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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

COMBINED REPLY IN SUPPORT OF DEBTOR'S MOTION TO CLARIFY LIFT STAY ORDER [DOCKET NO. 2168]

Judge: Hon. William J. Lafferty

Date: September 23, 2026
Time: 10:30 a.m.
Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

The Roman Catholic Bishop of Oakland, a California corporation sole, and the debtor and debtor in possession (the "Debtor" or "RCBO") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case" or the "Bankruptcy Case"), hereby files this reply (this "Reply") in support of its *Debtor's Motion to Clarify Lift Stay Order [Docket No. 2168]*, filed on August 26, 2026 [Docket No. 3462] (the "Motion").[1] This Reply is filed in response to *The Official Committee of Unsecured Creditors' Objection to the Debtor's Motion to Clarify Lift Stay Order* [Docket No. 3509] (the "Committee Opposition"), *The Panish/PCVA Claimants' Opposition to Debtor's Motion to Clarify Lift Stay Order* [Docket No. 3508] (the "Claimants' Opposition"), the *Continental's Response to Debtor's Motion to Clarify Lift Stay Order* (the "CNA Response"); *Westport Insurance Corporation's Response to Debtor's Motion to Clarify Lift Stay Order* [Docket No. 3504] (the "Westport Response"), and the *Pacific Insurers' Joinder to Westport Insurance Corporation's Response to Debtor's Motion to Clarify Lift Stay Order [DKT. NO. 3462]* [Docket No. 3510] (the "Pacific Response" and collectively, the "Responses").

I. INTRODUCTION

While the Insurers' stated coverage position has changed since the Motion was filed, it remains necessary that the parties receive guidance from this Court as to whether State Court actions selected to move forward under the Lift Stay Order must be potentially covered by insurance such that a defense is provided. Although the responses of each Insurer are couched in extensive reservations, it now appears that as a result of the Debtor's actions, Travelers and CNA have now each agreed to "participate" in defense of the *Waterworth* State Court Action. Each of the Responses now argues the Motion is moot as a result. This is simply not the case. Given the potential confusion and uncertainty created by the various reservations of rights and the stated intent to immediately seek relief in the District Court, as well as the express suggestion from Judge Chatterjee to seek clarification from this Court, there remains an open issue as to the scope of relief from stay under the Lift Stay Order.

The Debtor also must address the suggestion the Debtor has misrepresented the record or the circumstances of coverage to this Court or the JCCP 5108 Court. Rather than simply engaging on the merits, the Claimants' Opposition devotes much of its substantial length to attempting to paint the

[1] Capitalized terms not defined herein shall have the meanings ascribed to them in the Motion.

Debtor's efforts to obtain clarity regarding insurance coverage as somehow nefarious. These accusations are simply false. As detailed below, while the Insurers' position in general, and in particular as to the *Waterworth* Action, have been a moving target, the Debtor has been candid with the Courts and the parties in seeking clarification.

There remains a substantial need for this Court to provide the guidance requested by Judge Chatterjee, and confirm that in lifting the stay for six cases to proceed the Court did not intend to expose the Estate the costs of defending multiple State Court Action without regard for potential insurance coverage and participation in the cost of defense. This Court should provide that clarification and grant the Motion.

II. ARGUMENT

A. Ongoing Coverage Developments

The Claimants' Opposition accuses the Diocese of making misrepresentations to this Court and in the JCCP 5108 proceedings. (*See, e.g.*, Docket No. 3508 at 6). These inflammatory accusations have no basis in the record. The record is clear that the Debtor's insurers with responsibility for the *Waterworth* action—CNA, Travelers, and Westport—actually agreed to defend the claim only within the last few weeks and, in Westport's case, still have not agreed. The facts reflected in the timeline below are beyond dispute.

- **August 11, 2023:** Travelers responds to THE DEBTOR's tender of various claims, including the Waterworth Claim, stating it had "no present duty to defend or indemnify" the claims. [Docket No. 3508-3 – 3508-7]
- **December 27, 2023:** Westport responds to the Debtor's tender of the Waterworth Claim and states that it has "no immediate potential coverage obligation." [Docket No. 3508-8]
- **May 24, 2024:** CNA responds to the Debtor's tender of various claims identified in an Appendix A to CNA's letter. CNA states it "hereby agree[s] to participate in the defense of certain of the Sexual Abuse Claims identified in Appendix A" subject to a reservation of rights. CNA goes on to state it agrees to defend the Debtor against claims alleging sexual abuse between October 26, 1974 and December 1, 1980 where the underlying primary insurer is insolvent or exhausted. **The**

Waterworth Claim is not listed in Appendix A to CNA's letter. [Docket No. 3508-9]

- **July 1, 2026:** The Debtor sends a letter to Westport demanding it drop down and provide a defense in the Waterworth action (as well as first-dollar and excess coverage) given the insolvency of the primary insurer, Commercial Union, for the years in which the claimant alleged abuse. [Docket No. 3463-3]
- **July 13, 2026:** Westport responds to the Debtor's letter and again denies any obligation to provide a defense in the Waterworth action. [Docket No. 3463-4]
- **August 25, 2026:** CNA writes a letter to the Debtor stating, for the first time, that it will participate in the defense of the Waterworth claim for "any abuse alleged by Ms. Waterworth that took place between 10.26.1974 and 12.1.1975." Notably, the *Waterworth* Action potentially alleges abuse outside of that time period. CNA acknowledges it failed to include the Waterworth claim in Appendix A to its May24, 2024 letter and amends Appendix A to correct this error. CNA also indicates the Debtor has not properly tendered the Waterworth claim to CNA, stating "[a]fter Judge Chatterjee's order lifting the stay with respect to Ms. Waterworth's claim, the Debtor did not tender the Waterworth suit to CNA for defense" and that CNA will provide a defense to the claim "if tendered."[2] However, CNA also states it will "seek a declaration that it has no duty to drop down and defend and, if the court were to rule in CNA's favor, CNA would withdraw from the defense." [Docket No. 3482, Ex. A]
- **August 26, 2026:** The Debtor files the Motion without having seen the August 25, 2026 letter, which CNA sent only to the Debtor counsel Eileen Ridley while she was traveling on business.
- **September 4, 2026:**
    - The Debtor responds to CNA disputing, inter alia, CNA's acceptance of only a portion of the Waterworth defense corresponding to abuse that took place during the dates of CNA's policy. [Docket No. 3482, Ex. B]
    - The Debtor emails counsel for CNA, Travelers, and Westport demanding, again, that those insurers provide a defense in the Waterworth matter through independent counsel. [Docket

[2] To be clear, the Debtor had tendered the Waterworth claim previously.

No. 3482, Ex. C]

- The Debtor re-tenders all six state court cases selected for relief from the automatic stay to its insurers for avoidance of doubt. [Docket No. 3482, Ex. D]

- **September 9, 2026:** Travelers responds to the Debtor's September 4 email acknowledging its previous coverage letter denying defense and indemnity for the Waterworth claim and stating, for the first time, that it will provide a defense in the Waterworth case subject to a reservation of rights.[3] [Docket No. 3508-13]
- **September 9, 2026:** CNA responds to the Debtor's September 4 email reiterating the positions taken in its August 25, 2026 letter, including that it will defend the Waterworth case under a reservation of rights and that it will "seek a ruling from Judge Corley as soon as possible confirming that it does not have any duty to drop down to provide a defense in *Waterworth*."[4] [Docket No. 3508-10]
- To date Westport has still not agreed to provide a defense.

In light of this sequence of events, the suggestion the Debtor was misleading either Judge Chatterjee or this Court is evidently false. The Debtor cannot be expected to assume that it will be provided a defense to a case simply because it believes there should be coverage, or because at some point and insurer agreed to provide a defense for other cases. Indeed, the Insurers' communications demonstrate that the Debtor's concerns were and are well-founded. While the desire of Ms. Waterworth's counsel to have their client's case proceed as one of the Lift Stay Cases is certainly understandable, their efforts to smear the Debtor and its counsel in the process are not.

B. Clarification is Still Needed

It remains essential that this Court provide "clear direction" as to what the Court intended in connection with the Lift Stay Order, and specifically what complies with the Court's intent regarding

[3] This response was provided after the Debtor's Supplement filed its supplement to the motion on September 9, and therefore was not addressed in the Supplement.

[4] This response was likewise provided after the Debtor's Supplement filed its supplement to the motion on September 9, and therefore was not addressed in the Supplement.

coverage and the extent to which the Estate may be compelled to solely bear the expense of State Court Actions proceeding.

Among other things, the positions taken by the Insurers still leave substantial uncertainty. While Travelers has acknowledged that it will "participate" in defense, it continues to do so subject to a reservation of rights and takes the position it has a coverage obligation as to only a portion of the relevant time period for the *Waterworth* Action. *See* Claimant Opposition, Ex. 12. Even more concerning, while CNA has finally confirmed it will provide a defense to the *Waterworth* Action, it is simultaneously stating that "CNA intends to seek a ruling from Judge Corley as soon as possible confirming that it does not have any duty to drop down to provide a defense in *Waterworth.*" *See* Claimant Opposition, Ex. 9. In other words, selection of the *Waterworth* Action will result in RCBO having to immediately incur additional costs in the Insurance Coverage Litigation to address CNA's request for immediate relief. While all State Court Actions are being defended subject to a reservation of rights, this stated intent to seek immediate relief from the District Court puts the *Waterworth* Action in a categorically deferent position in terms of impact on the Estate.

Further, given the Debtor's extremely constrained cash position, which this Court is well aware of, this is a particularly pressing issue. As set forth in the Bardos Declaration in support of the Motion, the *Woodall* Action trial cost more than $3 million. Even with Travelers' "participating" in defense, as it proposes to do with the Waterworth Action, the reimbursement received by the Debtor was approximately $800,000, leaving the Estate to bear the bulk of the cost, at more than $2.2 million. Incurring these costs through the Debtor's choice of independent counsel was necessary to preserve coverage for the benefit of both the Debtor and the Survivors.

In light of the uncertainty regarding insurance coverage for the Waterworth Action, and the changing positions of the Insurers, Judge Chatterjee expressly suggested the parties seek further guidance from this Court regarding the parameters of the Lift Stay Order. The Debtor respectfully submits that this guidance would be beneficial to the JCCP 5108 process, and the Court should not decline to provide it based on the responding parties' mootness arguments. Clarification from this Court will provide the information necessary for Judge Chatterjee to address not only the issues currently surrounding the

Waterworth Action, but also any further developments in connection with Insurer defense of the Lift Stay cases.

C. The Court Has Jurisdiction to Grant Relief

The Committee Opposition and the Claimant Opposition both argue this Court cannot address the Motion because the Lift Stay Order is on appeal. This argument is misplaced. The Debtor is not seeking to change or modify the prior order. Appellate jurisdiction does not deprive the Bankruptcy Court of jurisdiction to interpret its order, as expressly preserved in the Lift Stay Order. It also cannot be understood to deprive this Court of the ability to continue to police the application of the automatic stay in this case.

The Committee's arguments regarding Bankruptcy Rules 9023 and 9024, incorporating FCRP 59 and 60, are equally misplaced. The Motion does not seek reconsideration of the Lift Stay Order, and is not based on a mistake by the Court. The Court has ongoing authority to interpret its orders, and the Court's ability to interpret the Lift Stay Order is expressly persevered in the Lift Stay Order itself. Further, section 362 provides authority for the Bankruptcy Court to modify the stay throughout the life of the case.

III. CONCLUSION

For all the reasons set forth in the Motion, the Debtor's supplement therefore, and herein, the Court should overrule the objections and grant the relief requested in the Motion and confirm that the Court's intention was to have the cases which are the subject of its lift stay order be cases where potential coverage has been acknowledged such that the insurers on the risk have agreed to participate in funding the defense of the action.

DATED: September 22, 2026

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