

Rochester, NY, Diocese's Creditors To Mull Rival Ch. 11 Plans

By **Rick Archer**

Law360 (April 16, 2024, 3:53 PM EDT) -- A New York bankruptcy judge sent a pair of competing Chapter 11 plans for the Roman Catholic Diocese of Rochester out Tuesday morning for creditor votes, after rejecting previous explanations of the proposals for being unclear about payouts to childhood sexual abuse survivors.

U.S. Bankruptcy Judge Paul R. Warren approved disclosure statements for plans presented by the diocese and one of its insurance carriers after a brief in-person hearing.

The diocese filed for Chapter 11 bankruptcy in September 2019 as it faced 471 sexual abuse claims filed against the church after the state's Child Victims Act opened a **lookback window** for survivors of childhood sexual abuse to bring civil litigation.

In 2023, the diocese filed a proposed Chapter 11 plan that would create a **\$126 million trust** to compensate sexual abuse survivors, funded with contributions from the religious organization's settlements with insurance carriers. That plan would allow the trust to pursue claims against Continental Insurance Co., the only one of the insurers that had not settled with the church.

Continental proposed another Chapter 11 plan that would add its own contribution of \$75 million to the settlement trust and bring the total trust amount to about \$201 million, alleging settlement talks with the unsecured creditors committee had broken down.

Judge Warren **shot down both sides' Chapter 11 disclosures** in January, finding they were confusingly worded and lacked a plain-language explanation of how much of the trust funds would be available for distribution to claimants and how much claimants could expect to receive under the claim evaluation criteria of each plan.

Representatives of the parties were not immediately available for comment.

The Rochester diocese is represented by Stephen A. Donato, Charles J. Sullivan and Grayson T. Walter of Bond Schoeneck & King PLLC, and James R. Murray and James Carter of Blank Rome LLP.

The committee is represented by James I. Stang, Ilan D. Scharf, Iain A. W. Nasatir and Karen B. Dine of Pachulski Stang Ziehl & Jones LLP, and Timothy W. Burns and Jesse J. Bair of Burns Bair LLP.

The insurance company is represented by Jeffrey A. Dove of Barclay Damon LLP, Mark D. Plevin and Miranda H. Turner of Crowell & Moring LLP, and David Christian of David Christian Attorneys LLC.

The case is In re: The Diocese of Rochester, case number 2:19-bk-20905, in the U.S. Bankruptcy Court for the Western District of New York.

--Additional reporting by Clara Geoghegan and Vince Sullivan. Editing by Covey Son.