

A FOUNDATION TO BUILD UPON

FREQUENTLY ASKED QUESTIONS

What is Chapter 11 Bankruptcy and how does it affect the Roman Catholic Diocese of Harrisburg?

- 1. What exactly is Chapter 11?** Chapter 11 is a chapter under the United States Bankruptcy Code pursuant to which a company or entity seeks to reorganize financially under court supervision, with the goals of being able to equitably and proportionally address 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. A Chapter 11 filing ***does not mean*** the entity is going out of business. Under Chapter 11, an entity is able to maintain normal operations and continues to provide employees with salaries and benefits, and retiree benefits.
- 2. Why is the Diocese seeking reorganization under Chapter 11 now?** Our Diocese's financial position has been tested as a result of changes in the laws here and in New Jersey. On December 1, 2019 New Jersey opened up a two year "look-back" window. On June 11, 2019 the Pennsylvania Superior Court issued its "Rice Decision" which has effectively re-animated certain time-barred claims. This decision includes survivors of clergy-child sexual abuse, teacher/volunteer-child sexual abuse, and/or other cases of abuse in the Diocese.

These changes in law have resulted in the Diocese being named in multiple claims of sexual abuse of a minor.

Litigation costs and settlements will exceed many millions of dollars. The Diocese simply does not have the resources to equitably and proportionally address these claims on a one-by-one basis.

- 3. What if the Diocese did not file for Chapter 11?** The Diocese would face multiple civil actions, a slow, unpredictable and costly process that would require years of court involvement. The first survivor to obtain a judgment against the Diocese would likely receive all available funds, leaving little to no resources available for compensation or otherwise caring for other survivors. As a result, later survivors would likely receive nothing, and the Diocese would be left with insufficient resources to continue assistance to survivors. Most importantly, such lengthy proceedings delay justice for survivors and only prolongs their pain and suffering.
- 4. Who made this decision to file for reorganization under Chapter 11?** The Bishop of Harrisburg made this decision in consultation with experts in finance and law as



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well as our Diocesan Consultative Bodies which include lay persons with expertise in these matters.

5. **Has this been approved canonically?** Yes. This has been unanimously approved by the College of Consultors and the Finance Council.
6. **What is the Diocese's total liability?** At this time, we are unsure.
7. **Does the Diocese have insurance?** Yes. The Diocese is in negotiations with its insurers to respond to these claims.
8. **Are other dioceses in Pennsylvania declaring bankruptcy?** That is unknown at this time.
9. **Do legal costs associated with this filing just add to the Diocese's financial burden?** There are legal costs associated with filing under Chapter 11, but there would also be legal expenses to defend the Diocese in 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.

10. **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 within the next two years.
11. **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. While the Diocese undertakes the process of submitting and obtaining approval of a Reorganization Plan, the Diocese will be required to make regular financial reports of its activities to the Court.

How will Chapter 11 Bankruptcy affect survivors of abuse?

1. **What does reorganization mean for survivors and their court cases?** This Diocese has limited resources for adequately responding to claimants in the current legal environment. We believe and hope that the Chapter 11 process will provide survivors, any other claimants, the Diocese, and its insurers with a place where all of these



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claims can be settled, and the survivors compensated in a fair and timely manner.

Prior to the filing of the Chapter 11 proceeding, the Diocese provided counseling to anyone seeking it. We intend to continue to provide those services while we are in Chapter 11.

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

How will Chapter 11 Bankruptcy affect Diocesan priests, deacons and employees?

1. **How will the Chapter 11 Bankruptcy impact Diocesan priests, deacons and seminarians?** Our filing should have no impact on our priests, deacons and seminarians.
2. **Will the Diocese be laying any employees off as a result of restructuring and reorganization?** While we cannot predict with one-hundred percent certainty that there will be no reductions in staff, that is not our intention.
3. **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.
4. **Will retired priests and employees still receive their pensions and benefits?** Yes, the Diocese will continue to pay retiree benefits.

How will Chapter 11 Bankruptcy affect your parish, school and affiliated agencies?

1. **How will reorganization affect the daily operation of your parishes, schools and affiliated agencies?** Our parishes and schools are separate legal entities, distinct from the Diocese. Charitable entities such as Catholic Charities are similarly separate legal entities. 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.
2. **If the Diocese is in Chapter 11 bankruptcy, is my parish or school in Chapter 11 as well?** No. Parishes and schools are separate entities and are not part of this bankruptcy filing.



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- 3. Will the Diocese sell parish property or use parish assets to pay its debts?** 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 sexual abuse-related litigation against those parishes so that 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 resolved through a survivor's fund established as part of the Diocese's Reorganization Plan. Thus, all claims would be settled from the same fund. Final decisions regarding our financial plans must be approved by the Court.

How will Chapter 11 Bankruptcy affect any gift I have or will make to my parish or the Diocese?

- 1. Will the gift I place in the collection plate go to pay for this bankruptcy?** The money you place in the collection plate will be used to fund your individual parish.
- 2. I am hesitant to give to a "bankrupt" organization. Why should I?** Your contributions provide funding to operate crucial ministries for people from all walks of life. While the Diocese reorganizes, these needs continue and can only be met with the financial support of the faithful.
- 3. I made a large gift to the Diocese for a specific cause. Is that money protected?** Yes. Restricted gifts and funds are protected under law and cannot be used to settle claims.
- 4. Will my gift to the Diocesan Annual Campaign (DAC) be used to pay legal settlements?** No. Gifts are made to the DAC to support specific ministries and programs and we intend to use the funds for those purposes.
- 5. Will the DAC operate in the same way during reorganization?** Yes. For many years, the DAC 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 HCAS. 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 DAC or raised through fundraising efforts and the parish goal. That system will remain in place.
- 6. 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.

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1. **Will Chapter 11 Bankruptcy affect Catholic Charities?** Catholic Charities is a separate legal entity and therefore is not part of the bankruptcy. We do not anticipate the efforts at Catholic Charities to be impacted.

For more information about Chapter 11 Bankruptcy or to make a claim, who should I call?

1. **If we have additional questions regarding Chapter 11 or would like to make a claim, who should we contact?** Please call our bankruptcy information line at 1-866-977-0992 or visit <https://dm.epiq11.com/RCDH>.