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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 REPLY TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' OBJECTION TO THE DEBTOR'S DISCLOSURE STATEMENT

Judge: Hon. William J. Lafferty

Date: December 18, 2024
Time: 10:30 a.m.
Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

Table of Contents

Table of Authorities

Page(s)

Cases

Statutes

The Roman Catholic Bishop of Oakland, a California corporation sole and the debtor and debtor in possession (the "Debtor") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case"), hereby files its reply (this "Reply") to *The Official Committee of Unsecured Creditors' Objection to the Debtor's Disclosure Statement* (the "Objection") [Docket No. 1518], filed by the Official Committee of Unsecured Creditors (the "Committee").[1] This Reply is filed in support of the Debtor's *Disclosure Statement for Debtor's Plan of Reorganization* dated November 8, 2024 [Docket No. 1445] (together with all schedules and exhibits thereto, and as may be modified, amended, or supplemented from time to time, the "Disclosure Statement"), and *Debtor's Motion for Order (I) Approving Disclosure Statement; and (II) Establishing Procedures for Plan Solicitation, Notice, and Balloting* [Docket No. 1453] (the "Motion").[2]

I. INTRODUCTION

Eighteen months into this chapter 11 case, and almost one year after the start of mediation with the Committee which continued through October 2024, the Debtor filed its proposed Plan and Disclosure Statement. Having done so with support from the Insurers but without support from the Committee, the Debtor expected the Committee to object to approval of the Disclosure Statement by throwing everything *including* the proverbial kitchen sink into its Objection. That is the right of the Committee. It is now the Debtor's obligation to respond to each such objection and describe for this Court why the Committee's Objection should be overruled. The Debtor does so with this Reply. And it is of course for the Court to determine in its discretion whether to approve the Disclosure Statement and thus permit individual creditors to decide for themselves whether to vote yes or no on the proposed Plan. This much is plain.

The Committee has also made plain its opposition to the Plan, and its belief that it implicitly controls the votes of the Abuse Claimants. In its Objection, the Committee states, "The Committee opposes the Plan and will recommend that Abuse Claimants vote to reject the Plan. If past is prologue, Abuse Claimants *will follow in tow* and thus, it is a virtual certainty that they will overwhelmingly reject

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[1] The Debtor is concurrently filing a separate reply to the *Objection and Reservation of Rights of The United States Trustee to Approval of (I) Debtor's Disclosure Statement and (II) Motion to Approve Solicitation, Notice, and Balloting Procedures* [Docket No. 1513] filed by the United States Trustee.

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Disclosure Statement and Motion.

the Plan." (Objection at 3 (emphasis added).) The Debtor is not so convinced and wants to provide all creditors – including Abuse Claimants and creditors in other classes – the opportunity to vote on the proposed Plan.

The Committee's real objection – although not expressly stated – is that the Committee does not support the Plan because it wants more money paid to the Survivors' Trust. State court counsel representing members of the Committee have publicly stated as much, and counsel for the Committee stated on the record last week that the Committee seeks to increase the distribution to Abuse Survivors "meaningfully and materially." The Committee also appears to want the trustee of the Survivors' Trust to control all litigation claims against the Insurers rather than provide each Abuse Claimant the right and choice to pursue his or her own individual claim in state court, which is what the Plan provides. But, the Committee's objections in this regard should be decided at the proper time through the individual votes cast on the Plan and through an objection to the Plan – and not via the Committee's Objection to the Disclosure Statement.

II. THE DISCLOSURE STATEMENT PROVIDES ADEQUATE INFORMATION AS REQUIRED BY 11 U.S.C. § 1125.

A. Legal Standard

11 U.S.C. § 1125(a)(1) defines "adequate information" for purposes of a disclosure statement. It generally states that adequate information is such that would enable one to make an informed judgment about the plan. Section 1125(a)(1) expressly limits what must be included: "adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information." Section 1125(b) continues: "The court may approve a disclosure statement without a valuation of the debtor or an appraisal of the debtor's assets."

The Debtor's Disclosure Statement meets the standard required by § 1125 and this Court should therefore overrule the Committee's Objection.[3]

[3] The Debtor anticipates it will amend its Disclosure Statement in part to update the Disclosure Statement to reflect

The Disclosure Statement sets forth in plain language everything needed to adequately inform a judgment about the Plan. The Disclosure Statement includes a description of, among other things, the establishment of the Survivors' Trust, the mechanics for distributions to Survivors from the Survivors' Trust, the amounts of cash and identification of the real estate which will be contributed by the Debtor and by non-Debtor RCWC to the Survivors' Trust, potential values for real estate to the extent knowable at this time, estimated amounts each class of creditors would receive under the Plan and the average estimated amounts Survivors would receive under the Plan. This information together with the balance of information in the Disclosure Statement provides Holders of Claims entitled to vote with adequate information to make an informed decision regarding their vote.

To state the obvious, this is a complex case. Yet the Disclosure Statement distills the Plan and the 86-page Disclosure Statement itself into an Executive Summary set forth at the beginning of the Disclosure Statement which clearly and succinctly summarizes the Plan. (Article I, pages 10-15 of the filed PDF) It also includes a "Questions and Answers" section which provides additional explanation (Article III, pages 22-25) and a detailed background of the Debtor, the circumstances leading to its May 2023 bankruptcy filing, and the progress of the Chapter 11 Case since that date (Article IV, pages 25-35).

The Committee asserts the Disclosure Statement is "long and convoluted." The Debtor concedes the Disclosure Statement is long, though at 86 pages including its table of contents it is still shorter than the disclosure statements filed (and in some cases, approved) in other recent diocese cases.[4] But as the preceding paragraph and the balance of this Reply demonstrate the Disclosure Statement here is anything but "convoluted."

In enacting section 1125 of the Bankruptcy Code, Congress specifically provided that neither a valuation nor an appraisal of a debtor's assets is required as part of a disclosure statement. 11 U.S.C. §

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certain motions and litigation filed by the Committee after the Debtor filed its Disclosure Statement, as well as to include changes either negotiated through the process of the Disclosure Statement hearing or to address comments of the Court concerning the Disclosure Statement.

[4] *See*, *e.g.*, *In re The Roman Catholic Diocese of Rockville Centre, New York*, Case No. 20-12345 (MG) (Bankr. S.D.N.Y.) [Dkt. No. 3375] (116 pages) (approved, Dkt. No. 3376); *In re The Roman Catholic Diocese of Syracuse, New York*, Case No. 20-30663 (Bankr. N.D.N.Y.) [Dkt. No. 2173] (107 pages) (remains pending); *In re The Diocese of Camden, New Jersey*, Case No. 20-21257 (JNP) [Dkt. No. 1724] (137 pages) (approved, Dkt. No. 1818).

1125(b) ("[t]he court may approve a disclosure statement without a valuation of the debtor or an appraisal of the debtor's assets"). *See, e.g., In re Dakota Rail, Inc.*, 104 B.R. 138, 144 (Bankr. D. Minn. 1989) ("A formal appraisal of the debtor's properties is not required to meet the test of adequate disclosure."); *In re Keisler*, No. 08-34321, 2009 WL 1851413, at *5 (Bankr. E.D. Tenn. June 29, 2009) ("[A]s provided by § 1125(b), valuation is not a necessary component in the determination of whether a disclosure statement contains adequate information."). Rather, valuation is a confirmation issue. *See, e.g.*, Transcript of Video Hearing, *In re Mallinckrodt PLC* (Bankr. D. Del., June 2, 2021), 63:19-20 (declining to hear tort plaintiffs' disclosure statement objection concerning valuation of debtors' assets because "[v]aluation is a confirmation issue").

Likewise, "[t]here is no requirement in case law or statute that a disclosure statement estimate the value of specific unliquidated tort claims." *In re A.H. Robins Co., Inc.*, 880 F.2d 694, 697 (4th Cir. 1989), *abrogated on unrelated grounds by Harrington v. Purdue Pharma L. P.*, 144 S. Ct. 2071, 219 L. Ed. 2d 721 (2024). In *A.H. Robins Co.*, the Fourth Circuit held the district court did not abuse its discretion in holding the disclosure statement contained adequate information even though it did not include a valuation of unliquidated personal injury tort claims. The court emphasized, "[i]n fact, with so many various unliquidated personal injury claims which vary so much in the extent and nature of injury, medical evidence and causation factors, any specific estimates may well have been more confusing than helpful and certainly would be more calculated to mislead." *Id.*, 880 F.2d at 697. *See also In re Rexford Properties LLC*, 558 B.R. 352, 356 (Bankr. C.D. Cal. 2016) (approving classification scheme for debtor's proposed plan of reorganization, where scheme included a convenience class of unsecured creditors that would be paid in full and no estimate was provided as to the amount of the convenience class claims); *In re U.S. Brass Corp.*, 194 B.R. 420, 426 (Bankr. E.D. Tex. 1996) (approving disclosure statement over objection that it did not place a dollar value on certain litigation relating to the estate; "[t]he Court does not believe the Proponents should be required to speculate about such value. It is sufficient that they describe the litigation and disclose that they are unable to estimate the value.")

B. RCBO's Disclosure Statement Provides the Required Adequate Information Concerning the Debtor's Plan

For ease of reference, set forth in **Appendix A** and incorporated into this Reply is a chart which sets forth each of the Committee's specific objections to the adequacy of information in the Disclosure Statement, and the Debtor's reply to each.

In addition and concerning the Committee's objection that the precise proposed Survivors' Trust Documents are not included in the Plan and Disclosure Statement, the Debtor emphasizes it is exceedingly common for specific trust-related terms to be disclosed in trust distribution procedures and trust agreements filed **after** the disclosure statement has been approved, ahead of the voting deadline. *See, e.g., In re Yarway Corp.*, Case No. 13-11025 (BLS) (Bankr. D. Del. March 18, 2015) [Docket No. 827-1] (personal injury trust distribution procedures filed after disclosure statement was approved); *In re Specialty Prods. Holding Corp.*, Case No. 10-11780 (PJW) (Bankr. D. Del. Oct. 23, 2014) [Docket No. 5117-3] (personal injury trust distribution procedures filed after the hearing to seek approval of the disclosure statement); *In re TK Holdings Inc.*, Case No. 17-11375 (BLS) (Bankr. D. Del. Jan. 23, 2018) [Docket No. 1789-14] (same); *In re United Gilsonite Labs*, Case No. 5:11-bk-02032 (RNO) (Bankr. M.D. Penn. Nov. 14, 2014) [Docket No. 2098-6] (same).

III. MOST OF THE COMMITTEE'S OBJECTIONS SHOULD BE OVERRULED BECAUSE THEY ARE PLAN OBJECTIONS AND NOT OBJECTIONS WHICH COMPEL DISAPPROVAL OF THE DEBTOR'S DISCLOSURE STATEMENT.

Courts throughout the country have recognized that *unless* the disclosure statement "describes a plan of reorganization which is so fatally flawed that confirmation is ***impossible***" (*i.e.,* the plan is patently unconfirmable), the court should approve a disclosure statement that otherwise adequately describes the chapter 11 plan at issue. *In re Cardinal Congregate I,* 121 B.R. 760, 764 (Bankr. S.D. Ohio 1990) (emphasis added). *See also In re Unichem Corp.,* 72 B.R. 95, 98 (Bankr. N.D. Ill.), *aff'd*, 80 B.R. 448 (N.D. Ill. 1987) (courts should disapprove the adequacy of a disclosure statement on confirmability grounds "where it is ***readily apparent*** that the plan accompanying the disclosure statement could ***never*** legally be confirmed" (emphasis added)); *In re Larsen,* No. 09–02630, 2011 WL 1671538, at *2 n. 7

(Bankr. D. Id. May 3, 2011) ("Ordinarily, confirmation issues are reserved for the confirmation hearing, and not addressed at the disclosure statement stage."); *In re Southern Montana Elec. Generation and Transmission Cooperative, Inc.*, 2013 WL 5488723 (Bankr. D. Mont. Oct. 1, 2013) ("The Court agrees that the road to confirmation in this case is not nicely paved, and the Trustee has significant hurdles to overcome, but as stated earlier, that does not warrant disapproval of a Disclosure Statement that otherwise satisfies the requirements of 11 U.S.C. § 1125.").

The Committee's Objection repeatedly bangs the "patently unconfirmable" drum in its efforts to kill the Plan now, before its constituents have a chance to vote on it. "A plan is patently unconfirmable where (1) confirmation 'defects [cannot] be overcome by creditor voting results' and (2) those defects 'concern matters upon which all material facts are not in dispute or have been fully developed at the disclosure statement hearing.'" *In re American Capital Equipment, LLC*, 688 F.3d 145, 154-155 (3d Cir. 2012) (citing *In re Monroe Well Serv., Inc.*, 80 B.R. 324, 333 (Bankr. E.D. Pa. 1987)). This means for a motion to approve a disclosure statement to be denied on the grounds the plan it describes is patently unconfirmable it must be "obvious" that the plan cannot be confirmed even if the creditors vote for it. *Id.* at 154. The Committee does not raise any section 1129 objections to the Plan that rise to this level.

A. <u>The Plan Complies With The Bankruptcy Code.</u>

None of the three issues the Committee raises establishes a violation of section 1129(a)(1) of the Bankruptcy Code.

First, the Committee's complaint about third party releases ignores the limiting language in the very section the Committee cites and therefore should be overruled. The term "Released Parties" is limited solely to the Debtor, the Reorganized Debtor (i.e., the Debtor), the Churches (which are not separately incorporated from the Debtor and therefore are part of the Debtor), and Contributing Non-Debtor Catholic Entities such as RCWC. The Disclosure Statement explains that the term Released Parties "expressly excludes" from its scope anyone accused of committing an act of sexual abuse and "any Non-Debtor Catholic Entity that is not a Contributing Non-Debtor Catholic Entity." A "Contributing Non-Debtor Catholic Entity" is a Non-Debtor Catholic Entity that contributes to the Survivors' Trust (as RCWC proposes to do). Thus, none of the "affiliates" listed in the Committee's objection are eligible for a release

unless they become a Contributing Non-Debtor Catholic Entity. Additionally, the Disclosure Statement plainly does not state the Plan releases, nor is it the intent of the Plan to release, "every diocese across the country and even the Holy See". (Objection at 6:8-11.) The Court should ignore the Committee's exaggerated reading.

Second, the Committee provides no explanation for why the Plan provisions concerning Class 5 Claims and the Unknown Abuse Claims Representative violate the Bankruptcy Code. The Committee claims without any factual basis that he may not have sufficient time to evaluate the case and vote on the Plan. As an initial matter, no one has objected to Judge Hogan's retention. Moreover, Judge Hogan is a veteran Unknown Abuse Claims Representative and has given no indication he is incapable of meeting the timetable in which he must complete his work.

Third, the Committee is wrong that the exculpation clause must be limited to estate fiduciaries. There is no such limitation under Ninth Circuit law. On the contrary, the Ninth Circuit specifically declined to limit exculpation clauses to fiduciaries. *Blixseth v. Credit Suisse*, 961 F.3d 1074, 1085 n. 8 (9th Cir. 2020). Indeed, the exculpation clause approved by the Ninth Circuit in *Blixseth* included a non-fiduciary: Credit Suisse, the debtor's largest creditor. *Id.* at 1078-79; *see also In re Astria Health*, 623 B.R. 793, 799 (Bankr. E.D. Wash. 2021) (refusing to limit exculpation to fiduciaries). Following *Blixseth*, in *PG & E Corp.*, the bankruptcy court held a very broad exculpation clause that "covers a lot of players, a number of documents and a number of events and activities" was "consistent with the complexities and difficulties of these cases, and comports with the contours of such a provision as recognized in *Blixseth*." *In re PG & E Corp.*, 617 B.R. 671, 684 (Bankr. N.D. Cal. 2020). The court overruled an objection by the U.S. Trustee arguing the exculpation clause covered too many parties. *Id.* The Bankruptcy Court for the Western District of Washington similarly found an exculpation clause properly extends to "covered parties [who] played a significant role during these cases and engaged in conduct potentially subject to second guessing or hindsight-driven criticism." *In re Astria Health*, 623 B.R. at 799. Temporally, "[a]n exculpation provision may sweep broadly and cover the entire period after the filing of a bankruptcy petition." *In re Astria Health*, 623 B.R. 793, 799 (Bankr. E.D. Wash. 2021).

In any event, the College of Consulters, Diocese of Oakland Finance Council, The Presbyteral Council of the Diocese of Oakland, and each of their agents and members, are all fiduciaries to the Debtor and thus appropriately within the exculpation clause. These are bodies mandated into existence by Canon law that exist to advise the Bishop of Oakland on various matters within their respective purviews. The Debtor can present evidence of this at the Confirmation Hearing if necessary.

B. The Plan Is Proposed In Good Faith.

A chapter 11 plan must be "proposed in good faith and not by any means forbidden by law." 11 U.S.C. § 1129(a)(3). The Ninth Circuit recently held § 1129(a)(3) "directs courts to look only to the proposal of the plan, not the terms of the plan" in determining whether the plan was proposed in good faith. *Garvin v. Cook Investments NW, SPNWY, LLC* , 922 F.3d 1031, 1034-1035 (9th Cir. 2019) (emphasis added).

The Committee has acknowledged on the record before this Court the good faith of all parties who participated in more than eight months of mediation which preceded the filing of the Plan. The Committee offers no explanation for how the Plan is supposedly not proposed in good faith or was done in a manner forbidden by law. Nor could it. The Debtor has been consistently and utterly transparent with all parties and with this Court about its preference to reach a global settlement with all parties and its intention to file a plan of reorganization on or by November 8, 2024, if a global settlement could not be reached. Moreover, the Committee has acknowledged to this Court more than once the Debtor's good faith and transparent production of documents and information requested by the Committee since the Petition Date. The Debtor's disclosures and productions to the Committee included information about the Debtor's assets, the Debtor's investigations of sexual abuse claims against clergy and other church representatives, and the Debtor's pre-petition transactions, among other subjects. The Debtor did so because the Committee represented to the Debtor and to this Court that information would aid in mediation negotiations and help bring the parties toward a consensual plan. Unfortunately, that did not happen and the Committee now jumps to the conclusion the Debtor is suddenly operating in bad faith when there is no evidence that is the case.

The Debtor worked tirelessly in mediation with all parties to achieve a consensual plan. The Debtor waited until the last day of its exclusivity period to file the Plan and Disclosure Statement because it held out hope for – and honestly thought it might still achieve – a consensual plan with the Committee. Importantly, a global settlement is still a conceivable possibility. Moreover, the Plan actually already includes many things the Committee either complains about in its Objection or has included as requested relief in the litigation it has recently filed, including: (i) significant non-debtor contribution of cash (from RCWC) and real estate (through Adventus), (ii) the liquidation of some church property to help fund the Survivors' Trust, (iii) a procedure for Holders of Abuse Claims to decide for themselves whether to pursue litigation in non-bankruptcy court (i.e., state court) as a way to maximize recoveries from the Debtor's insurance assets, (iv) recovery of the Cathedral Property from CCCEB in settlement of the Debtor's unsecured claim against that entity, and (v) effectively subordinating the claim of the Oakland Parochial Fund, which under the Plan will not receive any payments for ten years after the effective date.

The Committee's section 1129(a)(3) objection is premised on the Committee's presumption it will prevail in all respects on the relief it requests through the two adversary proceedings and litigation-focused motions it has filed in recent weeks. The Committee cites no authority, however, to support its Objection that the Plan's failure to treat the Committee's allegations as established facts compels a finding by this Court that the Plan is not proposed in good faith. Just as the Committee is entitled to file litigation and seek relief before this Court, so too is the Debtor entitled to oppose the relief sought by the Committee, and it is not bad faith for it to do so.

C. <u>Whether The Plan Satisfies The Best Interest Of Creditors Test Is A Confirmation Issue And Not A Condition To Approval Of The Disclosure Statement.</u>

Similar to the section 1129(a)(1) and (3) issues addressed above, the Committee claims approval of the Disclosure Statement should be denied because "[t]he Debtor will be unable to satisfy the hypothetical liquidation test required for cramdown of the Plan under § 1129(a)(7)(a)(ii) of the Bankruptcy Code." (Objection at 13.) Given that this standard expressly arises in the context of confirmation of the Plan and does not implicate approval of the Disclosure Statement pursuant to § 1125, the Committee's

objection on this point should be overruled as premature and because it is not a basis for disapproval of the Disclosure Statement.

The Committee's objection should also be overruled because it is wrong. Regardless of whether, as a non-profit entity, the Debtor must satisfy § 1129(a)(7)(A)(ii), the Debtor nonetheless performed a Liquidation Analysis which demonstrated compliance with § 1129(a)(7)(A)(ii):

> Although the Debtor does not believe it is required to satisfy the "best interests of creditors" test embodied in section 1129(a)(7), the Debtor does believe a liquidation analysis will be helpful to holders of Claims as they evaluate their proposed treatment under the Plan. **Accordingly, the Debtor is providing the Liquidation Analysis herein.**

See Exhibit B to the Disclosure Statement, the Debtor's Liquidation Analysis (emphasis added). This is the same document the Committee cites to in support of its argument.

As counsel for the Committee well knows, disputing *whether* § 1129(a)(7)(A)(ii) applies but also *providing* a Liquidation Analysis is precisely what the debtor did in the *Camden* case seeking confirmation of a plan with the support of the committee in that case (the Committee here cites to the Camden case as well). *See In re Diocese of Camden*, 653 B.R. 309, 341 (Bankr. D.N.J. 2023) ("Finally, the Liquidation Analysis and credible testimony of Wilen regarding the Liquidation Analysis established that creditors will receive or retain under the Plan, on account of such claim, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code."). Here, as in Camden, whether: (1) this Court agrees with the Debtor's legal position, and (2) the Debtor's Liquidation Analysis is sufficient (if necessary) to satisfy § 1129(a)(7)(A)(ii), are both issues to be determined by this Court at confirmation and not as a condition to approval of the Disclosure Statement.

In any event, as set forth in the Liquidation Analysis Detail (section iv of Exhibit B to the Disclosure Statement), a hypothetical liquidation must ultimately be a hypothetical *possible* liquidation of assets. Even if the Debtor could be forced into an involuntarily chapter 7—and, as a non-profit corporation, it cannot—the Bankruptcy Code cannot be used as a vehicle to infringe upon the Debtor's First Amendment right to free exercise of its religious practices. In other words, the Debtor cannot be forced to close and liquidate specific Churches or schools that are the essence of its mission. In recognizing this

fundamental limitation on judicial power, the Debtor's Liquidation Analysis presents an accurate comparison of potential outcomes.

D. The Plan Provides For Four Possible Consenting Impaired Classes.

The Plan by its terms includes more than one possible consenting impaired class under the Plan: Classes 3, 4, 5 and 6. In its Objection the Committee incorrectly (a) asserts without support that Class 3 consisting of general unsecured claims is not impaired because it alleges Class 3 will be paid in full; and (b) asserts Class 5 is gerrymandered. Each of these is addressed below.

The Committee's objection regarding Class 3 should be overruled because the creditors in Class 3 are clearly impaired. Payment to those creditors may be delayed until one year after the Plan becomes effective, or later if the Debtor and the creditor agree, and Class 3 creditors will not receive interest accruing during the delay. *See In re Patrician St. Joseph Partners Ltd. P'ship*, 169 B.R. 669 (D. Ariz. 1994) (class of unsecured creditors who would not be paid in full until one year after effective date of debtor's plan was "impaired" class; "their legal, equitable and contractual rights have been altered").

The Committee's remaining section 1129(a)(10) arguments should be overruled – again, because they focus on confirmation issues and not the adequacy of the disclosure statement, but also for the following reasons. The Committee's objection concerning Class 5 should be overruled because the Committee does not provide any support for its conclusion that having a separate class of Unknown Abuse Claims with a court appointed fiduciary representing their interests violates "basic principles of fairness and equity." For starters, the Committee did not object to the Debtor's motion to appoint the Unknown Abuse Claims Representative. Moreover, many bankruptcy courts have confirmed plans with this exact structure which supports there is broad consensus that the Plan's separate classification and treatment of Unknown Abuse Claims is not a barrier to confirmation and is fair and equitable. The Committee similarly offers no support for its conclusion that the Disclosure Statement must describe the number or identity of Holders of Class 6 Claims or how much their claims may be worth. *See A.H. Robins Co., Inc.*, 880 F.2d at 697. The Debtor will however agree to amend its Plan and Disclosure Statement to state the amount of money it will deposit into the Non-Abuse Litigation Reserve.

Finally, the Committee assures us Class 4 Claims will reject the Plan because the Committee will tell them to. The Committee may be right. But that is not sufficient to defeat the Disclosure Statement. Class 4 Claims could vote for the Plan, meaning the alleged section 1129(a)(10) "defect" can "be overcome by creditor voting results." *Cf. In re Am. Capital Equipment, LLC*, 688 F.3d at 154-155.

The Debtor reserves all rights to argue at confirmation that any impaired class voting in favor of the Plan satisfies § 1129(a)(10).

E. The Committee Cites No Authority Showing The Plan Violates Section 1129(b)(2)(B) of the Bankruptcy Code.

Section 1129(b)(2)(B) states that a Plan will be deemed fair and equitable with respect to a class of unsecured claims in one of two circumstances.

The first circumstance is where "the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim." 11 U.S.C. § 1129(b)(2)(B)(i). If the Committee is arguing the Plan violates this provision, the Committee makes no argument in support and so the Debtor cannot substantively respond. In any event, whether the Plan satisfies this circumstance is a matter of valuation and thus should be deferred to the Confirmation Hearing.

The second circumstance is where "the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property . . . ." 11 U.S.C. § 1129(b)(2)(B)(ii). This so-called "absolute priority rule" is not violated where, as here, a debtor with no equity holders retains some of its property upon the effective date of a plan. "The Absolute Priority Rule does not, by its terms, prohibit a debtor entity from retaining its own assets, and cannot, by its terms, apply to a situation . . . where the debtor has no equity security holders." *In re Gen. Teamsters, Warehouseman and Helpers Union, Local 890*, 225 B.R. 719, 737 (Bankr. N.D. Cal. 1998) (confirming plan of union with no interest holders, overruling absolute priority rule objection); *aff'd, Security Farms v. Gen. Teamsters, Warehouseman and Helpers Union, Local 890 (In re Gen. Teamsters, Warehouseman and Helpers Union, Local 890)*, 265 F.3d 865 (9th Cir. 2001). This is the rule in the Ninth Circuit. *See In re Henry Mayo Newhall Mem'l Hosp.*, 282 B.R. 444, 453 (B.A.P. 9th Cir. 2002) (citing

Security Farms and agreeing that Absolute Priority Rule does not apply to non-profit debtors; "unsecured creditors in the case of a nonprofit entity with no equity owners hold the economic interests at the margin of the debtor and are in the same take-it-or-leave dilemma as chapter 13 unsecured creditors").

IV. CONCLUSION

For the reasons set forth above and based on the information submitted to the Court in connection with the hearing(s) on the matter, the Debtor respectfully requests the Court (1) overrule the Committee's Objection, and (2) enter an order, substantially in the form attached as Exhibit 1 to the Motion, approving the Debtor's Disclosure Statement and proposed Solicitation Procedures.

DATED: December 16, 2024

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APPENDIX A

	Chart of Committee's § 1125 Objections to Disclosure Statement and Debtor's Reply to Each			
	Committee's Objection	**Citation to Committee Objection (Article of Committee's Objection)**	**Debtor's Reply**	**Citation to Disclosure Statement (Article and Page)**
1.	No "Easy-To-Digest" Summary	III(A)	The first six pages of the Disclosure Statement contain the Executive Summary setting forth, in succinct and clear terms, including straightforward bullet pointed lists and graphics: • Which assets will be contributed by which parties; • The sources of such assets, as well as potential values to the extent knowable at this time; • How such contributions compare to similar diocesan and religious order cases/Plans; • The mechanics of the Plan, including the Initial Distribution, the Distribution Option, and the Litigation Option; and, • The Debtor's Non-Monetary Commitment to Healing and Reconciliation. The Committee's objection should be overruled on this basis.	I(A)-(D) (pages 1-6)
2.	Omitted Claims Valuation Method	III(B)(i)	The Disclosure Statement does not attempt to provide a valuation of Abuse Claims asserted against the Debtor and is not required to do so. Rather, the Liquidation Analysis (Exhibit B) sets forth in detail the Debtor's analysis of a hypothetical liquidation of its assets in chapter 7. The Committee's objection should be overruled on this basis.	n/a
3.	Omitted Survivors' Trust Documents	III(B)(ii)	As is common in bankruptcy cases, the Trust Documents have not been provided at this state of the confirmation process. However, Article VII of the Disclosure Statement outlines the critical details of the Survivors' Trust, as set forth in Section 9.1 to 9.12 of the Plan in a clear and succinct fashion: • Article VII(B) sets forth the role of the Survivors' Trust; • Article VII(C) describes the appointment and powers of the Survivors' Trustee;	VII (pages 40-47)

APPENDIX A

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			• Article VII(D) describes the funding of the Survivors' Trust through the Survivors' Trust Assets; • Article VII(E) describes the Unknown Abuse Claims Reserve ($5,000,000); • Article VII(F) describes the proposed treatment of Abuse Claims, including the Immediate Distribution, Initial Determination, timing of distributions, Distribution Option, Litigation Option, and establishment of appropriate reserves. • Article VII(G) describes the compensation of the Survivors' Trustee and its chosen professionals; • Article VII(H) describes the treatment of any excess Survivors' Trust Assets, if any; • Article VII(I) describes indemnification obligations of the Survivors' Trust as to the Debtor, Reorganized Debtor, and Contributing Non-Debtor Catholic Entities; and, • Article VII(J) describes post-confirmation modifications to the Survivors' Trust Documents, if any. The Committee's objection should be overruled on this basis.	
4.	Omitted Analysis of Adversary Proceedings	III(B)(ii)	Subsequent to the filing of the Disclosure Statement, the Committee filed or attempted to file certain pleadings as part of its "alternative vision[] for case resolution." The most recent of these filings occurred on December 16, 2024, more than one month *after* the Disclosure Statement and Plan were filed. The merits of the Committee's "alternative vision" pleadings have yet to be determined, no answers or responses have been filed to date, and it is far from clear that "the size of the Debtor's estate will meaningfully increase" in any	n/a

APPENDIX A

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			event. The Committee's proposed insertion regarding these filings would only inject speculation into the early stages of the confirmation proceedings. The Committee's objection should be overruled on this basis.	
5.	Omitted Information re: Unknown Abuse Claim	III(B)(ii)	The Disclosure Statement outlines the creation of the $5,000,000 Unknown Abuse Claims Reserve funded by a portion of the Survivors' Trust Assets. The Debtor is necessarily unaware of the magnitude of Unknown Abuse Claims at this time. The amount reserved for Unknown Abuse Claims in this Plan is greater than the most recent confirmed or proposed plans in diocesan bankruptcy cases containing such provisions:[1] • *Camden*, confirmed 3/15/2024: $1,250,000;[2] and, • *Syracuse*, revised 11/27/2024: $3,000,000.[3] The Committee's objection should be overruled on this basis.	VII(E) (page 44)
6.	Omitted Information re: Asset Valuation	III(B)(ii)	The Disclosure Statement sets forth in succinct and clear detail the possible value of the Survivors' Trust Assets, most of which is cash to be contributed at various stated periods. The precise value of the Livermore Property is unknown and unknowable, as is the value of the Assigned Insurance Interests. Precise valuations of assets to be contributed and monetized by the Survivors' Trust and individual Abuse Claimants electing to pursue the Litigation Option are unnecessary to evaluate whether the Disclosure Statement contains adequate	I(A) (pages 1-2); VII(D) (pages 41-44).

[1] The *Modified Chapter 11 Plan of Reorganization Proposed by the Roman Catholic Diocese of Rockville Centre, New York and Additional Debtors*, confirmed on December 4, 2024, does not contain an unknown abuse claims reserve. *See* Docket No. 3447 in Case No. 20-12345-MG.

[2] *See* Docket No. 3659 in Case No. 20-21257-JNP in the Bankruptcy Court for the District of New Jersey at section 2.2.124.

[3] *See* Docket No. 2337 in Case No. 20-30663-WAK in the Bankruptcy Court for the Northern District of New York at section 1.1.194.

APPENDIX A

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			information. However, as more fully explained below at No. 9, the Debtor will provide valuation information regarding the Livermore Property at the confirmation hearing. In addition, the Committee has retained a real estate valuation firm and has also obtained an estimate of the value of the Livermore Property. The Committee's objection should be overruled on this basis.	
7.	Omitted Information re: Number and Claim Valuation	III(B)(ii)	The Disclosure Statement clearly and succinctly describes the total number of Abuse Claims filed pursuant to the Bar Date Order, the Debtor's review of such claims to eliminate duplicate, amended, or late-filed claims not subject to an order allowing same, and the utilization of 345 as the number of Abuse Claims that will ultimately be entitled to distribution from the Survivors' Trust for purposes of projecting average distributions. Ultimately, the number of Abuse Claims that receive distributions from the Survivors' Trust will be determined by the Abuse Claims Reviewer, the Neutral, or a court of competent jurisdiction liquidating an Abuse Claim for which the Abuse Claimant elects to pursue the Litigation Option. The Committee's objection should be overruled on this basis.	I(A) (pages 1-2); V(H)(2) (pages 31-32)
8.	Misleading Information re: Fairness of Distribution to Abuse Claimants	III(C)(i)	The charts in the Executive Summary to the Disclosure Statement compare the projected value to be contributed by the Debtor and other parties on a per-claimant and aggregate basis to other similar *diocesan* and *religious order* bankruptcy cases specifically those of similar size in terms of approximate Abuse Claims (as defined in this Plan). Seventeen cases were used for the comparison, more than 2/3 of all diocesan and religious order cases confirmed to date, including *Rockville Centre* (confirmed December 4, 2024). This data frames a	I(A) (pages 1-2)

APPENDIX A

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			point of comparison for the Debtor's proposed Plan and is pertinent to the analysis of treatment of an Abuse Claim. The Debtor did not compare against any recoveries in the Sears bankruptcy (or similar non-diocesan or non-religious order cases) as the Committee suggests. In fact, the Debtor lists the name of each comparator on the charts for ease of reference. The Committee's objection should be overruled on this basis.	
9.	Misleading Information re: Value of Survivors' Trust	III(C)(ii)	This objection is a restatement of the objection to the valuation of the Livermore Property. As the Committee is aware, the Livermore Property may be worth substantially more than what the Debtor projected as the low and high-end recoveries in the Disclosure Statement. With the understanding that any value of the Livermore Property is speculative pending rezoning and development of that property (as described in Article I(A) on page 2), at any confirmation hearing, the Debtor will be prepared to present evidence in further of the Plan regarding such value. The Committee's objection should be overruled on this basis.	I(A) (pages 1-2)
10.	Misleading Information re: Comparison to Chapter 7	III(C)(iii)	The Committee's objection does not describe how the Liquidation Analysis fails to "fairly present the outcome of a liquidation of the Debtor's assets and what Abuse Claimants would receive in a liquidation" beyond: 1. Cash flow attributable to CTN (which is included in the Debtor's go-forward projections but assumed not to exist in a liquidation scenario because such payments are not fixed or guaranteed),	Ex. B to the Disclosure Statement (begins on page 88 of the combined PDF)

APPENDIX A

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			2. Claimants retaining rights against RCWC and its insurers, if any, which the Committee does not name or describe and which rights the Plan allows claimants to opt out of releasing, and 3. An indecipherable argument regarding the creation by a hypothetical chapter 7 trustee of a trust similar to that proposed by the Plan. The last argument misses the mark. The Liquidation Analysis assumes continued litigation *against the chapter 7 trustee* and seeks to quantify the costs associated therewith. It does not assume the creation of a Plan-like trust. The Committee's objection should be overruled on this basis.	
11.	Misleading Information re: Greater Administrative Expenses	III(C)(iv)	The Committee argues that "substantially greater administrative expenses" referenced in the "Alternatives to the Plan" section of the Disclosure Statement is misleading. It is difficult to understand how this can be true given that their self-described "alternative vision[] for case resolution" involves, to date, not less than three filed motions and three potential adversary proceedings, on top of a future Plan, all of which will require extensive and costly litigation. It is axiomatic that future alternatives to the Plan which involve these additional matters would increase administrative expenses to the Debtor's estate, of which the Debtor is extremely (and increasingly) concerned. The Committee's objection should be overruled on this basis.	XVI(A) (page 68); Ex. D (beginning at page 108 of the combined PDF document)
12.	Misleading Information re: Child Protection Protocols	III(C)(v)	Article IV(G), entitled "The Debtor's Mission to Effect Reconciliation and Compensation" describes in detail the Debtor's provision of counsel, therapy, support and outreach to survivors of abuse since prior to the adoption of the USCCB Charter in 2002. The Plan contemplates the *continuation* of these efforts as part of the Plan's Non-Monetary Commitment to Healing and Reconciliation	I(D) (page 6); III(K) (page 15); IV(G) (page 24);

APPENDIX A

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			referenced prominently in the Executive Summary and at various points in the Disclosure Statement. The Disclosure Statement clearly and succinctly states that: > Bishop shares the conviction of His Holiness Pope Francis, expressed on February 2, 2015, that "everything possible must be done to rid the Church of the scourge of the sexual abuse of minors and to open pathways of reconciliation and healing for those who were abused …" As such the Bishop, on behalf of himself and the Debtor, pledges and agrees to continue the good work outlined in Article IV(G), below. > The abuse of children and vulnerable adults has no place in the Diocese of Oakland, specifically, or the Roman Catholic Church, generally. The Debtor will do everything in its power to prevent such abuse. The Disclosure Statement also contains a list of the specific programs and policies that the Debtor currently has in place and intends to continue at Article IV.G of the Disclosure Statement The Committee's objection should be overruled on this basis.	X(B) (page 53)
13.	Misleading Information re: Ownership of Cathedral	III(C)(vi)	The Disclosure Statement clearly and succinctly states that CCCEB owns the Cathedral Center. It also clearly and succinctly describes the proposed resolution of CCCEB's obligation to the Debtor under the CCCEB Note if the Plan is approved—the Reorganized Debtor will receive "fee simple title to the Cathedral Center … together with all improvements thereon and all tangible personal property owned by CCCEB and located on or used in connection with operation of the Cathedral Center." The Committee's objection should be overruled on this basis.	IV(F)(5) (page 22); X(C) (page 54)

APPENDIX A

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	Committee's Objection	**Citation to Committee Objection (Article of Committee's Objection)**	**Debtor's Reply**	**Citation to Disclosure Statement (Article and Page)**
14.	Misleading Information re: "Initial Determination"	III(C)(vii)	The Disclosure Statement clearly and succinctly describes that the Initial Determination will take into consideration Survivors' Trust Assets available at that time, to calculate an expeditious potential Initial Distribution, subject to review by the Neutral. The Initial and Final Determination(s) establish the projected *pro rata* distribution for a given claimant of whatever assets are available when a distribution will be made. It is unclear how the Committee believes the process should work otherwise. The Committee's objection should be overruled on this basis.	I(C) (pages 4-6); VII(F)(2) (page 45)
15.	Confusing Information re: Final Determination	III(D)(i)	The Disclosure Statement clearly and succinctly describes the process for determining and impact of a Final Determination as to a given Abuse Claim, including the interaction of such determination and any award in the Litigation Option. Specifically, for any Holder of an Abuse Claim that selects the Litigation Option, the Survivors' Trust will reserve an amount equal to the Final Determination pending the outcome of the Litigation Option, if any. The Disclosure Statement is similarly clear that the liability of the Survivors' Trust is capped at the lesser of: 1) the liability assessed against it through the Liquidation Option or 2) the amount reserved following the Final Determination. Accordingly, it is possible that if the Litigation Option yields an assessment of liability against the Survivors' Trust of zero, the Holder could receive nothing from the Survivors' Trust, which would redistribute the amount reserved to other Holders of Trust Claims (*i.e.*, Holders of Abuse Claims that did not elect to receive an Immediate Distribution). The Committee's objection should be overruled on this basis.	I(C) (pages 4-6); VII(F)(1) (pages 44-45) & (3) (pages 45-46)

APPENDIX A

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16.	Confusing Information re: Judgment	III(D)(ii)	As stated above, the Disclosure Statement clearly and succinctly describes potential outcomes of the Litigation Option, which allows Holders of Trust Claims to pursue potential recoveries directly from Non-Settling Insurers. The Disclosure Statement is similarly clear that following the resolution of the Litigation Option as to the Holder of a Trust Claim that elects to pursue such option, the Survivors' Trust will make an initial distribution on account of its liability to such Holder, if any, that amount having been previously reserved for the purpose. The Committee's objection should be overruled on this basis.	I(C) (pages 4-6); VII(F)(3) (pages 45-46)
17.	Confusing Information re: Disposition of Trust Assets	III(D)(iii)	The Committee is conflating different concepts. The Final Distribution shall include payments of all Abuse Claims that are entitled to a distribution from the Survivors' Trust, including any previously withheld reserves. However, it is possible that a Holder of such a claim does not cash his or her check or receive the payment, for whatever reason. Such remaining funds, if any, following the Final Distribution, shall be transferred to the Reorganized Debtor. The Committee's objection should be overruled on this basis.	VII(H) (page 46)
18.	Confusing Information re: Post-Confirmation Plaintiff	III(D)(iv)	The Committee's objection cites the relevant language in Article IX(A): "any effort to collect from Abuse Insurance Policies issued by the Non-Settling Insurers to satisfy an Abuse Claim after Confirmation of the Plan shall be sought individually by the applicable Holder of an Abuse Claim after such Holder's Claim has been liquidated as provided herein." The Holder is the Plaintiff in any action pursuant to the Litigation Option. The Committee's objection should be overruled on this basis.	IX(A) (pages 48-51)

APPENDIX A

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19.	"Miscellaneous Confusion"	III(D)(v)	The Debtor agrees that "Liquidating Trust" as mentioned near the end of Article V(I) is a scrivener's error to be corrected prior to solicitation. The citations included by the Committee as to proceeds of the Litigation Option make clear that any recovery from such litigation should and will be paid directly to the Holder of the applicable claim. The Committee's objection should be overruled on this basis.	V(I) (pages 32-33)