

Appendix: 30 Explanation of Parish Expansion Fund

The Parish Expansion Fund is a nonprofit, separately incorporated entity organized to provide a centralized, diocesan managed savings and loan program exclusively for the benefit of diocesan institutions (parishes, schools, other institutions). These funds are not available for use by the diocese for diocesan purposes. Each diocesan institution account is owned solely by that institution just like a deposit account at any bank. The Parish Expansion Fund, while administered by the Diocese, is in place for the financial benefit of every parish and institution in the Diocese.

The savings portion of the Expansion Fund allows diocesan institutions to invest excess operating funds in a fixed term CD, with no chance for these short term funds to ever lose their principal value, i.e. no risk is taken in investing these funds. The CD term options are from a six month up to five years. In addition, diocesan institutions may decide to park their funds in the Demand Deposit, earning a small amount of interest without tying the funds up in a term CD.

The Parish Expansion Fund CD rates are updated quarterly, and are set by taking an average of four local banks' rates. Then, because the Parish Expansion Fund is not a "Brick and Mortar" entity, it is able to add from 10 to 25 basis points to each of its CD rates. The Expansion Fund is not in the banking business, it does not attempt to make a typical bank profit.

Also, recognizing the value of investing in local banks, an added feature allows parishes to 'redirect' funds back to their preferred bank thereby keeping the funds local and earning that bank's CD rate. Basically the parish forwards its funds to the Parish Expansion Fund, requests a specific CD be bought at XYZ Bank, our bank then purchases that particular CD. The funds remain in the local bank for the term of the CD and the parish will receive interest payments on the Term Deposit at the rate issued on the bank's CD.

The local bank used by the Diocese for custodial and investment management purposes for the Expansion Fund is American Trust Center, Bismarck. All interest is paid from and communication is done with the diocesan fiscal office. Diocesan institutions may use the Parish Expansion Fund quarterly interest rate sheet to work with their local banks for the best option for their funds. A parish may switch back and forth any time from a Parish Expansion CD to a local bank CD at time of maturity. To redeem a CD or request parish funds, we ask for two days' notice to generate a payment to the parish for its requested funds.

The loan portion of the Parish Expansion Fund then provides the framework through which these excess parish funds are pooled and then safely and professionally invested. The Parish Expansion Fund uses these pooled funds as a resource to provide the necessary structure through which parishes may request and receive loans for capital projects at very favorable rates and terms as compared to what may be offered at their local bank. Without an adequate level of pooled excess parish funds the Parish Expansion Fund would be unable to provide critical financial assistance to those parishes in need of low-cost funding for expansion or remodeling projects. The Diocese is the guarantor of all outstanding parish loans, therefore individual parish deposits are not at risk for defaulted loans.

The Parish Expansion Fund publishes an annual report of its independently audited financial statements through its web site.