

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
)	
CATHOLIC DIOCESE OF WILMINGTON, INC., a Delaware Corporation, ¹	)	Case No. 09-13560 (CSS)
)	
Debtor.	)	Objection Deadline: July 28, 2010 at 4:00 p.m. (ET)
	)	Hearing Date: August 30, 2010 at 2:00 p.m. (ET)
)	

**DEBTOR’S MOTION FOR ORDER FURTHER EXTENDING THE PERIOD WITHIN
WHICH THE DEBTOR MAY REMOVE ACTIONS PURSUANT TO 28 U.S.C. § 1452
AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 9006 AND 9027**

The above-captioned debtor and debtor in possession (the “Debtor”) hereby submits this motion (the “Motion”) for entry of an order pursuant to 28 U.S.C. § 1452 and Rules 9006 and 9027 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) further extending the period within which the Debtor may remove various civil actions pending as of October 18, 2009 (collectively, the “Actions”). In support of this Motion, the Debtor respectfully states as follows:

JURISDICTION

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b)(2) and venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory basis for the relief requested herein is 28 U.S.C. § 1452, as supplemented by Bankruptcy Rules 9006 and 9027.

¹ The last four digits of the Debtor’s federal tax identification number are 5439. The Debtor’s mailing address is 1925 Delaware Avenue, P.O. Box 2030, Wilmington, Delaware 19899-2030.

BACKGROUND

3. On October 18, 2009 (the "Petition Date"), the Debtor commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor is authorized to continue to operate and manage its properties as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. As of the date hereof, no request for appointment of a chapter 11 trustee or examiner has been made. By order dated December 23, 2009 [D.I. 213], the Court directed the appointment of a fee examiner.

5. On November 5, 2009, the office of the United States Trustee (the "U.S. Trustee") appointed an official committee of unsecured creditors (the "Creditors' Committee") in this case [D.I. 82].

6. On May 3, 2010, the U.S. Trustee appointed an official committee of lay employees (the "Lay Employees' Committee") in this case [D.I. 461].

7. Information regarding the Debtor's history and operations, its capital structure, and the events leading up to the commencement of this chapter 11 case can be found in the *Declaration of the Reverend Monsignor J. Thomas Cini in Support of Chapter 11 Petition and First-Day Relief* [D.I. 9] (the "Cini Declaration").

A. Prior Extensions of the Removal Deadline

8. On January 8, 2010, the Debtor filed the *Debtor's Motion for Order Extending the Period Within Which the Debtor May Remove Actions Pursuant to 28 U.S.C. § 1452 and Federal Rules of Bankruptcy Procedure 9006 and 9027* [D.I. 256] (the "First Extension Motion"), seeking entry of an order extending deadline to file notices to remove the Actions for approximately one hundred and twenty (120) days. On January 27, 2010, the Court entered an order [D.I. 286] granting the First Extension Motion and extending the removal

deadline through and including May 1, 2010, without prejudice to the Debtor's right to seek further extension(s) of the removal deadline.

9. On April 29, 2010, the Debtor filed the *Debtor's Motion for Order Further Extending the Period Within Which the Debtor May Remove Actions Pursuant to 28 U.S.C. § 1452 and Federal Rules of Bankruptcy Procedure 9006 and 9027* [D.I. 451] (the "Second Extension Motion") seeking entry of an order extending deadline to file notices to remove the Actions for ninety (90) days. On June 1, 2010, the Court entered an order [D.I. 513] granting the Second Extension Motion and extending the removal deadline through and including July 30, 2010 (the "Current Deadline"), without prejudice to the Debtor's right to seek further extension(s) of the removal deadline.

B. Global Case Mediation

10. On May 21, 2010, the Court entered an order [D.I. 502] (as amended by D.I. 514, the "Mediation Order") pursuant to Del. Bankr. L.R. 9019-3 assigning all issues relating to the bankruptcy case to mediation and appointing the Honorable Kevin Gross and former Judge Thomas Rutter (the "Mediators") as co-mediators.

11. At the direction of the Mediators, the Debtor, the Creditors' Committee, the Lay Employees' Committee, the Debtors' liability insurers, and certain other parties participated in mediation sessions June 25-27 and July 2-3, 2010, with the goal of negotiating a consensual chapter 11 plan. While these initial mediation sessions did not result in a negotiated plan, progress was made on several fronts, and the Mediators have decided to reconvene the mediation in late August or early September, date(s) and time(s) to be determined.

C. Phase I PIA Trial

12. On December 18, 2009, the Creditors' Committee commenced an adversary proceeding against the Debtor and certain non-debtor affiliates (the "PIA Adversary"). On January 28, 2010, the Court bifurcated the discovery and trial of the PIA Adversary into two phases, the first (the "Phase I Trial") to address the second and fourth counts of the Creditors' Committee's complaint regarding, respectively, the existence of a trust relationship with respect to, and the identification of trust funds within, the pooled investment account (the "PIA") maintained by the Debtor at the Bank of New York Mellon.

13. The Court held the Phase I Trial from June 2 to June 8, 2010. Thereafter, on June 28, 2010, the Court issued an opinion ruling (i) that the Debtor and the non-debtor defendants had established the existence of a trust relationship with respect to the PIA, and (ii) with one exception, the Debtor and the non-debtor defendants had failed to identify and trace the trust funds into the PIA, and (iii) that the non-debtor defendants' funds in the PIA (with one exception) were property of the Debtor's bankruptcy estate, but the non-debtor defendants have claims against the Debtor for their lost investments. The Court directed the Creditors' Committee to submit an order embodying the Court's ruling under certification of counsel. Counsel for the Creditors' Committee proposed a form of order on July 7, 2010. The Debtor and non-debtor defendants subsequently provided comments on the form of order. As of the date hereof, the order has not been submitted.

14. On June 29, 2010, the non-debtor defendants to the PIA Adversary, joined by the Debtor, filed a motion for reconsideration of the Court's June 28 opinion. The Creditors' Committee responded on July 13, 2010, and the defendants will reply and submit a Notice of Completion of Briefing and a request for oral argument in due course.

RELIEF REQUESTED

15. By this Motion, and pursuant to Bankruptcy Rule 9006(b)(1), the Debtor seeks entry of an order extending the Current Deadline² to file notices to remove the Actions for an additional ninety (90) days, through and including October 28, 2010. The Debtor requests that the proposed October 28, 2010, deadline to file notices of removal apply to all matters specified in Bankruptcy Rule 9027(a)(2)(A), (B) and (C).

16. The Debtor further requests that the order approving this Motion be without prejudice to (a) any position the Debtor may take regarding whether section 362 of the Bankruptcy Code applies to stay any given civil action pending against the Debtor, and (b) the right of the Debtor to seek further extensions of the period in which it may remove civil actions pursuant to Bankruptcy Rule 9027.

BASES FOR RELIEF REQUESTED

17. Bankruptcy Rule 9027 and section 1452 of title 28 of the United States Code govern the removal of pending civil actions. Specifically, section 1452(a) provides:

A party may remove any claim or cause of action in a civil action other than a proceeding before the United States Tax Court or a civil action by a governmental unit to enforce such governmental unit's police or regulatory power, to the district court for the district where such civil action is pending, if such district court has jurisdiction of such claim or cause of action under section 1334 of this title.

28 U.S.C. § 1452(a). Bankruptcy Rule 9027 sets forth the time period for filing notices to remove claims or causes of action and provides, in pertinent part:

If the claim or cause of action in a civil action is pending when a case under the [Bankruptcy] Code is commenced, a notice of removal may be filed only within the longest of (A) 90 days after the order for relief in the case under the [Bankruptcy] Code, (B) 30

² Pursuant to Del. Bankr. L.R. 9006-2, the filing of this Motion prior to the Current Deadline shall serve to automatically extend the Current Deadline without the necessity for the entry of a bridge order, until the Court rules on this Motion. See Del. Bankr. L.R. 9006-2.

days after entry of an order terminating a stay, if the claim or cause of action in a civil action has been stayed under § 362 of the [Bankruptcy] Code, or (C) 30 days after a trustee qualifies in a chapter 11 reorganization case but not later than 180 days after the order for relief.

Fed. R. Bankr. P. 9027(a)(2).

18. Bankruptcy Rule 9006(b)(1) permits the Court to enlarge unexpired time periods as follows:

Except as provided in paragraphs (2) and (3) of this subdivision, when an act is required or allowed to be done at or within a specified period by these rules or by a notice given thereunder or by order of court, the court for cause shown may at any time in its discretion (1) with or without motion or notice order the period enlarged if the request therefor is made before the expiration of the period originally prescribed or as extended by a previous order or (2) on motion made after the expiration of the specified period permit the act to be done where the failure to act was the result of excusable neglect.

Fed. R. Bankr. P. 9006(b)(1).

19. The Debtor submits there is ample cause to extend the deadline for removal of the Actions, given that the Actions assert personal injury tort claims over which this Court has limited subject-matter jurisdiction, *see* 28 U.S.C. §§ 157(b)(2)(B), 157(b)(2)(O), 157(b)(5), and the liquidation and/or estimation of these claims in the District Court may well be necessary in order to move this case forward.

20. Additionally, as noted above, the Court-ordered mediation is ongoing, but will not resume again until after the Current Deadline expires. The Debtor is hopeful this mediation will result in a consensual chapter 11 plan that provides for the liquidation of personal injury tort claims through an appropriate alternative dispute resolution (“ADR”) process. In the absence of a consensual plan, however, the Debtor may need to invoke the District Court’s jurisdiction to liquidate and/or estimate personal injury tort claims against the Debtor. If the

Current Deadline is not extended, the Debtor may have no choice but to remove the Actions immediately to preserve this alternative to a negotiated solution. Such removal could result in motion practice under 28 U.S.C. § 1452(b), which would be costly to the Debtor's bankruptcy estate and would distract the Debtor and other parties in interest from their efforts negotiating a consensual and swift resolution to this chapter 11 case. Additionally, in the event a consensual plan is ultimately negotiated which provides an ADR mechanism for liquidation of personal injury tort claims, this removal and motion practice may have been entirely unnecessary.

21. Moreover, the Court has aptly described the outcome of the PIA Adversary as a "gateway issue for the development of the case" (1/12/10 Hr'g Tr. 82:25-83:1-7), given its bearing on the scope of the property of the Debtor's bankruptcy estate. While the Phase I Trial is completed, its outcome is uncertain pending resolution of the motion for reconsideration and such other proceedings as may be initiated after entry of the order on the Phase I Trial. Additionally, the second phase of the PIA Adversary, which is currently stayed pending further order of the Court, is addressed toward issues of monumental importance to the development of this chapter 11 case, namely, the consolidation of non-debtor entities into the Debtor under principles of corporate law (i.e., an "alter ego" theory) and/or bankruptcy law (i.e., substantive consolidation).

22. Largely as a result of the PIA Adversary and the Court-ordered mediation, in the months since the Second Extension Motion was filed, the Debtor has not had a sufficient opportunity to address whether any Actions to which it is a party should be removed. The Debtor submits that granting the Debtor this additional opportunity to consider removal of the Actions will assure that the Debtor's decisions are fully informed and consistent with the best interests of its estate. Furthermore, nothing herein will prejudice any party to a proceeding that

the Debtor may ultimately seek to remove from seeking the remand of such action under 28 U.S.C. § 1452(b) at the appropriate time.

23. For the foregoing reasons, the Debtor submits that the relief requested herein is in the best interests of the Debtor and its estate and creditors.

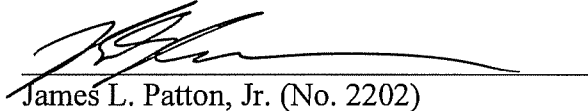
NOTICE

24. Notice of this Motion has been provided to (a) the United States Trustee for the District of Delaware; (b) counsel to the Creditors' Committee; (c) counsel to the Lay Employees' Committee; (d) counsel of record in each of the Actions; and (e) parties that have requested notice pursuant to Del. Bankr. L.R. 2002-1(b). In light of the nature of the relief requested herein, the Debtor submits that no other or further notice is necessary.

WHEREFORE, the Debtor respectfully requests entry of an order, substantially in the form attached hereto as Exhibit A, granting the relief requested herein and such other and further relief as the Court deems just and proper.

Dated: Wilmington, Delaware
July 14, 2010

YOUNG CONAWAY STARGATT & TAYLOR, LLP



James L. Patton, Jr. (No. 2202)
Robert S. Brady (No. 2847)
Maris J. Finnegan (No. 5294)
✱ Patrick A. Jackson (No. 4976)
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, Delaware 19801
(302) 571-6600

Counsel to the Debtor and Debtor in Possession

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
CATHOLIC DIOCESE OF WILMINGTON,)	
INC., a Delaware Corporation, ¹	)	Case No. 09-13560 (CSS)
)	
Debtor.)	
	)	Objection Deadline: July 28, 2010 at 4:00 p.m. (ET)
	)	Hearing Date: August 30, 2010 at 2:00 p.m. (ET)

NOTICE OF MOTION

TO: (I) THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE; (II) COUNSEL FOR THE CREDITORS' COMMITTEE; (III) COUNSEL FOR THE LAY EMPLOYEES' COMMITTEE; (IV) COUNSEL OF RECORD IN EACH OF THE ACTIONS; AND (V) THOSE PARTIES ENTITLED TO RECEIVE NOTICE PURSUANT TO BANKRUPTCY RULE 2002, IN ACCORDANCE WITH DEL. BANKR. L.R. 2002-1(b).

PLEASE TAKE NOTICE that the above-captioned debtor and debtor in possession (the "Debtor") has filed the *Debtor's Motion For Order Further Extending the Period Within Which the Debtor May Remove Actions Pursuant to 28 U.S.C. § 1452 and Federal Rules of Bankruptcy Procedure 9006 and 9027* (the "Motion ").

PLEASE TAKE FURTHER NOTICE that objections to the attached Motion must be filed with the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, 3rd Floor, Wilmington, Delaware 19801 on or before **4:00 p.m. (prevailing Eastern Time) on July 28, 2010**. At the same time, you must also serve a copy of the objection upon the undersigned counsel.

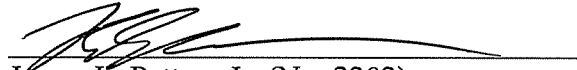
PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THIS MATTER WILL BE HELD ON **AUGUST 30, 2010 AT 2:00 P.M. (PREVAILING EASTERN TIME)** BEFORE THE HONORABLE CHRISTOPHER S. SONTCHI IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 N. MARKET STREET, 5TH FLOOR, COURTROOM #6, WILMINGTON, DELAWARE 19801.

¹ The last four digits of the Debtor's federal tax identification number are 5439. The Debtor's mailing address is 1925 Delaware Avenue, P.O. Box 2030, Wilmington, Delaware 19899-2030.

PLEASE TAKE FURTHER NOTICE THAT IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OF HEARING.

Dated: Wilmington, Delaware
July 14, 2010

YOUNG CONAWAY STARGATT & TAYLOR, LLP



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Counsel to the Debtor and Debtor in Possession

EXHIBIT A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
)	
CATHOLIC DIOCESE OF WILMINGTON, INC., a Delaware Corporation, ¹	)	Case No. 09-13560 (CSS)
)	
Debtor.	)	Re: Docket No. _____
)	
)	

**THIRD ORDER EXTENDING THE PERIOD WITHIN
WHICH THE DEBTOR MAY REMOVE ACTIONS
PURSUANT TO 28 U.S.C. § 1452 AND FEDERAL RULES
OF BANKRUPTCY PROCEDURE 9006 AND 9027**

Upon consideration of the motion (the “Motion”)² of the above-captioned debtor and debtor-in-possession (the “Debtor”), seeking entry of an order further extending the period within which Debtor may remove actions pursuant to 28 U.S.C. § 1452 and Federal Rules of Bankruptcy Procedure 9006 and 9027; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is required; and upon the record herein; and after due deliberation thereon; and sufficient cause appearing therefor

IT IS HEREBY ORDERED that:

1. The Motion is GRANTED as set forth herein.
2. Pursuant to Bankruptcy Rule 9006, the Current Deadline to file notices of removal of any and all Actions pending as of the Petition Date is extended through and including October 28, 2010.

¹ The last four digits of the Debtor’s federal tax identification number are 5439. The Debtor’s mailing address is 1925 Delaware Avenue, P.O. Box 2030, Wilmington, Delaware 19899-2030.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

3. This Order shall be without prejudice to (a) any position the Debtor may take regarding whether section 362 of the Bankruptcy Code applies to stay any litigation pending against the Debtor, or (b) the Debtor's right to seek a further extension or extensions of the time within which to file notices of removal of actions and related proceedings upon motion filed with the Court; and it is further

4. This Court shall retain jurisdiction over all matters related to or arising from the Motion or the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
_____, 2010

THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE