

AGREEMENT

This Agreement between the Episcopal Bishop of California, a California Corporation Sole (the "Corp Sole") and the Episcopal Church in the Diocese of California, a California Religious Corporation (the "Diocese") is made and entered into effective APRIL 24, 2006 (the "Effective Date"). Capitalized terms, if not otherwise defined herein, shall have the meaning set forth in the Canons of the Diocese as in effect on the Effective Date.

RECITALS

- A. Canon 16.03 of the Canons provides that the Board of Directors of the Diocese shall have responsibility for the control and investment management of funds of the Diocese, apart from the budget and management responsibility for the operating fund, which is the responsibility of Diocesan Council. Canon 16.03 further provides that the Board of Directors shall also act as a council of advice to the Bishop in fiscal matters, and that the Diocese shall provide for a proper audit of all accounts of the Treasurer, shall review the same, and shall report its findings to each Annual Convention.
- B. Canon 16.04 of the Canons provides that the Bishop is authorized to maintain a corporation sole under California law for the administration of the real property of missions, and of such other real or personal property and funds as may have been, or may be, granted or committed to the Bishop for the use of The Episcopal Church in this Diocese, or of any of its related, constituent or subordinate units or institutions, or for any religious, benevolent or educational objects connected with any of the foregoing.
- C. The Treasurer's responsibilities are identified in Canon 5.04, which provides, among other things, that the Treasurer is the chief financial officer and shall have charge of all Diocesan funds, shall present an audited financial report of the operations of the Diocese, and shall present interim unaudited financial reports to the Department of Finance and to the Diocesan Council.
- D. The Department of Finance is a subcommittee of Diocesan Council, and includes, among others, the Treasurer, Controller and Chancellor of the Diocese. The duties of the Department of Finance are to assist with budgeting for the Diocese, to maintain general supervision of the financial affairs of the Diocese, to direct the annual audit of the financial records of all parishes, missions and other organizations carrying out Diocesan programs, to require compliance by custodians of trust and endowment funds and securities held by or for any parish, mission or organization of the Diocese with standard business practices prescribed by the Canons and the Diocese, to act as advisor on financial matters to the Bishop and parishes, to maintain adequate insurance and bonding, and to perform such other duties relating to the business affairs of the Diocese as may be referred to it.
- E. Canon 19 provides for certain business practices, and among other things (i) requires that the Bishop and the Standing Committee approve certain transfers and encumbrances, (ii) addresses the disposition of permanent funds and endowments,

(iii) and requires annual audits of all accounts of parishes, missions or other Diocesan Institutions, which audit is supervised by the Department of Finance.

- F. Under generally accepted accounting principles applicable to nonprofit organizations, the independent accountants who audit the Corp Sole and the Diocese prepare separate financial reports for the two entities.
- G. The Corp Sole has a line of credit pursuant to which it routinely incurs debt.
- H. The Corp Sole and the Diocese desire that the Diocese, through its Board of Directors, the Treasurer, the Controller and staff, shall coordinate the oversight of the financial assets and liabilities of the Corp Sole.

AGREED:

1. The Corp Sole shall provide such information as may be requested by the Diocese, the Treasurer, and their delegates, regarding the assets and liabilities of the Corp Sole. The Corp Sole shall notify the Diocese in advance of any change in the Corp Sole's line of credit.
2. The Corp Sole shall afford the Board of Directors of the Diocese governance authority over Corp Sole assets, as if the Corp Sole assets and liabilities were the assets and liabilities of the Diocese.
3. The Treasurer, in his or her role as Treasurer of Convention and as an ex officio Director of the Diocese, shall keep the Diocese apprised of the assets and liabilities of the Corp Sole.
4. The Treasurer shall report to the Diocese all reports and substantive findings or recommendations from the independent auditor of the Corp Sole, the Diocese and all other related institutions that are included in the independent audit performed annually under the Treasurer's supervision.

The Episcopal Bishop of California,
a Corporation Sole

By: + William H. Swing
The Right Rev. William H. Swing

The Episcopal Church in the Diocese of California,
a California Religious Corporation

By: Margaret G. Hill
Its: President