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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

In re: THE ROMAN CATHOLIC BISHOP OF OAKLAND, a California corporation sole, Debtor.	Case No. 23-40523 Chapter 11 **DEBTOR'S MOTION FOR INTERIM AND FINAL ORDERS AUTHORIZING THE DEBTOR TO (I) PAY PREPETITION EMPLOYEE WAGES, SALARIES, BENEFITS AND OTHER RELATED ITEMS, (II) REIMBURSE PREPETITION EMPLOYEE BUSINESS EXPENSES, (III) CONTINUE EMPLOYEE BENEFIT PROGRAMS, AND (IV) PAY ALL COSTS AND EXPENSES INCIDENT TO THE FOREGOING** Judge: Hon. William J. Lafferty Date: TBD Time: TBD Place: United States Bankruptcy Court 1300 Clay Street Courtroom 220 Oakland, CA 94612

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The Roman Catholic Bishop of Oakland, a California corporation sole, and the debtor and debtor in possession (the "Debtor" or "RCBO") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case" or the "Bankruptcy Case") moves the Court (this "Wages and Benefits Motion"), pursuant to sections 105(a), 363, 507(a)(4), 507(a)(5), 541(b)(7) and 541(d) of title 11 of the United States Code (the "Bankruptcy Code") and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the entry of interim and final orders, in substantially the forms attached hereto:

(a) authorizing, but not directing, the Debtor to pay and honor, in the ordinary course of business, claims and obligations related to (i) Prepetition Employee Compensation (including Prepetition Employee Deductions and Employer Payroll Taxes) (each as defined herein), (ii) unreimbursed and unpaid Prepetition Business Expenses (as defined herein), (iii) Prepetition Benefit Obligations, and (iv) all Prepetition Payroll Costs, including administrative and processing fees incident to the foregoing payments, contributions, and programs (items (i) through (iv) collectively, the "Prepetition Employee Obligations");

(b) authorizing, but not directing, the Debtor to continue to provide administrative support for and participate in certain Employee Benefit Programs (as defined herein);

(c) authorizing, but not directing, the Debtor to continue to act as collection and paying agent for certain Employee Benefits Programs shared with participating non-debtor employers; and,

(d) granting related relief.

By a separate application, the Debtor is requesting an order shortening time for notice and setting a hearing on this matter and other first day motions on an expedited basis.

This Wages and Benefits Motion is based on the Memorandum of Points and Authorities set forth herein, the notice of hearing on first day motions filed by the Debtor, the *Declaration of Charles Moore, Managing Director of Alvarez & Marsal North America, LLC, Proposed Restructuring Advisor to the Roman Catholic Bishop of Oakland, in Support of Chapter 11 Petition and First Day Pleadings* (the "First Day Declaration") filed concurrently herewith and incorporated herein by reference and upon such oral and documentary evidence as may be presented at the hearing on the Wages and Benefits Motion.

The Debtor's proposed forms order granting the relief requested herein on an interim basis (the "Interim Order") and a final basis (the "Final Order") are attached hereto as **Exhibit A** and **Exhibit B**.

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MEMORANDUM OF POINTS AND AUTHORITIES

I.
INTRODUCTION

1. By this Wages and Benefits Motion, the Debtor seeks authority to pay certain prepetition obligations owing or related to its employees including, without limitation (as these terms are defined below), (a) amounts owed for Prepetition Employee Compensation, including Prepetition Employee Deductions and Employer Payroll Taxes; (b) amounts owed to employees for reimbursement of Prepetition Business Expenses (c) amounted related to Prepetition Benefit Obligations; and (d) amounts owed for Prepetition Payroll Costs. The Debtor seeks authority to honor these obligations, as the payment of such compensation and maintenance of such programs is critical to employee morale, retaining employees through this Bankruptcy Case, and future operational needs for the Debtor's religious mission and ministry.

2. As of the Petition Date (as defined herein), the Debtor employed approximately 30 full-time and 42 part-time employees at the Debtor's central services office – which is also known as the Chancery (each an "Employee" and collectively, the "Employees").[1] Approximately 33 of the Employees are non-exempt and approximately 39 are exempt. The Debtor also contracts for employee services with independent contractors and temporary employees (collectively, the "Contractors"). The number of Contractors fluctuates based on the Debtor's needs. As of the Petition Date, the Debtor utilizes approximately 40 Contractors in critical and recurring roles to supplement its workforce and provide support to the Employees.

3. It is axiomatic that the continued loyalty of the Employees and Contractors is necessary to the Debtor's prospects of a successful reorganization. The filing of a chapter 11 petition is a stressful and uncertain time for any debtor's employees. This often leads to poor employee morale at that critical time when a debtor needs its employees the most.

[1] For the avoidance of doubt, the stated number of Employees does not include Contractors (as defined in paragraph 2), retired priests, seminarians, or split-time priests.

4. This case will be no different. Most of the Debtor's Employees and Contractors are not familiar with the nuances of bankruptcy. Some live paycheck-to-paycheck and would suffer severe adverse consequences if they failed to receive their full compensation. If the Debtor is not allowed to continue to pay the amounts contemplated herein, it may be unable to retain the Employees and Contractors. Any loss of Employees or Contractors will affect the Debtor's ability to continue its operations, cause immediate and irreparable harm to the Debtor's estate, and impair the Debtor's religious mission and ministry. Payment in full of all wage and benefit obligations is therefore essential to the Debtor's reorganization efforts and in the best interest of its estate.

5. Additionally, the overwhelming majority, if not all, of claims of the Employees and Contractors will be entitled to priority treatment under section 507 of the Bankruptcy Code. None have accrued prepetition wages in excess of the priority cap established by Bankruptcy Code section 507(a)(4), and the Debtor is not seeking payment of prepetition amounts to any single employee in excess of the priority cap.

6. Honoring the Debtor's Prepetition Employee Obligations will minimize the hardship that employees will certainly endure if payroll and/or benefits programs are interrupted and will reduce the risk of losing employees.

7. The Debtor therefore seeks to continue to provide wages and benefits to Employees and Contractors in the ordinary course of business without regard to when the applicable wages were earned or benefits were accrued.

II.
JURISDICTION AND VENUE

8. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b), the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order No. 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the "Bankruptcy Local Rules"). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

9. The legal bases for the relief requested herein are sections 105(a), 363, 507(a)(4), 507(a)(5), 541(b)(7) and 541(d) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004.

III.
BACKGROUND FACTS

A. General Background

10. On the date of this Motion (the "Petition Date"), the Debtor caused its attorneys to file a voluntary petition for chapter 11 bankruptcy relief under Bankruptcy Code. The Debtor continues to operate its ministry and manage its properties as a debtor in possession under sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory committee has been appointed in this Chapter 11 Case.

11. The Debtor is a corporation sole organized under the laws of the State of California. The Debtor conducts its civil affairs under the laws of the State of California and the United States of America and in accordance with the Code of Canon Law ("Canon Law"), the ecclesiastical law of the Roman Catholic Church (the "Catholic Church").

12. The Diocese of Oakland was established by the Holy See on January 13, 1962 as the spiritual home of the Catholic Church in Northern California. The diocese spans roughly 1,467 square miles and encompasses two counties, Alameda and Contra Costa. The diocese is situated along the eastern shore of the San Francisco Bay.

13. The Debtor estimates that it serves nearly 550,000 resident Catholics and assists approximately 260,000 people through its ministry and charitable services. The Debtor has been under the leadership of the incumbent bishop, Most Reverend Michael C. Barber, SJ ("Bishop Barber" or the "Bishop"), since his appointment on May 25, 2013. The diocese includes 82 parishes and missions and is home to 159 diocesan priests, 160 religious priests, 35 extern priests and 118 permanent deacons.

14. The Debtor provides resources, programming, spiritual leadership, and other key services and support to local Catholics and the East Bay community at large, including substantial support for the poor and for minority communities. The ministry of the Debtor is therefore critical to not only the faithful within the diocese, but also to the public-at-large, including non-Catholics.

15. To carry out its Catholic mission, the Debtor works closely with its 82 parish churches (the "Churches"). The Churches play a central role in the lives of Catholics living within the diocese by administering key aspects of the Catholic Faith, including baptism, education, communion, Mass, confirmation, marriage, and bereavement, including last rites, funeral services and grief support. In this way, the Churches provide the critical connection between the Debtor and the faithful from the beginning of life to the end.

16. None of the Churches within the diocese are separately incorporated entities under California law. To the extent the Bishop holds goods belonging to a parish—including, for example, real and personal property—he does so in trust for the benefit of the applicable Church.

17. Through common missions, the Debtor is affiliated with certain entities that are separately incorporated under California law and which are not debtors in this Bankruptcy Case (each such affiliated incorporated entity a "Non-Debtor Catholic Entity," and collectively, the "Non-Debtor Catholic Entities"). The Debtor provides administrative services (centralized human resources, accounting, and financial management) and programmatic support services to certain Non-Debtor Catholic Entities in support of their religious, educational and charitable missions. Each Non-Debtor Catholic Entity operates independently and accounts for its operations separately. None of the Non-Debtor Catholic Entities have sought relief under chapter 11 or are debtors in this Bankruptcy Case.

18. Among the affiliates of the Debtor are the Non-Debtor Catholic Entities. This includes, without limitation, the Roman Catholic Welfare Corporation of Oakland, a California nonprofit religious corporation ("RCWC"), and the Roman Catholic Cemeteries of the Diocese of Oakland, a California corporation ("RCC"). RCWC oversees 32 elementary schools and two high schools. RCC operates and administers the six diocesan cemeteries, five diocesan mortuaries, two mausoleums, and one crematory. RCC is also the Debtor's secured lender.

19. Under Canon Law, a diocese is "a portion of the people of God which is entrusted to a bishop for him to shepherd with the cooperation of the presbyterium…." (c. 369). As such, a diocese is inherently *territorial*, comprised of a specific geographic area and the faithful within it. A diocese

conducts its civil affairs for the practice of the Catholic Church within that geographic area and for the faithful within the area.

20. Also under Canon Law, every diocese is divided into distinct parts, known as parishes, that are ecclesiastical entities consisting of communities of the faithful whose pastoral care is entrusted to a pastor (i.e., a priest) whom the bishop appoints to serve the parish to which he is assigned. (cc. 374 §1, 515 §1.)

21. Each diocese, and each parish within a diocese, is a separate public juridic person. (cc. 573, 515 §3.) The administration of property belonging to a juridic person pertains to its administrator, such as the diocesan bishop over the property of a diocese, and the priest over the property of a parish. (cc. 393, 532.) Each such administrator is obligated to acquire, hold, administer, and/or alienate such property in accordance with Canon Law (c. 1257), which requires that property held by any juridic person—diocese, parish, or otherwise—must be used for the purposes of the Catholic Church. The bishop is responsible for administering the property belonging to the diocese, and each pastor is responsible for being the exclusive administrator of the property belonging to his parish. Similarly, the pastoral care of the faithful across the entire diocese is entrusted to the bishop, whereas the pastoral care of the faithful within each particular parish is entrusted to the pastor for the parish.

22. Addressing the needs of victim-survivors of clergy sexual abuse, and the protection of children, have long been priorities of the Debtor. More than a decade before the U.S. Conference of Catholic Bishops adopted in the Spring of 2002 the *Charter for the Protection of Children and Young People* (the "Charter"), the Debtor established a "Sensitive Issues Committee" to assist the bishop in reviewing and handling allegations of sexual abuse by persons acting in the name of the Catholic Church.

23. Following the Charter's adoption, the Sensitive Issues Committee was renamed the Diocesan Review Board in 2003 and again renamed the Minor Diocesan Review Board in 2022 (the "MDRB"). The MDRB actively functions today. Its five lay members (including a victim-survivor of clergy sexual abuse and business consultant, a former district attorney, a social worker, a retired educational administrator, and a lay pastoral associate) and three clergy members meet at least quarterly to assess allegations and make recommendations on the handling of those allegations of sexual abuse of

children by clergy. This consultative body is critical to the Debtor's work to address crimes against children. The MDRB works with the bishop to analyze and properly respond to claims so credibility can be determined and acted upon in the best interest of the victim-survivor.

24. In 2004, the Debtor began developing specific "safe environment" trainings for all adults – whether volunteer or employed – who serve in the diocese. The Debtor gives rigorous attention to training materials and teaches adult parish and school leaders to facilitate the training program. Processes have been put in place to refer anyone with claims regarding clergy sexual abuse to law enforcement and Debtor representatives for assistance.

25. The Office of Safe Environment has continually improved the content of its trainings and, when online platforms became available, former Bishop John S. Cummins approved their use. In 2016, Bishop Barber moved the training program to an online synchronous platform provided by The National Catholic Risk Retention Group known as Virtus, an international leader in abuse awareness training. The Debtor now has local safe environment coordinators in each of the Churches. There are local safe environment coordinators in every Catholic school within the diocese.

26. In the State of California, there have been two "open window" periods allowing individuals to bring claims under civil law for childhood sexual abuse which otherwise were barred because the statute of limitations (prescription) had expired. In 2002, the California Legislature permitted certain expired claims of childhood sexual abuse not only against the perpetrators but also against third-party defendants (like the Debtor) for a one-year period starting January 1, 2003 (the "First Legislation"). The Debtor paid approximately $56,000,000 to 52 plaintiffs in settlement of claims brought in the wake of the First Legislation.

27. On October 13, 2019, Governor Gavin Newsom signed into law California Assembly Bill No. 218 ("AB 218"). AB 218 revived the statute of limitations for individuals to file civil lawsuits for childhood sexual abuse. This allowed certain individuals to bring what had been time-barred claims against individuals and entities for such claims through and including December 31, 2022. As of May 4,

2023, there were approximately 332 separate, active lawsuits or mediation demands pending against the Debtor filed by plaintiffs alleging sexual abuse by clergy or others associated with the Debtor.[2]

28. In this Chapter 11 Case, the Debtor will pursue a plan of reorganization that will (a) ensure a fair and equitable outcome for victim-survivors of sexual abuse, and (b) allow the Debtor to stabilize its finances, continue its mission to serve the needs of the faithful within the diocese, and continue to provide services to underserved people and groups in the East Bay.

29. Additional information regarding the Debtor, its mission, ministries, and operations, and the events and circumstances preceding the Petition Date is set forth in the First Day Declaration.

B. Overview of the Debtor's Workforce

30. The Employees and Contractors perform critical functions for the Debtor. This includes administration of programs essential to the Debtor's charitable, religious and educational mission. It also includes services related to finance, legal, corporate governance and human resources.

31. The Contractors also provide administrative services to Churches and Non-Debtor Catholic Entities. To the extent the Debtor pays a Contractor for services the Contractor provides to a Church or Non-Debtor Catholic Entity, the applicable Church or Non-Debtor Catholic Entity is required to reimburse the Debtor.

32. The Employees' and Contractors' skills and knowledge and understanding of the Debtor's operations is what makes the Debtor operate effectively and efficiently. Many of these individuals are highly trained and have an essential working knowledge of the Debtor's operations that cannot be easily replaced. The Contractors in particular provide critical support to the Employees and allow the Debtor to meet fluctuating labor needs. That the Contractors are not Employees should not be held against them.

33. Any interruption in payment of the Prepetition Employee Obligations will impose additional hardship on Employees and Contractors and jeopardize their continued performance during this critical time, which will in turn jeopardize the Debtor's efforts to reorganize.

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[2] It is the Debtor's understanding that there is a backlog associated with the processing of these cases in the Clerk's Office for Alameda County, and it is possible that other timely filed claims will be processed after the filing of this case of which the Debtor is not currently aware.

34. As of the Petition Date, many Employees and Contractors are owed or have accrued 1) wages, salaries, contractual compensation and other accrued compensation and related costs and expenses, have certain amounts withheld on their behalf by the Debtor, associated taxes payable by the Debtor (such compensation, withholdings, and taxes being, collectively, the "Prepetition Employee Compensation"), 2) unreimbursed and unpaid prepetition Business Expenses (the "Prepetition Business Expenses"), and 3) certain processing and administrative costs related to the foregoing ("Prepetition Payroll Costs"), all as described in more detail below. The Debtor also has obligations due and owing for its share of prepetition employee benefits and related programs (collectively, the "Prepetition Benefit Obligations"), also set forth in more detail below.

35. The Prepetition Employee Obligations, including Prepetition Employee Compensation, Prepetition Business Expenses, Prepetition Benefit Obligations, and Prepetition Payroll Costs for which the Debtor seeks approval to pay on an interim and final basis are summarized in the following chart:

($ in USD)

Category	Interim	Final
Prepetition Employee Compensation		
Unpaid Wages to Employees and Contractors	$ 163,000	$ 180,000
Unpaid Obligations for Split-Time Priests	42,000	42,000
Prepetition Employee Deductions	37,000	37,000
Employer Payroll Taxes	10,000	10,000
Prepetition Employee Compensation	**$ 252,000**	**$ 269,000**
Prepetition Business Expenses	**$ 26,000**	**$ 26,000**
Prepetition Benefit Obligations		
Employee's Benefits Program	$ -	$ -
Priest Pension Plan	-	22,000
Priest Supplemental Retirement Plan	-	-
Long-Term Care Plan for Priests	-	-
Lay Employees Money Purchase Pension Plan	-	31,000
Health Benefits for Retired Priests	46,000	46,000
Unpaid Unemployment Obligations	21,000	21,000
Unpaid Paid Time Off	20,000	288,000
Unpaid Salary Reduction Act	8,000	8,000
Unpaid COBRA	-	-
Unpaid Training for Clergy	11,000	11,000
Housing For Priests	32,000	32,000
Unpaid Workers Compensation	28,000	28,000
Prepetition Benefit Obligations	**$ 166,000**	**$ 487,000**
Prepetition Payroll Costs	**$ 12,000**	**$ 12,000**
Prepetition Employee Obligations	**$ 456,000**	**$ 794,000**

C. **Prepetition Employee Compensation.**

36. The Debtor pays the Employees' wages twice each month, typically on the 15th day and last business day. The Debtor's average monthly Employee compensation totals approximately $438,000. The Debtor pays most Employee compensation via electronic transfer of funds to the Employees' bank accounts.

37. The Debtor pays its salaried Employees on a current basis, meaning that their semimonthly pay includes accrued compensation up to and including the date of the payroll issuance. The Debtor pays its hourly Employees approximately one week in arrears.

38. The Debtor's exempt Employees are not entitled to overtime compensation.

39. The Debtor's non-exempt Employees are entitled to overtime compensation in certain circumstances. If a non-exempt Employee works more than 40 hours in one workweek or works between 8 and 12 hours in one workday, they receive overtime pay of 150% of their normal hourly compensation for their extra time. If the non-exempt Employee exceeds 12 hours in a standard workday or 8 hours on the seventh workday of a workweek, they receive 200% of their normal hourly compensation for their extra time. A supervisor must approve overtime in advance before any overtime may be worked.

40. As described generally above, the Debtor also pays Contractors (and temp agencies on account of their Contractors) for the Contractors' services. The Debtor relies heavily on these Contractors in the ordinary course of its business. The Contractors perform a wide range of services critical to the Debtor's mission and ministry including, among other things, information technology services, ministerial department classes, assistance with communications, and music for liturgical services. Many of the Contractors are individuals whom the Debtor engages directly, while others are engaged through small LLCs that they control or through temp agencies.

41. Some Contractors work for the Debtor seasonally, while others work for the Debtor on a regular, long-term basis. The number of Contractors retained at a given time is based on the Debtor's specific needs and generally falls into one of three categories: Contractors that provide services on a full-time or near full-time equivalent basis, Contractors that provide services on an approximately half-time equivalent basis, and Contractors that provide services on a limited, as-needed basis.

42. An example of a full-time equivalent Contractor is the Debtor's Victim Assistance Coordinator, who provides vital services to the Debtor in connection with support programs for victims of abuse and is paid monthly along with the Debtor's other Contractors. Examples of half-time equivalent Contractors are the temporary employees that the Debtor hires to perform, among other things, human resources, informational technology, and accounting duties. Finally, an example of a limited, as-needed Contractor is the organist that performs at liturgical services where the Bishop celebrates Mass, a vital role but one that the Debtor only needs at specific times.

43. Due to the breadth of their expertise and the services the Contractors provide, the Debtor's Employees rely on the support of the Contractors to complete their tasks, and the Debtor relies on their work to carry out its ministry and to efficiently operate the Chancery. The ability to continue paying the Contractors alongside its Employees is therefore critical to maintaining and administering the Debtor's estate. The Debtor estimates that its average monthly Contractor compensation totals approximately $24,000, which is consistent with historical compensation for Contractors being a fraction of compensation for Employees on a monthly basis.

44. The Debtor estimates that approximately $180,000 in wages owed to Employees and Contractors accrued prepetition but remained unpaid as of the Petition Date.

45. Some priests who are Employees of the Debtor also work for one of the Churches. In such instances, the Church covers part of the priests' benefits (the "Split-Time Priest Obligations"), such as wages, housing in a rectory, and meals. The Church then seeks reimbursement from the Debtor for the Debtor's share of such benefits. The Debtor estimates that, as of the Petition Date, it owes $42,000 in Prepetition Employee Compensation on account of the Split-Time Priest Obligations.

46. The Debtor makes deductions from the Employees' paychecks for the purpose of (a) paying the Employee's portion, if any, of any costs associated with the Employee Benefit Programs; (b) garnishing Employee wages pursuant to court orders (when applicable), including for tax levies, child support obligations and spousal support obligations; (c) remitting, on the Employees' behalf, various federal, state, or local income, Social Security, Medicare/Medicaid, and other taxes to the appropriate taxing authority ((a) through (c), collectively, the "Prepetition Employee Deductions"). The Debtor

estimates that approximately $37,000 of Prepetition Employee Deductions accrued prepetition but remained unpaid as of the Petition Date.

47. The Debtor must also match the withheld amounts from its own funds for Social Security and Medicare taxes and pay, based on a percentage of gross payroll, additional amounts for federal and state unemployment insurance (collectively, the "Employer Payroll Taxes"). The Debtor estimates that approximately $10,000 of Employer Payroll Taxes accrued prepetition but remained unpaid as of the Petition Date.

48. By this Wages and Benefits Motion, the Debtor requests authority to pay all Prepetition Employee Compensation, which the Debtor estimates total $269,000 as of the Petition Date. Of this amount, the Debtor estimates that $17,000 of prepetition Employee wages, $2,000 of Prepetition Employee Deductions, and $2,000 of Employer Payroll Taxes are attributable to insiders of the Debtor. Because the next payroll will occur prior to entry of a final order on this Wages and Benefits Motion, the Debtor seeks to pay substantially all amounts owed for Prepetition Employee Compensation pursuant to the Proposed Interim Order.

49. The amount of Prepetition Employee Compensation owing to or on account of any particular Employee is not expected to exceed $15,150, the amount allowable as a priority claim under section 507(a)(4) or section 507(a)(5) of the Bankruptcy Code.

D. Business Expense Reimbursements

50. In the ordinary course of its business, the Debtor reimburses Employees, Contractors, and volunteers for reasonable and customary expenses necessarily incurred in the scope of their service to the Debtor (collectively, the "Business Expenses"). Most Business Expenses cover reimbursement for work travel, including field ministry programs. The Debtor may also reimburse other Business Expenses incurred by an Employee or Contractor within the scope of their duties. To obtain reimbursement of Business Expenses, an Employee or Contractor is required to submit receipts in an expense report for approval through the Debtor's accounts payable department.

51. The Debtor's reimbursement of Employees, Contractors, and volunteers for ordinary-course expenses is critical to the maintenance of employee morale and the efficient operation of the

Debtor's business. Thus, it is essential to the preservation of the Debtor's chapter 11 estate that the Debtor be permitted to reimburse the Employees, Contractors, and volunteers for Business Expenses on a postpetition basis.

52. In the aggregate, the Debtor's Employees, Contractors, and volunteers incur, on average, approximately $9,000 per month in Business Expenses. Although the Debtor requires the Employees and Contractors to promptly submit reimbursement requests, there is inevitably some lag time between incurring a Business Expense and completing the reimbursement. Based on historical figures, the Debtor estimates that it owes reimbursement of approximately $26,000 in Business Expenses as of the Petition Date (such amount being the "Prepetition Business Expenses"). By this Wages and Benefits Motion, the Debtor is requesting authority to: 1) pay known outstanding Prepetition Business Expenses pursuant to the Proposed Interim Order, 2) pay all remaining amounts of Prepetition Business Expenses pursuant to the Proposed Final Order, and 3) continue to reimburse Employees for Business Expenses in the ordinary course of business, consistent with past practice.

E. The Benefit Programs

53. The Debtor provides administrative support for and participates in plans (the "Main Benefit Plans") providing retirement, health and welfare benefits for its Employees. The Churches and Non-Debtor Catholic Entities (with the Debtor, the "Participating Employers") also participate in the Main Benefit Plans. The Main Benefit Plans described herein (and defined below) are: 1) the Employee Benefits Program, 2) the Priest Pension Plan, 3) the Priest Supplemental Retirement Plan, 4) the Long-Term Care Plan for Priests, 5) the Lay Employees Money Purchase Pension Plan, and 6) the Health Benefits for Retired Priests.

54. The Debtor maintains other benefit programs for its employees (collectively with the Main Benefit Plans, the "Benefit Programs"), including but not limited to (a) Unemployment Obligations, (b) Paid Time Off (including vacation time, sick time, and personal time); (c) a Salary Reduction Agreement and section 403(b) plan, (d) COBRA benefits, (e) training for clergy, (f) housing for priests, and (g) workers' compensation. These additional Benefit Programs are described in more detail below.

55. Some of the Debtor's Prepetition Benefit Obligations owed through certain Benefit Programs may remain unpaid as of the Petition Date, because they accrued before the Petition Date but were not payable in the ordinary course of business until after the Petition Date. As set forth in greater detail below, the Debtor estimates that it owes a total of approximately $487,000 for accrued but unpaid obligations on account of the Benefits Programs as of the Petition Date.

56. The Debtor therefore requests authority to (a) make any payments necessary on account of prepetition amounts owed to maintain the Main Benefit Plans or for payment of covered benefits or the payment of plan-specific administrative expenses, as applicable, and (b) continue to provide administrative support for the Main Benefit Plans on a postpetition basis, including by receiving funds into and remitting such funds out of its accounts for obligations relating to the Main Benefit Plans, in the ordinary course of business. The Debtor also requests authority to honor its obligations under the Benefit Programs (including paying prepetition amounts) and to continue Benefit Programs on a postpetition basis in the ordinary course of business as set forth below.

1. Employees' Benefits Program.

57. The Debtor provides administrative support for the Roman Catholic Bishop of Oakland Health and Welfare Benefits Program (the "Employees' Benefits Program"). The Employees' Benefits Program provides medical coverage, dental coverage, vision coverage, life insurance, disability insurance and similar benefits for employees of the Participating Employers. The Employees' Benefits Program includes predominantly active lay employees as well as active priests.

58. The Debtor provides healthcare-related benefits to its Employees through participation in the Religious Trust Agreement ("ReTA"). ReTA is a self-governed, nonprofit organization that provides healthcare plans and programs to U.S. dioceses and other Catholic organizations in accordance with the ethics, teachings, and directives of the Catholic Church. On behalf of the Debtor and other similar religious entities, ReTA manages contracts and provider networks with national health plans including Blue Cross Blue Shield organizations, Kaiser Permanente, Delta Dental, and VSP Vision Care. All plans are self-insured, and ReTA sets the contribution funding rates.

59. Through participation in ReTA, the Debtor provides health, vision, and dental insurance to all Employees that work 25 hours or more per week. The Debtor offers Employees a choice of three plans: a ReTA Blue Cross PPO, a ReTA Blue Cross EPO, or a Kaiser Health Plan EPO. The Debtor also offers, through ReTA, dental and vision insurance through Delta Dental and Vision Service Plan, as applicable. Short-term and long-term disability insurance, as well as life and supplemental life insurance, for the Debtor's Employees is provided through Prudential Life Insurance.

60. The Debtor also acts as a paying agent for the Employees' Benefits Program, collecting contributions from other Participating Employers and remitting those contributions to ReTA. Premiums contributed to the Debtor from Employees and other Participating Employers for this purpose, as well as any reimbursements owed by insurance companies to other Participating Employers, are held in trust by the Debtor until the Debtor transfers them to ReTA. This trust is tax-exempt under section 501(c)(3) of the Internal Revenue Code (the "Tax Code"). The respective accounts for the Employees' Benefits Programs, and the mechanisms for funding such accounts, are described further in the *Debtor's Motion for Interim and Final Authority to (I)(A) Continue Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Continue Intercompany Arrangements, (D) Maintain Existing Bank Accounts and Business Forms, and (E) Continue Use of Existing Credit Card Accounts; and (II) Waive Certain Requirements of 11 U.S.C. § 345(b).*

61. The Debtor shares the cost of premiums and administrative expenses of the Employees' Benefits Program with participating Employees and other Participating Employers. Typically, the Debtor funds all necessary contributions to the Employees' Benefits Program within in the first few days of each month and then deducts each Employee's contribution from each respective pay period. The Debtor's share of the Employees' Benefits Program costs and expenses is approximately $66,000 per month, or approximately 4% of the total monthly outlay. As of the Petition Date, the Debtor does not believe that it owes any amounts on account of the Employees' Benefits Program but will continue to pay premiums and administrative expenses every month for the remainder of the current policy period. To the extent the Debtor determines postpetition that any amounts are owed, the Debtor requests that the Court authorize it to pay those amounts regardless of when they accrued or came due.

62. By this Wages and Benefits Motion, the Debtor seeks authority, but not direction, to (a) pay any prepetition accrued and unpaid amounts on account of the Employees' Benefits Program and (b) continue to provide administrative support for the Employees' Benefits Program for its Employees and employees of other Participating Employers in the manner described in this Wages and Benefits Motion, on a postpetition basis in the ordinary course of business, consistent with past practice.

2. Priest Pension Plan.

63. The Diocese of Oakland Priests Pension Plan (the "Priest Pension Plan") is a defined benefit pension plan that provides for the basic needs of priests in old age. The Priest Pension Plan is tax-qualified under section 401(a) of the Tax Code and maintains a separate trust that is tax-qualified under section 501(a) of the Tax Code. All priests ordained for or incardinated in the diocese are eligible to participate. The Debtor makes contributions to the Priest Pension Plan for priests who are Employees of the Debtor or who are employed by one of the Churches or Non-Debtor Catholic Entities. Priests that have been incardinated in the Debtor for at least ten (10) years are eligible to receive benefits upon retirement. The Priest Pension Plan also provides benefits for priests who become disabled before they retire. The Priest Pension Plan does not provide benefits for permanent or transitional deacons, lay employees, members of religious orders, or religious sisters.

64. The Debtor contributes an annual amount to the Priests Pension Plan based on an actuarial report and recommendation. The contribution is typically made in quarterly installments. Last year, the Debtor contributed approximately $230,000 per quarter to the Priest Pension Plan. The Debtor estimates that, as of the Petition Date, it owes $22,000 in Prepetition Employee Obligations on account of the Priest Pension Plan.

65. By this Wages and Benefits Motion, the Debtor seeks authority, but not direction, to (a) pay any accrued and unpaid Prepetition Employee Obligations on account of the Priest Pension Plan and (b) continue to provide administrative support for the Priest Pension Plan for its Employees and employees of other Participating Employers, including by collecting funds on behalf of participants and remitting those funds to the Priest Pension Plan, on a postpetition basis in the ordinary course of business, consistent

with past practice. Specifically, the Debtor requests authority to pay the entire amount of Prepetition Employee Obligations on account of the Priest Pension Plan pursuant to the Proposed Final Order.

3. *Priest Supplemental Retirement Plan (SERP).*

66. The Diocese of Oakland Priest Supplemental Retirement Plan for Priests (the "SERP") provides supplemental retirement benefits to retired and disabled priests not otherwise covered by another plan. The SERP is not a qualified plan and is not intended to qualify under Tax Code §401(a). It is funded through a rabbi trust. The SERP and the Priests' Pension Plan have the same eligibility requirements.

67. The annual contribution to the SERP is $1,200 per Diocesan incardinated priest. Each Participating Employer is responsible for covering the SERP contributions for the priests they employ. The Debtor pays the annual contributions for its priest Employees directly to the SERP. For each other Participating Employer, the Debtor issues invoices for the annual contributions, collects the payments from each Participating Employer, and remits them to the SERP. The SERP payments are typically made in April of each year.

68. With respect to those SERP contributions that include employees of other Participating Employers, the Debtor acts as paying agent, making the necessary payment and then seeking reimbursement from the Participating Employers. In the event that the Debtor receives funds from a Participating Employer on account of one of the Participating Employer's employees, the Debtor holds the funds in trust pending that payment.

69. The Debtor pays approximately $12,000 per year into the SERP on account of priests who are Employees. The Debtor estimates that, as of the Petition Date, it does not owe any Prepetition Employee Obligations on account of the SERP. As such, the relief sought herein with respect to authorization to pay prepetition amounts is solely out of an abundance of caution should the Debtor determine that any such amounts are owed.

70. By this Wages and Benefits Motion, the Debtor seeks authority, but not direction, to (a) pay any accrued and unpaid Prepetition Employee Obligations on account of the SERP that are and (b) continue to provide administrative support for the SERP for its Employees and employees of other

Participating Employers, including by collecting funds on behalf of participants and remitting those funds to the SERP, on a postpetition basis in the ordinary course of business, consistent with past practice.

4. Long-Term Care Plan for Priests (LTC).

71. The Debtor provides additional benefits for priests not included in other plans in the form of a long-term care plan (the "LTC"). The LTC provides two main levels of care for incardinated priests. One is assisted living and elder care. The other is long-term (convalescent or skilled nursing) care. Eligibility for LTC benefits is determined by the particular needs of a priest in terms of Activities of Daily Living ("ADLs"), personal tasks identified by the Internal Revenue Service to determine the taxability of benefit payments received from long-term care plans such as the LTC.

72. The annual contribution to the LTC is $3,000 per Diocesan incardinated priest. Each Participating Employer is responsible for covering the LTC contributions for the priests they employ. The Debtor pays the annual contributions for its priest Employees directly to the LTC. For each other Participating Employer, the Debtor issues invoices for the annual contributions, collects the payments from each Participating Employer, and remits them to the LTC. The LTC contributions are typically made in April of each year.

73. With respect to those LTC contributions that include employees of other Participating Employers, the Debtor acts as paying agent, making the necessary payment and then seeking reimbursement from the Participating Employers. In the event that the Debtor receives funds from a Participating Employer on account of one of the Participating Employer's employees, the Debtor holds the funds in trust pending that payment.

74. The Debtor pays approximately $30,000 per year into the LTC on account of priests who are Employees. The Debtor estimates that, as of the Petition Date, it does not owe any Prepetition Employee Obligations on account of the LTC. As such, the relief sought herein with respect to authorization to pay prepetition amounts is solely out of an abundance of caution should the Debtor determine that any such amounts are owed.

75. By this Wages and Benefits Motion, the Debtor seeks authority, but not direction, to (a) pay any accrued and unpaid Prepetition Employee Obligations on account of the LTC and (b) continue to

provide administrative support for the LTC for its Employees and employees of other Participating Employers, including by collecting funds on behalf of participants and remitting those funds to the LTC, on a postpetition basis in the ordinary course of business, consistent with past practice.

5. *Lay Employees Money Purchase Pension Plan (LERP).*

76. The Diocese of Oakland Lay Employees Money Purchase Pension Plan (the "LERP") is a Tax Code section 403(b) tax-qualified, noncontributory plan that provides a defined contribution retirement plan for lay Employees of Participating Employers. All lay employees of Participating Employers that are: 1) at least 21 years of age, and 2) have completed six months of continuous employment at 25 hours or more per week, are eligible for participation in the LERP. Benefits vest incrementally after three years of service (50% after three years, 75% after four years) and are fully vested after five years of service.

77. The LERP is a tax-qualified plan under section 401(a) of the Tax Code and maintains a separate trust that is tax-qualified under section 501(a) of the Tax Code. The Debtor makes a quarterly contribution to the LERP at the end of each fiscal quarter solely for its own Employees. Contribution amounts are 8% of a participating Employee's wages. The Employee does not make any contribution.

78. As an element of the total compensation of its Employees, the Debtor contributes approximately $69,000 per quarter to the LERP. The Debtor estimates that, as of the Petition Date, it owes $31,000 in Prepetition Employee Obligations on account of the LERP. For the avoidance of doubt, the Debtor is not responsible for any contributions to the LERP on account of employees of other Participating Employers and does not act as paying agent for any other entities.

79. By this Wages and Benefits Motion, the Debtor seeks authority, but not direction, to pay any accrued and unpaid Prepetition Employee Obligations on account of the LERP that come due postpetition in the ordinary course of business, consistent with past practice. Specifically, the Debtor requests authority to pay the entire amount of Prepetition Employee Obligations on account of the LERP pursuant to the Proposed Final Order, as such amounts are not necessary to pay pursuant to the Proposed Interim Order at this time.

6. *Health Benefits for Retired Priests*

80. The Debtor provides additional, supplemental health and welfare benefits for approximately 50 retired priests formerly employed by the Debtor or other Participating Employers. This supplements the benefits that the retired priests receive through Medicare. The Debtor also provides additional, supplemental health and welfare benefits for Bishop Emeritus John S. Cummins, who served as bishop of the Debtor from 1977 to 2003 and is now retired. These individuals are not included in the count of current Employees.

81. The retired priests are not eligible to participate in healthcare-related benefits through ReTA but still need such benefits. Therefore, the Debtor allows each such priest to choose a healthcare plan from one of two providers: Anthem Blue Cross or Kaiser. Anthem Blue Cross bills the Debtor for retired priests' benefits on its group plan. Kaiser only provides individual plans, under which the priest pays Kaiser directly and then seeks reimbursement from the Debtor. The Debtor then reimburses the retired priests on Kaiser plans on either a monthly or quarterly basis. Payments or obligations incurred on behalf of this benefit are referred to herein as the "Retired Priest Healthcare Benefit."

82. The Retired Priest Healthcare Benefit is a critical aspect of the Debtor's employee benefits program. The Debtor pays approximately $138,000 per quarter on account of the Retired Priest Healthcare Benefit. The Debtor estimates it owes $46,000 in Prepetition Employee Obligations on account of the Retired Priest Healthcare Benefit as of the Petition Date.

83. The United States Conference of Catholic Bishops (the "USCCB") requires the Debtor to provide a certain level of care for retired bishops. For Bishop Cummins, this takes the form of nursing and hospice care. The Debtor pays for this care in the ordinary course of business as obligations are incurred. The Debtor does not believe it owes any such obligations as of the Petition Date but seeks authority to continue making necessary payments in the ordinary course of business, consistent with past practice.

84. By this Wages and Benefits Motion, the Debtor seeks authority, but not direction, to pay any accrued and unpaid amounts in respect of the Health Benefits for Retired Priests that are Prepetition Employee Obligations on a postpetition basis in the ordinary course of business, consistent with past

practice. Specifically, the Debtor requests authority to pay the entire amount of Prepetition Employee Obligations on account of the Retired Priest Healthcare Benefit pursuant to the Proposed Interim Order.

7. Other Employee Benefit Programs.

85. Unemployment Obligations. The Debtor traditionally pays unemployment obligations owed to the State of California by a Participating Employer. These obligations do not arise on a regular basis and are paid by the Debtor upon receipt of an invoice from the State of California. To the extent it pays obligations for former employees of other Participating Employers, the Debtor seeks reimbursement of those payments from the obligor. The Debtor does not believe it has any unemployment obligations on account of former Employees as of the Petition Date. The Debtor estimates the total unemployment obligations owed by other Participating Employers is $21,000 as of the Petition Date. By this the Debtor seeks authority to pay such unemployment obligations and seek reimbursement in the Wages and Benefits Motion ordinary course of business, consistent with prior practice.

86. Paid Time Off. Like most employers, the Debtor provides eligible Employees working more than 25 hours per week with various types of paid time off ("PTO") that accrues based on length of service with the Debtor. This includes: (a) vacation days that can be used for any purpose at any time and accrues on an hourly basis up to two hundred twenty-five (225) hours ("Vacation Time"); (b) sick leave that can be used for legitimate illness and medical/dental appointments ("Sick Time"), which accrues on the basis of one (1) day per month up to a maximum of sixty (60) days; and (c) up to five (5) paid personal days per year ("Personal Time"). Unused Vacation Time automatically rolls over to the following year up to the maximum, and when an Employee leaves the Debtor through separation or retirement, they receive a lump-sum payment in satisfaction of their unused Vacation Time at the time of separation in accordance with California law. Unused Sick Time also rolls over to the following year up to the maximum. Unused Personal Time for each Employee does not roll over to the following year. Neither unused Sick Time nor unused Personal Time are accrued for or paid out at the time of separation. The Debtor estimates the total value of the Vacation Time accrued by Employees but not yet used is $288,000 as of the Petition Date. The amount expected to come due in the interim period is $20,000.

87. By this Wages and Benefits Motion, the Debtor is seeking authorization, but not direction, to continue to honor PTO obligations, including obligations that accrued as of the Petition Date, on a postpetition basis, in the ordinary course of business, consistent with past practice and California law, and to continue the prepetition policy of paying out unused Vacation Time upon an Employee's termination consistent with the Debtor's past practices and California law. Specifically, the Debtor is requesting authority to: 1) pay $20,000 in Vacation Time pursuant to the Proposed Interim Order and 2) pay all remaining amounts of Vacation Time, if necessary and applicable, pursuant to the Proposed Final Order.

88. Salary Reduction Agreement. The Debtor sponsors a "403(b) plan" for Employees that allows each Employee to have his or her salary reduced under Section 403(b) of the Tax Code and enjoy certain tax advantages and personal savings. The plan provider for the salary reduction plan is The Standard. The Debtor estimates that the monthly cost associated with the Salary Reduction Agreement is approximately $22,000, and as of the Petition Date, the total obligations owed on account of the Salary Reduction Agreement is approximately $8,000, all of which is expected to become due in the interim period.

89. By this Wages and Benefits Motion, the Debtor is seeking authorization, but not direction, to pay prepetition amounts owed on account of the Salary Reduction Agreement and continue the Salary Reduction Agreement on a postpetition basis in the ordinary course of business, consistent with past practice. Specifically, the Debtor is requesting authority to pay $8,000 in obligations pursuant to the Proposed Interim Order.

90. COBRA. Pursuant to California's continuation coverage requirements (which are similar to the Consolidated Omnibus Budget Reconciliation Act of 1985 requirements), the Debtor offers eligible former Employees and their dependents the opportunity to elect to continue coverage under certain of the health plans maintained by the Debtor (the "COBRA Benefits"). Following eligible employee termination, former Employees are billed directly and are solely responsible for payment of premiums.

91. By this Wages and Benefits Motion, the Debtor seeks to continue to pay the costs associated with the COBRA Benefits on a postpetition basis in the ordinary course of business, consistent with past practice. As of the Petition Date, the Debtor does not believe that it owes any accrued and

unpaid COBRA Benefits, apart from *de minimis* administration costs. Thus, the relief sought herein with respect to authorization to pay prepetition amounts is solely out of an abundance of caution should the Debtor determine that any such amounts are owed.

92. Training for Clergy. The Debtor is responsible for the formation of clergy, which it accomplishes in part through educational sponsorship of seminarians studying to become priests, individuals studying to become deacons, and continuing education for priests and deacons. Providing for the training of priests and deacons is critical to the Debtor's ability to continue its mission. This sponsorship includes the payment of tuition, and, in some cases, room and board (the "Tuition Payments").

93. As of the Petition Date, there were approximately 13 individuals in seminarian training under the sponsorship of the diocese. The Debtor estimates it owes approximately $11,000 on account of Tuition Payments as of the Petition Date. Most of this amount represents unpaid room and board payments as of the Petition Date. If the Tuition Payments are not made, the seminarians and others may be unable to continue attending classes or pay for housing. The Debtor expects the Tuition Payments for the Fall 2023 semester will total approximately $299,000, which amount does not represent a prepetition liability because it is not yet due.

94. By this Wages and Benefits Motion, the Debtor seeks to pay prepetition Tuition Payments and to continue to pay postpetition Tuition Payments in the ordinary course of business, consistent with past practice.

95. Housing for Priests. The Debtor provides housing for approximately six priests at a time through a property owned by the Debtor ("Housing for Priests"). This benefit is provided on an as-needed basis. The historical average monthly cost of this benefit is $12,000.

96. By this Wages and Benefits Motion, the Debtor seeks to continue to pay costs associated with the Housing for Priests benefit on a postpetition basis in the ordinary course of business, consistent with past practice. As of the Petition Date, the Debtor estimates that it owes accrued and unpaid amounts with respect to Housing for Priests of $32,000 payable in the interim period.

97. Workers' Compensation Insurance. The Debtor maintains a workers' compensation insurance policy for the Participating Employers. It has a separate accident insurance policy for its

volunteers. The workers' compensation insurance policy covering clergy is maintained through a self-insured workers' compensation trust established through the California Private School Self Insurance Group ("CAPS-SIG"), another risk retention and collective bargaining instrument similar to ReTA. The Debtor acts as the paying agent for the CAPS-SIG, paying ten installments per year in the amount of approximately $110,000 per installment, then seeks reimbursement from other Participating Employers for their respective *pro rata* shares. As of the Petition Date the Debtor estimates it owes approximately $28,000 of accrued and unpaid Workers' Compensation Insurance all of which will become due in the interim period. The accident policy for volunteers is provided through Myers-Stevens & Toohey & Co., Inc., costs approximately $20,000 per year, and is typically paid in full during the third quarter of each year.

98. By this Wages and Benefits Motion, the Debtor seeks to continue paying monthly installments necessary to maintain workers' compensation insurance, to continue to collect any reimbursements from other Participating Employers in the ordinary course of business, to renew the workers' compensation policies as needed, and to conduct such audits or adjustments as are necessary, consistent with past practice.

99. Flexible Spending Accounts. The Debtor maintains flexible spending accounts ("FSAs") for its Employees and those of other Participating Employers at Union Bank funded through voluntary paycheck withholdings. Employees may use funds held in the FSA for their benefit consistent with applicable guidelines and regulations.

100. By this Wages and Benefits Motion, the Debtor seeks to continue withholding amounts necessary for funding FSAs and disbursing FSA funds in the ordinary course of business, consistent with past practice and applicable guidelines and regulations. The Debtor further requests authority to: 1) continue processing FSA claims through BAS for reimbursement, 2) honor such claims in the ordinary course of business, consistent with past practice, and 3) pay any amounts owed in connection with the FSA as of the Petition Date.

101. Sabbatical and Extended Studies. The Debtor provides other benefits to clergy assigned within the territory of the Debtor, including treatment for addiction, sponsorship of sabbaticals (typically,

approximately 3-6 months), or extended-study assignments to other countries (of varying durations) intended to provide opportunities for the clergy to gain skills that would further the Debtor's mission.

102. As of the Petition Date, there were no clergy in addiction treatment centers sponsored by the Debtor and no clergy on sabbatical or extended-study assignments sponsored by the Debtor. One priest is expected to go on an extended-study assignment in the near term.

103. By this Wages and Benefits Motion, the Debtor seeks to continue to offer these benefits in the ordinary course of business, consistent with past practice, if or when the need arises. As of the Petition Date, the Debtor does not believe that it owes any accrued and unpaid amounts in respect of any sabbatical or extended-study benefits apart from *de minimis* administration costs. Thus, the relief sought herein with respect to authorization to pay prepetition amounts is solely out of an abundance of caution should the Debtor determine that any such amounts are owed.

F. Costs and Expenses Incident to the Foregoing

104. The Debtor accrues certain costs and expenses (the "Payroll Costs") attendant to its compensation and benefit programs, including (a) payments to ADP, Inc., which provides payroll and HR support services (b) processing fees for the Benefits Program, and (c) other charges for administration of the Prepetition Employee Compensation, Prepetition Business Expenses, and Prepetition Benefit Obligations.

105. The Debtor contracts with ADP, Inc. to process and administer the Debtor's payroll and provide W-2 preparation services. The Debtor pays ADP, Inc. approximately $3,000 on a monthly basis. As of the Petition Date, the Debtor estimates they owe approximately $10,000 on account of prepetition payroll service, substantially all of which will come due within the first 30 days after the Petition Date.

106. The Debtor estimates that it owes approximately $12,000 in aggregate Payroll Costs accrued but unpaid as of Petition Date (the "Prepetition Payroll Costs"). Payment of the Prepetition Payroll Costs is necessary because the failure to pay any such amounts might disrupt services provided by third-party providers with respect to payment of Employee compensation, deductions related to the same, and Benefit Programs. By paying the Prepetition Payroll Costs, the Debtor seeks to avoid any

disruptions of those services and thereby ensure that its Employees obtain all compensation and benefits without interruption.

107. Accordingly, the Debtor seeks authorization to pay all Prepetition Payroll Costs on a postpetition basis in the ordinary course of business.

IV. RELIEF REQUESTED

108. The Debtor requests entry of interim and final orders, substantially in the forms of the Proposed Interim Order and Proposed Final Order, authorizing but not directing it to (a) satisfy outstanding Prepetition Employee Obligations including Prepetition Employee Compensation, Prepetition Business Expenses, Prepetition Benefit Obligations, and Prepetition Payroll Costs, (b) remit any amounts held in its accounts on behalf of participants in the Main Benefit Plans to the Main Benefit Plans for which such amounts were collected or for payment of covered benefits, as applicable, (c) to continue to act as collection and paying agent for certain Employee Benefits Programs shared with participating non-debtor employers; and (d) continue to offer certain Benefits Programs and provide administrative support for the Main Benefit Plans for its Employees and the Employees of Participating Employers. The Debtor also requests that all applicable banks and other financial institutions receive, process, honor and pay all related checks and electronic payment requests, whether such checks or electronic payment requests were presented before or after the Petition Date, provided that sufficient funds are on deposit in the applicable accounts, relating to the Employee Obligations. Finally, the Debtor requests that the Proposed Order be enforceable immediately upon entry.

V. BASIS FOR RELIEF

109. It is in the best interest of the Debtor's estate that all of the Employee Obligations and Prepetition Payroll Costs be satisfied in full. It is also in the best interest of the Debtor's estate that it be allowed to maintain certain of its Benefit Programs and continue to provide administrative support for the Main Benefit Plans in the ordinary course of business. The Court's authority to approve the satisfaction of prepetition obligations is based on the Bankruptcy Code and the common law "doctrine of necessity."

The Court's authority to permit the Debtor to maintain certain of its Benefit Programs is based on section 363(c) of the Bankruptcy Code and the "doctrine of necessity."

A. Both the Bankruptcy Code and the Doctrine of Necessity Permit the Debtor to Preserve the Value of the Estate by Satisfying the Employee Obligations

110. At least five Bankruptcy Code provisions support the satisfaction of the Employee Obligations and the other prepetition amounts requested herein: (a) under section 507(a)(4), prepetition claims for "wages, salaries, or commissions, including vacation, severance, and sick leave pay earned by an individual" are entitled to priority claim status, (b) under section 507(a)(5), unsecured claims for contributions to an employee benefit plan are entitled to priority claim status if certain conditions are met, (c) under section 541(d), property of the estate includes only property for which the debtor holds "legal title and not an equitable interest," (d) section 105(a) permits a court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title" and (e) section 363(b)(1) provides that after notice and a hearing, and based on a "sound business purpose," a debtor may "use, sell, or lease, other than in the ordinary course of business, property of the estate." *See Official Comm. of Unsecured Creditors of LTV Aerospace & Def. Co. v. LTV Co.* (*In re Chateaugay Corp.*), 973 F.2d 141, 143 (2d Cir. 1992) (describing rule that "requires that a judge determining a § 363(b) application expressly find from the evidence presented before him at the hearing a good business reason to grant such an application.") (internal quotations and citation omitted); *In re Nine W. Holdings, Inc.*, 588 B.R. 678, 686 (Bankr. S.D.N.Y. 2018) (finding that a debtor has broad discretion to "use, sale, or lease, other than in the ordinary course of business" pursuant to section 363(b)(1), "so long as such use is supported by a good business reason."); *In re MF Glob. Ltd.,* 535 B.R. 596, 605 (Bankr. S.D.N.Y. 2015) ("In approving a transaction conducted pursuant to section 363(b)(1), courts consider whether the trustee exercised sound business judgment."); *In re Ashley River Consulting, LLC,* 2015 Bankr. LEXIS 2268, at **23-24 (Bankr. S.D.N.Y. July 10, 2015) (in approving transactions pursuant to section 363(b)(1), "courts consider whether the trustee exercised sound business judgment.") (internal citations omitted); *In re Decora Indus.,* 2002 U.S. Dist. LEXIS 27031, at **7-8 (D. Del. May 20, 2002) (a debtor satisfies the requirements of § 363(b)(1) through the "sound exercise of business judgment").

1. *Employee Wages and Related Costs are Entitled to Priority Status under Sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code*

111. Claims for Prepetition Employee Compensation are entitled to priority treatment. Specifically, section 507(a)(4) of the Bankruptcy Code provides that employees holding prepetition claims for "wages, salaries, or commissions, including vacation, severance, and sick leave pay earned" within 180 days before the petition date are entitled to priority claim status up to an allowed amount of $15,150 on account of such claim. *See* 11 U.S.C. § 507(a)(4)(A). Similarly, section 507(a)(5) of the Bankruptcy Code provides that employees are granted a priority claim for "contributions to an employee benefit plan arising from services rendered within 180 days before the" petition date. *See* 11 U.S.C. § 507(a)(5)(A). These claims are similarly subject to a cap equal to "(i) the number of employees covered by each such plan multiplied by $15,150; less (ii) the aggregate amount paid to such employees under section 507(a)(4), plus the aggregate amount paid by the estate on behalf of such employees to any other employee benefit plan." 11 U.S.C. § 507(a)(5)(B). Similarly, many courts have determined that Prepetition Payroll Costs are also entitled to priority treatment under section 507(a)(5). *See Allegheny Int'l, Inc. v. Metropolitan Life Ins. Co.*, 145 B.R. 820, 822-23 (W.D. Pa. 1992) (explaining that "[i]t would be useless to prioritize expenses for contributions to an employee benefit plan and not prioritize the expenses necessary to administer those plans"); *In re Garden Ridge Corp.*, No. 04-10324 (KJC), 2006 Bankr. Lexis 278, at *6 (Bankr. D. Del. Mar. 2, 2006) (noting that "[w]age priority has been a feature of the bankruptcy laws since 1898 [and that] '[i]ts purpose is to alleviate hardship on workers . . .' who may have no other source of income and 'to encourage employees to stand by an employer in financial difficulty.'") (citing 4 Alan N. Resnick & Henry J. Sommer, *Collier on Bankruptcy* ¶ 507.05[1] (15th ed. 2005)).

112. The Debtor believes that the amount of prepetition wages and salaries owing to or on account of any particular Employee will not exceed $15,150, the amount allowable as a priority claim under section 507(a)(4) or section 507(a)(5) of the Bankruptcy Code. The Debtor is required to pay such priority claims in full in order to confirm a chapter 11 plan of reorganization. *See* 11 U.S.C. § 1129(a)(9)(B). Accordingly, granting the relief sought herein should only affect the timing of payments to Employees and should not negatively impact any recoveries on general unsecured claims.

2. *Prepetition Employee Deductions and Employer Payroll Taxes are Held by the Debtor are not Property of the Estate*

113. Sections 541(b)(7) and 541(d) of the Bankruptcy Code provide ground for granting the relief requested with respect to certain Prepetition Employee Deductions and Employer Payroll Taxes. Based upon these Bankruptcy Code provisions, many amounts withheld or deducted by a debtor from employee paychecks are not available for general distribution to a debtor's creditors because they are not property of the estate, either by Bankruptcy Code definition or a trust fund theory.

114. Section 541(b)(7) expressly addresses this issue, providing that the following are excluded from the definition of property of the estate:

> any amount—
>
> (A) withheld by an employer from the wages of employees for payment as contributions—
>
> (i) to — (I) an employee benefit plan that is subject to [ERISA] or … a governmental plan …; (II) a deferred compensation plan…; or (III) a tax-deferred annuity…
>
> or
>
> (ii) to a health insurance plan regulated by State law …
>
> (B) received by an employer from employees for payment as contributions—
>
> (i) to — (I) an employee benefit plan that is subject to [ERISA] or … a governmental plan …; (II) a deferred compensation plan…; or (III) a tax-deferred annuity…
>
> or
>
> (ii) to a health insurance plan regulated by State law …

11 U.S.C. § 541(b)(7).

Thus, by the express terms of the Bankruptcy Code, certain of the Prepetition Employee Deductions and Employer Payroll Taxes deducted from Employee paychecks by the Debtor are not property of the estate, despite the fact that such amounts may be held by the Debtor in its bank accounts.

115. Section 541(d) provides that "property in which the debtor holds, as of the commencement of the case, only legal title and not an equitable interest" becomes property of a debtor's estate only to the extent of the debtor's legal title therein. 11 U.S.C. § 541(d). It is well established in this district (and others) that "property a debtor holds in trust for another is not property of the estate" within the meaning of section 541 of the Bankruptcy Code. *Golden v. The Guardian* (*In re Lenox Healthcare, Inc.*), 343 B.R.

96, 100 (Bankr. D. Del. 2006); *see also In re Columbia Gas Sys., Inc.*, 997 F.2d 1039, 1059 (3d Cir. 1993) (concluding that property that a debtor holds in express or constructive trust for another does not become property of the estate when the debtor files for bankruptcy); *EBS Pension LLC v. Edison Bros. Stores, Inc. (In re Edison Bros., Inc.),* 243 B.R. 231, 235 (Bankr. D. Del. 2000) (same). More specifically, it is well established under section 541(d) of the Bankruptcy Code that taxes collected on behalf of taxing authorities do not constitute property of the estate. *See Begier v. IRS,* 496 U.S. 53, 59 (1990) (holding that taxes such as excise taxes, FICA taxes and withholding taxes are property held by the debtor in trust for another and, as such, do not constitute property of the estate); *see also In re Calabrese,* 689 F.3d 312, 321 (3d Cir. 2012) (finding that third-party sales taxes collected by a retailer "resemble trust fund taxes" and never become "property of the estate" but "are merely held by the debtor on behalf of the party that owes the tax . . ."); *Old Rep. Nat'l Tile Ins. Co. v. Tyler (In re Dameron),* 155 F.3d 718, 721 (4th Cir. 1998) (holding that deposits subject to an express trust are excluded from the bankruptcy estate); *City of Farrell v. Sharon Steel Corp.,* 41 F.3d 92, 98-99 (3d Cir. 1994) (finding that funds withheld from employees' paychecks may be subject to a trust, and thus are not property of a debtor's estate, even where such funds were commingled with the debtor's other property). Accordingly, such funds are not available for general distribution to a debtor's creditors.

116. Many of the Prepetition Employee Deductions are wage withholdings described in section 541(b)(7); similarly, the Employer Payroll Taxes are held by the debtor in trust for various taxing authorities and are, thus, not property of the estate. Failure to pay could lead to costly litigation or reduced employee morale. Payment of these amounts is therefore in the best interests of the Debtor's estate. Because these amounts are not property of the estate, application or payment of the Prepetition Employee Deductions and Employer Payroll Taxes for their intended purposes in the ordinary course of business will not reduce the value available for distribution to creditors.

3. <u>The Doctrine of Necessity Authorizes the Payment of the Employee Obligations</u>

117. Payment of the Employee Obligations is also supported by the "doctrine of necessity." "The 'doctrine of necessity' or 'necessity of payment' doctrine is a general rubric for the proposition that a court can authorize the payment of prepetition claims if such payment is essential to the continued

operation of the debtor." *In re Motor Coach Indus. Int'l*, No. 09-078-SLR, 2009 U.S. Dist. LEXIS 10024, at *7 n.5 (D. Del. Feb. 10, 2009). Under the doctrine of necessity, a bankruptcy court may exercise its equitable power to authorize a debtor to pay critical prepetition claims, even though such payment is not explicitly authorized under the Bankruptcy Code. *See In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 939 (Bankr. D. Del. 1992) (citing *In re Lehigh & New England Ry. Co.*, 657 F.2d 570, 581 (3d Cir. 1981) (recognizing that "if payment of a pre-petition claim 'is essential to the continued operation of [debtor], payment may be authorized'")). The Ninth Circuit has recognized the doctrine of necessity, particularly in the context of employee wages and benefits, *See Burchinol v. Central Washington Bank (In re Adam's Apple, Inc.)*, 829 F.2d 1484, 1490 (9th Cir. 1987) (("Cases have permitted unequal treatment of pre-petition debts when necessary for rehabilitation, in such contexts as … pre-petition wages to key employees…."), as have numerous other courts across the country.

118. Moreover, courts, including those in the Ninth Circuit, have been consistently and appropriately reluctant to interfere with corporate decisions absent a showing of bad faith, self-interest, or gross negligence, and have upheld a board's decisions as long as such decisions were made in good faith. *Scouler & Co., LL v. Schwartz*, No. 11-CV-06377 NC, 2012 WL 1502762, at *4 (N.D. Cal. Apr. 23, 2012); *Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043, 1047 (4th Cir. 1985) (Supporting a debtor's business judgment "unless it is shown that the bankrupt's decision was one taken in bad faith or in gross abuse of the bankrupt's retained business discretion."); *Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R 612, 616 (Bankr. S.D.N.Y. 1986) ("Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision mad arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct."). To that end, once a debtor articulates a sound basis for its business decisions, courts generally will not entertain objections to a debtor's conduct. *See In re Dura Auto. Sys.*, No. 06-11202 (KJC), 2007 Bankr. LEXIS 2764, at *259-60 (Bankr. D. Del. Aug. 15, 2007); *accord Johns-Manville Corp.)*, 60 B.R at 616. In other words, if a debtor's actions satisfy the business judgment rule, those actions generally will be approved. *Dura*, 2007 Bankr. LEXIS 2764, at *259-60.; *see also In re Integrated Res., Inc.*, 147 B.R. 650, 656 (S.D.N.Y. 1992); *see also F.D.I.C. v Castetter*, 184 F.3d 1040, 1043 (9th Cir. 1999) (the business

judgment rule "requires directors to perform their duties in good faith and as an ordinarily prudent person in a like circumstance would").

119. The Debtor unquestionably needs to pay its Employees and Contractors in order to comply with its legal obligations and in order to maintain its operations and ministry. Any delay or disruption in the provision of the Employee Obligations and Prepetition Payroll Costs likely will harm the Debtor's relationships with the Employees and irreparably impair workforce morale at the very time when the dedication, confidence and cooperation of the Employees is most critical.

120. In light of the foregoing, the Debtor respectfully submits that the payment of the Employee Obligations, as requested herein, is in the best interest of the Debtor, its estate and its creditors and is necessary to prevent immediate and irreparable harm to the Debtor and its estate.

121. Courts in this district and neighboring districts have routinely approved the payment of prepetition claims of employee wages, salaries, expenses and benefits in various chapter 11 cases. *See In re Roman Catholic Bishop of Santa Rosa*, Case No. 23-10113 (Bankr. N.D. Cal. March 17, 2023, [Dkt. No. 30]); *In re PG&E Corporation et al.*, Case No. 19-30088 (Bankr. N.D. Cal. Feb. 28, 2019, [Dkt. 708]); *In re Roman Catholic Bishop of Stockton*, Case No. 14-20371-C-11 (Bankr. E.D. Cal. Jan. 24, 2014, [Dkt. No. 66]); *In re Hansaben Investments, LLC*, Case No. 22-30258 (Bankr. N.D. Cal. May 27, 2022, [Dkt. No. 26]); *In re ZF in Liquidation LLC fka Zacky Farms, LLC*, Case No. 12-37961-B-11 (Bankr. E.D. Cal. Nov. 5, 2012); *In re Western Pipeline, Inc.*, Case No. 09-21792 (Bankr. E.D. Cal. Apr. 6, 2009); *In re Barbeques Galore, Inc.*, Case No. 08-16036 (Bankr. C.D. Cal. Aug. 20, 2008).[3] Courts outside this district and neighboring districts also routinely approve the payment of these types of claims, even though they arise prepetition.

B. <u>Section 363 of the Bankruptcy Code and the Doctrine of Necessity Permit the Debtor to Preserve the Value of the Estate by Continuing the Benefit Programs</u>

122. The Court may authorize continuation of certain of the Debtor's Benefit Programs in the ordinary course of business, pursuant to section 363 of the Bankruptcy Code. *See In re Ionosphere Clubs,*

[3] Because of their voluminous nature, the orders cited herein are not attached to this Wages and Benefits Motion. Copies of these orders, however, are available on request to the Debtor's proposed chapter 11 counsel.

Inc., 98 B.R. 174, 175-76 (Bankr. S.D.N.Y. 1989); *Northwest Engineering Co. v. United States Steel Workers*, 863 F.2d 1313, 1315 (7th Cir. 1988) ("If employees were treated in all respects as unsecured creditors, they would be inclined to desert a leaky ship, speeding up the firm's collapse. . ."); *In re Mesa Air Grp., Inc.*, No. 10-10018 (MG), 2010 Bankr. LEXIS 3334, at *7 (Bankr. S.D.N.Y. Sept. 24, 2010) (finding that when section 503(c) does not apply, "[t]he alternative method for approving [incentive plans, including severance plans] is as an 'ordinary course' transaction by the Debtors pursuant to 11 U.S.C. § 363"); *see also 4 Collier on Bankruptcy* ¶ 503.17 (Richard Levin & Henry J. Sommer eds., 16th ed.) (noting that when section 503(c)(3) applies, "[t]he majority view is that this standard is no different from the business judgment standard applied under section 363(b)").

123. In addition, continuation of the Benefit Programs is supported by the "doctrine of necessity." As discussed above, "[t]he 'doctrine of necessity' or 'necessity of payment' doctrine is a general rubric for the proposition that a court can authorize the payment of prepetition claims if such payment is essential to the continued operation of the debtor." *In re Motor Coach Indus. Int'l*, 2009 U.S. Dist. LEXIS 10024, at *7 n.5.

124. Maintaining the Benefits Programs is essential to the Debtor's efforts to reorganize. As with the Employee Obligations, any delay or disruption in the provision of the Benefits Programs likely will harm the Debtor's relationships with its Employees and impair workforce morale at the very time when the dedication, confidence and cooperation of the Employees is most critical.

125. In light of the foregoing, the Debtor respectfully submits that the continuation of certain of its Benefit Programs, as requested herein, is in the best interest of the Debtor, its estate and its creditors and is necessary to prevent immediate and irreparable harm to the Debtor and its estate.

C. <u>The Court Should Authorize All Applicable Banks and Financial Institutions to Honor and Pay Checks in Connection with the Employee Obligations and the Continuation of Certain of the Debtor's Benefit Programs</u>

126. In addition, by this Wages and Benefits Motion, the Debtor requests that all applicable banks and other financial institutions (collectively, the "<u>Banks</u>") be authorized, when requested by the Debtor, to receive, process, honor and pay any and all checks presented for payment of, and to honor all

fund transfer requests made by the Debtor related to, the Employee Obligations and the Benefit Programs, whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments. The Debtor represents that these checks are drawn on specific disbursement accounts and can be readily identified as relating directly to the authorized payment of amounts or programs discussed herein. Accordingly, the Debtor believes that such checks should be honored.

D. Basis for Relief Under Bankruptcy Rules 6003(b) and 6004(h)

127. Pursuant to Bankruptcy Rules 6003(b) and 6004(h), the Debtor seeks (a) immediate entry of an order granting the relief sought herein and (b) a waiver of any stay of the effectiveness of such an order. Bankruptcy Rule 6003(b) provides, in relevant part, that "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, grant relief regarding . . . a motion to pay all or part of a claim that arose before the filing of the petition." Bankruptcy Rule 6004(h) provides that "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." From this, courts have ruled that, where the failure to grant any such requested relief would result in immediate and irreparable harm to a debtor's estate, a court may allow a debtor to pay all or part of a claim that arose prepetition immediately.

128. As set forth above, the payment of the Employee Obligations and continuation of certain of the Debtor's Benefit Programs are necessary to prevent immediate and irreparable damage to the Debtor's estate and prevent Employees from experiencing additional hardships during an already difficult time. Without the continued efforts of its Employees, the Debtor's ability to reorganize will be markedly more difficult. Accordingly, the Debtor submits that ample cause exists to justify (a) the immediate entry of an order granting the relief sought herein and (b) a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent that it applies.

VI.
RESERVATION OF RIGHTS

129. Nothing contained in this Wages and Benefits Motion is intended to be or shall be construed as (i) an admission as to the validity of any claim against the Debtor, (ii) a waiver of the Debtor's or any appropriate party in interest's rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy, or lease under section 365 of the Bankruptcy Code. Likewise, if the Court grants the relief sought in this Wages and Benefits Motion, any payment made pursuant to the Court's order is not intended to be, and should not be construed as, an admission to the validity of any claim or a waiver of the Debtor's rights to dispute such claim subsequently.

130. Nothing contained in this Wages and Benefits Motion is intended to be or shall be construed as a waiver of any of the Debtor's rights under any applicable law, including, without limitation, the Code of Canon law, the First Amendment of the United States Constitution, the Constitution of the State of California, California Corporations Code §§ 10000-10015, the Religious Freedom Restoration Act of 1993 (42 U.S.C. §§ 2000bb-2000bb-4), the church autonomy doctrine, charitable trust law, California trust law, and the Debtor's rights under any insurance policies and to proceeds thereof, and to object to disclosure of information and contend that certain assets discussed in this Wages and Benefits Motion are not property of the estate.

VII.
NOTICE

131. Notice of this Wages and Benefits Motion will be provided to (i) the Office of the United States Trustee for Region 17; (ii) the Debtor's 20 largest unsecured creditors; (iii) the Office of the California Attorney General; (iv) counsel for RCC; and (v) those persons who have formally appeared in this Chapter 11 Case and requested service pursuant to Bankruptcy Rule 2002. Based on the urgency of the circumstances surrounding this Wages and Benefits Motion and the nature of the relief requested herein, the Debtor respectfully submits that no further notice is required.

VIII.
CONCLUSION

WHEREFORE, the Debtor respectfully requests that the Court enter the Proposed Order and grant such other and further relief as may be appropriate.

DATED: May 8, 2023

FOLEY & LARDNER LLP
Jeffrey R. Blease
Thomas F. Carlucci
Shane J. Moses
Emil P. Khatchatourian
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/s/ Thomas F. Carlucci
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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

In re: THE ROMAN CATHOLIC BISHOP OF OAKLAND, a California corporation sole, Debtor.	Case No. 23-40523 Chapter 11 **[PROPOSED] INTERIM ORDER AUTHORIZING THE DEBTOR TO (I) PAY PREPETITION EMPLOYEE WAGES, SALARIES, BENEFITS AND OTHER RELATED ITEMS; (II) REIMBURSE PREPETITION EMPLOYEE BUSINESS EXPENSES; (III) CONTINUE EMPLOYEE BENEFIT PROGRAMS; AND (IV) PAY ALL COSTS AND EXPENSES INCIDENT TO THE FOREGOING**

Upon the *Debtor's Motion For Interim and Final Orders Authorizing tThe Debtor to (I) Pay Prepetition Employee Wages, Salaries, Benefits and Other Related Items, (II) Reimburse Prepetition Employee Business Expenses, (II) Continue Employee Benefit Programs, and (IV) Pay All Costs and Expenses Incident to the Foregoing*, dated May 8, 2023 (the "Wages and Benefits Motion"),[1] filed by the Roman Catholic Bishop of Oakland, a California corporation sole, and the debtor and debtor in possession

[1] Capitalized terms not otherwise defined herein shall have the meanings given to them in the Wages and Benefits Motion.

(the "Debtor" or "RCBO") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case" or the "Bankruptcy Case") for entry of interim and final orders (i) authorizing, but not directing, the Debtor to pay and honor, in the ordinary course of business, claims and obligations related to the Prepetition Employee Obligations, (ii) authorizing, but not directing, the Debtor to continue to provide administrative support for and participate in certain Employee Benefit Programs, (iii) authorizing, but not directing, the Debtor to continue to act as collection and paying agent for certain Employee Benefits Programs shared with participating non-debtor employers, and (iv) granting related relief, all as set forth in the Wages and Benefits Motion; the Court having reviewed and considered the Wages and Benefits Motion, the First Day Declaration, all other filings in support of any opposition to the Wages and Benefits Motion, and the arguments made at the hearing on the Wages and Benefits Motion; the Court finding that it has jurisdiction over this matter, that venue in this Court is proper, and that notice of the Wages and Benefits Motion and the interim hearing thereon was reasonable and sufficient under the circumstances for the granting of interim relief; the Court finding that there is good cause for entry of an immediate interim order pursuant to Fed. R. Bankr. P. 6003, and that ample cause exists to grant a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h) for the entry of an interim order granting the Wages and Benefits Motion; and the Court further finding that the relief requested in the Wages and Benefits Motion is in the best interests of the Debtor, its creditors, and other parties in interest; and after due deliberation and good cause appearing,

IT IS HEREBY ORDERED THAT:

1. The Wages and Benefits Motion is GRANTED on an interim basis to the extent forth herein.

2. Subject to the requirements of sections 507(a)(4) and (a)(5) of the Bankruptcy Code, the Debtor is authorized, but not directed, to pay on an interim basis all Prepetition Employee Compensation that becomes due and owing in the ordinary course of business.

3. The Debtor is authorized, but not directed, to pay all Prepetition Business Expenses that become due and owing in the ordinary course of business.

4. The Debtor is authorized, but not directed, to honor PTO accrued by Employees prior to the Petition Date in the ordinary course of business, consistent with past practice.

5. The Debtor is authorized, but not directed, to pay all Prepetition Payroll Costs that were accrued and unpaid as of Petition Date, including all payroll-related taxes subsequently determined upon audit, or otherwise, to be owed to the relevant taxing authorities for periods prior to Petition Date, as such costs become due and owing in the ordinary course of business.

6. The Debtor is authorized, but not directed, to pay all Prepetition Benefit Obligations that become due and owing in the ordinary course of business.

7. The Debtor is authorized, but not directed, to continue the Benefit Programs on a postpetition basis in the ordinary course of business, consistent with past practice.

8. The Debtor is authorized to remit any amounts held on behalf of participants in the Main Benefit Plans on the Petition Date to the Main Benefit Plans for which such amounts were collected or for payment of covered benefits and plan-specific administrative expenses, as applicable, consistent with past practice.

9. The Debtor is authorized, but not directed, to continue to provide administrative support for the Main Benefit Plans, including by receiving funds into and remitting such funds out of the Agent Accounts, in the ordinary course of business, consistent with past practice.

10. The Banks are authorized, when requested by the Debtor, to receive, process, honor and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtor related to, the Employee Obligations and the Benefit Programs, whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments. The Banks are authorized to rely on the Debtor's designation of any particular check or funds transfer as approved by this Order.

11. The Debtor is authorized, but not directed, to issue new postpetition checks or fund transfer requests with respect to prepetition obligations that may have been dishonored by any Bank relating to the Prepetition Employee Obligations, Prepetition Business Expenses, Prepetition Payroll Costs, and Prepetition Benefit Obligations, if necessary.

12. Any Bank that honors a prepetition check or other item drawn on any account that is the subject of this Order: (a) at the direction of the Debtor; (b) in a good faith belief that the Court has authorized such prepetition check or item to be honored; or (c) as a result of an innocent mistake made despite the above-described protective measures, shall not be liable to the Debtor or its estate on account of such prepetition check or other item being honored postpetition.

13. The Debtor shall provide the U.S. Trustee a list of Employees and Contractors to be paid prepetition wages or expense reimbursements under this Order including accrual dates and amounts to be paid to each Employee and Contractor and shall file with the Court a summary of the information.

14. Nothing in this Order shall be construed as: (a) an admission regarding the validity of any prepetition claim against the Debtor; (b) a promise or requirement to pay any prepetition claim; (c) a request or authorization to assume any prepetition executory contract; (d) a waiver of the Debtor's, or any estate representative's right, to dispute any claim on any grounds; or (e) otherwise a waiver of the Debtor's rights under the Bankruptcy Code or other applicable law.

15. This Order shall be immediately effective and enforceable upon entry.

16. A final hearing on the Wages and Benefits Motion shall be held on [__________ __, 2023] at __:__ _.m.] (Prevailing Pacific Time). Any objections to the granting of the relief requested in the Wages and Benefits Motion on a final basis shall be filed not later than [__________ __, 2023].

17. The Debtor is authorized to take all actions necessary or appropriate to effectuate the relief granted in this Order.

18. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of or interpretation of this Order.

END OF ORDER

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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

In re: THE ROMAN CATHOLIC BISHOP OF OAKLAND, a California corporation sole, Debtor.	Case No. 23-40523 Chapter 11 **[PROPOSED] FINAL ORDER AUTHORIZING THE DEBTOR TO (I) PAY PREPETITION EMPLOYEE WAGES, SALARIES, BENEFITS AND OTHER RELATED ITEMS; (II) REIMBURSE PREPETITION EMPLOYEE BUSINESS EXPENSES; (III) CONTINUE EMPLOYEE BENEFIT PROGRAMS; AND (IV) PAY ALL COSTS AND EXPENSES INCIDENT TO THE FOREGOING**

Upon the *Debtor's Motion For Interim and Final Orders Authorizing The Debtor to (I) Pay Prepetition Employee Wages, Salaries, Benefits and Other Related Items, (II) Reimburse Prepetition Employee Business Expenses, (II) Continue Employee Benefit Programs, and (IV) Pay All Costs and Expenses Incident to the Foregoing*, dated May 8, 2023 (the "Wages and Benefits Motion"),[1] filed by the

[1] Capitalized terms not otherwise defined herein shall have the meanings given to them in the Wages and Benefits Motion.

Roman Catholic Bishop of Oakland, a California corporation sole, and the debtor and debtor in possession (the "Debtor" or "RCBO") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case" or the "Bankruptcy Case") for entry of interim and final orders (i) authorizing, but not directing, the Debtor to pay and honor, in the ordinary course of business, claims and obligations related to the Prepetition Employee Obligations, (ii) authorizing, but not directing, the Debtor to continue to provide administrative support for and participate in certain Employee Benefit Programs, (iii) authorizing, but not directing, the Debtor to continue to act as collection and paying agent for certain Employee Benefits Programs shared with participating non-debtor employers, and (iv) granting related relief, all as set forth in the Wages and Benefits Motion; the Court having reviewed and considered the Wages and Benefits Motion, the First Day Declaration, all other filings in support of any opposition to the Wages and Benefits Motion, and the arguments made at the hearings on the Wages and Benefits Motion; the Court finding that it has jurisdiction over this matter, that venue in this Court is proper, and that notice of the Wages and Benefits Motion and the interim and final hearings thereon was reasonable and sufficient under the circumstances for the granting of interim and final relief; the Court finding that there is good cause for entry of an immediate interim and final order pursuant to Fed. R. Bankr. P. 6003, and that ample cause exists to grant a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h) for the entry of an interim and final order granting the Wages and Benefits Motion; and the Court further finding that the relief requested in the Wages and Benefits Motion is in the best interests of the Debtor, its creditors, and other parties in interest; and after due deliberation and good cause appearing,

IT IS HEREBY ORDERED THAT:

1. The Wages and Benefits Motion is GRANTED on a final basis.

2. Subject to the requirements of sections 507(a)(4) and (a)(5) of the Bankruptcy Code, the Debtor is authorized, but not directed, to pay on an interim basis all Prepetition Employee Compensation that becomes due and owing in the ordinary course of business.

3. The Debtor is authorized, but not directed, to pay all Prepetition Business Expenses that become due and owing in the ordinary course of business.

4. The Debtor is authorized, but not directed, to honor PTO accrued by Employees prior to the Petition Date in the ordinary course of business, consistent with past practice.

5. The Debtor is authorized, but not directed, to pay all Prepetition Payroll Costs that were accrued and unpaid as of Petition Date, including all payroll-related taxes subsequently determined upon audit, or otherwise, to be owed to the relevant taxing authorities for periods prior to Petition Date, as such costs become due and owing in the ordinary course of business.

6. The Debtor is authorized, but not directed, to pay all Prepetition Benefit Obligations that become due and owing in the ordinary course of business.

7. The Debtor is authorized, but not directed, to continue the Benefit Programs on a postpetition basis in the ordinary course of business, consistent with past practice.

8. The Debtor is authorized to remit any amounts held on behalf of participants in the Main Benefit Plans on the Petition Date to the Main Benefit Plans for which such amounts were collected or for payment of covered benefits and plan-specific administrative expenses, as applicable, consistent with past practice.

9. The Debtor is authorized, but not directed, to continue to provide administrative support for the Main Benefit Plans, including by receiving funds into and remitting such funds out of the Agent Accounts, in the ordinary course of business, consistent with past practice.

10. The Banks are authorized, when requested by the Debtor, to receive, process, honor and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtor related to, the Employee Obligations and the Benefit Programs, whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments. The Banks are authorized to rely on the Debtor's designation of any particular check or funds transfer as approved by this Order.

11. The Debtor is authorized, but not directed, to issue new postpetition checks or fund transfer requests with respect to prepetition obligations that may have been dishonored by any Bank relating to the Prepetition Employee Obligations, Prepetition Business Expenses, Prepetition Payroll Costs, and Prepetition Benefit Obligations, if necessary.

12. Any Bank that honors a prepetition check or other item drawn on any account that is the subject of this Order: (a) at the direction of the Debtor; (b) in a good faith belief that the Court has authorized such prepetition check or item to be honored; or (c) as a result of an innocent mistake made despite the above-described protective measures, shall not be liable to the Debtor or its estate on account of such prepetition check or other item being honored postpetition.

13. The Debtor shall provide the U.S. Trustee a list of Employees and Contractors to be paid prepetition wages or expense reimbursements under this Order including accrual dates and amounts to be paid to each Employee and Contractor and shall file with the Court a summary of the information.

14. Nothing in this Order shall be construed as: (a) an admission regarding the validity of any prepetition claim against the Debtor; (b) a promise or requirement to pay any prepetition claim; (c) a request or authorization to assume any prepetition executory contract; (d) a waiver of the Debtor's, or any estate representative's right, to dispute any claim on any grounds; or (e) otherwise a waiver of the Debtor's rights under the Bankruptcy Code or other applicable law.

15. This Order shall be immediately effective and enforceable upon entry.

16. The Debtor is authorized to take all actions necessary or appropriate to effectuate the relief granted in this Order.

17. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of or interpretation of this Order.

END OF ORDER