

NEWS

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New Lawsuit Alleges San Diego Catholic Diocese Fraudulently Transferred Real Estate Assets to Parishes to Avoid Child Sexual Abuse Claims

San Diego, CA: The Zalkin Law Firm P.C. has filed a 479-page lawsuit against the Roman Catholic Bishop of San Diego a Corporation Sole (the Diocese) and every Catholic Parish in San Diego, alleging that in September of 2019, the Catholic Diocese of San Diego fraudulently transferred assets to separate parish corporations it created to avoid paying settlements or judgments in potentially hundreds of lawsuits, when the California legislature had just passed a bill opening a three year window to allow older victims of child sexual abuse to file lawsuits against their perpetrators and institutions like the Diocese.

In a February 9, 2023 letter to parishioners Bishop Robert Cardinal McElroy states “The parish assets have been held in recent years by individual parish corporations, and before that they were held by the Diocese in trust for each particular parish community.”

“The statement by Bishop McElroy that assets transferred to parish corporations have always been held in trust for the parishes is absolute fiction” said Irwin Zalkin, an attorney who represents more than 100 of the nearly 400 victims who have filed suit against the Diocese.

On Friday, February 10, 2023, the Diocese held a press conference where it announced that it is considering filing for bankruptcy protection. This would be the second time that this Diocese has filed for bankruptcy protection in the wake of facing a multitude of lawsuits arising out of its actions in harboring and protecting dozens of pedophile priests over decades.

“Clearly the Diocese transferred these valuable assets to shield them from claims knowing that it would likely file for bankruptcy once the 3-year window closed. The Diocese made the same argument in their first bankruptcy in 2007, that the parish assets were separate and were only being held in trust by the Diocese. That argument did not get traction then and we expect it will not fly in court now” said Zalkin.

This new lawsuit, prepared by the Zalkin Law Firm, seeks to set aside the transfers of 291 real estate parcels from the Diocese into “California Real Property Support Corporation(s) (RSPCs)” that were formed for each affected parish. According to the lawsuit, the Diocese set up the individual RSPCs to defraud creditors at a time when they were aware of the significant claims pending by the Plaintiffs. The lawsuit alleges that the total

tax assessed value (as opposed to market value) of the transferred property is approximately \$453,385,107(see Complaint page 31). The lawsuit asks that each transaction be set aside citing two violations of the California Civil Code for each of the 291 parcel transactions (Civil Code § 3439.04(a)(1) and Civil Code § 3439.05).

In 2007, just as more than 140 priest abuse claims were headed to trial, the Diocese filed for bankruptcy, which required the Diocese to disclose all of its assets. The Diocese then attempted to deceive the bankruptcy court and defraud child abuse survivor creditors by omitting cash on hand, real estate assets and a substantial \$50 million gift from its report to the court. The bankruptcy judge threatened to hold the Diocese in contempt of court when she was informed that the Diocese was changing tax identification numbers of its bank accounts to various parish tax ID numbers. After receiving this information, the bankruptcy judge appointed an independent auditor to investigate several suspicious transfers and deceptive transactions. The auditor issued a report that detailed attempts by the Diocese and parishes to hide money and assets from the court. The Diocese finally settled the 144 cases for \$198 million on the eve of the bankruptcy judge sending numerous cases back to state court for trial.

The previous bankruptcy filed in 2007, was dismissed by bankruptcy court Judge, Louise DeCarl Adler with a warning to the Diocese that it should not use bankruptcy as a weapon to low ball settlements with clergy sexual abuse victims. According to Zalkin, that is exactly what the Diocese has done with these real estate transfers.

Copies of the Complaint will be made available on request.

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About The Zalkin Law Firm

With offices in San Diego, CA and New York, NY, the firm's lawyers represent survivors of child sexual abuse and sexual assault while members of religious and other organizations, including the Catholic Church, Jehovah's Witnesses, foster care, Boy Scouts, recovery homes, foreign student exchange programs, and colleges. Irwin Zalkin, a sexual abuse attorney with the [Zalkin Law Firm](http://www.zalkin.com), has been representing abuse survivors for more than two decades now represents more than 100 survivors in lawsuits against the San Diego Catholic Diocese. IN 2007, Mr. Zalkin was appointed liaison counsel on behalf of 144 sexual abuse survivors by then Magistrate Judge Leo Papas in the previous bankruptcy filed by the San Diego Diocese. At that time Mr. Zalkin helped to negotiate a nearly \$200,000,000.00 settlement with the Diocese on behalf of sexual abuse survivors with a dismissal of that bankruptcy. He also was one of the lead trial lawyers against the Roman Catholic Archbishop of Los Angeles where a global settlement was reached in the amount of \$660,000,000.

For more information visit: www.zalkin.com.