

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NEW YORK

In re:

Case No. 19-20905

The Diocese of Rochester,

Chapter 11

Debtor.

**DECLARATION OF LISA M. PASSERO AS DIRECT TESTIMONY WITH REGARD TO
THE CONFIRMATION OF THE EIGHTH AMENDED JOINT CHAPTER 11 PLAN OF
REORGANIZATION FOR THE DIOCESE OF ROCHESTER**

I, Lisa M. Passero, declare pursuant to 28 U.S.C. § 1746 as follows:

1. I am a Certified Public Accountant and the Chief Financial Officer (“CFO”) for the Diocese of Rochester (the “Diocese”). I have served as CFO of the Diocese since 2007. Prior to working for the Diocese, I was the CFO and/or Director of Finance for several other national and international corporations.

2. I make this Declaration based upon my personal knowledge of the facts set forth herein, upon information supplied to me by others associated with the Diocese, upon my review of relevant documents and upon my experience and knowledge of the Diocese’s organization, operations and financial condition.

3. I submit this Declaration in support of the confirmation of the *Eighth Amended Joint Chapter 11 Plan of Reorganization for The Diocese of Rochester* (the “**Eighth Amended Plan**”). Capitalized terms that are not defined in this Declaration are used as defined in the Eighth Amended Plan.

4. As CFO of the Diocese, I am responsible for the financial affairs of the Diocese. I am also responsible for the general administration of the support services that the Diocese provides to the 86 Catholic parishes (the “**Parishes**”) and affiliated Catholic entities (the “**Affiliates**”) within the territory of the Diocese.

5. In my role as CFO, I am a member of the Diocesan Finance Council, which is a consultative body required by Canon Law that advises the Bishop on financial matters affecting the Diocese.

6. The Diocese provides operational and functional support to the Parishes and Affiliates in the areas of finance, building & properties, legal, human resources, stewardship and communications, canonical tribunal, schools, evangelization and catechesis, pastoral services and clergy services. Information technology is also provided by contract to all Parishes and Affiliates.

THIS BANKRUPTCY CASE

7. On January 28, 2019, the New York State Legislature passed the Child Victims Act (A.2683/S.2440) (the “**CVA**”). New York’s Governor signed the legislation on February 14, 2019. The CVA modified the statute of limitations and created a one-year “window” during which victims of child sex abuse whose claim may have been time-barred may commence a timely civil action. In addition, the CVA extends the statute of limitations for claims that were not time-barred on its date of passage, permitting such child victims to commence timely civil actions until they reach 55 years of age.

8. The CVA originally provided that revived actions may be commenced during the twelve-month period from August 14, 2019 to August 14, 2020. The CVA was subsequently amended to extend the window for bringing revived actions through August 14, 2021.

9. The Diocese filed a voluntary petition to commence this bankruptcy case under chapter 11 of the Bankruptcy Code on September 12, 2019. As of the petition date, there were 46 CVA cases brought by 61 plaintiffs filed against the Diocese. After the petition date, hundreds of additional cases were filed principally against the Parishes and Affiliates, and hundreds of sexual abuse proofs of claim against the Diocese’s bankruptcy estate.

10. The Diocese did not seek Chapter 11 relief to shirk or avoid responsibility for any past misconduct by clergy or for any decisions made by Diocesan authorities when addressing that misconduct. The Diocese filed its petition with the objective of resolving Abuse Claims in a fair and equitable manner and positioning the Diocese, the Parishes and Affiliates to continue their religious and charitable missions. The Diocese acknowledges its moral obligation to compensate all victims of Abuse by Church personnel fairly and equitably. Given its limited resources, including limited insurance coverage, the Diocese understood that a race to the courthouse would not allow for fair and equitable compensation of abuse victims.

11. The decision to file a Chapter 11 reorganization was made by Bishop Matano in consultation with me as CFO and in consultation with and the consent of the College of Consultors, Diocesan Presbyteral Council and the Diocesan Finance Council.

12. More than 500 unique Abuse Claims have been filed against the Diocese's estate in this bankruptcy case.

13. The Diocese for itself and on behalf of the Parishes and Participating Parties tendered hundreds of CVA actions and Abuse Claims to insurance carriers that issued historical liability policies to the Diocese and the Parishes and Affiliates as co-insureds. Those insurance carriers include Continental Insurance Company ("Continental"), LMI, Interstate and Underwriters (collectively, the "**Insurers**").

14. While LMI, Interstate and Underwriters generally issued reservations of rights in response to the tenders, Continental denied coverage for most of the claims and lawsuits tendered to it by the Diocese.

15. In light of hundreds of denials of coverage from Continental and reservations from other carriers, on November 14, 2019, the Diocese commenced an adversary proceeding against

the Insurers, seeking a declaration of the rights, duties, and liabilities of the parties pursuant to the terms of their respective insurance policies and damages (the “**Insurance Adversary Proceeding**”).

MEDIATION, SETTLEMENTS AND DEVELOPMENT OF THE PLAN

16. Over an approximately five-year period, the Diocese has engaged in excess of 40 mediation sessions, seeking to arrive at a consensual resolution with the Official Committee of Unsecured Creditors (the “**Committee**”) and the Insurers. Along with Bishop Matano, I participated in all of the mediation sessions that involved a client representative of the Diocese. I was involved in all of the decision making for the Diocese in this bankruptcy case.

17. I frequently consulted with bankruptcy and special insurance counsel during the course of this bankruptcy case. There were standing weekly meetings with counsel during this case. I also consulted with Bishop Matano on an almost daily basis concerning this bankruptcy case.

18. On March 10, 2020, the Court entered its *Order Directing Mediation and Appointing Mediator*, which (i) referred the claims asserted in the Insurance Adversary Proceeding to mediation; (ii) appointed United States Bankruptcy Judge Gregg W. Zive as mediator; and (iii) directed the Diocese, Insurers, Committee, ad hoc committee of Parishes and other Protected Parties to participate in the mediation process.

19. Mediation among the Diocese, the Committee and the Insurers began in late 2020 and continued through July 22, 2025. The negotiations with the parties during this time period were extensive, at times contentious, and hard fought.

20. Guided by the Court’s *Decision and Order Denying Motion of Diocese Seeking to Enjoin the Prosecution of State Court Actions Against Independent Catholic Corporations and*

Dismissing Complaint, and after resuming mediation with Judge Zive and newly appointed co-mediator Paul Van Osselaer in late 2022, the Diocese and Committee reached an agreement to pursue a joint plan of reorganization in which Abuse Claims would be satisfied from a trust funded by an aggregate payment of \$55,000,000 from the Diocese, Parishes and Affiliates and an assignment of certain insurance claims. This amount was arrived at through Court-ordered mediation and was agreed to by the Diocese after a mediators' recommendation. The negotiations that led to this settlement were conducted in good faith, at arm's length and hard fought over nearly two years.

21. As part of the settlement with the Committee, the Diocese also agreed to continue with its ongoing safe environment efforts and protocols to prevent Abuse from occurring in the future by continuing, undertaking and observing certain non-monetary commitments agreed upon with the Committee.

22. The \$55 million payment, which is identified as the DOR Entities' Cash Contribution in the Eighth Amended Plan, consists of the Diocese Cash Contribution of \$25 million and the Participating Parties' Cash Contribution of \$30 million.

23. On November 2, 2023, Bishop Matano convened meetings of the Presbyteral Council, College of Consultors and Finance Council to seek the consent of those consultative bodies for the settlement with the Committee. Each of those consultative bodies unanimously voiced their consent to the settlement.

24. The Parishes and Affiliates similarly approved the proposed settlement, which included the channeling of Abuse Claims to the Trust and the release of the Participating Parties.

25. Mediation continued with the Insurers, and in January 2023, the Diocese and Committee reached an agreement with LMI to resolve all insurance claims against LMI for LMI's

contribution of a \$19,500,000 settlement payment. This amount was arrived at through Court-ordered mediation. The negotiations that led to this settlement were conducted in good faith, hard fought and at arm's length.

26. On March 24, 2023, the Diocese and the Committee filed the Joint Chapter 11 Plan of Reorganization for the Diocese of Rochester dated March 24, 2023 (the “**Plan**”) [Docket No. 2046] together with an accompanying disclosure statement [Docket No. 2045].

27. On behalf of the Diocese, based on the consent of the applicable consultative bodies, my recommendation and that of the Chancellor's, as well as his authority as the Bishop of Rochester, Bishop Matano approved the filing of the Plan and all subsequent amendments and modifications to the Plan.

28. I consulted extensively with Bishop Matano, Chancellor Rev. Condon and counsel concerning the development of the Plan to ensure that it embodied the agreements reached with the Committee and later with the Insurers. The Diocese relied on its counsel to draft the legal documents necessary to effectuate the agreed-upon resolutions in this case.

29. As a result of continued mediation efforts, the Diocese and Committee reached agreements with Underwriters, Interstate and First State to resolve all insurance claims against those insurers in exchange for settlement payments of \$1,100,000, \$50,000,000 and \$750,000, respectively. These amounts were arrived at through Court-ordered mediation. The negotiations that led to these settlements were conducted in good faith, hard fought and at arm's length.

30. With those agreements, the Diocese and Committee amended the Plan to provide for an initial funding of the Trust of \$126.35 million. [Dkt. No. 3026].

31. The *Fifth Amended Joint Chapter 11 Plan of Reorganization for the Diocese of Rochester* (the “**Fifth Amended Plan**”) was filed on April 24, 2024 [Dkt. No. 2593], and thereafter

solicited for acceptance. After the Supreme Court issued its decision in *Harrington v. Purdue Pharma L.P.*, the Diocese, Committee and Participating Parties worked to revise the Fifth Amended Plan to address that decision by, among other things, providing Abuse Claimants with the ability to withhold their consent to, and thereby opt-out of, the plan's third-party releases and injunctions, such that only Abuse Claimants who consent, or are deemed to consent, will be bound by those provisions.

32. On October 7, 2024, the Court appointed the Hon. Shelley C. Chapman (Ret.) and Paul A. Finn, Esq. to serve as co-mediators in renewed mediation. [Dkt. No. 2788].

33. The Eighth Amended Plan was filed on March 14, 2025 [Dkt. No. 3026], and solicited for acceptance in accordance with the Court's *Order Approving Disclosure Statement*. [Dkt. No. 3031].

34. I understand that the Eighth Amended Plan provides that Abuse Claims asserted against the Diocese and Participating Parties will be channeled to the Trust on the Effective Date, and the Trust will administer and resolve the Abuse Claims in accordance with the Eighth Amended Plan and Trust Documents.

35. The Diocese and the Participating Parties are contributing their valuable insurance rights and cash to the Eighth Amended Plan. The cash contribution from the Diocese is \$25,000,000 and the cash contribution from the Participating Parties is \$30,000,000. A release of the Participating Parties is necessary for the Eighth Amended Plan and, in my judgment, is in the best interest of the estate and Abuse claimants. Without the releases, the Participating Parties would not contribute their insurance rights and the Plan would not be confirmable.

36. The Participating Parties have transferred the Participating Parties' Cash Contribution to the Diocese, which funds are currently on deposit in a Diocesan account solely for

the purpose of causing the Participating Parties' Cash Contribution to be paid to the Trust as of the Effective Date. The Diocese maintains its \$25 million DOR Cash Contribution in its account at Tompkins Bank, which funds are available to be paid to the Trust as of the Effective Date.

37. The Eighth Amended Plan also incorporates settlements with certain Insurers that are essential to the success of the Diocese's bankruptcy case. The Court approved the sale and buy back of the insurance policies of LMI, Interstate, Underwriters and First State pursuant to Orders entered on July 21, 2025 [Dkt. Nos. 3264, 3265, 3266 and 3267].

38. On or about July 22, 2025, the Diocese, Committee and Continental reached an agreement in principle to resolve all Insurance Claims against Continental in exchange for Continental's payment of \$120 million. This amount was arrived at through Court-ordered mediation. The negotiations that led to this settlement were conducted in good faith, hard fought and at arm's length. I understand that the Continental settlement is contingent upon an agreed-upon written settlement agreement and the Court's approval of the sale and buy back of the Continental insurance policies. Once approved, Continental will become a Settling Insurer under the Eighth Amended Plan.

39. Including the settlement with Continental if and when approved by the Court, on the Effective Date, the Trust will be funded by payments from the Diocese, Participating Parties and Settling Insurers totaling \$246.35 million. Once confirmed, the Eighth Amended Plan will resolve pending Abuse Claims in a manner that is equitable and fairly compensates survivors and will enable the Diocese and the Participating Parties to continue their religious and charitable mission.

40. The *Declaration of Alexa Westmoreland Regarding the Solicitation and Tabulation of Votes of the Eighth Amended Joint Chapter 11 Plan for The Diocese of Rochester* [Dkt. No.

3285] confirms that all 466 Class 4 Claimants (Abuse Claims) submitting ballots voted to accept the Eighth Amended Plan.

41. The Diocese proposed the Eighth Amended Plan in good faith and for the legitimate purpose of resolving the Abuse Claims in a fair and equitable manner and allowing the Diocese and Participating Parties to continue their ministry and charitable works within the territory of the Diocese. The Eighth Amended Plan, additionally, ensures the continuation of the safe environment protocols within the Diocese and adds additional protections. The Eighth Amended Plan is, in my judgment, in the best interest of the Diocese and the Participating Parties.

THE EIGHTH AMENDED PLAN

42. I have reviewed the Eighth Amended Plan terms and provisions, as well as the requirements for confirmation under section 1129 of the Bankruptcy Code. On the basis of my understanding of the Eighth Amended Plan, the events that have occurred throughout this bankruptcy case and discussions that I have had with the Diocese's counsel regarding this case and the requirements of the Bankruptcy Code, as set forth below, I believe that the Eighth Amended Plan fully complies with section 1129 of the Bankruptcy Code and should be confirmed. This includes, among other provisions, that the Plan was proposed in good faith and that the Diocese conducted itself in a manner that complies with applicable law in relation to the formulation and negotiation of, and voting on, the Eighth Amended Plan.

43. **Section 1129(a)(1).** The Eighth Amended Plan complies with the applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, thereby satisfying 11 U.S.C. § 1129(a)(1). Based on advice of counsel, I believe that the Diocese has complied in all material respects with its duties and obligations as a debtor-in-possession, including with respect to all post-petition disclosure and solicitation of acceptances of the Plan. The Diocese has, among other

things, appeared at the statutory meeting of creditors under section 341 of the Bankruptcy Code and has duly filed its operating reports with the U.S. Trustee.

44. **Section 1129(a)(2).** I understand that section 1129(a)(2) of the Bankruptcy Code requires compliance with the disclosure and voting requirements of sections 1125 and 1126 of the Bankruptcy Code, respectively.

45. I have been advised that section 1125(b) of the Bankruptcy Code prohibits the solicitation of acceptances or rejections of a plan unless parties from whom votes are solicited are provided with a disclosure statement that contains adequate information that allows them to make an informed decision whether to accept or reject the plan. The Diocese did not solicit any votes on the Plan from any Holder of any Claim before entry of the Disclosure Statement Order.

46. **Section 1129(a)(3).** I understand that section 1129(a)(3) of the Bankruptcy Code requires that a plan be proposed in good faith and not by any means forbidden by law.

47. As set forth above, the Diocese proposed the Eighth Amended Plan in good faith and for the legitimate and beneficial purpose of resolving the Abuse Claims in a fair and equitable manner, maximizing recoveries for creditors and positioning the Diocese and the Participating Parties to continue their religious and charitable mission.

48. **Section 1129(a)(4).** I understand that section 1129(a)(4) of the Bankruptcy Code requires that any payments to be made by a debtor for services or expenses in connection with a chapter 11 case or plan are subject to approval by the Court.

49. I further understand payments made or to be made by the Diocese for services or for costs and expenses in or in connection with this bankruptcy case, or in connection with the Eighth Amended Plan, have been approved by, or are subject to the approval by, this Court as reasonable.

50. **Section 1129(a)(5).** I understand that section 1129(a)(5)(A)(i) of the Bankruptcy Code requires that the plan proponent disclose the identity and affiliations of any individual proposed to serve as a voting trustee of the debtor under the plan. Section 1129(a)(5)(A)(ii) further requires that the appointment or continuance of such trustee to be consistent with the interests of creditors and equity security holders and with public policy. Here, the Eighth Amended Plan discloses the Diocese's trustees at section 12.19. The continuation of the proposed trustees for the Diocese is consistent with the interests of its estate and public policy.

51. **Section 1129(a)(6).** Section 1129(a)(6) requires that any regulatory commission having jurisdiction over the rates charged by the reorganized debtor in the operation of its businesses approve any rate change provided for in a plan. The Eighth Amended Plan does not provide for any rate change that would require the approval of any regulatory agency. Accordingly, section 1129(a)(6) is inapplicable in this case.

52. **Section 1129(a)(7) – Best Interest Test and Liquidation Analysis.** I understand that, to satisfy the “best interests” test under section 1129(a)(7) of the Bankruptcy Code, a debtor must demonstrate that each holder of a claim in an impaired class (a) has accepted the plan or (b) is receiving at least as much value under the plan as it would in a hypothetical chapter 7 liquidation. I performed a hypothetical analysis that represents good faith estimates of what holders of claims would recover in a hypothetical liquidation (the “**Liquidation Analysis**”), included as Exhibit C to the Disclosure Statement. [Dkt. No. 2973-3].

53. To conduct the Liquidation Analysis, I assumed that the Diocese would convert this chapter 11 case to a chapter 7 case and its assets would be liquidated as of December 31, 2024. I further assumed that, on December 31, 2024, operations would cease and the only funding would

come from the Diocese's estate, including the sale of its assets. The figures in the Liquidation Analysis have not changed materially since it was prepared on February 27, 2025.

54. I estimated the cash proceeds that would be generated from a liquidation of the Diocese's assets in a chapter 7 environment recognizing adjustments for, among other things, donor-restricted funds, pass-through assets from parish collections, and closing costs for the sale of real estate as reflected on the Liquidation Analysis.

55. As set forth in the Liquidation Analysis and incorporated herein by reference, the liquidation of the Diocese's assets would result in gross liquidation proceeds of \$40,425,363 that would be used to pay liquidation costs and then distributed to creditors. The Liquidation Analysis establishes that Holders of Claims in impaired classes will receive property valued, as of the Effective Date of the Eighth Amended Plan, in an amount greater than the value of what they would receive if the Diocese were liquidated under chapter 7. This is because contributions made by third parties in support of the Eighth Amended Plan (which are assumed unavailable in a liquidation) greatly increase recoveries under the Plan as compared to a chapter 7 liquidation.

56. **Section 1129(a)(8).** Section 1129(a)(8) of the Bankruptcy Code requires that each class of Claims or interests either accept the plan or not be impaired by the plan. The General Unsecured Claims and Abuse Claims, as the only Holders entitled to vote, have voted to accept the Amended Plan, all other classes are unimpaired by the Eighth Amended Plan, therefore section 1129(a)(8) is satisfied.

57. **Section 1129(a)(9).** I have been advised that section 1129(a)(9) of the Bankruptcy Code requires that certain priority claims be paid in full on the effective date of a plan and that holders of certain other priority claims receive deferred cash payments, unless such holders agree to different treatment for such claim. The Eighth Amended Plan satisfies the requirements of

section 1129(a)(9) because, pursuant to section 2.1, Administrative Claims, Priority Tax Claims, Non-Priority Tax Claims, Professional Fee Claims and U.S. Trustee Fees will be paid in full on the Effective Date or as agreed to by such Holders.

58. **Section 1129(a)(10).** I understand that Section 1129(a)(10) of the Bankruptcy Code requires the affirmative acceptance of the Eighth Amended Plan by at least one class of impaired claims, “determined without including any acceptance of the plan by any insider” if any claims are impaired under the plan. This requirement has been satisfied because the only Impaired Claims – Class 3 and Class 4 – are not insiders and unanimously voted to accept the Eighth Amended Plan.

59. **Section 1129(a)(11) – the Diocese’s Restructuring and Financial Projections.** I understand that section 1129(a)(11) of the Bankruptcy Code requires that confirmation of plan is not likely to be followed by liquidation or further financial reorganization. In other words, this section requires that the plan be feasible.

60. The Eighth Amended Plan, if confirmed, will provide the Diocese with a path towards sustainable and long-term success in pursuing its religious and charitable mission. This Plan is the result of almost six years of extensive work by the Diocese and its advisors to negotiate with the key stakeholders on the terms of the Eighth Amended Plan to allow for the fair and equitable resolution of Abuse Claims and position the Diocese and the Participating Parties to continue their religious and charitable mission.

61. With the assistance of my staff, I prepared the Diocese’s financial projections for the period for the fiscal years 2026 through 2028 (the “**Financial Projections**”), a summary of which is attached as Exhibit D to the Disclosure Statement [Dkt. No. 2973-4] and incorporated herein by reference. The Financial Projections show that the Diocese will be able to fund the DOR Cash Contribution on the Effective Date and that the Reorganized Diocese will be able to execute

on its business plan and continue its religious and charitable mission without the need for further financial restructuring.

62. The assumptions underlying the Financial Projections are based on my experience overseeing the financial affairs of the Diocese for the last 18 years. They are conservative and are reasonable assumptions of future cash receipts and cash disbursements. Of note, emerging from bankruptcy will significantly reduce the amount of professional fees thereby freeing up cash for operations. At the end of each fiscal year, the Reorganized Diocese is projected to have positive and increasing year-over-year cash balances. The Financial Projections support the Diocese's ability to operate on a better than breakeven basis upon emergence.

63. Accordingly, I believe that the Eighth Amended Plan is feasible.

64. **Section 1129(a)(12).** I have been advised that section 1129(a)(12) of the Bankruptcy Code requires the payment of all fees payable under 28 U.S.C. § 1930. Section 2.5 of the Eighth Amended Plan provides for the payment of all fees payable under 28 U.S.C. § 1930(a).

65. **Section 1129(a)(13).** I have been advised that section 1129(a)(13) of the Bankruptcy Code requires that retiree benefits are paid post-confirmation at any levels established in accordance with section 1114 of the Bankruptcy Code. The Eighth Amended Plan does not modify any retiree benefit plans. Pursuant to the Eighth Amended Plan, from and after the Effective Date, all retiree benefits shall continue to be paid in accordance with applicable law.

66. **Sections 1129(a)(14) and 1129(a)(15).** I understand that the Diocese is not required by a judicial or administrative order, or by statute, to pay a domestic support obligation. Accordingly, I have been advised that section 1129(a)(14) of the Bankruptcy Code is inapplicable. The Diocese is also not an individual, and I have been advised that, accordingly, section 1129(a)(15) of the Bankruptcy Code is similarly inapplicable.

67. **Section 1129(a)(16).** I have been advised that section 1129(a)(16) of the Bankruptcy Code applies to not-for-profit entities and requires that transfers of property under a plan are made in accordance with any applicable provisions of non-bankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust. I understand that section 1129(a)(16) is applicable to the Diocese as a not-for-profit corporation. I have been further advised that all transfers of property under the Eighth Amended Plan are being made in accordance with applicable provisions of non-bankruptcy law governing such transfers. Specifically, to the extent any transaction contemplated by the Eighth Amended Plan might require approval under section 511 or 511-a of New York's Not-For-Profit Corporation Law, I understand that the Bankruptcy Court, which has exclusive jurisdiction over the Diocese's bankruptcy estate and the disposition of its assets, is the proper tribunal to determine whether such transactions comply with the substantive requirements of New York law, and may grant such approval as part of an order confirming the Eighth Amended Plan.

68. **Section 1129(c).** I understand that the Eighth Amended Plan is the only plan that has been proposed in this bankruptcy case which meets the requirements of subsections (a) and (b) of section 1129 of the Bankruptcy Code. Moreover, even if the previously proposed [CNA Plan] met the requirements for confirmation, I understand that Abuse Claimants strongly favor the Eighth Amended Plan.

69. **Section 1129(d).** I understand that section 1129(d) of the Bankruptcy Code prohibits confirmation of a chapter 11 plan if it was designed and proposed to evade taxes or the requirements of section 5 of the Securities Act. The purpose of the Eighth Amended Plan is not to avoid taxes or the application of section 5 of the Securities Act of 1933.

70. **Section 1129(e).** I understand that this bankruptcy case is not a “small business case” as that term is defined in the Bankruptcy Code.

I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE
AND CORRECT

Executed: July 28, 2025



Lisa M. Passero