

# Chapter 11, Verse 1

Snarled in scandal, an archbishop declares his diocese bankrupt. Will other leaders follow?

By DAVID VAN BIEMA

**T**HE VATICAN IS A PLACE WHERE ALMOST every fact has already logged weeks as rumor. But when Portland, Ore., Archbishop John Vlazny announced last week that he was taking his legally besieged archdiocese into Chapter 11 bankruptcy ("The pot of gold is pretty much empty," he contended), the Holy See was genuinely stunned. A senior Vatican official remained convinced Vlazny was

■ **WHY BANKRUPTCY NOW?** Most abuse victims settle quietly rather than litigate; very few cases have gone to verdict. But some of Portland's angry plaintiffs, whose alleged molester, the late Rev. Maurice Grammond, abused more than 50 children, welcomed the platform of a full trial and demanded damages totaling at least \$155 million. That raised a startling financial specter, and Vlazny, whose small archdiocese has already paid out \$53 million in settlements, felt unable to cover the possible tab. He claimed

potentially in trial form—to describe their ordeals. They will demand and receive minutely detailed financial and administrative records, which will be open to the public. It will almost certainly be the fullest baring ever of a diocese's inner workings. The judge has wide power to force the two sides to come to an agreement.

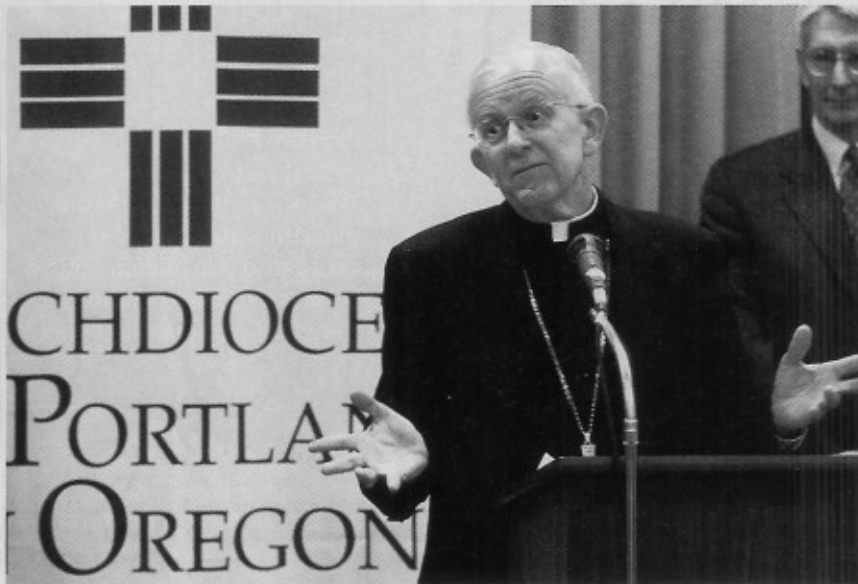
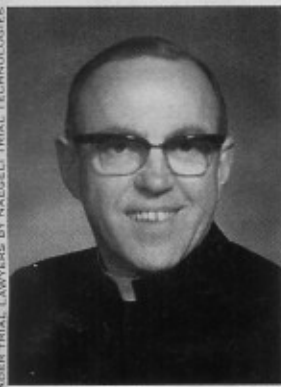
■ **WHAT'S A POTENTIAL STICKING POINT?** Expect a clash over the wealth of Portland's parishes. Vlazny refuses, as have other bishops, to regard parish assets—including properties and most of the collection-plate take—as seizable for diocesan debts. Thus, while he states his denomination's worth at about \$50 million, plaintiffs claim it is more than \$300 million. Perris may have discretion to make that very important call.

■ **THE SURPRISE NON-STICKING POINT?** Though the very idea of a court controlling church finances

seems to raise church-state issues, the judge will strive to avoid disrupting the diocese's worship life. If schools or parishes are sold to meet creditors' demands, it will be by Vlazny's choice, not hers. Since bankruptcy is voluntary, many experts feel an archbishop entering it can hardly complain of government intrusion.

■ **WILL OTHERS FOLLOW SUIT?** Mark Chopko, general counsel for the U.S.

Conference of Catholic Bishops, calls the bankruptcy an "act of desperation," though one a "handful" of dioceses might consider. They might be wise to hang back awhile. True, Portland may rationalize its debt, keep discussion of its sins to a relative minimum and set a limit on future claims against old offenses—in other words, extract itself from the nightmare still facing other dioceses. But the hearings could also become high theater, the diocese's fiscal and administrative exposure could breed further investigation, and a loss on the parish-assets issue could establish a cataclysmic precedent for the church. In Rome, the Unconsulted are venting their displeasure. "Someone in Portland," sniped a high-ranking official, "got some bad legal advice." Someone in Portland is praying that is wrong. —With reporting by Jeff Israely/Vatican City and Sean Scully/Los Angeles



**SIN AND ITS WAGES**  
Grammond, above, was accused of abusing more than 50 children. Vlazny, right, announcing he is taking his archdiocese into bankruptcy

bluffing until a wire-service story was read to him. Others confirm that two years ago, Bernard Cardinal Law was denied permission to do the same thing when he was Boston Archbishop. They suspect Vlazny asked no one's leave. "The official position was that this was not an option," says a U.S. cleric. "There's a boldness to what [Vlazny] did." But perhaps the boldness of folly. "Next thing you know," the cleric quips sourly, "you've got the relics on eBay."

Church antagonists profess to be just as surprised. "It blows a person's mind," says attorney David Slader, who represents 17 plaintiffs with claims pending against the archdiocese. "We've entered a jungle without a map." Still, it is possible in hindsight to explain Vlazny's choice and make some rough predictions as to where it may lead.

that insurance companies had "abandoned" him. Such balkiness on payouts has increased, with insurers often citing a 1996 court ruling excusing them if their client did not merely overlook abuse by a priest but knew enough to expect it.

■ **WHAT WILL THE BANKRUPTCY ENTAIL?** The job of Portland bankruptcy judge Elizabeth Perris is to establish the diocese's assets, its legitimate creditors and how many cents per available dollar each should receive. She will oversee its finances in the meantime, so Vlazny can maintain day-to-day operation without squandering those assets. She is not empowered to unilaterally close down parishes or lay off staff.

She will conduct a potentially brutal arbitration between the diocese and a creditors committee. Its members, mostly abuse victims, will have multiple forums—some