



## **REORGANIZATION FREQUENTLY ASKED QUESTIONS**

### **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 current employees with salaries and benefits and retirees with benefits. It continues to do business in a routine manner.

### **Who is filing Chapter 11?**

Only the corporation of the Roman Catholic Diocese of Syracuse is filing Chapter 11. The parishes within the diocese, the Foundation including the HOPE Appeal, Catholic Charities, Catholic Schools, Syracuse Diocesan Investment Fund, and all other separately incorporated Funds and entities associated with the Catholic Church are not directly involved in the proceedings.

### **Why is the Diocese seeking reorganization under Chapter 11 now?**

Following the passage of the NYS Child Victims Act in 2019, a legal window to file claims opened on August 14. 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 fairly and equitably.

### **What if the Diocese didn't file for Chapter 11?**

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.

### **Who made this decision to file for reorganization under Chapter 11?**

The Bishop of Syracuse made this decision in consultation with diocesan administration, the Finance Council, the College of Consultors, leadership of the Diocesan Pastoral Council, priests and pastoral leaders, and lay professionals.

**What is the diocese’s total liability?**

It is too early in the process to calculate. The litigation window has been extended until August 2021.

**Does the diocese have insurance?**

Yes. The diocese is in negotiations with its insurers to respond to these claims.

**Do legal costs associated with this filing 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 its available assets will be used to pay claims and negotiate reasonable settlements.

**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.

**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.

**How will reorganization affect the daily operation of the diocese, its parishes, schools, and affiliated agencies?**

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 should not be directly affected by the diocese’s Chapter 11 proceeding.

**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.

### **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 the sacraments and regular parish life will be unaffected by this difficult financial process to resolve claims.

One way in which the diocese hopes to have a positive impact on parishes is by seeking a court-approved process that 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.

### **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 method 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.

### **Didn't the Independent Reconciliation Compensation Program (IRCP) settle these claims?**

The IRCP program was a voluntary independent mediation program offered to those who had notified the diocese of their claim prior to February 2018. The program was very successful, settling 81 claims. The CVA opened in 2019, changing the civil statute and opening a one-year window (now two-year window) for any person of any age to bring a claim against the diocese for alleged abuse, even if the accused and the victim are deceased. The majority of the claims that have been filed during this period involve victims previously unknown to the diocese.

### **Will the diocese still have to defend itself against lawsuits in civil court during reorganization?**

No. Chapter 11 prevents all lawsuits under the Child Victims Act from going forward.

### **Will my gift to the Annual HOPE Appeal or Cathedral Restoration Fund be used to pay legal settlements?**

No. Gifts are made to the HOPE Appeal to support specific ministries and programs

and we will use the funds only for those purposes. A listing can be found at: <https://syracusedioocese.org/foundation/hopeappeal/> . The same is true for the Cathedral Restoration Fund and other restricted gifts.

**Will the HOPE Appeal operate in the same way during reorganization?**

Due to COVID-19, we previously suspended the HOPE Appeal until a to-be-determined fall date. At that time, we will assess the current system of goals set for individual parishes. The HOPE Appeal is vital to the support of parishes, schools, and ministries. It will continue through the reorganization process.

**Will the diocese be laying any employees off as a result of restructuring and reorganization?**

It is not the intent or desire to lay people off. Due to COVID-19, we have already made some changes in job responsibilities and consolidation.

**Will the diocese be able to pay employees as usual as it organizes?**

Yes, the diocese will continue to pay employees and retiree benefits in the ordinary course of business.

**Will monies from the lay or clergy pension fund be used to pay settlements?**

We do not anticipate these funds will be used. Because they are in legal entities that are distinct from the diocese, the pension funds should not be pulled into the bankruptcy case and should continue to manage assets and pay benefits as they have in the past.

**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 wish to speak to your attorney about how to make a restricted gift to the diocese.

**I am hesitant to give to a “bankrupt” organization. Why should I?**

The work of the Church and the needs of the community continue. Your donations allow the Church to continue its mission to help people spiritually, economically, and socially.

**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.