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Alleged Fraudulent Bankruptcy in NY Archdiocese

The Catholic Archdiocese of Milwaukee filed for Chapter 11 bankruptcy protection in January after being sued with more than a dozen civil fraud lawsuits over the way it handled clergy sex abuse cases.

In recent developments, an alleged money laundering scheme that may have moved as much as \$130 million off the books of the Archdiocese of Milwaukee in efforts to prevent the church from paying victims of sex abuse may result in the deposition of New York Archbishop Timothy Nolan. In a bankruptcy hearing, the Assistant US Trustee was told that \$75 million was moved in 2005, and \$55 million was moved two years later in 2007. The Archdiocese chief financial officer said in court that he could not account for the missing money.

Jeffrey Anderson, the lawyer representing families of the victims of the abuse by the priests, has accused the archdiocese of playing a shell game

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while Archbishop Nolan was in charge, hiding funds so that the church cannot pay his clients. Nolan was Archbishop in Milwaukee from 2002 to 2009.

In its bankruptcy filing, the Archdiocese listed \$40.7 million in assets and \$24 million in liabilities. These liabilities include \$13.7 million in health care plans for retired priests. According to the church, much of its assets are in the form of trusts and restricted accounts which means that it is left with only about \$7 million that can be used to settle the lawsuits and pay compensations to victims. However, the victims are set to challenge this statement in court.

According to the Archdiocese, filing for bankruptcy was the best and most equitable way to compensate victims while at the same time maintaining the missions of the church.

But Anderson claims that the church set up the cemetery fund in 2007 and then after a Wisconsin court allowed victims to sue the church for fraud, it transferred \$55 million into the fund. Up till now, the courts have prevented the Archdiocese from drawing from insurance to pay for settlements because the case is about fraud, not accidents. However, the church is appealing this decision at the Wisconsin Supreme Court.

Archbishop Nolan explained that the \$55 million is part of the cemetery trust and protected by the state therefore it was placed back into the

fund. On the other hand, the \$75 million belonged to the parishes and was simply returned to them.

Archbishop Nolan has also said he is fully committed to cooperating with law enforcement officers in this matter.