

With Court Ruling, Stinson Attorneys Can Pursue Fraud Claims in Roman Catholic Diocese of Harrisburg Bankruptcy

Press Release

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Church Officials Cannot Shield an Estimated \$95 million in Assets

The Committee of Tort Claimants in the Diocese of Harrisburg, who are represented by Stinson LLP attorneys [Robert Kugler](#) and [Edwin Caldie](#), can investigate and litigate fraud claims against two trusts established by Catholic officials. The decision to grant derivative standing by Chief Bankruptcy Judge Henry Van Eck opens the door to survivors of clergy sex abuse to seek recovery of \$95 million in assets.

The assets consist of over \$50 million in real estate held by the Roman Catholic Diocese of Harrisburg Real Estate Trust and over \$40 million of assets led by the Roman Catholic Diocese of Harrisburg Charitable Trust. Despite the Harrisburg Diocese's arguments, the judge found that Pennsylvania state law allows an unincorporated religious entity to hold title to property, and that the fraudulent nature of the diocese's transfers of its real and non-real assets to the trusts could not have been reasonably known to the diocese's creditors until after the diocese filed for bankruptcy. With Judge Van Eck's ruling, the purpose in creating such trusts can be determined, and whether or not the transfers were done fraudulently in order to escape financial responsibility.

Kugler said the abuse survivors feel gratified and empowered by the judge's ruling, and he expects the pursuit of the assets held in trusts might take the next year to unfold.

Since 2015, Stinson's Bankruptcy and Creditors' Rights attorneys have led the nation in the representation of committees of unsecured creditors consisting of the survivors of sexual abuse. They understand all dimensions of insolvency issues, whether in bankruptcy cases and adversary proceedings, state court receiverships, or out-of-court restructurings. Additionally, the attorneys within this practice group have

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considerable experience representing the full range of parties, including secured and unsecured creditors, landlords and tenants, official and ad hoc committees, asset purchasers and lenders, as well as trustees and other estate representatives.

Kugler is a leader in the representation of survivors of sexual abuse in enforcing their claims in bankruptcy, securing the largest ever recovery in a Catholic diocese bankruptcy in the Archdiocese of St. Paul and Minneapolis case.

Caldie also plays a leading role in the representation of survivors of sexual abuse as well as a variety of large and often groundbreaking bankruptcy cases, representing a range of clients in Chapter 11 cases, workouts, civil lawsuits and commercial disputes.

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