



OFFICE OF THE BISHOP

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November 3, 2022
Month of All Souls

My dear brothers and sisters in Christ:

I am writing to inform you that on this date, November 3, 2022, after extensive review and discussions with the major consultative bodies and upon the advice of legal counsel, the Diocese has filed a motion seeking approval by the U.S. Bankruptcy Court of Western New York of a **Restructuring Support Agreement** that would outline how survivors of sexual abuse by clergy, religious and laity would ultimately be compensated for claims brought against the Diocese and related Catholic entities.

This Agreement represents a comprehensive agreement reached with the Official Committee of Unsecured Creditors, which, if approved by the Bankruptcy Court, will pave the way for the Diocese to emerge from Chapter 11. Among other things, the plan is expected to (a) establish a trust for the benefit of survivors of sexual abuse, (b) provide for participation by the Diocese, its parishes and related Catholic entities in the amount of \$55 million to compensate survivors of sexual abuse, and (c) provide for potential additional recoveries for the benefit of survivors from insurance issued to the Diocese, its parishes and other related Catholic entities.

As I indicated in my September 12, 2019 letter to the faithful, it was my hope that our parishes and related Catholic entities would not be directly affected by the Diocese's Chapter 11 proceeding; however, this changed over the past three years. Because individual parishes and other related Catholic entities were named in individual lawsuits and bear substantial risk of direct liability to claimants in individual state court actions, the parishes and other related Catholic entities understand that they will benefit from their participation in this Agreement by obtaining a "channeling injunction" which will channel all existing and future claims to the Trust established for this purpose. Long term litigation costs and settlements or jury awards would have far exceeded the resources which the Diocese and its related Catholic entities have or could obtain to settle or litigate these claims. We believe that this Restructuring Support Agreement represents the fairest approach for the survivors and most viable path forward for the Diocese and its related Catholic entities to continue our shared mission of healing and reconciliation.

Once again, while I know my words may seem hollow, simply repeating a rehearsed apology, I renew with sincerity my deep apology to the survivors of sexual abuse. The history of sexual abuse of children in our Church has caused tremendous pain, hardship, alienation, and understandable anger. It seriously has impacted survivors, their families, our priests and others in diocesan ministries who had no part in these egregious acts. This chapter in the life of our Church has also impacted everyone who has felt their own faith shaken by those who violated a sacred trust to protect the vulnerable and live according to the teachings of Jesus Christ.

Arriving at this point of the Chapter 11 process has been a long and arduous task. The work toward resolving these claims has been highly sensitive and difficult for all concerned. All mediation and discussions were conducted in strict confidentiality as imposed by the Bankruptcy Court. These efforts were further exacerbated by other circumstances, including the Coronavirus pandemic. Nonetheless, I am extremely thankful to all of those who have worked tirelessly together to negotiate and prepare this Agreement for consideration by the Court.

I understand that you may have questions. Attached to this letter is a **Frequently Asked Questions** document that I believe provides some of those answers. As this process continues, further updates will be provided to answer questions that may arise.

I ask for your prayers that the Court will approve our Plan as we work toward the resolution of these claims with compassion and justice for the survivors, while also ensuring that the sacramental, spiritual, catechetical, pastoral, and charitable ministries of the Diocese continue for the welfare of all our diocesan family. Once again, I assure you that our Diocese continues its efforts to ensure a safe environment for all our children.

As a community united in faith, we firmly believe that Jesus Christ, as our Simon of Cyrene, will carry us over the threshold to a time of renewal and restoration, lifting the burden of bankruptcy and, most importantly, bringing consolation to the suffering of so many, especially the survivors, and transforming the darkness of Golgotha into the joy of the Risen Christ.

Asking intercession of God's Mother and our Mother Mary, and our diocesan patron, Saint John Fisher, I remain

Devotedly yours in Christ,

+ 

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

/encl: Frequently Asked Questions



Chapter 11 Bankruptcy Update

Frequently Asked Questions

Q1. What was announced on November 3, 2022?

A1. The Diocese of Rochester has filed a motion seeking approval by the U.S. Bankruptcy Court of the Western District of New York of a Restructuring Support Agreement between the Diocese and the Committee of Unsecured Creditors that would outline how survivors of sexual abuse would ultimately be compensated for claims brought against the Diocese and related Catholic entities.

Q2. Was this the only way to settle these claims and address the Chapter 11 Bankruptcy faced by the Diocese?

A2. The Diocese believed that filing Chapter 11 and working to negotiate this Restructuring Support Agreement was the fairest approach for the survivors and most viable for the Diocese to continue its mission. Long term litigation costs and settlements or jury awards would have far exceeded the resources which the Diocese has or could obtain to settle or litigate these claims.

Q3. Who would pay for the settlement of these claims?

A3. Under the Restructuring Support Agreement submitted to the Court, future recoveries by the Trust from insurance companies who provided coverage to the Diocese, its parishes, and other related Catholic entities during the time of abuse are expected to provide for potential additional financial recovery for the benefit of survivors. The Diocese's participation in this Trust would be \$55 million and would be made up by participation from the Diocese, the parishes, and related entities; this funding is still in the process of being completed.

Q4. How much will the insurance carriers pay toward to settlement of claims?

A4. It is anticipated that insurance companies which provided coverage at the time of the abuse will provide for potential additional recoveries for the benefit of survivors.

Frequently Asked Questions (con't)

Q5. I thought the parishes and related Catholic entities were not part of the Chapter 11 filing?

A5. They were not part of the Chapter 11 filing. However, they were named in individual lawsuits, and bear substantial risk of direct liability to claimants in individual state court actions. To reach an acceptable settlement, \$55 million will be provided by the Diocese and the related Catholic entities to the Trust to fund payments to survivors from the Trust.

Q6. Why are parishes and other related Catholic entities participating in the \$55 million?

A6. As noted above, individual parishes and other related Catholic entities were named in individual lawsuits and bear substantial risk of direct liability to claimants in individual state court actions. These actions pose a significant threat to the parishes and other related entities.

Q7. Where will the \$55 million come from?

A7. Contributions of the \$55 million represent the participation of all of the Diocese of Rochester's unrestricted funds, as well as funds from the parishes and other related Catholic entities, the amounts of which are still being determined.

Q8. What is the benefit of participation by the parishes and other related Catholic entities?

A8. The parishes and other related entities will benefit from their participation by obtaining a "channeling injunction," which will channel existing and future claims to the Trust established for this purpose.

Q9. Are these all the costs associated with this case?

A9. No. To date, the Diocese has incurred more than \$12 million in fees to benefit the Diocese and other related Catholic entities. The Diocese and related entities will continue to incur costs, including legal fees, associated with the implementation of the Restructuring Support Agreement and reorganization plan. The parishes and other related entities have also accrued costs for their own legal representation and analysis.

Q10. What impact will this Agreement have on the Catholic Ministries Appeal (CMA)?

A10. None. CMA contributions will not be used to fund this Restructuring Support Agreement.

Frequently Asked Questions (con't)

Q11. Will the Diocese close any parishes or sell parish property to pay for this Settlement?

A11. Over the past 25 years, separate and difficult decisions have been made to merge parishes and/or close churches due to factors such as declining attendance, unused and underused buildings, and an aging community. As with all dioceses, that assessment will be ongoing.

Q12. How do I ensure that my gift and/or planned gift to the Diocese is not used to pay settlements?

A12. Restricted gifts can only be used for the purpose for which they were given. You may want to speak to your attorney or estate planner about how to make a restricted gift to the Diocese.

Q13. Will the Diocese need to reduce its workforce as a result of the Restructuring Support Agreement?

A13. It is not our desire to reduce our workforce. However, ongoing financial realities, which were also impacted by the Coronavirus pandemic and financial market downturn have required significant personnel changes while still trying to maintain the same level of service to our parishes and related Catholic entities. These challenges and efforts will continue.

Q14. What happens next?

A14. The Bankruptcy Court will consider our filing and proposed Restructuring Support Agreement. If the Court agrees with our approach to addressing these claims, creditors and other parties of interest will be asked to vote on the plan and the Diocese will ask the Court to approve it.

There are a number of steps remaining in this matter; however, it is our hope that we can complete the steps necessary and ultimately emerge from Chapter 11 mid-summer to early fall 2023 as this will mark the fourth year of Bankruptcy which has been so painful for all parties concerned, especially the survivors.



NEWS RELEASE

Issued Nov. 3, 2022

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Diocese Files Proposed Restructuring Support Agreement with U.S. Bankruptcy Court *Seeks Formation of a Trust to Compensate Survivors of Sexual Abuse*

Rochester, NY – The Diocese of Rochester has filed a motion seeking approval by the U.S. Bankruptcy Court, Western District of New York of a Restructuring Support Agreement (“RSA”).

The RSA represents a comprehensive settlement with the Official Committee of Unsecured Creditors in the case, which, if approved by the Bankruptcy Court, will pave the way for the Diocese to emerge from Chapter 11. Among other things, the plan is expected to (a) establish a trust for the benefit of survivors of sexual abuse, (b) provide for participation by the Diocese, its parishes and related Catholic entities in the amount of \$55 million to compensate survivors of sexual abuse, and (c) provide for potential additional recoveries for the benefit of survivors from insurance issued to the Diocese, its parishes and other related Catholic entities.

“We believe that this Restructuring Support Agreement represents the fairest approach for the survivors and most viable path forward for the Diocese and its related Catholic entities to continue our shared mission of healing and reconciliation.”

*~Bishop Matano
Letter to the Faithful*

If the RSA is approved by the Bankruptcy Court, the Diocese will then present to the Court with the full support of the Committee a plan of reorganization that tracks its terms. Following approval by the Bankruptcy Court of the general terms of the RSA, creditors and other parties in interest will be asked to vote on the plan and the Diocese will then seek final approval from the Court.

“We believe that this Restructuring Support Agreement represents the fairest approach for the survivors and most viable path forward for the Diocese and its related Catholic entities to continue our shared mission of healing and reconciliation,” Bishop Salvatore R. Matano said. “Once again, while I know my words may seem hollow, simply repeating a rehearsed apology, I renew with sincerity my deep apology to the survivors of sexual abuse. The history of sexual abuse of children in our Church has caused tremendous pain, hardship, alienation, and understandable anger. It has seriously impacted survivors, their families, our priests and others in diocesan ministries who had no part in these egregious acts. This chapter in the life of our Church has also impacted everyone who has felt their own faith shaken by those who violated a sacred trust to protect the vulnerable and live according to the teachings of Jesus Christ.”

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More than 450 sexual abuse claims have been filed in this case. The claims relate to instances of abuse that occurred many years ago and even decades before the Chapter 11 case was filed.

For over 20 years, the Diocese has closely followed 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 harm, including the establishment of an independent review board in 1993. Independent auditors have repeatedly found the Diocese to be in compliance with each annual review. The Diocese is not aware of any incidents of sexual abuse of a minor since 2006.

The Bankruptcy Court will consider the Diocese's filing and proposed Restructuring Support Agreement. If the Court agrees with the approach to addressing these claims, creditors and other parties of interest will be asked to vote on the plan and the Diocese will ask the Court to approve it.

It is the Diocese's hope that it can complete the steps necessary and ultimately emerge from Chapter 11 sometime mid-summer to early fall 2023, as this will mark the fourth year of Bankruptcy which has been so painful for all parties concerned, especially the survivors.

A detailed FAQ on today's announcement can be accessed at www.dor.org, along with Bishop Matano's letter to the faithful and other key resources.

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