



OFFICE OF THE BISHOP

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September 12, 2019
Memorial of the Most Holy Name of Mary

My dear brothers and sisters in Christ:

I begin this letter by renewing my sincere apology to all those who have suffered sexual abuse by those clerics or Church personnel who violated their position of trust. I am so very sorry for the suffering you have endured, and I pray for you every day. The Diocese remains committed to helping victims find hope and healing and to creating a safe environment for all, especially our children.

In response to the tragedy of child sexual abuse, the New York State Child Victims Act was passed earlier this year. A one-year legal window to file lawsuits opened last month on August 14, 2019. As a result, the Diocese now faces a significant number of claims of sexual abuse of a minor, all dating back decades. The Diocese has not received a contemporaneous report of sexual abuse of a minor since 2006. Litigation cost and settlements or jury awards will exceed our resources, and the Diocese will be unable to litigate or settle these claims.

For that reason, and after much prayer, study and consultation with diocesan consultative bodies which include many lay persons who have expertise in these matters, the Diocese of Rochester has filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code.

This is a very difficult and painful decision. But after assessing all reasonable possibilities to satisfy the claims, reorganization is considered the best and fairest course of action for the victims and for the well-being of the Diocese, its parishes, agencies and institutions. We believe this is the only way we can provide just compensation for all who suffered the egregious sin of sexual abuse, while ensuring the continued commitment of the Diocese to the mission of Christ.

Enclosed with this letter is a document that provides in a "Frequently Asked Questions" format the many details of this process. In summary, a Chapter 11 filing stops the collection of debts and legal actions and enables the Diocese to form a Reorganization Plan that will detail how available assets will be used to settle claims and negotiate reasonable settlements. Had the Diocese not filed under Chapter 11, it would face multiple civil actions, a slow, unpredictable and costly process that would require years of court involvement and those claimants who filed suits first would receive all available funds to pay victims. As a result, later claimants would receive nothing. Most importantly, such lengthy proceedings delay justice for the victims and only prolong their pain and suffering.

I am sure you are concerned how this Chapter 11 filing affects your parish. The parishes are separately incorporated under New York State's Religious Corporation Law. Charitable entities such as Catholic Charities are separately incorporated under New York's Not for Profit Corporation Law. The ministries and operations of parishes and entities, such as our Catholic Charities agencies, should not be directly affected by the Diocese's Chapter 11 proceeding.

The Diocese's goal is to bring the Chapter 11 process to a conclusion as soon as is possible in order to continue the work of healing and reconciliation, both for the victims and our diocesan family. Through all of this, we will remain focused on Christ's mandate to preach, teach, and sanctify, to reach out to our brothers and sisters suffering from sexual abuse, to serve those in need, and to be present to the community, as we have been for the past 151 years of our diocesan history.

If you wish more information, we have created a special page about our Reorganization on the diocesan website, www.dor.org. The page has several resources, including the Reorganization Frequently Asked Questions and court documents, and it will be updated throughout this process.

On this, the Memorial of the Most Holy Name of Mary, model of faith and perseverance, steadfast at the Cross of Our Savior, let us turn to her and ask her intercession amidst this significant challenge. I humbly ask for your prayers for the victims and for the Diocese as we move forward in this process. Jesus is our strength, our hope and our life.

Trusting in God, I remain

Devotedly yours in Christ,


The Most Reverend Salvatore R. Matano
Bishop of Rochester

Enclosure: Reorganization Frequently Asked Questions



ROMAN CATHOLIC
DIOCESE OF ROCHESTER

REORGANIZATION *FREQUENTLY ASKED QUESTIONS*

- 1. What exactly is Chapter 11?** Chapter 11 is a voluntary action taken by a company or entity to reorganize financially with the goals of being able to respond to the financial claims of those to whom it owes money and to emerge with its operations intact. A Chapter 11 filing with the U.S. Bankruptcy Court immediately stops all efforts at collection of debts and legal actions against the entity. Chapter 11 *does not mean* the entity is going out of business or is insolvent. Under Chapter 11, an entity generally maintains its normal operations and continues to provide employees with salaries and benefits, and retiree benefits. It continues to do business in a routine manner.
- 2. Why is the Diocese seeking reorganization under Chapter 11 now?** Following the passage of the NYS Child Victims Act earlier this year, a legal window to file claims opened on August 14, 2019. As a result, the Diocese faces multiple
- claims of sexual abuse of a minor, all dating back decades. Litigation costs and settlements or jury awards will exceed many millions of dollars. The Diocese simply does not have enough resources to settle or litigate these claims.
- 3. What if the Diocese didn't file for Chapter 11?** The Diocese would face multiple civil actions, a slow, unpredictable and costly process that would require years of court involvement. Those claimants who filed suits first would receive all available funds to pay victims. As a result, later claimants would receive nothing. Most importantly, such lengthy proceedings delay justice for the victims and only prolong their pain and suffering.
- 4. Who made this decision to file for reorganization under Chapter 11?** The Bishop of Rochester made this decision in consultation with consultative diocesan bodies which include lay

persons with expertise in these matters.

5. **What is the Diocese's total liability?** We do not know. The litigation window will remain open for one year.
6. **Does the Diocese have insurance?** Yes. The Diocese is in negotiations with its insurers to respond to these claims.
7. **Are other dioceses in New York State declaring bankruptcy?** We do not know.
8. **Do legal costs associated with this filing just add to the Diocese's financial burden?** Certainly, there are legal costs associated with filing under Chapter 11, but there would also be legal expenses to defend the Diocese in State Court litigation. Filing under Chapter 11 is the best course of action given the financial liability the Diocese faces.

One important aspect of filing for Chapter 11 protection is that filing stops all civil actions, judgments, collection activities and related actions by claimants. The stay, in effect, provides time for the organization filing for Chapter 11 protection to form a reorganization plan detailing how the available assets that it has will be used to pay claims and negotiate reasonable settlements.

9. **How long does reorganization take under Chapter 11?** There is no set schedule on how long it

takes a debtor to reorganize under Chapter 11. The Diocese's hope is to bring this to a conclusion as soon as possible.

10. **What financial control will the Court have over the Diocese in Chapter 11 bankruptcy?** The Court will hear and decide on the Diocese's requests to conduct business as usual, e.g. carrying out its ministries, paying its employees, while the Diocese develops and submits a Reorganization Plan to satisfy all claimants in a fair and equitable manner.
11. **How will reorganization affect the daily operation of the Diocese, its parishes, schools and affiliated agencies?** The parishes are separately incorporated under New York State's Religious Corporation Law. Charitable entities such as Catholic Charities are separately incorporated under New York's Not for Profit Corporation Law. The ministries and operations of parishes and entities, such as our Catholic Charities agencies, should not be directly affected by the Diocese's Chapter 11 proceeding.
12. **If the Diocese is in Chapter 11 bankruptcy, is my parish in Chapter 11 as well?** No. Parishes are incorporated as separate entities and are not part of this bankruptcy filing.
13. **Will the Diocese sell parish property or use parish assets to pay its debts?** No. Parishes are

incorporated as separate entities. The Diocese cannot use parish assets or property to settle claims. It is our sincere hope and prayer that the celebration of Sacraments and regular parish life will be unaffected by this difficult financial process to resolve claims.

One way in which the Diocese hopes to positively impact parishes is to seek a court-approved process which stops any Child Victims Act-related litigation against those parishes so those claims can be settled in the same way as claims against the Diocese. Future claims against the parishes and Diocese are expected to be conveyed to the victims fund through a “channeling injunction.” Thus all claims would be settled from the same fund.

14. What does reorganization mean for victims and their court cases?

This Diocese has limited resources for adequately responding to claimants under the Child Victims Act.

We believe and hope that the Chapter 11 will provide the victims, any other claimants, the Diocese and its insurers with a place where all of these claims can be settled, and the victims compensated in a fair and timely manner. As part of our Reorganization Plan, the Diocese intends to create a fund with a pool of money from both diocesan funds and money from insurance carriers.

Prior to the filing of the Chapter 11, the Diocese provided

counseling to anyone seeking it. We intend to continue to provide those services while we are in Chapter 11.

15. Will the Diocese still have to defend itself against lawsuits in civil court during reorganization? No. Chapter 11 prevents all lawsuits from going forward.

16. Will my gift to the Catholic Ministries Appeal (CMA) be used to pay legal settlements? No. Gifts are made to the CMA to support specific ministries and programs and we intend to use the funds for those purposes. A listing can be found at <https://www.dor.org/giving/catholic-ministries-appeal/>

17. Will the CMA operate in the same way during reorganization? Yes. For many years, the CMA has operated under a system in which goals are set for individual parishes using a formula based on parish demographics (number of households, Mass attendance, parish collections, and median income of parishioners) developed by the Center for Governmental Research. This system has proven to be a fair, equitable and objective way of engaging parishes to contribute to the operation of the diocesan church, and to collectively share the cost of services provided by the Diocese to the parishes. Under this system, parishes are required to pay the difference between the amount contributed to the CMA or

raised through fundraising efforts and the parish goal. That system will remain in place. The CMA goal and parish goals are not being increased this year.

- 18. Will the Diocese be laying any employees off as a result of restructuring and reorganization?** It is not our desire to lay people off.

- 19. Will the Diocese be able to pay employees as usual as it reorganizes?** Yes, the Diocese will continue to pay employees and retiree benefits in the ordinary course of business.

- 20. How do I ensure that my gift and/or planned gift to the Diocese is not used to pay settlements?** Restricted gifts can only be used for the purpose for which they were given. You may want to speak to your attorney about how to make a restricted gift to the Diocese.

- 21. I am hesitant to give to a “bankrupt” organization. Why should I?** Your contributions provide funding to operate crucial ministries for people of all walks of life. While the Diocese reorganizes, these needs continue and can only be met with the financial support of the faithful.

- 22. I made a large gift to the Diocese for a specific cause. Is that money protected?** Yes. Restricted gifts and funds are protected under New York State law and cannot be used to settle claims.