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October 19, 2023

BY CM/ ECF

The Honorable Martin Glenn
United States Bankruptcy Court
Southern District of New York
One Bowling Green
New York, NY 10004-1408

Re: *In re The Roman Catholic Diocese of Rockville Centre, New York*, Case No. 20-12345

Dear Chief Judge Glenn:

In advance of this Court's October 31, 2023 deadline to reach a consensual resolution, the Diocese writes to update the Court on the status of this case. With great disappointment, we report that the parties have failed to reach agreement. We thank the co-mediators, Judge Sarah Cave and Mr. Paul Van Osselaer, for their efforts in this regard.

It has long been the position of the Diocese that dismissal of this case is not in the interest of the Diocese, the parishes, faithful parishioners and all those on Long Island that are impacted by the charitable and religious missions of the debtor. The Diocese also strongly believes that dismissal of this case will be even worse for claimants. So that claimants may make an informed choice on that issue, the Diocese wishes to make clear, in plain terms, what it proposes for resolution of this case:

Term of Proposed Chapter 11 Plan

- The Diocese, parishes, and affiliated parties will pay \$200 million in cash to creditors, broken down as follows:
 - \$150 million paid on the effective date of a chapter 11 plan;
 - \$25 million on the first anniversary of the effective date;
 - \$12.5 million on the second anniversary of the effective date; and
 - \$12.5 million on the third anniversary of the effective date.
- Of the total \$200 million consideration, over \$150 million will be paid from non-debtor released parties through cash or loans to the Diocese.

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- The non-debtor released parties are limited to the following entities:
 - Parishes;
 - Diocese of Rockville Centre Department of Education (including the two Diocesan high schools);
 - Catholic Charities of Long Island;
 - Catholic Youth Organization;
 - Catholic Cemeteries (and the related permanent maintenance trust);
 - The Seminary of the Immaculate Conception; and
 - Ecclesia Assurance Company, the Diocese's wholly-owned captive insurance company.
- The Debtor and the non-debtor released parties will also contribute their substantial third-party insurance assets to a settlement trust for the benefit of creditors.
- Upon consummation of the plan, the Diocese would immediately pay each claimant with a lawsuit against a non-debtor contributor a minimum consideration of \$100,000, and each claimant without such a lawsuit a minimum consideration of \$50,000.
- The balance of the distribution would be paid to a settlement trust and allocated to creditors based on trust distribution protocols similar to those set forth in the plan proposed by the official committee.

In terms of what this proposed plan means, there are approximately 500 non-duplicative proofs of claim currently on the claims register in this case. As such, claimants, on average, will recover \$400,000, in addition to all of the third-party insurance assets, which the Official Committee of Unsecured Creditors values at hundreds of millions, if not billions, of dollars. While the Diocese believes that the Committee's views on insurance are exuberant, this cash offer, coupled with the significant insurance assets, reflects a substantially higher recovery for claimants than any other Diocesan bankruptcy case in history, and a fair resolution of the claims. The minimum consideration component will also put money into the hands of claimants immediately.

To those that say the Diocese and non-debtor released parties should do more, the financial information and monthly reporting filed in this case speaks for itself. The Diocese, and those contributing to this offer, have cut deep and to the bone and have reached the limit of what they can do. With these figures, the Diocese will have sold or encumbered all of its material assets, and the contributing entities will have dug as deep as possible and cut as much as they can in an effort to resolve this case. Parish churches cannot close their doors to parishioners. Schools cannot turn their students away. Cemeteries cannot allow the graves of those entrusted to them to fall into

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disrepair. Food pantries and immigration services cannot cease operations. The offer outlined above is the best, good faith reach at what can be done.

Attached to this letter is a term sheet that sets forth the terms described above in greater detail.

This offer may not be enough to satisfy the demands of the Committee or those representing particular claimants. But if this fails to bring about a resolution, the Diocese will move forward knowing that in good faith, it made its best and final offer to claimants in mediation.

Respectfully submitted,

/s/ Corinne Ball

Corinne Ball

cc: All counsel (via electronic filing)

THIS TERM SHEET IS NOT AND SHALL NOT BE CONSTRUED AS A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN OR ANY OTHER RESTRUCTURING PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE OR ANY OTHER LAW. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE AND OTHER APPLICABLE LAW. EXCEPT AS EXPRESSLY PROVIDED HEREIN, NOTHING CONTAINED IN THIS TERM SHEET SHALL BE, OR BE CONSTRUED AS, AN ADMISSION OF FACT OR LIABILITY OR DEEMED BINDING ON ANY PARTIES.

***IN RE THE ROMAN CATHOLIC DIOCESE OF ROCKVILLE CENTRE, NEW YORK
PLAN TERM SHEET***

Plan Contributions
<ul style="list-style-type: none">• The Diocese, the Parishes, and Affiliated Entities listed on Exhibit A shall contribute \$200 million (the “<u>Cash Contribution</u>”) for the benefit of all creditors in this chapter 11 case, including, for the avoidance of doubt, any Future Claimants (as defined in the <i>Order Appointing a Legal Representative for Future Claimants</i> [Docket No. 799]), and which amount includes ten percent of all fees paid to Pachulski Stang Ziehl & Jones LLP in this chapter 11 case.• The Cash Contribution shall be paid in accordance with the following milestones:<ul style="list-style-type: none">- \$150 million contributed by January 31, 2023 (the “<u>Effective Date</u>”);- \$25 million contributed within one year of the Effective Date;- \$12.5 million contributed within two years of the Effective Date; and- \$12.5 million contributed within three years of the Effective Date.• Other assets contributed:<ul style="list-style-type: none">- Diocese, Parish, and Affiliated Entities’ insurance rights, including any reimbursement rights,- Proceeds of any loan secured by the claims of the Diocese, Parishes, and Affiliated Entities against the Property/Casualty Security Fund held by the New York Liquidation Bureau (the “<u>Property/Casualty Security Fund</u>”), and- Recoveries from the Property/Casualty Security Fund, including, without limitation, reimbursement rights after repayment of the above described loan.
Sexual Abuse Claim Treatment
<ul style="list-style-type: none">• \$50,000 shall be paid to each claimant that filed a non-duplicative sexual abuse proof of claim that has not been disallowed with prejudice, expunged, or withdrawn (each such claimant, a “<u>Sexual Abuse Claimant</u>”) (such payment, the “<u>Minimum POC Consideration</u>”).

- \$50,000 shall be paid for each plaintiff in a non-duplicative state court action that has not had its corresponding proof of claim disallowed under the fourth, tenth, or eleventh omnibus claims objections (each, a “State Court Action”) pending against the Diocese, Parishes, or Affiliated Entities (the “Minimum Releasee Consideration”).
- Claimants with claims alleging abuse within Arrowood-insured periods, including claims that straddle coverage years on a pro rata basis, may elect to pursue additional recoveries from the Arrowood Claimant Settlement Trust (the “Additional Arrowood Claimant Trust Recoveries”).
- Claimants with claims alleging abuse that does not fall within Arrowood-insured periods may elect to pursue additional recoveries from the General Settlement Trust (the “Additional General Trust Recoveries”).

Arrowood Claimant Settlement Trust

The Arrowood Claimant Settlement Trust shall include the following:

- All rights against Arrowood, including rights against the Property/Casualty Security Fund, for indemnity, expenses and reimbursements.
- The proceeds of any loan secured by the insurance rights of the Diocese, Parishes, and Affiliated Entities against Arrowood and the Property/Casualty Security Fund.
- Rights to reimbursement for the aggregate amount paid on account of the Minimum POC Consideration to claimants with claims alleging abuse within the Arrowood-insured periods.
- Rights to reimbursement for the aggregate amount paid on account of the Minimum Releasee Contribution to Claimants allocated to Arrowood-insured periods.
- Approximately 50% of Excess Cash Contribution (as defined below), which corresponds to the proportionate share of Claimants allocated to Arrowood-insured periods.
 - The “Excess Cash Contribution” shall be the amount of Cash Contribution remaining after deducting the aggregate of (i) the Ecclesia insurance limits of \$15 million, (ii) the total Minimum POC Consideration, (iii) the total Minimum Releasee Consideration, (iv) amounts necessary for the payment of non-sexual abuse general unsecured claims, and (v) amounts necessary for the payment of administrative and priority expenses.

General Settlement Trust

The General Settlement Trust shall include the following:

- The Ecclesia insurance limits of \$15 million.
- All rights against third party insurers other than Ecclesia and Arrowood, including indemnity, expenses and reimbursements.

- Rights to reimbursement, if any, for the aggregate amount paid on account of the Minimum POC Consideration to claimants allocated to the insurance period in which Lloyd's, London and certain London Market Insurance Companies (collectively, "LMI") is the primary insurer.
- Rights to reimbursement, if any, for the aggregate amount paid on account of the Minimum Releasee Consideration paid to plaintiffs allocated to the insurance period in which LMI is the primary insurer.
- Approximately 50% of the Excess Cash Contribution, which corresponds to the proportionate share of Claimants allocated to the insurance period in which LMI is the primary insurer.

Conditions

- The releasees shall include the parties listed on Exhibit A.
- The Arrowood Claimant Settlement Trust distribution procedures and the General Settlement Trust distribution procedures shall not impose any expense or burden on the Diocese, the Parishes, or the Affiliated Parties without their consent, and no further contribution shall be required from the Diocese or the Releasees in any settlement with a third party insurer which requires the release of parties other than the Releasees.

EXHIBIT A

DIOCESE, PARISHES, AND AFFILIATED ENTITIES

DIOCESE

The Roman Catholic Diocese of Rockville Centre, New York

PARISHES

1. St. Christopher, Baldwin
2. Our Holy Redeemer, Freeport
3. St. Joseph, Garden City
4. Our Lady of Loretto, Hempstead
5. St. Ladislaus R.C. Church, Hempstead
6. St. Agnes, Rockville Centre
7. Queen of the Most Holy Rosary, Roosevelt
8. St. Martha, Uniondale
9. St. Thomas the Apostle, West Hempstead
10. St. Aloysius, Great Neck
11. St. Mary, Manhasset
12. Our Lady of Fatima, Manorhaven
13. Corpus Christi, Mineola
14. Holy Spirit, New Hyde Park
15. Notre Dame, New Hyde Park
16. St. Pater of Alcantara, Port Washington
17. St. Aidan, Williston Park
18. St. Gertrude, Bayville
19. St. Patrick, Glen Cove
20. St. Rocco, Glen Cove
21. St. Hyacinth, Glen Head
22. St. Paul the Apostle, Brookville
23. St. Dominic, Oyster Bay
24. St. Mary, Roslyn
25. St. Boniface Martyr, Sea Cliff
26. St. Edward the Confessor, Syosset
27. Holy Name of Jesus, Woodbury
28. St. Boniface, Elmont
29. St. Vincent de Paul, Elmont
30. Our Lady of Victory, Floral Park
31. St. Hedwig, Floral Park
32. St. Catherine of Sienna, Franklin Square

33. St. Anne, Garden City
34. Our Lady of Peace, Lynbrook
35. Our Lady of Lourdes, Malverne
36. Blessed Sacrament, Valley Stream
37. Holy Name of Mary, Valley Stream
38. St. Joachim, Cedarhurst
39. St. Raymond, East Rockaway
40. St. Joseph, Hewlett
41. Our Lady of Good Counsel, Inwood
42. Sacred Heart, Island Park
43. St. Ignatius Martyr, Long Beach
44. St. Mary of the Isle, Long Beach
45. St. Anthony, Oceanside
46. Our Lady Miraculous Medal, Point Lookout
47. St. Barnabas the Apostle, Bellmore
48. St. Rose of Lima, Massapequa
49. Our Lady of Lourdes, Massapequa Park
50. Cure' of Ars, Merrick
51. Sacred Heart, North Merrick
52. Maria Regina, Seaford
53. St. William the Abbot, Seaford
54. St. Frances de Chantal, Wantagh
55. St. Martin of Tours, Bethpage
56. Our Lady of Hope, Carle Place
57. St. Raphael, East Meadow
58. St. Kilian, Farmingdale
59. Holy Family, Hicksville
60. Our Lady of Mercy, Hicksville
61. St. Ignatius Loyola, Hicksville
62. St. Bernard, Levittown
63. St. Pius X, Plainview
64. St. James, Seaford
65. St. Brigid, Westbury
66. Our Lady of Queen of Martyr, Centerport
67. Christ the King, Commack
68. St. Matthew, Dix Hills
69. St. Anthony of Padua, East Northport
70. St. Francis of Assisi, Greenlawn
71. St. Patrick, Huntington
72. St. Hugh of Lincoln, Huntington Station

73. St. Joseph, Kings Park
74. St. Elizabeth of Hungary, Melville
75. St. Philip Neri, Northport
76. St. Martin of Tours, Amityville
77. St. Joseph, Babylon
78. Our Lady of the Assumption, Copiague
79. SS. Cyril & Methodius, Deer Park
80. Our Lady of Perpetual Help, Lindenhurst
81. Our Lady of Grace, West Babylon
82. Our Lady of Lourdes, West Islip
83. Our Lady of Miraculous Medal, Wyandanch
84. St. Patrick, Bay Shore
85. St. John Nepomucene, Bohemia
86. St. Anne, Brentwood
87. St. Luke, Brentwood
88. St. John of God, Central Islip
89. St. Mary, East Islip
90. St. Peter the Apostle, Islip Terrace
91. St. Lawrence the Martyr, Sayville
92. Assumption of the BVM, Centereach
93. St. Thomas More, Hauppauge
94. Holy Cross, Nesconset
95. St. Elizabeth Ann Seton, L. Ronkonkoma
96. St. Joseph, Ronkonkoma
97. SS. Philip & James, St. James
98. St. James, Setauket
99. St. Patrick, Smithtown
100. St. Frances Cabrini, Coram
101. Infant Jesus, Port Jefferson
102. St. Gerard Majella, Port Jefferson Station
103. St. Anthony of Padua, Rocky Point
104. St. Margaret of Scotland, Selden
105. St. Mark, Shoreham
106. St. Louis de Montfort, Sound Beach
107. St. John the Baptist, Wading River
108. Mary Immaculate, Bellport
109. Our Lady of the Snow, Blue Point
110. St. John the Evangelist, Center Moriches
111. St. Joseph the Worker, East Patchogue
112. Resurrection, Farmingville
113. Good Shepherd, Holbrook
114. St. Jude, Mastic Beach
115. St. Sylvester, Medford
116. Our Lady of Mount Carmel, Patchogue
117. St. Francis de Sales, Patchogue
118. Queen Most Holy Rosary, Bridgehampton

119. Our Lady of Ostrabrama, Cutchogue
120. Sacred Heart, Cutchogue
121. Most Holy Trinity, East Hampton
122. St. Agnes, Greenport
123. St. Rosalie, Hampton Bays
124. SS. Peter & Paul, Manorville
125. St. Therese of Lisieux, Montauk
126. St. John the Evangelist, Riverhead
127. St. Isidore, Riverhead
128. St. Andrew, Sag Harbor
129. Our Lady of the Isle, Shelter Island Heights
130. Our Lady of Poland, Southampton
131. Sacred Hearts of Jesus & Mary, Southampton
132. St. Patrick, Southold
133. Immaculate Conception, Westhampton Beach
134. Our Lady of the Magnificent Catholic Church
135. Our Lady Star of the Sea
136. Church of the Most Precious Blood

AFFILIATED ENTITIES

1. Catholic Charities of Long Island
2. Catholic Youth Organization
3. Department of Education, Diocese of Rockville Centre
4. Holy Trinity Diocesan High School
5. St. John the Baptist Diocesan High School
6. The Seminary of the Immaculate Conception of the Diocese of Rockville Centre
7. Catholic Cemeteries of the Roman Catholic Diocese of Rockville Centre, Inc.
8. Diocese of Rockville Centre Catholic Cemetery Permanent Maintenance Trust
9. Ecclesia Assurance Company