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8 Attorneys for Movant
9 EMMA MACIAS

10 UNITED STATES BANKRUPTCY COURT
11 NORTHERN DISTRICT OF CALIFORNIA (OAKLAND)

12 In re

13 THE ROMAN CATHOLIC BISHOP OF
14 OAKLAND dba
15 DIOCESE OF OAKLAND dba
16 ROMAN CATHOLIC DIOCESE OF
17 OAKLAND,

18 Debtor.

Bk. No.: 23-40523-WJL

R.S. No: KL-12

Chapter 11

MOVANT'S *REPLY* TO DEBTOR'S
OPPOSITION TO MOTION FOR RELIEF
FROM THE AUTOMATIC STAY TO
PROCEED WITH STATE COURT
LITIGATION AND/OR ABSTENTION
UNDER 28 U.S.C. 1334(C)(1)

Hearing -

Date: February 17, 2026

Time: 1:30 p.m.

Place: United States Bankruptcy Court
1300 Clay Street, Courtroom 220
Oakland, CA 94612

Honorable William J. Lafferty

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1 Movant EMMA MACIAS (“Movant” herein) hereby replies to Debtor’s Opposition
2 to Movant’s Motion for Relief from the Automatic Stay to Proceed with State Court
3 Litigation and/or Abstention Under 28 U.S.C. 1334(c)(1), filed on February 13, 2026 as
4 docket entry #2638 (“Opposition” herein) as follows:

5 **I. Introduction**

6 Movant had filed this Motion so that she is allowed to proceed with state court
7 litigation involving a personal injury claim against the Debtor, which has been pending since
8 January 19, 2021. The claim arises from an incident that occurred on January 20, 2019 –
9 more than 7 years ago! Although trial was originally scheduled for July 31, 2023, in light of
10 the instant bankruptcy filing, the trial was vacated and no trial date had been set. As such, the
11 state court remains in “limbo” and has remained in limbo for the duration of the time that this
12 case has been pending. Movant did not rush into filing this motion, as it allowed significant
13 amount of time to pass to see if a plan could be confirmed in this matter. There is currently
14 no apparent feasible plan in the horizon, and it is unclear if a plan will ever be proposed
15 and/or confirmed. Given the statements by the Debtor of lack of any “cash position”, the
16 prospects of this case do not look promising.

17
18 Debtor’s opposition focuses on one main argument: that continuation of the state
19 court litigation will deplete the limited assets of the Debtor. Nonetheless, for the reasons set
20 forth below, the Court should grant relief from the automatic stay, so that Movant can
21 proceed with this 7-year-old claim to resolution in state court. Once the claim is liquidated in
22 State Court, Movant will abide by any confirmed plan (if any) with respect to payment on the
23 claim.
24

25 **II. Debtor’s Claims Re: Insurance Coverage and Lack of Funds**

26 Despite being in an active Chapter 11 case, Debtor indicates in its Opposition that it is
27 in “dire financial position.” It maintains that the insurance policy in effect has a Self-Insured
28 Retention (“SIR”) of \$250,000.00, which must be met before Debtor can “access this

1 coverage.” First, Debtor did not provide the terms of the policy that is in place, which
2 supports that Debtor has to pay for defense costs. Without the terms of the policy, there is no
3 way for this Court or Movant to confirm this.

4 The reason the policy may be important here is because the self-insured retention
5 provisions should not limit the insurer’s duty to defend. The insurer’s duty to defend against
6 the claims is generally not contingent on the Debtor’s payment of the defense costs; that duty
7 is only “subject to” the general conditions regarding insurer’s defense obligations, and those
8 obligations are to commence the defense immediately and entirely in its own control.
9 Whether and when the Debtor satisfies its alleged \$250,000 SIR as to defense costs should
10 not affect the coverage obligation since there are damages requested that are “payable under
11 the policy”, the insurer should be covering the defense of the case. The Insurer’s duty to
12 defend is immediate and exclusive. *See Foster- Gardner, Inc. v. Nat’l Union Fire Ins. Co.*, 18
13 Cal.4th 857, 869 (1998).

14 California law requires the insurer to continue defending the Debtor despite a
15 bankruptcy. *See Gray v. Zurich Ins. Co.*, 65 Cal.2d 263, 275 (1966); *Foster-Gardner, Inc.*,
16 *supra*, 18 Cal.4th at 869. A bankruptcy filing or insolvency does not relieve an insurer of its
17 obligations under the policy; each insurance policy issued under California law is required to
18 contain the following mandatory language:

19 “A provision that the insolvency or bankruptcy of the insured will not release the
20 insurer from the payment of damages for injury sustained or loss occasioned during
21 the life of such policy.”

22 *See Cal. Ins. Code* § 11580(b)(1) (discussing mandatory provisions in policies regarding
23 insolvency of the insured). The insurance policy is to be construed in accordance with, and
24 governed by, California law. Thus, the insurer of the Debtor should still be covering the cost
25 of defense.

26 Litigating the State Court Lawsuit in state court —where the action remains
27 pending—is the most efficient and cost-effective way to proceed. The Debtor, the bankruptcy
28 estate, and its creditors will benefit from the continued prosecution of the action in California

1 State Court instead of in this Bankruptcy Court. Litigating Movant’s claims in the non-
2 bankruptcy forum will save the bankruptcy estate time and resources because defense of the
3 claims is covered (or should be covered) by insurance.

4 Defense counsel in State Court has already been retained by the Debtor. Any
5 judgment will be covered in an amount up to the insurance policy limits (less the retention
6 amount), and enforcement of any judgment against the Debtor will remain stayed. The
7 additional costs imposed on the Debtor (which the Debtor will not have to pay except
8 through a Plan of Reorganization) are not sufficient grounds to deny Movant access to the
9 insurance policy. *In re Santa Clara County Fair Ass’n*, 180 B.R. 564, 566 (B.A.P. 9th Cir.
10 1995) (“Ordinarily, litigation costs to a bankruptcy estate do not compel a court to deny stay
11 relief”). Requiring the Debtor to liquidate its claim in this forum will increase the
12 administrative costs to the estate, since Debtor’s counsel will have primary responsibility of
13 defending and contesting Movant’s claims in this Bankruptcy Court. The estate will incur
14 significant expense to get “up to speed” in defending the litigation if it must be tried in
15 bankruptcy court.

16 Despite spending many months in this bankruptcy with no confirmed Plan, Debtor
17 seeks that the Court deny the Motion and prevent the Movant with liquidating its claim for an
18 unknown/indefinite period of time. That should not be allowed. Debtor’s *Third Amended*
19 *Plan*, which was filed with the Court on March 17, 2025 (docket entry #1830) specifically
20 provided for a “Non-Abuse Litigation Reserve”, which was intended to account for all SIR
21 monies that Debtor would have to pay toward claims (it is believed that there are only 3
22 claims in total, including Movant’s, which are “non-abuse” litigation claims). *See* Section
23 12.7 of the Plan. If Debtor has no monies to pay for the SIR limit due to its “dire financial
24 position”, how does the Debtor intend to liquidate the non-abuse litigation claims, such as
25 Movant’s claim and comply with its own proposed Plan?

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1 **III. Cause Exists to Grant Relief from the Automatic Stay**

2 As provided in the Motion and contrary to the Debtor’s contentions, the *Curtis* factors
3 – adopted from the case of *In re Curtis*, 40 B.R. 795, 799-800 (Bankr. D. Utah 1984) and
4 endorsed in the Ninth Circuit by *In re Kronemyer*, 405 B.R. 915, 921 (B.A.P. 9th Cir. 2009)
5 – weigh in favor of granting Movant’s Motion. It appears that Debtor is not in denial that at
6 least some *Curtis* factors weigh in favor of granting relief from stay. Nonetheless, Debtor
7 instead tries to argue that relief from stay should be granted because *some* factors arguably
8 support a denial of the Motion (Movant denies that). These factors are addressed as follows:
9

10 2. The lack of any connection with or interference with the bankruptcy case.

11 Movant argued in its Motion that allowing the pending case to proceed in State Court
12 will relieve the bankruptcy court from dealing with state court issues, and allow state law
13 matters to be resolved in State Court. Debtor argues in the Opposition that “Ms. Macias’s
14 claim will be a distraction to and drain on the time and resources of the Debtor’s principals
15 and professionals at a moment the Debtor can least afford it: when it is trying to propose and
16 confirm a Fourth Amended Plan of Reorganization.” Notably, however, there is no real proof
17 that allowing seven-year-old claim to proceed in State Court will cause any immediate
18 burden on the estate. Debtor has counsel in state court who can continue to defend the action.
19 Trial has not yet been scheduled and is not on the horizon; thus, any “larger” litigation
20 expenses, such as trial, will likely not take place any time soon.
21

22 Debtor further alleges that if relief from stay is granted, other creditors may also ask
23 for the same relief. First, other creditors already requested relief from stay in this case, which
24 the Court granted. *See* Docket Entry No. 2168. The granting of that relief from stay did not
25 open any “floodgates.” This is especially true in this particular case given that it is believed
26 that there are only two (2) other non-abuse personal injury claims pending against the
27 Debtor.
28

1 Further, as already briefed in the underlying Motion, the costs that a Debtor can incur
2 in defending himself is not sufficient cause for delaying relief from stay. See In re Santa
3 Clara Cty. Fair Ass'n, Inc., 180 B.R. 564, 566 (B.A.P. 9th Cir. 1995) (“[o]rdinarily, litigation
4 costs to a bankruptcy estate do not compel a court to stay relief”).

5 3. Whether the debtor’s insurance carrier has assumed full financial responsibility for
6 defending the litigation.

7
8 Movant defers to its argument above, which provides that Debtor did not provide any
9 copy of its insurance policy to support the claim that the SIR must be met before defense
10 costs are paid.

11 5. Whether litigation in another forum would prejudice the interests of other creditors,
12 the creditors’ committee and other interested parties.

13 Debtor’s arguments in the Opposition are essentially that the state court litigation will
14 interfere with the bankruptcy and result in expenses that would otherwise be used to pay
15 creditors and that other creditors may file motions for relief from stay. Nonetheless, it is
16 unclear how any of these burdens (assuming true) would be eliminated by the state court
17 lawsuit being tried in bankruptcy court, as opposed to state court. Debtor has already retained
18 state court counsel that could handle the defense of the lawsuit in State Court. By granting
19 relief from stay, and permitting the state court lawsuits to resume in State Court, Debtor can
20 focus on his other claims in bankruptcy Court. Debtor cannot put a stop on Movant’s
21 litigation forever. Movant is allowed to have her day in Court after seven (7) years and
22 counting. Allowing the case to proceed in State Court will result in finality, which is
23 something that other creditors could certainly benefit from. No other creditors had filed an
24 Opposition to the Motion. Further, based on the Court’s prior granting of relief from stay
25 orders in this case, there is no real proof that granting this motion will open the “floodgates”
26 to other motions for relief from stay.
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1 8. The impact of the stay on the parties and the “balance of hurt.”

2 Debtor minimizes the fact that the State Court Lawsuit has been pending for many
3 years now with no resolution in sight as there is no state court trial date. Movant should be
4 allowed to “see her day in Court”, and has been patient throughout these proceedings to see if
5 Debtor could confirm its plan. It could not, and it does not appear that confirmation of the
6 plan will come any soon. Thus, even though Debtor maintains that “Ms. Macias [would
7 have] to wait a bit longer to liquidate a claim that wouldn’t be paid any faster if the stay were
8 lifted”, there is no end to this case at sight. What is a “bit longer”? Movant should be allowed
9 to at least resume her litigation to the point of setting a trial, as opposed to having to wait
10 months, if not years more, to be able to at least get a trial from the state court. The “balance
11 of hurt” clearly weighs in favor of Movant for these reasons, and the reasons set forth in the
12 Motion.
13

14 **IV. Movant’s Request for the Court to Abstain is Appropriate**

15 In its Opposition, Debtor challenges Movant’s alternative relief in the form of
16 abstention on the basis that there is no pending lawsuit in the bankruptcy court (such as an
17 adversary proceeding) for which the Court can abstain from. Nonetheless, Movant’s claims
18 against the Debtor can be considered a “proceeding” that is before this Court until relief from
19 stay is granted and Movant is able to continue litigating his state law claims in State Court.
20 Until this relief is granted, the claims of Movant as to the Debtor remain within the purview
21 and jurisdiction of the Bankruptcy Court. Hence, based on the analysis of the factors set forth
22 in his Motion, Movant requests that the Court abstain from hearing state law matters, and
23 instead allow the Movant to proceed in state court.
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1 WHEREFORE, for the reasons set forth above and in the underlying Motion, Movant
2 requests that the Court grant relief from the automatic stay and a waiver of the 14-day stay.
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4 Respectfully submitted,
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6 DATED: February 13, 2026

KATZ LAW, APC

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8 By:  _____

LIOR KATZ

Attorney for Movant
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