

September 17, 2021

The Spirit of Adventure Council Community

Serving Eastern Massachusetts and Beyond

Dear Scouters, Scouts, Scout Families, and Supporters of Scouting,

As you are aware, the National BSA organization filed for bankruptcy protection in early 2020. As you may also be aware, the reason for the filing was in part a result of challenged insurance coverage for sexual abuse claims that occurred over many years. With insurance claims coverage tied up in legal disputes, the cost to litigate or settle a claim was being satisfied by National through the liquidation of assets. As time wore on, the financial drain on National became unsustainable and required seeking bankruptcy protection to attempt to settle all past claims.

This letter is being sent to you to provide an update of the process and better share how it directly affects the Spirit of Adventure Council.

What is the Desired Outcome of the BSA Bankruptcy?

National's goals have been consistent leading up to and through this process.

- First and most importantly, Scouting wants to see that abuse victims receive care and compensation for the suffering that they endured at the hands of those who were trusted to care for those Scouts.
- Second, the organization needs to be positioned to continue its charitable mission of youth development. While one abuse case is too many, it is also widely recognized that Scouting has done immeasurable good for society through its curriculum that promotes citizenship, fitness, and the building of character.

Through the bankruptcy process, the BSA will then have settled to the best of its abilities all claims prior to the bankruptcy filing date. This provides vital cost certainty needed for the BSA in charting a path forward.

How Many Claims Exist?

Part of the bankruptcy process required the BSA to seek out any potential victims to make them aware of the bankruptcy and provide a window of time where they could file a claim for compensation. If you are reading this, it is likely that you received a communication directly from the BSA. Law firms also sought out victims independently, which you may have seen solicitation for on TV or other media. The response exceeded even the more pessimistic estimates heading into the process, with over 80,000 claims submitted nationally.

While we cannot legally talk about many aspects of the claims, we are able to share that the claims data clearly shows that youth protection programs (implemented in the 1980's and improved every year since) have been successful in greatly reduced instances of abuse. While the progress is notable, youth protection program enhancements will not cease as one case of abuse remains too many.

If the Bankruptcy was Filed by National, how is the Council Affected?

To the best of its abilities, National sought to shield local councils that more directly service the membership so the positive experiences of Scouting are less compromised. The plaintiffs have successfully argued through the bankruptcy process that local councils, in addition to the National body, have an obligation to contribute to the care and compensation of victims.

To that end, local councils are required to contribute a significant amount to the formation of a victim's trust that will administer the care and compensation directive. Failure to agree to a contribution amount to the trust would then exclude that council from the settlement, which would then subject the council to direct legal claims from plaintiffs. The contribution amounts must be agreed to by all parties involved with the bankruptcy and are largely non-negotiable by a council.

The Board of Directors of the Spirit of Adventure Council reviewed several options and scenarios with independent local and national legal representation. The Board concluded that the best option is for the council to participate in the global bankruptcy settlement. This will require the council to make a significant payment to the victims trust once (and assuming) the BSA reorganization plan is fully approved. As disclosed in the most recently filed BSA plan of reorganization, Spirit of Adventure Council has agreed to contribute \$3.84 million.

In stating its intent to participate in the settlement, it is important to note that the letter of intent is a non-binding letter of intent. While the overall contribution amount will not change, how we satisfy our commitment may change when the final agreement is struck and final details are fully known to the Board.

How Will the Council Fund its Contribution?

This contribution will result in a reduction in financial resources and will impact how the Council operates moving forward. In the disclosure statement, Spirit of Adventure will satisfy the obligation with cash and/or with property contributed to the victim's trust.

Where Would the Cash Come From?

The council holds a certain amount of unrestricted financial assets that generate investment income to support local Scouting programs. A portion of these funds will be liquidated to generate the cash needed to participate in the settlement. While "cash" is a lot less emotional a word than "property", the ability to raise it in a non-profit world is difficult and the decision to use it in this manner (while necessary) is disappointing and not taken lightly.

Which Properties Would Be Sold?

The council also holds several camp properties, some portion of which will also be used as part of the settlement. This is a very emotional decision. Camp properties are more than dirt, rock, wood, water, and buildings. They are the source of decades of awesome experiences and a museum of sorts of so

many great memories for countless youth. There are numerous work weekends where volunteers give their time and energy in making the property that much better for supporting Scouting programs. They are a living reminder of the greatness of Scouting's past, and part of the laboratory that produces the magic elixir of Scouting that is its present and future.

While the membership base of Scouting has contracted over the last 3 decades, the number of camp properties in a given region has remained comparatively high. This is in part due to those very real and emotional points made above: nobody wants to close or sell a camp.

However, the cost to maintain and operate these properties has been rising while the revenue earned through their utilization by Scouting has lagged or in many cases been declining. As such, camp closures and property sales were increasing across the country even before the bankruptcy issue.

The Board formed three committees to thoroughly review properties in the portfolio for consideration. The committees are:

- **Finance and Regionalization**: The financial realities of maintaining a property and servicing a Scout program are substantial. With all local councils feeling the financial pain of the bankruptcy settlement to varying degrees, the Board and other governing bodies within Scouting see increased regionalization of Scouting programs beyond the council boundaries as inevitable. This committee is charged with reviewing these matters and the fit of our property portfolio in that landscape.
- **Property Condition and Potential**: Each property has its plusses and minuses in regard to its current condition, as well as its potential for various uses in supporting Scouting. This committee is assessing these issues.
- **Utilization**: Camps have peak and off-peak usage. Some get used more in the summer seasons, some outside those seasons. This committee is charged with assessing the "who and how" these properties are used to support program. One of their methods for doing this is through unit surveys that are being sent out, which we hope that your unit took the time to participate in. It will help shape the direction of our program.

It is anticipated that this work will be completed in the next week to two, and our plans could change if the details and rules on the property contribution process deviate materially from what we understand it to be at this time.

At this point, any conjecture that decisions have been made around whether a given property is going to be sold are rumor based and inaccurate. The only accurate statement is that the Council will be parting with one or more property holdings as part of the settlement, and the Board is actively in that determination process.

In Closing

Everything and anything involved with the bankruptcy process has been taxing, and the complications of the pandemic exacerbated several issues at the worst possible time. But the bankruptcy process, if successfully approved, will result in the best and most viable path forward not just for our council but the Scouting movement.

We appreciate and respect all views of our stakeholders in the Spirit of Adventure Council community. We know that this process, particularly as it relates to properties, will result in feelings of hurt and disappointment that our Board does not take lightly.

We again remind our community the genesis of this process: caring for and compensating abuse victims to the best of our abilities as a Scouting movement. The decisions of our Board are best aligned with balancing that directive with the continuation of Scouting so it can continue to benefit future generations of Scouts with the best youth development program and curriculum ever known.

We will share more on the process and be as transparent as possible through it, asking for your patience as we do our best to be as communicative as the legal process allows us to be.

Respectfully and in Scouting,

Jeffrey Reynolds, Council President ~ John Andres, Council Commissioner

Jonathan Pleva, Interim CEO & Scout Executive