank of Canada Prime Interest Rate plus 100 basis points (see The Fund).

**Form of Units:** No certificate will be issued for the Units, however a notice of transaction will be provided to each Unitholder.

**Denominations:** Multiples of \$10.00, subject to a minimum initial purchase of \$500.00 and minimum subsequent purchases of \$50.00.

**Payments:** RRIF - Retirement Income Option (RIO) payments are made in accordance with the requirements as set forth by Subsection 146.3(1) of the Income Tax Act (refer to Schedule D (8) Declaration of Trust).

**Foreign Content:** None.

**Guarantee:** The Units are unconditionally guaranteed by the assets of the Atlantic Baptist Foundation, pursuant to an indemnity granted in favour of Concentra Trust.

**Transfer Restrictions:** The Units may not be transferred or sold but may be redeemed at anytime by giving written notice to Concentra Trust.

**Registrar Transfer Agent and Custodian of Fund Assets:** Concentra Trust  
Self-Directed Administration Centre  
333 - 3rd Avenue Saskatoon, SK S7K 2M2  
Fax Number: 306-652-7345

**Financial Statements:** The Foundation's Annual Report summary for the most recent fiscal year ended December 31, and the previous 2 years is attached hereto as Schedule A.

**ATLANTIC BAPTIST FOUNDATION**

Atlantic Baptist Foundation (formerly Foundation of the United Baptist Convention of the Atlantic Provinces, Canada) was incorporated as a not for profit society under the Societies Act (Nova Scotia) on July 17, 1961. It is a subsidiary board of the Convention of Atlantic Baptist Churches (the "Baptist Convention").

The registered office of the Foundation is located at 2104 - 1969 Upper Water Street, Halifax, Nova Scotia B3J 3R7 and the business office is located at 35 Atlantic Baptist Avenue, Moncton, New Brunswick E1E 4N3. Communications may be directed to the Foundation by mail, Attention: Chair, or as follows: Telephone: (506) 857-9482 Toll free: 1-888-263-1444 Fax: (506) 852-4378 email: baptistfoundation@rogers.com

From its inception, the Foundation has accepted savings accounts from the Baptist constituency, agencies and others, paying a competitive rate of interest. Funds were then made available primarily as first mortgage loans at competitive rates to Churches and Baptist Convention Agencies for new construction, renovations and other purposes.

The policy of the Foundation is to invest excess funds, until required, in government, municipal and corporate securities with a minimum "BBB" rating, with a strong preference for "A" rated securities.

Surplus funds are given as special grants for religious, educational, training and other charitable purposes of the Baptist Convention, from time to time. No part of the net earnings of the Foundation enures to the benefit of, or is distributed to, any member of the Foundation or the Baptist Convention. The Foundation is governed by a Board of Directors elected by the Assembly of the Baptist Convention consisting of experienced men and women from various professions and vocations. Directors serve without any financial reward.

**THE FUND**

The Fund is a pooled investment fund in which each investor maintains a right in a trust Unit entitling the holder to receive the principal amount deposited plus accrued interest thereon up to the last interest accrual date prior to the date of redemption. Accrued interest is earned on the Units at a rate equal to the Bank of Canada Prime Interest Rate plus 100 basis points (1.00%) or a rate set by the Board of Directors from time to time. Interest rates may be adjusted without prior notice.

Interest is calculated semi-annually, namely on June 30 and December 31 of each year, at which time additional Units, or fractions thereof, are allocated to Unitholders. Units are not transferable and may not be sold.

The Fund was created by the Atlantic Baptist Foundation to augment its existing ability to raise capital for the construction, renovations, and other worthwhile purposes of Churches and other similar facilities in the Baptist Convention's constituencies of the Atlantic Provinces.

**Concentra Trust** acts as the Transfer Agent, Registrar and Custodian of Fund Assets. The Foundation is ultimately responsible for the administration of the Fund. The investment policies and practices of the Fund will be the same as those of the Foundation described above. Net earnings of the Fund will be used primarily for mortgage loans to Churches and Baptist Convention agencies. No part of the net earnings of the Fund will enure to the benefit of, or be distributed to, any Unitholder. In addition to the foregoing, Concentra Trust will act as Trustee of each RRSP and RRIF/LIF pursuant to a duly executed copy of the Declaration of Trust, which is printed on the reverse side of the RSP Application Form, attached as Schedule C hereto and on the reverse side of the RIF Application Form, attached as Schedule D attached hereto.

The Foundation has agreed to indemnify Concentra Trust in respect of the Units and the interest accruing on the Units, and it is intended that the indemnity be unconditional and legally binding upon the Atlantic Baptist Foundation. Concentra Trust and the Foundation have also agreed that Concentra Trust would not accept any real estate mortgage for investment as part of any fund comprising any RRSP or RRIF contract unless the real estate mortgage is guaranteed, both as to principal and interest, by the Foundation.

If there is a default by one of the Churches or Agencies in respect of a mortgage of the Fund, the Foundation would cure the default on behalf of the Church or Agency in question. The possibility of a deficiency whereby Concentra Trust would need to call upon the Foundation under its guarantee would be rare.

#### **USE OF PROCEEDS**

The net proceeds from the sale of the Units will be used by the Fund to invest principally in first mortgages on the real estate properties of the Churches and Agencies of the Baptist Convention and for general investment purposes of the Fund until such time as a suitable first mortgage investment is available.

#### **RISK FACTORS**

Purchasers of the Units should consider the following factors, which may affect the financial results of the Fund. Long Term Mortgages The investments of the Fund are principally long term first mortgages held by the Fund. While the Fund is not affected by the day to day changes in interest rates, rate changes do affect the prosperity of the Fund according to the interest rate in effect at the time the mortgage is granted. Should a mortgage become impaired, the Foundation will buy back the mortgage so that the Fund does not risk a default on a mortgage in which it has invested. Investments of the Fund are also unconditionally guaranteed by the Foundation and not by any government agency or insurance company (see Financial Information of the Foundation).

#### **No Transfers of Units**

The Units are being issued in reliance upon certain statutory exemptions from the registration and prospectus requirements of applicable securities legislation. The Units may not be transferred or sold but may be redeemed at any time by giving written notice to Concentra Trust (see Transfer Restrictions).

**Absence of a Public Market : There is no public market for the Units and the Foundation does not intend to apply for a listing of the Units on any securities exchange.**

#### **Performance History**

The basic interest distribution from January 2009 to October 2011 was 3.50%.

#### **PLAN OF DISTRIBUTION**

The sale of Units is to be made pursuant to statutory exemptions of each of the Atlantic Provinces exempting the offering of the Units from the registration and prospectus requirements of applicable securities legislation (see Exemptions from Registration and Prospectus Requirements).

Subscription Forms and, if applicable, RSP Application Forms or RIF Application Forms will be received by the Foundation, as agent of Concentra Trust, subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. If a subscription is rejected or accepted in part only, the unused subscription funds will be returned to the purchaser without interest or deduction as soon as is practicable.

A subscriber must be an adherent of a Baptist Church that is a member of the Convention of Atlantic Baptist Churches. The Units may not be offered to the general public. No advertising or solicitations will be made to the general public.

Persons wishing to subscribe for Units must deliver to the Atlantic Baptist Foundation, as agent of Concentra Trust, a cheque payable in an amount equal to the aggregate principal amount subscribed for, or a Transfer-In Form to transfer an existing RRSP or RRIF from another company, a duly executed Subscription Form, a completed RSP Application Form, or a completed RIF Application Form, copies of which are appended hereto as Schedule B, Schedule C, and Schedule D respectively.

Notices of transactions, and not certificates evidencing the Units, will be available for delivery to the subscriber on or immediately following the date of purchase. There are no administration fees.

#### **EXEMPTIONS FROM REGISTRATION AND PROSPECTUS REQUIREMENTS**

The Units are being offered for sale to eligible investors in the Atlantic Provinces pursuant to statutory exemptions from the requirement to register the Units and file a prospectus with respect to the distribution of the Units. The Atlantic Baptist Foundation has concluded that the offering of the Units comes within the applicable securities exemptions contained in the respective legislations of the Provinces of Nova Scotia, Newfoundland and Labrador, Prince Edward Island and New Brunswick.

As a consequence of the Foundation's reliance on the statutory exemptions described above, purchasers of Units will not receive the benefits associated with subscribing for securities issued pursuant to a filed prospectus. In addition, purchasers may not be entitled to the benefits of most of the civil remedies available under applicable securities legislation where securities have been distributed pursuant to a prospectus, and may not receive information that otherwise would be required to be provided in a prospectus. Investors are advised to consult their own professional advisors for advice on the exemption and the consequences of reliance thereon.

#### **TRANSFER RESTRICTIONS**

The Units may not be transferred or sold but may be redeemed at any time by giving written notice to Concentra Trust. Upon redemption, holders of Units will be entitled to the price paid for the Units and interest accrued on the Units being redeemed, up to the last interest accrual date, namely June 30 and December 31, as applicable.

#### **STATUTORY AND CONTRACTUAL RIGHTS OF ACTION**

In addition to securities legislation in the Atlantic Provinces that provides purchasers with a remedy for rescission or damages where an offering memorandum and any amendment to it contain a misrepresentation (discussed below), such purchasers will have the following rights of action. Nova Scotia The Securities Act (Nova Scotia) provides, in effect, that if this Offering Memorandum, together with any amendment thereto and any sales literature, contains a misrepresentation and it was a misrepresentation at the time of purchase of Units, a purchaser of Units to whom this Offering Memorandum was sent or delivered, and who purchased Units will have, subject to the defenses and qualifications set out below, either a right of action for damages or, alternatively, a right of rescission against the Fund, enforceable on notice being given to the Fund not later than 120 days after the date that payment was made for the Units, provided that the Fund will not be liable:

- if the purchaser purchased such Units with knowledge of the misrepresentation;
- for all or any portion of any damages that it proves do not represent the depreciation in value of such Units as a result of the misrepresentation relied upon; and
- for amounts in excess of the price at which such Units were sold to the purchaser.

The right of action for rescission or damages conferred is in addition to and not in derogation from any other right or remedy available at law to the purchaser. Newfoundland and Labrador, Prince Edward Island and New Brunswick

Notwithstanding that the Securities Act (Newfoundland and Labrador), the Securities Act (Prince Edward Island) and the Securities Act (New Brunswick) neither provide nor require the Fund to provide to purchasers resident in those provinces any rights of action in circumstances where the Offering Memorandum or any amendment thereto contains a misrepresentation, such purchasers will have the equivalent rights of action as are set forth above in respect of purchasers resident in Nova Scotia.

#### **AUDITORS**

The auditors of Atlantic Baptist Foundation are Grant Thornton, Chartered Accountants, Management Consultants. The Foundation will keep and maintain a register of holders of the Units at its business office in Moncton, New Brunswick.

**REGISTRAR, TRANSFER AGENT AND CUSTODIAN OF FUND ASSETS**

Concentra Trust will act as the Transfer Agent and Registrar of the Fund and Custodian of Fund Assets. Concentra Trust has entered into an agency agreement with the Atlantic Baptist Foundation to provide that the Foundation may act as an agent of Concentra for the purposes of the administration of the Fund, however the Foundation is ultimately responsible for the administration of the Fund. Concentra Trust will also act as Trustee of the RRSPs and RRIFs under the Income Tax Act (Canada). Subject to certain conditions set out in the Income Tax Act (Canada), the Units will be qualified investments for trusts governed by RRSPs and RRIFs under the Income Tax Act (Canada) as in effect on the date hereof. Prospective purchasers of Units should consult their own tax advisors with respect to their particular circumstances.

Subscription Forms and, where applicable, RSP Application Forms and RIF Application Forms must be sent to the Atlantic Baptist Foundation, as agent of Concentra Trust, at its business office located at 35 Atlantic Baptist Avenue, Moncton, New Brunswick E1E 4N3, together with payment for the Units.

A copy of the Subscription Form, the RSP Application Form and RIF Application Forms are attached hereto as Schedule B, Schedule C, and D respectively. Please review the Declaration of Trust on the reverse side of the RSP Application Form and RIF Application Form with respect to your responsibilities and the responsibilities of Concentra Trust in connection with the administration of RRSP's and RRIF's.

**SCHEDULE A - FINANCIAL STATEMENTS****FINANCIAL INFORMATION OF ATLANTIC BAPTIST FOUNDATION**

The Atlantic Baptist Foundation has never had to institute foreclosure proceedings. Current mortgage loans of the Foundation bear interest rates between 4.00% and 10.00% per annum. The following is a summary of the Foundation's balance sheets for the fiscal years 2007 to 2009, compiled from audited financial statements, for comparative purposes.

**STATEMENT OF FINANCIAL CONDITION**

December 31	2009	2008	2007
<b>ASSETS (000's)</b>			
Current Cash and Securities	\$24,431,059	\$12,028,867	\$18,287,753
Receivables	265,780	283,775	294,598
Current Portion of Mtgs. and Notes Rec.	2,476,995	4,866,495	1,482,884
Prepaid Expenditure	<u>-</u>	<u>-</u>	<u>5,092</u>
	\$27,173,834	\$17,179,137	\$20,070,327
Cash Restricted	632,382	480,372	467,872
Mortgages & Notes Receivable	27,793,806	22,975,756	20,181,335
Surrender of Title Asset	<u>950,005</u>	<u>-</u>	<u>-</u>
	<u>\$56,550,027</u>	<u>\$40,635,265</u>	<u>\$40,719,534</u>
<b>LIABILITIES (000's)</b>			
Current Payables and Accruals	\$ 356,462	\$ 326,198	\$ 427,219
Grants Payable	213,000		
Notes Payable, interest bearing, no set terms of repayment	<u>50,106,410</u>	<u>38,743,927</u>	<u>35,909,895</u>
	\$ 50,675,872	\$39,070,125	\$36,337,114
Life Interest Contracts	50,400	50,400	53,400
Grant Payable	<u>200,000</u>	<u>-</u>	<u>-</u>
	<u>\$50,726,272</u>	<u>\$39,120,525</u>	<u>\$36,390,514</u>
<b>NET ASSETS (000's)</b>			
Restricted Trust Funds	\$ 632,382	\$ 480,372	\$ 467,872
Unrestricted Net Assets	4,904,373	1,028,368	3,738,648
Internally Restricted	<u>87,000</u>	<u>6,000</u>	<u>122,500</u>
	<u>\$ 5,623,755</u>	<u>\$ 1,514,740</u>	<u>\$4,329,020</u>
	<u>\$56,350,027</u>	<u>\$40,635,265</u>	<u>\$40,719,534</u>

**CERTIFICATE**

April 2010

This Offering Memorandum does not contain any untrue statement of a material fact and does not omit to state a material fact that is required to be stated or omit to state a material fact that is necessary to be stated in order for the statement not to be false and misleading.

Atlantic Baptist Foundation

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Douglas Beaman  
Chairperson of the Board  
Atlantic Baptist Foundation

SCHEDULE B - SUBSCRIPTION FORM

SCHEDULE C - RSP APPLICATION FORM AND DECLARATION OF TRUST

SCHEDULE D - RIF APPLICATION FORM AND DECLARATION OF TRUST