

ARCHDIOCESE OF BALTIMORE

CHAPTER 11 REORGANIZATION

FREQUENTLY ASKED QUESTIONS

On September 29, 2023, the Archdiocese of Baltimore filed for reorganization under Chapter 11 of the United States Bankruptcy Code.

What exactly is Chapter 11?

Chapter 11 reorganization is part of the United States Bankruptcy Code where a company or organization 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 immediately stops all efforts to collect debts and legal actions against the entity. The Archdiocese of Baltimore rooted its decision to file for Chapter 11 reorganization to provide fair and equitable compensation for all victim-survivors of sexual abuse while continuing the mission and ministries of the Church, including its parishes, schools, and charitable institutions.

What prompted the Archdiocese to file for Chapter 11 reorganization?

A new Maryland law, the Child Victim's Act (CVA) takes effect on October 1, 2023. The law eliminates statutes of limitations and repose relating to civil claims of child sexual abuse. It was anticipated that many lawsuits would be filed against the Archdiocese after the law took effect. Litigation costs and settlements would likely exceed many millions of dollars. There is no deadline for filing lawsuits under the CVA, meaning that lawsuits would continue indefinitely, making planning for a resolution of all claims impossible.

How does Chapter 11 reorganization work?

In other diocesan reorganizations, the court has set a period of time for victim-survivors to submit claims. Victim-survivors, the Archdiocese, and insurance companies have negotiated toward an agreed-upon plan that equitably compensates victim-survivors while the operations and ministries of the Archdiocese continue. After court approval of the agreed-upon plan, future claims relating to past incidents of abuse cannot be brought against the Archdiocese and would be channeled to the established trust. The Archdiocese will use its unrestricted assets to provide funds to the trust and pay various costs.

What does reorganization mean for survivors and their court cases?

This Archdiocese has limited resources for adequately responding to claims in the current legal environment. We hope that the Chapter 11 process will provide survivors, any other claimants, the Archdiocese, and its insurers with a place where all of these claims can be settled, and the survivors compensated in a fair and timely manner. Before the filing of the Chapter 11 proceeding, the Archdiocese voluntarily provided counseling to anyone seeking it. We intend to continue to provide those services while we are in Chapter 11 proceedings.

How will reorganization affect the daily operation of your parishes, schools and other entities?

Archdiocesan parishes and schools are separate legal entities, distinct from the Archdiocese. Charitable entities such as Catholic Charities are similarly separate legal entities. The ministries and operations of parishes, schools, and other entities, such as our Catholic Charities agencies, should not be directly affected by the Archdiocese's Chapter 11 proceeding. Parishes and schools should continue following all policies and processes moving forward.

Will the Archdiocese sell parish property or use parish assets to pay its debts?

No. The Archdiocese cannot use property or assets of parishes, schools, and other entities which are incorporated separately. 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 Archdiocese hopes to positively impact parishes is to seek a court-approved process which stops any child sexual abuse-related litigation against parishes and schools so that those claims can be settled in the same way as claims against the Archdiocese. Future claims against the parishes, schools, and Archdiocese are expected to be resolved through a survivor's fund established as part of the Archdiocese'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.

Will parishes and schools be asked to contribute to the resolution of claims in the bankruptcy process?

In other dioceses, in a later stage of the proceedings, parishes and schools have contributed to the trust funds created by reorganization so that they can receive the benefits of what are known as third-party releases and channeling injunctions. These resolve potential liabilities of the parish or school related to past incidents of child sexual abuse. It is expected that at some point, parishes, schools, and other entities related to the Archdiocese will be asked to make such a contribution to receive this benefit. The amount of any such contribution is not known at this time.

Will the gift I place in the collection basket go to pay for the Chapter 11 reorganization?

The money you place in the collection basket or give to your parish online will continue to be used to fund your individual parish.



SCAN HERE OR VISIT

www.archbalt.org/chapter-11-faq/
for more frequently asked questions.



ARCHDIOCESE
of BALTIMORE