



Office of the Cardinal

June 13, 2024

Dear Brothers and Sisters in Christ:

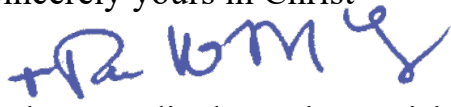
In February of last year, I wrote to you indicating that it was highly likely that the Diocese of San Diego would enter into bankruptcy as an effort to achieve the settlement of the approximately 450 legal claims that have been brought to court seeking compensation for victims of sexual abuse perpetrated by clergy and lay employees over the past eighty years. For the past year, the Diocese has held substantive and helpful negotiations with the attorneys representing the victims of abuse, and I, in collaboration with the leadership of the Diocese, have come to the conclusion that this is the moment to enter formally into bankruptcy and continue negotiations as part of the bankruptcy process.

The Diocese faces two compelling moral claims in approaching the settlement process: the need for just compensation for victims of sexual abuse and the need to continue the Church's mission of education, pastoral service and outreach to the poor and the marginalized. Bankruptcy offers the best pathway to achieve both. It provides a framework to achieve equity among the differing claims of victims, while also establishing a fund to compensate past victims of sexual abuse who come forward in the future. It will also assure that the Diocese of San Diego, which paid \$198 million for claims of sexual abuse in 2007, will achieve a definite conclusion to its legal liability for past claims of sexual abuse in the settlement we hope to reach in bankruptcy.

Only the Diocese will be filing for bankruptcy. The parishes, parochial schools and high schools will not. But it is clear that as part of providing appropriate compensation to past victims of the sexual abuse of minors, both the parishes and high schools will have to contribute substantially to the ultimate settlement in order to bring finality to the liability they face.

As we move through this difficult process during the coming year, it is essential that we all keep in mind that it was the moral failure of those who directly abused children and teenagers, and the equally great moral failure of those who reassigned them or were not vigilant, that led to the psychological and spiritual wounds that still crush the hearts and souls of so many men and women in our midst. The tremendous strides we have made in the past twenty years to protect minors in the Church and beyond cannot begin to mitigate the enormous moral responsibility that I, as your bishop, and the entire Catholic community continue to bear. May God never let this shame pass from our sight, and may God's tenderness envelop the innocent children and teenagers who were victimized.

Sincerely yours in Christ

A handwritten signature in blue ink, appearing to read "R. McElroy", with a small cross symbol at the end.

Robert Cardinal McElroy, Bishop of San Diego

Frequently Asked Questions Regarding San Diego Diocese Bankruptcy

In a letter to the people of the Diocese of San Diego released on Thursday, June 13 Cardinal Robert McElroy announced that the Diocese will be filing for bankruptcy in order to provide just compensation for survivors of sexual abuse and continue the Church's mission of education, pastoral service and outreach to the poor and the marginalized. The Diocese will file a petition in the United States Bankruptcy Court for the Southern District of California on Monday, June 17, 2024.

The following are frequently asked questions and answers about the Diocese's bankruptcy.

1. What type of bankruptcy is the Diocese filing?

The Diocese is filing under Chapter 11 of the Bankruptcy Code. A Chapter 11 bankruptcy is a voluntary bankruptcy that allows the Diocese to continue its ministries and charitable outreach while seeking a framework for a full and final settlement of sexual abuse claims. The Diocese, schools and parishes will remain open and continue to do the work of the Church. Bankruptcy will provide a pathway for the Diocese to equitably settle the claims filed by survivors of sexual abuse and establish a fund to compensate past victims of sexual abuse who may come forward in the future. During the bankruptcy, the Diocese will continue negotiations with survivors, their attorneys and the Diocese's insurer to determine a plan for the just and equitable settlement of claims.

2. The Diocese announced it intended to file bankruptcy a year ago. Why now?

The Diocese announced in February 2023 that it was considering bankruptcy and in the following May announced that a decision had been made to do so. Since then, and for the last year, the Diocese has been engaged in mediation talks with attorneys representing abuse survivors, the parishes of the diocese, and with Catholic Mutual, the insurer for the diocese.

3. Are parishes and schools also filing for bankruptcy?

No. The parishes, parochial schools and high schools are not filing for bankruptcy.

4. Is Catholic Charities filing for bankruptcy?

No. Catholic Charities is not filing bankruptcy.

5. Will donations to the Annual Catholic Appeal (ACA) be used to fund litigation or settlements with abuse victims?

The ACA seeks donations for specified purposes, specifically Catholic schools, faith formation, Catholic Charities and clergy formation and support. All ACA contributions are maintained by the Diocese in a restricted ACA account to be used only for those purposes. Any funds raised that exceed individual parish goals are remitted by the Diocese to that parish for use by the parish.

6. Will parishioner donations to their parish be used to fund the bankruptcy litigation or settlement with abuse survivors?

Donations and contributions to parishes are for parish purposes. Donations allow parishes to continue their ministry and programs. However, the parishes will likely contribute money or other assets to the bankruptcy plan in order to allow them to receive a release from their own liability for current and unknown claims.

7. Will retirement funds in the laypersons pension plan be affected by the bankruptcy?

The pension plan is an IRS qualified plan. Pension plans are typically protected and we expect such funds will not be affected by the bankruptcy.

8. Will retirement funds in the clergy pension plan be affected by the bankruptcy?

Similarly, the clergy pension plan funds are also typically protected and we expect such funds will be unaffected by the bankruptcy. In some instances, there is an assertion that perpetrators of abuse should not be entitled to benefits under the clergy pension plan; that is an issue that will be addressed as part of the bankruptcy proceedings.

9. Are funds deposited by parishes and schools in CAPS going to fund the settlement of abuse claims?

CAPS, the Catholic Account for Parishes and Schools, is a separate entity that holds parish and school deposits and uses those funds to extend loans to parishes and schools for building projects and other purposes. The parish and school monies deposited into CAPS belong to the respective parishes and schools, not the diocese. Parishes and schools, however, will likely contribute money or other assets to the bankruptcy plan in order to receive a release from their own liability and create a fund to compensate survivors for past acts and future claims involving sexual abuse.

10. Is insurance available to pay the claims of abuse survivors?

Yes. Insurance coverage is available and will contribute to the payment of abuse claims and legal expenses. The amount or percentage of the contribution remains to be determined, but we believe it will be substantial.

11. How will the bankruptcy affect school tuition and activities?

Bankruptcy is not expected to affect school tuition or activities.

12. Will parish or school property be sold to compensate abuse survivors?

We expect that attorneys for abuse survivors will assert that certain parish properties should be used to help fund a bankruptcy settlement. We are confident, however, that parish property essential to pastoral purposes will not be affected.

13. Will parishes have to contribute money to any bankruptcy settlement?

Parishes and schools will likely provide money or other assets to a bankruptcy plan in order to receive a release from their own liability and help create a fund that will compensate survivors for past acts and unknown claims involving sexual abuse.

14. How much money will the parishes have to contribute to receive a release from abuse claims?

The amounts will vary and are unknown at this time. Discussions and negotiations will continue in the bankruptcy to determine any such amounts.

15. How long will bankruptcy last?

How long the bankruptcy case will last depends on many factors that can't be predicted. Other diocese cases have taken as long as four years. However, based upon the efforts the Diocese has undertaken to mediate with survivors' counsel over the last year, we hope and expect that the bankruptcy will be resolved more quickly.