

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF WISCONSIN**

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In re:	)	Case No. 11-20059-SVK
	)	
ARCHDIOCESE OF MILWAUKEE,	)	Chapter 11
	)	
Debtor.	)	Hon. Susan V. Kelley
	)	

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**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' PARTIAL  
OPPOSITION TO DEBTOR'S MOTION FOR AN ORDER PURSUANT TO SECTION  
363(b) OF THE BANKRUPTCY CODE TO (1) CONTINUE PAYING CERTAIN  
PSYCHOLOGICAL COUNSELING AND THERAPY FOR VICTIMS/SURVIVORS,  
(2) HONOR CERTAIN PRE-PETITION SETTLEMENT AGREEMENTS,  
AND (3) PARTICIPATE IN VOLUNTARY MEDIATIONS WITH TWO  
VICTIMS/SURVIVORS AND PAY ANY COSTS INCIDENT THERETO [DOCKET NO.  
166]**

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The Official Committee of Unsecured Creditors of the Archdiocese of Milwaukee  
("Committee") hereby opposes, in part (the "Opposition"), the *Debtor's Motion for an Order  
Pursuant to Section 363(b) of the Bankruptcy Code to (1) Continue Paying Certain  
Psychological Counseling and Therapy for Victims/Survivors, (2) Honor Certain Pre-Petition  
Settlement Agreements, and (3) Participate in Voluntary Mediations with Two Victims/Survivors  
and Pay Any Costs Incident Thereto* (Docket No. 166) ("Motion"), to the extent the Motion  
seeks authority for the Archdiocese of Milwaukee (the "Debtor") to make preconfirmation  
payments to nonpriority unsecured creditors and participate in mediations and pay the costs

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incident thereto. The Committee *does not* object to the continuation of payments for certain psychological counseling and therapy for the Victim/Survivors (hereafter referred to as “Survivors”) to the extent the total of all payments to or on behalf of Survivors do not exceed \$100,000 annually. The Committee respectfully submits that the portion of the Motion seeking payment of prepetition settlements and permitting mediations to go forward should be denied for the following reasons:

### Introduction

1. By the Motion, the Debtor seeks authority to proceed with two mediations under its Mediation Program<sup>1</sup> and to make preconfirmation payments to nonpriority unsecured creditors pursuant to prepetition settlement agreements achieved under the Debtor’s Mediation Program.

2. The Committee objects to any continuation of the Mediation Program at the present time. Other than self-serving statements concerning the Mediation Program, the Debtor has not provided the Court or the Committee with the most basic information concerning the Mediation Program. The Committee is concerned that the program “stacks the deck” in favor of the Debtor and allows the Debtor to make inaccurate (or at least untested) statements to the Survivors concerning the limited resources available to pay their claims (and lack of insurance coverage) in order to frighten them into settling quickly and cheaply. This concern is amplified because the mediation agreement required by the Debtor allows the Debtor to deny the Survivor the right to be represented by counsel at the mediation. The Committee respectfully submits that it would be premature for the Court to lend its imprimatur to the Mediation Program by authorizing it to go forward without additional information about the fairness of the program and an investigation of the assets that comprise the Debtor’s estate, including potential avoidance actions.

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

3. The Committee also objects to the proposed preconfirmation payments of over \$700,000 to nonpriority unsecured creditors pursuant to settlement agreements the Debtor purportedly achieved under its Mediation Program. First, it is beyond legitimate dispute that the Debtor cannot meet the requirements under the Seventh Circuit's decision in *In re Kmart Corp.*, 359 F.3d 866 (7th Cir. 2004), for making such preferential payments to certain unsecured creditors outside of a plan. Moreover, authorization of the payments would provide at least an implicit imprimatur of the Mediation Program, which the Committee believes would be imprudent and premature for the same reasons it has articulated for not allowing further mediations to proceed under the Debtor's Mediation Program.

#### Argument

**A. This Court's Authorization of Continuation of the Mediation Program Would Constitute a Premature and Imprudent Endorsement of the Debtor's Mediation Program in the Absence of the Most Basic Information Concerning the Fairness of the Program.**

4. The Motion provides virtually no objective information concerning the Mediation Program other than the Debtor's self-serving statement that the program was designed to "offer dignity, flexibility, and control to the Survivors." Motion ¶ 9. The Committee has grave concerns that the Mediation Program "stacks the deck" in favor of the Debtor and others responsible for decades of horrific child sex abuse. These concerns are raised, in part, by the "Agreement to Mediate" attached as Exhibit A to the Motion, which permits the Debtor to deny the Survivors the right to counsel at the mediations. Paragraph 8 of the Agreement to Mediate provides:

**Representation.** Any party to the mediation may be represented or accompanied by person(s) of the party's choice *with the consent of the mediator and other parties*. These persons may or may not be attorneys or advocates.

Emphasis added.

5. Thus, a Survivor who agrees to mediation can only be represented by counsel at the mediation with the consent of the Debtor. Neither the Court nor the Committee have any idea whether this clause has been used to deny Survivors the right to counsel or whether they will be denied that right in the proposed future mediations.

6. The Committee also has serious concerns that in past mediations, and in any future mediations that are authorized to go forward, the Debtor has made and will make statements to the Survivors that it has very limited resources and no insurance in order to frighten the survivors with the prospect that they may receive little or nothing if they do not promptly settle their claims cheaply.

7. The Debtor's bankruptcy schedules and statements are a clear statement of the Debtor's very narrow view of the assets that are available to pay the claims of the survivors of sex abuse. The Committee's investigation of the assets that are actually part of the Debtor's estate (or may be brought into the estate through avoidance actions) is nascent, but the Committee believes that the Debtor's estate may consist of far more assets than the schedules indicate.

8. Among other things, the Debtor characterizes approximately \$16,500,000 held in its name in an investment accounts at JPMorgan Chase Bank, "held for others." See Statement of Financial Affairs ("SOFA") response to Question 14. A true copy of relevant portions of the Debtor's Schedules and SOFA are attached as Exhibit A to the Declaration of Jason Pilmaier ("Pilmaier Declaration") filed herewith. Of that \$16 million, the Debtor contends that it has "rights" to approximately \$13.5 million, but the funds are "restricted". Schedule B, item 2 and footnote 1 to Schedule B. The Committee seeks to investigate whether (i) the \$13 million that the Debtor concedes it has rights to is actually restricted and beyond the reach of the estate's creditors; and (ii) the remaining \$3 million allegedly held for the benefit of others actually are property of the estate.

9. The Debtor takes the position that over \$6,300,000 of its assets are “restricted” and are not available to satisfy the claims of Survivors. See Audited Financial Statements for June 30, 2010, and 2009 at 2. Pilmaier Declaration, Exhibit B.

10. In addition, the Committee is investigating whether in the years prior to the bankruptcy filing the Debtor created and funded trusts to “siphon” assets out of the estate in order to shield them the claims of the Survivors. If this did occur, the transfers may be avoidable and the assets would come back into the estate. Moreover, “siphoning” is a significant factor in establishing that affiliated entities are alter egos. The following is a summary of the trusts that were created and assets transferred that may result in successful avoidance actions or support alter ego and/or substantive consolidation claims against affiliated entities of the Debtor, which would significantly enlarge the size of the Debtor’s estate:

**(a) Creation and Funding of Perpetual Care Trust**

The Debtor’s audited financial statements reveal that the Archdiocese of Milwaukee Catholic Cemetery Perpetual Care Trust (the “Perpetual Care Trust”) was established on April 2, 2007. The Perpetual Care Trust and the assets therein are not listed as property of the estate on the Debtor’s schedules. *See also* footnote to SOFA line 10b (asserting that the Perpetual Care Trust was created “to formalize the existing trust relationship” relating to future care of mausoleums, crypts, and gravesites that the Debtor owns). In March 2008, after the Wisconsin Supreme Court permitted sex abuse personal injury cases to be prosecuted against the Debtor, the Debtor funded the Perpetual Care Trust by transferring approximately \$55 million to it. The source of the \$55 million is not yet clear. Therefore, the Committee is investigating whether the transfer of the \$55 million to the Perpetual Care Trust is an avoidable fraudulent transfer.

**(b) Various Trusts Established Shortly Prior to the Bankruptcy Filing**

Shortly prior to the Petition Date, the Debtor appears to have created at least four separate trusts: (i) The St. Raphael Health Plan Irrevocable Trust, made on September 9, 2010 (four months prepetition); (ii) the Cemetery Union Pension Trust, which was established pursuant to a trust agreement, dated November 2010 (two months prepetition); (iii) The St. Raphael Accidental Death and Dismemberment Insurance Plan Irrevocable Trust, made on December 30, 2010 (one week prepetition) and (iv) The St. Raphael Life Insurance Plan Irrevocable Trust made on December 30, 2010 (one week prepetition). The Committee is seeking discovery from the Debtor on the sources and amounts of funding for these trusts and the reasons the trusts were created in order to determine whether the funding of these trusts constituted avoidable fraudulent transfers of the Debtor's assets and to determine if any other trusts were created and funded in an effort to shield assets from the claims of creditors including the survivors.

**(c) Assets Allegedly Held in Trusts**

The Debtor scheduled three trusts at Schedule B (Personal Property) which hold more than \$5.8 million, cumulatively, that the Debtor contends are not property of the estate and are not available to pay creditor claims in this bankruptcy case. These trusts include the St. Aemilian Trust, the Mary B. Finnigan Endowment Fund, and the Rapp Trust Fund. The Debtor concedes that it is the trustee of these trusts. However, the Debtor has not provided information to the Committee to enable the Committee to determine the validity of these purported trusts and whether the purported trust assets can be traced.

11. In prior bankruptcy cases involving Catholic dioceses, the debtors have, predictably, taken an overly restrictive view of what assets constitute property of the estate and an overly expansive view of what assets are "restricted" in order to shield the assets from the claims of the survivors. These attempts to shield assets from the claims of the survivors have not been permitted by bankruptcy courts that have addressed the issue. For example, in the

bankruptcy case of the Diocese of Wilmington, the Debtor took the position that over \$100,000,000 held in an investment account was held in trust for its parishes and affiliated Catholic entities and was therefore not property of the estate, or that the assets were restricted and not available to satisfy the claims of the survivors of child sex abuse. After hearing the evidence at trial, The Honorable Christopher Sontchi disagreed and found that the entire investment account was property of the estate. *Official Committee of Unsecured Creditors v. Catholic Diocese of Wilmington (In re Catholic Diocese of Wilmington, Inc.)*, 432 B.R. 135 (Bankr. Del. 2010).

12. The Committee believes that serious issues exist with respect to the assets that the Debtor alleges are held in trust or restricted, because, among other things, the transfers to the trusts may be avoidable and where the funds are still held in the Debtor's name but purportedly "held for others" they funds may be commingled with the Debtor's own funds and therefore the Debtor and/or purported beneficiaries have the burden of tracing commingled funds in order to remove them from the estate. Meticulous accounting is insufficient if the actual purported trust res cannot be traced. *Official Committee of Unsecured Creditors v. Catholic Diocese of Wilmington (In re Catholic Diocese of Wilmington, Inc.)*, 432 B.R. 135 (Bankr. Del. 2010).

13. Although, with respect to one of the Debtor's insurance companies, the Wisconsin Court of Appeals has affirmed the trial court's determination that the Debtor's general liability insurance policy does not provide coverage for the claims against the Debtor for negligent misrepresentation relating to abuse claims, the matter is currently pending before the Wisconsin Supreme Court and therefore this issue has not been finally resolved. Moreover, since the original declaratory relief action was initiated by the insurance company, the appeal has been stayed and there has been no progress in the matter since the bankruptcy case was filed.

14. Until more is known about the true size of the Debtor's estate and a final nonappealable ruling is made on the existence of insurance coverage, the Committee believes it is premature to continue the Mediation Program. This is especially true where the possibility

exists for the Debtor to make self-serving statements to the Survivors concerning the assets that are available to pay their claims while denying them the ability to be represented by counsel.

**B. There Is No Basis for the Debtor to Make Postpetition Payments to Prepetition Creditors Outside of a Plan of Reorganization.**

**(1) The Proposed Payments Under Prepetition Settlement Agreements Are Not Allowable Payments Outside of the Ordinary Course of Business Under Section 363(b)(1).**

15. The Debtor seeks an order authorizing it to pay approximately \$311,000 under prepetition settlement agreements during 2011 and another \$391,000 prior to the end of 2015 outside of the ordinary course of business under 11 U.S.C. § 363(b)(1) (“Section 363(b)(1)”). This request must be denied because the Debtor has not and cannot meet the requirements for such payments in the Seventh Circuit.

16. In *In re Kmart Corp.* 359 F.3d 866, the Seventh Circuit clearly articulated the elements of proof that the Debtor must meet in order to make postpetition payments to prepetition creditors outside of a plan of reorganization. It is beyond legitimate dispute that the Debtor cannot meet those requirements.

17. In *Kmart*, the Seventh Circuit affirmed the reversal by the district court of certain orders entered in the *Kmart* chapter 11 case that had authorized the debtor to pay in full prepetition claims of certain creditors alleged to be critical to the debtor’s reorganization before confirmation of the debtor’s plan. The Seventh Circuit disavowed the doctrine of “necessity,” calling it “just a fancy name for a power to depart from the Bankruptcy Code.” 359 F.3d at 871. Under *Kmart*, in order to make preconfirmation payments to nonpriority unsecured creditors, the Debtor must prove (not simply allege) two things: (i) the preferred creditors are critical to the Debtor’s reorganization and will not provide critical services or supplies to the Debtor without full payment of their prepetition claims and (ii) the disfavored creditors will be at least as well off as a result of the payments to the preferred creditors. *Id.* at 868. Here the Debtor has not even alleged that the two requirements have been met with respect to the proposed postpetition payments under the prepetition settlement agreements. Moreover, the Debtor cannot prove that



the payments under the settlement agreements are critical to its reorganization or that they will not dilute the recovery of the Survivors who have not yet settled with the Debtor. The inability to prove either one of these requirements is fatal to the Debtor's ability to make these payments.

18. The reasons for the strict requirements of proof for preferring certain unsecured creditors over others is that preconfirmation payment of select non-priority unsecured creditors is a clear violation of the equal treatment principle embodied by the Bankruptcy Code. *Official Comm. of Equity Security Holders v. Mabey*, 832 F.2d 299, 302 (4th Cir.1987). ("The Bankruptcy Code does not permit a distribution to unsecured creditors in a Chapter 11 proceeding except under and pursuant to a plan of reorganization that has been properly presented and approved."). In a similar vein, the Seventh Circuit has made the following observation:

The fact that a [bankruptcy] proceeding is equitable does not give the judge a free-floating discretion to redistribute rights in accordance with his personal views of justice and fairness, however enlightened those views may be.

*In re Chicago Milwaukee, St Paul & Pacific R.R.*, 791 F.2d 524, 528 (7th Cir. 1986).

19. The only two cases cited and relied upon by the Debtor in the Motion are inapposite because neither of them addresses preconfirmation payments to unsecured creditors. *Committee v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983), dealt with a sale transaction outside the ordinary course of business and *Institutional Creditors v. Continental Air Lines, Inc. (In re Continental Airlines, Inc.)*, 780 F.2d 1223 (5th Cir. 1986) addressed lease agreements for two jet aircraft. These transactions have no resemblance to the payments the Debtor seeks to make by the Motion. The Debtor has failed to cite a single authority that would support the proposed payments under the settlement agreements.

(2) **This Court Should Not Authorize Payments on Prepetition Settlements Achieved Under the Mediation Program for the Same Reasons It Should Not Allow Further Mediations to Proceed.**

20. The Committee has set forth above its serious concerns relating to the continuation of the Mediation Program until further information is known concerning the program, the actual size of the Debtor's estate and the availability of insurance coverage. For these same reasons, the Court should not give its imprimatur to the Mediation Program by authorizing payments to be made on prepetition settlements the Debtor achieved under the program.

C. **The Committee Does Not Object to Payments for Therapy and Psychological Counseling Capped at a Total of \$100,000 Per Year.**

21. The Committee does not object to an order authorizing the Debtor to continue making payments for therapy and psychological counseling for Survivors if the authorization for such payments is capped at \$100,000 annually for all payments to be made to or on behalf of all Survivors for this purpose. The Committee believes that capping the payments at \$100,000 is reasonable because the Debtor has represented in the Motion that that during the last two years the payments have amounted to approximately \$72,000 per year. If additional amounts are needed, the Debtor should be required to seek further authorization.

22. The Committee does not object to the payments to continue therapy and psychological counseling for Survivors because it believes these payments are necessary to mitigate further trauma to the Survivors and that the harm caused by the cessation of these payments would far outweigh any dilution to the other unsecured creditors of the estate especially if the total payments are capped as requested by the Committee.

D. **All Rights of Survivors Should be Expressly Reserved in Any Order Granting Relief Pursuant to the Motion.**

23. The Committee requests that any order granting relief pursuant to the Motion expressly reserve all rights of the Survivors with respect to the Mediation Program and the settlement agreements that were purportedly achieved there under, including the right to rescind the settlement agreements under applicable law and file proofs of claim in this case.

**E. Conclusion.**

24. For the reasons set forth above, the Committee respectfully requests that the Court enter an order denying the Motion to the extent it seeks payment under prepetition settlement agreements and continuation of the Mediation Program.

Dated: April 1, 2011

Respectfully submitted,

PACHULSKI STANG ZIEHL & JONES LLP

By /s/

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-and-

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Attorneys for The Committee of Unsecured  
Creditors

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WISCONSIN

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In re:

Archdiocese of Milwaukee

Case No. 11-20059-SVK  
Chapter 11

Debtor in Possession,

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DECLARATION OF JASON PILMAIER IN SUPPORT OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' PARTIAL OPPOSITION TO DEBTOR'S MOTION FOR AN ORDER PURSUANT TO SECTION 363(b) OF THE BANKRUPTCY CODE TO (1) CONTINUE PAYING CERTAIN PSYCHOLOGICAL COUNSELING AND THERAPY FOR VICTIM/SURVIVORS, (2) HONOR CERTAIN PRE-PETITION SETTLEMENT AGREEMENTS, AND (3) PARTICIPATE IN VOLUNTARY MEDIATIONS WITH TWO VICTIMS/SURVIVORS AND PAY ANY COSTS INCIDENT THERETO [DOCKET NO. 166]

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STATE OF WISCONSIN            )  
  )ss.  
COUNTY OF MILWAUKEE        )

NOW COMES Jason Pilmaier who makes the following statement under oath:

1. I am an attorney in the office of Howard, Solochek & Weber, S.C. and I represent the Official Committee of Unsecured Creditors.

2. I make this declaration in support of the Official Committee of Unsecured Creditors' Partial Opposition to Debtor's Motion for an Order Pursuant to Section 363(b) of the Bankruptcy

Code to (1) Continue Paying Certain Psychological Counseling and Therapy for Victim/Survivors,  
Albert Solochek  
Jason Pilmaier  
Howard, Solochek & Weber, S.C.  
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Milwaukee, WI 53202  
(414) 272-0760 – Telephone  
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**United States Bankruptcy Court  
Eastern District of Wisconsin**

In re Archdiocese of Milwaukee  
Debtor

Case No. 11-20059-svk

Chapter 11

**SUMMARY OF SCHEDULES**

Indicate as to each schedule whether that schedule is attached and state the number of pages in each. Report the totals from Schedules A, B, D, E, F, I, and J in the boxes provided. Add the amounts from Schedules A and B to determine the total amount of the debtor's assets. Add the amounts of all claims from Schedules D, E, and F to determine the total amount of the debtor's liabilities. Individual debtors must also complete the "Statistical Summary of Certain Liabilities and Related Data" if they file a case under chapter 7, 11, or 13.

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	ASSETS	LIABILITIES	OTHER
A - Real Property	YES	4	\$7,664,000.00		
B - Personal Property	YES	10	\$33,080,398.31		
C - Property Claimed as Exempt	N/A	---			
D - Creditors Holding Secured Claims	YES	1		\$4,650,000.00	
E - Creditors Holding Unsecured Priority Claims (Total of Claims on Schedule E)	YES	4		\$5,590.57	
F - Creditors Holding Unsecured Nonpriority Claims	YES	20		\$19,413,512.12	
G - Executory Contracts and Unexpired Leases	YES	11			
H - Codebtors	N/A	---			
I - Current Income of Individual Debtor(s)	N/A	---			
J - Current Expenditures of Individual Debtor(s)	N/A	---			
Total Number of Sheets of ALL Schedules		55			
Total Assets			\$40,744,398.31		
				Total Liabilities	\$24,069,102.69

In re Archdiocese of MilwaukeeCase No. 11-20059-svk

Debtor

**SCHEDULE B - PERSONAL PROPERTY**

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "x" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly identified with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual or a joint petitioner is filed, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

Do not list interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." If the property is being held for a minor child, simply state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
1. Cash on hand		Various Petty Cash Accounts with approximate cash on hand	-	1,050.00
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.		Newman Center UWM Account Associated Bank N.A. 330 E Kilbourn Ave Milwaukee, WI 53202	-	3,433.36
		Catholic Stewardship Appeal Account JPMorgan Chase Bank, N.A. 111 E Wisconsin Ave, WI1-2064 Milwaukee, WI 53202	-	371,190.48
		Right to Units held in fiduciary investment accounts at JPMorgan Chase Bank, N.A. 111 E Wisconsin Ave, WI1-2064 Milwaukee, WI 53202	-	13,533,405.83 <sup>1</sup>
		Johnson Bank 333 E Wisconsin Ave Milwaukee, WI 53202	-	567,012.10
		Johnson Bank 333 E Wisconsin Ave Milwaukee, WI 53202	-	1,804,989.62
		Maritime Ministry Fund M&I Marshall & Ilsley Bank 250 E Wisconsin Ave Milwaukee, WI 53202	-	3,922.55 <sup>2</sup>
		Archdiocese of Milwaukee Park Bank 330 E Kilbourn Ave Milwaukee, WI 53202	-	45,373.33
	Archdiocese of Milwaukee (Cemetery) Park Bank 330 E Kilbourn Ave Milwaukee, WI 53202	-	67,487.37	
			Sub-Total >	16,397,864.64
			(Total of this page)	

8 continuation sheets attached to the Schedule of Personal Property



**FOOTNOTES TO ARCHDIOCESE OF MILWAUKEE SCHEDULES & STATEMENT OF  
FINANCIAL AFFAIRS**

**Schedule B**

<b>Schedule B Footnote No.</b>	<b>Schedule B Category No.</b>	<b>Description</b>
1	2	Fixed Income Investment Accounts at JPMorgan Chase Bank – A substantial number of investment units are subject to temporary, permanent or other restrictions.
2	2	Maritime Ministry Fund - Funds in this account are subject to restrictions that they only be used in connection with the support of ministry to travelers.
3	2	Cemetery Pre-Need Accounts – These restricted funds are held in trust in accordance with Wis. Stat. Chapter 157 as pre-need trust funds.
4	4	Valued at book value.
5	5	No book value.
6	6	No book value.
7	9	Insurance policy value as of 6/30/2010.
8	16	Net of doubtful accounts.
9	25	Kelly Blue Book value.
10	28	Valued at book value.
11	29	Valued at book value.
12	30	Valued at cost.

**United States Bankruptcy Court  
Eastern District of Wisconsin**

In re Archdiocese of Milwaukee  
Debtor(s)

Case No. 11-20059-svk  
Chapter 11

**DECLARATION CONCERNING DEBTOR'S SCHEDULES**

**DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP**

I, the Treasurer and Chief Financial Officer of the corporation named as debtor in this case, declare under penalty of perjury that I have read the foregoing summary and schedules, consisting of 55 sheets, and that they are true and correct to the best of my knowledge, information, and belief.

Date 2/7/11

Signature   
John J. Marek  
Treasurer and Chief Financial Officer

*Penalty for making a false statement or concealing property:* Fine of up to \$500,000 or imprisonment for up to 5 years or both.  
18 U.S.C. §§ 152 and 3571.

**United States Bankruptcy Court  
Eastern District of Wisconsin**

In re Archdiocese of Milwaukee

Debtor(s)

Case No. 11-20059-svk  
Chapter 11

**STATEMENT OF FINANCIAL AFFAIRS**

This statement is to be completed by every debtor. Spouses filing a joint petition may file a single statement on which the information for both spouses is combined. If the case is filed under chapter 12 or chapter 13, a married debtor must furnish information for both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed. An individual debtor engaged in business as a sole proprietor, partner, family farmer, or self-employed professional, should provide the information requested on this statement concerning all such activities as well as the individual's personal affairs. To indicate payments, transfers and the like to minor children, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. § 112; Fed. R. Bankr. P. 1007(m).

Questions 1 - 18 are to be completed by all debtors. Debtors that are or have been in business, as defined below, also must complete Questions 19 - 25. If the answer to an applicable question is "None," mark the box labeled "None." If additional space is needed for the answer to any question, use and attach a separate sheet properly identified with the case name, case number (if known), and the number of the question.

*DEFINITIONS*

*"In business."* A debtor is "in business" for the purpose of this form if the debtor is a corporation or partnership. An individual debtor is "in business" for the purpose of this form if the debtor is or has been, within six years immediately preceding the filing of this bankruptcy case, any of the following: an officer, director, managing executive, or owner of 5 percent or more of the voting or equity securities of a corporation; a partner, other than a limited partner, of a partnership; a sole proprietor or self-employed full-time or part-time. An individual debtor also may be "in business" for the purpose of this form if the debtor engages in a trade, business, or other activity, other than as an employee, to supplement income from the debtor's primary employment.

*"Insider."* The term "insider" includes but is not limited to: relatives of the debtor; general partners of the debtor and their relatives; corporations of which the debtor is an officer, director, or person in control; officers, directors, and any owner of 5 percent or more of the voting or equity securities of a corporate debtor and their relatives; affiliates of the debtor and insiders of such affiliates; any managing agent of the debtor. 11 U.S.C. § 101.

**1. Income from employment or operation of business**

None  State the gross amount of income the debtor has received from employment, trade, or profession, or from operation of the debtor's business, including part-time activities either as an employee or in independent trade or business, from the beginning of this calendar year to the date this case was commenced. State also the gross amounts received during the two years immediately preceding this calendar year. (A debtor that maintains, or has maintained, financial records on the basis of a fiscal rather than a calendar year may report fiscal year income. Identify the beginning and ending dates of the debtor's fiscal year.) If a joint petition is filed, state income for each spouse separately. (Married debtors filing under chapter 12 or chapter 13 must state income of both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

AMOUNT	SOURCE
\$25,874,554.00	Fiscal Year 2010: Audited Statement of Activities
\$26,708,276.00	Fiscal Year 2009: Audited Statement of Activities
\$13,164,403.00	Fiscal Year 2011 year-to-date

**2. Income other than from employment or operation of business**

None  State the amount of income received by the debtor other than from employment, trade, profession, or operation of the debtor's business during the two years immediately preceding the commencement of this case. Give particulars. If a joint petition is filed, state income for each spouse separately. (Married debtors filing under chapter 12 or chapter 13 must state income for each spouse whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

AMOUNT	SOURCE
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**13. Setoffs**

- None  List all setoffs made by any creditor, including a bank, against a debt or deposit of the debtor within 90 days preceding the commencement of this case. (Married debtors filing under chapter 12 or chapter 13 must include information concerning either or both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

NAME AND ADDRESS OF CREDITOR	DATE OF SETOFF	AMOUNT OF SETOFF
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**14. Property held for another person**

- None  List all property owned by another person that the debtor holds or controls.

NAME AND ADDRESS OF OWNER	DESCRIPTION AND VALUE OF PROPERTY	LOCATION OF PROPERTY
Fixed Income Investment Account JPMorgan Chase Bank, N.A. 111 E Wisconsin Ave, WI1-2064 Milwaukee, WI 53202	Funds in this account are held from time to time for the benefit of others for purposes including, but not limited to: Black & Indian Mission grant; Biehoff Scholarship; Continuing Formation (Education) for Clergy Fund; Charitable Gift Annuities; and funds for designated purposes that are not to be immediately used for such purposes. Separately identifiable funds are also held in this account for the benefit of the Archdiocese of Milwaukee. (\$202,539.11)	
Fixed Income Investment Account JPMorgan Chase Bank, N.A. 111 E Wisconsin Ave, WI1-2064 Milwaukee, WI 53202	Funds in this account are held from time to time for the benefit of others for purposes including, but not limited to: Black & Indian Mission grant; Biehoff Scholarship; Continuing Formation (Education) for Clergy Fund; Charitable Gift Annuities; and funds for designated purposes that are not to be immediately used for such purposes. Separately identifiable funds are also held in this account for the benefit of the Archdiocese of Milwaukee. (\$5,724,416.09)	
Fixed Income Investment Account JPMorgan Chase Bank, N.A. 111 E Wisconsin Ave, WI1-2064 Milwaukee, WI 53202	Funds in this account are held from time to time for the benefit of others for purposes including, but not limited to: Black & Indian Mission grant; Biehoff Scholarship; Continuing Formation (Education) for Clergy Fund; Charitable Gift Annuities; and funds for designated purposes that are not to be immediately used for such purposes. Separately identifiable funds are also held in this account for the benefit of the Archdiocese of Milwaukee. (\$10,532,479.85)	
Combined Collections Account JPMorgan Chase Bank, N.A. 111 E Wisconsin Ave, WI1-2064 Milwaukee, WI 53202	Two annual collections held to support (10) beneficiaries. This money, which does not belong to the Archdiocese, is collected through direct mail and parish collections and is designated by the donors for the specific funds. The funds are held by the Archdiocese until the collections are finalized, and then sent to the (10) beneficiaries, which include, for example, Catholic Home Mission, Catholic University of America, Retirement Fund for Religious and Catholic Relief Services. (\$853,044.87)	

NAME AND ADDRESS OF OWNER	DESCRIPTION AND VALUE OF PROPERTY	LOCATION OF PROPERTY
Archdiocese of Milwaukee Lay Employees' Pension Plan c/o U.S. Bank, National Association 777 E Wisconsin Ave, KM-WI-J5N Milwaukee, WI 53202	The Archdiocese provides administrative services to the Plan, a multi-employer defined benefit plan, in which approximately (200) separate employers participate. The Archdiocese collects contributions from all participating employees and forwards these funds to the Plan Trustee to be invested and reinvested by the Trustee in accordance with the terms of the Trust Fund. The Plan is a tax-qualified retirement plan and all of the monies belong solely to the participating employees. (\$365,947.27)	

**15. Prior address of debtor**

None  If the debtor has moved within three years immediately preceding the commencement of this case, list all premises which the debtor occupied during that period and vacated prior to the commencement of this case. If a joint petition is filed, report also any separate address of either spouse.

ADDRESS	NAME USED	DATES OF OCCUPANCY
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**16. Spouses and Former Spouses**

None  If the debtor resides or resided in a community property state, commonwealth, or territory (including Alaska, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Puerto Rico, Texas, Washington, or Wisconsin) within eight years immediately preceding the commencement of the case, identify the name of the debtor's spouse and of any former spouse who resides or resided with the debtor in the community property state.

NAME

**17. Environmental Information.**

For the purpose of this question, the following definitions apply:

"Environmental Law" means any federal, state, or local statute or regulation regulating pollution, contamination, releases of hazardous or toxic substances, wastes or material into the air, land, soil, surface water, groundwater, or other medium, including, but not limited to, statutes or regulations regulating the cleanup of these substances, wastes, or material.

"Site" means any location, facility, or property as defined under any Environmental Law, whether or not presently or formerly owned or operated by the debtor, including, but not limited to, disposal sites.

"Hazardous Material" means anything defined as a hazardous waste, hazardous substance, toxic substance, hazardous material, pollutant, or contaminant or similar term under an Environmental Law

None  a. List the name and address of every site for which the debtor has received notice in writing by a governmental unit that it may be liable or potentially liable under or in violation of an Environmental Law. Indicate the governmental unit, the date of the notice, and, if known, the Environmental Law:

SITE NAME AND ADDRESS	NAME AND ADDRESS OF GOVERNMENTAL UNIT	DATE OF NOTICE	ENVIRONMENTAL LAW
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None  b. List the name and address of every site for which the debtor provided notice to a governmental unit of a release of Hazardous Material. Indicate the governmental unit to which the notice was sent and the date of the notice.

SITE NAME AND ADDRESS	NAME AND ADDRESS OF GOVERNMENTAL UNIT	DATE OF NOTICE	ENVIRONMENTAL LAW
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None  c. List all judicial or administrative proceedings, including settlements or orders, under any Environmental Law with respect to which the debtor is or was a party. Indicate the name and address of the governmental unit that is or was a party to the proceeding, and the docket number.

**DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP**

I declare under penalty of perjury that I have read the answers contained in the foregoing statement of financial affairs and any attachments thereto and that they are true and correct to the best of my knowledge, information and belief.

Date February 7, 2011Signature   
John J. Marek  
Treasurer and Chief Financial Officer

[An individual signing on behalf of a partnership or corporation must indicate position or relationship to debtor.]

*Penalty for making a false statement: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571*

**ARCHDIOCESE OF MILWAUKEE**

Milwaukee, Wisconsin

**FINANCIAL STATEMENTS**  
Including Independent Auditors' Report

June 30, 2010 and 2009

# ARCHDIOCESE OF MILWAUKEE

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## INDEPENDENT AUDITORS' REPORT

The Most Reverend Jerome E. Listecki  
Archbishop of Milwaukee  
Milwaukee, Wisconsin

We have audited the accompanying statements of financial position of the Archdiocese of Milwaukee as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Archdiocese of Milwaukee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Milwaukee as of June 30, 2010 and 2009, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, the Archdiocese of Milwaukee is the defendant in several lawsuits alleging personal injuries. The Archdiocese of Milwaukee is currently in mediation to discuss settlement of these lawsuits. The ultimate outcome of the mediation or lawsuits cannot presently be determined. Accordingly, no provision for any liability that may result has been recorded in the financial statements. Nevertheless, due to uncertainties with the lawsuit, it is at least reasonably possible that management's view of the outcome will change in the near term.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
October 18, 2010

# ARCHDIOCESE OF MILWAUKEE

## STATEMENTS OF FINANCIAL POSITION June 30, 2010 and 2009

	<b>ASSETS</b>	
	2010	2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,432,936	\$ 2,985,575
Short-term investments	7,792,815	7,406,403
Receivables	4,099,639	4,879,060
Other assets	637,719	597,820
<b>Total Current Assets</b>	<b>18,963,109</b>	<b>15,868,858</b>
Ground burial and mausoleum crypt sites	6,472,424	7,060,612
Property and equipment, net	5,045,710	5,236,791
Beneficial interest in Cemetery Perpetual Care Trust	48,740,865	44,716,547
<b>INVESTMENTS AND OTHER ASSETS</b>		
Long-term investments	10,969,349	13,386,682
Invested funds held for others	2,981,602	3,491,661
Cemeteries pre-need trust fund account	3,296,542	3,023,934
Charitable gift annuities investments	803,425	1,026,852
Other assets	1,149,488	1,594,892
<b>Total Investments and Other Assets</b>	<b>19,200,406</b>	<b>22,524,021</b>
<b>TOTAL ASSETS</b>	<b>\$ 98,422,514</b>	<b>\$ 95,406,829</b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>		
Note payable	\$ 4,650,000	\$ 4,650,000
Current maturities of charitable gift annuities	90,968	98,102
Accounts payable	2,384,929	2,232,333
Contributions payable	3,866,640	4,025,224
Collections to be forwarded to other entities	1,103,033	960,123
<b>Total Current Liabilities</b>	<b>12,095,570</b>	<b>11,965,782</b>
Invested funds held for others	2,981,602	3,491,661
Charitable gift annuities	489,800	539,604
Accrued post-retirement and pension benefits	14,862,955	11,698,695
Deferred revenue	3,296,542	3,023,934
Long term portion of contributions payable	1,577,375	1,676,769
<b>Total Liabilities</b>	<b>35,303,844</b>	<b>32,396,445</b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated operating	1,566,135	3,843,096
Designated	6,480,976	8,463,255
Limited to Perpetual Care of Cemeteries	48,740,865	44,716,547
<b>Total unrestricted</b>	<b>56,787,976</b>	<b>57,022,898</b>
Temporarily restricted	2,614,328	2,271,120
Permanently restricted	3,716,366	3,716,366
<b>Total Net Assets</b>	<b>63,118,670</b>	<b>63,010,384</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 98,422,514</b>	<b>\$ 95,406,829</b>

See accompanying notes to financial statements.