



OFFICE OF THE BISHOP

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*September 14, 2020
Feast of the Exaltation of the Holy Cross*

My dear brothers and sisters in Christ:

One year has passed since I wrote to you on September 12, 2019, advising that the Diocese of Rochester on this same date filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code in order to address in the best and fairest manner possible claims brought by the survivors of childhood sexual abuse. As part of this process, a Bar Date of August 13, 2020, was set as the final date that claims against the Diocese could be filed through a “Proof of Claim” form.

While even one claim of sexual abuse committed by anyone who violated his or her position of sacred trust would be intolerable, quite disturbingly approximately 500 claims were filed, a number extremely troubling. These claims, dating back decades, now are being reviewed and assessed by all parties concerned. It appears that this total may be lower by approximately 20 percent when one takes into account duplicate claims and claims which are the responsibility of an organization other than the Diocese. In examining the claims, one also must understand the potential liability associated with them with due consideration for available insurance coverage. The review is complex and must respect the rights of all parties concerned.

In the days ahead, discussions will begin with insurers, which will be directed by a court-approved mediator. This begins part of the process to determine the funds available to settle claims and negotiate reasonable settlements. Having anticipated the reorganization necessary to address these claims, the Diocese already had begun its review of resources, further challenged by the Coronavirus pandemic, and had made significant personnel changes.

As the process continues and more information becomes available, you will be apprised of our progress to the fullest extent possible. At this time, I felt it necessary to share the above information with you. I fully understand the sadness that this letter causes and I beg your prayers for the renewal of our faith and Diocese.

Most importantly, I express my most sincere sorrow and regret for this tragic situation, which causes pain, anxiety and even loss of faith on the part of survivors of sexual abuse, as well as their families and our diocesan family. While I renew my apology to each of them, I also pray that this process will bring some healing for them, and provide some hope, renewed faith and the conviction that God never stops loving us, His children.

For nearly twenty years, our Diocese has followed and been in compliance with the Safe Environment protocols established by the United States Conference of Catholic Bishops in its *Charter for the Protection of Children and Young People* to ensure the safety of our children and to protect them from all harm. A summary of these initiatives and other related Safe Environment information can be found at www.dor.org/safe/.

I understand that questions will remain concerning the Diocese's Chapter 11 process as it moves ahead now that the Bar Date has passed. I recognize you have concerns about how your parish will be affected. As I indicated in my September 12, 2019 letter to the faithful and reiterate now, the parishes, schools, affiliated agencies and our Catholic Charities agencies are separately incorporated under New York law, and their daily ministries and operations have not and should not be directly affected by the Diocese's Chapter 11 proceeding.

Attached to this letter is an updated Frequently Asked Questions document, which also appears on our diocesan website at www.dor.org/reorganization.

Our goal remains to bring the Chapter 11 process to a conclusion as soon as possible, with compassion and justice for the victims, while also ensuring the sacramental, spiritual, pastoral and charitable ministries of our Diocese continue for the welfare of all our diocesan family.

I am most grateful for your continued faith and perseverance in these most challenging of times. I once again humbly ask for your prayers for the survivors and for the Diocese of Rochester. As we this day celebrate the Feast of the Exaltation of the Holy Cross, we look upon our crucified Savior whose suffering redeemed the world. May this same Savior transform the suffering of all into the peace and joy that followed Golgotha on that first Easter Sunday.

Trusting in Jesus, who is always with us, I remain, with an assurance of my prayers,

Devotedly yours in Christ,

+ *Salvatore R. Matano*

*The Most Reverend Salvatore R. Matano
Bishop of Rochester*

-with attachment-



ROMAN CATHOLIC
DIOCESE OF ROCHESTER

REORGANIZATION
FREQUENTLY ASKED QUESTIONS
SEPTEMBER 14, 2020 UPDATE

- 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.
- 2. 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, 2019. As a result, the Diocese faced multiple claims of sexual abuse of a minor, all dating back decades. Litigation costs and settlements or jury awards would 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 yet know. The window to file a claim closed on August 13, 2020, and we have begun the process of assessing those claims.

6. Does the Diocese have insurance? Yes. The Diocese is in negotiations with its insurers to respond to these claims.

7. 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.

These costs are a factor in assessing the available assets that will be used to pay claims and negotiate reasonable settlements.

8. 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.

9. 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.

10. 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.

11. 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.

12. Will the Diocese sell parish property or use parish assets to pay its debts? Parishes are incorporated as separate entities. The parishes have not filed bankruptcy.

The Diocese seeks a court-approved process which stops any Child Victims Act-related litigation against those parishes that have been sued so those claims can be settled along with the claims against the Diocese. 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.

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

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

We continue to believe that 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 Chapter 11, the Diocese provided counseling to anyone seeking it. We intend to continue to provide those services while we are in Chapter 11.

14. Will the Diocese still have to defend itself against lawsuits in civil court during reorganization?

No. Chapter 11 prevents all lawsuits from going forward.

15. Now that the window to file claims against the Diocese has closed on August 13, 2020, how many claims have been filed?

Approximately 500 claims, dating back decades, were filed. However, it appears this total may be lower by approximately 20 percent when

one takes into account duplicate claims and claims which are the responsibility of an organization other than the Diocese.

16. What happens next?

We are undertaking the process of reviewing claims and will now begin in earnest the work of negotiating the terms of a plan of reorganization through the process of mediation.

17. Why review the claims received?

In examining the claims, one also must understand the potential liability associated with them and match them with available insurance coverage. The review is complex and must respect the rights of all parties concerned.

18. Will my gift to the Catholic Ministries Appeal (CMA) be used to pay legal settlements?

No. As in previous years, gifts are made to the CMA to support specific ministries and programs and we intend to use the funds for those purposes which respects the intention of the donors. A listing can be found at <https://www.dor.org/giving/catholic-ministries-appeal/>

19. 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.

- 20. Has the Diocese laid any employees off as a result of restructuring and reorganization?** It is not our desire to lay people off; however, financial realities, exacerbated by the Coronavirus pandemic, have required significant personnel changes while still trying to maintain the same level of service to our parishes and entities.
- 21. 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.
- 22. 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.

- 23. 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.