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UNITED STATES BANKRUPTCY COURT
 EASTERN DISTRICT OF CALIFORNIA
 SACRAMENTO DIVISION

In re:

THE ROMAN CATHOLIC BISHOP OF
 SACRAMENTO,

Debtor in Possession.

Case No. 24-21326

Chapter 11

DCN: CAE-1

Date: January 26, 2026

Time: 11:00 a.m.

Location: Courtroom 35 (Dept. C)

Judge: Hon. Christopher M. Klein

DEBTOR IN POSSESSION'S STATUS REPORT (January 26, 2026)

1 The Roman Catholic Bishop of Sacramento (the “RCBS” or the “Debtor”), hereby files this
2 Status Report for the status conference to be held on January 26, 2026. The Debtor’s Status Report
3 covers updates since the last status conference on October 15, 2025 [ECF No. 1662].

4 1. On April 1, 2024 (the “Petition Date”), the RCBS commenced this Bankruptcy Case
5 by the filing of a voluntary Chapter 11 petition [ECF No. 1]. The Debtor remains in possession of
6 its estate, no trustee having been appointed. The Debtor is operating and managing its business as
7 a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Official
8 Committee of Unsecured Creditors (the “Committee”) was appointed on April 12, 2024, and it has
9 retained counsel [ECF Nos. 139, 321, and 322].

10 **A. Applicability of Proposition 51 to Pre-1986 Abuse Claims, State Court Ruling and**
11 **Appellate Review.**

12 2. The Court may recall that the Debtor previously reported on an important State Court
13 ruling regarding the applicability of California Proposition 51 to the abuse claims pending against
14 the Debtor and all other institutional defendants in the JCCP 5108 coordinated proceeding in
15 Alameda County Superior Court (“Coordinated Proceeding”) in its October 15, 2025, Status Report.
16 The Debtor provides further detail and background information below.

17 3. On June 3, 1986, Proposition 51, the Fair Responsibility Act of 1986 (“Prop. 51”),
18 was enacted by the voters of the State of California. California Code of Civil Procedure § 1431.2(a),
19 added by Prop. 51 in 1986, provides that a defendant is liable for noneconomic damages only in
20 direct proportion to its fault. *See* Cal. Civ. Proc. Code § 1431.2(a).

21 4. On April 16, 2025, the plaintiffs’ liaison counsel in the Coordinated Proceeding filed
22 an omnibus motion in limine seeking an order prohibiting the application of Prop. 51 to all cases in
23 the Coordinated Proceeding where the alleged abuse occurred prior to June 3, 1986, the date Prop.
24 51 was enacted by the voters of the State of California (hereinafter, the “Plaintiffs’ Motion”). The
25 Institutional Defendants, through defense liaison counsel, opposed the Plaintiffs’ Motion.¹

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28 ¹ Catholic church entities named as defendants in the Coordinated Proceeding cases, including an
archdiocese, six dioceses, and assorted religious orders, comprise the “Institutional Defendants.”

1 5. As previously reported, on August 25, 2025, the State Court issued its ruling that
2 Prop. 51 applies to all pending actions, even if the underlying abuse took place prior to the approval
3 of that initiative in 1986 (the “Prop. 51 Ruling”). This ruling impacts every JCCP 5108, multi-
4 defendant matter in which the alleged abuse took place prior to June 1986, in that if the facts support
5 a determination that one defendant was predominantly responsible, then the plaintiff can only
6 collect the smaller proportional amount of a pain-and-suffering verdict against the remaining
7 defendant(s).

8 6. On October 16, 2025, the Plaintiffs in the Coordinated Proceeding filed a petition
9 for writ of mandate (the “Plaintiffs’ Writ Petition”) with the Second Appellate District (the district
10 designated to hear all appeals and writ petitions arising out of the Coordinated Proceeding), asking
11 that the Prop. 51 Ruling be reversed. On October 27, 2025, the Institutional Defendants filed a
12 preliminary opposition to the Plaintiffs’ Writ Petition. On November 10, 2025, the Second
13 Appellate District issued an order denying the Plaintiffs’ Writ Petition.

14 7. On November 20, 2025, the Plaintiffs filed a petition for review with the California
15 Supreme Court (the “Plaintiffs’ Petition for Review”). On December 30, 2025, the California
16 Supreme Court issued an order granting the Plaintiffs’ Petition for Review and transferred the matter
17 back to the Second Appellate District, with instructions to vacate its denial of Plaintiffs’ Writ
18 Petition, and to proceed with briefing and review.

19 8. The Debtor will be filing an application to employ special appellate counsel to
20 represent it in the writ review process. The Debtor will be reimbursed by ten (10) other California
21 Dioceses interested in the outcome of the review of the Prop. 51 Ruling, each of which will
22 reimburse the Debtor for their equal share. Accordingly, the portion ultimately borne by the Debtor
23 will be limited to one-eleventh of the total appellate counsel fees and expenses.

24 9. The outcome of the appellate court’s review of the Prop. 51 Ruling is directly
25 relevant to the determination of the Debtor’s share of liability in the abuse cases, which form the
26 basis for nearly all of the claims in the Debtor’s bankruptcy case.

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B. Stay Extension Adversary Proceeding Resolution Implementation and Appeals.

10. As the Court may recall, the Debtor initiated an adversary proceeding by filing a complaint for declaratory and injunctive relief, seeking relief from this Court as to the scope of the automatic stay and enjoining the continuation of the state court actions against co-defendants under section 105 of the Bankruptcy Code. The adversary proceeding was necessary because the State Court in the Coordinated Proceeding issued a written case management order stating an intention to proceed with all pending litigation against non-debtor affiliates of any diocese in bankruptcy, but directed the defendants to seek relief in Bankruptcy Court within a certain time period if they took the position that the automatic stay applied. The Debtor's motion for a preliminary injunction was granted by stipulation with the Committee and the relevant survivor claimants. [ECF Nos. 87, 90, and 91, Adv Proc]. The motion to approve the aspects of the stipulation that involve relief from stay was heard and granted on July 23, 2025, at 11:00 a.m. [ECF Nos. 1441 and 1484].

11. Interstate Fire & Casualty Company and National Surety Corporation ("Interstate") appealed the Court's order approving the stipulation in the main case, as did Certain Underwriters at Lloyd's, London and Certain London Market Insurance Companies ("LMI").² The appeal has been assigned to District Court Judge the Honorable William B. Shubb. The two appeals have been procedurally consolidated. The Creditors' Committee has filed motions to dismiss the appeals for lack of standing, which were denied.

12. Interstate's and LMI's opening briefs were filed. The Debtor and the Committee filed their appellee response briefs on January 12, 2026. Reply briefs are due January 26, 2026.

13. Notwithstanding the appeal, the Debtor has proceeded to implement the stipulation.

a. The Debtor negotiated a confidential defense agreement with its insurers governing the services and payment of lead defense counsel for the four "released" cases under the stipulation. The Debtor had filed, and the Court has approved, an employment application for lead defense counsel and a supplemental employment application. [ECF Nos. 1706 and 1707]. The

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² The Debtor's other primary insurers, who did not appeal the order, are Hartford and Catholic Mutual Group.

1 agreement with the insurers provides for a sharing of costs of defense as outlined in the employment
2 applications.

3 b. The State Court has terminated the discovery stay on the “released” cases.
4 Thus, the parties in those four cases are allowed to proceed with discovery. Once discovery is
5 completed, the State Court likely will “remand” the cases to the home county Superior Court, here
6 Sacramento County Superior Court, for trial setting.

7 c. The stipulation provided that Survivor Defendants (regardless of whether
8 their claims are selected as “released” cases) may make written settlement demands on the Debtor,
9 request that the Debtor tender those demands to the appropriate insurers, and request that the
10 insurers pay those demands. The Parties further agreed that such demands are not a violation of the
11 automatic stay. To date, the Debtor has not received any settlement demands.

12 **C. Real Property Monetization.**

13 14. In prior mediation sessions, the Debtor and Committee met and conferred on a list
14 of certain estate real property to be sold. The parties agreed that approximately eighteen (18)
15 properties should be marketed and sold. Many of the properties are acres of unimproved real estate
16 of interest to developers, which presents unique opportunities for value maximization but also
17 complexities.

18 15. The Debtor filed an application to employ Colliers International CA, Inc.
19 (“Colliers”) as broker for these properties. The application was granted. [ECF Nos. 1334 and
20 1339].

21 16. The process to maximize value of those properties has been vigorously underway.
22 While only one property has been sold, several large dollar properties are in contract negotiations.
23 Thirteen (13) of the eighteen (18) properties are on the market. The Debtor is working with the
24 broker to develop the schedule for the other five properties, which will be shared with the
25 Committee. The Debtor has provided status reports to the Committee as provided in the order
26 approving the broker employment.

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17. The amount of proceeds the Debtor is able to generate from the sale of these properties is directly related to its ability to fund a settlement in this case. Thus, the Debtor is highly focused on the marketing and sale process.

D. Plan Standstill Agreement with Committee.

18. The period during which the Debtor had the exclusive right to file a chapter 11 plan expired on October 1, 2025.

19. The Debtor and the Committee agreed to a “stand still” for filing a chapter 11 plan for an original 60-day period, subject to further extensions. The stipulation was filed with the Court at ECF No. 1657. The Court entered its order approving the stipulation at ECF No. 1659. That initial stand still agreement expired December 1, 2025.

20. The Debtor and the Committee entered into a Second Stipulated Standstill Agreement extending the “stand still” agreement to March 1, 2026, which was approved by the Court. [ECF Nos. 1728 and 1730].

E. Avoidance Action Tolling Agreement.

21. The Debtor, the Committee and all of the parishes, supporting organizations, social services agencies and educational ministries (collectively, the “Non-Debtor Catholic Entities”) have entered into a Stipulated Tolling Agreement tolling the deadline for bringing Avoidance Claims (as defined therein) to January 1, 2027.

22. The Debtor has produced a report to the Committee showing all transfers for the seven years prior to the Petition Date. While the Debtor contends no transfers are subject to potential avoidance, the extension of the avoidance actions deadline is an easy way to allow the parties to focus on a global resolution in mediation, rather than expend limited estate resources investigating and litigating potential avoidance claims.

23. The Stipulated Tolling Agreement was filed with the Court at ECF No. 1807 and 1808, and an order was lodged approving the same.

F. Mediation Update.

24. As previously reported and without waiving the mediation privilege, there have been numerous mediation meetings, calls and video sessions with the Mediator, the Debtor, the

1 Committee and Insurers. The Debtor continues to be in regular communication with the Mediator
2 to move the case along. The Debtor has developed work streams on claims analysis, insurance,
3 comparable settlements in other diocesan cases, and asset valuations, with ongoing efforts
4 continuing both with the assistance of the Mediator and independently.

5 25. Without waiving the mediation privilege, the Debtor reports that there have been
6 several exchanges of offers between the Debtor and the Committee. The Debtor has sent settlement
7 demands to its insurers as well. The Mediator recently met with some of the insurers, with others
8 to meet in the near term. The Mediator reports that he intends to set an in-person mediation session
9 prior to April 1.

10 26. Since 2004, there have been approximately forty (40) Catholic dioceses or religious
11 orders that have filed chapter 11.³ Publicly available information exists on the global settlement
12 amounts that formed the basis for the consensual chapter 11 plans.⁴ Given this information, there
13 is no reason why the parties should not be able to resolve this matter in mediation.

14 **G. Other Updates.**

15 27. Interim fee applications for Debtor and Committee professionals and the Fee
16 Examiner are set for hearing on January 26, 2026. The Debtor is not aware of any opposition and
17 believes the Fee Examiner has resolved all issues. The Debtor anticipates the Fee Examiner will
18 file her report shortly.

19 28. The next round of interim fee applications is scheduled to cover the two-month
20 period of December 2025 and January 2026. They are to be filed by February 18, 2026, with a
21 target hearing date of March 25, 2026.

22 **H. Conclusion.**

23 29. Virtually all of the Chapter 11 diocesan or religious organization bankruptcy cases
24 filed prior to the Debtor's filing that have proceeded through plan confirmation have resulted in
25 consensually confirmed reorganization plans, the exceptions being some non-settling insurers. In
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27 ³ See Reilly, Marie T., "A: Case Information" (2025). *Catholic Dioceses in Bankruptcy*. 37.
<https://insight.dickinsonlaw.psu.edu/bankruptcy/37>.

28 ⁴ See Reilly, Marie T., "B: Outcomes of Cases" (2025). *Catholic Dioceses in Bankruptcy*.
36. <https://insight.dickinsonlaw.psu.edu/bankruptcy/36>.

1 all of those cases, the terms for a consensual reorganization plan were reached following a mediation
2 process in which the debtor, non-debtor entities, insurers and the creditors' committee representing
3 the interests of survivors of sexual abuse participated.

4 30. The Chapter 11 process has created a structure for the transparent provision of
5 information to the Committee and Insurers (which is substantially accomplished), all constituents
6 have professional representation, a professional and experienced mediator is in place, and there is
7 a framework for the parties to negotiate a global settlement. The Debtor's goal is to work with the
8 Committee through the mediation process to negotiate a plan of reorganization as early as possible
9 which will: allocate fair compensation among the legitimate competing interests for such property;
10 provide a process to fully, fairly and expeditiously resolve claims of Abuse survivors; and permit
11 the RCBS to carry on the RCBS's essential ministries and services so the RCBS can continue to
12 meet the needs of the Non-Debtor Catholic Entities, parishioners, and others who rely on the
13 RCBS's ministry, education, and charitable outreach.

14 31. The Debtor requests that the status conference in the main case and the adversary
15 proceeding be continued to March 25, 2026, which is when the next round of interim fee
16 applications are targeted to be set for hearing.

17 Dated: January 16, 2026

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