

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF VERMONT**

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In re:

Roman Catholic Diocese of Burlington,  
Vermont,<sup>1</sup>

Case No.: 24-10205-HZC  
Chapter 11 Case

Debtor.

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**EMERGENCY MOTION AND MEMORANDUM FOR AN ORDER (I) AUTHORIZING  
THE DEBTOR TO PAY ACCRUED AND OUTSTANDING PREPETITION  
EMPLOYEE COMPENSATION, BENEFITS, AND RELATED AMOUNTS AND (II)  
AUTHORIZING THE DEBTOR TO MAINTAIN EXISTING PAYROLL SERVICE**

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The Roman Catholic Diocese of Burlington, Vermont (the “Diocese”) requests that this Court enter an order authorizing the Diocese to pay prepetition employee compensation, benefits, and related amounts and to maintain its existing payroll service on an emergency basis (the “Motion”). Payment of the prepetition employee compensation, benefits, and related amounts, and maintaining the existing payroll service to administer those benefits, is necessary to ensure the Diocese’s continuing business operations and the success of its reorganization. The Diocese will suffer irreparable harm if this Motion is not granted on an emergency basis, including the loss of employee morale and likely defection of those employees from the Diocese.

The Diocese conferred with the Office of the United States Trustee (the “UST”) prior to filing this Motion.

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<sup>1</sup> In accordance with Fed. R. Bankr. P. 2002(n) and 1005 and 11 U.S.C. § 342(c), as applicable, the Diocese’s address is 55 Joy Drive, South Burlington, Vermont 05403, and its Employer Identification Number (EIN) is 03-0180730.

**JURISDICTION, VENUE, AND STATUTORY BASIS FOR RELIEF**

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334 and Rule 5005 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The petition commencing this Chapter 11 case was filed on September 30, 2024 (the “Petition Date”). The case is currently pending before this Court.

3. This Motion arises under 11 U.S.C. §§ 105(a), 363(b), 364, 503(b), 507, 1107, and 1108. This Motion is filed under Bankruptcy Rules 9013 and 9014 and Local Rules 9013-1 to -6 and 9014-1. Emergency relief is requested pursuant to Bankruptcy Rule 9006(c) and Local Rule 9075-1. Notice of this Motion is provided pursuant to Bankruptcy Rule 2002 and Local Rules 9013-3 and 9013-4.

**GENERAL BACKGROUND**

4. On the Petition Date, the Diocese filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The Diocese continues to operate its business as debtor in possession pursuant to 11 U.S.C. §§ 1107(a) and 1108. There is presently no pending request or motion for appointment of a trustee or examiner, and no official committee of unsecured creditors has been appointed.

5. The Diocese is a Catholic Diocese serving the entire State of Vermont. Further background information regarding the Diocese may be found in the Affidavit of Bishop John J. McDermott in Support of Initial Pleadings and Pursuant to Local Rule 1007-1 (the “McDermott Affidavit”).

**RELEVANT BACKGROUND TO MOTION<sup>2</sup>**

**I. THE DIOCESE’S EMPLOYMENT OF, AND PAYMENT OF COMPENSATION AND BENEFITS FOR, EMPLOYEES.**

6. In the ordinary course of its business, the Diocese employs approximately 54 employees to run its operations, including but not limited to accounting professionals, program coordinators, human resources and payroll specialists, priests, and educators (the “Employees”). Out of these 54 employees, 31 are salaried employees, 22 are hourly employees, and 1 employee is a daily employee (paid per day of work). The Diocese owes its Employees prepetition compensation and prepetition amounts in connection with various compensation and benefit programs as described in detail below (collectively, the “Prepetition Employee Obligations”).

7. The Diocese’s Employees serve in a wide variety of roles critical to the Diocese’s ongoing operations, including providing essential managerial, financial, clerical, and other administrative services. These Employees are vital to the Diocese’s continued operations and to the administration of this case, the preservation of the Diocese’s assets, and the Diocese’s ability to successfully reorganize. Without the Employees, who would likely leave if the Prepetition Employee Obligations remain unpaid, the Diocese could not continue to provide resources, leadership, religious, and other services to the Diocese’s constituents, nor could it effectively pursue and implement a reorganization for the benefit of all creditors.

8. If prepetition compensation, benefit, and reimbursement amounts are not received by the Employees in the ordinary course, they will suffer personal hardship and, in many cases, will be unable to pay their basic living expenses. Instead, those employees would simply receive an unsecured priority claim. Such a result would destroy Employee morale and result in

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<sup>2</sup> The facts contained in this Motion are verified in the McDermott Affidavit.

unmanageable Employee turnover, causing immediate and pervasive damage to the Diocese's ongoing operations, service to parishes and communities, and ability to reorganize, thereby resulting in immediate and irreparable harm to the Diocese and its estate. In contrast, payment of these amounts would have little impact overall on other creditors.

9. Therefore, payment of the Prepetition Employee Obligations in accordance with the Diocese's prepetition business practices will enable the Diocese to continue to operate in an economic and efficient manner with minimal disruption, preserve value, and is in the best interests of the Diocese, its creditors, and all parties in interest.

10. Accordingly, pursuant to this Motion, the Diocese requests authority to: (i) pay certain Prepetition Employee Obligations and ongoing postpetition obligations to the Employees, in its sole discretion as described below; (ii) continue, in its sole discretion, its plans, practices, programs, and policies for its Employees as those plans, practices, programs, and policies were in effect as of the Filing Date and as may be modified, terminated, amended, or supplemented from time to time, in its sole discretion, and to make payments pursuant to such plans, practices, programs, and policies in the ordinary course of business; and (iii) authorize applicable banks and other financial institutions to receive, process, honor, and pay any and all checks drawn to the extent that those checks or transfers relate to any of the foregoing. The Diocese believes that the amount required to satisfy the Prepetition Employee Obligations will not exceed the caps for priority claims imposed by sections 507(a)(4) and (a)(5) for the wages and benefits to which those caps apply.

**A. Prepetition Compensation.**

11. The Diocese pays its employees on a bi-weekly basis, in arrears. The Diocese's current bi-weekly payroll totals approximately \$100,000, including benefits, taxes, and other

withholdings (“Prepetition Compensation”).

12. The Diocese has incurred costs and obligations with respect to the Employees that remain unpaid as of the Petition Date because they accrued, either in whole or in part, prior to the Petition Date.

13. The Diocese currently owes its Employees for work performed during the period from September 21, 2024, to October 4, 2024, which is payable on October 11, 2024. The prepetition portion of the bi-weekly gross wages is approximately \$94,000, including withholdings, benefits, and employer portion of payroll taxes due for the pay period which includes, and are payable after, the Petition Date.

14. The Diocese is current on all of its other payroll tax obligations.

**B. Reimbursement Programs.**

15. In addition to Employee Compensation, the Diocese also maintains reimbursement programs (“Reimbursement Programs”).

16. The Diocese reimburses its current Employees for certain expenses that the Employees incur from time to time, and pay from their own personal funds, while working on behalf of the Diocese.

17. The Diocese has a process in place for submissions of such requests for the reimbursement of qualifying expenses.

18. The Employees incur and pay such expenses from personal funds with the expectation of being reimbursed by the Diocese upon request.

19. As of the Petition Date, the Diocese owes \$0 to Employees on account of outstanding reimbursement requests. However, there may be outstanding reimbursable expenses

owed to Employees for which reimbursement requests have not yet been made and which may be submitted after the Petition Date.

20. The Diocese submits that it is necessary for it to continue to process and pay the reimbursements to carry out its mission and ministry and requests permission to pay all outstanding reimbursements to Employees pursuant to its Reimbursement Programs.

**C. Employee Benefit Plans.**

21. The Diocese also provides certain Employees and their dependents with various benefits (the “Benefit Plans”). The Benefit Plans include: health insurance, vision insurance, dental insurance, paid time off, long-term disability insurance, short term disability, accidental death and dismemberment insurance, tuition reimbursement, fitness membership reimbursement, and retirement.

*i. Health Insurance Plan*

22. With respect to the health insurance, the Diocese maintains a health insurance plan (“Health Insurance Plan”) through MVP for the benefit of the Diocese’s Employees.

23. The Diocese deducts from payroll each of the Employees’ ratable portions of premiums to cover the costs of providing coverage for its respective employees and their dependents under the Health Insurance Plan. Health Insurance Plan premiums are paid on a per individual basis and are calculated based upon the Green Mountain Care Board approving the rate increases for the State of Vermont’s health exchange.

24. Additionally, the Employees also contribute a portion of the costs attributable to their respective insurance coverage.

25. The annual premium for fiscal year 2024-25 is \$620,000, of which approximately \$530,000 represents the Diocese’s ratable portion, and for which Employees contribute a

significant portion of the annual premium and are responsible for the balance of their ratable portions. Payments on account of the Health Insurance Plan are paid on a monthly basis. The Diocese estimate that its accrued but unpaid portion of prepetition Health Insurance Plan obligations have a total value of approximately \$50,000.

26. In the event former employees become eligible, the Diocese offers its former employees COBRA coverage. Those eligible individuals would contribute 100% of the expected costs to fund the plan. The Diocese requests authority to offer COBRA coverage without interruption unless and until it discontinues its healthcare coverage in accordance with applicable law, including mandatory notice provisions

*ii. Dental and Vision Insurance Plans.*

27. The Diocese also offers its employees dental and vision insurance plans.

28. The Diocese's dental plan is administered by Delta Dental and is paid fully by the Employees through their payroll deductions. The Diocese's average monthly cost for the dental plan is \$1,500.

29. The Diocese's vision plan is administered by VSP. The vision plan is also paid fully by the Employees through payroll deductions. The average monthly cost for the vision plan is \$275.

*iii. Paid Time Off/Vacation.*

30. The Diocese's employees who work at least 20 hours per week receive vacation and discretionary time at the beginning of the fiscal year. The Diocese estimate that accrued but unused prepetition paid time off has a total value of approximately \$163,290.50.

*iv. Long-Term Disability Insurance.*

31. The Diocese provides long term disability benefits for its Employees through Equitable.

32. For the current fiscal year, the annual premium is approximately \$6,000. No individuals contribute to payment of the long-term disability insurance premiums.

*v. Short-Term Disability Insurance*

33. The Diocese provides short term disability benefits for its Employees through Equitable.

34. For the current fiscal year, the annual premium is approximately \$5,500. No individuals contribute to payment of the long-term disability insurance premiums.

*vi. Life Insurance.*

35. The Diocese provides life insurance for its Employees through Equitable.

36. For the current fiscal year, the annual premium was approximately \$1,300. No individuals contribute to payment of the life insurance premiums.

*vii. Accidental Death & Dismemberment Insurance.*

37. The Diocese also pays 100% of the costs for accidental death and dismemberment insurance for its eligible employees. The insurance is administered by Equitable. The insurance provides a multiple of the Employees' annual earnings in the event of accidental death. The annual premium is approximately \$200.

*viii. Retirement Plan.*

38. The Diocese is a sponsor of a 403(b) retirement plan for its employees. To participate in the retirement plan, Employees must complete two years of service with the Diocese.



Once eligible, Employees receive contributions from the Diocese into their retirement account. The Diocese contributes approximately \$90,000 annually to the Retirement Plan.

*ix. Tuition Reimbursement Plan.*

39. Active, full-time Employees of the Diocese who have worked 90 or more days, worked the equivalent of one year of 780 hours per year, and maintained a satisfactory employee evaluation are eligible for a tuition reimbursement from the Diocese. These Employees receive a payment of up to \$1,200 per child (maximum yearly payout of \$5,000 per employee per family) for a child enrolled as full-time student in Pre-K through Grade 12 Catholic Schools in the State of Vermont. Part-time employees are pro-rated based on hours worked. The cost in the current fiscal year for the Tuition Reimbursement Plan is \$0.

*x. Fitness Membership Reimbursement Plan.*

40. All Employees of the Diocese are eligible for a Fitness Membership Reimbursement Plan for them and their spouse. Participating Employees pay an amount per pay period as a portion of the gym membership chosen by the Employee. The Diocese deducts the chosen gym membership amount from the Employee and pays the remaining cost of the membership. The Diocese contributes approximately \$3,700 annually for this Plan.

*xi. Priests' Benefit Fund.*

41. The Diocese provides benefits to active and retired priests who have been incardinated in the Diocese, contributed 20 years of service to the Diocese, and meet certain criteria through the "Priests' Benefit Fund."

42. Under the Priests' Benefit Fund, the Diocese sponsors a noncontributory, non-ERISA qualified defined benefit retirement plan and related trust and a defined health benefit postretirement plan, which provides medical care.

43. Expenses of the Priests' Benefit Fund include expenses related to active priests and expenses related to the ERISA retirement and postretirement benefit plans.

44. The Diocese funds plan costs as determined by the plans' actuaries and satisfies the minimum funding standards as required by ERISA.

### **RELIEF REQUESTED**

45. Pursuant to §§ 105, 363(c), 364, 503(b), 507, 1107, and 1108 of the Bankruptcy Code, the Diocese seeks authority, in its sole discretion, to pay all Prepetition Employee Obligations in accordance with the Diocese's prepetition practices, and to continue to honor its obligations to its Employees postpetition.

### **BASIS FOR RELIEF**

#### **I. THE COURT SHOULD AUTHORIZE THE DIOCESE TO PAY ITS PREPETITION EMPLOYEE OBLIGATIONS AS ALLOWED UNDER APPLICABLE BANKRUPTCY LAW.**

46. Pursuant to Sections 507(a)(4) and (5) of the Bankruptcy Code, the claims of a Diocese's employees for "wages, salaries, or commissions, including vacation, severance, and sick leave pay" earned within the 180 days before the Petition Date, and claims against a debtor for contributions to employee benefit plans arising from services rendered within the 180 days before the Petition Date, are afforded priority status to the extent of \$15,150.00 per employee.

47. Furthermore, Section 363(b)(1) of the Bankruptcy Code provides that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). The relevant provision of Section 105(a) of the Bankruptcy Code additionally provides that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). It is in the ordinary course of business for a company to pay wages, salaries, and employee benefits.

*See In re Tusa-Expo Holdings, Inc.*, 2008 WL 4857954, \*4 (Bankr. N.D. Tex. 2008). Several courts have suggested, however, that satisfaction of such an obligation that accrued prepetition is not in the ordinary course and therefore requires court approval. *See In re K-Mart Corp.*, 359 F.3d 866, 872 (7th Cir. 2004); *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989).

48. The Diocese believes that all of its Pre-Petition Compensation relating to the period prior to the Petition Date constitute priority claims and that payment of such amounts at this time is necessary and appropriate.

49. With the exception of the pre-petition pay period and the pay period that straddles the Petition Date (creating both pre-and post-petition wage claims for that period) described above, the Diocese is current on its payroll to its Employees. No single Employee is owed wages or benefits in excess of the amount afforded priority under the Bankruptcy Code. The Diocese further submits that, in the unlikely event that any Employee is owed in excess of \$15,150.00 on account of Pre-Petition Compensation, payment of such amount is necessary and appropriate and is authorized under Section 105(a) of the Bankruptcy Code pursuant to the “necessity of payment” doctrine, which “recognizes the existence of the judicial power to authorize a Diocese in a reorganization case to pay pre-petition claims where such payment is essential to the continued operation of the Debtor.” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 176; *Michigan Bureau of Workers Disability Compensation v. Chateaugay Corp. (In re Chateaugay Corp.)*, 80 B.R. 279, 287 (S.D.N.Y. 1987), *appeal dismissed*, 838 F.2d 59 (2d Cir. 1988). This doctrine is consistent with the paramount goal of Chapter 11 of “facilitating the continued operation and rehabilitation of the Debtor.” *Ionosphere Clubs*, 98 B.R. at 176.

50. Such payment is particularly important when the Court considers payment to employees or others whose livelihood depends on a debtor’s payments. Courts have long

recognized the importance of maintaining the goodwill of employees. For example, in *LTV Corp. v. Aetna Cas. & Sur. Co. (In re Chateaugay Corp.)*, 116 B.R. 887, 898 (Bankr. S.D.N.Y. 1990), the court stated: “[a]dditionally, employee good will and contentment in an asset which is vital to the continuation of a debtor’s operation and its ability to effectively reorganize during the Chapter 11 process.” Also, as the court noted in *In re Tusa-Expo Holdings, Inc.*, 2008 WL 4857954, \*4 (Bankr. N.D. Tex. 2008):

Clearly a debtor’s employees are among those creditors with whom the debtor must deal. Absent competent personnel, it is doubtful that any debtor would be able to operate its business as contemplated by Code section 110 . . . [A]s a practical matter, no debtor can afford to lose very many of its employees, especially in a chapter 11 case’s early days . . . Second, continuity of conduct of business is important in a newly filed Chapter 11 case . . . Employees familiar with the debtor’s operations will be essential to [all of the early case responsibilities.... Third, even if employees remain with a debtor notwithstanding non-payment of prepetition wages and benefits, it is probable that their work would be [adversely] affected by their loss of income.

51. Similar relief has been granted in multiple diocesan cases. *See, e.g., The Roman Catholic Diocese of Albany, New York*, Case No. 23-10244 (REL), ECF Nos. 40, 147, 192 (Bankr. N.D.N.Y. 23); *The Norwich Roman Catholic Diocesan Corp.*, Case No. 21-20687 (JJT), ECF Nos. 61, 237, 286 (Bankr. D. Conn. 2021); *The Roman Catholic Diocese of Syracuse, New York*, Case No. 20-30663 (WAK), ECF Nos. 26, 76 (Bankr. N.D.N.Y. 2020); *In re The Diocese of Buffalo, N.Y.*, Case No. 20-10322 (CLB), ECF Nos. 250, 253 (Bankr. W.D.N.Y. May 29, 2020); *In re Diocese of Rochester, Inc.*, Case No. 19-20905 (PRW), ECF Nos. 199, 269 (Bankr. W.D.N.Y. Nov. 8, 2019).

52. The Diocese’s Employees are essential to the continued operation of its business and the Diocese’s successful reorganization, and employee morale directly affects their effectiveness and productivity. The Diocese relies heavily on its Employees in all facets of its operations. If the checks issued and electronic fund transfers requested in payment of any such

obligations have been or are dishonored, or if such obligations are not timely paid post-petition, the Diocese's Employees will suffer personal hardship, may be unable to pay their daily living expenses, and may consequently leave their employment. Thus, absent authority to pay its Prepetition Employee Obligations, the Diocese will not be able to carry on its operations.

53. To the extent the Diocese's operations suffer, creditors also suffer and estate assets will be diminished. It is therefore in the best interest of creditors that wages and benefits be paid to Employees to maintain their good will. The issue is primarily one of timing of payment, and creditors are not harmed; rather, they will benefit by payment of the Prepetition Employee Obligations as the Diocese proposes in the Motion.

54. With respect to the payroll taxes in particular, the payment of such taxes will not prejudice other unsecured creditors of the Diocese's estate, as the relevant taxing authorities would hold priority claims under Section 507(a)(8) of the Bankruptcy Code for such obligations. Moreover, the monies payable for trust fund taxes generally are not property of a Diocese's estate. *See Begier v. Internal Revenue Serv.*, 496 U.S. 53, 59 (1990).

55. Accordingly, pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code, the Diocese seeks authority to pay, in its sole discretion, all Pre-Petition Compensation with respect to all Diocese Employees' wages, salaries and compensation, payroll tax obligations; to continue to honor its Reimbursement Programs consistent with its pre-petition practices, and to continue to maintain the employee Benefit Plans with respect to its Employees as such practices, programs and policies which were in effect as of the Petition Date.

**II. THE COURT SHOULD ALLOW THE DIOCESE TO MAINTAIN ITS EXISTING PAYROLL SERVICE TO MEET ITS PAYMENT OBLIGATIONS TO ITS EMPLOYEES.**

56. In the ordinary course of its business, the Diocese utilizes ADP (the “Payroll Service”) to maintain its payroll service for payment of wages to its employees, as well as payment of employer payroll taxes and employee withholding for income, Social Security, and federal unemployment taxes.

57. The Payroll Service receives monthly fees of approximately \$2,400.

58. It is in the best interests of the Diocese, its estate, its Employees, and the taxing authorities for entry of an order permitting the Diocese to maintain its existing payroll service. The Diocese’s post-petition obligations include remaining current with respect to its payroll obligations to employees and payment of post-petition taxes as they accrue. The Payroll Service is familiar with the Diocese’s payroll system and obligations and its continued involvement will ensure that the Diocese’s post-petition payroll obligations continue to be met.

59. It is further respectfully submitted that the fees charged by the Payroll Service are reasonable and ordinary expenses incurred in the ordinary course of the Diocese’s business. Accordingly, it is respectfully requested that the Court include in its order on the Motion authority for the Diocese to pay, but not a direction to pay, those fees and expenses incurred to the Payroll Service in the ordinary course of the Diocese’s business and without the need for further order from this Court.

**III. THE COURT SHOULD AUTHORIZE AND DIRECT FINANCIAL INSTITUTIONS TO HONOR AND PROCESS CERTAIN CHECKS AND TRANSFERS.**

60. To facilitate the other relief requested herein and prevent delays and interruptions that could otherwise result, the Diocese also seeks an order (a) authorizing and directing banks and

any other financial institution upon which any checks, drafts, electronic funds transfers, or wire transfers are drawn in payment of the Employees' Pre-Petition Compensation, Reimbursement Programs, and Benefit Plans—either before, on, or after the Petition Date—to honor all such checks or drafts issued, upon presentation thereof, or all such wire transfer instructions, upon receipt thereof, provided that sufficient funds are immediately available and on deposit in the applicable accounts and (b) prohibiting banks and any other financial institutions from placing any holds on, or attempting to reverse, any automatic transfers to employees' accounts for Prepetition Employee Obligations. The Diocese requests that banks and all other financial institutions be authorized and directed to rely on the representations of the Diocese as to which checks, drafts, or wire transfers are in payment of the Prepetition Employee Obligations.

61. The Diocese has, or will have, on deposit sufficient funds in such accounts to satisfy all the Prepetition Employee Obligations so that the banks will not be prejudiced by any order authorizing them to honor the Diocese's checks or fund transfer requests with respect to such amounts.

62. The Diocese also requests that any party receiving payment from the Diocese be authorized and directed to rely upon the representations of the Diocese as to which payments are authorized by the requested relief.

### **EMERGENCY RELIEF**

63. Local Rule 9075-1 permits the Court to “deem a matter an ‘emergency matter’ only if the movant demonstrates that the need for immediate relief is necessitated by circumstances beyond the movant's control and that there is not sufficient time to give the notice required by the Code and the Bankruptcy Rules.” Because the filing of this bankruptcy case and provision of full notice of this Motion would otherwise interrupt the Diocese's normal payroll process with the next

regular payroll scheduled for October 4, 2024, and will delay the Diocese's payment of certain amounts owed for insurance coverage, the Diocese requests emergency relief on this Motion. Employee morale and retention is critical in this case, and both will likely falter if the Employees do not receive timely payment for their work. Thus, the Diocese seeks emergency relief so that the regular payroll process can proceed without interruption. In addition, the granting of this motion on an emergency basis is critical to ensuring the confidence of the Employees and the continuity of the Diocese's operations.

**WAIVER OF NOTICE REQUIREMENTS AND STAY**  
**UNDER BANKRUPTCY RULE 6004**

64. To implement the foregoing successfully, the Diocese seeks a waiver of the notice requirements under Bankruptcy Rule 6004(a) and any stay of an order granting the relief requested herein pursuant to Bankruptcy Rules 6004(h), 7062, 9014 or otherwise.

65. Further, to the extent applicable, the Diocese requests that this Court find that the provisions of Rule 6003 of the Federal Rules of Bankruptcy Procedure are satisfied because the relief requested in this Motion is immediately necessary for the Diocese to be able to continue to operate its business as a going concern and preserve the value of its estate for the purpose of reorganization. Bankruptcy Rule 6003 provides that a bankruptcy court may approve a motion to "use, sell, [or] lease" property of the estate, or to "pay all or part of a claim that arose before the filing of the petition," prior to twenty-one (21) days after the filing of the petition, "to the extent that relief is necessary to avoid immediate and irreparable harm." Fed. R. Bankr. P. 6003. Immediate and irreparable harm exists where, as is the case here, the absence of relief would impair a Debtor's ability to reorganize or threaten the Debtor's future as a going concern. *See In re Ames Dep't. Stores, Inc.*, 115 B.R. 34, 36 n.2 (Bankr. S.D.N.Y. 1990) (discussing the elements of "immediate and irreparable harm" in the context of Bankruptcy Rule 4001). The Diocese submits



that this is a sufficient basis for the Court to find that there would be immediate and irreparable harm from waiting until twenty-one (21) days after the Petition Date before honoring payroll and related obligations.

### **NOTICE AND SERVICE**

66. Notice of this Motion and all related papers were served on the following parties on the date and manner set forth in the certificate of service related to this Motion: (a) the Office of the United States Trustee, (b) the Debtor's secured creditors or, if applicable, to counsel representing them, (c) the non-insider holders of the 20 largest unsecured claims against the Debtor or, if applicable, to counsel representing such holders, (d) applicable federal and state taxing authorities, and (e) to the extent not included in the foregoing, the applicable state and federal regulatory agencies.

### **CONCLUSION**

67. The Diocese respectfully requests that this Court enter an order:
- a. Granting emergency relief;
  - b. Authorizing, but not requiring, the Diocese to pay all accrued but unpaid Prepetition Employee Obligations;
  - c. Authorizing, but not requiring, the Diocese to pay the appropriate recipients the payroll taxes and deduction the Diocese deducted prepetition or will deduct on account of prepetition obligations, and to continue its ordinary course practices with respect to the payroll taxes;
  - d. Authorizing, but not requiring, the Diocese to continue to pay and honor, in the ordinary course of business, its obligations arising under or related to its plans, practices, and policies for its Employees as set forth in this Motion;

- e. Authorizing all applicable banks and other financial institutions to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests or automated clearing house transfers evidencing amounts paid by the Diocese pursuant to this Motion whether presented prior to or after the filing date to the extent the debtor has sufficient funds in the relevant account. Such banks and financial institutions are authorized to rely on the representations of the debtor as to which checks are issued or authorized to be paid pursuant to this order without any duty of further inquiry and without liability for following the Diocese's instructions;
- f. Granting the Diocese such other and further relief as the Court deems necessary and proper.

Dated: September 30, 2024

/s/ Raymond J. Obuchowski

Raymond J. Obuchowski

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**PROPOSED ATTORNEYS FOR ROMAN  
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VERMONT**

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF VERMONT**

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In re:

Roman Catholic Diocese of Burlington,  
Vermont,

Case No.: 24-10205-HZC  
Chapter 11 Case

Debtor.

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**ORDER (I) AUTHORIZING THE DEBTOR TO PAY ACCRUED AND OUTSTANDING  
PREPETITION EMPLOYEE COMPENSATION, BENEFITS, AND RELATED  
AMOUNTS AND (II) AUTHORIZING THE DEBTOR TO MAINTAIN EXISTING  
PAYROLL SERVICES**

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Upon the consideration of the Emergency Motion for an Order (I) Authorizing the Debtor to Pay Accrued and Outstanding Prepetition Employee Compensation, Benefits, and Related Amounts and (II) Authorizing the Debtor to Maintain Existing Payroll Services (the “Motion”) filed by the Roman Catholic Diocese of Burlington, Vermont (the “Diocese”), and this Court having jurisdiction to enter this Order and finding that entry of this Order is in the best interest of the Diocese, its estate, and its creditors, and good cause having been demonstrated to this Court, it is hereby **ORDERED**, **ADJUDGED**, and **DECREED** as follows:

1. The Diocese’s Motion is **GRANTED** as set forth in this Order;
2. The Diocese’s request for emergency relief is granted;
3. The Diocese is authorized, but not required, to pay all accrued but unpaid Prepetition Employee Obligations as described and defined in the Motion;
4. The Diocese is authorized, but not required, to pay the appropriate recipients the payroll taxes and deduction the Diocese deducted prepetition or will deduct on account of prepetition obligations, and to continue its ordinary course practices with respect to the payroll taxes;

5. The Diocese is authorized, but not required, to continue to pay and honor, in the ordinary course of business, its obligations arising under or related to its plans, practices, and policies for its Employees as set forth in the Motion;

6. All applicable banks and other financial institutions are authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests or automated clearing house transfers evidencing amounts paid by the Diocese pursuant to the Motion whether presented prior to or after the filing date to the extent the debtor has sufficient funds in the relevant account. Such banks and financial institutions are authorized to rely on the representations of the debtor as to which checks are issued or authorized to be paid pursuant to this order without any duty of further inquiry and without liability for following the Diocese's instructions;

7. Notwithstanding the provisions of Bankruptcy Rule 6004(h), this Order is deemed effective and immediately enforceable upon its entry.

Dated:  
Rutland, Vermont

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Honorable Heather Z. Cooper  
United States Bankruptcy Judge