

## Creditors investigating possible ties between Palma, Christian Brothers in bankruptcy

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Despite repeated claims that Palma High School in Salinas is an "entirely" separate organization, public records tell of a decades-long relationship with the now-bankrupt Irish Christian Brothers — a history darkened by allegations of student molestation and cover-ups dating to the 1970s.

That history is under scrutiny in the wake of litigation and a federal judge's inquiry into whether the corporations that own Palma and other schools may in fact be under the control of two national Catholic groups plagued by sex abuse lawsuits.

The ties between Palma and the two Irish Christian Brothers "parent" organizations for North America have raised fears that Palma's real estate and other assets might be used to settle a massive bankruptcy filing now working its way through federal court — a concern that Palma officials have tried to allay.

Brother Patrick Dunne, president of Palma, said in a recent statement meant to reassure alumni that "Palma School is an entirely separate entity and we are not part of this filing. Our assets may not be used to satisfy any claim in connection with this filing."



Brother Patrick Dunne, Palma's president

Last week, however, a lawsuit naming Palma as a defendant was made part of the massive bankruptcy case, which is based in New York.

As for the school's assets, even judges and lawyers in the case say they are confounded over who owns what among the scores of schools and corporations associated with the Christian Brothers.

The situation isn't helped

by a barrage of similar-sounding names that have changed often through the years.

Related organizations

Abuse victims groups and at least one former student question Dunne's insistence that the school has no legal ties to the Christian Brothers.

"If it's not a Christian Brothers high school, that's not the message I walked away with," said Dr. Steven Cantrell, an alumnus who recently filed suit alleging he was abused by the Rev. Gerald "Jerry" Funcheon when he was a student at Palma Junior High School.

"It's a Christian Brothers high school when (Dunne) wants it to be," Cantrell said. "He's the president of the place. The principal has always been a Christian Brother."

Today, Palma's real estate and other property are held by a nonprofit corporation called the Christian Brothers Institute of California.

The larger, bankrupt organizations' corporate names are The Christian Brothers of Ireland Inc. and The Christian Brothers Institute.

"You read through all this and it is kind of confusing, even to me," said Palma attorney Richard Hanson.

Hanson uses the analogy of a father and an adult son, neither of whom is responsible for the debts of the other.

"Even though our names are the same, we are distinct and separate people. I kind of liken that to the situation we have here," he said.

Court and public records show the distinction is not entirely clear.

To this day, Palma's ties to the larger organizations are evidenced in its letterhead, which declares it is "an educational corporation of the Edmund Rice Christian Brothers North America" — the Irish Christian Brothers' religious and teaching wing.

Donations, according to the Edmund Rice website, can be sent to the same Chicago street address used by one of the bankrupt corporation's affiliates.

Going back to 2000 and earlier, Palma's nonprofit tax statements listed two Irish Christian Brothers corporations as "related organizations." According to the IRS, the designation refers to entities that have a "parent/subsidiary relationship, brother/sister relationship ... or supporting/supported organization relationship."

#### Palma and the province

Responding to recent lawsuits that could add alleged Palma molestation victims to the lineup of creditors in the bankruptcies, the school's officials and attorneys have drawn a line distancing them from the much larger organizations and their financial troubles.

"You've got two entities who've filed Chapter 11 petitions. Both are incorporated, filed in Southern District in New York," said Hanson. "Then you've got this little dinky corporation in California, and by definition it isn't owned by anybody. It owns property, collects money and performs educational functions. It owns a school and runs a school. So from a legalistic perspective, they couldn't be more different."

On May 1, weeks after Palma president Dunne said the school and its corporation had not been named in the proceedings, a federal judge transferred a Seattle lawsuit to a New York court, officially making Palma part of the bankruptcy case.

The lawsuit alleges that Palma's corporation is liable in a decades-old sex abuse case from Washington.

Palma's corporation was named because the school's grounds on Iverson Street in Salinas once served as the seat of the Christian Brothers' western U.S. headquarters, at the time known as the Brother Rice Province.

The plaintiff in the suit alleges he was molested at a Seattle school by Brother Edward Courtney, a Christian Brothers teacher transferred there by his superiors despite numerous earlier claims of molestation.

Those superiors worked out of the provincial seat that until the mid-1970s was housed at Palma.

Dunne has insisted the province never functioned as the Christian Brothers Institute of California, Palma's corporate owner today.

But meeting minutes from 1973-74 show the province was involved in Palma's finances, with province officials complaining about the school's unpaid lines of credit from the 1960s.

Those and other historical records are now being reviewed by a committee representing Christian Brothers creditors, a group that now includes alleged molestation victims of former Palma faculty from the 1980s.

The committee's task is to untangle a mind-boggling knot of connections between scores of Christian Brothers schools, corporations and affiliates.

After Palma was brought up as an example of the murkiness in a federal court hearing, Judge Robert Drain asked the creditors to determine if it and other schools are just "pseudonymous organizations" for the Irish Christian Brothers.

"In a definitive way, it needs to be dealt with," Drain said.

At that hearing, an attorney for the Seattle Archdiocese also asked for clarity about Palma and several other corporations, adding that "there are assets here that could apply to and be available in this bankruptcy."

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