

St. Mary of Mt. Carmel Convent

*336 Chestnut Street
Dunmore, Pennsylvania 18512*

April 10, 2002

Most Reverend James C. Timlin, D.D.
Bishop of Scranton
300 Wyoming Avenue
Scranton, PA 18503

Dear Bishop Timlin,

Having served on the Financial Advisory Board of the Society of St. John since December 6, 2000, I find it incumbent on my part to write this letter to you.

At our last meeting held on March 20, I found Father Daniel J. Fullerton much on the defensive about any recommendation Bishop John M. Dougherty and I were making concerning the sale of the property in Shohola.

The irony is that Father Fullerton advised us that the property was not for sale. Yet, the report he distributed at the meeting held on March 20 (copy enclosed) very clearly indicates that Rhea Simms (the realtor who originally sold the Society the property) showed the property in February to a Church Bible group!!!

Each of our meetings presents us with a new financial surprise too numerous to recount here. However, at the March 20 meeting, we were advised that approximately \$50,000 was deposited by clients towards a downpayment on the purchase of a site in Shohola. According to law and accepted audit principles, this money should have been placed in escrow. Such has not been the case. Moreover, one client is now demanding full repayment of his \$10,000 downpayment. To date, only \$2,000 has been reimbursed.

Matters such as the above are of great worry and concern both to Bishop Dougherty and myself. The accounts payable, loans payable, and client deposits of the Society (excluding their mortgage at Penn Security) are at present in excess of \$733,295.

At this point I see only one alternative and that is to sell the property. However, in order for the Society to become debt free, the property and buildings thereon would have to sell for in excess of \$2,650,000.

The fund raising the Society is now pursuing is taking care of their current operating expenses, their monthly mortgage payment, and covering only a pittance on their indebtedness. I fear that in the passage of time, contributors may challenge the use of their donations. In that event, since the Society has no money, the Diocese of Scranton could possibly be held liable for not calling a halt to what is going on.

Please accept this letter with the best of my intentions. I feel that the Diocese has given the Society of St. John a sufficient period of time to realize its "dream" of what it would like to do. To date, however, the Society has failed to meet its and our expectations.

May the blessings of this Easter Season be yours in abundance. Be assured you are remembered in my prayers each day in a special way.

Enclosure

Respectfully,
Sister M. Martin de Porres
Sister M. Martin de Porres McHale, IHM

Advisory Board meeting – March 20, 2002

Highlights

1. INDEBTEDNESS HAS NOT INCREASED BUT CONTINUES TO SIGNIFICANTLY DECREASE!!!
2. Our rate of decrease since the last meeting has been nearly equal to the monthly rate since 10/30/01.
3. Overall reduction of debt since 10/30/01 has been \$98,573.82
4. Reduction of debt since last meeting has been \$22,409.57
5. Joe Quinn has been contacted and will be ready to begin our audit for financial year 2001 after April 15.

Reports

1. Indebtedness report:
 - a. Written in stone.
 - b. Goal: constantly and untiringly: CHIP AWAY!!!
2. Graph of decrease of indebtedness over past 4 ½ months.
3. Comparison of January and February revenue over 4 years
 - a. Total donations
 - b. Without single donations over \$1,000
4. Comparison of March 1 – 18 revenue over 4 years
 - a. Total donations
 - b. Without single donations over \$1,000

Corrections to last meeting's indebtedness report

1. SAIC – total (audited) amount due for 10/30/01 was \$16,975.03
2. Scartelli – total (audited) amount due for 10/30/01 was \$38,282.37
3. Bank One – has been moved to its proper place with long term liabilities.
4. Esteban Dufourq – balance for 10/30/01 has been set at \$6,000, even though this agreement for the van was made in November.
5. Mary Schwerdt – total on 10/30/01 was \$14,852.47

Shohola Property

1. **Rhea Simms** of Christie's Great Estates showed the property last month to a Church Bible group connected with mission work in the Haitian Islands. They have not made an offer.
2. **Sumner** is still pursuing studies regarding purchase of the property for the sake of their own development. Once again, Sumner is a couple that bought 22 properties

last year in all the US for development. **Gibson McKean** of McKean realty has been their contact. He tells us recently that they are studying feasibility of an access road from route 6, and that they are speaking with the township about ordinances and zoning.

3. **Davis Chant** of Chant Realty has not yet shown the property to any individuals or groups.
4. Serious work is now being done with **Tony Burger** of Optimization Strategies Group (OSG). He was recommended to us as highly effective in his profession as a financial turn-around specialist. Tony is giving us pro-bono assistance to come to the best solution for eliminating our current debt.
5. Once again, we must **tread carefully** with regard to **public knowledge** of selling the property. A property of this size will take time to sell, and a PR scare would compromise our current financial position, and any ability to get money that we would need from the property.

Driveway permit

1. Some troublemaker in the area reported the SSI for not having a driveway permit. This is required by PennDot for all private residences. Very few residences have a permit. If a residence is reported, a permit needs to be applied for.
2. A fairly easy application can be filed for under 25 cars entering the property.
3. An application for over 25 needs engineering studies and would involve some thousands in cost.
4. Mary Schwerdt is filling out the "under 25" application.

Confidentiality of reports – danger with the media

1. We are really in a "trial-by-media" scenario in the SSI at present. Catholic priests are especially "guilty until proven innocent" (and even then, innocence is merely due to a "cover-up").
2. Various malcontents are trying to hang us with inaccurate or misrepresented financial data.
3. Due to this, we have to request the utmost confidentiality with these reports and with this information.
4. Being a financial advisory board entails a professional secrecy that does not extend information outside our meetings. We would request a strict observance of this.

Cosigning

1. Dom Toscani volunteered to cosign on 500K of our mortgage back in December. He would like to do this through the Caritas Foundation, worth 1.5 million.
2. Due to family problems and the holiday season, Dom postponed working on this until mid-January.