Frequently Asked Questions

What is creditor protection?

The Bankruptcy and Insolvency Act is federal legislation that companies can use to restructure their financial affairs when they are insolvent. The protection acts like a "corporate time out" granting organizations time and special protections and privileges to develop a plan to its creditors under court supervision. A Trustee is appointed to assist the company with the development of the plan. The Trustee is also responsible to communicate and negotiate with other stakeholder/creditor groups.

Laurentian University, Air Canada, Abitibi Bowater, Northern Pulp, Cirque De Soleil, Aldo, Reitman's and the Roman Catholic Episcopal Corporation of St. George's are examples of entities who filed for creditor protection and restructured their financial affairs by negotiating a deal with their creditors.

Why is the Archdiocese seeking creditor protection at this time?

The Mount Cashel vicarious liability ruling has placed a significant financial and uncertain burden on the Archdiocese. Filing for creditor protection provides the Archdiocese an opportunity to address various legal matters in a streamlined manner under the watchful eye of the court. The process provides the Archdiocese an opportunity to compromise amounts owing to its creditors in a fair and transparent manner recognizing the financial realities of its situation.

The financial reserves of the Corporation have been significantly reduced by various factors and the adverse financial impact Covid had on general operations. Parishes are aware that parish assessments were deferred for much of 2021, however, the costs of the legal process have continued. A successful restructuring will require the ongoing financial support of Parishioners.

What if we do not file for creditor protection?

The claims against the Archdiocese are increasing. Legal counsel for the victims will at some stage be forced to take legal action to protect the interests of their clients. Such action could result in significant litigation costs for the Archdiocese, risk of assets being seized or a bankruptcy application being pursued. Filing for creditor protection is a means to deal with the Archdiocese's issues in a structured manner.

How long will this process take?

The timelines associated with a BIA restructuring process is up to 6 months by which time, a proposal must be filed. The filing of a proposal however, may just be part of the process. The implementation of the proposal (including the sale of real properties) may take much longer to conclude.

Who made the decision to file for creditor protection?

The Archbishop has been advised by financial and legal advisors and in consultation with the Archdiocese Finance Counsel and the College of Consultors, it is now the time to file for creditor protection. It is important to note that in the current circumstance, there is little other option but to file at this time.

What is the Archdiocese total liability? Assets?

The value of the Archdioceses' assets and liabilities is uncertain at this stage. A real estate appraisal process is underway, the results of which are expected in January 2022. Discussions with legal counsel for the victims are also underway in relation to claim liabilities. However, this process may very well lead to previously unknown victims coming forward to make claims against the Archdiocese. It is anticipated that the value of victim claims will be very significant and may exceed total asset values. Counsel for the victims have estimated their clients identified claims at $50 million.

Do legal and financial and other advisers associated with the filing add to the financial liability of the Archdiocese and who pays for these services after filing or bankruptcy protection?

Restructuring proceedings are complex and highly technical. The professional costs of the process will be funded from the assets of the Archdiocese.

Who has financial control over the operations of the Parishes and the Archdiocese under creditor protection? Archdiocese? Advisers? Court?

A creditor protection process is initiated by the Archdiocese and results in the Archdiocese remaining in control of its assets. However, the process also requires strict monitoring and reporting to the Court by the Proposal Trustee (in this case Ernst & Young).

What does reorganization mean for abuse survivors and their court cases?

The intent of the restructuring process is to develop a proposal (a financial settlement) acceptable to the abuse survivors and all other creditors of the Archdiocese. The abuse survivors will have the ability to vote on the proposal, and if accepted, the proposal is then brought before the court for its approval. In the event the creditors and the court accept the proposal, the claims of the victims will be settled once all conditions of the proposal have been satisfied.

How will reorganization affect the daily operations of the Parishes?

It is important to note that church operations will continue during this phase assuming Parishioner financial support is maintained.

There will be masses, weddings, funerals and pastoral services as we work through the legal proceedings of creditor protection.

However, we have to address the future reality and what we will be able to manage going forward.

Will Churches be closed immediately? When will this happen? How will people be prepared before this happens?

We have begun the process of amalgamation of parishes. We do not have the ability to maintain status quo into the future. We have already received significant information from all parishes on how we might best restructure the Archdiocese.

Immediate Church closures are not expected. However, in order to generate necessary funds to address the claims of the victims and other creditors, real properties will have to be liquidated. An initial tender offering of St. John's church properties is being prepared.

In the interim, the intention is to maintain current services at all churches assuming each Parish is able to meet its financial commitments going forward (i.e. pay the priest, other staff, utilities, insurance and other standard operating costs) through continuing financial support of the Parishioners and other fund raising activities.

Does this mean all Parishes are under creditor protection?

The RCECSJ is a single corporate entity, which owns and operates all church properties throughout the diocese. The Parishes are not legally separate or distinct from the RCECSJ. There is one entity filing for creditor protection – which includes all of the Parishes.

Will the Parish Collections be used to fund ongoing operations if the parish continues? Or, will they be used to pay for the creditor protection process?

Parish collections will be required and used to fund ongoing operations. Parish collections have always been the main source of revenue for the Archdiocese. That will continue in the future. The Bishop will call upon Parishioners to continue to support the parishes as we work through these uncertain times.

How will filing for creditor protection affect Catholic charities – Parish food banks, St Vincent de Paul Centers?

For the short term, these operations will continue. If any further decisions are made concerning these groups, it will be communicated in a timely way.