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*Counsel for the Debtor
and Debtor in Possession***UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

In re:

THE ROMAN CATHOLIC BISHOP OF
OAKLAND, a California corporation sole,

Debtor.

Case No. 23-40523

Chapter 11

**DEBTOR'S MOTION TO DISMISS
CHAPTER 11 CASE PURSUANT
TO 11 U.S.C. §1112(B)**

Judge: Hon. William J. Lafferty

Date: October 8, 2025

Time: 10:30 a.m.

Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

DEBTOF



1 The Roman Catholic Bishop of Oakland, a California corporation sole, and the debtor and debtor
2 in possession (the “Debtor”) in the above-captioned chapter 11 bankruptcy case (the “Chapter 11 Case”),
3 hereby files this motion (the “Motion”) for entry of an order, pursuant to 11 U.S.C. §1112(b), to dismiss
4 this Chapter 11 Case. The Debtor has concluded there are no likely prospects for a consensual resolution
5 between and among the Debtor, the Official Committee of Unsecured Creditors’ (the “Committee”) and
6 the Debtor’s insurance carriers (the “Insurers”). The Debtor can no longer afford the administrative
7 expense associated with pursuit of confirmation of its pending plan of reorganization through a contested
8 plan confirmation process, and even if the Debtor could afford this cost, it does not believe it should
9 continue to pay the administrative cost of the Chapter 11 Case where there are no likely prospects for a
10 global, consensual resolution.

11 Mediation between the Debtor and the Committee began in February 2024, and between the
12 Debtor, Committee and Insurers in June 2024. While the Debtor has negotiated in good faith, the
13 Committee has been stuck in a logjam for nearly one year. The Debtor (and the non-debtor Roman
14 Catholic Welfare Corporation, aka “Schools” against whom some claims were filed in state court)
15 repeatedly increased their settlement offer to the Committee, all without tangible effect. And despite the
16 Debtor having continued negotiations in recent months with the Insurers seeking to reach acceptable
17 monetary settlements, little progress has been on that front either. At the last status conference, the Debtor
18 informed this Court and all stakeholders it was working on a plan to try to break this impasse and achieve
19 a consensual resolution to this Chapter 11 Case.

20 To that end, two weeks ago the Debtor delivered its final settlement proposal to the parties. On
21 August 25, 2025, the Debtor delivered to the Committee its proposal for final resolution of this Chapter
22 11 Case, increasing the amount the Debtor will pay and communicating an increase in the offer from
23 Schools, in the total amount of \$165 million, together with a commitment it would adopt enhanced child
24 protection protocols for which the Committee advocated more than one year ago. (Lee Decl., Exh. A,
25 attachment 1 (redacted)). This offer is not only fair and equitable, it also would pay per survivor on average
26 an amount which substantially exceeds all average recovery amounts in similar diocesan bankruptcies.

The following chart compares the average payment-per-survivor claim under the Debtor's August 25, 2025 proposal – which the Committee in this Chapter 11 Case has not accepted – to recent confirmed and proposed plans in other diocese cases with at least 200 claims (presented in chronological order).

<u>Case name/no.</u>	<u>Date Plan confirmed</u>	<u>No. of survivor claims</u>	<u>Average per-claim recovery from Debtor/NDCE contribution¹</u>	<u>Average per-survivor claim recovery from insurance contribution</u>	<u>Average per-survivor claim recovery, total</u>
<i>In re The Roman Catholic Bishop of Helena, Montana</i> , 14-60074 (Bankr. D. Mt.)	3/5/2015	388	\$16,753	\$37,081	\$53,834
<i>In re Archdiocese of Milwaukee</i> , 11-20059 (Bankr. E.D. Wis.)	11/13/2015	352	\$30,114	\$30,966	\$61,080
<i>In re The Archdiocese of Saint Paul and Minneapolis</i> , 15-30125 (Bankr. D. Minn.)	9/25/2018	450	\$88,889	\$377,778	\$466,667
<i>In re The Roman Catholic Archdiocese of Agana</i> , 19-00010 (Bankr. D. Guam)	10/19/2022	255	\$98,039	\$107,059	\$205,098
<i>In re The Diocese of Camden, New Jersey</i> , 20-21257 (Bankr. D.N.J.)	3/14/2024	324	\$270,062	unknown (insurance assignment)	unknown (insurance assignment)
<i>In re The Roman Catholic Diocese of Rockville Centre, New York</i> , 20-12345 (Bankr. S.D.N.Y.)	12/4/2024	565	\$415,584	\$151,372	\$566,956
<i>In re The Roman Catholic Diocese of Syracuse, New York</i> , 20-30663 (Bankr. N.D.N.Y.)	N/A (hearing 8/27/25)	374	\$267,380	unknown (insurance assignment)	unknown (insurance assignment)
<i>In re The Diocese of Rochester</i> , 19-20905 (Bankr. W.D.N.Y.)	N/A (hearing 9/5/25)	471	\$116,773	\$406,263	\$523,036

¹ “Debtor/NDCE” contribution includes amounts contributed by the Debtor entity and any other non-debtor Catholic entity (e.g. separately incorporated parishes, Catholic Charities, school entities, etc.) to the class of survivors.

<u>Case name/no.</u>	<u>Date Plan confirmed</u>	<u>No. of survivor claims</u>	<u>Average per-claim recovery from Debtor/NDCE contribution¹</u>	<u>Average per-survivor claim recovery from insurance contribution</u>	<u>Average per-survivor claim recovery, total</u>
<i>In re The Roman Catholic Church of the Archdiocese of New Orleans, 20-10846 (Bankr. E.D. La.)</i>	N/A (hearing 11/12/25)	660	\$295,132 ²	unknown (\$44,356 plus insurance assignment)	unknown (\$339,488** plus insurance assignment)
In re The Roman Catholic Bishop of Oakland, 23-40523 (Bankr. N.D. Cal.)	N/A	345	\$463,768	unknown (insurance assignment)	unknown (insurance assignment)

The Debtor provided a copy of its August 25, 2025 settlement proposal to the Insurers the following day, and urged the Insurers and the Committee to immediately negotiate together (and with the Debtor) to finalize a consensual resolution within fourteen days.³ (*Id.*, attachment 2 (redacted)). The Debtor also made clear to both groups it would not settle with either the Committee, or with the Insurers, in a vacuum – because it could not afford a protracted fight with either – and therefore urged both the Committee and the Insurers to immediately resume talks with each other (and with the Debtor) to reach agreement. The Debtor made clear if the Committee did not accept the Debtor’s proposal or provide a counter-proposal with respect to non-monetary terms and reach agreement with the Debtor and Insurers before September 8, 2025, the Debtor would seek to move this Chapter 11 Case in a different direction.

To the Debtor’s observation, no meaningful negotiations have occurred between or among any of the parties since the Debtor sent this proposal. The Debtor cannot help but conclude there are no present prospects for a consensual plan to be supported by the Committee and the Insurers. Each member of the

² In its First Amended Disclosure Statement, the Archdiocese of New Orleans provides a value range for survivor recoveries. The figures in the above chart reflect the “middle value” range. [Dkt. No. 4193 at 10-11, § 3.03.] The Archdiocese identified 660 non-duplicative survivor claims, of which it estimated 250 were filed after the applicable claims bar date. [Dkt. No. 4193 at 22, § 5.01.] If all 250 late-filed claims are disallowed, the average per-survivor claim recovery from Debtor/NDCE sources becomes \$475,122, and \$546,494 from all sources, again using the “middle value” range.

³ If the Committee complains this was not enough time to act, the Debtor’s response is the Debtor has been working daily to put itself in a position to make this final proposal, and the Committee and its members are capable of doing the same. The Committee members owe a fiduciary duty to act on behalf of creditors, and knowing the Debtor intended to take action in the space between the last status conference and the September 9 status conference, the Committee could have easily scheduled meetings and worked on this if its members and professionals wanted to do so.

1 Committee in this Chapter 11 Case is represented by a state court counsel, some of whom also represent
2 committee members in other diocesan bankruptcy cases. Burns Bair, insurance counsel for the Committee,
3 also represents committees in other diocesan bankruptcy cases. Many of the Insurers in this Chapter 11
4 Case face exposure in those cases and in many instances are represented by the same counsel. These
5 counsels are involved in mediation and settlement discussions in these other cases, whereas the Debtor is
6 not. In the Debtor's opinion, settlement in this Chapter 11 Case appears to be delayed due to outside forces
7 which the Debtor cannot possibly influence, including a possible settlement in another diocese case or
8 cases (perhaps in dioceses with greater resources than the Debtor in this Chapter 11 Case.)

9 The Debtor has experienced substantial and continuing losses driven primarily by the fees of
10 Committee professionals, and it therefore no longer has sufficient cash to seek confirmation of its pending
11 plan through a contested cramdown confirmation process. The Committee has successfully bled the
12 Debtor dry of its ability to continue to pay the administrative expenses of this Chapter 11 Case. But even
13 if that were not the case, the Debtor does not believe it makes any sense to continue to pay the cost to
14 remain a debtor in chapter 11 where there are no present prospects for a global settlement. The cost is too
15 high, and the survivors in this Chapter 11 Case – and the 500,000+ faithful Catholics in the Diocese of
16 Oakland – deserve better.

17 The Debtor has now received the Committee's last-minute response to its final settlement proposal,
18 delivered to the Debtor late in the afternoon of August 8th, which the Committee elected to communicate
19 through one of the Mediators. Because of this, the Debtor is not providing this Court with the details
20 regarding the Committee's specific response to the Debtor's settlement proposal. However, in the Debtor's
21 opinion there is **nothing** about the Committee's response which materially changes the scope of the
22 Committee's year-old settlement position, nor does the response change the Debtor's belief there are no
23 likely prospects for a consensual resolution between the Debtor, the Committee and the Insurers. Indeed,
24 the Committee's response only reinforced this belief.

25 The history of this Chapter 11 Case, and the present circumstances, including the Committee's
26 opposition to everything the Debtor is trying to do to fund whatever remains of this Chapter 11 Case, lead
27 the Debtor to conclude the Committee does not actually want a consensual resolution in this Chapter 11
28 Case.

1 In sum, the Debtor is not likely to be able to rehabilitate its operations before it becomes
2 administratively insolvent. The case must be dismissed.

3 This Motion is based on the Memorandum of Points and Authorities set forth herein, the notice of
4 hearing on the Motion and the *Declaration of Matthew D. Lee in Support of Debtor's Motion to Dismiss*
5 *Chapter 11 Case Pursuant to 11 U.S.C. §1112* (the "Lee Declaration") filed concurrently herewith and
6 incorporated herein by reference, a reply brief and exhibits thereto which may be filed at a later date, and
7 upon such evidence as may be presented at the hearing on the Motion.

8 The Debtor's proposed form of order granting the relief requested herein is attached hereto as
9 **Exhibit A** (the "Proposed Order").

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MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

With profound regret, the Debtor seeks dismissal of its own bankruptcy. The Debtor does not take this step lightly. Throughout the past twenty-eight months of this case, the Debtor has worked tirelessly to balance two important objectives: a fair and equitable resolution of abuse claims filed against it, and the continuation of its vital mission of shepherding the 500,000+ Catholic faithful and serving the broader East Bay community. To achieve these goals, the Debtor engaged the Committee and the Insurers in extensive and intense mediation sessions to resolve the key issues of the case. From November 2024 until last month, the Debtor had pursued approval of its Plan of Reorganization, including the Third Amended Plan of Reorganization (the “Plan”), for which the Court approved a Disclosure Statement and allowed solicitation in April 2025. The Plan’s centerpiece is the creation of the Survivors Trust into which the Debtor and certain non-debtor third parties planned to transfer over \$140 million in cash and invaluable insurance assets to compensate holders of abuse claims. The Plan also includes the Debtor’s agreement with the Insurers on an assignment of the Debtor’s insurance rights to the Survivor’s Trust which would allow individual abuse claimants to decide whether they wanted to pursue insurance recoveries. The Debtor viewed this agreement with the Insurers as a major achievement in this case, but it is one the Committee refuses to accept. Much of the Plan reflects suggestions and guidance from the mediators retained in this case (the “Mediators”).

The Debtor’s efforts have been met with a continued refrain of “NO” from the Committee – plus numerous litigation maneuvers, most of which have been decided in favor of the Debtor (save one adversary proceeding challenging less than \$38 million in restricted assets despite the Debtor having provided the Committee with support for such restrictions, and the Committee’s renewed motion to lift the stay to allow six test cases to proceed to trial, which was recently granted.) In a “normal” bankruptcy case, alongside this litigation, a committee would respond to a debtor’s repeated offers with counteroffers. In a “normal” bankruptcy case, a committee would work with all stakeholders to try to reach a consensual outcome and exit from chapter 11. But the Committee would have this Court believe this is not a “normal” case, despite that the Bankruptcy Code clearly allows Catholic dioceses to file Chapter 11, and despite

DEBTOR’S MOTION TO DISMISS CHAPTER 11 CASE

1 many consensual plans achieved in other diocesan Chapter 11 cases. While the Debtor respects this case
2 is driven by creditors who are sexual abuse survivors, the Debtor has struggled throughout this Chapter
3 11 Case to understand why the Committee standing for those creditors would not negotiate toward a
4 consensual resolution. Regardless the motivation⁴, it is indisputable the Committee has not meaningfully
5 engaged in settlement negotiations – and instead has fought the Debtor and said no to every proposal made
6 by the Debtor – for the past year. The Committee’s last authorized settlement proposal to the Debtor was
7 communicated on September 20, 2024. The Debtor made **four** proposals to the Committee since
8 September 2024, to which the Committee only responded *late yesterday* (August 8, 2025). There is
9 absolutely nothing about the Committee’s response to the Debtor which changes the Debtor’s view there is
10 no settlement to be had here. Indeed, the Committee’s response only reinforces the Debtor’s belief this
11 Chapter 11 Case must be dismissed.

12 Nor has the Committee negotiated with the Insurers, instead choosing to stand on its rejection of
13 the insurance assignment provision in the current Plan and never providing any redline or markup to
14 indicate what language it seeks for the assignment until again - *yesterday*. Yes, the Committee filed briefs
15 and argued in Court about the terms for the assignment – but the Committee waited until *yesterday* to
16 provide any document reflecting its settlement position regarding the assignment.

17 Observe the Debtor’s most recent and last settlement proposal. (Lee Decl., Exh. A, attachment 1
18 (redacted)). In a letter dated August 25 and sent to Committee counsel then counsel each of to the Insurers,
19 the Debtor, in conjunction with non-debtor Roman Catholic Welfare Corporation (“RCWC”), offered to
20 pay a total of **\$165 million** over five years to support a settlement. That is an increase of \$22 million over
21 the Debtor and RCWC’s proposed contribution in the Third Amended Plan. In doing so, the Debtor has
22 stretched the limits of its unrestricted assets to their absolute maximum. It and RCWC would each need
23 to rely on substantial real estate sales, including sales that will necessarily require some of the Debtor’s
24 Churches to cease operating, to successfully make these proposed payments. The Debtor’s willingness to
25 make this sacrifice so Survivors can receive adequate recompense is well-documented. The August 25
26

27
28 ⁴ The Debtor perceives that possibly forces outside of this Chapter 11 Case – other diocese cases, involving some of the same
state court counsel and some of the same insurers – have negatively affected or delayed negotiations in this Chapter 11 Case.

proposal included the insurance assignment in the Third Amended Plan (leaving open the possibility of consensual amendments) and the implementation of a series of protocols aimed at protecting children from sexual predators.⁵

Under the circumstances, the Debtor requests the Court to dismiss this bankruptcy proceeding in accordance with 11 U.S.C. §1112(b)(4)(A). Recognizing it will take at least a short period of time for this Motion to be briefed and argued and decided by this Court, the Debtor commits to continue during such period to negotiate with the Committee and the Insurers to press for a consensual resolution between the Committee and Insurers, but to be clear, the Debtor requests dismissal of this bankruptcy proceeding.

II.

JURISDICTION

This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b), the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order No. 24 (N.D. Cal.), and Bankruptcy Local Rule 5011-1(a). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The legal basis for the relief requested herein is 11 U.S.C. § 1112(b) and (c).

III.

BACKGROUND FACTS

A. General Background

On May 8, 2023 (the “Petition Date”), the Debtor filed a voluntary petition for chapter 11 bankruptcy relief under title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”). The Debtor continues to operate its ministry and manage its properties as a debtor in possession

⁵ Despite its insistence it seeks a consensual resolution, the Committee continues to oppose even the Debtor’s efforts to bring more money into the Debtor’s estate. The Committee even objected to the Debtor’s motion to divest its board of directors’ positions in a *non-debtor* Catholic entity, Catholic Church Support Services, Inc. (“CCSS”), *in exchange for nearly \$9 million in pledged gifts from CCSS and Roman Catholic Cemeteries of the Diocese of Oakland* (“RCC”). The purpose of the CCSS divestiture is twofold: to allow CCSS to operate with complete independence from the Debtor, and to infuse the Debtor’s estate with immediate, desperately needed cash so it can continue to timely pay administrative expenses, including professional fees for the Committee. Why the Committee objects to the Debtor receiving \$9 million for a valueless asset is beyond comprehension. Regardless, its objection – combined with its position regarding the Debtor’s effort to engage an ordinary course real estate consultant to help the Debtor sell real estate – puts the lie to the Committee’s professed desire for a consensual resolution in this case.

under sections 1107(a) and 1108 of the Bankruptcy Code. No trustee has been appointed in this Chapter 11 Case.

On May 23, 2023, the Office of the United States Trustee for Region 17 appointed an official Committee of Unsecured Creditors (the “Committee”) in this Chapter 11 Case. *See* Docket No. 66.

The Debtor is a corporation sole organized under the laws of the State of California. The Debtor conducts its civil affairs under the laws of the State of California and the United States of America and in accordance with the Code of Canon Law, the ecclesiastical law of the Roman Catholic Church. Additional information regarding the Debtor, its mission, ministries, and operations, and the events and circumstances preceding the Petition Date, is set forth in the *Declaration of Charles Moore, Managing Director of Alvarez & Marsal North America, LLC, Proposed Restructuring Advisor to the Roman Catholic Bishop of Oakland, in Support of Chapter 11 Petition and First Day Pleadings* [Docket No. 19] (the “First Day Declaration”), which is incorporated herein by reference.

B. The Mediation Order and the Debtor’s Extensive Mediation Efforts

On December 19, 2023, the Debtor and the Committee filed their *Joint Motion for Entry of Order Referring Parties to Mediation, Appointing Mediators and Granting Related Relief* [Dkt. No. 705] (the “Mediation Motion”). On January 22, 2024 the Court entered the *Order Referring Parties to Mediation, Appointing Mediators and Granting Related Relief* [Dkt. No. 810] (the “Mediation Order”). Pursuant to the Mediation Order, Judge Christopher Sontchi and Jeffrey Krivis⁶, Judge Randall Newsome and Timothy Gallagher were appointed as Mediators (the “Mediators”). After the Mediation Order was entered, the parties began a variety of mediations, largely consisting of in-person sessions and some remote sessions in 2024 (see below).

The Debtor supported mediation from the outset, and, after the failure of the initial mediation sessions at the end of 2024, the Debtor filed its *Motion for Entry of an Order Amending Mediation Orders and Requiring Parties to Attend Global Mediation* on January 8, 2025 [Dkt. No. 1612]. The Insurers agreed to the global mediation, and while the Committee initially opposed the motion, it ultimately agreed to attend an in-person mediation at the end of February 2025. At that in-person mediation and based on

⁶ Mr. Krivis passed away in 2024.

the Mediators' recommendation, the Debtor made another (increased) settlement proposal to the Committee. The Committee never responded to the Debtor's proposal – implicitly rejecting it but never even formally responding to it – halting negotiations. Rather than negotiate, the Committee continued to seek more and more information about the assets of non-debtor Catholic entities (despite this Court ultimately dismissing the adversary complaint seeking to substantively consolidate those non-debtor Catholic entities with the Debtor in this Chapter 11 Case). The Mediators told the Debtor following that mediation they did not believe further mediation would be successful, although Judge Sontchi has recently contacted the Debtor and the Committee to resume mediation. Tim Gallagher also recently expressed support for a global mediation with the Debtor, Committee and Insurers.

Below is a list of the mediations that occurred during the case

Date	Location	Participants with Debtor
February 27, 2024	San Francisco	Mediators only
March 18-19, 2024	San Francisco	Committee
April 15-16, 2024	San Francisco	Committee
May 13-14, 2024	Chicago	Committee
June 18-19, 2024	San Francisco	Committee and Insurers
August 13, 2024	Chicago	Committee
September 10-11, 2024	Chicago	Committee
September 30, 2024	Remote	Committee
October 1, 2024	Remote	Committee
October 16-17, 2024	San Francisco	Committee and Insurers
October 22, 2024	San Francisco	Insurers
October 31, 2024	Remote	Insurers
November 6, 2024	Remote	Insurers

Date	Location	Participants with Debtor
November 7, 2024	Remote	Insurers
February 24 – 25, 2025	San Francisco	Committee and Insurers

The mediation sessions covered every topic imaginable in this case. The Debtor will not breach the mediation privilege although the Debtor has made clear it is willing to waive the mediation privilege to answer any questions this Court has about the process. Without providing details regarding specific terms negotiated during the mediation, the Debtor will share that on multiple occasions the Committee put a proposal regarding a discrete issue on the table, the Debtor agreed to it either in full or in principle or engaged in negotiations regarding the issue, only to have the Committee promptly change course or cease to engage on the issue.

The Committee's lack of engagement on negotiations with the Insurers – something that persisted until the Debtor sent the Committee the August 25 settlement letter – is perhaps the most frustrating example of the Committee's non-approach to resolution. In the Fall of 2024, the Debtor, Insurers, and Insurance Mediators urged – practically begged – the Committee to provide comments on the insurance assignment term sheet. Apart from a single email dated October 25, 2024, summarizing the Committee's *general* objections to the latest insurance assignment term sheet (but not including a redline of the term sheet), the Committee never subsequently engaged in negotiations with the Debtor and Insurers over the insurance assignment.

C. The Mounting Professional Fees in this Case and Losses to the Estate

In addition to the burden of administrative expenses which continue to grow, the July MOR (the last MOR completed) shows a monthly loss of \$1,761,375.00 and a cumulative loss of \$28,970,173.00 for the case to date. The Debtor ended July with an unrestricted cash balance of \$1.9 million (excluding Bishop's Appeal funds in the amount of \$350,000.00) compared to an estimated professional liability of \$8.7 million still due. To make it through August, the RCBO pulled from LTC/SERP (priest retirement) funds, and will likely need to pull the remainder of the LTC funds (~\$3.0 million) to make it through September assuming the remainder of the January – April professional fees are paid in September along

1 with the July fees. In addition, unless the CMS gift is approved (which the Committee has opposed), the
2 Debtor will struggle to make it through October. The Debtor currently projects approximately zero cash
3 in October 2025 and crossing to negative cash in December (including Bishop's Appeal). Importantly,
4 this is **actual cash**. The Debtor's practical liquidity (unrestricted cash + Bishop's Appeal – Accrued
5 Professional fees) has been below zero since May 2025, and is projected to remain so without \$3.0+
6 million+ in cash and real estate sales.

7 **D. The Committee's Costly Litigation Strategy**

8 In its misguided attempt to gain leverage by introducing risk to all parties in this Chapter 11 Case,
9 the Committee embarked on a series of contentious and expensive litigation filings in late 2024. *See*, Dkt.
10 No. 1599 (the Committee argued, "pursuing litigation has proven, time and again, to drive consensual
11 resolution between parties at an impasse, and the Committee is hopeful that resolution will be made
12 possible through the introduction of litigation risk to all parties."); Dkt. No. 1603, p. 6:28-7:3 ("***The***
13 ***alternative path sought through the relief requested in the Motion will put all parties—Survivors, the***
14 ***Debtor and the Insurers at risk—and it is this universal risk which presents the greatest hope of***
15 ***bridging the parties' differences.***"). The problem of course is the Committee lost most of these litigation
16 maneuvers, and yet continued to refuse to make any counteroffer of settlement.⁷

17 The Committee filed two adversary proceedings, both of which sought to consolidate the assets of
18 certain non-debtor entities with the Debtor. First, on November 20, 2024, the Committee filed its adversary
19 proceeding complaint against the Debtor, its Churches, and the Oakland Parochial Fund ("**OPF**"), seeking
20 (i) declaratory relief that Church real property and funds are property of the estate and (ii) substantive
21 consolidation of the Debtor and the named Church defendants [Adv. No. 24-04051] (the "**Restricted**
22 **Assets Adversary Proceeding**"). These causes of action would not have brought any benefit to the estate
23 even if successful, for reasons including that OPF merely holds deposits, and the Debtor had already
24

25
26 ⁷ These filings included the *Motion for Standing to Prosecute Claims of the Debtor's Estate* [Dkt. No. 1462] (the "**First Standing**
27 **Motion**"); a second motion seeking further derivative standing (the "**Second Standing Motion**") [Dkt. No. 1538]; and a motion
28 to lift the automatic stay to allow six individual abuse cases to go forward in state court (the "**Lift Stay Motion**") [Dkt. No.
1460], which it later renewed [Dkt. No. 2093]. The Court denied all of these motions. [Dkt. Nos. 1700, 1701, and 1721]. The
Court ultimately granted the Committee's renewed Lift Stay Motion [Dkt. No. 2168], but two months later, the process for
selecting cases has been slow.

acknowledged that the Churches are not separate from the debtor as a matter of applicable civil law. On April 4, 2025, the Court entered its *Order After Hearing on Motions to Dismiss* [Adv. No. 24-04051, Docket No. 34], dismissing the original complaint in the Restricted Adversary Proceeding. Apparently recognizing there was no benefit to its original claims, the Committee filed a first amended complaint in the Restricted Assets Adversary Proceeding on May 6, 2025, which did not seek to replead any count from the original complaint but instead pivoted to seeking to set aside donor restrictions on restricted assets held by the Debtor. Following voluntary dismissal of OPF, the Restricted Assets Adversary Proceeding is now moving forward against the Debtor only on that limited basis.

Second, on December 11, 2024, the Committee filed an adversary proceeding against the Debtor, Adventus, RCWC, and RCC seeking (i) declaratory relief that all property of Adventus, RCWC, and RCC is property of the estate and (ii) substantive consolidation of Adventus, RCWC, and RCC into the Debtor's Chapter 11 bankruptcy [Adv. No. 24-04053] (the "Substantive Consolidation Adversary Proceeding"). The Substantive Consolidation Adversary Proceeding was initially dismissed on the motions of both the Debtor and the non-debtor defendants without prejudice, based primarily on the Court's finding that substantive consolidation based on Section 105 of the Bankruptcy Code is not available against non-profits organizations, absent a separate state law basis. [Adv. No. 24-04053, Docket No. 30]. After giving the Committee ample opportunity to make its best case to plead alter ego under California law, the Court properly considered all of the parties' arguments and dismissed the Substantive Consolidation Adversary Proceeding with prejudice. [Adv. No. 24-04053, Docket No. 55].⁸

E. Difficulty of Confirming a Plan

The Debtor filed the original Plan November 8, 2024, and has since filed several amended Plans and accompanying Disclosure Statements, each containing revisions requested by the Committee, the Insurers and/or based on the Court's comments. On April 4, 2025, the Court approved the Third Amended Disclosure Statement for solicitation [Dkt. No. 1877]. The Debtor solicited the Plan, making it clear to all creditors that this was the going to be final plan offered by the Debtor. However, the Committee urged the

⁸ Despite having its complaint dismissed twice, the Committee refuses to let go of the Substantive Consolidation Adversary Proceeding, moving for reconsideration of the dismissal and simultaneously appealing it. [Adv. No. 24-04053, Dkt. Nos. 56, 57.]

1 abuse claimants to reject the Plan and 99% of them did so. *See Declaration of Andres A. Estrada with*
2 *respect to Solicitation and Tabulation of Votes on the Debtor's Third Amended Plan of Reorganization*
3 [Dkt. No. 2040].

4 **IV.**

5 **RELIEF REQUESTED**

6 By this Motion, the Debtor seeks entry of the Proposed Order, dismissing this case pursuant to 11
7 U.S.C. §1112(b)(4)(A) due to the Debtor's substantial or continuing losses and the lack of a reasonable
8 prospect of rehabilitation.

9 **V.**

10 **BASIS FOR RELIEF**

11 **A. Dismissal of this Case is Appropriate because the Debtor is Suffering Continued**
12 **Losses and a Diminution of the Estate and there is No Reasonable Likelihood of**
13 **Rehabilitation**

14 Section 1112 of the Bankruptcy Code governs dismissal or conversion of Chapter 11 cases.
15 Section 1112(b)(1) provides:

16 Except as provided in paragraph (2) and subsection (c), on request of a party
17 in interest, and after notice and a hearing, the court shall convert a case
18 under this chapter to a case under chapter 7 or dismiss a case under this
19 chapter, whichever is in the best interests of creditors and the estate, for
cause unless the court determines that the appointment under section
1104(a) of a trustee or an examiner is in the best interests of creditors and
the estate.

20 Section 1112(b)(4)(A) further provides that "cause" for dismissal or conversion includes:

21 [S]ubstantial or continuing loss to or diminution of the estate and the
22 absence of a reasonable likelihood of rehabilitation.

23 11 U.S.C. 1112(b)(4)(A).

24 While Section 1112(b) provides for dismissal or conversion of a Chapter 11 case, Section 1112(c)
25 bars conversion of a case where the debtor is not a moneyed business or a commercial corporation unless
26 the debtor requests the conversion. Here, the Debtor is neither of these, and is seeking *dismissal* of its
27 case, not conversion. Therefore, if the Court determines the cause exists under Section 1112(b)(4)(A),
28 then the appropriate relief is dismissal of this Chapter 11 Case.

I. The Debtor is Experiencing a Continuing Loss.

In order to demonstrate cause under Section 1112(b)(4)(A), a debtor must show a substantial or continuing loss. One or the other will suffice. *In re Creekside Sr. Apartments*, 489 B.R. 51, 61 (6th Cir. B.A.P. 2013). In the past two years, the Debtor has paid nearly \$37 million to the retained professionals involved in this case, including over \$8.8 million just for fees related to mediation with the Committee, and the litigation with the Debtor's Insurers. It also spent approximately \$1.65 million addressing the Committee's ruinous litigation strategy which did not have the effect on settlement the Committee had predicted because the Committee refused to make any counter proposals of settlement. There has been no resolution and there is nothing on the horizon that will diminish the growing administrative expense burden in the case due to these professional fees. Rather, the fees would necessarily increase if a plan of reorganization were subject to a contested confirmation process.

The Debtor's continuing losses are demonstrated by the July MOR, which shows a cumulative loss in the case of nearly \$29 million to date. This is the type of loss which satisfies 1112(b)(4)(A). *In re Hassen Imports Partnership*, 2013 WL 4428508, *13 (9th Cir. B.A.P. Aug. 19, 2013) ("The substantial and continuing loss prong is demonstrated by a loss that will 'materially negatively impact the bankruptcy estate or the interest of creditors...'). These costs are not going to decrease if the Debtor remains in bankruptcy. The Debtor can no longer bear the burden of these costs.

II. There is no Reasonable Likelihood of Rehabilitation.

In order to find a reasonable likelihood of rehabilitation, the Court must find that the Debtor will be able to not just propose a plan that can be confirmed but can also continue on its business (here, its ministry) after the case is concluded. *Creekside*, 489 B.R. at 61. This requirement focuses on "whether the debtor's business prospects justify continuance of the reorganization." *Id.* In this case, it does not appear the Debtor will be able to resolve the significant case issues regarding payment of claims to creditors, namely the abuse claimants. The Committee's actions in this case to date demonstrate that its members have not made and do not intend to make reasonable settlement demands which will result in a consensual resolution. Indeed, the Committee rejected a per-capita recovery which exceeds other diocesan bankruptcy settlements.

1 The current state of affairs does not justify continuing the reorganization case, where the
2 requirements of the Bankruptcy Code are placing a substantial burden on the Debtor's operations.
3 Unfortunately, based on all of the foregoing, it now appears to the Debtor it is not a good candidate for
4 rehabilitation in bankruptcy with this Committee in this Chapter 11 Case.

5 *III. Dismissal is in the Best Interest of the Parties, including Creditors.*

6 No party benefits from continuation of a case that cannot be resolved. Rather than expend further
7 tens of millions of dollars of professional fees, both the creditors and the other stakeholders would be
8 better served by dismissal of this case. The abuse claimants would be entitled to bring their claims against
9 the Debtor in state court, where there are already pending cases, and the Debtor would be able to at least
10 attempt to resolve those claims in that forum with non-exempt assets (assets the Debtor is currently
11 depleting in this Chapter 11 Case). In addition, the Debtor would be able to continue to minister to its
12 faithful and to the community in the East Bay without further depleting its assets by paying professionals
13 in this Chapter 11 Case. While the Debtor had hoped to use the bankruptcy process to create an efficient
14 process to resolve *all* of these claims in a fair and equitable manner, it does not appear the Committee and
15 the Debtor and Insurers will reach agreement. Rather than require the Debtor to continue in bankruptcy,
16 this Court should dismiss the case and return the parties to their respective pre-petition positions. Litigation
17 will continue outside of bankruptcy, both as to the resolution of abuse claims, and against the Insurers.
18 However, the Debtor will have fewer costs to carry when it is not required to pay for the Committee's
19 professionals, its own bankruptcy professionals, and quarterly United States Trustee fees. Additionally,
20 the Insurers are expected to provide counsel for the Debtor in state court tort litigation. Therefore, the
21 Debtor will have more assets with which to compensate creditors, and otherwise continue its mission.

22 This is not the outcome the Debtor envisioned when it filed bankruptcy two and a half years ago,
23 nor two weeks ago when it offered a proposed settlement that set a new high-water mark on average
24 recoveries for survivors on a per-capita basis in similar bankruptcies. The Debtor genuinely believed its
25 strategy of transparency and prompt production of information to the Committee throughout this Chapter
26 11 Case, suing the Insurers for coverage, and making the settlement proposals it made would resolve this
27 Chapter 11 Case favorably and quickly relative to other diocesan bankruptcies. That obviously has not
28 happened. Unfortunately the course of the case has demonstrated the limitations of the bankruptcy process,

DEBTOR'S MOTION TO DISMISS CHAPTER 11 CASE

1 at least for *this* Debtor in *this* Chapter 11 Case. The Debtor believes it is now in the best interests of all
2 parties, including survivors of sexual abuse, to recognize those limitations and end this case before the
3 Debtor's losses even more substantially impact its ability to pay survivors and its ability to continue its
4 ministry.

5 For the reasons set forth above, the Debtor submits that cause exists to dismiss this case pursuant
6 to 11 U.S.C. §1112(b), and that granting the relief requested is necessary, prudent, and in the best interests
7 of the Debtor, its estate, and creditors.

8 VI.

9 NOTICE

10 Notice of the hearing on this Motion is being provided to all creditors and parties in interest
11 pursuant to Fed. R. Bankr. P. 2002(a)(4).

12 ///

13 ///

VII.

CONCLUSION

WHEREFORE, the Debtor requests that the Court enter an order, substantially in the form of the Proposed Order, granting (i) the relief requested herein, dismissing this bankruptcy case; and (ii) such other and further relief as the Court may deem just and proper.

DATED: September 9, 2025

FOLEY & LARDNER LLP

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Ann Marie Uetz
Matthew D. Lee

/s/ Shane J. Moses

Shane J. Moses

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EXHIBIT A

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

In re:

THE ROMAN CATHOLIC BISHOP OF
OAKLAND, a California corporation sole,

Debtor.

Case No. 23-40523 WJL

Chapter 11

**[PROPOSED] ORDER GRANTING
DEBTOR'S MOTION TO DISMISS
CHAPTER 11 CASE PURSUANT TO 11
U.S.C. §1112(B)**

Judge: Hon. William J. Lafferty

Date: October 8, 2025

Time: 10:30 a.m.

Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

1 Upon the *Debtor's Motion to Dismiss Chapter 11 Case Pursuant to 11 U.S.C. §1112(b)*, dated
2 September 9, 2025 [Docket No. []] (the "Motion"),¹ filed by the Roman Catholic Bishop of Oakland, a
3 California corporation sole, and the debtor and debtor in possession (the "Debtor") in the above-captioned
4 chapter 11 bankruptcy case (the "Chapter 11 Case"), for entry of an order pursuant to section §1112(b) of
5 title 11 of the United States Code (the "Bankruptcy Code") dismissing this Chapter 11 Case; the Court
6 having reviewed and considered the Motion, the Lee Declaration in support thereof, and all other filings
7 in support of the Motion; the Court having heard and resolved any objections to the Motion; the Court
8 finding it has jurisdiction over this matter, venue in this Court is proper, and notice of the Motion was
9 reasonable and sufficient under the circumstances; and the Court finding the relief requested in the Motion
10 is in the best interests of the Debtor, its creditors, and other parties in interest; and after due deliberation
11 and good cause appearing therefor,

12 **IT IS HEREBY ORDERED:**

- 13 1. The Motion is granted as set forth herein.
- 14 2. Pursuant to Sections 1112(b), and/or 105(a) of the Bankruptcy Code, the Debtor's
15 Chapter 11 case is DISMISSED.
- 16 3. Neither the filing of this Chapter 11 Case nor the dismissal thereof shall release, enjoin,
17 bar, limit, impact, impede, or otherwise affect any rights, claims, causes of action, or defenses (common
18 law, statutory, contractual, or otherwise) of any creditor of, counterparty to any contract or lease with, or
19 party in interest with respect to the Debtor. All rights, claims, causes of action, and defenses (common
20 law, statutory, contractual, or otherwise) of all such parties against or with respect to the Debtor (i) are
21 expressly reserved and preserved; (ii) shall survive and be unaffected by the filing and dismissal of the
22 Debtor's Chapter 11 Cases; (iii) are restored to the prepetition status quo; and (iv) shall be enforceable
23 to the fullest extent provided under non-bankruptcy law upon the dismissal of this Chapter 11 Case.
- 24 4. Upon entry of this Order, the Official Committee of Unsecured Creditors (the
25 "Committee") shall be dissolved.
- 26 5. The Court shall retain jurisdiction to approve the Final Fee Applications of all
27

28 ¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

1 Professionals retained in the Chapter 11 Case (the “Final Fee Applications”). The Final Fee Applications
2 shall be filed within 90 days of the entry of this Order.

3 6. This Court shall retain jurisdiction with respect to all matters arising from or related to the
4 implementation of or interpretation of this Order.

5 *** END OF ORDER ***
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COURT SERVICE LIST

All ECF Recipients.