

FINANCIAL AND LEGAL ADVISORY COMMITTEE

January 19, 2012

Dear Reverend Father, Pastoral Council Chairs and Parishioners:

Re: Financial and Legal Advisory Committee (FLAC) Update

This letter is to serve as an update to you with regard to activities of the Financial and Legal Advisory Committee (FLAC) for the later part of 2011.

The Committee is pleased to report that in keeping with our legal commitments under the Legal Settlement Agreement, a further payment was made on November 1, 2011, in the amount of Four Million Two Hundred Thousand (\$4,200,000.00) Dollars. This represents the second instalment against the Thirteen Million (\$13,000,000.00) Dollars being paid directly to the claimants. To date, our Diocese has advanced Eight Million Eight Hundred Thousand (\$8,800,000.00) Dollars toward the Settlement commitment. The remaining outstanding payment of Four Million Two Hundred Thousand (\$4,200,000.00) Dollars is due November 1, 2012.

Real Estate Sales:

As was indicated in previous updates, the remaining funds to be paid in satisfaction of the Settlement Agreement will come from the liquidation of non-core properties of the Diocese. While the pooling of cash and net liquid investments of individual parishes was very successful, the Diocese is facing challenges in its real estate liquidation program. To December 31, 2011, the Diocese has sold Two Million One Hundred Twelve Thousand (\$2,112,000.00) Dollars worth of non-core properties.

The economic slowdown and general softening of the real estate market resulted in a deficiency in the settlement account at the time of the required November 2011 payment. Accordingly, the Committee recommended to the Bishop that the Diocese secure a bridge loan to fund the November payment. This loan was secured through the Diocese's primary lenders, and collateral security was provided over a non-core commercial property, and through a pledge of the Diocese's shares of The Casket Printing & Publishing (2006) Company Limited.

While there was some degree of reluctance to borrow for purposes of funding the Settlement commitments, it was agreed by the Committee that every effort should be made to ensure that the market prices being secured for property sales was not unnecessarily strained through a liquidation approach. Rather than discount the real estate prices to facilitate a faster sale, bridge financing was considered to be a more favourable option. To that end, we are pleased to report that real estate sale prices have remained strong and have met or exceeded preliminary estimates of value. We believe that through bridge financing the real estate sales, the Diocese will not be forced to dispose of properties at significant discounts to general market condition prices.

The Casket Printing & Publishing (2006) Company Limited:

The Committee is in the final stages of concluding an agreement to dispose of the Diocese's interest in The Casket Printing & Publishing (2006) Company Limited (the Casket).

As earlier reported, the Committee engaged the international consulting firm of Grant Thornton to assist in the marketing and sale of this asset. An extensive process was undertaken to identify potential buyers. This culminated in a competitive bidding process that yielded a single successful bidder. Negotiations are currently in the final stages toward a closing of this transaction on or before January 31, 2012. We anticipate that the sale proceeds will meet or exceed our original estimates of the value for the Diocese's interest. Funds received in respect of this sale will be applied against the bridge loan acquired for purposes of the November 2011 Settlement agreement instalment payment.

Opt Out Legal Suits

Under the terms of the Class Action Claim, those individuals who fell within the enumerated group of the class, had the right to proceed through the class action, or alternatively to "opt out" and proceed with an independent action

against the Diocese. Six individuals signified their intention to proceed outside of the Class Action Agreement. To date, four of those individuals have commenced proceedings against the Diocese. These claims will proceed through the general litigation track and are being handled through Diocesan counsel. No reasonable estimation of the value of these claims can be made at this time. However, the Committee is mindful of these claims and has, through its discussions with Diocesan counsel, factored in the financial cost of this litigation to the overall settlement/litigation budget.

General Legal Arrangements

To date, the vast majority of property transactions associated with the liquidation process have been coordinated by lawyers who are also parishioners of the Diocese. A number of these lawyers have offered their services on a *pro bono* basis. For that, the Committee is deeply appreciative. It is hopeful that as this liquidation process continues, that the Committee will be able to identify other lawyer parishioners of the Diocese who may be willing to step forward to assist in this process.

As a further effort to minimize costs associated with this class action litigation, the Committee entered into a financial arrangement with its Diocesan Counsel in March 2011, which provided for a fixed monthly fee for completion of matters associated with the Class Action. The final obligations of the Diocese under this Agreement were completed in November 2011. Accordingly, Diocesan Counsel has now been fully paid for all professional services relating to the completion of the class action matters. It was the Committee's belief that this approach resulted in maximum value for the Diocese while in no way diminishing the professional delivery of legal services.

Looking Forward

The Diocese continues to face a serious challenge in raising funds through its property liquidation program. The Real Estate Sub-Committee of FLAC meets weekly with its professional advisors to review the status of property transactions and to discuss strategies with respect to orderly liquidation. Without this Committee, our property liquidation program would not have met the degree of success that it has. We continue to hope, as we move forward, that there will be a general strengthening of the real estate market which will allow for an on time, on budget, liquidation of properties. However, as with the November 2011 payment, the Committee continues to review all available options to meet its financial settlement obligations while maintaining the integrity of its ongoing operations and preserving value for its remaining assets into the future.

A copy of the current financial statements of the Diocese can be made available through the Parish Priests.

I would like to personally take this opportunity to thank my fellow Committee Members for their tireless efforts toward finally concluding all legal challenges and actions against the Diocese associated with the victims of abuse. Thank you to each parishioner as well for your patience and understanding as we move through this process.

As always, should you have any questions or concerns, please do not hesitate to contact me or any Member of the Committee identified below.

Sincerely,

James R. Gogan
Chair

FLAC Committee Members Include:

Bishop Brian Dunn	Father Paul Abbass
Father Angus MacDougall	Father William MacPherson
Mr. Frank Gillis, QC	Ms. Irene Lefort
Mr. John Higgins	Mr. Gerry Mackenzie F.C.A.
Mr. James R. Gogan	Ms. Mary Oxner

- If you would like to contact a member or members of the Financial and Legal Advisory Committee, please contact your Parish priest for contact information.