

17

STINSON LLPRobert T. Kugler (*pro hac vice*)

robert.kugler@stinson.com

Drew Glasnovich (*pro hac vice*)

drew.glasnovich@stinson.com

50 S. 6th Street, Suite 2600

Minneapolis, Minnesota 55402

Telephone: (612) 335-1500

KELLER BENVENUTTI KIM LLP

Tobias S. Keller (Cal. Bar No. 151445)

(tkeller@kbbkllp.com)

David A. Taylor (Cal. Bar No. 247433)

(dtaylor@kbbkllp.com)

Gabrielle L. Albert (Cal. Bar No. 190895)

(galbert@kbbkllp.com)

101 Montgomery Street, Suite 1950

San Francisco, California 94104

Telephone: (415) 496-6723

Facsimile: (650) 636-9251

*Counsel for the Official Committee of Unsecured Creditors***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: STI-15

Date: March 25, 2026

Time: 11:00 a.m.

Location: Courtroom 35 (Dept. C)

Judge: Hon. Christopher M. Klein

COMMITTEE'S MOTION FOR DERIVATIVE STANDING

The Official Committee of Unsecured Creditors (the "Committee") of the Roman Catholic Bishop of Sacramento (the "Debtor"), by and through its undersigned counsel, hereby moves for an order, substantially in the form of **Exhibit A** to this motion (the "Motion"), granting the Committee standing and authority to commence, prosecute, and settle (subject to Court approval)

1 certain causes of action on behalf of the Debtor's bankruptcy estate. In support of this Motion, the
2 Committee respectfully states as follows:

3 INTRODUCTION

4 In the decades preceding this bankruptcy, the Debtor incurred hundreds of millions of
5 dollars of civil liabilities to survivors of sexual abuse ("Survivors") for acts perpetrated upon them
6 by the Debtor, its clergy, and other employees. The Debtor's prepetition settlements with
7 Survivors indicate either that the liability exposure precipitating this bankruptcy rendered the
8 Debtor insolvent or unable to pay its debts as they came due, or that such insolvency was
9 imminently upon the Debtor.

10 At the same time, the Debtor continued to transfer large sums of its own money to other
11 Catholic entities, many of which are affiliated with, or directly or indirectly controlled by, the
12 Debtor.

13 From the day the Committee was appointed, the Debtor, the Committee, and their
14 respective professionals have collaborated to progress this case towards a global settlement that
15 will enable Survivors to recover some recompense for their suffering. To ensure those recoveries
16 are as large as possible, the Committee asked the Debtor to pursue, or to explain why it would
17 not pursue, certain causes of action (the "Avoidance Actions") to avoid and recover for the benefit
18 of the estate some of the transfers to non-Debtor Catholic entities that were made within four
19 years of the petition date.¹ While the Debtor disputes the benefits of bringing Avoidance Actions,
20 it was largely cooperative with the Committee in obtaining tolling agreements with its affiliated
21 Catholic entities in order to facilitate continued discussions in mediation. But for certain entities
22 with whom the Debtor is not as closely tied, the parties could not obtain such tolling agreements.
23 The remaining Avoidance Actions could bring millions of dollars back into the estate for the
24 benefit of Survivors. Notwithstanding that possibility – and despite evidence suggesting that these
25 transfers are avoidable – the Debtor has unjustifiably refused to pursue the Avoidance Actions.

26 ¹ The Avoidance Actions include claims of constructive and actual fraudulent transfers under 11 U.S.C. §§
27 548(a)(1) and 544(b)(1) and California's Uniform Voidable Transactions Act (Cal. Civ. Code § 3439, *et seq.*) (the
28 "UVTA"). The facts justifying the Avoidance Actions – all of which apply to the Potential Defendants, as that term
is defined below – are set out in the complaint (the "Complaint") attached as **Exhibit B** to this Motion.

1 The expected benefits to the estate far outweigh the costs of pursuing the Avoidance
2 Actions. For that reason, and in light of the Debtor's unreasonable refusal to pursue them, the
3 Committee now asks the Court for derivative standing and authority to commence, prosecute, and
4 potentially settle those claims on behalf and for the benefit of the estate. Alternatively, the
5 Committee requests that the Court equitably toll the avoidance action deadline set forth by Section
6 546(a) of the Bankruptcy Code.

7 **FACTUAL BACKGROUND**

8 **A. Events Prior to the Petition Date.**

9 1. Between 2002 and 2019, the Debtor settled with dozens of lawsuits with Survivors
10 who initiated litigation against the Debtor for childhood sexual abuse. The amount spent by the
11 Debtor to settlement these claims – the majority of which was paid directly by the Diocese –
12 collectively cost the Diocese tens of millions of dollars.²

13 2. As explained by Thomas McNamara, the Debtor's CFO:

14 In 2002 . . . 34 civil claims were filed against RCBS [for childhood sexual abuse].
15 In 2005, as a result of negotiations across several mediation sessions, the parties
16 reached a global settlement of all the pending claims for a total of \$35 million . . .
17 [and] in the end RCBS paid approximately half of the total settlement *out of its own*
18 *finances*. Between 2005 and 2019, additional claims were made against RCBS by
19 individuals claiming abuse by clergy. During that time period, the RCBS reached
20 settlements with approximately 26 survivors, paying them a total amount in excess
21 of \$15.7 million. Approximately 82% of the total amount of settlement payments to
22 survivors during that period [] was paid from RCBS finances.

23 [Docket No. 6, p. 15] (Mr. McNamara's first-day declaration) (emphasis added); *see also id.* at p.
24 16 (noting that "since 2000 the RCBS and its insurers have [collectively] paid \$52.8 million in
25 legal settlements in an effort to fulfill the RCBS's responsibility for abuse of minors by a diocesan
26 clergy").

27 3. As emphasized throughout the course of this case, the passage of AB 218 in 2019
28 resulted in approximately 260 Survivors filing actions (the "State Court Actions") against the

² The Debtor also settled a number of informal claims in 2019 for approximately \$1.625 million, all of was paid directly by the Diocese. [Docket No. 6, p. 15].

Debtor and/or its Affiliates between 2020 and April 1, 2024 (the “Petition Date”). Notably, approximately 211 of the State Court Actions (roughly 81%) were asserted in 2021 and 2022. [Docket No. 1282, pp. 21-46].

4. Although the Diocese’s net assets hovered around \$120 million during this timeframe,³ the settlement amounts paid to Survivors from 2002 through 2019 averaged nearly \$850,000 per claim, and as noted above, the vast majority of those sums were paid directly by the Debtor rather than through insurance. [Docket No. 6, p. 15].

5. Assuming (strictly for the purposes of this Motion) that this average tracks across each State Court Action, the Diocese faced \$221,000,000 in liabilities in the four (4) years immediately preceding the Petition Date. Put differently, between 2020 and 2024, the Debtor’s assets were unmistakably dwarfed by its liability exposure.

6. Accordingly – and as the Debtor has observed since the outset of this case – the sheer volume of State Court Actions placed it at acute risk of insolvency in the four (4) years preceding the Petition Date. [Docket No. 6, pp. 15-16] (“I am informed and believe that the RCBS’s total exposure is *likely to exceed its assets*. Th[e] volume of [State Court Actions] puts the RCBS in *immediate, dire financial distress*[.]”) (emphasis added); *see also Report of Independent Auditors and Financial Statements with Supplementary Information, Roman Catholic Diocese of Sacramento Administrative Office*, <https://www.scd.org/sites/default/files/2023-10/Audited%20Financial%20Statements%20-%20June%2030%2C%202022.pdf> (last visited February 12, 2026) (noting that, in FY 2022, “the [Debtor] has stated that substantial doubt exists about [its] ability to continue as a going concern”).

³ See, e.g., *Roman Catholic Diocese of Sacramento Administrative Office Financial Statements Year Ended June 30, 2021*, <https://www.scd.org/sites/default/files/2022-03/SCD-Financial-Statement-2021.pdf> (last visited February 12, 2026) (noting \$120,577,1001 in net assets in FY 2021); *Report of Independent Auditors and Financial Statements with Supplementary Information, Roman Catholic Diocese of Sacramento Administrative Office*, <https://www.scd.org/sites/default/files/2023-10/Audited%20Financial%20Statements%20-%20June%2030%2C%202022.pdf> (last visited February 12, 2026) (noting \$120,555,253 in net assets in FY 2022); *Report of Independent Auditors and Financial Statements with Supplementary Information, Roman Catholic Diocese of Sacramento Administrative Office*, <https://www.scd.org/sites/default/files/2024-03/Diocese%20of%20Sacramento%20-%20FS%202023%20-%20Final.pdf> (last visited February 12, 2026) (noting \$124,104,516 in net assets in FY 2023).

7. Despite the liability exposure created by the State Court Actions, the Debtor continually transferred millions of dollars to various Catholic-related affiliates, charitable organizations, and individuals following the passage of AB 218, none of whom appear to have provided the Debtor with any financial benefit in return.

B. Post-Petition Information Received by the Committee.

8. The Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code on April 1, 2024. [Docket No. 1]. In accordance with 11 U.S.C. § 546(a), the deadline to bring avoidance actions under both the Bankruptcy Code and under California's UVTA is April 1, 2026 (the "Avoidance Action Deadline").

9. In early-to-mid 2025, the Diocese and its financial advisor, GlassRatner Advisory & Capital Group LLC ("GlassRatner"), provided the Committee and FTI Consulting, Inc. ("FTI") with a general ledger reflecting more than ten years' worth of cash transfers made by the Diocese prior to the Petition Date. See Declaration of Drew Glasnovich in Support of the Committee's Motion for Derivative Standing (the "Glasnovich Declaration"), filed contemporaneously herewith.

10. That general ledger contained over 800,000 lines and was deficient in a number of respects, including because:

- i. A single transaction created multiple lines across multiple Diocese bank accounts, meaning that each line in the ledger did not reflect discrete transfers;
- ii. Most or all transferees were not listed by name and were not otherwise knowable to the Committee;
- iii. The ledger was not provided in Excel (or any other workable format), and required extensive data normalization and clean-up before it could be used by the Committee and its professionals, including FTI;
- iv. The Committee and its professionals, including FTI, could not otherwise determine the nature, extent, or recipients of the Diocese's pre-petition transfers from the general ledger with any degree of accuracy.

11. On or around October 15, 2025, FTI contacted GlassRatner and requested, among other things, a revised summary (the "Updated Summary") of the transfers listed in the general

1 ledger (a) prepared in Excel or another searchable format; (b) reflecting any and all dispositions
2 of liquid assets in the seven years prior to the Petition Date; and (c) reflecting the transferees of
3 each such disposition.

4 12. FTI and the undersigned subsequently reached out to GlassRatner and Debtor's
5 counsel, respectively, on multiple occasions throughout the end of 2025 regarding the status of
6 GlassRatner's Updated Summary. In response, Debtor's counsel and GlassRatner indicated that
7 their preparation of the Updated Summary was delayed for a number of reasons, including
8 because there were certain older transactions requiring further review.

9 13. Despite the Committee and FTI's repeated requests, GlassRatner and the Debtor
10 did not provide the Updated Summary until January 7, 2026, nearly three (3) months after FTI's
11 initial October 2025 request for same and less than three (3) months prior to the Avoidance Action
12 Deadline.

13 14. Given this delay and the imminent Avoidance Action Deadline, the Debtor, the
14 Committee, and certain transferees affiliated with the Debtor agreed to toll the Avoidance Action
15 Deadline by one year, through and including through April 1, 2027. The Committee and the
16 Debtor filed that agreement (the "Tolling Agreement") in January 2026, *see* [Docket No. 1807],
17 and the Court approved the Tolling Agreement on January 17, 2026. [Docket No. 1824].

18 15. The Tolling Agreement was not, however, executed by every relevant pre-petition
19 transferee of the Debtor. Accordingly, after receiving the Updated Summary, the undersigned
20 emailed Debtor's counsel on February 9, 2026, requesting:

- 21 i. Additional information explaining why the Debtor would not avoid approximately
22 \$7,268,911 in pre-petition transfers to nineteen (19) different transferees; and
23 ii. That, where possible, the Debtor secure a tolling agreement with each Potential
24 Defendant to avoid the passage of the upcoming Avoidance Action Deadline.

25 16. The undersigned specifically requested further information regarding the
26 following parties:
27
28

Party	Transfer Amount in the Four Years Prior to the Petition Date
1. United States Conference of Catholic Bishops	\$2,181,737
2. California Catholic Conference, Inc.	\$1,123,741
3. Catholic Diocese of Lansing	\$943,165
4. Debbie Weinrich, LCSW	\$602,276
5. The Apostolic Nunciature	\$687,315 ⁴
6. Christian Brothers High School	\$354,143
7. Robert Dunning	\$314,536
8. Benjamin Thomas Williams	\$194,795
9. Mercy High School	\$145,045
10. Griselda Havey	\$121,671
11. Amavilia Parker	\$80,446
12. Gerald Lane	\$75,124
13. Gabriel Sorenson	\$69,862
14. Rev. Francisco Hernandez Tovar	\$65,553
15. Jesse W. Roberts	\$65,259
16. Robert C. Smith	\$65,000
17. Jesus Hernandez	\$62,925
18. Zulema L. Guzman	\$60,737
19. Meghan Rangel	\$55,581
Total	\$7,268,911

⁴ Although the Updated Summary initially listed the transfer amount to the Apostolic Nunciature in the four (4) years prior to the Petition Date as totaling \$875,315, Debtor's counsel later clarified that this amount totals \$687,315. The Committee reserves the right to update the value of any transfer amount to any Potential Defendant (as defined below) for any reason.

17. Notably, many of these parties were not listed on the Debtor's Statement of Financial Affairs, and the Debtor's Schedule A does not list any claims against these parties as assets of the estate. *See generally* [Docket Nos. 250-51, 375].

18. In any event, following subsequent discussions between the Debtor and the Committee, the Debtor has indicated that (i) no Avoidance Action should be pursued; and (ii) as a result, it is unnecessary for the Debtor to secure tolling agreements from any pre-petition transferee.

19. After reviewing additional information provided by the Debtor, however, the Committee believes the following transfers to the following parties (the "Potential Defendants") are avoidable and should be pursued:

Potential Defendant	Relevant Transfer Amount
1. United States Conference of Catholic Bishops	\$2,181,737
2. California Catholic Conference, Inc.	\$320,016 ⁵
3. The Apostolic Nunciature	\$687,315
4. Rev. Francisco Hernandez Tovar	\$65,553
Total	\$3,254,621

20. Additional information regarding the Avoidance Actions, including the relevant transfer dates for each Potential Defendant, is provided in the schedule attached hereto as **Exhibit C**.

21. Given both the Debtor's failure to timely respond to the FTI and the Committee's repeated requests for additional information and the impending Avoidance Action Deadline, and for the reasons discussed below, the Committee requests that the Court (a) grant the Committee standing and authority to commence, prosecute, and settle (subject to Court approval) the causes

⁵ Although the transfers to the California Catholic Conference in the four (4) years prior to the Petition Date collectively total \$1,123,741, *see* Ex. C, the Committee currently believes (based on representations made by the Debtor) that only \$320,016 of that amount is avoidable.

1 of action listed in the Complaint⁶ on behalf of the Debtor's bankruptcy estate; or, alternatively,
2 (b) equitably toll the Avoidance Action Deadline by one (1) year, through and included April 1,
3 2027, with respect to prepetition transferees that are not signatories to the Tolling Agreement and
4 do not execute tolling agreements prior to the hearing on this Motion.

5 JURISDICTION AND VENUE

6 22. The Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334.

7 23. The Motion constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and
8 the Court has constitutional authority to rule on this Motion by final order.
9

10 24. Venue in this Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

11 ARGUMENT

12 The Ninth Circuit's Bankruptcy Appellate Panel has explained that "[a] creditor
13 dissatisfied with the lack of action on the part of the debtor-in-possession may petition the court
14 to compel the debtor-in-possession to act or gain court permission to institute the action itself."⁷
15 More recently, the Ninth Circuit itself recognized that:
16

17 [Although] the Bankruptcy Code contains no explicit authorization for the initiation
18 of an adversary proceeding by a creditors' committee, a qualified implied
19 authorization exists under 11 U.S.C. § 1103(c)(5) . . . So long as the bankruptcy
20 court exercises its judicial oversight and verifies that the litigation is indeed
21 necessary and beneficial, allowing a creditors' committee to represent the estate
22 presents no undue concerns.⁸
23

24 ⁶ As noted above, the causes of action asserted in the Complaint include claims arising under 11 U.S.C. §§
105, 544, 548, 550, 1102, 1103, and 1109, as well as California's UVTA (Cal. Civ. Code § 3439, *et seq.*).

25 ⁷ *In re Spaulding Composites Co., Inc.*, 207 B.R. 899, 903 (B.A.P. 9th Cir. 1997); *see also In re Curry &*
26 *Sorensen, Inc.*, 57 B.R. 824, 828 (B.A.P. 9th Cir. 1986) ("[I]f an aggrieved creditor believes that the debtor-in-
27 possession has failed to fulfill its duty to prosecute actions, then the creditor must bring this to the attention of the
court by an appropriate motion. This promotes the fair and orderly administration of the bankruptcy estate by providing
judicial supervision over the litigation to be undertaken.").

28 ⁸ *Issa v. Royal Metal Indus. (In re X-Treme Bullets, Inc.)*, 2024 U.S. App. LEXIS 4641, 2-3 (9th Cir. 2024).

1 Courts exercising this oversight ask a simple question: whether granting a committee's request for
2 derivative standing "would forward the reorganization effort, or to the contrary, might be a
3 detriment."⁹

4 In addition to obtaining permission from the bankruptcy court, a creditors' committee must
5 demonstrate two things in order to have standing to pursue a claim on behalf of the debtor's estate:
6 first, that the claim asserted on behalf of the estate is colorable; and second, that the debtor
7 unjustifiably refused the committee's demand that the debtor pursue the claim.¹⁰

8 As discussed below, the Committee's proposed Avoidance Actions carry a minimal cost,
9 but have the potential to recover approximately \$3,254,621 for the estate, and will otherwise
10 advance efforts to reach a global resolution. Moreover, the Complaint states colorable causes of
11 action that the Debtor unjustifiably refuses to pursue despite a written demand from the
12 Committee. In these circumstances, the Committee "has a duty to take action" and seeks the
13 Court's permission to do so.¹¹

14
15
16 **I. The Avoidance Actions Are Necessary and Beneficial to the Debtor's Reorganization.**

17 On the whole, the Avoidance Actions are the only mechanism by which to recover the
18 millions of dollars that the Debtor placed beyond the reach of its creditors in the four (4) years
19 preceding the Petition Date. For this reason, the Avoidance Actions are necessary to maximize the
20 value of the Debtor's bankruptcy estate. Moreover, pursuing the Avoidance Actions could
21

22 ⁹ *In re Curry & Sorensen, Inc.*, 57 B.R. 824, 828 (B.A.P. 9th Cir. 1986).

23 ¹⁰ *See In re first Capital Holdings Corp.*, 146 B.R. 7, 11 (Bankr. C.D. Cal. 1992); *see also In re Roman Cath.*
24 *Bishop of Great Falls, Montana*, 584 B.R. 335, 338–39 (Bankr. D. Mont. 2018); *In re Valley Park*, 217 B.R. 864, 866
25 (Bankr. D. Mont. 1998); *Louisiana World Exposition v. Fed. Ins. Co.*, 858 F.2d 233, 247 (5th Cir. 1988) ("While the
26 circumstances under which a creditors' committee may sue are not explicitly spelled out in the Code, the bankruptcy
courts have generally required that the claim be colorable, that the debtor-in-possession have refused unjustifiably to
pursue the claim, and that the committee first receive leave to sue from the bankruptcy court.").

27 ¹¹ *In re first Capital Holdings Corp.*, 146 B.R. 7, 11 (Bankr. C.D. Cal. 1992) ("A creditors' committee has a
28 duty to take action when the debtor fails to take appropriate action for the benefit of the estate . . . [I]t may seek court
permission to institute an action itself on behalf of the estate. If the committee believes that the debtor has failed to
fulfill its duty to prosecute actions, the committee has an obligation to bring this to the attention of the Court.").

1 potentially progress the Debtor's reorganization proceedings towards an equitable, expeditious
2 conclusion.¹²

3 More specifically, while litigation of the Avoidance Actions does not come without typical
4 litigation expense, the amount at issue – approximately \$3,254,621 – fully justifies the litigation
5 contemplated by this Motion. Ultimately, the cost to litigate the Avoidance Actions is no more
6 than that of any other claims brought under chapter 5 of the Bankruptcy Code – proceedings that
7 this Court and bankruptcy courts nationwide oversee routinely and as a matter of course.
8

9 Perhaps more importantly, the factual and legal developments during the litigation of the
10 Avoidance Actions might also illuminate other disputed issues in this bankruptcy. For instance, if
11 the litigation reveals that the Debtor and/or its affiliated parties do not have evidence that millions
12 of dollars they claim are “restricted” (and thus unreachable by creditors) are in fact “unrestricted,”
13 then even more funds will be available to compensate Survivors and bring this chapter 11 case
14 nearer to resolution.
15

16 Because the Avoidance Actions seek to recover a substantial amount for the benefit of
17 creditors, as well as develop important factual and legal issues integral to this chapter 11 case, the
18 Court should permit the Committee to pursue these claims on behalf of the Debtor's estate.
19
20
21
22
23
24

25 ¹² The Committee and FTI have worked collaboratively with the Diocese and its professionals throughout this
case, and intend to continue to discuss the issues raised herein prior to any hearing on the instant Motion.

26 Additionally, while the Committee is fully committed to prosecuting these Avoidance Actions to their conclusion, it
27 would also propose to stay any litigation once the Complaint is filed and served to allow for mediation to continue
28 with the Debtor, in hopes of reaching a consensual resolution to this chapter 11 case. If mediation breaks down, or if
a Potential Defendant wishes to continue litigation, the Committee would be fully prepared to see the adversary
proceeding through trial or settlement.

II. The Complaint States Colorable Causes of Action

It is well-established that, in the context of a creditor's request for derivative standing, the creditor's proposed action is "colorable" if it would survive a motion to dismiss.¹³ Establishing a colorable claim is a low standard that is easily met.¹⁴ To meet this standard, the Committee need only show that, if the alleged facts were taken as true, it would have a plausible claim or cause of action.¹⁵

Taking the alleged facts as true, the Complaint states six colorable causes of action. Namely: (1) transfers to the Potential Defendants within two years of the Petition Date were actual fraudulent transfers avoidable under § 548(a)(1)(A) of the Bankruptcy Code; (2) transfers to the Potential Defendants within two years of the Petition Date were constructive fraudulent transfers avoidable under § 548(a)(1)(B) of the Bankruptcy Code; (3) all transfers to the Potential Defendants within four years of the Petition Date were actual fraudulent transfers under California's UVTA § 3439.04(a)(1) and avoidable under § 544(b)(1) of the Bankruptcy Code; (4) all transfers to the Transferee within four years of the Petition Date were constructive fraudulent transfers under California's UVTA § 3439.04(a)(2) avoidable under § 544(b)(1) of the Bankruptcy Code; (5) all transfers to the Potential Defendants within four years of the Petition Date were constructive fraudulent transfers under California's UVTA § 3439.05(a) avoidable under

¹³ *In re Roman Cath. Bishop of Great Falls, Montana*, 584 B.R. 335, 339 (Bankr. D. Mont. 2018) ("[T]he Diocese does not dispute that the Committee's claims challenging the affiliates' interests are indeed colorable, i.e., that they could surely survive a motion to dismiss.").

¹⁴ *See, e.g., Adelpia Comm'ncs Corp. v. Bank of America NA (In re Adelpia Commc'ns Corp.)*, 330 B.R. 364, 376 (Bankr. S.D.N.Y. 2005) (observing that the requisite standard for presenting a "colorable" claim is not a difficult one to meet); *Official Comm. of Unsecured Creditors v. Hudson United Bank (In re America's Hobby Ctr.)*, 223 B.R. 275, 288 (Bankr. S.D.N.Y. 1998) (holding that derivative standing should only be denied if the claim is "facially defective").

¹⁵ *E.g., Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) ("[A] complaint must contain sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face.") (citations omitted).

§ 544(b)(1) of the Bankruptcy Code; and (6) each transfer to the Potential Defendants are recoverable for the benefit of the estate under § 550 of the Bankruptcy Code

Again, the Debtor transferred approximately \$3,254,621 to the Potential Defendants in the four (4) years immediately prior to the Petition Date. Notwithstanding the age of this proceeding, and notwithstanding the Committee's repeated, months-long requests for additional information, the Debtor has produced no evidence that it received **any value whatsoever** in exchange for these transfers.¹⁶

Notably, however, the Potential Defendants include:

- i. United States Conference of Catholic Bishops, a national bishops' association,¹⁷ who received \$2,181,737 from the Debtor;
- ii. The California Catholic Conference, Inc., a statewide public-policy organization, who received \$1,123,741 from the Debtor, at least \$320,016 of which is avoidable;
- iii. The Apostolic Nunciature, the diplomatic mission of the Holy See in the United States, who received \$687,315.33 from the Debtor;
- iv. Rev. Francisco Hernandez Tovar – a former priest **fired by the Debtor in 2008** after credible reports of sexual misconduct towards a minor – who received \$65,553 in the four (4) years prior to the Petition Date.¹⁸

The identity of the Potential Defendants thus indicates that these transfers were likely donations by the Debtor for charitable purposes, which (while an admirable sentiment) are not a

¹⁶ To the extent the Debtor believes it did in fact receive value from the Potential Defendants in the four (4) years prior to the Petition Date, those issues can be explored in discovery and – if proven – would potentially function as a defense to the liability asserted by the Complaint.

¹⁷ See, e.g., *United States Conference of Catholic Bishops*, <https://www.usccb.org/about> (last accessed February 10, 2025) (“The United States Conference of Catholic Bishops (USCCB) is an assembly of the hierarchy of bishops who jointly exercise pastoral functions on behalf of the Christian faithful of the United States and the U.S. Virgin Islands.”).

¹⁸ See *Addressing the Wounds Inflicted by Clergy Abuse*, Diocese of Sacramento, <https://www.scd.org/clergyabuse/list/francisco-hernandez-tovar> (last visited February 16, 2026); *List of Credibly Accused Clergy*, Diocese of Sacramento, <https://www.scd.org/clergyabuse/list> (last visited February 23, 2026) (describing Rev. Tovar as having “retired without faculties”).

1 permissible expenditure when an entity faces hundreds of millions of dollars of liabilities arising
2 from claims of child sexual abuse.¹⁹

3 Because the Potential Defendants received the transfers from the Debtor at a time when the
4 Debtor's civil liabilities were pushing it into insolvency, *see supra*, and because the Potential
5 Defendants apparently provided no cognizable consideration or other benefit to the Debtor in
6 exchange for those transfers, the Committee has stated a colorable claim and should be permitted
7 to prosecute the Avoidance Actions against the Potential Defendants.
8

9 **III. The Debtor Unjustifiably Refuses to Pursue the Avoidance Actions.**

10 A debtor-in-possession owes fiduciary duties to its creditors and must act with diligence to
11 preserve the assets of the bankruptcy estate.²⁰ In light of those duties, analyzing a debtor's refusal
12 to assert an estate claims "focuses on whether a clear benefit to the estate can be identified or
13 whether only insignificant benefits would be realized."²¹ Rather than conduct a mini-trial to
14 evaluate a request for derivative standing, a court must simply weigh the potential costs against
15 the plausible benefits of a given cause of action.²²
16

17 Here, the Debtor likely feels uncomfortable admitting transfers to the Potential Defendants
18 were imprudently made at a time when the Debtor was acutely aware of the mounting wave of
19 child sex abuse claims that would lead to this bankruptcy. Similarly, the Debtor may potentially
20 be concerned about the optics of litigating against Catholic entities and other parties that it
21

22
23 ¹⁹ 11 U.S.C. § 548(a)(3) (noting that a charitable contribution exempt from avoidance under § 548 must be made by a natural person and providing no such exception for entities like the Debtor).

24 ²⁰ *In re Curry & Sorensen, Inc.*, 57 B.R. 824, 828 (B.A.P. 9th Cir. 1986) ("[T]he debtor's directors bear essentially the same fiduciary obligation to creditors and shareholders as would a trustee for a debtor out of possession[.]"); *see also Commodity Futures Trading Comm'n v. Weintraub*, 471 U.S. 343, 355 (1985) ("The fiduciary duty of the trustee runs to shareholders as well as to creditors.").

26 ²¹ *In re Foster*, 516 B.R. 537, 542–43 (B.A.P. 8th Cir. 2014), *aff'd*, 602 Fed. Appx. 356 (8th Cir. 2015).

27 ²² *See, e.g., In re Adelpia Comm'ns. Corp.*, 330 B.R. 364, 386 (Bankr. S.D.N.Y. 2005); *In re Roman Cath. Bishop of Great Falls, Montana*, 584 B.R. 335, 338–39 (Bankr. D. Mont. 2018) (citing *In re Yellowstone Mountain Club, LLC*, 2009 WL 982207 *6 (Bankr. D. Mont. 2009).

1 collaborates with regularly. But the Debtor elected to put aside that discomfort and concern when
2 it invoked the protections of the Bankruptcy Code.

3 The Committee has worked in good faith with the Debtor to assess whether the Avoidance
4 Actions are colorable claims with the potential to return significant funds to the estate. The only
5 information received from the Debtor indicates that the Avoidance Actions are entirely viable
6 causes of action that would provide the estate with valuable, liquid assets, and the Debtor has
7 pointed to no valid justification warranting its refusal assert these claims against the Potential
8 Defendants. Accordingly, the Court should – for the benefit of the estate – permit the Committee
9 to step in and recover assets that the Debtor will not.
10

11 **IV. The Court Should Equitably Toll the Time to File the Avoidance Actions Under**
12 **Section 546(a)**

13 A court may equitably toll the running of a statute of limitations where “a party is
14 ignorant of a wrong without any fault or lack of diligence on his or her part.”²³ A party seeking
15 equitable tolling must establish (1) “that [s]he has been pursuing [her] rights diligently,” and
16 (2) “that some extraordinary circumstances stood in [her] way” that prevented a timely filing.²⁴
17

18 A party need only act with “reasonable diligence” in investigating claims to satisfy the
19 first element.²⁵ On the second element, courts generally grant significant leeway to parties who
20 are faced with procedural hurdles in bringing their claims, particularly in the context of
21 creditors who must first seek leave to obtain standing to sue.²⁶
22

23 ²³ *Nasr v. De Leon*, 18 F. App'x 601, 606 (9th Cir. 2001).

24 ²⁴ *Kwai Fun Wong v. Beebe*, 732 F.3d 1030, 1052 (9th Cir. 2013); *Gibbs v. Legrand*, 767 F.3d 879, 889-90 (9th
25 Cir. 2014) (“[T]he standard of diligence required of a petitioner seeking equitable tolling is ‘reasonable,’ not
‘maximum feasible’ care.”(citations omitted))

26 ²⁵ *Nasr*, 18 F. App'x at 606 (“Given the complexity of the case, the size of the record, the likelihood that Geary
27 structured the transfers of the Properties to avoid discovery of his alleged fraud, and the limited resources available to
the Trustee, the Trustee acted diligently in insisting on a thorough investigation before using the estate's limited funds
to pursue the avoidance claims.”).

28 ²⁶ *In re Milby*, 875 F.3d 1229, 1235 n.4 (9th Cir. 2017) (“Prior to their appointment—which followed a court-
approved settlement between Charlene and the trustee—the Templetons did not have the power to pursue the subject

1 Here, the Committee and its professionals have spent months requesting information
2 regarding transfers made by the Debtor to its insiders, affiliates, and related Catholic entities.
3 Despite these repeated requests, as noted *supra*, the Debtor did not provide the Committee with
4 any workable information until January 7, 2026, less than three (3) months prior to the Affirmative
5 Action Deadline.²⁷

6 Moreover, the Debtor – despite its affirmative fiduciary duty to maximize the estate for the
7 benefit of its creditors – claims to have investigated the Avoidance Actions but has done little to
8 develop any facts the Committee believes are actually necessary to properly evaluate these claims.
9 The Debtor has instead sat on its hands and failed to timely provide information supporting its
10 decision not to prosecute plausible and valuable claims against the Potential Defendants.

12 In short, after months of dialogue, and following a timely, good-faith request by the
13 Committee to obtain tolling agreements from all relevant parties, the Debtor has (i) failed to timely
14 provide the Committee with the information necessary to evaluate the Avoidance Actions in full;
15 and (ii) steadfastly refused to assert *any* avoidance action against any party, including the Potential
16 Defendants. These facts unequivocally indicate that equitable tolling is appropriate and necessary
17 to both facilitate the potential consensual resolution of the issues presented by this Motion and to
18 maximize the value of the estate. The record therefore supports the equitable tolling of the deadline
19 set forth by Section 546(a), through and including April 1, 2027.
20
21
22
23

24 transfers.”); *see also Uwakwe v. Pelham Acad.*, 286 F. Supp. 3d 213, 225–26 (D. Mass. 2017) (“All the courts to have
25 considered the issue seem to agree that a party’s behavior following the removal of an impediment to suit can factor
26 into the analysis of whether a party was sufficiently diligent to merit equitable tolling in the first place . . . That rule
prohibits courts from constraining litigants to a judicially imposed filing window, and warns against imposing
additional diligence requirements on recipients of equitable tolling.”).

27 ²⁷ While the Committee recognizes that the Debtor did request that certain affiliates execute the Tolling
28 Agreement, *see* [Docket Nos. 1807, 1824], the signatories to the Tolling Agreement simply do not represent the world
of potential avoidance actions owned by the estate.

CONCLUSION

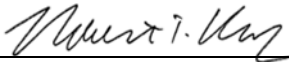
In sum, the Committee seeks authority to recover assets of the estate for the benefit of creditors. The Committee's proposal is inarguably reasonable under the circumstances and will cost the estate little, particularly compared to the potential value of the recoverable transfers at issue.

To the extent the Court believes that further information should be provided prior to granting the Committee derivative standing, the facts and posture of this case unequivocally indicate that equitable tolling of the Avoidance Action Deadline is appropriate.

For the foregoing reasons, the Committee respectfully requests that the Court enter an order, substantially in the form of **Exhibit A** to this Motion, granting the Committee derivative standing to commence, prosecute, and (if the Court approves any eventual settlement) settle the actions detailed in the Complaint on behalf of the Debtor's bankruptcy estate.

Dated: February 23, 2026

STINSON LLP

/s/ 

Robert T. Kugler (*pro hac vice*)
robert.kugler@stinson.com
Drew Glasnovich (*pro hac vice*)
drew.glasnovich@stinson.com
50 S. 6th Street, Suite 2600
Minneapolis, Minnesota 55402
Telephone: (612) 335-1500

*Counsel for the Official Committee
of Unsecured Creditors*