

ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS REORGANIZATION PLAN FILING
Q & A, MAY 26, 2016

Q: The Archdiocese has filed its Plan of Reorganization to emerge from bankruptcy. What does that mean?

A: The Plan of Reorganization submitted to U.S. Bankruptcy Court attempts to move the process forward to a fair resolution and just outcome for those who have suffered abuse. Filing a Plan is an important and required step in the bankruptcy process. For over a year, the Archdiocese has worked earnestly with others to achieve a fair resolution. Filing this Plan is a step in that direction. Those who were abused deserve compensation and justice, and they deserve that sooner rather than later.

Q: What's in the Plan?

A: The proposed Plan has three pillars. First, it creates a structure that continues making protecting children a top priority. The landmark Settlement Agreement reached last December with the Ramsey County Attorney is incorporated into the plan to ensure that we continue to do all we can to create safe environments for children today and always. Second, the Plan dedicates \$500,000 to a victim counseling fund to promote healing for those who have suffered abuse. And third, the plan creates an independent Trust. This proposed Trust will initially be funded by \$65 million or more in proceeds from Archdiocesan cash and the sale of our properties, proceeds from insurance settlements, and settlement contributions from parish insurers. This amount surpasses what was provided in the majority of diocesan bankruptcies settled to date. In addition, the Plan proposes that all insurance proceeds, including those that have not yet been agreed upon between the insurance companies and those who have filed claims will be put in the Trust. A court-appointed Trustee will then control the Trust and have the authority to pay claimants.

Q: Why file the Plan now?

A: Those who have made claims of abuse cannot be compensated until a Plan of Reorganization is finalized and approved. We have sold assets and have worked with others involved in the process by participating in mediation for over a year to help determine the value of insurance coverage. The longer the process lasts, the more money spent on attorneys' fees and bankruptcy expenses; and in turn, the less money available for those who have been harmed. For example, in the Archdiocese of Milwaukee's case, the process took more than five years and in the end, only \$21 million was available for victims/survivors. We are submitting our Plan now in the

hope of doing what is right for the claimants by compensating them now and working together to promote healing.

Q: Does this mean bankruptcy is over?

A: If the Plan is accepted by the creditors, including those represented by the Unsecured Creditors Committee (those who have asserted sexual abuse claims and those who have made other financial claims against the Archdiocese), the Parish Committee (a group of five representatives from various parishes), and ultimately the U. S. Bankruptcy Court Judge, the bankruptcy will be over. Reorganizations sometimes involve modifying an initial Plan and it is possible that some well-intentioned people may raise objections; but know that we are committed to working with everyone to find a fair, just and timely resolution.

Q: What happens if all of the parties involved can't agree to a Plan?

A: The Bankruptcy Code permits the judge to approve a Plan of Reorganization over the objection of one or more group of creditors if the plan complies with bankruptcy law and has the support of at least one group of creditors. That said, we hope to reach an agreement with all of the groups we have been working with for more than a year.

Q: How long until it's over?

A: We do not know how long the process will take, but are confident that all parties are committed to justice and fairness and a timely resolution. The sooner we agree on a resolution; the sooner claimants are compensated.

Q: How does the Plan affect the parishes?

A: The Plan calls for a channeling injunction, which allows cooperating parishes to gain relief from the claims filed against them, including lawsuits recently served upon them, in exchange for a contribution of the settlement amounts their parish insurers have agreed to a dismissal or waiver of parish claims filed against the Archdiocese.

Q: Some are comparing the Archdiocese's bankruptcy case to the Archdiocese of Milwaukee's, which took a long time to resolve and resulted in a settlement amount that was considered low. Is that a fair comparison? Will this be another Milwaukee?

A: No, it doesn't have to be. In fact, our approach can prevent that from happening. The Milwaukee bankruptcy case took more than five years to settle and, in the end, those who filed claims received a total of \$21 million. Here, after 16 months of working with all parties, the Archdiocese of Saint Paul and Minneapolis is submitting a Plan that

proposes over \$65 million right now with more insurance proceeds (possibly tens of millions) added as ongoing mediation continues. Our goal is to avoid prolonged, contentious and, ultimately, unproductive litigation. As we have all learned from other jurisdictions, some approaches enrich attorneys rather than deserving sexual abuse claimants.

Q: Did the Archdiocese file to avoid taking responsibility for its failure to protect children?

A: No. Sexual abuses occurred and profound harm resulted. The Archdiocese filed voluntarily because we saw many civil claims being submitted and recognized that it was the only way to fairly and equitably fulfill our obligations to all sexual abuse claimants while continuing to serve our communities. Without a reorganization, the first individuals to go to court against the Archdiocese could have potentially depleted available Archdiocesan resources, thereby leaving others with nothing.

Q: When a Plan is approved – either by the parties involved or by the judge – does that mean the end of all legal and financial problems related to past abuse?

A: The purpose of filing the Plan is to compensate and accelerate healing for all who have bravely come forward as part of this process and for those whose claims were unresolved in the past. We believe that – by putting Christ at the center of all we do -- treating claimants fairly and justly and ensuring we are doing all we can to protect children, we will be able to focus our energies even more on providing counseling services and offering aid to victims/survivors of sexual abuse, as well as on the other good works of the Church.

Q: What about the victims? What happens to them?

A: The Archdiocese knows there is nothing we can do to take away the pain that has been caused over the years. However, we are working, and will continue work, with those who have been harmed. We will continue to learn from them. We will always strive to improve. We will continue to do all we can to protect children and honor what victims/survivors repeatedly have told us: “Make sure no one else ever has to go through what I’ve gone through.”

Q: Why isn’t the Archdiocese selling the Cathedral or obtaining a loan against it to pay victims?

A: The Cathedral is subject to a 40-year lease, has legal limitations against it, is subject to historical and zoning restrictions and is a structure that is limited to a narrow

purpose – spreading the Gospel of Jesus Christ. It is not well suited for other uses and has nominal market value. Yet it is essential to the core mission the Archdiocese. The Archdiocese has inadequate cash flow to make repayments on any further loans including the Cathedral and it is highly unlikely that any financial institution would provide such a loan.

Q: In the past few days, there have been headlines claiming the Archdiocese was hiding a very large amount of money and one attorney said that parishes, Catholic schools, and other Catholic entities should be included in the Bankruptcy and they should be contributing to the Trust for victims. What is the true situation here?

A: First, the Archdiocese has not hidden any Archdiocesan assets. We have disclosed everything. The Unsecured Creditors Committee argues that the assets of separately incorporated parishes, schools and other Catholic charitable organizations should be used to pay the claims of unsecured creditors. That is contrary to law. Some have expressed concerns that to make those assets available would be unduly detrimental to the ongoing charitable work of parishes, Catholic schools, and other Catholic groups that are so beneficial to people in communities throughout the 12 counties that comprise the Archdiocese of Saint Paul and Minneapolis.

With the contributions included in the proposed Plan, including the transfer of rights of recovery from the Archdiocese, there is no need for the Unsecured Creditors Committee to attempt to confiscate donor restricted contributions from 187 Archdiocesan parishes, schools, and the separately incorporated Catholic entities included in the pending motion for substantive consolidation. These institutions are separately organized, in part, so the faithful can be assured that their donations are used for their intended, charitable purposes.

The Archdiocese is saddened that lawyers for the Unsecured Creditors Committee have decided to proceed in this matter and we will oppose the motion. It is anticipated that attorneys for the parishes and other Catholic entities included in the motion will also oppose it. The Archdiocese vehemently denies the accusations and will continue to direct our efforts towards a consensual Plan of Reorganization that promotes reconciliation, healing, and fair restitution for all claimants.