UNITED STATES BANKRUTPCY COURT
EASTERN DISTRICT OF LOUISIANA

IN RE:	§	**CASE NO. 20-10846**
	§	
THE ROMAN CATHOLIC CHURCH OF THE ARCHDIOCESE OF NEW ORLEANS,	§	**CHAPTER 11**
	§	
	§	**COMPLEX CASE**
	§	
DEBTOR.	§	**SECTION A**

ORDER TO SHOW CAUSE

The Debtor in the above-captioned case filed a petition for chapter 11 bankruptcy relief on May 1, 2020. The record indicates that, from the start, the case has been particularly contentious. That said, certain parties in interest have chosen to mediate in good faith since September 2021 in an attempt to reach consensus on terms of a plan of reorganization. To be clear: Resolution measured in years, not months, and the resulting elevated costs incurred are not unusual or unexpected in complex mass-tort cases, given the diversity and sheer number of parties in interest, their differing motivations and goals, and difficult challenges associated with varying applicable law and available remedies. But the high costs paid by both debtors and creditors in terms of time and money in these cases must be balanced and tempered with real progress and movement toward rehabilitation.

In August 2024, to assist the Court in resolving pending contested matters regarding ballooning administrative expenses incurred in this case as well as a challenge to the management of the Debtor, this Court appointed an independent, disinterested expert pursuant to Federal Rule of Evidence 706 to conduct a strategic assessment of the status of this case. [ECF Doc. 3308]. The Court asked the expert to assess and provide a public report regarding:

- The existence and status of a plan structure(s) and available alternatives;

- The structure, functioning, and capabilities of the Debtor's management;
- A review of administrative costs incurred in the context of the record in this case and an assessment of ongoing resources required to bring the case to conclusion; and
- Considering the Debtor's current tort liability, the financial wherewithal of the Debtor to reorganize and proceed as a going concern, including the availability of insurance proceeds and contributions from non-debtor affiliates, as well as implementation of non-monetary remedies to attempt to prevent and/or respond to any future tort liability.

Id.

On September 13, 2024, two proposed plans of reorganization were filed into the record, one proposed by the Official Committee of Unsecured Creditors, [ECF Doc. 3382], and the other proposed by the Debtor, [ECF Doc. 3384]. The proposed plans greatly differ on the amounts and sources of funding that could be distributed to creditors, as well as the form of protections in a plan designed to provide certain and final resolution of liabilities. Neither plan has the support of the other plan's proponent, much less the support of any non-debtor entity that is contemplated in each plan to contribute to the funding of that plan. As previously observed by this Court on the record, given (i) the lessons learned from the records of diocesan cases pending in other districts, (ii) the unique constitutional issues related to diocesan debtors specifically, and (iii) the potential for expensive, protracted litigation associated with the solicitation of competing Debtor and Committee plans, proceeding to trial on competing, unilaterally proposed plans would be a wasteful expenditure of significant time and resources.[1] Thus, the Court views the two proposed plans on file as facially unconfirmable. *See, e.g.*, *In re Babayoff*, 445 B.R. 64, 76 (Bankr. E.D.N.Y. 2011) ("A debtor's ability to effectuate a plan may well turn on practical considerations, including whether confirmation can be achieved. A debtor is unable to effectuate a plan where it 'lacks the

[1] Confirming a plan of liquidation or reorganization over the Debtor's objection itself presents a significant constitutional question. Practically, proceeding with competing plans may require litigating issues of shared liability insurance between the Debtor and non-debtor affiliates, as well as litigation to characterize and define property of the estate, as examples.

ability to formulate a plan or to carry one out.'" (quoting *Hall v. Vance*, 887 F.2d 1041, 1044 (10th Cir. 1989))).

The Court-appointed expert issued his public report on October 23, 2024. [ECF Doc. 3436]. After reviewing the opinions and recommendations contained in the report, the Court began holding regular status conferences with the parties to implement some of the expert's recommendations and structure the environment to provide the best opportunity for the parties to reach consensus on plan terms. That resulted immediately in an expedited, robust exchange of information among parties in interest in anticipation of good-faith mediation among a larger group of constituents to include insurers. On January 24, 2025, this Court entered an Order appointing Judge Christopher Sontchi (ret.) as an additional mediator in this case. [ECF Doc. 3694]. The parties and Judge Sontchi have reported in open court that constituents in this case have engaged in good faith in formal and informal mediation sessions both in-person and virtually.

The Court has made clear on numerous occasions following the appointment of the expert and the issuance of his report, however, that, ***if*** the parties here can move to resolution, then time is of the essence. The Court remains steadfast in its belief that this process can supply the best outcomes for all parties in this case because it can exclusively provide (i) fair, equitable, and timely monetary recoveries to creditors; (ii) finality, certainty, and closure to all parties in interest; and (iii) for abuse claimants specifically, non-monetary remedies in the form of disclosure, transparency, and lasting institutional protocols designed to prevent abuse and provide accountability going forward. But the record in this case as it stands today shows that, after five years and millions of dollars expended, no coalition of parties has proposed a confirmable plan.

Accordingly, based on the record in this case and pursuant to 11 U.S.C. §§ 105(a) and 1112(b),[2]

IT IS ORDERED that the Debtor **SHALL APPEAR AND SHOW CAUSE** before the undersigned at the United States Bankruptcy Court, Eastern District of Louisiana, 500 Poydras Street, Courtroom B-709, New Orleans, Louisiana, 70130, on **Thursday, June 26, 2025, at 9:30 a.m.** as to why this case should not be dismissed for cause, including the inability to effectuate a plan of reorganization.

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[2] Section 1112(b) of the Bankruptcy Code provides in relevant part:

> (b)(1) [O]n request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause . . . .
>
> (2) The court may not convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter if the court finds and specifically identifies unusual circumstances establishing that converting or dismissing the case is not in the best interests of creditors and the estate, and the debtor or any other party in interest establishes that—
>
> (A) there is a reasonable likelihood that a plan will be confirmed . . . within a reasonable period of time; and
>
> (B) the grounds for converting or dismissing the case include an act or omission of the debtor other than under paragraph (4)(A) [substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation]—
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> (i) for which there exists a reasonable justification for the act or omission; and
>
> (ii) that will be cured within a reasonable period of time fixed by the court.

11 U.S.C. § 1112(b)(1)–(2). Section 105(a) provides that this Court "may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title" and further states that "[n]o provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, sua sponte, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of process." 11 U.S.C. § 105(a). Section 105(a) encompasses the authority of this Court to *sua sponte* dismiss a case after notice and hearing under § 1112(b) for cause. *See, e.g.*, *Keven A. McKenna, P.C. v. Official Comm. of Unsecured Creditors*, No. 10-472, 2011 WL 2214763, at *3 (D.R.I. May 31, 2011) (citing *In re Bibo, Inc.*, 76 F.3d 256, 258 (9th Cir. 1996) and *In re ROPT Ltd. P'ship*, 209 B.R. 144, 149 (B.A.P. 1st Cir. 1997)); *In re 3P Hightstown, LLC*, 631 B.R. 205, 208–09 (Bankr. D.N.J. 2021); *In re Irasel Sand, LLC*, 569 B.R. 433, 439 (Bankr. S.D. Tex. 2017) (citing cases); *see also Matter of Little Creek Dev. Co.*, 779 F.2d 1068, 1071 n.1 (5th Cir. 1986).

IT IS FURTHER ORDERED that parties in interest may participate in the hearing (i) in-person; (ii) by telephone only (Dial-in 504.517.1385, Access Code 129611); or (iii) by telephone using the dial-in number and video using https://gotomeet.me/JudgeGrabill.

IT IS FURTHER ORDERED that parties in interest must review and adhere to this Court's Amended General Order 2021-2, Subparts D & E, regarding information on conduct of evidentiary hearings, available at https://www.laeb.uscourts.gov/.

IT IS FURTHER ORDERED that any written responses to this Court's Order To Show Cause may be filed into the record and served properly on parties in interest pursuant to the Federal Rules of Civil Procedure, this Court's Complex Case Procedures, and any Order limiting notice in this case on or before **Wednesday, June 18, 2025**.

IT IS FURTHER ORDERED that counsel for the Debtor and the Committee will coordinate and serve this Order via first-class U.S. Mail as soon as practicable on all parties not receiving electronic notice pursuant to this Court's CM/ECF system pursuant to the Federal Rules of Bankruptcy Procedure, including those parties listed on the Mailing Matrix notwithstanding any Order limiting notice in this case, and will file a certificate of service indicating same.

New Orleans, Louisiana, April 28, 2025.

MEREDITH S. GRABILL
UNITED STATES BANKRUPTCY JUDGE