

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re: Bankruptcy Case No. 18-33707
Chapter 11 Case
Diocese of Winona-Rochester,
Debtor.

CONFIRMATION FINDINGS AND CONCLUSIONS

This case is before the Bankruptcy Court on the *Fifth Amended Joint Chapter 11 Plan of Reorganization of the Diocese of Winona-Rochester* dated October 11, 2021 [Doc. No. 398] (the “Plan”) proposed by the Debtor and the UCC. Undefined capitalized terms in these Confirmation Findings and Conclusions have the meanings set forth in the Plan. The Bankruptcy Court conducted the Plan confirmation hearing on September 23, 2021, October 7, 2021 and October 14, 2021.

Upon consideration of the findings, conclusions and statements of the Bankruptcy Court on the record at the confirmation hearing, which are incorporated by reference as if set forth fully herein, the entire record, the order approving the LMI/Interstate Settlement Agreement among the Debtor, the other DoW Entities and LMI/Interstate (the Debtor, the other DoW Entities and LMI/Interstate are identified collectively as the “Parties”), and the related Settlement Approval Findings and Conclusions, the Bankruptcy Court further finds and concludes as follows:

1. The Plan satisfies and complies with each of the provisions of 11 U.S.C. § 1129 to the extent applicable to the Plan and this case.
2. Class 3 and Class 4B, which are the only impaired classes under the Plan, have

voted to accept the Plan.

3. This case presents the special circumstances in which the Channeling Injunction, Supplemental Settling Insurer Injunction, and releases provided in the Plan and LMI/Interstate Settlement Agreement may be approved. The Debtor has numerous and significant liabilities on which the Protected Parties and Settling Insurers are also liable or possibly liable to some extent. Under the Plan, such Protected Parties and Settling Insurers will make substantial contributions to provide for payment to the Tort Claimants. Such contributions are critical and significant contributions to the effective implementation of the Plan, and the Plan would not be feasible without such contributions. Such Protected Parties would not release their interests under the Settling Insurer Policies unless they obtained the benefits of the releases and injunctions under the Plan. Resolution of the case would not be possible without such releases and injunctions, and such Protected Parties and Settling Insurers would not make contributions to the Plan without the protections, releases, indemnification, and injunctions provided in the Plan and the LMI/Interstate Settlement Agreement.

4. The creditors most affected by the releases and injunctions – the Tort Claimants – have indicated by an overwhelming majority that they accept such provisions; indeed, the UCC is a co-proponent of the Plan.

5. The Bankruptcy Court has jurisdiction under 28 U.S.C. § 1334(a) and (b) to approve the exculpation, indemnification, release, and limitation of liability provisions of the Plan and to issue the Channeling Injunction and Supplemental Settling Insurer Injunction as provided in the Plan.

6. The Debtor and UCC have complied with all applicable provisions of the Bankruptcy Code with respect to the Plan and the solicitation of acceptances or rejections

thereof. In particular, the Plan complies with the requirements of 11 U.S.C. §§ 1125 and 1126 as follows:

a. The Debtor and UCC complied with the Bankruptcy Court's orders [Doc. Nos. 309 and 322] approving notice and solicitation procedures and served the materials designated in full compliance with the Bankruptcy Court's orders.

b. Copies of the Plan and the Joint Disclosure Statement for the Plan (the "Disclosure Statement") [Doc. No. 317] have been available upon request from the Debtor's and UCC's counsel and from the Debtor's and court's website.

c. The Debtor and the UCC appear to have provided specific and adequate notice of, among other things, (i) the releases, indemnification, and injunctions provided for in the Plan and the LMI/Interstate Settlement Agreement, (ii) the manner in which a creditor or interested party could take steps to obtain additional information regarding, or to object to, the releases or injunctions, (iii) the names of the Settling Insurers and Protected Parties and (d) the confirmation hearing and all relevant dates, deadlines, procedures and other information relating to the Plan and the solicitation of votes on the Plan.

d. Based on the foregoing and the Bankruptcy Court's orders, all persons entitled to receive notice of the Disclosure Statement, Plan, and the confirmation hearing appear to have received proper, timely and adequate notice in accordance with the Bankruptcy Court's orders, the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the local rules, and have had an opportunity to appear and be heard with respect thereto. No other or further notice is required.

7. The LMI/Interstate Settlement Agreement is the fruit of long-term negotiations

among the Parties, which began in May 2019, following the Bankruptcy Court's entry of the Order Appointing John E. Vukelich as Mediator [Doc. No. 129].

8. The LMI Plan Payment and Interstate Plan Payment (each as defined in the LMI/Interstate Settlement Agreement) provide good and valuable consideration to the Debtor's bankruptcy estate, and enable distributions from the Trust.

9. Approval of the LMI/Interstate Settlement Agreement is therefore necessary to the Plan because it provides significant funding for the Plan.

10. The Debtor's interests in the Subject Insurance Policies (as defined in the LMI/Interstate Settlement Agreement) are property of the Debtor's bankruptcy estate and are therefore subject to the in rem jurisdiction of the Bankruptcy Court.

11. The Tort Claims are within the jurisdiction of the Bankruptcy Court because they have filed claims and seek property of the Debtor's bankruptcy estate.

12. It was necessary for the Debtor to obtain the participation of the other DoW Entities in the LMI/Interstate Settlement Agreement to secure the Parties' consent to the LMI/Interstate Settlement Agreement.

13. The DoW Entities, other than the Debtor, would not release their Interests in the Subject Insurance Policies unless they obtained the benefits of the Channeling Injunction, because to do so would have left them exposed to Tort Claims, whether or not such Claims are valid, and whether or not coverage exists under the Subject Insurance Policies for such Claims.

14. Therefore, the Channeling Injunction is necessary to the LMI/Interstate Settlement Agreement.

15. The Channeling Injunction is narrowly tailored because it requires only Channeled Claims against the Protected Parties and the Settling Insurers to be brought against the Trust.

16. The Coverage Claims are within the jurisdiction of the Bankruptcy Court because

such claims could enhance the estate.

17. LMI/Interstate required that they obtain the benefits of the Supplemental Settling Insurer Injunction, as a condition of entering into the LMI/Interstate Settlement Agreement and contributing the LMI Plan Payment and Interstate Plan Payment.

18. Therefore, the Supplemental Settling Insurer Injunction is necessary to the LMI/Interstate Settlement Agreement and the Plan.

19. The Supplemental Settling Insurer Injunction is narrowly tailored because it only enjoins the Enjoined Claims against the Settling Insurers.

20. LMI/Interstate are repurchasing the Subject Insurance Policies, in accordance with the LMI/Interstate Settlement Agreement. LMI/Interstate are not purchasing any other assets of the DoW Entities and are not a continuation of the DoW Entities, nor engaging in a continuation of the DoW Entities' businesses. LMI/Interstate shall not have any responsibility or liability with respect to any of the DoW Entities' other assets.

21. LMI/Interstate are not, and shall not be deemed to be, successors to the DoW Entities, or any of them, by reason of any theory of law or equity or as a result of the consummation of the transactions contemplated in the LMI/Interstate Settlement Agreement, the Plan, or otherwise. LMI/Interstate shall not assume, or be deemed to have assumed, any liabilities or other obligations of the DoW Entities.

22. The objections to the Corrected Third Amended Plan [Docket No. 316] filed by United States Fire Insurance Company [Docket No. 360] and a certain Tort Claimant [Docket No. 362] are resolved by the modifications that were incorporated into the Plan and accordingly, the objections have been withdrawn.

23. Based on the record, cause exists to waive the stay imposed by Fed. R. Bankr. P. 3020(e).

Dated: *October 14, 2021*

/e/ William J. Fisher

William J. Fisher
United States Bankruptcy Judge