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**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY**

In re:

THE DIOCESE OF CAMDEN, NEW
JERSEY,

Debtor.

OFFICIAL COMMITTEE OF TORT
CLAIMANT CREDITORS OF THE
DIOCESE OF CAMDEN, NEW JERSEY,

Plaintiff,

v.

THE DIOCESE OF CAMDEN, NEW
JERSEY, THE MOST REV. DENNIS J.
SULLIVAN, IN HIS CAPACITY AS
BISHOP AND PRESIDENT OF THE
DIOCESE OF CAMDEN, NEW JERSEY,
REVEREND ROBERT E. HUGHES, IN
HIS CAPACITY AS VICAR GENERAL
AND VICE PRESIDENT OF THE
DIOCESE OF CAMDEN, NEW JERSEY,
REVEREND MONSIGNOR JOHN H.
BURTON, IN HIS CAPACITY AS VICAR
GENERAL AND VICE PRESIDENT OF
THE DIOCESE OF CAMDEN, NEW
JERSEY, REVEREND JOSEPH
SZOLACK, IN HIS CAPACITY AS
TRUSTEE OF THE DIOCESE OF

Chapter 11

Case No. 20-21257 (JNP)

Adv. Pro. No. 21-_____(JNP)

CAMDEN, NEW JERSEY, REVEREND
JASON T. ROCKS, IN HIS CAPACITY
AS CHANCELLOR AND SECRETARY
OF THE DIOCESE OF CAMDEN, NEW
JERSEY, LAURA MONTGOMERY, IN
HER CAPACITY AS DIOCESAN
FINANCE OFFICER AND CHIEF
FINANCIAL OFFICER OF THE
DIOCESE OF CAMDEN, NEW JERSEY,
REVEREND JAMES L. BARTOLOMA,
IN HIS CAPACITY AS FORMER
TRUSTEE/CHANCELLOR OF THE
DIOCESE OF CAMDEN, NEW JERSEY

Defendants.

ADVERSARY COMPLAINT

Plaintiff, the Official Committee of Tort Claimant Creditors (the “Committee”) of the Diocese of Camden, New Jersey (the “Debtor” or “Diocese”), by way of this adversary complaint (the “Complaint”) against the Diocese and the Most Rev. Dennis J. Sullivan, in his capacity as Bishop and President of the Diocese, Reverend Robert E. Hughes, in his capacity as Vicar General and Vice President of the Diocese, Reverend Monsignor John H. Burton, in his capacity as Vicar General and Vice President of the Diocese, Reverence Joseph Szolack, in his capacity as Trustee of the Diocese, Reverend Jason R. Rocks, in his capacity as Chancellor and Secretary of the Diocese, Laura Montgomery, in her capacity as Diocesan Finance Officer and Chief Financial Officer of the Diocese, and Reverend James L. Bartoloma in his capacity as former Trustee/Chancellor of the Diocese hereby states and alleges as follows:

PRELIMINARY STATEMENT¹

1. This Complaint arises out of the voluntary depletion of the Diocese's estate by the Bishop, the Diocese, and its Directors & Officers for the benefit of non-debtor affiliated entities to the detriment of the Debtor and, in turn, its creditors.

2. First, the Debtor alleges that a primary source of funding for its day-to-day operations is through Parish Assessments. During the COVID-19 pandemic, the Bishop, on behalf of the Diocese, elected to waive certain of the Parish Assessments despite the solvency and indisputable ability of the Parish Parties to pay the Parish Assessments as they came due.

3. The Assessment Waiver resulted in insufficient funding to pay creditors of the Debtor, including sexual abuse survivors, insolvency, and ultimately the filing of the Debtor's Chapter 11 Case. Thus, the Assessment Waiver constituted an avoidable fraudulent transfer under both the Bankruptcy Code and state law.

4. Second, the Bishop, on behalf of the Diocese, elected to reduce or cancel \$52.3 million to \$53.7 million of debt owed by the Parish Parties and Schools to the Diocese, despite the solvency and ability of those parties to pay the Debt in full while the Debtor claims insolvency.

5. The Debt Cancellation benefitted the Parish Parties and Schools and offered no value, let alone reasonably equivalent value, in exchange to the Debtor. Thus, the Debt Cancellation constituted an avoidable fraudulent transfer under both the Bankruptcy Code and state law.

6. The Bishop's decision to favor the Parish Parties and Schools over the Diocese, and his actions which benefitted the Parish Parties and Schools to the detriment of the Debtor and its creditors, constitute a breach of the Bishop's fiduciary duties of care and loyalty to the Diocese.

¹ Capitalized terms not defined in this Preliminary Statement shall have the meanings ascribed to them in this Complaint.

7. In addition, the Directors & Officers failed to pursue insurance coverage to pay previous survivor claims, which improperly depleted the Diocese's assets by (a) using Diocese funds to resolve prior claims, and (b) foreclosing the Diocese's ability to access prior "claims made" policies on the basis of "interrelated wrongful acts" and "interrelated claims."

8. Had the Directors & Officers pursued insurance coverage to pay prior survivor claims, such as those paid through the IVCP, significant assets would have been preserved and would be available to respond to the Survivor Claims in this case. Failing to pursue insurance was thus a breach of the Directors & Officers' fiduciary duty of care.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this adversary proceeding (the "Adversary Proceeding") pursuant to 28 U.S.C. §§ 157 and 1334(b).

10. Venue in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409 as this adversary proceeding arises under and in connection with a case under Chapter 11 of the Bankruptcy Code that is pending in this District.

11. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

12. To the extent the Committee does not have standing pursuant to 11 U.S.C. § 1103 to bring any cause of action pled herein, the Committee has requested standing to assert such cause of action through a motion filed simultaneously herewith.

PARTIES

13. Plaintiff is the Committee of Tort Claimant Creditors in this Chapter 11 case appointed by the Office of the United States Trustee pursuant to 11 U.S.C. § 1102(a)(1). The Committee is a party in interest in the Debtor's Chapter 11 case pursuant to 11 U.S.C. § 1109(b).

14. The Committee is comprised of nine creditors with claims against, *inter alia*, the Diocese based upon sexual abuse by members of the clergy, workers, teachers, volunteers, or other persons or entities associated with or representing the Diocese and/or Parish Parties, Schools, or other Diocese-related institutions served by the Diocese.

15. Defendant Diocese of Camden, New Jersey is a New Jersey not-for-profit religious organization with its principal place of business at 631 Market Street, Camden, New Jersey 08102 and is the Chapter 11 debtor and debtor-in-possession in the underlying bankruptcy proceeding.

16. Defendant the Most Reverend Dennis J. Sullivan (the “Bishop”) is the current Bishop of the Diocese and the President of the Diocese. Upon information and belief, the Bishop is a citizen and resident of the State of New Jersey. The Bishop’s principal place of business is 631 Market Street, Camden, New Jersey 08102.

17. Defendant Reverend Robert E. Hughes (“Hughes”) is the Vicar General and Vice President of the Diocese. Upon information and belief, Hughes is a citizen and resident of the State of New Jersey. Hughes’ principal place of business is 631 Market Street, Camden, New Jersey 08102.

18. Defendant Reverend Monsignor John H. Burton (“Burton”) is the Vicar General and Vice President of the Diocese. Upon information and belief, Burton is a citizen and resident of the State of New Jersey. Burton’s principal place of business is 631 Market Street, Camden, New Jersey 08102.

19. Defendant Reverend Joseph Szolack (“Szolack”) is a Trustee of the Diocese. Upon information and belief, Szolack is a citizen and resident of the State of New Jersey. Szolack’s principal place of business is 631 Market Street, Camden, New Jersey 08102.

20. Defendant Reverend Jason T. Rocks (“Rocks”) is the Chancellor and Secretary of the Diocese. Upon information and belief, Rocks is a citizen and resident of the State of New Jersey. Rocks’ principal place of business is 631 Market Street, Camden, New Jersey 08102.

21. Defendant Laura Montgomery (“Montgomery”) is the Diocesan Finance Officer and Chief Financial Officer of the Diocese. Upon information and belief, Montgomery is a citizen and resident of the State of New Jersey. Montgomery’s principal place of business is 631 Market Street, Camden, New Jersey 08102.

22. Defendant Reverend James L. Bartoloma (“Bartoloma” and together with the Bishop, Hughes, Burton, Szolack, Rocks, and Montgomery, the “Directors & Officers”) is the former Trustee/Chancellor of the Diocese. Upon information and belief, Bartoloma is a citizen and resident of the State of New Jersey. Bartoloma’s principal place of business is 226 Hurffsville Road, Sewell, NJ 08080.

FACTUAL BACKGROUND

A. The Diocese’s Connection to the Parishes, Missions, and Schools

23. The Diocese serves a six-county region in Southern New Jersey. The Bishop holds all power over the operation and finances of the Diocese and its related entities.

24. The Diocese operates sixty-two parishes (each a “Parish” and collectively, the “Parishes”) within the Diocese as interdependent departments. The Parishes are incorporated under N.J.S.A. 16:15-1 to 16:15-8.

25. Each Parish is governed by a Board of Trustees comprised of the Bishop, Vicar General, the Pastor of the Parish, and two lay members of the Parish. The Vicar General, Pastor, and lay members are either directly or partially appointed by the Bishop and can be removed by the Bishop at any time.

26. In addition, there are four “missions” within the Diocese (each a “Mission” and collectively the “Missions”).

27. The Parishes and Missions are referred to herein each as a “Parish Party” and collectively as the “Parish Parties”.

28. Three of the Missions are organized and operated as non-profit corporations in accordance with Title 15A of New Jersey Law. The Missions are not considered “parishes” under Canon Law since they serve specific communities that cross Parish boundaries, and therefore cannot be incorporated under Title 16 of New Jersey Law, which only provides for the incorporation of Catholic parishes.

29. The fourth Mission is a non-profit membership corporation of which the Diocese is the member.

30. Upon information and belief, the corporate governance structures of the Missions mirror that of the Parishes.

31. Accordingly, upon information and belief, the Bishop controls the Missions.

32. The Parishes own twenty-one elementary schools and two high schools (the “Parish Schools”). The Parish Schools are not separately incorporated. The Bishop controls the Parish Schools through his complete control over the Diocese and Parishes.

33. The Diocese additionally operates one elementary school and three high schools (the “Incorporated Schools” and together with the Parish Schools, the “Schools”) which are separately incorporated in accordance with Title 15A of New Jersey Law. The Bishop of the Diocese is the member of each corporation; he appoints the trustees and certain corporate officers, and has certain reserved powers.

34. The Bishop, directly and through the Diocese, maintains complete operational and financial control over the Parish Parties and Schools.

B. The Bishop's Financial Control Over the Diocese, Parish Parties, and Schools

35. The Bishop operationally and financially controls the Diocese, Parish Parties, and Schools.

36. As a result of the complete day-to-day operational and financial control and domination exercised by the Bishop over the Diocese, Parish Parties, and Schools, the Diocese, Parish Parties, and Schools have failed to observe proper corporate formalities and have not dealt with each other at arm's length.

37. Upon information and belief, the Diocese, Parish Parties, and Schools adhere to the Bishop's instructions even if doing so is not in the best financial interest of the Diocese or individual Parish Party or School.

38. Upon information and belief, the Bishop, through the Diocese, assesses the Parish Parties ten percent of their annual ordinary income (the "Parish Assessments"). The Parish Assessments are due to the Diocese on a monthly basis and are a primary source of funds used by the Diocese to support its daily operations.

39. Upon information and belief, the Diocese, at the direction of the Bishop, waived the Parish Parties' obligation to pay Parish Assessments during the second quarter of 2020 (the "Assessment Waiver").

40. Upon information and belief, the Diocese did not receive reasonably equivalent value in exchange for the Assessment Waiver.

41. The Diocese, at the direction of the Bishop, provides loans and grants to the Parish Parties and Schools.

42. Upon information and belief, as of April 30, 2021, the Parish Parties and Schools owed between \$73.8 million and \$77 million in accounts and loans receivable to the Diocese (the “Debt”).

43. Upon information and belief, the Bishop failed to pursue repayment of the Debt.

44. Upon information and belief, the Bishop, through the Diocese, has asserted an allowance, or reduction, of the Debt of \$52.3 million to \$53.7 million (the “Debt Cancellation”).

45. Curiously, the majority of the Debt which the Diocese has asserted as uncollectible breaks down neatly into percentages, 0%, 25%, 35%, 50%, 60%, 75%, and 100% of the principal loan amounts.

46. Upon information and belief, the Diocese did not receive reasonably equivalent value in exchange for the Debt Cancellation.

47. Upon information and belief, the Bishop, through the Diocese, alleges that only between \$21.5 million and \$23.3 million is collectible from the Parish Parties and Schools in connection with the Debt despite the fact that the assets of the Parish Parties and Schools far exceed the amount owed.

48. Upon information and belief, at approximately the time of the Assessment Waiver and Debt Cancellation, the Diocese was or became insolvent.

49. Upon information and belief, prior to the Assessment Waiver and Debt Cancellation, the Diocese was aware that survivors of sexual abuse would bring claims and causes of action against the Diocese and that the Diocese’s exposure on account of such claims was greater than it had cash on hand to pay.

C. The IVCP

50. In 2019, the Diocese set up a fund, the Independent Victim Compensation Fund (the “IVCP”), to pay survivor claims that arose prior to the commencement of this bankruptcy case.

51. Upon information and belief, the IVCP paid out approximately \$8.1 million to sexual abuse survivors (the “IVCP Payments”).

52. The Diocese was aware that insurance proceeds could have been pursued and utilized in connection with the IVCP Payments.

53. Upon information and belief, the Directors & Officers never pursued insurance coverage to fund the IVCP Payments.

D. The Chapter 11 Case

54. On October 10, 2020 (the “Petition Date”), the Diocese commenced a voluntary case under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in this Court.

55. The Diocese’s commencement of the above-captioned bankruptcy case as of the Petition Date created an “estate” as defined pursuant to 11 U.S.C. § 541(a).

56. Upon information and belief, the Diocese sought relief under Chapter 11 of the Bankruptcy Code in response to multiple sexual abuse actions filed by the survivors of such abuse, in order to obtain leverage over the victims and to hide financial resources owned and controlled by the Diocese from the survivors.

57. On December 31, 2020, the Debtor filed a proposed *Plan of Reorganization* [Dkt. 306], and on March 6, 2021, the Debtor filed a *First Amended Plan of Reorganization* [Dkt. 498] (the “Proposed Plan”).

58. Pursuant to the Proposed Plan, the Bishop is a “Released Party,” and therefore will be released from “all claims, obligations, suits, judgments, damages, demands, debts, remedies, causes of action, rights of setoff, other rights, and liabilities whatsoever.”

59. Upon information and belief, the Diocese intends to seek a release of any claims and causes of action against the Bishop, whether arising pursuant the Bishop’s role in connection with the Diocese or any of the Parish Parties or Schools.

CAUSES OF ACTION

COUNT ONE

Avoidance of Assessment Waiver as Constructive Fraudulent Transfer Under 11 U.S.C. §§ 548 & 550

60. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

61. The Assessment Waiver constitutes a constructive fraudulent transfer within the meaning of 11 U.S.C. § 548(a)(1)(B) that can be avoided and recovered for the benefit of general unsecured creditors.

62. The Assessment Waiver was effected within two years of the Petition Date.

63. The Debtor received less than reasonably equivalent value for the Assessment Waiver.

64. At the time the Assessment Waiver occurred, the Debtor was insolvent.

65. To the extent the Debtor was not already insolvent, the Debtor became insolvent as a result of the Assessment Waiver.

66. The Assessment Waiver benefited the Parish Parties, who are insiders of the Debtor.

67. The Assessment Waiver is avoidable to the extent necessary to satisfy the claims of creditors pursuant to 11 U.S.C. § 548(a)(1)(B). In accordance with 11 U.S.C. § 550, the Committee may recover the value of the Assessment Waiver for the benefit of the general unsecured creditors.

COUNT TWO
Avoidance of Assessment Waiver as Actual Fraudulent Transfer Under 11 U.S.C. §§ 548 & 550

68. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

69. The Assessment Waiver constitutes an actual fraudulent transfer within the meaning of 11 U.S.C. § 548(a)(1)(A) that can be avoided and recovered for the benefit of general unsecured creditors.

70. The Assessment Waiver was effected within two years of the Petition Date.

71. The Assessment Waiver was made with actual intent to hinder, delay, or defraud the Debtor's creditors.

72. The Debtor received less than reasonably equivalent value in exchange for the Assessment Waiver.

73. At the time the Assessment Waiver occurred, the Debtor was insolvent.

74. To the extent the Debtor was not already insolvent, the Debtor became insolvent as a result of the Assessment Waiver.

75. The Assessment Waiver benefited the Parish Parties, who are insiders of the Debtor.

76. The Assessment Waiver was intentionally for less than reasonably equivalent value while the Debtor was insolvent.

77. The Assessment Waiver is avoidable to the extent necessary to satisfy claims of creditors under 11 U.S.C. § 548(a)(1)(A). In accordance with 11 U.S.C. § 550, the Committee may recover the value of the Assessment Waiver for the benefit of the general unsecured creditors.

COUNT THREE

Avoidance of Assessment Waiver as Constructive Fraudulent Transfer Under Applicable State Law

78. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

79. The Assessment Waiver was a constructive fraudulent transfer within the meaning of N.J. Rev. Stat § 25:2-25(b).

80. The Assessment Waiver was a transfer made by the Debtor.

81. The Debtor did not receive reasonably equivalent value in exchange for the Assessment Waiver.

82. The Parish Assessments are a primary source of funds used by the Diocese to support its daily operations.

83. Prior to the Assessment Waiver, the Debtor was aware that survivors of sexual abuse would bring claims against it and that the Diocese's exposure on account of such claims was greater than it had cash on hand to pay.

84. At the time of the Assessment Waiver, the Debtor intended, believed, or reasonably should have believed that it would incur debts beyond the Debtor's ability to pay as they become due.

85. Accordingly, the Assessment Waiver is avoidable to the extent necessary to satisfy claims of creditors pursuant to applicable state law.

86. Pursuant to 11 U.S.C. § 544, the Committee may avoid any transfer of property of the Debtor that may be avoided by an actual or hypothetical lien creditor under state law.

87. In accordance with 11 U.S.C. §§ 544 and 550, the Committee may avoid and recover the value of the Assessment Waiver from the Debtor.

COUNT FOUR

Avoidance of Assessment Waiver as Actual Fraudulent Transfer Under Applicable State Law

88. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

89. The Assessment Waiver was an actual fraudulent transfer within the meaning of N.J. Rev. Stat § 25:2-25(a).

90. The Assessment Waiver was a transfer made by the Debtor.

91. The Assessment Waiver was made with actual intent to hinder, delay, or defraud one or more creditors of the Debtor.

92. Pursuant to 11 U.S.C. § 544, the Committee may avoid any transfer of property of the Debtor that may be avoided by an actual or hypothetical lien creditor under state law.

93. In accordance with 11 U.S.C. §§ 544 and 550, the Committee may avoid and recover the value of the Assessment Waiver from the Debtor.

COUNT FIVE

Avoidance of Debt Cancellation as Constructive Fraudulent Transfer Under 11 U.S.C. §§ 548 & 550

94. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

95. The Debt Cancellation constitutes a constructive fraudulent transfer within the meaning of 11 U.S.C. § 548(a)(1)(B) that can be avoided and recovered for the benefit of general unsecured creditors.

96. The Debt Cancellation was effected within two years of the Petition Date.

97. The Debtor received less than reasonably equivalent value for the Debt Cancellation.

98. At the time the Debt Cancellation occurred, the Debtor was insolvent.

99. To the extent the Debtor was not already insolvent, the Debtor became insolvent as a result of the Debt Cancellation.

100. The Debt Cancellation benefited the Parish Parties and Schools, who are insiders of the Debtor.

101. The Debt Cancellation is avoidable to the extent necessary to satisfy the claims of creditors pursuant to 11 U.S.C. § 548(a)(1)(B). In accordance with 11 U.S.C. § 550, the Committee may recover the value of the Debt Cancellation for the benefit of the general unsecured creditors.

COUNT SIX
Avoidance of Debt Cancellation as Actual Fraudulent Transfer Under 11
U.S.C. §§ 548 & 550

102. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

103. The Debt Cancellation constitutes an actual fraudulent transfer within the meaning of 11 U.S.C. § 548(a)(1)(A) that can be avoided and recovered for the benefit of general unsecured creditors.

104. The Debt Cancellation was effected within two years of the Petition Date.

105. The Debt Cancellation was made with actual intent to hinder, delay, or defraud the Debtor's creditors.

106. The Debtor received less than reasonably equivalent value in exchange for the Debt Cancellation.

107. At the time the Debt Cancellation occurred, the Debtor was insolvent.

108. To the extent the Debtor was not already insolvent, the Debtor became insolvent as a result of the Debt Cancellation.

109. The Debt Cancellation benefited the Parish Parties and Schools, who are insiders of the Debtor.

110. The Debt Cancellation was intentionally for less than reasonably equivalent value while the Debtor was insolvent.

111. The Debt Cancellation is avoidable to the extent necessary to satisfy claims of creditors under 11 U.S.C. § 548(a)(1)(A). In accordance with 11 U.S.C. § 550, the Committee may recover the value of the Debt Cancellation for the benefit of the general unsecured creditors.

COUNT SEVEN

Avoidance of the Debt Cancellation as Constructive Fraudulent Transfer Under Applicable State Law

112. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

113. The Debt Cancellation was a constructive fraudulent transfer within the meaning of N.J. Rev. Stat § 25:2-25(b).

114. The Debt Cancellation was a transfer made by the Debtor.

115. The Debtor did not receive reasonably equivalent value in exchange for the Debt Cancellation.

116. Prior to the Debt Cancellation, the Debtor was aware that survivors of sexual abuse would bring claims against it and that the Diocese's exposure on account of such claims was greater than it had cash on hand to pay.

117. At the time of the Debt Cancellation, the Debtor intended, believed, or reasonably should have believed that it would incur debts beyond the Debtor's ability to pay as they become due.

118. Accordingly, the Debt Cancellation is avoidable to the extent necessary to satisfy claims of creditors pursuant to applicable state law.

119. Pursuant to 11 U.S.C. § 544, the Committee may avoid any transfer of property of the Debtor that may be avoided by an actual or hypothetical lien creditors under state law.

120. In accordance with 11 U.S.C. §§ 544 and 550, the Committee may avoid and recover the value of the Debt Cancellation from the Debtor.

COUNT EIGHT

Avoidance of Debt Cancellation as Actual Fraudulent Transfer Under Applicable State Law

121. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

122. The Debt Cancellation was an actual fraudulent transfer within the meaning of N.J. Rev. Stat § 25:2-25(a).

123. The Debt Cancellation was a transfer made by the Debtor.

124. The Debt Cancellation was made with actual intent to hinder, delay, or defraud one or more creditors of the Debtor.

125. Pursuant to 11 U.S.C. § 544, the Committee may avoid any transfer of property of the Debtor that may be avoided by an actual or hypothetical lien creditor under state law.

126. In accordance with 11 U.S.C. §§ 544 and 550, the Committee may avoid and recover the value of the Debt Cancellation from the Debtor.

COUNT NINE
Breach of Duty of Care: Assessment Waiver

127. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

128. The Bishop, as President of the Diocese, owes a fiduciary duty of care to the Diocese.

129. The Assessment Waiver was not in the best interest of the Debtor because it resulted in the loss of a primary source of funds for the Debtor's operations.

130. The Bishop breached his duty of care by authorizing the Assessment Waiver.

131. Because of the Assessment Waiver, the Debtor did not receive a primary source of funds for the Debtor's operations and became insolvent.

132. The Debtor asserts that it does not have adequate assets to pay the claims of its creditors in full.

133. As a result of the Assessment Waiver, creditors of the Debtor were harmed.

COUNT TEN
Breach of Duty of Loyalty: Assessment Waiver

134. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

135. The Bishop, as President of the Diocese, owes a fiduciary duty of loyalty to the Diocese.

136. The Assessment Waiver was not in the best interest of the Debtor because it resulted in the loss of a primary source of funds for the Debtor's operations.

137. The Bishop is simultaneously an officer, director, and/or trustee of each of the Parish Parties.

138. The Assessment Waiver benefited other entities to which the Bishop owes a fiduciary duty, specifically the Parish Parties.

139. The Bishop breached his duty of loyalty by authorizing the Assessment Waiver to the detriment of the Debtor and for the benefit of the Parish Parties.

140. Because of the Assessment Waiver, the Debtor did not receive a primary source of funds for the Debtor's operations and became insolvent.

141. The Debtor asserts that it does not have adequate assets to pay the claims of its creditors in full.

142. As a result of the Assessment Waiver, creditors of the Debtor were harmed.

COUNT ELEVEN

Breach of Duty of Care: Failure to Pursue Payment of the Debt and Authorization of Debt Cancellation

143. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

144. The Bishop, as President of the Diocese, owes a fiduciary duty of care to the Diocese.

145. Upon information and belief, the Bishop did not pursue collection of the Debt.

146. The Bishop's failure to pursue collection of the Debt was a breach of his fiduciary duty owed to the Diocese.

147. The Debt Cancellation was not in the best interest of the Debtor because it resulted in a pecuniary loss to the Debtor.

148. The Bishop breached his duty of care by authorizing the Debt Cancellation.

149. Pursuant to the Debt Cancellation, the Debtor suffered a pecuniary loss and became insolvent.

150. The Debtor asserts that it does not have adequate assets to pay the claims of its creditors in full.

151. As a result of the Debt Cancellation, creditors of the Debtor were harmed.

COUNT TWELVE

Breach of Duty of Loyalty: Failure to Pursue Payment of the Debt and Authorization of Debt Cancellation

152. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

153. The Bishop, as President of the Diocese, owes a fiduciary duty of loyalty to the Diocese.

154. The failure of the Diocese to pursue repayment of the Debt was not in the best interest of the Debtor.

155. The Debt Cancellation was not in the best interest of the Debtor because it resulted in a pecuniary loss by the Debtor.

156. The Bishop is simultaneously an officer, director, and/or trustee of and has control over each of the Parish Parties and Schools.

157. The failure to pursue repayment of the Debt and authorization of the Debt Cancellation benefited other entities to which the Bishop owes a fiduciary duty, specifically the Parish Parties.

158. The Bishop breached his duty of loyalty by failing to pursue repayment of the Debt and by authorizing the Debt Cancellation to the detriment of the Debtor and for the benefit of the Parish Parties and Schools.

159. Because of the failure to pursue repayment of the Debt and authorization of the Debt Cancellation, the Debtor suffered a pecuniary loss and became insolvent.

160. The Debtor asserts that it does not have adequate assets to pay the claims of its creditors in full.

161. As a result of the failure to pursue repayment of the Debt and authorization of the Debt Cancellation, creditors of the Debtor were harmed.

COUNT THIRTEEN

Breach of Duty of Care: Failure to Pursue Insurance Proceeds for the IVCP Payments

162. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

163. The Directors & Officers owe a fiduciary duty of care to the Diocese.

164. Upon information and belief, the Directors & Officers failed to take any steps to pursue insurance coverage to make the IVCP Payments.

165. Pursuit of insurance proceeds for the IVCP Payments would have resulted in more available insurance proceeds to fund payment of Survivor Claims in this case.

166. The Directors & Officers' failure to pursue insurance proceeds was a breach of their fiduciary duty owed to the Diocese.

167. The failure to pursue insurance proceeds for the IVCP Payments was not in the best interest of the Debtor because it resulted in a pecuniary loss to the Debtor.

168. The Directors & Officers breached their duty of care by failing to pursue insurance proceeds in connection with the IVCP Payments.

169. Pursuant to the failure to pursue insurance proceeds in connection with the IVCP Payments, the Debtor suffered a pecuniary loss and became insolvent.

170. The Debtor asserts that it does not have adequate assets to pay the claims of its creditors in full.

171. As a result of the failure to pursue insurance, creditors of the Debtor were harmed.

PRAYER FOR RELIEF

WHEREFORE, the Committee respectfully requests that this Court enter judgment in favor of the Committee as follows:

- a. Entry of a judgment that the Assessment Waiver is avoidable as a fraudulent transfer pursuant to 11 U.S.C. § 548 and 11 U.S.C. § 550;
- b. Entry of a judgment that the Assessment waiver is avoidable as a fraudulent transfer pursuant to applicable state law;
- c. Entry of a judgment that the Debt Cancellation is avoidable as a fraudulent transfer pursuant to 11 U.S.C. § 548 and 11 U.S.C. § 550;
- d. Entry of a judgment that the Debt Cancellation is avoidable as a fraudulent transfer pursuant to applicable state law;
- e. Entry of a judgment that the Bishop breached his duty of care to the Debtor in connection with the Assessment Waiver;
- f. Entry of a judgment that the Bishop breached his duty of loyalty to the Debtor in connection with the Assessment Waiver;
- g. Entry of a judgment that the Bishop breached his duty of care to the Debtor by not pursuing collection of the Debt and authorizing the Debt Cancellation;
- h. Entry of a judgment that the Bishop breached his duty of loyalty to the Debtor by not pursuing the collection of the Debt and authorizing the Debt Cancellation;

i. Entry of a judgment that the Directors & Officers breached their duty of care to the Debtor by not pursuing insurance coverage in connection with the IVCP Payments; and

j. Such other and further relief as the Court deems just and equitable.

Dated: October 12, 2021

LOWENSTEIN SANDLER LLP

/s/ Jeffrey D. Prol

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*Counsel to the Official Committee of Tort
Claimant Creditors*

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In the matter of:

THE DIOCESE OF CAMDEN, NEW JERSEY,
Debtor

Case No. 20-21257 (JNP)

OFFICIAL COMMITTEE OF TORT CLAIMANT
CREDITORS OF THE DIOCESE OF CAMDEN,
NEW JERSEY

Adversary No. 21-

Plaintiff(s)

Judge: Jerrold N. Poslusny

v.

THE DIOCESE OF CAMDEN, NEW JERSEY,
THE MOST REV. DENNIS J. SULLIVAN, IN HIS
CAPACITY AS BISHOP AND PRESIDENT OF
THE DIOCESE OF CAMDEN, NEW JERSEY,
REVEREND ROBERT E. HUGHES, IN HIS
CAPACITY AS VICAR GENERAL AND VICE
PRESIDENT OF THE DIOCESE OF CAMDEN,
NEW JERSEY, REVEREND MONSIGNOR JOHN
H. BURTON, IN HIS CAPACITY AS VICAR
GENERAL AND VICE PRESIDENT OF THE
DIOCESE OF CAMDEN, NEW JERSEY,
REVEREND JOSEPH SZOLACK, IN HIS
CAPACITY AS TRUSTEE OF THE DIOCESE OF
CAMDEN, NEW JERSEY, REVEREND JASON T.
ROCKS, IN HIS CAPACITY AS CHANCELLOR
AND SECRETARY OF THE DIOCESE OF
CAMDEN, NEW JERSEY, LAURA
MONTGOMERY, IN HER CAPACITY AS
DIOCESAN FINANCE OFFICER AND CHIEF
FINANCIAL OFFICER OF THE DIOCESE OF
CAMDEN, NEW JERSEY, REVEREND JAMES L.
BARTOLOMA, IN HIS CAPACITY AS FORMER
TRUSTEE/CHANCELLOR OF THE DIOCESE OF
CAMDEN, NEW JERSEY

Defendant(s)

**SUMMONS AND NOTICE OF PRETRIAL CONFERENCE
IN AN ADVERSARY PROCEEDING**

YOU ARE SUMMONED and required to submit a motion or answer to the complaint which is attached to this summons to the clerk of the bankruptcy court within 30 days after the date of issuance of this summons, except that the United States and its offices and agencies shall file a motion or answer to the complaint within 35 days.

Address of Clerk	U.S. Bankruptcy Court Mitchell H. Cohen U.S. Courthouse 400 Cooper Street Camden, NJ 08101
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At the same time, you must also serve a copy of the motion or answer upon the plaintiff's attorneys.

Name and Address of Plaintiff's Attorneys: Jeffrey D. Prol, Esq., Michael A. Kaplan, Esq., Colleen Maker, Esq. Lowenstein Sandler LLP One Lowenstein Drive, Roseland, NJ 07068

If you make a motion, your time to answer is governed by Fed.R.Bankr.P. 7012.

YOU ARE NOTIFIED that a pretrial conference of the proceeding commenced by the filing of the complaint will be held at the following time and place.

Address: U.S. Bankruptcy Court Mitchell H. Cohen U.S. Courthouse 400 Cooper Street, 4 th Floor Camden, NJ 08101	Courtroom: 4C
	Date and Time:

**IF YOU FAIL TO RESPOND TO THIS SUMMONS, YOUR FAILURE WILL BE DEEMED TO BE YOUR
CONSENT TO ENTRY OF A JUDGMENT BY THE BANKRUPTCY COURT AND JUDGMENT BY
DEFAULT MAY BE TAKEN AGAINST YOU FOR THE RELIEF DEMANDED IN THE COMPLAINT.**

Jeanne A. Naughton, Clerk

Date

By: _____

Clerk

rev. 1/4/17

Pursuant to D.N.J. LBR 9019-2, Mediation: Procedures, there is a presumption of mediation in all adversary proceedings. For more information regarding the mediation program see the related Local Rules and forms on the Court's web site: njb.uscourts.gov/mediation.