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Judge closes bankruptcy case against Iowa diocese

Barb Arland-Fye Catholic News Service | Jul. 5, 2012

DAVENPORT, Iowa -- The Davenport Diocese's bankruptcy case is closed nearly six years after its attorneys filed a Chapter 11 petition and four years after the diocese reached a $37 million settlement with creditors.

Bankruptcy Judge Lee Jackwig entered the final decree June 15 in the U.S. Bankruptcy Court for the Southern District of Iowa, following a teleconference call between attorneys for the diocese and victims of clergy sexual abuse, who were the major creditors in the bankruptcy case. Jackwig noted that the diocese has met the requirements of the bankruptcy plan, but must continue to comply with ongoing nonmonetary terms as set forth in the plan.

Among the ongoing nonmonetary terms are posting on the diocesan website the names of all credibly accused perpetrators, providing outreach to survivors of clergy sexual abuse and publishing announcements about training for prevention of abuse.

"I am certainly pleased we are finally able to bring this to conclusion," Davenport Bishop Martin J. Amos said. "The bankruptcy process provided the best opportunity for healing and for the just and fair compensation of those who have suffered sexual abuse by priests in our diocese. The settlement also provided the best way to continue the church's mission in our diocese.

"While the bankruptcy process has closed, it will not end the suffering by some survivors of abuse. I pray that the healing process of the survivors of abuse will continue. We will keep vigilant for the protection of children and young people."

The diocese filed for Chapter 11 bankruptcy on Oct. 10, 2006, two days before the Vatican announced that Bishop Amos would become the new bishop of Davenport. Chapter 11 typically is used to reorganize a business so that creditors are paid and the organization survives.

The bankruptcy filing followed a jury's decision to award $1.5 million to a survivor of clergy sexual abuse and came two years after the diocese reached a $9 million out-of-court settlement with 37 survivors.

In spring 2008, Jackwig approved a reorganization plan for the Davenport Diocese and a $37 million settlement with creditors following arduous negotiations between attorneys. The financial settlement was funded with $33.1 million in cash and the transfer of the diocese's chancery property, which had an appraised value of $3.9 million. Cash payment to the settlement trust came from a $19.5 million settlement payment by Travelers Insurance, a $5.9 million payment by Catholic entities and a $7.7 million payment by the diocese.

The plan allowed the diocese to emerge as a new entity, but required the sale of chancery property. The diocese purchased back the chancery and some surrounding acreage from the buyer, St. Ambrose University of Davenport, after a successful capital campaign.

Rand Wonio, an attorney with Lane & Waterman LLP, which represents the Davenport Diocese, said he and the

diocese do not know how much of the $37 million settlement has been distributed to victims of clergy abuse. A court-appointed arbitrator decided which of the 165 creditors received a settlement and for how much.

The bankruptcy court ordered a separate fund to be established from the settlement for clergy sexual abuse survivors who came forward after confirmation of the diocese's reorganization plan. That fund is not handled by the diocese.

The Davenport Diocese also was responsible for paying fees for the diocese's and the trustee's attorneys, other professionals and administrative costs throughout the bankruptcy process. Administrative expenses for the diocese totaled $1.76 million, said Char Maaske, chief financial officer for the Davenport Diocese.

Three annual reports on compliance with nonmonetary commitments, as required by the bankruptcy court, were submitted beginning in spring 2009. The diocese anticipated a final submission date of spring 2011. However, "a busy court and a conscientious judge wanting to be thorough" required more time to conclude the case, Wonio said. A sticking point had been the insistence by creditors' attorneys that names of all accused clergy be published, whether or not allegations were credible. Jackwig denied that request.

The judge also ordered the diocese to post the names of two laypeople that a private investigator found to be credibly accused of abuse that occurred decades ago. The Diocesan Review Board was to meet in early July to hear the private investigator's report on those cases, Wonio said.

Eight U.S. dioceses have filed for bankruptcy since the Archdiocese of Portland, Ore., became the first in July 2004.

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