

The Way Forward

Archdiocese of St. Paul and Minneapolis files for Chapter 11 Reorganization

On Jan. 16, the archdiocesan corporation filed a petition for Reorganization under Chapter 11 of the U.S. Bankruptcy Code. This decision came after months of consideration and consultation with clergy and lay leadership and input from attorneys representing victims/survivors of clergy sexual abuse. Archbishop John Nienstedt and other archdiocesan leaders determined the way to respond most fairly to victims/survivors, given the finite resources of the archdiocese, was to file Chapter 11 Reorganization. This will allow all the resources available to be distributed equitably among all victims/survivors and allow the archdiocese to continue essential services to fulfill mission of the Catholic Church.



"This is not easy news to share," said Archbishop Nienstedt. "However, over the past six to seven months, I have looked at all the options available to us and I am convinced that this decision is in the best interests of the victims/survivors and the archdiocese as a whole. I believe that it is consistent with our goal of putting victims/survivors first."

The archdiocese has 21 pending clergy sexual abuse cases, and faces the potential for more than 100 additional suits. These cases are coming forward now because of the lifting of the civil statute of limitations on child sexual abuse under the Minnesota Child Victims Act signed into law in 2013.

The total cost to separately settle or go to trial with each pending or future claim is impossible to determine definitively. It is unknown how many additional claims there could be before the open statute of limitations window on historical claims closes in May 2016.

Although the archdiocese has insurance coverage, that coverage may not be available to pay every claim or the full amount of every claim. There are a number of reasons for this. For example, some of the archdiocese's carriers are now insolvent; in other cases the archdiocese's policies may require that the archdiocese fund legal verdicts before the carrier would pay (similar to a deductible on an auto policy), and policy limits may

excuse carriers from covering full verdict amounts.

In its audited financial report for the fiscal year that ended June 30, 2014, released last November, the archdiocesan corporation reported that it had total operating revenue of \$25,525,732 and total operating expenses of \$34,646,408, resulting in a deficit of \$9,120,676. The deficit can be attributed to significant expenses that are not anticipated to be ongoing in the long term, including special issues expenses related to addressing historical clergy sexual abuse cases and implementing enhanced preventative measures.

Reorganization not a means to avoid compensating victims/survivors

Reorganization under Chapter 11 is a process to resolve claims fairly and with finality, under the neutral supervision of the bankruptcy court.

Documents filed with the bankruptcy court on Friday contain basic information about the archdiocesan corporation, the reasons for the filing and the goals of the archdiocese. By filing under Chapter 11, the archdiocese has become a "debtor in possession." As such, the archdiocese intends to retain possession and control of its assets and continue to operate pending the confirmation of a plan of Reorganization, which would conclude the Reorganization process.

Fairness for victims/survivors

Archbishop Nienstedt and other archdiocesan leaders have met with dozens of sexual abuse victims/survivors to listen closely, hear their experiences, acknowledge their pain and apologize for what they have suffered.

"Over the past year, we have all been devastated by revelations of the stories of those who have been hurt by clergy sexual abuse," the archbishop said. "Victims, survivors and their families have personally shared their heartbreaking stories with me. Their anger, their sorrow and their intense sense of betrayal are the tragic results of unthinkable evil actions. I am sorry for their suffering."

The archdiocese recently partnered with an independent Twin Cities-based organization, Canvas Health, to provide victim-assistance-services. Now, a person harmed by sexual misconduct can call (651) 291-4497 any time to speak with a trained professional and get assistance with counseling or other services.

This enhanced outreach to victims/survivors is an important part of a moral response, recognizing that no amount of personal outreach or financial restitution can truly atone for what they have endured.

Essential archdiocesan ministries

While many people have their most personal contact with the Church through their local parish,

From the Archbishop

Dear Brothers and Sisters in Christ,

We have all been devastated by revelations of the stories from those who have been hurt by clergy sexual abuse. Victims, survivors and their loved ones have personally shared their heartbreaking stories with me. I have sensed their anger, their sorrow, and their intense sense of betrayal because of these unthinkable evil deeds. I deeply regret their suffering. I hope to do all I can to assist them toward healing.

We must come together to care for all those who have been hurt during this tragic time in our Church's history. As announced in October, we are continuing to work with those representing victims/survivors to make sure we are doing all we can to prevent sexual abuse of minors, as well as to be instruments of healing for those who have been abused.

To that end, I have directed that a petition for a Chapter 11 Reorganization of the Archdiocese Corporation be filed in the United States Bankruptcy Court of the District of Minnesota. Please note: this filing does not include parishes and schools.

I make this decision because I believe it is the fairest and most helpful recourse for those victims/survivors who have made claims against us. Reorganization will allow the finite resources of the Archdiocese to be distributed equitably among all victims/survivors. It will also permit the Archdiocese to provide essential services required to continue its mission within this 12-county district.

It must be pointed out that this action will not in any way avoid our responsibilities to those who have been affected by clerical sexual abuse. This is not an attempt to silence victims or deny them justice in court. On the contrary, we want to respond positively in compensating them for their suffering. Plaintiffs' attorneys and I are in agreement that priority should be given to providing resources for the victims/survivors.

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Leaders hope to build relationships, expedite process

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“The good work of parishes, Catholic schools and other organizations will continue.”

Father Charles Lachowitz, Vicar General and Moderator of the Curia

the archdiocesan corporation’s central offices, which employ more than 170 people, fulfill important ministries and support the good work done in parishes, Catholic schools and other local Catholic organizations in the archdiocese. The archdiocesan corporation does this by providing seminarian formation, ongoing clergy education, assignment of clergy, care for elderly and infirm priests, worship and liturgical resources, hospital and prison chaplaincy, sacramental and other record-keeping, safe environment training, parish and school staff formation and leadership development opportunities; outreach to young people, those with disabilities, newly married couples and others; evangelization and catechesis events and programs; and spiritual leadership from the archbishop. It also provides centralized parish and school employee benefits administration, accounting support and other back-office services.

Good work of parish, Catholic schools, other Catholic organizations continues

The Archdiocese of St. Paul and Minneapolis has a geographic area of 12 metro-area counties and is home to an estimated 825,000 Catholics in 187 parishes.

Local Catholic organizations such as parishes, schools, cemeteries and charities are organized as separate corporations, which are legally distinct from the archdiocesan corporation, so they are not included in the Reorganization filing.

“The good work of parishes, Catholic schools and other organizations will continue,” said Father Charles Lachowitz, vicar general and moderator of the curia. “Parents should have no concerns about registering their children for Catholic school, parishes planning for confirmation should continue their preparations, and people who

rely on food shelves, homeless shelters, elderly ministry, English-language tutoring, and other services provided by parishes and other Catholic organizations in our community will continue to be served.”

Confronting sexual abuse in Church ministry

Archdiocesan officials immediately report suspected child abuse to law enforcement, cooperate fully with police investigations and disclose the names of clergy with substantiated claims of sexual abuse of a minor made against them.

In the last decade, the archdiocese has implemented sexual abuse awareness and safe environment education for adults and children. Since 2005, nearly 83,000 members of the clergy, candidates for ordination, parish employees, teachers, parish and school volunteers, and others in service in the local Church have undergone VIRTUS safe environment training. Since 2006, more than 100,000 children in Catholic schools and faith formation programs have participated in age-appropriate personal safety lessons.

Since 2002, when the archdiocese began using its current background check vendor, more than 123,000 background checks have been run on clergy, employees and volunteers in parishes, schools and other services in the local Church. The archdiocese first required background checks for clergy and employees in 1993.

In October 2014, the archdiocese and St. Paul law firm Jeff Anderson and Associates reached an agreement to settle the Doe 1 litigation. Doe 1 was abused in the mid-1970s by Thomas Adamson, a priest of the Diocese of Winona who was assigned at parishes within the archdiocese. This October settlement was not a settlement of all sexual abuse claims against the archdiocese, but it was an important step forward in working with plaintiffs’ attorneys to seek fair resolution of claims. As a sign of this commitment of working with those representing victims/

survivors and as part of global settlement negotiations, the archdiocese committed to a set of 17 child protection protocols, including provisions for enhanced victim/survivor outreach, ongoing disclosure of substantiated claims, and additional steps to protect minors and prevent sexual misconduct in Church ministry.

Cooperation continues

The archdiocese continues to build on relationships mutually forged with victims/survivors and their representatives to promote healing and prevent future abuse. Archdiocesan attorneys reached out to plaintiffs’ attorneys with pending cases against the archdiocese to ensure they knew that Reorganization was one option being considered for fair resolution of claims. Attorneys representing the archdiocese communicated that it was not fair to give priority to the claim of one party, based on trial scheduling or other factors, potentially at the expense of others with claims.

What’s next

The archdiocese is the 12th U.S. diocese to file for bankruptcy protection due to clergy sexual abuse lawsuits. The length of time from filing until a diocese emerges from Chapter 11 protection has varied widely in past Reorganizations. Archdiocesan leaders hope to maintain positive working relationships with all parties to expedite the process as much as possible, for the benefit of everyone.

“My team and I are committed to coming to the fairest resolution possible for victims/survivors while allowing the archdiocese to continue essential services required for the mission of the Catholic Church,” Archbishop Nienstedt said Jan. 16. “By taking this action, we are not avoiding our responsibilities to those who have been affected at this time in our Church’s history. Instead, we are facing our responsibilities and holding ourselves accountable.”

Filing marks another important step as a local Church

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We have made this decision thoughtfully, prayerfully and collaboratively. I have consulted experts in the field of bankruptcy, finance, insurance, civil and canon law, law enforcement, child sexual abuse and victim advocacy. They have advised me that Chapter 11 Reorganization is the fairest and most helpful recourse for resolution of victims’ claims. I have received the approval of the consultative boards of the Archdiocese, namely the Archdiocesan Corporate Board, Archdiocesan Finance Council, and the College of Consultors. They agree Reorganization is the best forum in which a negotiated resolution can be established that fairly and equitably compensates claimants and permits the

Archdiocese to continue its important mission of evangelization.

Documents included in our Reorganization filing provide detailed financial information about archdiocesan corporation assets. Much of this information has been made public already in our fiscal year 2013 and 2014 financial reports. During the coming weeks and months, additional documents will be filed in court. We will continue to post relevant documents on the archdiocesan website, www.archspm.org, and will include more information in *The Catholic Spirit*.

Finally, the men and women of my team join me in making this pledge to you, the faithful of the Archdiocese:

- We will keep our focus on creating and maintaining safe environments. In short, the

protection of minors is a top priority, and it informs our every action and decision.

- We are making every effort to resolve these issues through collaboration, cooperation and reconciliation.
- All resources that are not essential to core ministries will be directed toward these efforts.
- We will care for those who have been harmed by clergy sexual abuse. We will continue to facilitate the healing process for our local Church in order to restore trust with the Catholic faithful, who are counting on the clergy and leadership of the Church to make virtuous decisions for the well-being of the Body of Christ.
- And we will work hard to restore trust with our clergy, who are

dedicated men deserving of our confidence and respect.

We still have a long journey ahead as we restore trust through humility, competency and transparency, in order to respond with compassion to all those who have been hurt, to continue to atone for sins that have been committed, and to foster healing. The filing for Reorganization marks another important step on our way forward as a local Church.

Let us place our trust in Jesus Christ, our great High Priest, and in his holy mother, Mary. May they continue to be our guardians as well as our inspiration and source of confidence.

May God bless you.

+ *John C. Nienstedt*

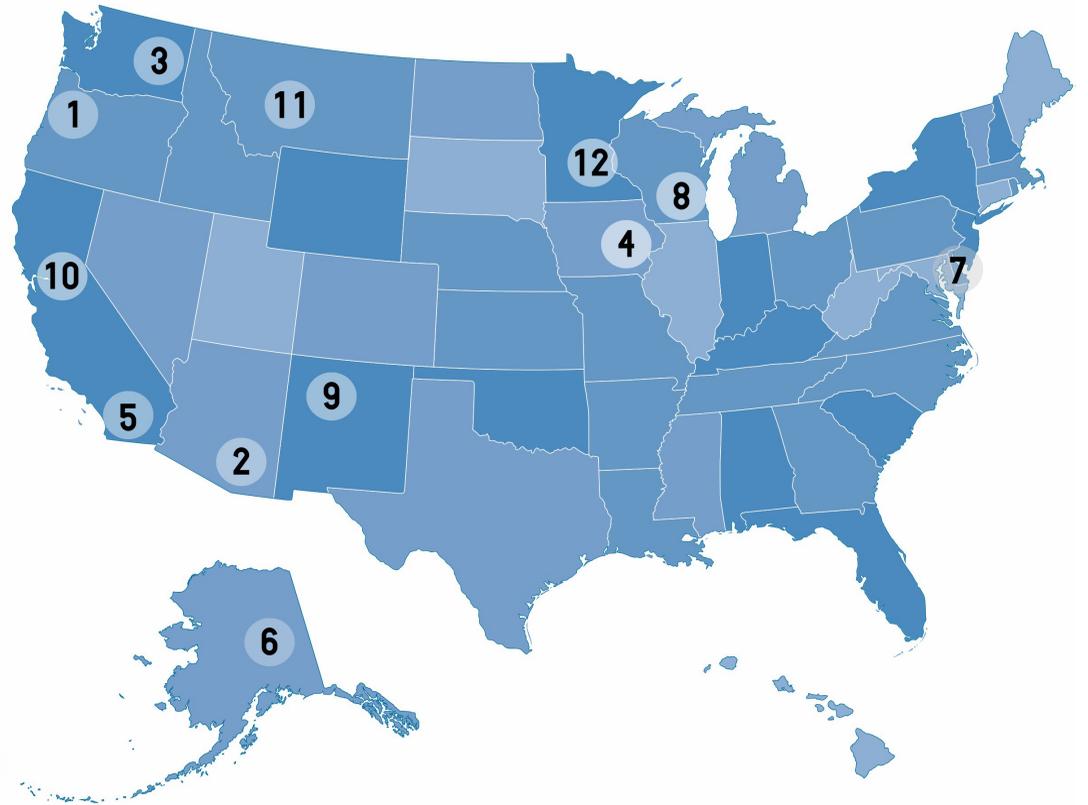
National overview: Archdiocese 12th Catholic diocese to file for Reorganization

The Archdiocese of St. Paul and Minneapolis is the 12th Catholic U.S. diocese to file for Reorganization under Chapter 11 of the bankruptcy code. Of those who have previously filed, six have emerged from Chapter 11 Reorganization and one settled.

In addition to Catholic dioceses, two religious communities have also filed for bankruptcy protection: the Oregon Province of the Society of Jesus (Jesuits) and the Edmund Rice Christian Brothers.

With 825,000 Catholics, the Archdiocese of St. Paul and Minneapolis is the second-largest U.S. Church jurisdiction to file for Chapter 11 Reorganization, after the Diocese of San Diego, which is home to nearly 1 million Catholics, according to the 2014 Official Catholic Directory.

1. **Archdiocese of Portland, Ore.** Filed July 2004, emerged April 2007.
2. **Diocese of Tucson, Ariz.** Filed September 2004, emerged September 2005.
3. **Diocese of Spokane, Wash.** Filed December 2004, emerged May 2007.
4. **Diocese of Davenport, Iowa.** Filed October 2006, emerged June 2012.
5. **Diocese of San Diego, Calif.** Filed February 2007, dismissed November 2007; settlement reached.
6. **Diocese of Fairbanks, Alaska.** Filed March 2008, emerged January 2010.
7. **Diocese of Wilmington, Del.** Filed October 2009, emerged September 2011.
8. **Archdiocese of Milwaukee, Wis.** Filed January 2011, in progress.
9. **Diocese of Gallup, N.M.** Filed November 2013, in progress.
10. **Diocese of Stockton, Calif.** Filed January 2014, in progress.
11. **Diocese of Helena, Mont.** Filed January 2014, in progress.
12. **Archdiocese of St. Paul and Minneapolis.** Filed January 2015, in progress.



Frequently Asked Questions

Q. Why is the Archdiocese of St. Paul and Minneapolis filing for Chapter 11 bankruptcy Reorganization?

A. We have realized that the way to most fairly respond to victims/survivors, given the limited resources of the archdiocese, was to file for Reorganization under Chapter 11 of the Bankruptcy Code (Reorganization). This will allow all resources available to be distributed equitably among victims/survivors and allow the archdiocese to continue essential ministry. The decision to file for Reorganization was reached after months of prayer, careful consideration and consultation with representative clergy and archdiocesan lay leadership groups and outside experts, as well as input from attorneys representing victims/survivors. We must all come together to care for those who have been hurt during this tragic time in our Church's history.

Q. Is filing for bankruptcy a way to avoid compensating victims/survivors of clergy sexual abuse?

A. No. Reorganization is our best option to care for victims/survivors. It is the fairest way to respond because it allows available funds to be distributed equitably to victims/survivors. This is a continuation of our working relationship with victims/survivors' counsel and not a deviation from it. By filing for Reorganization, we are not avoiding our responsibilities, but recognizing them.

Q. What does this mean for my parish or school?

A. Parishes, Catholic schools and other local Catholic entities are separately incorporated and are not part of this filing for Reorganization. (Most Catholic schools are parish ministries. Those that are not, such as most local Catholic high schools, are separately incorporated and are often run by religious orders.)

Q. I thought you settled all the sexual abuse cases against the archdiocese back in October at the time of the announcement with Jeff Anderson and Associates. So why do you need to Reorganize?

A. On Oct. 13, 2014, the archdiocese and Jeff Anderson and Associates reached an agreement to settle the Doe 1 litigation. It was not a settlement of all sexual abuse claims. Also, as part of ongoing global settlement negotiations, the archdiocese is proceeding under a set of 17 child protection protocols.

Q. Couldn't the archdiocese find another way to fairly resolve these claims?

A. We tried to identify other options, but were unable to find a solution that was as fair as Reorganization to address the many current claims and the potential future claims arising from the lifting of the Minnesota civil statute of limitations on sexual abuse of a minor. Reorganization is a process designed to bring parties together to resolve difficult claims fairly and with finality, under the neutral supervision of the bankruptcy court. This process resolves all claims collectively and fairly allocates resources to compensate victims/survivors.

Through the court process we will find the fairest resolution possible for those harmed while still fulfilling our mission as a Church to make the name of Jesus Christ known and loved.

Q. Will insurance coverage play a role in compensating victims/survivors?

A. Yes. The archdiocese had coverage from a number of carriers during the time frame of the abuse claims, and we are pursuing coverage for those claims.

Q. Why isn't insurance coverage available to fully compensate the victims, thereby allowing the archdiocese to avoid filing bankruptcy?

A. The insurance coverage may not be available to cover every claim or the full amount of every claim. For example, some of the archdiocese's carriers are insolvent, in some cases the archdiocese's policies may require that the archdiocese fund verdicts before the carrier must pay (similar to a deductible on an auto policy), and policy limits may excuse carriers from covering full verdict amounts.

Q. What does filing for bankruptcy mean for sexual abuse victims/survivors?

A. Fairness. The bankruptcy court will supervise the process so that available funds are gathered and distributed fairly, in a manner that maximizes resources available to victims/survivors. Additional information, including claim forms, will be posted on the archdiocesan website,

www.archspm.org, and shared in other ways as soon as it is available.

Q. Will the work of the archdiocese continue after this filing?

A. Yes. During Reorganization, the archdiocese plans to continue its ordinary operations while providing victims/survivors time to present their claims and negotiate a plan of compensation. For more than 150 years, thanks to the support of generations of local Catholics, the Archdiocese of St. Paul and Minneapolis has provided spiritual care, education and formation, and social outreach in our community. We are not stepping back from our mission.

Q. Will the archdiocese sell property in order to pay claims?

A. All archdiocesan property and other assets have been identified in our initial filing on Jan. 16, 2015, and will be taken into account as part of the Reorganization plan. This does not include any parish property. Ultimately, the court will approve or decide what is needed for the archdiocese to continue operations and meet obligations.

Q. How long will this process take?

A. That's unknown. Each Reorganization is different. Cooperation among all parties will shorten the process for the benefit of everyone.

Please see FAQ on the next page

Timeline of important dates since fall 2013

- Oct. 6, 2013** • Naming of Vicar for Ministerial Standards
- Oct. 6, 2013** • Announcement that independent Safe Environment and Ministerial Standards Task Force would be formed
- Nov. 14, 2013** • Archdiocese retains Kinsale Management Consulting to conduct independent review of clergy files
- Dec. 5, 2013** • First set of name disclosures of priests with substantiated claims of sexual abuse against them
- Feb. 17, 2014** • Second set of name disclosures of priests with substantiated claims of sexual abuse against them
- April 14, 2014** • Safe Environment and Ministerial Standards Task Force Report and Recommendations released; Archbishop John Nienstedt pledges to implement
- April and May 2014** • Posting of depositions of Archbishop Nienstedt, Former Vicars General Father Peter Laird and Father Kevin McDonough, former Chancellor for Civil Affairs Andrew Eisenzimmer and others
- May 22, 2014** • Third set of name disclosures of priests with substantiated claims of sexual abuse against them (also included two religious brothers)
- Sept. 15, 2014** • Tim O'Malley begins work as Director of Ministerial Standards and Safe Environment
- Oct. 13, 2014** • Historic Doe 1 settlement announcement with Jeff Anderson and Associates signals new era of cooperation and collaboration in pursuit of common goals of protecting young people and helping victims/survivors and their loved ones in healing
- Oct. 13, 2014** • Michael Campion begins work as Assistant Director of Ministerial Standards and Safe Environment
- Oct. 23, 2014** • Fourth set of name disclosures of priests with substantiated claims of sexual abuse against them
- Dec. 4, 2014** • Partnership announced with Canvas Health to provide victim/survivor assistance by independent professionals 24/7

Reorganization basics

- The archdiocesan corporation expects the court's permission to continue to function in the ordinary course while pursuing a Reorganization, similar to other dioceses that have sought bankruptcy Reorganization in recent years.
- Parishes are separately incorporated and are not filing for Reorganization. Parishes in the archdiocese have been separately incorporated under a religious corporation statute dating back to the 1800s.
- Catholic schools are either ministries of a parish/parishes or are separately incorporated and are not filing for Reorganization.
- Parish and Catholic school employees are employees of the parish/Catholic school where they work.
- It is premature to speculate on potential impact of Reorganization on 403(b), pension, medical or other employee or priest benefits. We are seeking court approval to maintain such plans during the course of the Reorganization. Such relief has been granted in other diocesan Reorganizations.
- The archdiocesan corporation has already taken significant expense reduction steps in order to balance its budget and make resources available to meet its obligations.

If you or someone you know has been sexually abused, your first call should be to law enforcement.

PROMISE TO PROTECT



PLEDGE TO HEAL

Learn more at SafeCatholicSPM.org

The Archdiocese of St. Paul and Minneapolis offers help and healing if you have been abused by a Catholic priest or another person in Church ministry.

For confidential, compassionate assistance from an independent and professional local care provider, please call Victim/Survivor Assistance.

- (651) 291-4497
- Help is available 24 hours a day, seven days a week

Referrals and financial support for counseling, individual or group therapy, and spiritual advising or direction are offered to help in healing.

FAQ

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Q. How can I stay updated on this process as it moves forward?

A. Documents filed with the court will continue to be posted at www.archspm.org. Information will also be included in *The Catholic Spirit*.

Q. If I have remaining questions or comments, how can I share them with archdiocesan leadership?

A. If you have a question and don't find the answer on archspm.org, or if you would like to share a comment with archdiocesan leaders regarding Reorganization, please call (651) 251-7732 or email reorganization@archspm.org. Or mail your questions or comments to Archbishop John Nienstedt, 226 Summit Ave., St. Paul, MN 55102. Depending on the number of calls, letters and emails received, we may not be able to individually respond to each question or comment. We will keep our website updated and answer common questions there.