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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 WJL Chapter 11 **THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' OBJECTION TO THE DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT** Judge: Hon. William J. Lafferty Date: April 1, 2025 Time: 10:30 a.m. (Pacific Time) Place: United States Bankruptcy Court 1300 Clay Street, Courtroom 220 Oakland, CA 94612 [Re: Dkt. No. 1831]

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The Official Committee of Unsecured Creditors (the "**Committee**") of The Roman Catholic Bishop of Oakland (the "**Debtor**" or the "**Diocese**") files this objection (this "**Objection**") to the adequacy of the *Third Amended Disclosure Statement for Debtor's Third Amended Plan of Reorganization* [Dkt. No. 1831] (the "**Disclosure Statement**") describing *The Debtor's Third Amended Plan of Reorganization* [Dkt. No. 1830] (the "**Plan**"). In support of this Objection, the Committee states:[1]

I.

PRELIMINARY STATEMENT

The Committee opposed prior versions of the Disclosure Statement because the Plans they described were patently unconfirmable and the Disclosure Statements did not contain adequate information as required by section 1125 of the Bankruptcy Code. The latest versions of the Disclosure Statement and Plan fail to resolve several of the issues previously identified by the Committee and therefore, the Disclosure Statement cannot be approved.[2] The Plan remains patently unconfirmable because:

1. The Insurance Assignment violates state law;[3]
2. The Plan's claims allowance process violates applicable law and is otherwise inherently flawed; and
3. The Plan is not proposed in good faith as established in the Committee's prior objections to the Disclosure Statement and for the reasons below.[4]

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[1] Capitalized terms not defined below have the meaning ascribed to them in the Plan.

[2] Each of the Committee's objections to prior versions of the Disclosure Statement are incorporated by reference as if fully set forth herein. *See* Dkt. Nos. 1518, 1624, 1705 and 1773. The Committee reserves the right to (i) assert the objections at the hearing on the Disclosure Statement and (ii) object to confirmation of the Plan on all grounds.

[3] On February 27, 2025, the Committee filed *The Official Committee of Unsecured Creditors' Brief in Response to Memorandum Concerning Certain Issues Raised During January 21, 2025 Hearing on Approval of Disclosure Statement* [Dkt. No. 1705] (the "**Insurance Assignment Brief**"). The Insurance Assignment Brief is incorporated by reference as if fully set forth herein.

[4] The Committee previously argued that the Debtor's Plan could not satisfy section 1129(a)(10) of the Bankruptcy Code because, among other things, the Debtor failed to establish that any Class 6 (Non-Abuse Litigation Claims) existed such that this Class could count for voting purposes. *See* Dkt. No. 1518, p. 16. The Committee has reviewed the Debtors' claims register and does not readily see any non-abuse tort claims filed. If that is the case and there are no voting creditors in this Class, this Class should be disregarded when determining the number of accepting Classes.

Even if the Debtor fixes these Plan deficiencies or certain of these issues are deferred to Plan confirmation, there remain additional fixes, described below, which must be made before the Disclosure Statement satisfies the requirements of section 1125 of the Bankruptcy Code.

II.

STATEMENT BY THE COMMITTEE

The Committee is not prone to hyperbole, preferring to enforce Survivors' rights through application of applicable law to the facts at hand. The Committee is thus deeply disturbed by the mud the Debtor continues to sling at it and its counsel because the Committee asserts that the Plan does not comply with the Bankruptcy Code and cannot be confirmed. The Committee has been accused of "scorched earth litigation" and wasting estate assets and resources on needless litigation.[5] Its counsel has been accused of employing legal strategy for its own self-interest.[6] That the Debtor attempts to characterize the Committee, which consists of nine survivors who suffered horrific sexual abuse, and serves as a fiduciary for over 300 other individuals that the Diocese failed to protect, as the antagonist in this case leaves the Committee incredulous. Time and again, the Committee has sought to break the logjam in this case. And time and again, the Debtor has doubled down on its unilateral conclusion that it is treating Survivors fairly and equitably. The notion that the Debtor has the sole right to determine the treatment of Survivor claims through "cramdown" reeks of some of the very problems that caused the childhood sexual abuse crises: the Church knows best and it alone can police itself.

Making matters worse, recent positions taken by the Diocese has increased Survivors' lack of trust in the Diocese. For example:

(i) In its *Notice of Filing of Third Amended Plan of Reorganization and Third Amended Disclosure Statement* [Dkt. No. 1834], the Debtor admonishes the Committee for not being close to consensually resolving this Chapter 11 Case notwithstanding the Debtor's "accelerated and transparent approach to discovery and investigation into the Debtor's assets." But there is no correlation between transparency—which is required for a discharge—and whether

[5] *See* Dkt. No. 1586, p. 11, 8 and Dkt. No. 1586, p. 12, 25-26.

[6] *See* Dkt. No. 1661, p. 1, 12-13.

the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. Despite much discussion (at mediation and otherwise) and much legal briefing, the Debtor continues to seek to build its restructuring on sandy foundational principles that violate black letter bankruptcy law, including that claims may be valued by reference to distributions paid in other bankruptcy cases in other jurisdictions—rather than in accordance with state law[7]—and that it can receive a discharge without putting all of its assets on the table.[8] No settlement can be reached, and no Plan can be confirmed, until the impasse on these principles is resolved.

(ii) The Debtor, through its former Chief Financial Officer, filed its Schedules of Assets and Liabilities, *under penalty of perjury* [Dkt. No. 161], stating that The Oakland Parochial Fund ("**OPF**") held an allowed general unsecured claim arising out of a $35 million loan OPF made to the Debtor. The Debtor has insisted throughout this Chapter 11 Case that OPF is separately incorporated under California law and is completely independent of it. *See* Dkt. No. 1586, p. 8, 5. Indeed, it has gone so far as to argue OPF is not an insider. *See id.* at fn. 19. Prior versions of the Plan provided for the Debtor to pay the OPF Claim in full. Recently, in responding to the Committee's first objection to the OPF Claim, the current chief financial officer of the Debtor filed a declaration with this Court, *under penalty of perjury,* attesting to the fact that the funds "loaned" to the Debtor by OPF were actually Debtor funds and did not belong to OPF. *See* Dkt. No. 1662 and 1663. Then, in response to the Committee's second objection to the OPF claim, OPF withdrew its claim through a stipulation with the Debtor. *See* Dkt. No. 1784 and 1696.

Although OPF no longer holds a claim against the Debtor, the Disclosure Statement now provides that, notwithstanding the Debtor's discharge and the Plan's confirmation injunction (§ 13.4), the Debtor may repay the OPF loan to satisfy its obligations under Canon Law, provided any such payments do not otherwise violate the terms of the Plan or applicable civil law.[9] But any

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[7] *See Butner v. U.S.*, 440 U.S. 48, 55 (1979) ("Property interests are created and defined by state law. Unless some federal interest requires a different result, there is no reason why such interests should be analyzed differently simply because an interested party is involved in a bankruptcy proceeding.").

[8] *See Harrington v. Purdue Pharma L. P.*, 603 U.S. 204, 209 (2024) ("A debtor can win a discharge of its debts if it proceeds with honesty and places virtually all its assets on the table for its creditors.").

[9] Because the Debtor's chief financial officers' representations to this Court as to the nature, validity and enforceability of the OPF loan are inconsistent, the Committee reserves all of its rights and claims regarding such representations.

payment to OPF would violate the Plan and the Bankruptcy Code. And so, the Committee is perplexed by the Debtor's reservation of rights to pay a claim of an affiliated entity that has been withdrawn, and that it may do so before Survivors' claims are paid in full.

Moreover, that the Debtor entertains gifting OPF $35 million is evidence, in and of itself, of the fact that the Debtor and its related Catholic entities are not separate and distinct entities and do not operate with each other at arm's length. Companies do not pay debts that do not exist or have been discharged, especially when they are not paying all their other creditors in full. And if they did, their directors would be breaching their fiduciary duties by authorizing the payment. Here, once again, it is the Bishop controlling the Diocese enterprise, alternatively ignoring corporate distinctions and hiding behind corporate form when it suits his purposes.

(iii) Using the Debtor's prior valuations, the Plan decreases the amount being paid to Survivors. In the prior version of the Plan, the Diocese was to pay $103 million and assign the Livermore Property to the Survivors' Trust. The Diocese asserts that the Livermore Property is worth between $43 million to $81 million. The current Plan provides for the Diocese to pay $115 million to the Survivor's Trust and retain ownership of the Livermore Property. Using the Debtor's valuation of the Livermore Property, the Debtor is paying $31 million less than under the prior Plan (using the Debtor's low-end valuation of the Livermore Property) and $69 million less than under the prior Plan (using the Debtor's high-end valuation of the Livermore Property).

The Committee has been clear that it does not want to risk the lion's share of Survivors' recovery on the multitude of uncertainties and contingencies accompanying development of the Livermore Property, especially where the Debtor has provided little disclosure about the status of the redevelopment of the Livermore Property. Strikingly though, on February 27, 2025, at about the time that the Debtor withdrew the Livermore Property from the Plan, it was reported, for the first time, that in December 2024, the Debtor, through its affiliate Adventus, applied to rezone the Livermore Property from agricultural to residential use and to allow for construction of up to 500 homes, and that the Livermore City Council had voted to authorize negotiations with Adventus to allow for medium density residential development of the Livermore Property.[10] The timing of the announcement raises grave concerns that the Debtor is not negotiating in good faith.

III.

THE DISCLOSURE STATEMENT CANNOT BE APPROVED BECAUSE THE PLAN CANNOT BE CONFIRMED

Approval of a disclosure statement describing a plan that cannot be confirmed must be denied, regardless of the extent of disclosure it contains. *See, e.g.*, *In re Beyond.com Corp.*, 289 B.R. 138, 140 (Bankr. N.D. Cal. 2003) (citations omitted) ("Because the underlying plan is patently unconfirmable, the disclosure statement may not be approved."). There remain at least four "showstoppers" that prevent the Disclosure Statement from being approved.

A. The Plan Does Not Satisfy Section 1129(a)(1) of the Bankruptcy Code.

To be confirmable, a plan must comply with the Bankruptcy Code. 11 U.S.C. § 1129(a)(1). The Debtor's Plan fails to do so for two reasons.

1. The Insurance Assignment Violates Applicable Law.

For the reasons set forth in the Insurance Assignment Brief, the Plan cannot be confirmed.

2. The Plan's Claims Allowance Process Violates Applicable Law and Is Otherwise Inherently Flawed.

Under the Plan, the Survivors' Trust assumes all liability for Abuse Claims. In turn, the Debtor, and all other Released Parties, are discharged from liability. The allowance and liquidation of Abuse Claims for purposes of determining an Abuse Claimant's share of the Survivors' Trust Assets is done by the Survivors' Trustee. *See* Plan § 9.1.1 ("The Survivors' Trust will, upon its creation, and without limitation: (1) assume liability for all Abuse Claims …"); *Id.* ("[t]he Survivors' Trust shall administer, process, settle, resolve, liquidate, satisfy, and make Trust Distributions in such a way that Abuse Claimants are treated equitably and in a substantially similar manner …"); Plan, § 9.6 ("[F]rom and after the Effective Date, the Released Parties shall

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[10] Diocese scraps school plan in Livermore, for up to 500 homes, The Real Deal https://therealdeal.com/san-francisco/2025/02/27/diocese-scraps-school-plan-in-livermore-for-up-to-500-homes/) (last visited March 19, 2025).

not have any obligation with respect to any liability of any nature or description arising out of, relating to, or in connection with any Abuse Claims.").

Notwithstanding the forgoing, the Plan permits all parties in interest, including the Reorganized Debtor and Non-Settling Insurers, to object to Abuse Claims. *See* Plan, § 5.2.2 ("All parties in interest reserve the right to object, in the Bankruptcy Court, to Abuse Claims pursuant to Section 502(a) of the Bankruptcy Code …"). The Reorganized Debtor and the Survivors' Trust may file objections to Abuse Claims at any time before the closing of the Chapter 11 Case. For all other parties in interest, an objection must be filed within one year of the Effective Date. *See* Plan, § 5.2.3. Under Section 1.1.1 of the Plan, a Claim is only Allowed if no objection to its allowance is made before the applicable Claims Objection Deadline – which is either one year from the Effective Date or the closing of the Chapter 11 Case.

These procedures create at least three problems: first they grant rights to parties who would not have such rights under federal or state law, second they are inconsistent with the Survivors' Trust Documents, and third they delay distributions to Abuse Claimants until at least one year after the Effective Date occurs, and perhaps until the Chapter 11 Case is closed.

A Party Not Subject to Liability if an Abuse Claim is Allowed Has No Standing to Object to Abuse Claims Channeled to the Survivors' Trust. Standing is a threshold requirement in every case, the defect of which cannot be waived. *See Warth v. Seldin*, 422 U.S. 490, 498 (1975). To have standing in bankruptcy court, a party "must meet three requirements: (1) they must meet statutory 'party in interest' requirements under § 1109(b) of the bankruptcy code; (2) they must satisfy Article III constitutional standing requirements; and (3) they must meet federal court prudential standing requirements." *In re Thorpe Insulation Co.*, 677 F.3d 869, 884 (9th Cir. 2012). Any party in interest, including the Reorganized Debtor and Non-Settling Insurers, bears the burden of proving they meet all three requirements before they may be heard on an issue. *See Lujan v. Defs. of Wildlife*, 504 U.S. 555, 561 (1992).

Parties in interest lack both constitutional standing under Article III and prudential standing to object to Abuse Claims after they are channeled to the Survivors' Trust. To establish constitutional standing under Article III, a party "must show (1) that they 'suffered an injury in fact that is concrete, particularized, and actual or imminent'; (2) 'that the injury was likely caused by the defendants;' and (3) 'that the injury would likely be redressed by judicial relief.'" *Shulman v. Kaplan*, 58 F.4th 404, 407 (9th Cir. 2023) (quoting *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190, 2203 (2021)). These three factors are the "irreducible constitutional minimum of standing." *Lujan*, 504 U.S. at 560. In Chapter 11 cases, "Article III standing exists where 'the participant holds a financial stake in the outcome of the proceeding such that the participant has an appropriate incentive to participate in an adversarial form to protect his or her interests.'" *Thorpe*, 677 F.3d at 887 (citation omitted).

At bottom, no party in interest can demonstrate an "injury in fact" if an Abuse Claim is allowed against the Survivors' Trust because no party has liability for those claims other than the Survivors' Trust. *See* Plan, § 9.6; *see* Survivors' Trust Distribution Plan § 1.3 ("The Plan and the RCBO Survivors' Trust Agreement contemplate the creation of the Survivors' Trust for satisfaction of the Abuse Claims. The Plan and Survivors' Trust Distribution Plan provide the sole and exclusive method by which holders of Abuse Claims (both known and unknown) may recover against the Debtor, Contributing Non-Debtor Catholic Entities, or Insurers."). Without facing a concrete injury that is real and actual, these parties in interest lack standing to object to Abuse Claims. *See In re Sisk*, 962 F.3d 1133, 1141 (9th Cir. 2020).

If this Court concludes that a party in interest has standing to object to an Abuse Claim, the Plan's granting of this right conflicts with many other Plan Documents, which state that only the Survivors' Trust will determine the allowance and valuation of Abuse Claims. *See, e.g.,*

- "The Abuse Claim Reviewer's review as to each Trust Claim shall be the final review for each Abuse Claim, subject only to review as set forth in Section 3.5 below by the Neutral." Survivors' Trust Distribution Plan § 2.1;
- "If a Trust Claimant does not exercise the Neutral Review Option, the Abuse Claim Reviewer's Initial Determination shall be final as to the value of the Trust Claim as against the Survivors' Trust …"). *Id.* § 3.5;
- "After the Abuse Claims Reviewer has made all applicable Initial Determinations, the Neutral has conducted all Neutral Reviews, and the applicable time period has passed for all potential Litigation Claimants to submit their respective Litigation Claim Notices, the Survivors' Trustee shall make an Initial Distribution from the Trust Claim Reserve to all appropriate Trust Claimants that did not elect the Litigation Option." *Id.* § 6.2; and

- "For the avoidance of doubt, all Abuse Claims asserted against the Debtor in the Bankruptcy Proceeding shall be resolved exclusively in accordance with the Survivors' Trust Documents." Survivors' Trust Agreement, § 1.2.

Compounding this substantive problem is a procedural problem: the Survivors' Trustee would be unable to make distributions to Abuse Claimants until, at least, 12 months after the Effective Date. *See* Plan, § 5.2.3. But even that distribution would be premature because the Reorganized Debtor may file an objection to any Claim before the closing of the Chapter 11 Case. *See id.* Not only are these provisions inconsistent with the Survivors' Trust Agreement, but this meaningful and material delay in distributions runs contrary to countless statements made by the Debtor as to its desire to get money into the hands of Abuse Claimants quickly upon confirming a plan of reorganization. *See* Survivors' Trust Agreement, § 5.4.1 ("As soon as practicable after the Effective Date, the Survivors' Trustee may make distributions to Abuse Claimants as set forth in the Survivors' Trust Distribution Plan, which distributions shall account for reasonable reserves of the Survivors' Trust."); *id.* § 5.5.1 ("Distributions shall be payable to the Beneficiary on the date approved for distribution by the Survivors' Trustee (the "**Distribution Date**") in accordance with the terms of the Survivors' Trust Documents, including the Survivors' Trust Distribution Plan.").

B. <u>The Plan Cannot Satisfy Section 1129(a)(3) of the Bankruptcy Code.</u>

A plan is proposed in good faith if it achieves a result consistent with the purposes of the Bankruptcy Code. *Platinum Capital, Inc. v. Sylmar Plaza, L.P. (In re Sylmar Plaza, L.P.)*, 314 F.3d 1070, 1074 (9th Cir. 2002). The primary purposes of Chapter 11 are to rehabilitate the debtor and maximize the value of the estate. *First S. Nat'l Bank v. Sunnyslope Hous. Ltd. P'ship (In re Sunnyslope Hous. Ltd. P'ship)*, 859 F.3d 637, 645 (9th Cir. 2017) (*en banc*). The good-faith determination is based on the totality of the circumstances. *Sylmar Plaza*, 314 F.3d at 1074. The Plan fails to meet these objectives. Evidence of the Debtor's bad faith includes:

1. <u>There Is No Basis Under the Bankruptcy Code to Separately Classify Unknown Abuse Claims and to Permit an Unknown Claimants Representative to Vote on a Plan of Reorganization.</u>

The concept of appointing an Unknown Abuse Claimants Representative to represent the interests of Unknown Abuse Claimants is patterned after the appointment of a future claimants representative to represent the interests of demand holders in an asbestos-related bankruptcy under section 524(g)(4)(B)(i) of the Bankruptcy Code.[11] Section 524(g)(4)(B)(i) requires the appointment of "a legal representative for the purpose of protecting the rights of persons that might subsequently assert demands . . . " ***but it does not grant the legal representative the right to vote on a plan***.[12] Indeed, the use of the word "demand" reflects the fact that claims that may arise at an uncertain time by an unknown claimant are not "claims" as that term is defined under the Bankruptcy Code. The Bankruptcy Code contains no provision that would permit a Debtor to separately classify demands. *See* 11 U.S.C. § 1122 (providing for classification of claims and interests but not demands). Without an allowed claim, the holder of some prospective demand or interest may not vote on a plan of reorganization. *See* 11 U.S.C. § 1126 (providing that "the holder of a claim or interest allowed under section 502 of this title may accept or reject a plan . . .").

Notwithstanding the fact that sections 524(g)(4)(B)(i) and 1126 do not authorize the legal representative to vote for or against a plan of reorganization, the Debtor seeks to classify Unknown Abuse Claims that cannot possibly be allowed now and have the Unknown Claims Representative cast a ballot on behalf of that Class. Section 4.5.3 of the Plan provides that "[t]he Unknown Abuse Claims Representative is entitled to vote to accept or reject the Plan on behalf of all Holders of Class 5 Claims and shall submit a single Ballot on behalf of all such Holders." Thus, a single vote will bind all Holders of Unknown Abuse Claims, none of whom hold an allowed claim.

While section 105 of the Bankruptcy Code grants bankruptcy courts the ability to "issue any order, process, or judgment that is necessary or appropriate to carry out [its] provisions …" it does not grant courts any power that is not expressly conferred by the Bankruptcy Code. *See*

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[11] Holders of "demands" in an asbestos related bankruptcy are individuals that have been exposed to asbestos but have not manifested evidence of asbestos related disease prior to the applicable claims bar date. They are also colloquially referred to as "future claimants."

[12] "The primary task of a future claims representative, regardless of the underlying mass tort, is to advise putative [] victims of the pendency of and their interest in a bankruptcy proceeding." *In re UNR Indus., Inc.*, 46 B.R. 671, 675 (Bankr. N.D. Ill. 1985) (internal quotations omitted) ("[T]he Legal Representative shall exercise the powers and responsibilities of an official creditors' committee as set forth in section 1103 of the Bankruptcy Code."); *see also In re Johns-Manville Corp.*, 52 B.R. 940, 943 (S.D.N.Y. 1985) ("It is entirely appropriate . . . that [a] representative be authorized to exercise such powers and duties as are listed in § 1103. These include consulting with the trustee, investigating the debtor, participating in the formulation of a plan and requesting the appointment of a trustee.").

Harrington v. Purdue Pharma L. P., 603 U.S. 204, 216, n.2 (2024) ("§ 105(a) alone cannot justify" the imposition of nonconsensual third-party releases because it serves only to "'carry out'" authorities expressly conferred elsewhere in the [C]ode") (internal citation omitted). Without a statutory basis to permit a representative to cast a vote on behalf of individuals who do not yet hold allowed claims as recognized by the Bankruptcy Code, the Plan runs afoul of section 1129(a)(1) of the Bankruptcy Code and therefore may not be confirmed.

The Debtor's decision to classify Unknown Abuse Claims in a separate Class, and permit the Unknown Abuse Claimants Representative to cast a ballot on behalf of that Class, would empower an individual to determine whether the Debtor can obtain the vote of an impaired accepting class. Under basic principles of fairness and equity, no single individual should have this power. [13]

2. The Debtor May Not Pay the OPF Claim Until Survivors Are Paid in Full

As discussed above, the Debtor states in the Disclosure Statement that it may make payment to OPF—which withdrew its claim against the Debtor through a stipulation with the Debtor—to satisfy its obligations under Canon Law, provided any such payments do not otherwise violate the terms of the Plan or applicable civil law. Any such payment would violate the Bankruptcy Code and the Plan. The Plan should not proceed to a vote until it provides that the Debtor may make no payments to OPF on account of any alleged prepetition debt until Survivors are paid in full.[14]

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[13] The proposed order authorizing the solicitation of votes on the Plan entitles the Unknown Abuse Claimant Representative to cast a vote on behalf of Holders of Class 5 Claims in paragraph 33. *See* Dkt. No. 1453. At a minimum, the order should reserve the Committee's rights to oppose any vote cast by the Unknown Abuse Claimant Representative.

[14] The Debtor has indicated that the Plan does not provide for payment in full of Survivor claims.

IV.

THE DISCLOSURE STATEMENT CONTAINS INADEQUATE INFORMATION TO ENABLE ABUSE CLAIMANTS TO CAST INFORMED VOTES

Even if the Debtor manages to remedy the Plan deficiencies described above that render the Plan patently unconfirmable, additional information must still be provided, or fixes made, before the requirements of section 1125 of the Bankruptcy Code are satisfied.

The Prepetition MAP Process. While the Disclosure Statement discusses the Debtor's prepetition "Mission Alignment Process," [redacted], it omits any discussion of the fact that the Debtor is not seeking to implement the process as previously outlined by Bishop Barber.

[redacted] *See* Exhibits B and C attached to the *Declaration of Brent Weisenberg in Support of the Official Committee of Unsecured Creditors' Objection to Debtor's Disclosure Statement* filed on December 11, 2024 [Dkt. No. 1520]. [redacted]

Through the Plan, the Debtor has not committed to sell anywhere near the amount of Church property it previously contemplated selling under Mission Alignment Process. Creditors should be informed why the Debtor has chosen not to implement the Mission Alignment Process as previously contemplated and whether the Debtor plans to implement it over the next five to ten years. Doing so will help creditors understand the good faith within which the Plan is proposed and the feasibility of the Plan.

How RCWC Will Calculate its Contribution Is Unclear. The Disclosure Statement provides that RCWC will contribute $28.5 million to the Survivors' Trust in return for releases from 100% of "[t]hose Holders of Class 4 Claims and Class 5 Claims who have asserted liability against RCWC in connection with an Abuse Claim ("RCWC Claimants")." Disclosure Statement, p. 54, 21-23. But the Disclosure Statement does not define the number of Claims asserted against RCWC or what it means to have asserted liability against RCWC. This leaves room for mischief. RCWC will likely assert that it may reduce its contribution if a Survivor identifies a School owned or controlled by RCWC as the location of the abuse in its proof of claim even if the Survivor has not commenced a civil action against RCWC. But a Survivor's mere naming of the location of abuse in its proof of claim does not mean the Survivor asserts (or intends to assert) liability against RCWC. Indeed, even if a Survivor—who has not yet commenced suit against RCWC—opts-out of the release to pursue claims against it, the Survivor may need to address California's statute of limitations. It is thus easy to see that the current definition and description of RCWC Claimants leaves considerable room for disagreement and future litigation.

There is a related problem with this provision. The Disclosure Statement is internally inconsistent regarding the consequences of a Survivor failing to return a ballot. Compare:

> "An Abuse ~~Claimants~~Claimant that ~~do~~does not return a ballot will not be deemed to release the Contributing Non-Debtor Catholic Entities." Dkt. No. 1834-2, p. 13, 7-8

To

> "If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all Holders of Claims against the Debtor, including all Abuse Claimants, will be bound the by the terms of the Plan and the transactions contemplated thereby, including the release provisions contained therein (***including Holders of Claims who do not submit Ballots*** to accept or reject the Plan or who are not entitled to vote on the Plan, but excluding Holders of Abuse Claims who are entitled to, and affirmatively do, opt out of the release and channeling injunction provisions contained in the Plan)." Dkt. No. 1834-2, p. 13, 8-11.

To

> If you do not return a Ballot, you will not be deemed to have opted out of the third-party release in Section 13.9 of the Plan. Dkt. No. 1834-2, p. 14, 24-25.

To

> provided, however, if less than 100% of all RCWC Claimants grant RCWC a release pursuant to Section 13.9 of the Plan, then the RCWC Cash Contribution, and each of its installments set forth in this Section 9.3.2.2, shall be reduced by a percentage proportional to the percentage of RCWC Claimants who either opt out of granting RCWC such release or fail to return a Ballot. Dkt. No. 1834-2, p. 54, 26-27, p. 55, 1-3.

The Disclosure Statement's Description of the Survivors' Trusts Liability to a Litigation Claimant Is Inconsistent with the Plan. Under Section 9.8.4.3 of the Plan, a Trust Claimant who obtains a Litigation Judgment that is lower than the Reserved Amount may receive a distribution from the Survivors' Trust capped at the amount of the Litigation Judgment ***minus*** any amount paid by a Non-Settling Insurer. But on page 10 of the Disclosure Statement, the Debtor fails to adjust the foregoing calculation to account for a Non-Settling Insurer paying a portion of the Litigation Judgment. In turn, a Litigation Claimant would receive a double recovery.

The Disclosure Statement states that:

- If the litigation yields a judgment covered by insurance, the amount of such coverage shall be paid by the responsible Insurer(s) directly to such Trust Claimant following recovery.
- Following resolution of each Litigation Option case, the Survivors' Trustee will make a Litigation Distribution to each such Litigation Claimant in an amount equal to the lesser of: 1) the Reserved Amount, or 2) the Judgment Amount, both amounts being subject to reasonable reserves.

Dkt. No. 1834-2, p. 10, 21-24. Based on the above, a Litigation Claimant awarded a $1.7 million verdict and receiving $1.5 million from a Non-Settling Insurer would still be entitled to receive the Reserved Amount, which is the full amount of the Survivor's projected distribution from the Survivors' Trust. Thus, the Litigation Claimant would be paid on the full amount of his or her claim without reducing it to account for the insurance proceeds he or she received. In any event, the Committee assumes this was a scrivener's error and the Plan language is accurate. The Disclosure Statement should thus be amended accordingly.

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V.

THE COMMITTEE'S POSITIONS ON IMPORTANT ISSUES SHOULD BE INSERTED IN THE DISCLOSURE STATEMENT IMMEDIATELY AFTER THE DEBTOR'S POSITIONS

The Disclosure Statement regularly refers to the Committee Letter which will set forth the Committee's position on the Plan. The Committee Letter is attached as **Exhibit A**. Given that the solicitation package may be over 300 pages, Abuse Claimants should not be required to flip between the Disclosure Statement, the Plan and the Committee Letter to determine where the parties' differences lie. Accordingly, the Committee's position should be included in the text of the Disclosure Statement in certain places, including in the Executive Summary where the Debtor uses analyses which the Committee believes are highly misleading. *See, e.g.,* Disclosure Statement, p. 6 (asserting that the projected recovery in this case is fair and equitable based on the recoveries in other diocesan bankruptcy cases and using the full $28.5 million contribution from RCWC to calculate an average per Survivor recovery). Attached as **Exhibit B** are the Committee's proposed revisions to the Disclosure Statement.

VI.

THE CONFIRMATION SCHEDULE SHOULD PROVIDE ADEQUATE TIME TO PREPARE FOR A CONTESTED CONFIRMATION TRIAL

If the Disclosure Statement is approved, this Court will need to set a confirmation schedule that allows for discovery into the many issues relating to confirmation, including document demands (and any disputes relating thereto), identification of fact and expert witnesses, the exchange of expert reports, fact and expert witness depositions and pre-trial discovery motions in addition to briefing and exhibit designations.

While it is the Debtor's burden to prove it has satisfied the requirements for confirmation, and therefore the Committee cannot definitively list the discovery that will be required leading up to confirmation, the Committee expects factual and expert discovery relating to, among other things: (i) what assets constitute property of the estate, including whether assets may be shielded from creditors' reach, and the value of all the Debtor's assets, including the value of the Livermore Property; (ii) the value of Abuse Claims; (iii) the relationship between the Debtor and non-Debtor affiliates; (iv) the Debtor's good faith in promulgating the Plan; (v) the financial wherewithal of RCWC and any other Contributing Non-Debtor Catholic Entities; (vi) the validity of the Debtor's claim that certain of its assets are restricted and not available to pay creditor claims; and (vii) the liquidation value of the Debtor's assets in a hypothetical liquidation. Based on all that needs to be accomplished, the Committee requests that it be permitted six months to complete discovery and pre-trial preparation.

On average, courts have granted parties about four months to prepare for contested confirmation proceedings in diocesan bankruptcy cases. But in each case cited below, other than *The Archdiocese of Saint Paul and Minneapolis* case, the debtor and committee agreed on the plan and the primary objectors were the insurers. *See* Order Setting Confirmation Hr'g Schedule for the Fifth Amended Joint Chapter 11 Plan of Reorganization for the Roman Catholic Diocese of Syracuse, *In re The Roman Cath. Diocese of Syracuse*, No. 20-30663-5-wak (Bankr. N.D.N.Y. Dec. 20, 2024), Dkt. No. 2397 (***126 days*** between approval of the disclosure statement and start of confirmation hearing); Stipulation and Order Regarding Confirmation Hr'g Schedule, *In re The Diocese of Rochester*, 2-19-20905-PRW, No. 2625 (Bankr. W.D.N.Y. May 13, 2024), (***140 days*** between approval of the disclosure statement and start of confirmation hearing); Amended Order (I) Scheduling Certain Dates and Deadlines in Connection with Confirmation of the Eighth Second Amended Plan of Reorganization, (II) Establishing Certain Protocols and (III) Granting Related Relief, *In re The Diocese of Camden*, 20-21257-JNP, No. 2352 (Bankr. D.N.J. Sept. 1, 2022) (***108 days*** between approval of disclosure statement and start of confirmation hearing); Scheduling Order, *In re The Archdiocese of Saint Paul and Minneapolis*, 15-30125, No. 1090 (Bankr. D. Minn. June 15, 2017) (***243 days*** between approval of disclosure statement and start of confirmation hearing).

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Here, like in *Saint Paul*, discovery and confirmation preparation will necessarily take longer than when the insurers were the primary objectors because the objections historically raised by the insurers tended to be more discrete and narrower in scope.

VII.

RESERVATION OF RIGHTS

If any objection, in whole or in part, contained in this Objection is considered an objection to confirmation of the Plan rather than, or besides, an objection to the adequacy of the Disclosure Statement, the Committee reserves its right to assert such objection, as well as any other objections, to confirmation of the Plan. The Committee also reserves the right to raise further and other objections to the Disclosure Statement before or at the hearing on it.

WHEREFORE, the Committee requests that this Court deny approval of the Disclosure Statement and grant the Committee such further and other relief as this Court deems just and proper.

Dated: March 24, 2025

LOWENSTEIN SANDLER LLP
KELLER BENVENUTTI KIM LLP
BURNS BAIR LLP

By: */s/ Gabrielle L. Albert*
Tobias S. Keller
Gabrielle L. Albert

Jeffrey D. Prol
Brent Weisenberg

Counsel for the Official Committee of Unsecured Creditors

Timothy W. Burns
Jesse J. Bair
Nathan M. Kuenzi

Special Insurance Counsel for the Official Committee of Unsecured Creditors

EXHIBIT A

FROM THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE ROMAN CATHOLIC BISHOP OF OAKLAND

The Committee Recommends Sexual Abuse Survivors

(I) Vote to <u>Reject</u> (<u>Vote Against</u>) the Diocese's Chapter 11 Plan of Reorganization

<u>and</u>

(II) Opt-Out of the Plan's Release Provision

The Official Committee of Unsecured Creditors (referred to as the "***Committee***") in the chapter 11 bankruptcy case of the Roman Catholic Bishop of Oakland (referred to as the "***Diocese***") consists of 9 survivors of sexual abuse who represent the interests of all survivors.

The Diocese filed a Plan of Reorganization (referred to as the "***Plan***") under which it proposes to pay survivors for the horrendous pain and trauma they have suffered at the hands of priests and other employees that the Diocese failed to properly supervise. All survivors in this bankruptcy may vote on the Plan.

The Committee strongly recommends that you vote to REJECT the Plan and OPT-OUT of granting the Roman Catholic Welfare Corporation a release. **The problem with the Plan is that the settlement amount being paid to survivors is far too low. The Diocese proposes to pay over 350 survivors just $115 million over 5 years while the Debtor's affiliate, the Roman Catholic Welfare Corporation, proposes to pay $28.5 million, but will reduce its payment if survivors do not grant it a release. This is far less, per survivor, than the Diocese's previous settlements with survivors which averaged $1.1 million each ($1.7 million each in today's dollars).**

The Diocese has hundreds of millions of dollars of assets from which to pay survivors. In fact, the Plan proposes to pay survivors *$31 million to $61 million less* than the Diocese offered in prior versions of the Plan based on the Debtor's own estimated valuation of certain property it was going to assign to survivors (which valuation the Committee contested).

Many of you were harmed by some of the most notorious perpetrators in the Catholic Church. The Plan does not begin to reconcile the years of negligence with the harm the Diocese failed to stop.

The Plan also fails to include any changes or additions to its current programs that should be preventing and detecting child sexual abuse. As recently as 2019, a Diocese priest was arrested on suspicion of child sexual abuse. The Diocese has not shown that it is dedicated to the reconciliation and healing of survivors.

The Committee strongly believes:

1. **You deserve significantly more compensation than the Diocese is offering.**

2. **The Diocese is grossly undervaluing and unlawfully shielding assets from you.**

3. **If the Plan is not approved, survivors will be able to receive considerably more money from the Diocese.**

You were harmed by the institution you trusted. You have lived with the pain and suffering for years, even decades. **You deserve fair compensation for your injuries.**

Please review the accompanying letter from the Committee and the *Answers to Frequently Asked Questions* attached as **Exhibit 1** to learn more about why the Committee concludes the Plan should not be supported by survivors

or

contact the Committee's legal counsel with any questions about the Committee's recommendation at:

Lowenstein Sandler LLP
One Lowenstein Drive
Roseland, NJ 07068
Jeffrey D. Prol, Esq.
Brent Weisenberg, Esq.
Email: jprol@lowenstein.com
Email: bweisenberg@lowenstein.com

FROM THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE ROMAN CATHOLIC BISHOP OF OAKLAND

April [●], 2025

To: Holders of Abuse Claims Entitled to Vote on the Third Amended Plan of Reorganization in the Bankruptcy Case of The Roman Catholic Bishop of Oakland (Chapter 11 Case No. 23-40523 WJL)

The Official Committee of Unsecured Creditors (the "***Committee***") of The Roman Catholic Bishop of Oakland (the "***Diocese***") represents the interests of survivors of sexual abuse ("***Abuse Claimants***") that have filed claims ("***Abuse Claims***") against the Diocese in its bankruptcy case which is pending before the United States Bankruptcy Court for the Northern District of California (the "***Bankruptcy Court***"). The members of the Committee each hold an Abuse Claim against the Diocese.

On April [●], 2025, the Bankruptcy Court approved the Diocese's *Third Amended Disclosure Statement For Debtor's Third Amended Chapter 11 Plan* (ECF No. ●) (the "***Disclosure Statement***") describing the *Debtor's Third Amended Plan of Reorganization* [ECF No. ●] (the "***Plan***"). The Diocese is now authorized to solicit votes for its Plan. You are receiving this letter along with a ballot for voting on the Plan.

The Committee believes the Diocese does not treat Abuse Claims fairly under the Plan. ***The Committee recommends that Abuse Claimants vote to REJECT the Plan.*** Please read the *Answers to Frequently Asked Questions* attached as **Exhibit 1** to learn more about how to cast your vote and why your vote is important.

The Plan, if approved, will resolve claims like yours and allow the Diocese to emerge from bankruptcy. But, as detailed below, the Committee believes that the Plan is unfair and inequitable because, among other things, the Diocese can pay Abuse Claimants considerably more than it proposes. At the same time, the Diocese seeks approval of so-called third-party releases which, unless you take certain affirmative action explained in the attached *Answers to Frequently Asked Questions*, will release any claims you may hold against the Diocese's affiliates (collectively, the "***Non-Debtor Catholic Entities***"), including the Roman Catholic Welfare Corporation ("***RCWC***"), which operates the schools within the Diocese. ***The Committee recommends that Abuse Claimants OPT-OUT of the releases by checking the appropriate box on the ballot.***

Since its appointment, the Committee has devoted substantial time and effort to investigating the nature and extent of the Diocese's assets, its relationship with the Non-Debtor Catholic Entities, the claims held by and against the Diocese and the Diocese's rights and claims against certain insurance companies that issued policies that cover liability for Abuse Claims (the "***Insurers***"). The Committee has engaged in extensive mediation with the Diocese and the Insurers in an effort to reach a consensual plan of reorganization that would provide for the fair and equitable treatment of Abuse Claims. Unfortunately, despite its best efforts, the Committee has not reached an agreement with the Diocese, the Non-Debtor Catholic Entities or the Insurers.

The Committee believes that the Diocese has refused to recognize the true financial value of Abuse Claims and, in turn, is not contributing enough of its assets to compensate Abuse Claimants. The Committee has thus rejected the Diocese's offers of settlement, which the Committee views as a refusal to recognize the true scope of the harm that the Diocese has caused.

In the Committee's opinion, once the Diocese realized that the Committee would not support the Plan, it reached an agreement with the Insurers to craft a Plan that the Insurers would not object to and which the Diocese could try to obtain Bankruptcy Court approval of over the objection of Abuse Claimants.[1] As explained below, the Plan provides for an assignment of certain claims the Diocese may have against the Insurers for the benefit of certain Abuse Claimants. But the assignment would grant the Insurers more rights than they have under state law and deprive Abuse Claimants of certain of their rights. The Committee thus vehemently objects to the proposed assignment contained within the Plan.

The Plan would create, and the Diocese and certain of the Non-Debtor Catholic Entities would fund, a trust (the "***Survivors' Trust***") for the benefit of Abuse Claimants in exchange for a discharge and release of all claims held by Abuse Claimants. The Survivors' Trust would be funded with:

(i) $115 million in cash contributed by the Diocese (paid over 5 years);

(ii) $28.5 million in cash (the "***RCWC Cash Contribution***") contributed by RCWC, which is a co-defendant with the Diocese in certain state court actions, or may otherwise have liability to survivors, subject to reduction if it does not receive consensual releases from all survivors holding claims against it; and

(iii) The rights and interests of the Diocese in the Non-Settling Insurer Policies.

The Committee believes that the Diocese and the Non-Debtor Catholic Entities have hundreds of millions of dollars of liability on account of Abuse Claims and should be dedicating more of their assets to satisfy those liabilities. The Committee will thus object to the Plan because it believes the treatment afforded Abuse Claimants both violates the law and is unfair and inequitable to Abuse Claimants. Specifically, the Committee asserts that:[2]

- ***The Diocese Has Underreported The Nature And Value Of Its Assets***. After a thorough investigation, the Committee has concluded that the Diocese owns hundreds of millions of dollars of assets that it is not using to compensate Abuse

[1] The Insurers provided insurance coverage to the Diocese during the time periods when abuse is alleged to have occurred and, therefore, the Committee believes have significant financial exposure on account of Abuse Claims.

[2] The Court has not made any ruling with respect to the following assertions by the Committee.

Claimants. The Diocese owns more than 250 parcels of real estate in Alameda and Contra Costa Counties that are worth hundreds of millions of dollars that are not being contributed to the Survivors' Trust. The Committee has also commenced litigation to recover hundreds of millions of dollars of other assets that are purportedly owned by the Non-Debtor Catholic Entities for the benefit of Survivors. If these claims are successfully litigated or settled, the total assets of the Diocese could be increased by hundreds of millions of dollars, a portion of which could be used to compensate Abuse Claimants. If the Plan is approved, all of these claims will be released. Each of the claims asserted by the Committee is explained in **Exhibit 2** attached.

- ***The Amount Proposed To Be Paid By RCWC in Exchange for a Release of About 100 Abuse Claims Is Inadequate***. The Plan currently provides for RCWC to pay $28.5 million to the Survivors' Trust contingent on the number of releases it secures from the 100 or so Abuse Claimants asserting Abuse Claims against RCWC. If all 100 Abuse Claimants grant RCWC a release, RCWC would contribute on average about $285,000 per Abuse Claim. The Committee urges Abuse Claimants not to grant RCWC a release because its proposed payment dramatically undervalues its liability. *First*, prior settlements of Abuse Claims by the Diocese and RCWC averaged $1.7 million per claim (adjusted for inflation). Even this per claim amount does not reflect what an Abuse Claimant might receive if he or she were to litigate their claim in California state court. *Second*, RCWC owns hundreds of millions of dollars in assets, including cash, investments, and unencumbered real estate. Thus, a contribution far greater than $285,000 per Abuse Claimant should be insisted on before any Abuse Claimant grants RCWC a release.

- ***The Plan Violates Certain Protections Afforded To Abuse Claims Under The Bankruptcy Code.*** The Committee will argue that the Plan was not proposed in good faith. Evidence of the Diocese's bad faith includes:

  (i) ***The Diocese Has Not Pursued Collection of a $40 Million Loan it Made to an Affiliate.*** The Diocese has not pursued collection of a $40 million loan it made to The Catholic Cathedral Corporation (the "***Cathedral Corporation***") in or about 2009 that the Cathedral Corporation has yet to repay. Rather, under the Plan, the Diocese will deem its claim satisfied by taking ownership of the Cathedral and the land on which it sits without providing any valuation of those assets.

  (ii) ***The Diocese Does Not Propose to Sell a Meaningful Amount of its Vast Real Estate Holdings to Fund Distributions to Abuse Claimants.*** The Diocese commenced a "Mission Alignment Process" before the Chapter 11 Case through which it recognized that it was necessary to consolidate parishes to reduce operational costs and liquidate real estate that was no longer critical to its mission to raise funds to compensate Abuse Claimants.

But the Plan does not provide for implementing the "Mission Alignment Process" as conceived prior to the bankruptcy. In turn, the Diocese fails to sell surplus property for what could be tens of millions of dollars which could be used to pay Abuse Claimants or to realize the operational efficiencies which could be achieved by closing parishes.

(iii) ***The Diocese Fails To Use Hundreds of Millions of Dollars of Assets to Pay Abuse Claimants.***

- In the Plan, the Diocese ignores the Bishop's wide-ranging power to control the operations and purse strings of the Non-Debtor Catholic Entities and fails to use those powers to contribute available assets to the Survivors' Trust for the benefit of Abuse Claimants. The Committee has filed an adversary proceeding to recover these assets from the Non-Debtor Catholic Entities.

- In Article IV.D of the Disclosure Statement, the Diocese asserts that all funds raised through the Bishop's Ministries Appeal ("***BMA***") are "restricted to fund the particular ministries and programs that the BMA was designed to support and facilitate …" But when the Diocese was attempting to raise funds in the bond market, the Bishop represented that all funds received from the "Bishop's Appeal" were unrestricted and available to pay "the budgeted expenses of the Diocese as well as any amounts payable on debt of the Diocese, including the Bonds."[3]

- The Debtor has an ownership interest in, and is one of two members of, the Catholic Telemedia Network ("***CTN***") and has authority to appoint one-half of CTN's Board of Directors. As a result, the Committee asserts that the Bishop exercises control over CTN and any grants that may be made to the Debtor. Historically, the Debtor has received approximately $2 million in grants from CTN.

(iv) ***The Diocese Seeks to Assign its Rights Under Its Insurance Policies To Abuse Claimants But In Doing So, Impairs Abuse Claimants' Rights.*** The Plan creates a substantial risk that extra-contractual or "bad faith" claims against the Insurers will be eliminated, meaning there will be no legal ramifications if they engage in unfair claims handling. Bad faith exposure incentivizes insurance companies to fairly, promptly and equitably pay claims. If they fail to do so, they are potentially liable for judgments in excess of policy limits or other consequential damages caused by their

[3] Upon information and belief, in or about 2022, the Diocese renamed "The Bishop's Appeal." It is now called "The Bishop's Ministries Appeal."

conduct. There are consequences for insurers if they do not live up to their obligations. But under the Plan, these consequences may be eliminated. This means that regardless of whether Insurers settle claims fairly or deny claims in bad faith, the most they will ever have to pay are their policy limits. The Plan heavily stacks the deck in favor of the Insurers by removing the normal state-law tools that a claimant would have to ensure that insurers do not improperly engage in years of litigation in order to avoid liability.

(v) ***The Plan May Actually Decrease the Amount Being Received by Survivors.*** In the prior version of the Plan, the Diocese was to pay, into the Survivors' Trust, $103 million and assign the Livermore Property to the Survivors' Trust. The Diocese asserts that the Livermore Property has value of $43 million to $81 million. The current Plan now provides for the Diocese to pay $115 million but the Debtor will retain the Livermore Property. Using the Debtor's valuations of the Livermore Property, the current Plan has the Diocese paying $31 million less than under the prior Plan (using the low-end valuation of the Livermore Property) and $69 million less than under the prior Plan (using the high-end valuation of the Livermore Property).

For these reasons, among others, the Committee recommends that Abuse Claimants vote to REJECT the Plan. Please read the Answers to Frequently Asked Questions attached as Exhibit 1 to learn more about how to cast your vote and why your vote is important.

Despite the problems with the Plan identified above, the Committee will continue to negotiate with the Diocese and other interested parties to reach a consensual resolution that maximizes value and treats all of the Diocese's stakeholders fairly. The Committee remains hopeful that these negotiations will eliminate the need for litigation over confirmation of the Plan and will expedite the Diocese's emergence from chapter 11.

If you have any questions about this letter, the Plan, the Disclosure Statement or the voting procedures, please first read the attached *Answers to Frequently Asked Questions* and if you have remaining questions, contact Lowenstein Sandler LLP by emailing Jeffrey Prol at jprol@lowenstein.com or Brent Weisenberg at bweisenberg@lowenstein.com.

Very truly yours,

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE ROMAN CATHOLIC BISHOP OF OAKLAND

Exhibit 1

ANSWERS TO FREQUENTLY ASKED QUESTIONS

Why am I receiving this letter?

The Roman Catholic Bishop of Oakland (the "***Diocese***") filed for bankruptcy protection under chapter 11, which is often called a "reorganization" bankruptcy. The Diocese is seeking Bankruptcy Court approval of a plan of reorganization (the "***Plan***") under which it, and others described below, propose to pay $143.5 million (subject to reduction) plus assign rights against its insurance carriers to a trust for the benefit of survivors of sexual abuse ("***Abuse Claimants***," and their claims, "***Abuse Claims***"), in final satisfaction of all claims against them. The Disclosure Statement accompanying this letter, which describes the Plan, must be sent to you under the Bankruptcy Code.

We, the Official Committee of Unsecured Creditors (the "***Committee***"), represent the interests of all Abuse Claimants. As an Abuse Claimant, the Diocese has sent you a ballot asking for you to vote for the Plan. You should read the Plan and Disclosure Statement provided by the Diocese in full and may choose to consult your own personal attorney to discuss those documents. ***But the Committee has sent the attached letter to recommend that you vote to reject (vote against) the Plan.***

What is a committee?

Creditors' committees play a major role in chapter 11 cases. A committee is appointed by the United States Trustee and ordinarily consists of unsecured creditors (individuals and/or entities) who hold the largest unsecured claims against the debtor.

Committees serve in a fiduciary capacity to monitor the affairs of the debtor, and to protect the interests of all similarly situated creditors. Among other things, a committee may: consult the debtor in possession on administration of the case; investigate the debtor's conduct and operation of the business; and participate in formulating a plan. A creditors' committee can be an important safeguard to the proper management of the business by the debtor in possession.

A creditors' committee may retain counsel to advise it as a collective group. Counsel to a committee does not represent any individual creditors in a bankruptcy case. Rather, it represents the interests of all creditors within a specific class of creditors.

Who is the Committee in this Chapter 11 Case?

The Office of the United States Trustee appointed the Committee. The Committee consists of nine creditors holding claims against the Diocese based on sexual abuse by members of the clergy, workers, teachers, volunteers, or other persons or entities associated with or representing the Diocese and/or the non-debtors, or other Diocese-related institutions served by the Diocese. Counsel to the Committee represents the interests of Abuse Claimants but does not represent individual creditors in this case.

What is a plan of reorganization?

A chapter 11 plan of reorganization lays out how the debtor will pay its debt obligations moving forward. It gives the debtor the chance to restructure and renegotiate the terms of paying back creditors. In chapter 11, the debtor has the initial right to propose a plan for dealing with its debts for consideration by the creditors and bankruptcy court.

Chapter 11 plans divide creditors into groups known as classes of creditors. Classes of creditors whose rights are affected may vote on the plan. Creditors whose rights are unaffected are presumed to have accepted the plan. A plan may be confirmed by the Bankruptcy Court if it gets the required votes and satisfies certain legal requirements.

How many creditors in a class need to accept a plan for it to be confirmed by the court?

Plan acceptance is determined by the voting of creditors with allowed claims and shareholders with allowed interests. The votes are counted both by the number of creditors casting votes and the amount of dollars represented by creditors casting ballots. A plan is accepted by a class if it is approved by more than 1/2 of the total claims, and at least 2/3 of the dollar value of the claims, based on the creditors actually voting, in that class.

Can a plan of reorganization be approved even if a class of creditors votes to reject the plan?

Yes, provided the Bankruptcy Court finds that the Plan (1) does not unfairly discriminate and (2) is fair and equitable.

The phrase "cramdown" is the way the Bankruptcy Court may confirm a plan that has not been accepted by every class of claims and interests. In general, a court may "cram down" a class and order confirmation even if a class votes to reject the plan, as long as *at least one class* has accepted the plan, the plan does not discriminate unfairly and the plan is "fair and equitable." The questions of unfair discrimination and whether the Plan is fair and equitable are legal terms, and do not take on their regular dictionary meaning.

The Committee intends to submit a fulsome objection to confirmation of the Plan explaining, in part, why the Plan is not fair and equitable.

What does the Diocese's Plan propose to pay me (an Abuse Claimant)?

The Plan would create, and the Diocese and certain of the Non-Debtor Catholic Entities would fund, a trust (the "***Survivors' Trust***") for the benefit of Abuse Claimants in exchange for a discharge and release of all claims held by Abuse Claimants. The Survivors' Trust would be funded with:

(i) $115 million in cash contributed by the Diocese (paid over 5 years);

(ii) $28.5 million in cash (the "***RCWC Cash Contribution***") contributed by RCWC, which is a co-defendant or otherwise potentially liable with the Diocese in connection with about 100 Abuse Claims, subject to reduction if it does not receive consensual releases from all Abuse Claimants asserting claims against it; and

(iii) The rights and interests of the Diocese in the Non-Settling Insurer Policies.

Five million dollars from the $115 million paid by the Diocese will be set aside to pay "unknown" Abuse Claims, which are claims asserted in the future by Abuse Claimants that could not have been filed by the deadline by which all claims were to be filed in the Diocese's bankruptcy case (July 25, 2023) under a valid exception under the law.

How does the Survivors' Trust Distribution Plan work?

The designated reviewer hired by the Survivors' Trustee (the "***Abuse Claim Reviewer***") will assess each Abuse Claim under the Survivors' Trust Distribution Plan to determine whether the Survivor is entitled to a distribution from the Survivors' Trust. If the Abuse Claims Reviewer determines a Survivor is entitled to a distribution, the Survivor will receive a distribution under the Trust Distribution Plan.

Pages 8 to 11 of the Survivors' Trust Distribution Plan, which is attached as an exhibit to the Disclosure Statement, explains how each Abuse Claim will be reviewed and then awarded points by using so-called Evaluation Factors. The Abuse Claim Reviewer will assign points to each Abuse Claim for each of the Evaluation Factors set forth in Section 4, 4.1, iii. Evaluation Factors. The number of points awarded each Abuse Claimant will correlate to the actual dollar distribution each Abuse Claimant receives. In other words, the more points an Abuse Claimant receives, the higher the distribution.

For more information about the Survivors' Trust Distribution Plan, please see Exhibit F to the Disclosure Statement.

What happens if the Plan is approved?

On the date the Plan becomes effective, the Diocese will be discharged and released from all claims. All persons or entities who held, hold, or may hold claims against the Diocese will be enjoined from taking action to recover against the Diocese on account of such claim.

The Plan provides for an injunction that prevents the assertion and prosecution of all claims against the Diocese, and if agreed to by Abuse Claimants, its affiliates, whether filed before or after the Claims Bar Date. In consideration for the Diocese and certain of its affiliates' undertakings under the Plan, their contributions to the Survivors' Trust, all Abuse Claims will be channeled into the Survivors' Trust and resolved under the Plan as the sole and exclusive remedy for all holders of channeled claims. All holders of channeled claims will be permanently enjoined from taking any action to assert or enforce any channeled claim against the Diocese and, if agreed to by the Abuse Claimant, its affiliates. In other words, any known or unknown sexual abuse survivor that holds a claim against the Diocese and, if agreed to by the Abuse Claimant, its affiliates will never be permitted to proceed with legal action on those claims against those parties.

What happens if the Plan is not approved?

Rejection of the Diocese's Plan may allow the Committee to continue negotiations with the Diocese, other Catholic entities, and the Insurers to develop a consensual plan of reorganization or put forward its own alternative plan. The Committee believes that, given the significant value of the Diocese's assets, if the current Plan is not confirmed, an alternative plan can preserve the ongoing operations of the Diocese while still providing for greater recoveries to Abuse Claimants.

Alternatively, the Diocese may ask the Bankruptcy Court to dismiss the bankruptcy case. If the Diocese's bankruptcy case is dismissed, the pending lawsuits file by Abuse Claimants in State Court will proceed as though no bankruptcy occurred. All lawsuits that were previously stayed (put on pause) because of the Diocese's bankruptcy filing can continue to be prosecuted by Abuse Claimants in State Court.

What happens to the adversary proceedings commenced by the Committee if the Plan is approved?

The Committee filed two complaints in the Diocese's bankruptcy case. These complaints seek to, among other things, recover assets from the Diocese's affiliates to increase potential recoveries for Abuse Claimants by tens if not hundreds of millions of dollars. If the Plan is approved, then the claims asserted by the Committee will be dismissed, and the Committee's complaints will be dismissed. Thus, the Committee will be denied the chance to prosecute the claims that could lead to exponentially increasing the monies available to fund a plan and provide greater recoveries to Abuse Claimants.

Claims and causes of action asserted in the complaints are explained in **Exhibit 2**.

What is a "third-party release" and does the Plan provide for them?

A release is a contract by which an individual agrees to waive a claim or right against another individual or entity that it otherwise would have a right to enforce.

Plans of reorganization (which are essentially contracts between a debtor and its creditor constituents setting out the treatment of a debtor's obligations for each class of its creditors and interest holders) in bankruptcy regularly provide for releases of all claims held by creditors against the debtor in consideration for the distribution the creditors receive under the Plan. Courts regularly approve of these releases.

The phrase "third-party release" means a release of claims between non-debtor parties in a Plan of Reorganization.

Debtors in bankruptcy use third-party releases to encourage participation and contribution from non-debtor parties whose participation in or effect on the chapter 11 process will allegedly affect the debtor's ability to reorganize.

The Diocese's Plan provides for a third-party release of a number of entities, including churches, schools (operated by the Roman Catholic Welfare Corporation), missions and other diocesan-related entities. Unless you elect to "opt-out" of the release, any claim that you may hold against these entities, whether filed before or after the Claims Bar Date, will be extinguished and you will no longer be able to prosecute your claim(s) against them in state court. Indeed, even if you did not file a claim against the Diocese, your claim against the parishes, schools, missions, other diocesan-related entities and the Diocese's insurers will be released. Likewise, there will be no insurance available to satisfy any claims against these entities.

Who are the Non-Debtor Catholic Entities proposed to receive a release if they contribute assets to the Survivors' Trust and an Abuse Claimant does not opt out of the Plan's release provision?

(i) Roman Catholic Cemeteries of the Diocese of Oakland;

(ii) The Oakland Parochial Fund;

(iii) Roman Catholic Welfare Corporation of Oakland (or any school it managed, manages, operated or operates);

(iv) Lumen Christi Academies of the Roman Catholic Diocese of Oakland;

(v) The Catholic Cathedral Corporation of the East Bay;

(vi) The Oakland Society for the Propagation of the Faith;

(vii) Catholic Charities of the Diocese of Oakland, Inc. (d/b/a Catholic Charities of the East Bay);

(viii) Catholic Church Support Services (d/b/a Catholic Management Services);

(ix) Furrer Properties, Inc.;

(x) Adventus;

(xi) Catholic Foundation for the Diocese of Oakland;

(xii) Christ the Light Cathedral Corporation;

(xiii) or any religious order.

How and by when do I cast my vote?

You should have received a ballot for accepting or rejecting the Diocese's Plan of Reorganization (a "***Ballot***") by mail or by email. To cast your vote, you must complete the Ballot including the following information: name, social security number, telephone number, date, and signature. You must also specify whether you accept or reject the Plan by checking the appropriate box. As mentioned, ***the Committee recommends that you check the box which states "□ REJECTS THE PLAN."***

You must properly deliver the Ballot to the Claims and Noticing Agent (Verita Global) by mail or overnight courier or by using an electronic ballot.

The completed Ballot must be received by the Claims and Noticing Agent on or before **[●], 2025 at [●]:00 [●].m. (prevailing Eastern Time)** (the "***Voting Deadline***").

To submit your Ballot by mail or overnight courier to the Claims and Noticing Agent, please send your Ballot to:

The Roman Catholic Bishop of Oakland
Ballot Processing c/o Verita
222 N. Pacific Coast Highway, 3rd Floor
El Segundo, CA 90245

To submit your Ballot electronically, you should access the customized online balloting portal (the "***E-Balloting Portal***") on the Debtors' case website, https://veritaglobal.net/rcbo clicking on the "E-Ballot" link on or before the Voting Deadline. Parties submitting a ballot via the E-Balloting Portal must not submit a paper ballot.

How do I "opt-out" of the Plan's release provision?

Holders of Abuse Claims who do not affirmatively opt out of the releases provided by the Plan by checking the appropriate box on the Ballot (Item 4.) indicating that they opt not to grant the releases set forth in the Plan, will be deemed to have granted Non-Debtor Catholic Entities a release.

Who can I contact if I have further questions?

If you have any other questions, you may contact Lowenstein Sandler LLP by emailing Jeffrey Prol at jprol@lowenstein.com or Brent Weisenberg at bweisenberg@lowenstein.com.

Exhibit 2

SUMMARY OF COMMITTEE'S CLAIMS
AND CAUSES OF ACTION

I.

Executive Summary

After an extensive investigation, the Official Committee of Unsecured Creditors (the "***Committee***") has concluded that the Roman Catholic Bishop of Oakland (the "***Diocese***") and certain of its related entities (collectively, the "***Non-Debtor Catholic Entities***") own hundreds of millions of dollars in cash, investments and other assets which can, and should, be used to compensate survivors of sexual abuse holding claims against the Diocese ("***Abuse Claimants***"). But the Diocese is only using a small portion of its property to compensate Abuse Claimants. The Committee has therefore sued the Diocese and the Non-Debtor Catholic Entities under different legal theories to increase the amount being paid to Abuse Claimants. The Committee contends that the Non-Debtor Catholic Entities, which are not in bankruptcy but have significant assets, are not separate and distinct from the Diocese, and thus, their assets can and should be used to pay Abuse Claimants

The below summarizes the two lawsuits (known as "adversary proceedings") the Committee has filed to recover assets from Non-Debtor Catholic Entities to increase the assets available to compensate Abuse Claimants. ***If the Committee succeeds on any number of its claims, the amount you receive may be far more than the Plan proposes to pay you.***

Electronic copies of the Committee's pleadings described in this Summary are available free of charge at https://veritaglobal.net/RCBO.

II.

The Church and OPF Adversary Proceeding

On November 20, 2024, the Committee filed an adversary complaint against the Diocese and the OPF. Generally speaking, the Committee asks the Bankruptcy Court to determine that Diocese Churches are part of the Diocese and their assets are in fact owned by the Diocese and determining that the transfers made by the Diocese to OPF should be returned to the Diocese so that it may use those funds to pay Abuse Claimants.

The Diocese has since conceded in pleadings that the Churches are not independent entities and do not hold property independently from the Diocese. The Diocese and OPF further conceded that assets held by OPF on behalf of the Diocese or Churches are, except to the extent subject to donor restrictions or held by a non-debtor, property of the Diocese's estate available to pay creditors. The Diocese and the Committee are negotiating a stipulation whereby the Diocese would formally admit these facts, which would render pursuit of these particular claims unnecessary and increase the funds the Diocese admits are available to pay Abuse Claimants.

The Committee's pursuit of these claims led to the withdrawal of the $35 million claim previously asserted by OPF. The Committee intends to amend the Complaint to challenge the alleged restrictions over certain funds which the Diocese claims prevent those funds from being used to pay creditors. ***If the Committee is successful, Abuse Claimants should receive considerably more compensation than proposed in the Plan.***

III.

<u>The Non-Debtor Catholic Entities Adversary Proceeding</u>

On December 11, 2024, the Committee filed a second adversary complaint against the Diocese and the Non-Debtor Catholic Entities. The Committee seeks entry of an order (i) declaring that the property purportedly held by the Non-Debtor Catholic Entities (including cash and investments) is property of the Diocese's estate; and (ii) ordering substantive consolidation of the Diocese's estate with the Non-Debtor Catholic Entities. ***If the Committee is successful, Abuse Claimants should receive considerably more money than proposed in the Plan.***

EXHIBIT B

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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 Judge: Hon. William J. Lafferty

THIRD AMENDED DISCLOSURE STATEMENT FOR DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION

NOTE: THIS DISCLOSURE STATEMENT IS BEING PRESENTED TO THE COURT FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125(A) OF THE BANKRUPTCY CODE

IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT[1]

THE ROMAN CATHOLIC BISHOP OF OAKLAND, A CALIFORNIA CORPORATION SOLE, THE DEBTOR AND DEBTOR IN POSSESSION IN THE ABOVE-CAPTIONED CHAPTER 11 CASE (THE "DEBTOR" OR "RCBO") SEEKS CONFIRMATION OF THE *DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION* (THE "PLAN"). A COPY OF THE PLAN IS ATTACHED TO THIS DOCUMENT AS **EXHIBIT A**.

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "COMMITTEE"), WHICH REPRESENTS THE INTERESTS OF SURVIVORS OF SEXUAL ABUSE HOLDING CLAIMS IN CLASS 4 ("SURVIVORS"), URGES SURVIVORS TO VOTE TO REJECT THE PLAN FOR THE REASONS STATED IN THE ACCOMPANYING LETTER FROM THE COMMITTEE TO SURVIVORS.

THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT"), THE PLAN, THE PLAN SUPPLEMENT, THE ACCOMPANYING BALLOTS, AND RELATED MATERIALS ARE BEING FURNISHED BY THE DEBTOR, AS THE PLAN PROPONENT, PURSUANT TO SECTIONS 1125 AND 1126 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE") AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, IN CONNECTION WITH THE DEBTOR'S SOLICITATION OF VOTES TO ACCEPT THE PLAN.

THE PLAN PROVIDES FOR THE REORGANIZATION OF THE DEBTOR'S FINANCIAL AFFAIRS, FOR DISTRIBUTIONS TO CREDITORS HOLDING ALLOWED CLAIMS FROM THE DEBTOR'S ASSETS, THE ASSETS OF CONTRIBUTING NON-DEBTOR CATHOLIC ENTITIES, AND THE CONTRIBUTIONS OF SETTLING INSURERS, IF ANY, AND FOR THE CLAIMS AGAINST NON-SETTLING INSURERS TO BE ASSIGNED TO THE SURVIVORS' TRUST (AS DEFINED HEREIN). THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS AND INCLUDING THE "*RISK FACTORS TO BE CONSIDERED*" IN ARTICLE XVIII.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OF THE PLAN OCCURS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN, EXCEPT AS OTHERWISE PROVIDED IN THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS DESCRIBED IN THE PLAN.

NO PERSON MAY GIVE ANY INFORMATION ON BEHALF OF THE DEBTOR REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN, OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT,

[1] Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meanings ascribed to them in the *Debtor's Third Amended Plan of Reorganization* [Docket No. ____] (the "Plan").

EXCEPT FOR THE ~~OFFICIAL~~ COMMITTEE ~~OF UNSECURED CREDITORS (THE "COMMITTEE")~~ CONSISTENT WITH ITS OBLIGATIONS ARISING UNDER 11 U.S.C. § 1103(c)(3). ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREIN, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

THIS DISCLOSURE STATEMENT IS DESIGNED TO PROVIDE ADEQUATE INFORMATION TO ENABLE HOLDERS OF IMPAIRED CLAIMS AGAINST THE DEBTOR (THAT ARE ENTITLED TO VOTE AS DESCRIBED HEREIN) TO MAKE AN INFORMED JUDGMENT ON WHETHER TO ACCEPT OR REJECT THE PLAN. ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN FILED CONTEMPORANEOUSLY HEREWITH, OTHER EXHIBITS ANNEXED HERETO, AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE BANKRUPTCY COURT PRIOR TO THE END OF THE SOLICITATION PERIOD FOR THE PLAN. NO MATERIALS OTHER THAN THE ACCOMPANYING MATERIALS ATTACHED HERETO OR REFERENCED HEREIN HAVE BEEN APPROVED BY THE BANKRUPTCY COURT OR THE PLAN PROPONENT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN. SUBSEQUENT TO THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT: (I) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN REMAIN MATERIALLY ACCURATE, OR (II) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY EXHIBIT, EXCEPT AS EXPRESSLY INDICATED IN THIS DISCLOSURE STATEMENT OR IN ANY EXHIBIT. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTOR'S KNOWLEDGE, INFORMATION, AND BELIEF. THE DEBTOR'S RESPECTIVE PROFESSIONALS HAVE NOT INDEPENDENTLY VERIFIED ALL OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND ARE NOT RESPONSIBLE FOR ANY INACCURACIES THAT MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT OR THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION IS CORRECT AT ANY TIME SUBSEQUENT TO THIS DATE, AND THE DEBTOR UNDERTAKES NO DUTY TO UPDATE THE INFORMATION.

PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED, AND SHOULD BE AWARE THAT ACTUAL DISTRIBUTIONS MAY VARY FROM THE ESTIMATES CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT AND THE RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING OR REJECTING THE PLAN. NO REPRESENTATIONS ARE AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTOR, THE DEBTOR'S BUSINESS OPERATIONS, THE VALUE OF

THE DEBTOR'S ASSETS, OR THE VALUES OF ANY BENEFITS OFFERED PURSUANT TO THE PLAN, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT OR ANY OTHER DISCLOSURE STATEMENT OR OTHER DOCUMENT APPROVED FOR DISTRIBUTION BY THE BANKRUPTCY COURT. HOLDERS OF CLAIMS SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN, OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED IN THIS DISCLOSURE STATEMENT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PERSON OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PERSON, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTOR, ANY RELEASED PARTY, OR HOLDERS OF CLAIMS.

THIS DISCLOSURE STATEMENT IS FORWARD-LOOKING. FORWARD- LOOKING STATEMENTS ARE STATEMENTS OF EXPECTATIONS, BELIEFS, PLANS, OBJECTIVES, ASSUMPTIONS, PROJECTIONS, AND FUTURE EVENTS OF PERFORMANCE. AMONG OTHER THINGS, THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS WITH RESPECT TO ANTICIPATED FUTURE PERFORMANCE OF THE DEBTOR AND A TRUST TO BE CREATED FOR THE BENEFIT OF HOLDERS OF ABUSE CLAIMS, AS WELL AS ANTICIPATED FUTURE DETERMINATIONS OF CLAIMS AND DISTRIBUTIONS ON CLAIMS. THESE STATEMENTS, ESTIMATES, AND PROJECTIONS MAY OR MAY NOT PROVE TO BE CORRECT. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE REFLECTED IN THESE FORWARD-LOOKING UNCERTAINTIES DUE TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, LEGAL, AND ECONOMIC RISKS, INCLUDING, AMONG OTHERS, THOSE DESCRIBED IN THIS DISCLOSURE STATEMENT. THE PLAN PROPONENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT. NEW FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE TO PREDICT ALL FACTORS, NOR CAN THE IMPACT OF ALL FACTORS BE ASSESSED.

HOLDERS OF CLAIMS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH HOLDER SHOULD CONSULT WITH THEIR OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION OF VOTES TO ACCEPT THE PLAN, THE PLAN, AND THE TRANSACTIONS CONTEMPLATED BY THE PLAN.

[THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE HOLDERS OF CLAIMS TO MAKE AN INFORMED JUDGMENT WITH RESPECT TO VOTING TO ACCEPT OR REJECT THE PLAN.] HOWEVER, THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION OR DETERMINATION BY THE BANKRUPTCY COURT AS TO THE MERITS OF THE PLAN. EACH HOLDER OF A CLAIM ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN (INCLUDING ALL EXHIBITS AND SCHEDULES TO THE PLAN AND DISCLOSURE STATEMENT) IN THEIR ENTIRETY BEFORE VOTING.

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ARTICLE I

EXECUTIVE SUMMARY

THE COMMITTEE DOES NOT AGREE WITH MANY OF THE FACTUAL ASSERTIONS MADE IN THIS EXECUTIVE SUMMARY. SURVIVORS, WHO ARE HOLDERS OF CLASS 4 CLAIMS, ARE URGED TO READ THE ATTACHED LETTER FROM THE COMMITTEE WHEREIN THE COMMITTEE EXPLAINS WHY IT IS RECOMMENDING THAT SURVIVORS VOTE TO REJECT THE PLAN.

The Debtor is responsible for coordinating the mission of the Roman Catholic Church within the geographical boundary of the Diocese of Oakland. Beginning in the late Twentieth Century, it came to light that some people working for or associated with the Roman Catholic Church—priests, bishops, laypersons, and volunteers—had been sexually abusing children and vulnerable adults for decades. This crisis shocked the world. It also exposed Church institutions worldwide, including the Debtor, to significant tort liability. As will be described in greater detail, the Debtor filed bankruptcy as a means of managing its liability for these depraved actions against some of the most vulnerable members of society.

Providing fair and equitable compensation for survivors of Abuse and reorganizing to enable the Debtor to continue its mission to serve the needs of the faithful within the Diocese of Oakland are the focal points of the Plan. The tragedy of the Abuse by those purporting to do the missionary work of the Church is impossible to overstate. Instead of fulfilling this mission, these perpetrators inflicted harm and suffering. The Abuse was and is inexcusable. It not only deeply impacted the survivors, but it also affected the faithful and the community the Debtor serves.

A. Survivors' Trust Assets / Plan Contributions

i. Contributions from the Debtor and Other Contributing Entities.

To compensate the victims and survivors of sexual abuse, the Plan establishes a Survivors' Trust funded with the Survivors' Trust Assets. The Survivors' Trustee will liquidate the Survivors' Trust Assets and distribute the proceeds to the Holders of Abuse Claims and Unknown Abuse Claims, pursuant to the procedures contained in the Survivors' Trust Distribution Plan (part of the Survivors' Trust Documents attached hereto as Exhibit F).[2]

On the Plan's Effective Date (the date after confirmation when the Plan becomes Effective), the Plan will create a Survivors' Trust for the purpose of paying distributions to Holders of Class 4 and Class 5 Claims, which are the two Classes of Abuse Claims under the Plan. The Survivors' Trust will be funded with (a) $115 million in cash contributed by the Debtor over a five-year period and (b) $28.5 million in cash contributed by RCWC contingent on the number of Releases it secures from those Holders of Class 4 Claims and Class 5 Claims who have asserted liability against RCWC in connection with an Abuse Claim (described further below). The Debtor will also contribute and assign to the Survivors' Trust the rights and obligations of the Debtor in the Non-Settling Insurer Policies.

[2] Distributions to Abuse Claimants may be subject to fee agreements between Holders of Abuse Claims and their legal counsel. The Debtor has no information on any such agreements. Legal counsel to Holders of Abuse Claims are obligated to comply with Rules 1.5 and 1.5.1 of the California Rules of Professional Conduct and Cal. Bus. & Prof. Code § 6147 in connection with any fees charged to Holders of Abuse Claims.

More specifically, the Survivors' Trust will receive the following contributions from the Debtor and RCWC (together, the "Contributing Entities") on the following schedule:

- On the Effective Date:
  - From the Debtor: $63.0 million in cash
  - From RCWC: $2.0 million in cash
- On the first anniversary of the Effective Date: $10.0 million from the Debtor and $4.0 million from RCWC;
- On the second anniversary of the Effective Date: $10.0 million from the Debtor and $4.0 million from RCWC;
- On the third anniversary of the Effective Date: $10.0 million from the Debtor and $6.0 million from RCWC;
- On the fourth anniversary of the Effective Date: $10.0 million from the Debtor and $6 million from RCWC; and
- On the fifth anniversary of the Effective Date: $12.0 million from the Debtor and $6.5 million from RCWC.

Contributions of any kind by the Contributing Entities are referred to as the "Contributing Entities' Contributions," the cash component of which is the "Contributing Entities' Cash Contributions."

The Debtor Cash Contribution to the Survivors' Trust will be facilitated in part by a $55 million loan from RCC. The remaining Debtor Cash Contribution will come from unrestricted cash including without limitation unrestricted cash raised from the sale of real estate owned by the Debtor or Adventus, one of the Non-Debtor Catholic Entities, as described in more detail below. The RCWC Cash Contribution will come from unrestricted cash including unrestricted cash raised from the sale of real estate owned by RCWC and is based on the number of Abuse Claims asserting liability against it that do not affirmatively "opt out" of the third-party releases.

The Contributing Entities' Cash Contributions to the Survivors' Trust will be not less than the Debtor's aggregate contribution of $115.0 million. RCWC is not a debtor in the Chapter 11 Case, meaning it must make a contribution to the Debtor's reorganization in order to receive the benefits of the releases being granted by consenting Holders of Class 4 and Class 5 Claims pursuant to Section 13.9 of the Plan. RCWC is willing to contribute $28.5 million to the Survivors' Trust in return for releases from 100% of those Abuse Claimants asserting liability against RCWC or one of its member schools in their Proofs of Claim submitted in this Chapter 11 Case. If less than 100% of all RCWC Claimants grant RCWC a release pursuant to Section 13.9 of the Plan, then the RCWC Cash Contribution, and each of its installment payments, shall be reduced by a percentage proportional to the percentage of RCWC Claimants who opt out of granting RCWC such Release. An example contribution scenario is described in Section 9.3.2.1 of the Plan and Article VII.E.2.a herein.

The Debtor shall also contribute any proceeds held by the Debtor or the Reorganized Debtor on account of any Insurance Settlement Agreements finalized and effectuated prior to the Effective Date, if any, and the Assigned Insurance Interests, all as set forth in Article VIII and Sections 9.3.4 and 9.3.5 of the Plan.

ii. Why the Contributions from the Debtor and Other Contributing Entities Support a Finding That The Plan Is Fair And Equitable

The Debtor firmly believes the Contributing Entities' Contributions, in the aggregate, accomplish the dual goals of fairly compensating Holders of Abuse Claims and allowing the Debtor to continue its mission to serve the Catholic faithful and those who need its services and ministries in the East Bay area. The basis for this belief is three-fold.

First, the Contributing Entities' Contributions exceed, in the aggregate and on a per-Abuse Claim basis, the equivalent contributions from debtors in recent diocesan bankruptcy cases the Debtor believes are comparable to this diocesan bankruptcy case.

Second, the Plan maximizes the Debtor's assets available to pay creditors while allowing the Debtor to continue its mission, as described more fully below. The Debtor believes it is using the most it is able to use from its assets available to pay creditors and that the remaining assets are needed to allow the Debtor to continue its mission. Perhaps most materially, the Plan reflects the Debtor's willingness to make deep sacrifices by liquidating assets in order to compensate survivors of sexual abuse in a way that is fair and equitable pursuant to Section 1129(b)(2) of the Bankruptcy Code. The Plan contemplates the following contributions from the Debtor, totaling $115 million:

- The $63 million Initial Debtor Contribution (to be paid to the Survivors' Trust on the Effective Date) reflects the maximum amount cash the Debtor can contribute to the Survivors' Trust on the Effective Date while allowing the Debtor to continue its mission.
    - The Debtor will obtain a loan of $55 million from RCC on the Effective Date. This is the largest amount RCC is willing and able to loan to the Debtor. RCC is the only viable and realistic exit financing party available to the Debtor.
    - $53 million of the RCC loan will be transferred to the Survivors' Trust on the Effective Date. The balance of the exit facility loan from RCC will be used to fund the Reorganized Debtor's operations.
    - The remaining $10 million of the Initial Debtor Contribution will be paid from cash reserves set aside to pay creditors or from the sale of real estate as described below.
- The $52 million dollars to be contributed by the Reorganized Debtor to the Survivors' Trust during the five years following the Effective Date reflects the maximum amount of cash the Debtor can contribute to the Survivors' Trust while allowing the Reorganized Debtor to continue its mission. The Reorganized Debtor will meet its contribution obligations – which include the $52 million dollars to be contributed to the Survivors' Trust and the amounts needed to service the existing and contemplated debt obligations to RCC – by selling real estate (including some Church property and including both vacant and non-vacant land). During each of the four years following the Effective Date, the Reorganized Debtor will transfer to the Survivors' Trust $10 million dollars of proceeds from the sale of such real estate. In the fifth year, the Reorganized Debtor will transfer $12 million of proceeds. The Reorganized Debtor will supplement contributions to the Survivors' Trust with additional unrestricted cash if necessary to meet its commitment to contribute $52 million dollars to the Survivors' Trust during the five years following the Effective Date.

More specifically, the Reorganized Debtor will liquidate the following real estate to support the funding of the Plan:

- The Reorganized Debtor will either utilize as collateral for the loan RCC will make to the Debtor in support of the Plan or liquidate all twelve vacant real estate parcels titled in the name of the Debtor which are not part of a larger parcel containing a Church or ministry-related building.

- The Reorganized Debtor will either utilize as collateral for the loan RCC will make to the Debtor in support of the Plan or liquidate vacant portions of eighteen real estate parcels titled in the name of the Debtor which the Debtor has determined may be liquidated while allowing the Debtor to continue its mission, even though they are each part of a larger parcel which includes a Church or ministry-related building which is currently operating.

- The Reorganized Debtor will either utilize as collateral for the loan RCC will make the to the Debtor in support of the Plan or liquidate the Debtor-owned portions of twelve real property locations on which Churches currently operate either as primary or secondary locations.

- The Reorganized Debtor will liquidate seven residential homes and Adventus will liquidate one residential home and contribute the proceeds to the Reorganized Debtor, all of which are currently used in connection with the Debtor's ministry.

- Furrer Properties, Inc. will liquidate the three parcels of property on which Cooper's Mortuary operates and which includes a four-unit apartment building (three total parcels of real estate) and contribute the proceeds to the Reorganized Debtor.

- If necessary to use as a source of collateral for the RCC loan, RCBO will utilize other real estate currently being used in support of the Debtor's ministry.

Previous versions of the Plan required the Debtor to transfer title of certain real property owned by Adventus to the Survivors' Trust. The real property is located at 3658 Las Colinas Road, Livermore, California (the "Livermore Property"). Adventus would have approved the transfer of the Livermore Property to the Debtor upon confirmation of the Plan, and the Debtor would have in turn transferred the Livermore Property to the Survivors' Trust on the Effective Date. The Livermore Property consists of approximately 122.5 acres of vacant land with no on-site improvements. It is currently zoned for agricultural use. The Debtor believes the Livermore Property is worth between $43 million and up to approximately $81 million or more if it is entitled for residential development, such that the sale of the Livermore Property by the Survivors' Trustee could have increased the Survivors' Trust Assets by that amount (and perhaps more).[3]

The Debtor has spent considerable time working with the City of Livermore to permit the Livermore Property to be developed for residential use. This work is ongoing. On or about February 23, 2025, the Livermore City Council unanimously approved a request by the city's planning staff to negotiate a housing development agreement in relation to the Livermore Property. The Debtor hopes that these negotiations will lead to a re-zoning of the Livermore Property to allow residential use. The Committee, however, informed the Debtor and the Bankruptcy Court that it opposed the transfer of the Livermore Property to the Survivors' Trust, claiming the property was of uncertain value and objecting to the Survivors' Trust having to complete the re-entitlement process in order to increase the property's value. The Debtor removed the Livermore Property from the list of Survivors' Trust Assets. The Debtor

[3] As discussed in the Committee Letter attached hereto as Exhibit G, the Committee contests this valuation.

will continue working to re-entitle the Livermore Property after the Effective Date. The Debtor is considering whether the Livermore Property could be used as collateral for the RCC loan, provided that Adventus would be willing to use the property for that purpose.

Third, many of the Debtor's assets are either necessary for it to maintain basic operations – including for Churches within the Diocese of Oakland – or were donated to the Debtor for a specific, restricted purpose. Because the Debtor is a charitable entity, California law imposes limitations on the use of property donated subject to a restriction on use. *See* Cal. Bus. and Prof. Code § 17510.8 ("acceptance of charitable contributions by a charity . . . establishes a charitable trust and a duty on the part of the charity . . . to use those charitable contributions for the declared charitable purposes for which they are sought"). Consequently, the Debtor may not use assets donated for a specific purpose for any other purpose. In other words, the Debtor cannot use assets donated for the purpose of corporal works of mercy (e.g. feeding the hungry, sheltering the homeless, visiting the sick or imprisoned), to pay operational expenses, or to pay its creditors. Many of the Debtor's cash assets are restricted in this manner.

Based on the foregoing, the Plan reflects the Debtor's careful analysis of its real estate assets, including how each asset contributes to the Debtor's mission and measures that would need to be taken to make those each asset salable, and inherently depends on the sale or encumbering of certain real estate. Some of the real estate to be sold will be vacant or mostly-vacant land adjacent to one of the Churches. Some of the real estate to be sold will include land on which Churches presently sit and operate. In the case of the latter, this means those locations would not be used for church services or any other aspects of the Catholic faith and mission after they are sold.

The Debtor recognizes the sale of valuable real property, particularly "full sites" currently used in the Debtor's ministry, is a painful outcome for the Debtor and many Catholics. Nonetheless, the Debtor is making this sacrifice voluntarily for the benefit of Survivors in this bankruptcy case. The sale of real property on which a Church currently sits and operates, or which is used in its ministry, would not happen in a forced liquidation under chapter 7 of the Bankruptcy Code. Under applicable U.S. Supreme Court and Ninth Circuit case law, the Debtor cannot be forced to sell real estate on which it operates one of the Churches. *See 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, 877 (9th Cir. 2001); *see also Hosanna-Tabor Evangelical Lutheran Church and School v. E.E.O.C.*, 565 U.S. 171, 188-190) (in the context of the ministerial exception to federal employment discrimination laws, First Amendment Religion Clauses prohibit "government interference with an internal church decision that affects the faith and mission of the church itself"). Here the Debtor is willing to sell some of its property, including Church property, pursuant to a confirmed Plan to achieve the dual goals of this Chapter 11 Case.

iii. Potential Settling Insurer Contributions and the Insurance Assignment.

The Plan provides that Non-Settling Insurers may become Settling Insurers and provides for settlement proceeds resulting therefrom to be used to further supplement recoveries to Trust Claims. To the extent no settlement with a particular Non-Settling Insurer is achieved, the Plan establishes a framework for post-confirmation litigation for Trust Claimants seeking recovery from Non-Settling Insurers through the Litigation Option.

The Debtor engaged in extensive and tireless mediation with the Insurers over the Insurance Assignment. The Debtor and Insurers have reached agreement on a term sheet that would allow the Debtor to assign its rights and obligations under the Abuse Insurance Policies, but not the Policies themselves, to the Survivors' Trust upon the Effective Date. The Plan – chiefly, but not exclusively, Article VIII of the Plan – reflect, in the Debtor's view, the agreed-upon term sheet.[4]

As set forth in detail below, there are significant unresolved legal issues with respect to the Insurance Assignment. The Debtor strongly encourages all Holders of Abuse Claims to refer to the Risk Factors section below, specifically Article XVIII(A), regarding the relative positions of the parties.

As set forth in the Committee Letter, the Committee contends that the Insurance Assignment is highly prejudicial to Survivors and could potentially strip away vital rights that Survivors would have to pursue claims against Non-Settling Insurers.

iv. Potential Additional Contributions.

The Plan further provides that other Non-Debtor Catholic Entities (in addition to RCWC), such as religious orders, may make contributions and receive treatment similar to RCWC. All such parties (including RCWC) are referred to as the "Contributing Non-Debtor Catholic Entities." Collectively, any tangible or intangible assets held by the Survivors' Trust are referred to herein as the "Survivors' Trust Assets."

On the Effective Date, the Survivors' Trust will segregate $5.0 million of the Initial Debtor Contribution into the Unknown Abuse Claims Reserve for the benefit of Holders of Class 5 Claims.

B. Comparison to Other Diocesan/Religious Order Cases

The Debtor believes the treatment proposed in the Plan is fair and equitable to its creditors and represents a greater recovery—on a claimant-by-claimant basis—based on contributions from the Debtor itself when compared with prior, similar bankruptcy cases.[5] At Confirmation the Debtor will seek to present unassailable evidence demonstrating this. At Confirmation the Committee will vigorously oppose the Debtor's arguments because, among other things, the recovery of creditors in one case is entirely irrelevant to whether the recovery of creditors in another case is fair and equitable.

Assuming: 1) the stated values of the Contributing Entities' Cash Contributions, and 2) approximately 345 unique Abuse Claims will ultimately receive distributions, the average per Claim distribution to Holders of Class 4 Claims is $401,449.28 (based on available cash contributions of $138,500,000.00). It is not possible to calculate an average per claim distribution to Holders of Class 5 Claims (Unknown Abuse Claims).[6] Holders of Class 5 Claims will be eligible to receive their pro rata share of the Unknown Abuse Claims Reserve ($5,000,000.00) within the first five years after the Effective Date. Thereafter, any remaining amount from the Unknown Abuse Claims Reserve will be absorbed into the Survivors' Trust Assets and made available for distribution to Holders of Class 4 Claims in accordance with the terms of the Plan. In addition, these potential average per-Claim distributions do not include: 1) the value of the Assigned Insurance Interests and potential associated recoveries, including by Abuse Claimants who select the Litigation Option under Section 9.8.4 of the Plan, 2) possible settlements with

[4] As discussed in the Committee Letter, the Committee does not support the agreement between the Debtor and the Insurers embodied herein.

[5] As discussed in the Committee Letter, the Committee disagrees with this assertion.

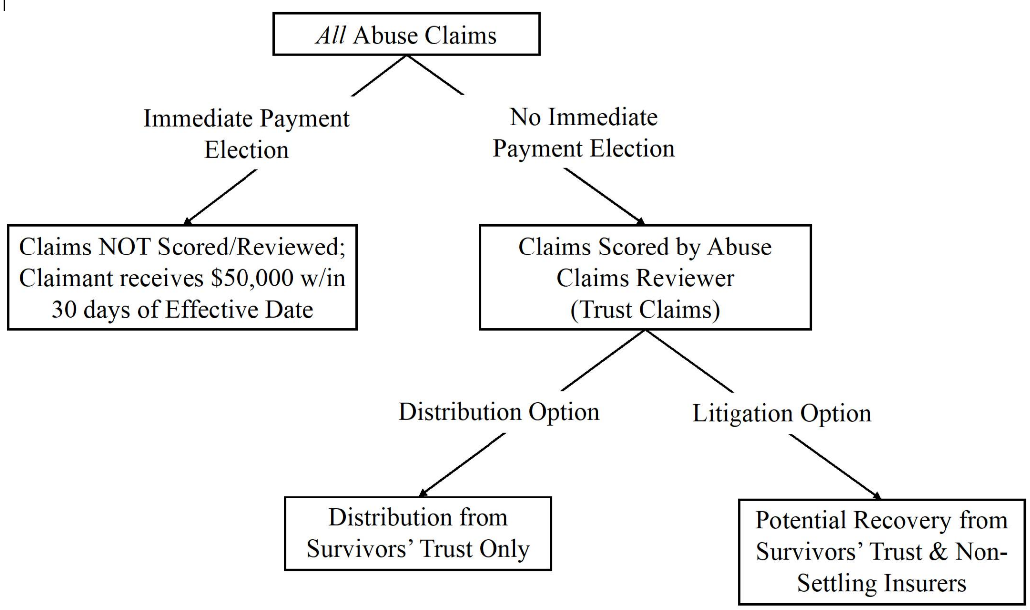
[6] The Committee disputes this assertion because RCWC will reduce its $28.5 million contribution in correlation to the number of Survivors who opt-out of granting it a release. Survivors are likely to do so, and, in turn, the gross payment to Survivors will decrease.

Settling Insurers prior to the Effective Date of the Plan, if any, and 3) additional possible contributions from other Contributing Non-Debtor Catholic Entities besides RCWC.

Because the Immediate Payment Option pays less ($50,000) than the projected per-claimant average values under the Plan, every Abuse Claimant that elects the Immediate Payment Option increases the projected per-claimant average for all other Abuse Claimants. By way of example, assuming total cash contributions of $138,500,000, if ten Abuse Claimants elect the Immediate Payment Option, the per Claim distribution increases to $411,940.30. If twenty-five claimants elect the Immediate Payment Option, the per Claim distribution increases to $428,906.25. The tradeoff, as described below, is that Abuse Claimants electing the Immediate Payment Option: 1) receive their payment within 30 days of the Effective Date of the Plan, and 2) do not have their Abuse Claims scored or reviewed in any way.

C. <u>Plan Mechanics</u>

The following subsections outline the decisions Abuse Claimants make under the Plan regarding their potential distributions from the Survivors' Trust. Those decisions (and the outcomes therefrom) can be represented graphically as follows:



i. Immediate Payments.

The Plan provides the option for Abuse Claimants to elect to receive an Immediate Payment within 30 days of the Effective Date in the amount of $50,000. If an Abuse Claimant elects to receive an Immediate Payment, all recovery on their Abuse Claim is limited to the Immediate Payment. For the avoidance of doubt, an Abuse Claimant who elects to receive an Immediate Payment shall not be permitted to seek any additional recovery on account of the Abuse Claim from any other party, including

Non-Settling Insurers. Correspondingly, Abuse Claims of Claimants that elect the Immediate Payment will not be scored or subject to Claim objections.

ii. Initial Determination / Claims Scoring.

After the Effective Date, the Abuse Claims Reviewer will score all remaining Abuse Claims (defined as "Trust Claims") and issue a letter to each Holder of such Claims ("Trust Claimants") regarding the scoring of their specific Claim (the "Initial Determination"). The purpose of the scoring is to calculate each Trust Claimant's *pro rata* share of projected distributions. The Initial Determination will include a projected total recovery for the Trust Claimant based on the anticipated Survivors' Trust Assets available for distribution. The purpose of the Initial Determination is to provide information about *projected* distributions to Trust Claimants. Actual distributions may change based on, among other things, recoveries for Litigation Claimants from Non-Settling Insurers that free up additional funds for Distribution Claimants.

As set forth in the Trust Distribution Plan, the scoring process works as follows:

- First, the Abuse Claims Reviewer applies Initial Criteria to determine whether any incurable defects exist with respect to a Trust Claim. These criteria include whether the Trust Claim was timely submitted, substantially completed and signed, is duplicative of another Trust Claim, or was previously resolved through litigation or settlement;
- Second, the Abuse Claims Reviewer applies General Criteria intended to determine whether the Trust Claim adequately describes the alleged abuse, alleged perpetrator, location of abuse, and legal liability of the Debtor or another party; and,
- Third, the Abuse Claims Reviewer applies Evaluation Factors to score the claim on a scale from 1-100. The Evaluation Factors include the nature of the abuse (in terms of duration, frequency, level of severity and degree of intrusiveness, etc.), the impact of the abuse (in terms of mental and physical health, spiritual well-being, interpersonal relationships, etc.); prior recoveries, if any, from other parties; and the claimant's involvement in bringing the abuse to light for the benefit of all Trust Claimants.

After scoring each Trust Claim, the Abuse Claims Reviewer will calculate the value of an individual "point." The point value will be determined by dividing (a) the total dollars available for distribution to Trust Claims by (b) the total of points among the individual Trust Claims. For example:

- Assume there are 345 claimants holding Trust Claims with an average score of 50 points per claim.
- 50 points per claim multiplied by 345 claims yields 17,250 total points.
- Assuming a total distributable amount of $138.5 million, each point would be valued at $8,028.99 ($138.5 million divided by 17,250 points).

Accordingly, Trust Claims assigned 25, 50, and 75 points would receive projected total recoveries of $200,724.75, $401,449.50, and $602,174.25 from the Survivor's Trust, respectively.

Following receipt of the Initial Determination, Trust Claimants get 30 days to request re-review of the Initial Determination by the Abuse Claims Reviewer with the option to submit additional documentation or information that such Claimant believes should be considered (the "Review Determination"). If sought, the Review Determination shall be the "Final Determination." If no Review Determination is sought, the Initial Determination shall be the Final Determination.

iii. Distribution Option vs. Litigation Option.

All Trust Claimants will have 90 days from issuance of their respective Initial Determination to elect one of two paths as to their Trust Claim: 1) acceptance of a distribution solely from the Survivors' Trust (the "Distribution Option"), or 2) pursuit of litigation that could yield recovery from an insurer, if any (the "Litigation Option"). Claimants that do not make an election will be deemed to have chosen the Distribution Option.

On the 91st day following issuance of all Initial Determinations by the Abuse Claims Reviewer, the Survivors' Trustee will know: 1) how many Trust Claimants chose the Distribution Option ("Distribution Claimants"), and 2) how many Trust Claimants chose the Litigation Option ("Litigation Claimants"). Following resolution of the last Review Determination, the Survivors' Trustee will know the total number of points of Trust Claims and be able to project *pro rata* shares of anticipated distributions to Trust Claimants.

At that point:

For Trust Claimants that chose the Distribution Option:

- The Survivors' Trustee will make his Initial Distribution, which shall be comprised of such Trust Claimant's *pro rata* share of the Survivors' Trust Assets existing on that date, less reasonable reserves for the Survivors' Trust.
- Upon receipt of additional Cash Contributions, the Survivors' Trustee will make such Additional Distributions as are necessary and appropriate, which shall be comprised of such Trust Claimant's *pro rata* share thereof, less reasonable reserves for the Survivors' Trust. Whether and when to make Additional Distributions prior to the Final Distribution shall be within the discretion of the Survivors' Trustee.

For Trust Claimants that chose the Litigation Option:

- The Survivors' Trust shall reserve the amount of the projected distribution based on the Final Determination pending the outcome of the litigation. As the Survivors' Trust receives additional Cash Contributions, the Survivors' Trust shall increase the reserve commensurately (the "Reserved Amount").
- The Trust Claimant shall be allowed to resume or institute (as appropriate) litigation against the Debtor (in name only) to establish coverage liability and damages for the Trust Claimant's Abuse Claim as against the applicable Non-Settling Insurer(s). As to the liability of the Debtor (as assumed by the Survivors' Trust):
    - If the litigation yields a judgment against the Debtor (in name only) (the "Judgment Amount") that is lower than the Reserved Amount, the Judgment Amount controls. Any excess in the reserve will be reallocated for payment to Distribution Claimants.
    - If the litigation yields a Judgment Amount against the Debtor (in name only) that is higher than the Reserved Amount, the Reserved Amount controls.
- If the litigation yields a judgment covered by insurance, the amount of such coverage shall be paid by the responsible Insurer(s) directly to such Trust Claimant following recovery.

- Following resolution of each Litigation Option case, the Survivors' Trustee will make a Litigation Distribution to each such Litigation Claimant in an amount equal to the lesser of: 1) the Reserved Amount, or 2) the Judgment Amount, both amounts being subject to reasonable reserves.
  - If: 1) the Survivors' Trust subsequently receives additional Survivors' Trust Assets that would have increased the reserve for a Litigation Claimant, and 2) the Litigation Distribution was less than the Judgment Amount, the Survivors' Trustee can make additional Litigation Distributions to such claimant up to the Judgment Amount, *provided however*, that in no event can a Litigation Claimant receive more than the total amount of his or her judgment from all sources.
  - Any excess in the reserve for a Litigation Claimant will be reallocated for payment to all Distribution Claimants in their *pro rata* share.

Following resolution of the last Trust Claim of the last Trust Claimant that chose the Litigation Option, the Survivors' Trustee will make the Final Distribution to Distribution Claimants, which shall be comprised of such Trust Claimants' *pro rata* shares of all remaining Survivors' Trust Assets, including reserves.

D. <u>Non-Monetary Commitment to Healing and Reconciliation</u>

The final key aspect of the Plan is the continuation of the Debtor's Mission to Effect Reconciliation and Compensation, which constitutes its non-monetary commitment pursuant to the Plan. 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.

ARTICLE II

<u>GENERAL INFORMATION</u>

On May 8, 2023, (the "**<u>Petition Date</u>**"), the Debtor filed a voluntary chapter 11 petition with the Bankruptcy Court. Since the Petition Date, the Debtor has remained in possession of its assets and has continued to own, operate, and manage its affairs pending the approval of a plan of reorganization in accordance with the provisions of the Bankruptcy Code.

On May 23, 2023, the U.S. Trustee appointed the Committee in this Chapter 11 Case pursuant to section 1102 of the Bankruptcy Code. The Committee is comprised of individuals who assert claims of sexual abuse against the Debtor. The individual members of the Committee are represented by counsel that collectively represent approximately forty-five percent (45%) of all Abuse Claimants who have asserted Abuse Claims against the Debtor.

The Plan sets forth, among other things, the proposed treatment of Claims and other interests in accordance with the Bankruptcy Code. This Disclosure Statement is intended to explain the Plan and provide such information to Holders of Claims as may be deemed material, important, and necessary so that they may make reasonably informed decisions in exercising their right to vote for acceptance of the

Plan. A copy of the Plan is included with this Disclosure Statement as **<u>Exhibit A</u>**. If the Plan and this Disclosure Statement are not consistent, the terms of the Plan control. Capitalized terms used in this Disclosure Statement but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

The Plan provides for the financial restructuring of the Debtor and the resolution of all, or substantially all, Claims against the Debtor, including, without limitation, the resolution of all Abuse Claims against the Debtor.

A. <u>Releases and Exculpations</u>

The Contributions set forth in the Plan are the result of extensive negotiations regarding, among other things, the extent of liability faced by each entity, the ability of each entity to pay, and insurance coverage available for the types of Claims being satisfied through the Survivors' Trust. In exchange for the contributions to the Survivors' Trust, (a) the Debtor and Reorganized Debtor, (b) the Contributing Non-Debtor Catholic Entities, (c) the Settling Insurers, if any, and (d) each of the foregoing Persons' respective Related Persons shall receive the benefit of certain releases, exculpation (to the extent permitted under applicable Ninth Circuit law including without limitation *Blixseth v. Credit Suisse*, 961 F.3d 1074 (9th Cir. 2020)), and injunctions, which are summarized below, and set forth more specifically later in this Disclosure Statement and in the Plan.

> **Exculpation.** The Plan provides certain exculpation provisions which are typical and customary in chapter 11 plans. The provisions provide that the (a) the Exit Facility Lender, (b) the Debtor, including the Churches, (c) the Reorganized Debtor, including the Churches, (d) the Committee, (e) the Committee's members, (f) each Contributing Non-Debtor Catholic Entity, (g) the College of Consulters of the Diocese of Oakland and each of its members, (h) The Diocese of Oakland Finance Council and each of its members, (i) the Presbyteral Council of the Diocese of Oakland and each of its members, (j) the Mediators, (k) the Unknown Abuse Claims Representative, and (l) for each of the foregoing, their respective officers, directors, agents, employees, equity holders, attorneys, financial advisors, accountants, representatives, and other duly authorized employed Professionals in this Bankruptcy Case, will be released from certain of their acts and omissions that occurred from the Petition Date though Effective Date, or in preparation of the Chapter 11 Case. None of these parties will be exculpated from claims arising from the gross negligence, willful misconduct, fraud, or breach of the fiduciary duty of loyalty.
>
> **Releases.** The Plan provides that the Released Parties (as defined therein), will be granted releases and a channeling injunction regarding certain claims, including all Abuse Claims. If the Plan is confirmed, Abuse Claimants will not be able to recover directly from or pursue further litigation against such parties, including the Contributing Non-Debtor Catholic Entities, and Abuse Claimants' recoveries on account of their Abuse Claims will be limited by the terms of the Plan.
>
> **Injunctions.** The Plan provides for certain injunctions, including a channeling injunction which will channel certain

Claims, including all Abuse Claims against the Debtor or any of the Contributing Non-Debtor Catholic Entities, into the Survivors' Trust. This means that any holder of a Claim that is channeled will no longer be permitted to pursue their Claim except as set forth in the Plan.

The exculpations, releases, and injunctions contained in the Plan are an integral part of the Debtor's overall restructuring efforts and were an essential element of the negotiations among the parties and in obtaining the support of the Debtor and the Contributing Non-Debtor Catholic Entities for the Plan. **Each Holder of an Abuse Claim has the ability to be exempted from the releases and channeling injunction provisions of the Plan relating to the Contributing Non-Debtor Catholic Entities by affirmatively withholding consent or "opting out" of such releases and injunctions on the Abuse Claim Ballot. Opting out of the releases for Contributing Non-Debtor Catholic Entities, specifically RCWC, does not change the proposed treatment for any Holder of an Abuse Claim. As described above, however, it may change the amount contributed by RCWC to the Survivors' Trust Assets.**

An Abuse Claimant may be deemed to have granted releases to third-party Contributing Non-Debtor Catholic Entities under the Plan. An Abuse Claimant is deemed under the Plan to have consented to the release of the Contributing Non-Debtor Catholic Entities pursuant to Section 13.9 of the Plan if: 1) the Abuse Claimant returns a ballot voting for *or* against the Plan, *and* 2) the Abuse Claimant does not check the box indicating they opt out of the third-party release in favor of Contributing Non-Debtor Catholic Entities. An Abuse Claimant that does not return a ballot will not be deemed to release the Contributing Non-Debtor Catholic Entities.

If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all Holders of Claims against the Debtor, including all Abuse Claimants, will be bound the by the terms of the Plan and the transactions contemplated thereby, including the release provisions contained therein (including Holders of Claims who do not submit Ballots to accept or reject the Plan or who are not entitled to vote on the Plan, but excluding Holders of Abuse Claims who are entitled to, and affirmatively do, opt out of the release and channeling injunction provisions contained in the Plan).

The Plan further provides that Allowed Administrative Expense Claims, Priority Tax Claims, Non-Tax Priority Claims, Professional Fee Claims, and Secured Claims will be paid in full as set forth herein, that all General Unsecured Claims will be paid by the Reorganized Debtor over the course of one year following the Effective Date, that all Abuse Claims will be channeled to the Survivors' Trust, that the Debtor will be able to restructure its financial affairs, and that the Reorganized Debtor will be able to continue the mission and ministry of the Catholic Church, including through its work with the elderly, poor, incarcerated, vulnerable populations, and the Catholic community as a whole, and to address the spiritual needs of those harmed by the Abuse crisis.

In the opinion of the Debtor, the treatment of Claims under the Plan provides an opportunity for greater recovery for Creditors than that which is likely to be achieved under other alternatives. **Accordingly, the Debtor believes that confirmation of the Plan is in the best interests of, and provides the highest and most expeditious recoveries to, Holders of Claims against the Debtor. All creditors entitled to vote, therefore, are urged to vote to accept the Plan**.

As set forth in the Committee Letter and throughout this Disclosure Statement, the Committee does not support this Plan.

B. **<u>Summary of Voting Procedures</u>**

1. **<u>Vote Solicitation and Deadline.</u>**

To be counted, your Ballot must be received, pursuant to the following instructions, by Kurtzman Carson Consultants, LLC dba Verita Global ("<u>Verita</u>"), on or before **5:00 p.m. (prevailing Pacific Time) on _________, 2025** (the "<u>Voting Deadline</u>"):

<u>If by first class mail, overnight courier or hand delivery</u>:

The Roman Catholic Bishop of Oakland – Ballot Processing c/o Verita
222 N. Pacific Coast Highway, 3rd Floor
El Segundo, CA 90245

By electronic, online submission:

Please visit https://www.veritaglobal.net/rcbo/. Click on the "E-Ballot" section of the Debtor's website and follow the directions on your Ballot to submit your E-Ballot. If you choose to submit your Ballot via Verita's E-Ballot system, you should not also return a hard (paper) copy of your Ballot.

IMPORTANT NOTE: You will need a unique E-Ballot ID Number that will be provided with your Ballot.

IF YOU HOLD A CLAIM ENTITLED TO VOTE:

Please (i) complete the information requested on the Ballot; (ii) sign, date, and indicate your vote to accept or reject the Plan; and (iii) return the completed Ballot in the enclosed pre-addressed, postage-paid envelope, or by one of the other methods described above, so that it is actually received by Verita on or before the Voting Deadline.

DO NOT RETURN ANY INVOICES, DEBT INSTRUMENTS, NOTES, OR CERTIFICATES THAT YOU MAY HAVE WITH YOUR BALLOT.

ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED, NOR WILL ANY BALLOTS RECEIVED BY TELECOPY OR EMAIL BE ACCEPTED.

IF YOU HAVE QUESTIONS REGARDING THE BALLOT, DID NOT RECEIVE A RETURN ENVELOPE WITH YOUR BALLOT, DID NOT RECEIVE AN ELECTRONIC COPY OF THE DISCLOSURE STATEMENT AND THE PLAN, OR NEED PHYSICAL COPIES OF THE BALLOT OR OTHER ENCLOSED MATERIALS, PLEASE CONTACT THE DEBTOR'S SOLICITATION AND CLAIMS AGENT, VERITA, BY EMAIL AT RCBOINFO@VERITAGLOBAL.COM OR BY CALLING (888)-733-1425 (U.S./CANADA) OR (310) 751-2631 (INTERNATIONAL) AND REQUESTING TO SPEAK WITH A MEMBER OF THE DEBTOR'S BALLOTING TEAM.

2. **<u>Importance of Your Vote.</u>**

Your vote is important. The Bankruptcy Court defines acceptance by a Class of Claims as acceptance of at least two-thirds in amount and a majority in number of Allowed Claims in the Class that vote. Only the Ballots of those Holders of Claims who actually vote are counted for purposes of determining whether a Class voted to accept the Plan. Your failure to vote will leave to others the decision to accept or reject the Plan.

3. **Third-Party Release Opt-Out for Abuse Claimants**

If you are the Holder of an Abuse Claim in Class 4 or Class 5, the Ballot includes a checkbox allowing you to opt-out of the non-debtor releases. If you wish to opt-out of the release provided under Section 13.9 of the Plan to non-debtor parties, you must check the box on the Ballot indicating that you wish to opt-out and return the Ballot by the Voting Deadline set forth above. If you do not return a Ballot, you will not be deemed to have opted out of the third-party release in Section 13.9 of the Plan.

IF YOU HOLD AN ABUSE CLAIM AND RETURN THE BALLOT CASTING A VOTE IN FAVOR OF OR AGAINST THE PLAN, YOU WILL BE DEEMED TO CONSENT TO THE THIRD-PARTY RELEASE IN THE PLAN AND DESCRIBED IN SECTION III.F AND ARTICLE XIII, BELOW, UNLESS YOU CHECK THE OPT-OUT BOX ON THE BALLOT. ANY ATTEMPT TO OPT-OUT OF THE RELEASES THROUGH A DIFFERENT METHOD WILL NOT BE EFFECTIVE.

C. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself and its creditors. In addition to permitting rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and interest holders with respect to any distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession." Upon filing a petition for chapter 11 relief and during the pendency of a case, the Bankruptcy Code imposes an automatic stay against creditors' attempts to collect or enforce, through litigation or otherwise, claims against the debtor. The automatic stay provisions of section 362 of the Bankruptcy Code, unless modified by court order, will generally prohibit or restrict attempts by creditors to collect or enforce any claims that arose prior to the commencement of the chapter 11 case against the debtor.

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors in a chapter 11 case to represent the interests of Creditors in the case. On May 23, 2023, the United States Trustee appointed the Committee in the Chapter 11 Case to represent the interests of the Debtor's unsecured creditors, including Holders of Abuse Claims. Each of the members of the Committee asserted a claim for sexual abuse against the Debtor.

The principal objective of a chapter 11 reorganization is the confirmation of a plan of reorganization. The plan sets forth the means for satisfying the claims of creditors and other stakeholders. The plan and a disclosure statement that contains information necessary to allow creditors, shareholders, and members to evaluate the plan are sent to creditors, shareholders and members whose claims or interests are impaired, who then vote to accept or reject the plan.

A class of claims is entitled to vote to accept or reject a plan if the class is "impaired" by the plan. Section 1124 of the Bankruptcy Code provides generally that a claim is impaired if the legal, equitable, or contractual rights of the claim are altered.

A plan may be confirmed under section 1129(a) of the Bankruptcy Code if each class of claims or interests is not impaired by the plan or if each class has voted to accept the plan. Votes will be counted only with respect to claims: (a) that are listed on the debtor's schedules other than as disputed, contingent, or unliquidated; or (b) for which a proof of claim was filed on or before the claim filing deadline set by the Bankruptcy Court for the filing of proofs of claim. However, any vote by a holder of a claim will not be counted if the claim has been disallowed or is the subject of an unresolved objection, absent an order from the Bankruptcy Court allowing the claim for voting purposes. A class of claims has accepted a plan if voting creditors that hold at least two-thirds in amount and more than one-half in number of the allowed voting claims in the class have voted to accept the plan. Pursuant to Bankruptcy Rule 3018(a), Class 4 Claims shall be estimated at $1.00 for voting purposes only. The actual amount payable on account of Class 4 or Class 5 Claims will be determined pursuant to the Survivors' Trust Distribution Plan.

A Holder of a Disputed Claim is not entitled to vote on the Plan unless such Claim is temporarily Allowed by the Debtor, or by an order of the Bankruptcy Court, in an estimated amount that it deems proper for the purpose of voting to accept or reject the Plan. In other words, only holders of Allowed Claims that are in Class 3 (General Unsecured Claims), Class 4 (Abuse Claims), Class 5 (Unknown Abuse Claims), or Class 6 (Non-Abuse Litigation Claims) may vote to accept or reject the Plan. A Claim (a) to which an objection has been Filed by the Debtor or any other party in interest that is pending at the time of the Confirmation Hearing, or (b)(i) that is listed on the Debtor's Schedules as disputed, unliquidated, or contingent, and (ii) with respect to which a superseding proof of claim has not been Filed, is not an Allowed Claim for voting purposes, unless the Claim is settled by agreement or the Bankruptcy Court Allows the Claim (in whole or in part) by Final Order. Upon request of a party in interest, the Bankruptcy Court may temporarily Allow or estimate a Disputed Claim for the purpose of voting on the Plan. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the Claim Holder is not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

If an impaired class votes to reject the plan, the proponent of the plan may seek to "cram down" the plan by confirming it under section 1129(b) of the Bankruptcy Code. A plan proponent may cram down a plan upon a rejecting class only if at least one impaired class has voted to accept the plan, the plan does not discriminate unfairly, and the plan is fair and equitable with respect to each impaired class that has not voted to accept the plan. **The Debtor believes that the Plan will satisfy the foregoing requirements as to any rejecting Class of Claims and can therefore be confirmed despite any such rejection by any Class.**

Voting on the Plan by each Holder of a Claim in an Impaired Class is important. After carefully reviewing the Plan and Disclosure Statement, each Holder of a Claim should vote on the enclosed ballot either to accept or reject the Plan. Any ballot that does not appropriately indicate acceptance or rejection of the Plan will not be counted. A ballot that is not received by the deadline will not be counted. If a ballot is lost, damaged, or missing, a replacement ballot may be obtained by contacting the Debtor's Claims and Noticing Agent, Verita, by email at RCBOInfo@veritaglobal.com or by calling (888)-733-1425 (U.S./Canada) or (310)-751-2631 (international) and requesting to speak with a member of the solicitation team.

Class 3 (General Unsecured Claims), Class 4 (Abuse Claims), Class 5 (Unknown Abuse Claims), and Class 6 (Non-Abuse Litigation Claims) are Impaired under the Plan and are entitled to vote on the Plan.

Class 1 (RCC Secured Claim) and Class 2 (Priority Unsecured Claims) are Unimpaired under the Plan, projected to receive payment in full, and are conclusively deemed to accept the Plan. Accordingly, they are not entitled to vote. Class 7A (Contribution and Indemnification Claims Related to Class 4

Claims) and Class 7B (Contribution and Indemnification Claims Related to Class 5 Claims) are Impaired under the Plan, will not receive any distributions, and conclusively deemed to reject the Plan. Accordingly, they are not entitled to vote.

Section 1129(a) of the Bankruptcy Code establishes several conditions for the confirmation of a plan. These conditions are too numerous to be fully explained here. Parties are encouraged to seek independent legal counsel to answer any questions concerning the chapter 11 process. Among the conditions for plan confirmation is that either each holder of an impaired claim must accept the plan, or the plan must provide at least as much value as would be received upon liquidation of a debtor's estate under chapter 7 of the Bankruptcy Code. The Debtor believes the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code.

The Bankruptcy Court has scheduled a Confirmation Hearing to consider approving the Plan commencing on ______, 2025 at __:__ _.m. (prevailing Pacific Time) at the United States Bankruptcy Court for the Northern District of California, United States Courthouse, 1300 Clay Street, Courtroom 220, Oakland, CA 94612. The Confirmation Hearing may be adjourned from time to time without further notice other than by announcement in the Bankruptcy Court on the scheduled hearing date or upon the Debtor filing a notice of adjournment.

D. Summary of Classification of Claims

Detailed elsewhere in this Disclosure Statement are descriptions of the technical aspects of the classification of Claims, the relative allocations of assets to Holders of such Claims, the methodology as to how such assets are to be distributed, the risks inherent in the proposed Plan, and the applicable bankruptcy and tax consequences of the Plan. However, a broad overview of what each class of creditors is likely to receive under the Plan will be helpful for your consideration of whether you wish to accept or reject the Plan.

The following is a summary of the classification of all Claims under the Plan. This summary is qualified in its entirety by reference to the Plan:

Class	Class Description	Number of Claimants	Status	Voting Rights
Class 1	RCC Secured Claim	1	Unimpaired	Non-voting Deemed to accept
Class 2	Priority Unsecured Claims, other than non-classified claims set forth in Article III	36	Unimpaired	Non-voting Deemed to accept
Class 3	General Unsecured Claims	71	Impaired	Eligible to vote
Class 4	Abuse Claims	~345	Impaired	Eligible to vote
Class 5	Unknown Abuse Claims	Unknown	Impaired	Eligible to vote via the Unknown Abuse Claims Representative
Class 6	Non-Abuse Litigation Claims	2	Impaired	Eligible to vote
Class 7A	Contribution and Indemnification Claims Related to Class 4 Claims	Unknown	No recovery	Non-voting Deemed to reject
Class 7B	Contribution and Indemnification Claims Related	Unknown	No recovery	Non-voting

	to Class 5 Claims			Deemed to reject

As discussed in the Liquidation Analysis attached hereto as **Exhibit B**, the Debtor estimates that recoveries for Holders of Abuse Claims in Class 4 and Class 5 under the Plan will be greater than if the Debtor were to liquidate under chapter 7 of the Bankruptcy Code because the total amount of assets available for Distribution is greater under the Plan than in liquidation under chapter 7.

The Debtor's Liquidation Analysis is predicated on the premise that a "hypothetical liquidation" must be a *possible* liquidation. This means a liquidation analysis ought not include assets which cannot be used to pay creditors because including such assets distorts the outcome and would create confusion concerning the comparison of how creditors are being paid under the Plan versus what creditors might be paid in a liquidation which is legally *possible*. Under Ninth Circuit law, assets of the Debtor's estate that cannot be legally made available for distribution to creditors should not be included in a hypothetical liquidation under section 1129(a)(7)(A)(ii) of the Bankruptcy Code. *See Security Farms*, 265 F.3d at 877. Moreover, the decision on whether to operate a church at a particular location, or the decision whether to sell real estate on which a church sits, is inherently an ecclesiastical decision which affects the faith and mission of the Catholic Church. Under the Free Exercise Clause and Establishment Clause of the First Amendment to the U.S. Constitution, these decisions are reserved for the Bishop alone and the government may not interfere with or dictate those decisions. In other words, because: 1) the Debtor cannot be forced into a chapter 7 liquidation proceeding under the Bankruptcy Code, and 2) the Debtor cannot be forced to sell real estate on which it operates one of the Churches, the Liquidation Analysis should not contemplate such sales. The Debtor asserts this presents a more accurate view of potential recoveries in a hypothetical liquidation scenario and provides appropriate context to whether the Plan is in the best interests of Abuse Claimants, in particular. Notwithstanding this, the Liquidation Analysis attached hereto includes a "Supplemental Liquidation Analysis" premised on the liquidation of all real estate titled in the name of the Debtor. While this supplemental liquidation analysis is provided for informational and disclosure purposes, the Debtor believes this Supplemental Liquidation Analysis is not the appropriate measure to evaluate the Plan in this Chapter 11 Case for the reasons stated above.

As set forth in the Committee Letter, the Committee disputes the Debtor's position regarding forced liquidation in a hypothetical chapter 7 and believes additional property may be available for creditors. Ultimately, the Court will decide whether to confirm the Plan or not. If the Court disagrees with the Debtor's position regarding forced liquidation in a hypothetical chapter 7, it may not confirm the Plan.

Additionally, the Cash Contributions and the Assigned Insurance Interests provided by the Contributing Non-Debtor Catholic Entities will not be available to the Estate under chapter 7, nor would be the Immediate Payment option present in the Plan.

The Debtor also believes that theoretical Distributions under a chapter 7 case would likely be delayed due to the time it will take a chapter 7 trustee to assess the Debtor's assets, review and analyze Claims, and evaluate and litigate claims against third parties. The cost of litigation to determine the value of the Abuse Claims asserted against the Debtor alone would cost tens of millions of dollars. Holders of Allowed Claims entitled to vote to accept or reject the Plan should review the Liquidation Analysis (including all footnotes thereto and documents referenced therein) and the Committee Letter in assessing whether to vote to accept or reject the Plan.

E. Disclosure Statement Enclosures

Accompanying this Disclosure Statement are the following enclosures:

1. **Order Approving Disclosure Statement.**

A copy of the Order of the Bankruptcy Court dated ______________, 2025, in which the Bankruptcy Court approved this Disclosure Statement and, among other things, establishing procedures for voting on the Plan, scheduling the Confirmation Hearing, and setting the deadline for objecting to confirmation of the Plan (the "Disclosure Statement Order").

2. **Notice of Confirmation Hearing.**

A copy of the notice of the deadline for submitting ballots to accept or reject the Plan and, among other things, the date, time and place of the Confirmation Hearing, and the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice").

3. **Ballot.**

Ballot(s) (and return envelope) for each respective Class entitled to vote, for voting to accept or reject the Plan. *See* Article VI(B) below for an explanation of which Holders of Claims are entitled to vote. The Ballot includes the Immediate Payment election for Holders of Class 4 Claims and a checkbox allowing Holders of Class 4 Claims and the Unknown Abuse Claims Representative (on behalf of Class 5) to affirmatively opt-out of the Releases provided to non-debtors under the Plan.

ARTICLE III

QUESTIONS AND ANSWERS ABOUT THE DISCLOSURE STATEMENT AND PLAN

A. What is Chapter 11?

Chapter 11 is a form of bankruptcy under the Bankruptcy Code that involves a court-supervised reorganization of a debtor's assets and liabilities. It is most used by businesses. The commencement of a Chapter 11 case creates an "estate" comprised of any and all the legal and equitable interests of the debtor as of the date of filing of its bankruptcy petition. The Bankruptcy Code provides that the Chapter 11 debtor may continue to operate and remain in possession of its property as a "debtor-in-possession."

Under Chapter 11, a debtor is authorized to reorganize for the benefit of itself and its creditors. The principal objective of a Chapter 11 case is the confirmation and consummation of a Chapter 11 plan. A plan sets forth the means for satisfying claims against a debtor. The Confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, a confirmation order discharges a debtor from any debt that arose before the confirmation of such plan and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization. Certain creditors of a debtor are permitted to vote to accept or reject the plan.

B. Why is the Debtor sending me this Disclosure Statement?

Before soliciting acceptances of a Chapter 11 plan, section 1125 of the Bankruptcy Code requires the preparation of a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and requires the debtor to share such disclosure statement with all creditors whose votes on the plan are being solicited. On [____________], 2025, the Bankruptcy Court entered an Order (the "Disclosure Statement Order"), [Docket No. ____], that approves this Disclosure Statement as containing adequate information within the meaning of section 1125 of the Bankruptcy Code and that establishes certain dates, deadlines, and procedures in connection with the proposed Confirmation of the Plan.

C. <u>Am I entitled to vote on the Plan?</u>

Your ability to vote on the Plan depends on what type of Claim or Claims that you hold. Pursuant to section 1122(a) of the Bankruptcy Code, each category of Claims has been placed into a "Class," as set forth in Articles II – IV of the Plan. The following Classes of Claims are entitled to vote on the Plan:

Class	Class Description	Status	Voting Rights
Class 3	General Unsecured Claims	Impaired	Eligible to vote
Class 4	Abuse Claims	Impaired	Eligible to vote
Class 5	Unknown Abuse Claims	Impaired	Eligible to vote via the Unknown Abuse Claims Representative
Class 6	Non-Abuse Litigation Claims	Impaired	Eligible to vote

All other Classes of Claims are not entitled to vote and will not receive Ballots in connection with solicitation.

D. <u>What is meant by "Confirmation" and "Effective Date"?</u>

"Confirmation" refers to the Bankruptcy Court's approval of the Plan. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan, there are conditions that need to be satisfied or waived so that the Plan can become effective. Distributions to Holders of Allowed Claims will only be made on or after the date the Plan becomes effective—the "Effective Date."

E. <u>Does the Plan contain releases and permanent injunctions in favor of the Debtor and the Churches?</u>

Yes. The Plan contains releases and permanent injunctions that relate to and affect the rights, Claims, and/or Causes of Action that Holders of Claims, including Holders of Abuse Claims, may have against the Debtor or Reorganized Debtor. Because the Churches are not separately incorporated legal entities, as a matter of California law they are not separate from the Debtor, and they do not own or hold a legal or equitable interest in property separate from the Debtor. Thus, the Churches are included in the releases and permanent injunction in favor of the Debtor and Reorganized Debtor, and the Churches are not receiving a release or permanent injunction separate from or in addition to the Debtor and Reorganized Debtor.

Before you vote, you should review the entire Disclosure Statement and Plan, including, but not limited to, its releases and injunctions.

F. <u>Does the Plan contain releases and permanent injunctions in favor of Third Parties?</u>

Yes. The Plan also contains releases and injunctions that relate to and affect the rights, Claims, and/or Causes of Action that "Releasing Parties" may have against entities who are not the Debtor or the Reorganized Debtor, as provided for in Article XIII of the Plan (the "<u>Third-Party Releases and Third-Party Permanent Injunctions</u>"). As discussed below, Holders of Abuse Claims who return their Ballot but do not affirmatively opt out of the releases provided by the Plan by checking the appropriate box on the Ballot indicating they opt not to grant the third-party releases set forth in Section 13.9 of the Plan, are Releasing Parties. Before you vote, you should review the entire Disclosure Statement, Plan, and any Plan Supplement, including, but not limited to the provisions concerning the Third-Party Releases and Third-Party Permanent Injunctions.

"Released Parties" as defined in the Plan includes: (a) the Debtor, (b) the Reorganized Debtor (i.e., the Debtor after confirmation of the Plan), (c) the Churches (as discussed above, none of whom are separately incorporated from the Debtor and whose releases under the Plan shall be one and the same as, and not separate from or in addition to, the releases of the Debtor and Reorganized Debtor), (d) the Contributing Non-Debtor Catholic Entities, but each only as to the Abuse Claims for which it receives a Release under Section 13.9 of the Plan. In order to effectuate this release of the foregoing, "Released Parties" also includes each of their "current and former directors, managers, officers, employees, predecessors, successors, assigns, managed accounts or funds, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, and other professionals." The Plan does not purport or attempt to release or grant permanent injunctions to any other diocese, archdiocese, or religious organization that is not a Contributing Non-Debtor Catholic Entity. Presently, RCWC is the only Contributing Non-Debtor Catholic Entity under the Plan. The Plan also expressly excludes from the release the perpetrators of abuse identified in Abuse Claims.

G. <u>As the Holder of an Abuse Claim, will I be bound by the Third-Party Releases and Third-Party Permanent Injunctions?</u>

All Holders of Abuse Claims who return their Ballot *and* who do not affirmatively opt out of the releases provided by the Plan by checking the appropriate box on the Ballot indicating that they opt not to grant the releases set forth in the Plan and returning such form to Debtor's claims and noticing agent, will be bound by the Third-Party Releases and Third-Party Permanent Injunctions.

H. <u>As the Holder of any Claim other than an Abuse Claim, will I be bound by the Third-Party Releases and Third-Party Permanent Injunctions?</u>

Holders of Claims other than Class 4 or Class 5 Claims are not subject to the Third-Party Releases and Third-Party Permanent Injunctions. Such Holders will not be releasing claims against any non-debtors.

I. <u>What is required for the Unknown Abuse Claims Representative to Opt-Out of the Third-Party Releases and Third-Party Permanent Injunctions?</u>

The Unknown Abuse Claims Representative shall cast a single Ballot with a single checkbox for the opt-out on behalf of all Class 5 Claims. To the extent the Unknown Abuse Claims Representative submits a Ballot (with the opt-out checkbox) on behalf of Class 5 Claims, they shall do so according to the same procedures and deadlines as Holders of Class 4 Claims.

J. <u>Are there any Exculpation Provisions contained in the Plan?</u>

Yes. The Plan also contains provisions (the "<u>Exculpation Clause</u>," as set forth and defined in the Plan in Article 13.6) exculpating or limiting the liability of certain parties, including the Debtor, the Reorganized Debtor, the Committee, and numerous other parties (the "<u>Exculpated Parties</u>," as set forth and defined in the Plan in Article 1.1.51). The Exculpation Clause may affect the rights, Claims, and/or Causes of Action of Holders of Claims, including Holders of Abuse Claims, in relation to the Exculpated Parties. The Exculpated Parties shall receive the benefits of the Exculpation Clause to the extent permitted under applicable Ninth Circuit law, including without limitation *Blixseth v. Credit Suisse*, 961 F.3d 1074 (9th Cir. 2020).

K. <u>Does the Plan contain Provisions Designed to Foster the Protection of Children from Sexual Abuse?</u>

Yes. The Plan's Non-Monetary Commitment to Healing and Reconciliation reinforce and continue the Debtor's existing policies and procedures, as described herein, for the protection of children and vulnerable adults.

L. <u>What is the Effect of the Plan on the Debtor's Ongoing Religious and Charitable Endeavors?</u>

The Debtor is reorganizing under Chapter 11 of the Bankruptcy Code. Following Confirmation, the Plan will be consummated on the Effective Date. On and after the Effective Date, the Reorganized Debtor will continue its charitable, non-profit operations and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Non-Abuse Litigation Claims without supervision or approval by the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the occurrence of the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

M. <u>Is the Debtor Preserving Estate Causes of Action under the Plan?</u>

Yes, except to the extent such rights, Claims, Estate Causes of Action, defenses, and counterclaims are otherwise dealt with in the Plan or are expressly and specifically released in connection with the Plan, the Confirmation Order, or any settlement agreement approved during the Chapter 11 Case, the Plan provides that, as of the Effective Date, the Reorganized Debtor reserves any and all rights, Claims, Estate Causes of Action, defenses, and counterclaims of or accruing to the Debtor or Reorganized Debtor, whether or not litigation relating thereto is pending on the Effective Date.

ARTICLE IV

<u>THE DEBTOR AND ITS OPERATIONS</u>

A. <u>Organization and Central Mission of the Roman Catholic Church</u>

The Roman Catholic Church follows an episcopal governance structure led by bishops who preside over formal jurisdictions, or geographic areas, known as dioceses. The Pope, who serves as the Bishop of Rome, is the global, spiritual leader of the Roman Catholic Church whose jurisdiction is called the Holy See.

Each diocese is led by a bishop or archbishop who is responsible for reporting to the Holy See regarding the diocese's religious and administrative functions. A diocese supports, serves, and provides administrative functions to, among others, local churches (commonly known as "parishes") and various other Catholic entities.[~~6~~7] Bishops perform their canonical duties in accord with the Code of Canon Law ("<u>Canon Law</u>"), which is the ecclesiastical law of the Roman Catholic Church.

[~~6~~7] There is another type of organization within the Catholic community known as a religious order. Religious orders are largely autonomous and governed by the statutes and constitutions of the particular order. The priests, religious women and brothers of religious orders do not normally report directly to or take ultimate direction from diocesan bishops. The principal authority for supervising, reassigning or punishing members of religious orders are the superiors of those orders.

Canon Law is the oldest continual legal system in the western world. 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…." (Code of Canon Law, c. 369). As such, each diocese within the Roman Catholic Church 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 Roman Catholic Church within that geographic area and for the faithful within the area.

Also under Canon Law, every diocese is divided into distinct parts, known as parishes, which 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. CIC, cc. 374 §1, 515 §1.

Each diocese, and each parish within a diocese, is a separate public juridic person. *Id.*, 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. *Id.*, cc. 393, 532. Each such administrator is obligated to acquire, hold, administer, and/or alienate such property in accordance with Canon Law (*id.*, c. 1257), which requires that property held by any juridic person—diocese, parish, or otherwise—must be used for the purposes of the Roman 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.

Clergy (or ordained clerics of the diocese) carry out the diocese's spiritual mission through celebration of the sacraments, provision of pastoral services to the laity (the non-ordained faithful of the diocese), and performance of corporal and spiritual works of mercy for not only the laity but also for the larger public. There are three levels of clergy within the Roman Catholic Church: the episcopate, composed of bishops; the presbyterate, composed of priests ordained by bishops; and the diaconate, composed of deacons who assist bishops and priests in a variety of ministerial roles.

The mission of the Roman Catholic Church is to share God's love and mercy with all people. The Roman Catholic Church does this through its charitable operations, as well as in the countless churches where Catholics come together to worship across the world. The Roman Catholic Church also engages diplomatic institutions like the United Nations in defense of human dignity for all people and in pursuit of the common good.

B. <u>History of the Diocese of Oakland</u>

The Holy See established the Diocese of Oakland in 1962 from the eastern territory of the Archdiocese of San Francisco. The territory of the Debtor spans roughly 1,467 square miles and encompasses two counties, Alameda and Contra Costa. The Debtor is situated along the eastern shore of the San Francisco Bay and the Debtor estimates it serves nearly 550,000 resident Catholics and assists approximately 260,000 people through its ministry and charitable services.

On January 27, 1962, the Most Rev. Floyd Lawrence Begin, auxiliary bishop of the Debtor of Cleveland, Ohio, was named the first Bishop of Oakland. His installation took place on April 28, 1962. The Debtor has had four other bishops, with its incumbent and fifth bishop, Most Reverend Michael C. Barber, SJ ("<u>Bishop Barber</u>" or the "<u>Bishop</u>") having been appointed on May 25, 2013.

The charitable history of the Debtor is born out of missionary origins. In 1772, Franciscan Friar Juan Crespi celebrated Mass with Spanish explorers next to a swamp in what would become downtown Oakland. Almost 25 years after that first Mass, Franciscan Fermín de Francisco Lasuén de Arasqueta founded Mission San José. The mission was the only parish on the coast opposite San Francisco for the next 64 years. In 1861, the now amalgamated parish of St. Mary of the Immaculate Conception opened. In 1862, St. Paul's parish in San Pablo was the second to open in the present diocese and was the first parish in what is now Contra Costa County.

In 1840, the Holy See erected the "Diocese of the Two Californias" to recognize the growth of the provinces of Alta and Baja California. In 1848, Alta California was ceded to the United States and the Holy See split the Diocese of the Two Californias into American and Mexican sections, and the American section was renamed the Diocese of Monterey.

In 1853, the Holy See established the Archdiocese of San Francisco from the northern territory of the Diocese of Monterey. The territory that would eventually become the Diocese of Oakland was, at that time, situated within the eastern part of the Archdiocese of San Francisco.

C. Governance, Mission-Service Activities, and Structure of the Diocese of Oakland

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 Canon Law.

None of the parish churches (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. However, because the Churches are not separately incorporated legal entities, as a matter of California law they are not separate from the Debtor, and they do not own or hold a legal or equitable interest in property separate from the Debtor.

Bishop Barber has led the Debtor since he was ordained to the episcopacy and installed as Bishop of Oakland on May 25, 2013. Bishop Barber has been an ordained priest for almost 40 years and has served as a missionary abroad, a professor of theology, a seminary spiritual director and, from 1991-2018, as a chaplain and officer in the U.S. Navy.

Bishop Barber is assisted in the management of the Debtor by both clergy and lay administrators and staff, including the Diocesan Chancellor, Vicar General and Chief Financial Officer. As of the Petition Date, 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." The Chancery is located in downtown Oakland.

The diocese has 80 parishes and missions and is home to 159 diocesan priests, 160 religious priests, 35 extern priests, and 118 permanent deacons.

The Churches play a central role in the lives of Catholics living within the Debtor 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.

The Debtor serves one of the most ethnically diverse areas in the nation, where approximately 70% of residents of Alameda County and approximately 59% of residents of Contra Costa County identify as non-White. Alameda County, in particular, is home to more Asian residents than any other race or ethnicity. The Debtor runs ethnic pastoral centers that serve communities from Brazil, China, Eritrea, Ethiopia, Fiji, India, Indonesia, Kenya, Korea, Laos, Nigeria, Poland, Tonga and Vietnam. For some new arrivals in Alameda and Contra Costa counties, the Roman Catholic Church is their community focal point, a place they can find support and oftentimes necessary resources to begin their lives in the United States.

Sunday celebrations within the Churches are celebrated in approximately 17 languages, with the most common being English, Spanish, and Vietnamese. A number of Churches celebrate Mass using multiple languages.

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.

Most of the Churches in the diocese provide some sort of lay outreach to the poor in their local community, *e.g.*, St. Vincent de Paul, food pantries, temporary shelters and ministry to the sick. Lay associations have also formed to engage on issues of immigrant rights, economic development, peace building, and restorative justice.

Over one third of the Churches in the diocese are involved in some sort of grassroots faith-based community organizing. This collaboration is most evident in the Debtor's work for affordable and emergency housing and community organizing. In Contra Costa, eight Churches actively participate with the Interfaith Council of Contra Costa ("I4C"), which is an interfaith coalition of congregations joining together to promote social justice in their community. I4C member congregations also provide shelter and social services to homeless families on a rotating basis. For instance, Christ the King in Pleasant Hill provides shelter, food, and volunteer counselors to homeless families every winter. West Contra Costa County and South Alameda County have similar interfaith coalitions that involve many Churches.

Chaplains serve five hospitals in the diocese. The remaining hospitals without assigned chaplains are served by the Churches that include the hospitals within the geographic boundaries of their respective parish. Most of those have established programs involving laity who visit Catholic patients daily and who also visit shut-ins and individuals in convalescent facilities. There are 101 nursing homes and similarly licensed care facilities that are served by the Debtor.

Each Church is encouraged to have a committee whose specific task is outreach to the sick and housebound within the parish. Training for these individuals is provided at the parish level. Pastoral care for doctors and nurses and other health care workers is ordinarily provided through the chaplains who service the institutions where those individuals are working.

D. The Debtor's Operations

The Debtor's revenue streams include parish assessment revenue, which is dependent on donations by parishioners through their respective Church; and the Bishop's Ministries Appeal ("BMA"), an annual fundraising campaign that supports the Churches and diocesan ministries and programs. Funds raised through the BMA are solicited specifically and restricted to fund the particular ministries and programs that the BMA was designed to support and facilitate, including faith formation and evangelization, Catholic Youth Organization sports, formation of priests to serve parishioners, care of the retired priests, and meeting the unexpected needs of schools and Churches. In the ordinary course of business, the Debtor also receives, among other revenue, rental revenue, events/programming revenue, revenue from the Catholic Telemedia Network ("CTN"),[~~7~~8] management fees, and unrestricted gifts, grants, and bequests (collectively, "Other Chancery Revenues").

The Debtor provides support to and sometimes administers, among others, local Churches and parish schools and other charitable, educational, and religious-service affiliates critical to the ministry of the Roman Catholic Church within the Debtor.

The Debtor has a December 31st year end. On an unaudited based, for fiscal year 2022, ended December 31, 2022, the Debtor had total revenue of approximately $21.1 million. Of this amount, approximately $5.5 million was from parish assessments, $2.7 million was from the BMA and $2.3 million was from other gifts, grants and bequests. Other revenue totaled approximately $10.6 million, consisting of rental income, insurance revenue, program revenue and income and dividends, among other sources. The Debtor had total operating expenses of $20.0 million, resulting in income from operations of $1.1 million before other non-operating income and expenses.

On an unaudited based, for fiscal year 2023, ended December 31, 2023, the Debtor had total revenue of approximately $19.0 million. Of this amount, approximately $6.5 million was from parish assessments, $2.4 million was from the BMA and $2.5 million was from other gifts, grants and bequests. Other revenue totaled approximately $7.6 million, consisting of rental income, net insurance revenue, program revenue and income and dividends, among other sources. The Debtor had total operating expenses of $35.2 million (including professional fees), resulting in losses from operations of $16.24 million before other non-operating income and expenses.

E. Mission Alignment Process

In November 2020, Bishop Barber called for the formulation of a task force to assess how to meet the challenges of declining Mass attendance, underutilized parish facilities and the declining number of priests serving in the Diocese of Oakland. In March 2021, the Debtor formed a task force called the Mission Alignment Process (MAP) Commission (the "Commission"). The Commission is composed of 15 members representing laity and clergy of the Debtor.

The Commission began meeting in April 2021 to evaluate and guide the Debtor in a process of self-reflection and renewal. Data from the Churches, parishioners, schools, priests, and diocesan demographics was analyzed, and a presentation was developed for the presbyterate of the Debtor. This data included facts about parish-by-parish Mass attendance, the historical decline in priests serving in parish ministry, and projections of a decline in the number of future priests under 70 years old for parish ministry. Over a period of 14 months, a series of additional meetings with clergy and parish and school lay leadership at the regional and deanery level were held and input was sought for dealing with these challenges and increasing focus on Bishop Barber's three priorities – emphasizing the Sunday experience of the Holy Eucharist, practicing the corporal and spiritual works of mercy, and forming missionary disciples.

[~~7~~8] Historically, the Debtor has received approximately $2 million in voluntary grants from CTN. The Debtor does not own an equity interest in CTN but has the right to designate 50% of the members of its board. As reflected in the Financial Projections attached hereto, the Debtor anticipates continuing to receive approximately $2 million annually in grants from CTN on a go-forward basis, but there is no guarantee such grants will continue, and the Debtor has no control over the making of such grants. The Committee does not agree with this assertion because the Committee believes the Bishop has an ownership interest in, and is one of two members of, CTN and has authority to appoint one-half of CTN's Board of Directors. As a result, the Committee asserts that the Bishop exercises control over CTN and any grants that may be made to the Debtor.

In November 2022 Bishop Barber arranged 14 meetings of priests to discuss the feedback from the regional and deanery consultative meetings and to deliberate on a path forward for each deanery. This path forward included consideration of clustering, merging, or closing of Churches. A cluster is where two or more Churches remain separate and retain their names but share one or more priests and one administration. A merger is where two or more parishes are combined to form one new parish while consolidating membership, property and finances. Closures include selling, renting or using parish properties for other purposes.

The work of the MAP Commission continues, and the Plan constitutes an extension of its work. The information gained through the MAP has assisted the Debtor through its Chapter 11 Case in evaluating resources to settle claims while ensuring that the Roman Catholic Church in the Diocese of Oakland can emerge as an even more vibrant and faith-filled community. As set forth in the Committee Letter, the Committee asserts that the Debtor has not followed through on its plan to merge parishes which would, in turn, allow the Debtor to sell certain real estate and realize operational efficiencies.

F. Affiliated Non-Debtor Catholic Entities

Through common missions, the Debtor is affiliated with certain entities separately incorporated under California law and which are not debtors in this Chapter 11 Case (each such affiliated incorporated entity a "Non-Debtor Catholic Entity," and collectively, the "Non-Debtor Catholic Entities").

Analogous to a corporate headquarters, the Debtor provides certain administrative services to optimize functional area expertise, staffing and centralized purchasing (e.g., in areas of background checks and other human resource functions, accounting, and group purchasing of insurance) 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.

1. The Roman Catholic Welfare Corporation of Oakland

RCWC is a nonprofit religious corporation that oversees 32 elementary schools and two high schools. The Catholic schools fulfill the threefold mission of Catholic education to (1) proclaim the Gospel, (2) build community, and (3) serve the faithful and non-believers alike. RCWC initiates, administers, and supervises the educational program and evangelization goals in the Catholic schools located in the Debtor for which it has oversight responsibility. RCWC also coordinates accreditation, policy development, curriculum, testing, and training for the approximately 1,400 teachers serving in those schools. All the RCWC schools' real property is owned by RCWC. All schools are accredited by the Western Association of Schools and Colleges, and Catholic schools generally have separate administration from the Churches. Each school collects revenues, pays expenses, and conducts other operational and financial matters of the school.

RCWC has its own board and has at all times maintained its own, separate bank accounts and had its own financial statements. RCWC participates in the Debtor's benefits and insurance plans. RCWC relies upon the Oakland Parochial Fund, Inc. to manage its investments.

2. Lumen Christi Academies of the Roman Catholic Diocese of Oakland

Formally established in 2018 by Bishop Barber, the Lumen Christi Academies ("LCA") were formed with the goal of creating an independent network of peer Catholic schools generally serving lower income, urban students. It is LCA's charter to establish new governance models and pursue academic innovation, efficient operations, and sustained investment in the professional development of teachers and principals, all while delivering the highest quality Catholic education to its students. At present, LCA is comprised of five culturally diverse elementary schools (*i.e.*, preschool through 8th grade) across the Oakland and Contra Costa County area.

LCA participates in the Debtor's benefits and insurance plans. It has at all times maintained its own board and separate bank accounts and had its own financial statements.

3. ***The Roman Catholic Cemeteries of the Diocese of Oakland***

The Roman Catholic Cemeteries of the Diocese of Oakland ("RCC"), a California corporation, operates and administers all cemetery, mausoleum and mortuary services in the diocese. RCC operates and administers six diocesan cemeteries, five diocesan mortuaries, two mausoleums and one crematory. RCC owns no real property and all real property necessary to carry out its activities (burial, entombment, and related services) is leased from the Debtor pursuant to ground leases or other appropriate lease forms. RCC is obligated to provide for Catholic burial of the deceased, and to provide "perpetual care." This obligation is central to the operating structure of the RCC cemeteries and is part of the contractual arrangements for every interment.

Funds from every interment are set aside for a permanent maintenance fund to be held, invested, and used to provide perpetual care. RCC has at all times segregated its funds from those of the Debtor and has at all times maintained separate accounts. RCC holds and invests such segregated funds and also bears the related obligation to provide perpetual care for the deceased.

RCC has its own board and audited financial statements. RCC participates in the Debtor's benefits and insurance plans. RCC relies upon the Oakland Parochial Fund, Inc. to manage its investments.

4. ***The Oakland Parochial Fund, Inc.***

The Oakland Parochial Fund, Inc. ("OPF") is a separately incorporated, non-regulated investment fund organized for the purpose of offering the Churches and certain Affiliated Non-Debtor Catholic Entities some administration and accounting functions and the opportunity, but not the obligation, to professionally invest their funds. OPF serves as a non-profit fund manager for investments of the Churches and RCWC (through its component schools, the "Schools"), to the extent they choose to participate. OPF has its own board and audited financial statements. It has at all times maintained its own, separate investment accounts, and has its own bank account. OPF relies on the Debtor for finance and accounting services related to the closing of books and maintaining its accounting records.

The services provided by OPF are a continuation of deposit and investment management services (the "Diocesan Investment Management Services") previously provided by the Debtor. Before April 2023, the Debtor managed certain deposits and investments of participating Churches and RCWC through the Diocesan Investment Management Services, which consisted of two programs: (1) The Deposit and Loan Fund program (the "DLF"), which held cash, investments, of participating Churches and Schools and provided loans to participated Churches and Schools, and (2) the Investment/Endowment Pool (the "Endowment Pool") in which Churches and the Schools could separately invest funds with long-term investment horizons in marketable securities.

Prior to 2023, the DLF was maintained in two accounts: a deposit bank account that held case for short-term liquidity needs of the Debtor, the Churches and RCWC Schools, and an investment account at the Principal Financial Group ("Principal") for funds beyond short-term cash needs. The Endowment Pool was also maintained at, and accounted for by, Principal. As part of the DLF, the Debtor periodically loaned Funds held in the DLF to individual Churches or Schools in connection with capital improvement projects (the "Loan Program").

The Debtor kept detailed book entry records of the funds held in the DLF for itself, the Churches, and RCWC Schools, and provided quarterly statements to each participating Church and school. The RCWC funds that the Debtor managed through the Diocesan Investment Management Services were property of RCWC (*i.e.*, not property of the Debtor), and were held by the Debtor solely for the RCWC and the Schools' benefit. While the Debtor separately accounted for Church funds pursuant to Canon Law, as a matter of Civil law the Churches are not separate from the Debtor.

In April 2023, the Debtor transitioned the Diocesan Investment Management Services to OPF. While the transition of these services occurred shortly before the Petition Date, it was neither the intent nor the result to move assets out of the reach of creditors that otherwise would have been available to satisfy the liabilities of the Debtor.

To that end, in furtherance of the transition, the Debtor transferred the DLF and Endowment Fund assets held for the benefit of the Churches and RCWC to OPF. While the total DLF and Endowment Fund assets transferred to OPF were approximately $106 million, $14 million was in the form of Loan Program receivables from Churches or Schools. Additionally, $35 million from Church funds in the DLF was loaned by OPF to the Debtor to fund this Chapter 11 Case (the "OPF Loan"). The net cash and investments transferred to OPF pre-petition were therefore approximately $57 million, of which approximately $31 million was School funds belonging to RCWC, and the remaining approximately $26 million was Church funds. The $31 million in School funds remains property of RCWC, as it was when previously held in trust for RCWC by the Debtor through the Diocesan Investment Management Services.

As of November 30, 2024, total DLF cash and investments held by OPF for Churches were approximately $5.6 million, and total Church Endowment Pool investments were approximately $15.7 million. Substantially all of these funds are subject to donor restrictions, and therefore not available for payment of claims. As reflected in the Liquidation Analysis attached hereto, Church funds not subject to donor restrictions are treated as property of the Debtor for purposes of the Plan, regardless of where held.

Functionally, OPF acts as a deposit and investment manager for the Churches and RCWC, providing for efficient, professionally managed investment of Church and RCWC school assets. The funds deposited with OPF and the investments it manages are held by OPF for the benefit of the depositing Churches and RCWC schools. For the avoidance of doubt, where OPF holds funds for the benefit of the Churches, such funds are held for the Debtor as a matter of civil law, because the Churches are not separate from the Debtor under California law.

The Debtor's obligation to OPF for the OPF Loan is not treated under the Plan, and OPF is not entitled to receive any payment under the Plan on account of the OPF Loan. OPF stipulated with the Debtor to withdraw OPF's general unsecured claim in the Chapter 11 Case on February 28, 2025 [Docket No. 1784], and the Bankruptcy Court entered an order approving that stipulation on March 3, 2025 [Docket No. 1796]. Nothing in the Plan, however, prohibits the Debtor from making payments to OPF after the Effective Date of the Plan in order to satisfy its obligations under Canon Law, provided any such payments do not otherwise violate the terms of the Plan or applicable civil law.

As set forth in the Committee Letter, the Committee believes OPF does not hold a valid claim and the Committee had objected to its allowance before the OPF general unsecured claim was withdrawn. If the Debtor seeks to pay OPF before Survivors are paid in full, the Committee believes such payment is in violation of the Bankruptcy Code and the Plan and the Committee will seek to enforce all of its claims, rights and causes of action against the Debtor and OPF.

*5. **The Catholic Cathedral Corporation of the East Bay***

The Catholic Cathedral Corporation of the East Bay ("CCCEB") was formed, along with Christ the Light Cathedral Corporation ("CLCC"), to conduct activities related to replacing the prior diocesan cathedral, which was rendered seismically unsound by the 1989 Loma Prieta earthquake and ultimately demolished. CLCC's purpose was to raise funds necessary for the costs of construction of a cathedral center and land acquisition in connection therewith. All monies and properties gifted to CLCC were and are restricted by the donors for use only in connection with the cathedral center. These monies and properties are to be used only for this purpose by either CLCC or CCCEB. CCCEB has at all times maintained its own, separate bank accounts and had its own financial statements.

Construction of the new cathedral, known as Cathedral of Christ the Light (the "Cathedral") commenced in May 2005. The Cathedral project included a mausoleum, a chancery to serve administrative offices, rectory, other administrative and services offices, conference facilities, and an open plaza (collectively, with the Cathedral, the "Cathedral Center").

CCCEB currently holds legal title to the land and improvements constituting the Cathedral Center and operates and maintains the Cathedral Center. The Debtor pays user fees to CCCEB for use of the chancery administrative offices and rectory and provides finance and accounting services and support for CCCEB. Other agreements between CCCEB and users of the Cathedral Center property include: (i) that certain License and Services Agreement dated as of January 1, 2020, with RCC regarding the mausoleum on the Cathedral Property; (ii) that certain Commercial Office Lease Agreement with RCC dated as of April 3, 2024; (iii) that certain Lease Agreement with the Order of Malta Clinic of Northern California dated January 25, 2008, and amended February 10, 2023; and (iv) agreements for use of Cathedral Property space with RCWC, and the Cathedral of Christ the Light parish Church (the foregoing, collectively, the "User Agreements").

In addition to donations and gifts, construction of the Cathedral Center was funded, in part, through funds loaned to CCCEB by the Debtor. As of the Petition Date, CCCEB owed the Debtor $41,856,598.19 (the "CCCEB Note") on account of funds loaned to it, which amount remains outstanding. The Plan contemplates a settlement of CCCEB's outstanding obligations on the CCCEB Note through a settlement (the "CCCEB Settlement") through which the 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 the operation of the Cathedral Center, in full and complete satisfaction of all obligations under the CCCEB Note. The terms of and basis for the CCCEB Settlement are discussed in more detail in Section X.C., below.

*6. **The Oakland Society for the Propagation of the Faith***

The Oakland Society for the Propagation of the Faith ("SPOF") provides support for Catholic missionaries. SPOF is one of the four Pontifical Mission Societies, known in some countries as Missio. This group of Catholic missionary societies is under the canonical jurisdiction of the Congregation for the Evangelization of Peoples (Rome, Italy) and the Bishop of Rome (the Pope). Since 1922, the Pontifical Mission Societies has been the Roman Catholic Church's official support organization for overseas mission. SPOF seeks to foster an even deeper spirit of universal mission. It strives to inform Catholics of the life and the needs of the Roman Catholic Church in the missions and to encourage prayer and financial help for those mission churches.

Through the offerings from Catholics worldwide, the SPOF provides ongoing support for the pastoral and evangelizing programs of the Roman Catholic Church in Africa, Asia, the Pacific Islands and remote regions of Latin America. This includes aid for religious communities in education, evangelization, seminarians and catechist formation, catechetical work and the construction of churches and chapels. Support is also provided for health care, social services, communication and transportation needs for disaster and emergency relief when necessary.

SPOF relies on the Debtor for finance and accounting services related to the closing of books and maintaining its accounting records. SPOF has at all times maintained its own, separate bank accounts and had its own financial statements.

7. ***Catholic Charities of the Diocese of Oakland, Inc.***

Catholic Charities of the Diocese of Oakland, Inc., dba Catholic Charities of the East Bay ("CCEB") is a California not-for-profit corporation. CCEB is the social service arm of the Debtor. CCEB helps vulnerable communities within Alameda and Contra Costa Counties by supporting children, youth, families, and seniors and immigrants from crisis to stability to well-being.

Founded in 1935, CCEB provides hope and healing to vulnerable children, youth and families in Alameda and Contra Costa Counties through compassionate services that transform lives and foster self-sufficiency. CCEB works to address the root causes of poverty and issues of social justice. CCEB heeds the call of the Pope to serve the vulnerable and services people in need regardless of religious belief, race, national origin, gender or sexual orientation.

As the social service arm of the Debtor, CCEB is a nationally recognized leader in healing trauma and providing evidence-based mental health services and restorative practices. CCEB is also nationally accredited through the New York-based Council on Accreditation, demonstrating the implementation of best practice standards in the field of human services in all aspects of CCEB's programs, services, management and administration.

CCEB has at all times maintained its own, separate bank accounts and had its own financial statements.

8. ***Catholic Church Support Services (dba Catholic Management Services)***

Catholic Church Support Services ("CCSS"), established January 1, 2014, is a California nonprofit religious corporation that operates under the trade name of Catholic Management Services. CCSS provides management services to Catholic dioceses throughout the United States, including Puerto Rico, generally regarding their funeral and cemetery enterprises. CCSS provides general managerial administration of the day-to-day operations of cemeteries, including marketing and branding support, business development, and process and systems reviews under management services agreements.

CCSS has its own board and audited financial statements and has at all times maintained its own, separate bank accounts. CCSS participates in the Debtor's benefits and insurance plans.

9. ***Furrer Properties Inc.***

Furrer Properties Inc. ("Furrer"), a California corporation and wholly-owned subsidiary of the Debtor, is used by the Debtor to hold title in its real estate. Furrer holds select real estate assets that derive rental property income from cemeteries, a four-unit rental property, and parking lot in Oakland. Its financials are consolidated in the audited financials of the Debtor. Furrer maintains a separate bank account administered by its agent, a property management company.

10. ***Adventus***

Adventus, a California nonprofit public benefit corporation, is used by the Debtor to hold title in some limited real estate. Adventus' financials are consolidated into the audited financials of the Debtor. Adventus has always maintained a separate bank account.

11. ***Catholic Foundation for the Diocese of Oakland***

Catholic Foundation for the Diocese of Oakland ("Foundation") was formed in 2014 for the purpose of fundraising for the Debtor's one and only diocesan-wide capital campaign initiated that year. It is currently in the process of being wound down as the campaign concluded and funds raised and collected have nearly all been distributed.

G. The Debtor's Mission to Effect Reconciliation and Compensation

The needs of survivors of clergy sexual abuse (the "Abuse Survivors") and the protection of children have long been priorities of the Debtor. Since the 1990s, the Debtor has provided counseling, therapy, support and outreach to Abuse Survivors.

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 "USCCB 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 Roman Catholic Church. During that time, the Sensitive Issues Committee assisted in the evaluation of the credibility of claims and made recommendations to the bishop regarding assistance to Abuse Survivors, including monetary assistance, counseling and pastoral care.

Following the USCCB Charter's adoption, the Sensitive Issues Committee was renamed the Diocesan Review Board in 2003 and again updated to the Minor Diocesan Review Board in 2022 (the "MDRB"). The MDRB actively functions today. Its five lay members (including an Abuse Survivor 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 and vulnerable adults by clergy. This consultative body is critical to the work of the Debtor to address crimes against children and vulnerable adults. As with the Sensitive Issues Committee, the MDRB works with Bishop Barber to analyze and properly respond to claims so credibility can be determined and acted upon in the best interest of the Abuse Survivor.

In line with the Charter and the mission and teachings of the Roman Catholic Church, the Debtor offers (i) counseling, treatment, and programming for those who both claim to have been and have been credibly found to be survivors of abuse by members of the clergy along with (ii) safe environment scanning training and classes for prevention. These programs (collectively, the "Abuse Survivors' Assistance and Safe Environment Programs") are important and necessary to the Debtor's ongoing obligations and to its moral and ethical responsibility to support Abuse Survivors.

In 2004, the Debtor began developing specific training and background check programs that provide a safe environment for parishioners and visitors to diocesan facilities ("Safe Environment"). Through its Safe Environment programs, the Debtor ensures and requires the training of all adults – whether volunteer or employed – who serve in the Debtor. The Debtor gives rigorous attention to training materials and teaches adult parish and school leaders to facilitate the training program. Processes are also in place to refer anyone with claims regarding clergy sexual abuse to law enforcement and Debtor representatives for assistance.

All volunteers and employees over age 18 in any parish, school, or other diocesan site, regardless of ministry, must be trained every three years in safe environment. All children in Catholic school or parish faith formation programs must also be trained annually to recognize and report abuse. As part of this process, the Office of Safe Environment conducts annual statistical audits of each location in the diocese and trains the coordinators annually to ensure the policies are met and followed.

The Office of Safe Environment has continually improved the content of its trainings and, as online platforms became available, former Bishop 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 every parish and school.

The Debtor also operates an Office for Victims Assistance ("OVA") and employs a Victims Assistance Coordinator ("VAC") to directly address the needs of Abuse Survivors and coordinate support services for them. The goals of the OVA, as administered by the VAC, are to support Abuse Survivors and their families through counseling, spiritual direction, and support groups. The OVA also arms Church leaders with the tools to develop support, promote healing, and empower Abuse Survivors in the diocesan community.

Through the OVA, and the hotline established by the Debtor, counseling and spiritual direction are offered to Abuse Survivors of clergy abuse and their families and the Debtor is committed to reporting, investigating, and responding to such claims. The Debtor also pays for Abuse Survivors to receive psychological counseling and related medical treatment, including medications where appropriate ("Abuse Survivors' Assistance").

Abuse Survivors' Assistance is available for any requesting individual who makes an allegation of abuse by clergy or non-clergy affiliated with the Debtor. In some cases, the Debtor makes these programs available to family members who have been affected by the abuse of a loved one.

Abuse Survivors' Assistance is administered by psychologists, psychiatrists, licensed clinical social workers, and licensed marriage and family therapists selected by the recipient (each a "Counselor"). Before engaging a Counselor, the Debtor requires the Counselor to provide evidence that he or she is a state-licensed mental health professional with at least a master's degree in a relevant field. The Debtor recommends Counselors who have a background in trauma therapy but does not require that background. The Counselors are not employed by or otherwise affiliated with the Debtor.

Education on the issue of clergy sexual abuse is also a cornerstone of the Debtor's mission to address and eradicate this problem. The Debtor actively educates clergy, Church employees and the community around the realities of clergy sexual abuse through workshops and presentations aimed at bringing awareness to the problem. This forum also provides opportunities for Abuse Survivors to tell their stories to help effect change regarding clergy sexual abuse. The Debtor's ministry also includes Abuse Survivors working together with priests and deacons regarding what it means to be sexually abused by a member of the clergy.

Ultimately, the Debtor understands that in order to address the problem of clergy sexual abuse, it must amplify the voice of Abuse Survivors and provide necessary resources to the public to understand when and how to report incidents of abuse. The Debtor's website (www.oakdiocese.org) has five main sections: Debtor, Bishop, Ministries, Giving and Survivors. The Survivors section contains five pages full of resources, information and links to policies and procedures to further the cause of identifying, addressing, reporting and responding to clergy sexual abuse. The website contains, among other things:

a. Contact information for the VAC, Chancellor and the number/email for the dedicated

Survivor Advocacy Hotline;

b. Information regarding the Debtor's Minor Diocesan Review Board and steps for reporting abuse;

c. A parish infographic detailing the steps the Debtor will take to respond to and investigate a claim of clergy sexual abuse;

d. Access to the Virtus registration and login in both English and Spanish, as well as retraining instructions, so that safe environment training can be easily accomplished;

e. Policies related to *Background Screening and Training*, *Sexual Misconduct*, and *Minors Volunteering or Working with Younger Children*;

f. Links to the *Code of Conduct Involving Interactions with Minors and Vulnerable Adults* (in both Spanish and English), *Live Scan Requests* (for both employees and volunteers), *Approved Safe Environment Curriculum for Children and Youth*, the forms for both schools and churches regarding their *Safe Environment Reporting*, the *USCCB Charter for the Protection of Children and Young People* and the *On Site Safe Environment Training Schedule*; and

g. The "Credibly Accused List" of diocesan priests, religious order priests, deacons and brothers (as well as some priests from other dioceses who had worked in the Debtor) who have been credibly accused of the sexual abuse of minors.

The Debtor, through its programs, offices, coordinators and trainings, is committed to serving those affected by historical clergy sexual abuse and to prevent future abuse from occurring. The Debtor is bound by the USCCB Charter, a comprehensive set of procedures originally established by the United States Conference of Catholic Bishops in June 2002, and modified in 2005, 2011, and most recently in 2018. The purpose of the USCCB Charter is to address allegations of sexual abuse of minors by Catholic clergy. The USCCB Charter also includes guidelines for reconciliation, healing, accountability, and prevention of future acts of abuse.

Finally, the Debtor continues to support the No More Secrets Ministry ("NMSM"), which was formed by survivors of clergy sexual abuse in 2000 with the mission to provide an opportunity for personal sharing, prayerful reflection, and spiritual renewal. NMSM has joined forces with the VAC and Licensed Clinical Social Workers, to further support survivors.to launch a new initiative called "**Lifting Survivors' Voices at the Oakland Diocese**." Its work has been ongoing for nearly a quarter of a century.

The Plan provides the Debtor shall continue these efforts as part of its Non-Monetary Commitment to Healing and Reconciliation.

ARTICLE V

THE CHAPTER 11 CASE

A. Events Leading to the Chapter 11 Case

In the State of California, there have been two "open window" periods allowing individuals under civil law to bring claims for childhood sexual abuse which otherwise were barred due to the expiration of the statute of limitations (prescription). 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 Churches) 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 as part of the First Legislation.

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. The passage of AB 218 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 (the "State Court Actions").

The Debtor had neither the financial means nor the practical ability to litigate all of the abuse claims in state court. The Debtor commenced this Chapter 11 Case to allow all of the abuse claims to be asserted and addressed in a single forum – the Bankruptcy Court – and to ensure that all meritorious abuse claims be paid on a fair and equitable basis pursuant to an approved chapter 11 plan.

The Plan propounded by the Debtor will fairly and equitably compensate abuse survivors and will also enable the Debtor to continue its mission to serve the needs of the faithful within the Diocese of Oakland, and to continue to provide social services to numerous underserved people and groups in the East Bay, regardless of their religious faith.[9]

B. Voluntary Petition

On May 8, 2023 (the "Petition Date"), the Debtor filed a voluntary petition for chapter 11 bankruptcy relief under the Bankruptcy Code [Docket No. 1]. An immediate effect of the filing of the Chapter 11 Case was the imposition of the automatic stay under section 362 of the Bankruptcy Code, which, with limited exceptions, enjoined the commencement or continuation of: (1) all collection efforts by creditors; (2) enforcement of liens against any assets of the Debtor; and (3) all litigation against the Debtor.

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 has been appointed in this Chapter 11 Case.

C. First Day Relief

On the Petition Date, the Debtor filed a number of motions and other pleadings (the "First Day Motions"), the most significant of which are described below. The First Day Motions were proposed to ensure the Debtor's orderly transition into this Chapter 11 Case, to allow the Debtor to work with other stakeholders to achieve a plan of reorganization that will fairly and equitably compensate abuse survivors and will also enable the Debtor to continue its mission to serve the needs of the faithful within the diocese; preserving the confidentiality of abuse survivors through special noticing procedures; continuing the ministry of the Roman Catholic Church to the nearly 550,000 Catholics in the diocese; maintaining employee compensation; maintaining the good will and morale of the priests, lay employees and others who work on the programs and services provided by the Debtor; preserving and maximizing the Debtor's insurance assets to help provide fair and equitable compensation to abuse survivors; and maintaining services for those Catholics and non-Catholics alike who benefit from the many critical

[9] As discussed in the Committee Letter, the Committee disagrees with this assertion.

services provided by the charitable, educational and other service organizations affiliated with the Debtor.

The First Day Motions included:

- *Motion for an Order Authorizing and Approving Special Noticing and Confidentiality Procedures* [Docket No. 6];
- *Motion for Interim and Final Orders Authorizing the Debtor to (I) Pay Certain Prepetition Invoices for Abuse Survivors' Assistance and Safe Environment Programs, and (II) Continue its Prepetition Practice of Paying for Abuse Survivors' Assistance and Safe Environment Programs* [Docket No. 8];
- *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* [Docket No. 13];
- *Motion for an Order Establishing Adequate Assurance Procedures with Respect to Debtor's Utility Providers* [Docket No. 14];
- *Motion for Interim and Final Orders Authorizing the Debtor to (I) Continue Existing Insurance Coverage and Satisfy Obligations Related Thereto, and (II) Renew, Amend, Supplement, Extend or Purchase Insurance Policies in the Ordinary Course of Business* [Docket No. 15]; and
- *Motion for Interim and Final Orders Authorizing the Debtor 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)* [Docket No. 16].

The First Day Motions were granted, with certain adjustments or modifications to accommodate points identified by the Bankruptcy Court, United States Trustee for Region 17 (the "U.S. Trustee") and other parties in interest.

D. Retention of Advisors for the Debtor

Soon after the commencement of the Chapter 11 Case, the Debtor obtained Bankruptcy Court approval of the retention of:

(1) Foley & Lardner LLP as the Debtor's general bankruptcy counsel (*see* [Docket No. 145]);

(2) Alvarez & Marsal North America, LLC as the Debtor's restructuring advisor and expert consultants regarding Abuse Claims (*see* [Docket No. 191]);

(3) Kurtzman Carson Consultants LLC as the Debtor's claims and noticing agent (*see* [Docket No. 40]) and administrative advisor (*see* [Docket No. 146]); and

(4) Breall & Breall LLP as the Debtor's special insurance counsel (*see* [Docket No. 434]).

Subsequently, the Debtor also obtained Bankruptcy Court approval of the retention of VeraCruz Advisory, LLC as financial consultant to the Debtor (*see* [Docket No. 1167]). The Debtor has also retained ordinary course professionals pursuant to the *Order (I) Authorizing the Retention and Payment, Effective as of the Petition Date, of Professionals Utilized by the Diocese in the Ordinary Course of Business and (II) Granting Related Relief* [Docket No. 263].

E. The Committee

On May 23, 2023, the U.S. Trustee appointed the Committee in this Chapter 11 Case pursuant to section 1102 of the Bankruptcy Code.

The Committee consists of the following members: (1) John-Norman Kalama Houo Ka Ikaika Cobb; (2) Scott Brian Drescher; (3) Jason Jaye; (4) Jenna McCarthy; (5) Kelly O'Lague; (6) David Sheltraw; (7) Judy Roberts; (8) Sherry Waterworth; and (9) Steven Woodall.

Since its appointment, the Committee has been actively involved with the Debtor in overseeing the administration of the Chapter 11 Case as a fiduciary for all unsecured creditors of the Debtor in this Chapter 11 Case and has consulted with the Debtor on various matters relevant to the Chapter 11 Case. The Debtor has also discussed its business operations with the Committee and their advisors and has negotiated with the Committee regarding actions and transactions outside of the ordinary course of business. The Committee has participated actively in reviewing the Debtor's business operations, operating performance and business plan.

The Committee has obtained Bankruptcy Court approval of the retention of:

(1) Lowenstein Sandler LLP as lead counsel to the Committee (*see* [Docket No. 205]);

(2) Keller Benvenutti Kim LLP as local counsel to the Committee (*see* [Docket No. 204]);

(3) Berkeley Research Group, LLC for the Committee (*see* [Docket No. 330]);

(4) Burns Bair LLP as special insurance counsel to the Committee (*see* [Docket No. 372]);

(5) Stout Risius Ross, LLC as expert consultant on valuation of Abuse Claims (*see* [Docket No. 510]); and

(6) Douglas Wilson Companies as real estate consultant to the Committee (*see* [Docket No. 1332]).

F. Further Motions in the Chapter 11 Case

1. **Exclusivity**

During the first 120 days of a chapter 11 reorganization, a debtor retains the exclusive right to submit a plan of reorganization and solicit votes for the plan. The exclusive period may be extended by the bankruptcy court for periods not to exceed eighteen months in total. The Debtor has sought and been granted four such extensions [Docket Nos. 388, 702, 1088 and 1306]. The last such extension extended the period during which the Debtor had the exclusive right to file a chapter 11 plan, as provided in 11 U.S.C. § 1121(b) and (c)(2), through and including November 8, 2024, and the period during which the Debtor has the exclusive right to solicit acceptance of a chapter 11 plan, as provided in 11 U.S.C. § 1121(c)(3), through and including January 8, 2025 (the "<u>Exclusive Solicitation Period</u>"). During the Exclusive Solicitation Period, no competing plan may be filed.

2. **Removal**

On August 1, 2023, the Debtor filed *Debtor's Motion for Entry of an Order, Pursuant to Bankruptcy Rules 9006 and 9027, Enlarging the Period Within Which the Debtor May Remove Actions Pursuant to 28 U.S.C. § 1452* [Docket No. 318] (the "First Motion"). Section 1452 permits the removal of civil action claims that are related to a bankruptcy case and Rule 9027 creates the time period within which notices of removal must be filed. The Debtor has requested multiple extensions of this period to provide it with additional time to determine whether to remove certain pending civil actions related to this Chapter 11 Case. The Bankruptcy Court entered an order approving the Debtor's requested extension on August 22, 2023 [Docket No. 387] and entered orders approving the Debtor's subsequent requested extensions on February 2, 2024 [Docket No. 840], August 23, 2024 [Docket No. 1305], and March 3, 2025 [Docket No. 1797]. Presently, the removal period during which the Debtor may file notices of removal of claims or causes of action in a civil proceeding—including the State Court Actions—is extended through and including August 1, 2025.

3. **Unexpired Leases of Nonresidential Real Property**

A debtor must assume or reject unexpired leases of nonresidential real property by the earlier of (a) 120 days from the date of the petition, or (b) the date on which the Bankruptcy Court confirms the plan of reorganization, at which time a debtor will be considered to have rejected the leases. A debtor, upon a showing of cause, may request that the bankruptcy court extend the time period in which the debtor must make the decision by a period of 90 days. 11 U.S.C. § 365(d)(4)(B). In this Chapter 11 Case, the Debtor has sought and been granted four such extensions with respect to certain leases, including the unexpired lease for the Debtor's use of the Cathedral Center. (*See* Docket Nos. 367, 421, 640, 703, 883, 925, 1011, 1328, and 1345.) Presently, the time period within which the Debtor may assume or reject the Cathedral Lease is extended through and including April 1, 2025, in accordance with section 365(d)(4) of the Bankruptcy Code. On March 11, 2025, the Debtor requested a further extension of its deadline for assuming or rejecting the Cathedral Lease, through October 1, 2025. [Docket No. 1825.] That request remains pending as of the date hereof.

G. Mediation

On December 19, 2023, the Debtor and the Committee jointly filed the *Joint Motion for Entry of an Order Referring Parties to Mediation, Appointing Mediators and Granting Related Relief* [Docket No. 705] (the "Mediation Motion"). On January 22, 2024, the Court entered an order referring the parties to mediation, appointing the mediators agreed by the parties, and identifying the matters for mediation, both as between the Debtor and the Committee, and between the Debtor and its insurers [Docket No. 810] (the "Mediation Order"). The matters for mediation and the specifics of the mediation process are more fully set forth in the Mediation Order.

The Committee and the Debtor each met individually with mediators Judge Christopher Sontchi and Jeff Krivis, exchanged initial proposals, and participated in the first round of mediation on March 18 and 19, 2024. Additional in-person mediation sessions were held on April 15-16, May 13-14, and June 18-19. Counsel for the Debtor and Committee held virtual one-hour meetings approximately each week in July. Further in-person mediation sessions with the Committee were held on August 13, September 10-11 and 30, October 1 and 16-17, 2024. These sessions resulted in multiple proposals from each side culminating in multiple written term sheets and/or proposals submitted by the Debtor and responses from the Committee.

The Debtor commenced mediation with the Insurers in June 2024. Debtor's counsel met independently with mediators Judge Randall Newsome and Tim Gallagher in March to prepare for the mediation related to the Insurance Coverage Litigation (as defined below). Mediation sessions with both the Committee and insurers were held in-person on June 18-19 and October 22. A virtual mediation was held on October 31. The Debtor and the Insurers held a virtual mediation session on

November 6. All Insurers were represented at each mediation session. Throughout this process, the parties have expressed their respective positions and expectations and have submitted information and mediation statements to the insurance mediators.

Following the conclusion of the virtual mediation session on November 6, and immediately prior to the filing of the Original Plan, the Debtor and Insurers reached agreement on the terms of the Insurance Assignment, the creation of the Survivors' Trust, and the Litigation Option, all as embodied in the Plan. This agreement was no small feat. The Debtor and Insurers have been adversaries throughout this Chapter 11 Case on numerous important issues. As set forth in the Committee Letter, the Committee did not join in that agreement. The Debtor has not reached agreement with the Committee on any Plan terms, although the Debtor contends that multiple aspects of the Plan align with the Committee's stated requests. For the reasons stated in the Committee Letter, the Committee disagrees with this assertion

On February 23-24, 2025, the Debtor, Committee, and Insurers held a further joint mediation session in person in San Francisco with Mediators Sontchi, Gallagher, and Newsome. The mediation ended without a resolution between the Debtor and Committee.

H. Bar Dates and Claims Process

1. Bar Dates

On May 22, 2023, the Debtor filed its schedules of assets and liabilities, identifying the assets and liabilities of its Estate [Docket No. 54] (as amended, restated or modified from time to time, the "Schedules"), and also a statement of financial affairs [Docket No. 54] (as amended, restated or modified from time to time, the "Statement"). The Debtor updated the Schedules with amendments on June 8, 2023 [Docket No. 102], June 21, 2023 [Docket No. 161] and December 22, 2023 [Docket No. 720]. The Debtor updated the Statement with amendments on June 8, 2023 [Docket No. 103] and December 14, 2023 [Docket No. 693].

In addition, pursuant to an order dated July 25, 2023 [Docket No. 293] (the "Bar Date Order"), the Bankruptcy Court established the following bar dates for the filing of Proofs of Claim in this Chapter 11 Case:

i. the general bar date (the "General Bar Date") for all Claims, except as noted below, of September 11, 2023, at 5:00 p.m. (prevailing Pacific Time);

ii. a governmental bar date (the "Governmental Bar Date") for all Governmental Units (as defined in section 101(27) of the Bankruptcy Code) of November 6, 2023, at 5:00 p.m. (prevailing Pacific Time);

iii. a bar date for Claims amended or supplemented by the Debtor's amended Schedules of on or before the later of (a) the General Bar Date or the Governmental Bar Date (as applicable); and (b) 5:00 p.m. (prevailing Pacific Time) on the date that is thirty (30) days after the date on which the Debtor provides notice of previously unfiled schedules or an amendment or supplement to the schedules (the "Amended Schedules Bar Date"); and

iv. a bar date for any Claims arising from or relating to the rejection of executory contracts or unexpired leases (the "Rejection Damages Bar Date" and, together with the General Bar Date, Governmental Bar Date, and Amended Schedules Bar Date, the "Bar Dates") of on or before the later of (a) the General Bar Date or the Governmental Bar Date (as applicable) and (b) 5:00 PM (prevailing Pacific Time) on the date that is thirty (30) days after the entry of the order authorizing the rejection of such executory contract or unexpired lease.

The Debtor provided notice of the Bar Dates as required by the Bar Date Order as reflected in various Certificates and Supplemental Certificates of Service, *see, e.g.* Docket Nos. 333, 360, 385, and 419, and the *Certificate of Counsel Regarding Compliance with Certain Provisions in the Bar Date Order* [Docket No. 334].

The Bar Date Order contemplated the submission by Claimants asserting Abuse Claims of an optional supplement providing additional facts and background information regarding their abuse, including the alleged perpetrator, location, frequency, and other circumstances. Claimants were also asked to submit any filed state-court pleadings, if any. All of the information submitted in any proofs of claim alleging an Abuse Claim or the optional supplement attached thereto was (and remains) subject to strict confidentiality procedures and protections. The Debtor has taken every step within its power to protect this information.

2. **The Claims Review Process**

The vast majority of non-duplicate Abuse Claims (approximately 91%) included the optional supplement in one form or another alongside the Proof of Claim form itself. As part of the Chapter 11 Case, the Debtors, with the assistance of its advisors, conducted a thorough review of the Abuse Claims and optional supplements filed by Claimants asserting such claims. This review included the identification of duplicate Claims (most of which were either filed by multiple sets of counsel for a given Claimant and are identical or amend a previously filed claim to provide the optional supplement); Claims that predate the formation of the Debtor in 1962; Claims that assert liability of a third party, such a religious order; Claims that lack sufficient information for the Debtor to ascertain its own liability; Claims that were previously settled, such as in connection with the First Legislation; or Claims that did not correspond to a filed state-court complaint. The Debtor's review was intended to identify objective facts or circumstances asserted in the Abuse Claims, as well as any gaps in same, and allowed the Debtor, in many cases, to use its own records to fill those gaps.

As of March 9, 2025, 427 Abuse Claims were filed pursuant to the Bar Date Order. Of that number, 33 filed Abuse Claims are duplicative of other, timely filed claims. An additional 8 Abuse Claims were filed after the Bar Date, no motion to deem such claims as timely has been filed, and accordingly, such claims are untimely. After accounting for duplicative, untimely claims, 386 "unique" (non-duplicative, timely) claims remain. Of these 386 unique claims, the Debtor believes, based on various factors identified in its review of the Abuse Claims, approximately 345 Abuse Claims exist that may ultimately be entitled to distributions from the Survivors' Trust. However, the Debtor has not filed any objections to claims as of the filing of the Plan and understands that the provisions of the Survivors' Trust Distribution Plan will ultimately control which Claimants receive distributions and in what amount. Nothing in the Plan or this Disclosure Statement attempts to disallow any Allowed Claims or seeks a determination regarding allowance.

Weisenberg, Brent I. [BW1] March 19, 2025 09:57 AM
This provision is inconsistent with Section 5.2.3 of the Plan, which provides that "The Reorganized Debtor and the Survivors' Trust may File an objection to any Claim at any time through the closing of the Chapter 11 Case."

Many of the Abuse Claims are asserted to be of six-figure or seven-figure amounts, and many are listed as having an unknown amount. The Abuse Claims present unique complexities of confidentiality, valuation, procedure, and appropriate and equitable treatment of Claims. After the Debtor's careful evaluation of all filed Claims with the assistance of the Debtor's advisors, the Debtor is confident that the Plan establishes protocols to ensure that Allowed Abuse Claims are compensated through an expedited, uniform claims process.

I. Litigation Regarding Insurance Coverage for Abuse Claims

The portfolio of insurance policies providing coverage for sexual abuse claims, maintained by the Debtor over a period of several decades, is an essential asset of the Estate. This insurance coverage is a critical part of the Debtor's Plan. Prior to the Petition Date, the Debtor tendered through its broker both the Debtor's defense and indemnity of the claims asserted against the Debtor under the applicable insurance policies to the associated carriers that issued those policies (the "Defendant Carriers").

Those Defendant Carriers that issued primary insurance policies received tender on behalf of the Debtor and have agreed to provide a defense to the claims falling within the coverage period of each primary insurance Defendant Carrier's insurance policy. However, the primary insurance Defendant Carriers have failed to confirm they have any obligation to indemnify the Debtor for these claims. Those Defendants Carriers that issued excess or umbrella policies received the tender on behalf of the Debtor but improperly denied or failed to confirm coverage (including, without limitation, failure to provide both defense and/or indemnity), or otherwise reserved rights to deny coverage based on various defenses and exclusions, including by failing to recognize the exhaustion or substantial likelihood of exhaustion of underlying insurance through payment, liquidation or other means and thereby requiring the excess insurance to drop down and provide defense and/or indemnity to the Debtor.

As of the filing of this Chapter 11 Case, despite the Debtor's continuing efforts to obtain coverage from the Defendant Carriers, the Defendant Carriers have reserved their rights to deny coverage and have not agreed to indemnify the Debtor for any liability determinations. Some of the Defendant Carriers agreed to reimburse the Debtor's defense costs for claims falling within the coverage periods of those Defendant Carriers' insurance policies, but have not confirmed, and have reserved rights regarding, any an indemnity obligation for those Claims.

Because the Debtor and the Defendant Carriers were unable to reach a resolution regarding coverage, on June 22, 2023, the Debtor initiated an adversary proceeding, captioned *The Roman Catholic Bishop of Oakland v. Pacific Indemnity, et al.*, Adv. Pro. 23-04028 (the "Pacific Adversary"), and filed a complaint for declaratory relief and breach of contract, seeking to liquidate the Debtor's claims against numerous of its historical insurers [Docket No. 2]. On August 30, 2023, the Debtor initiated an additional adversary proceeding, captioned *The Roman Catholic Bishop of Oakland v. Am. Home Assurance Co., et al.*, Adv. Pro. 23-04037, and filed a complaint seeking declaratory relief and alleging breach of contract against two additional insurers [Docket No. 1] (the "American Home Adversary" and, together with the Pacific Adversary, the "Insurance Coverage Litigation").

Following an initial round of motions to dismiss in the Pacific Adversary, the Debtor filed its second amended complaint in the Pacific Adversary on December 18, 2023 (Adv. Pro. 23-04028, [Docket No. 161]), and its first amended complaint in the American Home Adversary on December 19, 2023 (Adv. Pro. 23-04037, [Docket No. 13]). On January 12, 2024, the Debtor filed its third amended complaint in Adv. Pro. 23-04028 [Docket No. 163] (the "Third Amended Complaint"). In response to the Third Amended Complaint, the defendant insurers variously filed two motions to dismiss [Adv. Pro. 23-04028, Docket Nos. 173, 175], a motion to dismiss and/or for more definite statement [*id.*, Docket No. 171] (collectively, the "Motions to Dismiss"), and two answers [*id.*, Docket Nos. 164, 165].

The defendant insurers filed motions to withdraw the reference as to the Pacific Adversary on February 2, 2024 (Adv. Pro. 23-04028 [Docket Nos. 188, 189]) and the American Home Adversary on March 21, 2024 (Adv. Pro. 23-04037 [Docket No. 26]). The two adversary proceedings are now consolidated before Judge Corley in the District Court, under District Court Case No. 3:24-cv-00709-JSC (the "Insurance Coverage Litigation").

The Motions to Dismiss were heard by the District Court on July 11, 2024. The District Court granted the Motions to Dismiss with leave to amend, but in doing so made it clear that the action would move forward. In fact, the District Court ordered that discovery in the cases continue even while the Debtor prepared the amendment directed by the District Court, emphasizing that "discovery is open now." Insurance Coverage Litigation, Transcript of July 11, 2024, Hearing [Docket No. 103], at 36:22.) In response to a request from certain insurer defendants that discovery not go forward pending an amended complaint, the District Court stated: "You know what your reservation of rights are, what your potential defenses are, so you know what discovery you need to do. I don't -- we're not slowing this down for the pleading. Not going to do that." *Id.*, at 37:17 – 38:8.

The Debtor filed further amended complaints on September 12, 2024 (*id.,* [Docket Nos. 111, 112]) and October 7, 2024 (*id.*, [Docket No. 125]) (Insurance Coverage Litigation Docket Nos. 111 and 125, collectively, the "Current Amended Complaints")) following a court-ordered meet and confer regarding the sufficiency of allegations. A further case management conference in the District Court occurred on November 14, 2024.

Written discovery proceeded while the Motions to Dismiss the Third Amended Complaint were pending and is ongoing. The Debtor issued written discovery requests to the insurer defendants on May 24, 2024. Thereafter, the Debtor met and conferred with the Defendant Carriers and exchanged letters regarding the Debtor's written discovery and the Defendant Carriers' responses and objections thereto. Some Defendant Carriers claim to have produced all responsive documents, while the Debtor still awaits document productions from some Defendant Carriers. The Debtor continues to review these responses and pursue documents. The Debtor has also responded to written discovery requests served by certain Defendant Carriers and is working to respond to written discovery requests from other Defendant Carriers.

On May 29, 2024, the Debtor sent separate supplemental tender letters to the insurer defendants in the Insurance Coverage Litigation, demanding they provide a defense for certain additional claims covered by various policies issued to RCBO. Additionally, on May 30, 2024, the Debtor served separate policy limits demand letters on behalf of RCBO to all the insurer defendants (except the California Insurance Guarantee Association ("CIGA")). These letters demanded that each insurer indemnify RCBO in the amount of the policy limits for each applicable insurance policy, and that each Insurer respond within 30 days confirming it would do so. The Debtor has received responses, although none included agreement to indemnify the Debtor as requested and as required by the insurance policies.

The Debtor believes there is substantial value in the insurance policies that it purchased over many decades. These assets are an important resource to further the Debtor's goals of compensating Holders of Abuse Claims. Any pre-Confirmation proceeds the Debtor wins in judgments in the Insurance Coverage Litigation, or obtains through a negotiated resolution, will infuse the Estate with unrestricted cash assets, which can be used to, among other things, contribute to Survivors' Trust Assets. If the Insurance Coverage Litigation is unresolved upon confirmation of the Plan, the Insurance Coverage Litigation will be transferred to the Survivors' Trust as part of the Assigned Insurance Interests. Subsequently, Trust Claimants will have the right to pursue the Litigation Option, if they so elect, further augmenting their own individual recoveries.

In light of the terms of the Plan and in order to conserve the resources of all parties involved, on November 19, 2024, the Debtor filed a motion in the District Court requesting that the Insurance Coverage Litigation be held in abeyance until such time as the Plan is confirmed or confirmation is denied. Insurance Coverage Litigation [Docket No. 146] (the "Abeyance Motion"). Following a hearing on January 16, 2025, the District Court granted the Abeyance Motion, and ordered that the Insurance Coverage action is stayed, except as to discovery, pending further order of the District Court [Docket No. 166] (the "Abeyance Order"). Pursuant to the Abeyance Order, the parties filed a joint update regarding the status of discovery and of the Chapter 11 Case on March 3, 2025. [Docket No. 171.]

J. Original Debtor Plan and Disclosure Statement

On November 8, 2024, the Debtor filed *Debtor's Plan of Reorganization* [Docket No. 1444] (the "Original Plan") and accompanying ***Disclosure Statement for the Debtor's Plan of Reorganization*** [Docket No. 1445] (the "Original Disclosure Statement").

On November 13, 2024, the Debtor filed *Motion for Order (I) Approving Disclosure Statement; and (II) Establishing Procedures for Plan Solicitation, Notice, and Balloting* [Docket No. 1453] (the "Approval Motion"). The Committee objected to approval of the Disclosure Statement on various bases, arguing that Survivors (and other creditors) should not even get the chance to express their opinion by voting. Among other things, the Committee also requested that, should the Bankruptcy Court ultimately approve the Disclosure Statement, the confirmation hearing in this case be delayed significantly to allow certain alternatives that the Committee prefers to proceed.

On December 18, 2024, the Bankruptcy Court conducted an initial hearing on the Approval Motion and related matters. The Debtor filed an amended Plan and Disclosure Statement on January 3, 2025, and the Bankruptcy Court held additional hearings on the amended Plan and Disclosure Statement on January 16, 21, and 30, 2025. Following the hearing on January 30, 2025, the Bankruptcy Court, at the Debtor's request, set a further hearing for March 3, 2025, and directed the Debtor to file a further amended Plan and Disclosure Statement not later than February 18, 2025. The Debtor filed a further amended Plan and Disclosure Statement on February 18, 2025. The March 3, 2025 hearing was converted to a status conference, at which the Debtor informed the Bankruptcy Court it intended to file a further revised Plan and Disclosure Statement on March 17, 2025.

K. The Committee's Alternate Vision of Case Resolution

Following the filing of the Original Disclosure Statement, on November 14, 2024, the Committee sent a "Demand Letter" to the Debtor's professionals, notifying the Debtor that the Committee intended to pursue certain avoidance action claims against OPF and the Churches if the Debtor declined to do so. In an effort to discern the Committee's intent, the Debtor's counsel called Committee's counsel to confer on the Demand Letter and the purported claims alleged therein. However, after one conference call, and without receiving the Debtor's refusal to pursue any derivative claims, the Committee filed its first derivative standing motion on November 20, 2024, seeking standing to pursue avoidance actions against OPF and the Churches (the "First Standing Motion").

The First Standing Motion was just the first of a bevy of filings by the Committee has made in an attempt to derail the Debtor's Plan and bend the Debtor to its will. The Committee vehemently opposes this characterization of its actions. Also on November 20, the Committee filed its first adversary proceeding complaint against the Debtor, OPF, and various Churches seeking (i) declaratory relief that the real property Churches and funds are property of the estate and (ii) substantive consolidation of the Debtor and the named Church defendants [Adv. No. 24-04051] (the "First Adversary Proceeding"). The Committee represented that if the First Standing Motion was granted, it would amend the complaint in the First Adversary Proceeding to add additional claims described in its First Standing Motion.

That same day, the Committee filed a motion to lift the automatic stay [Docket No. 1460] (the "Lift Stay Motion") to allow six unspecified state court actions to proceed to trial or individual settlements in order to (a) allegedly help establish benchmark values for all sexual abuse claims in this Chapter 11 Case, (b) "unlock" available insurance (meaning the Committee wants to assert leverage over the Insurers) and (c) allow claims against non-debtors named as defendants in the state court actions to proceed.

Moreover, less than a week before the initial hearing on the Original Disclosure Statement, on December 11, the Committee filed a second adversary proceeding against the Debtor, Adventus, RCWC, and RCC seeking (i) declaratory relief that all property of Adventus, RCWC, and RCC is property of the estate and (ii) substantive consolidation of Adventus, RCWC, and RCC into the Debtor's Chapter 11 bankruptcy [Adv. No. 24-04053] (the "Second Adversary Proceeding," together with the First Adversary Proceeding, the "Adversary Proceedings").

Finally, on the eve of the hearing on the Original Disclosure Statement, the Committee filed a third motion, seeking (a) authority to pursue all claims the Debtor holds against its Insurers in the Insurance Coverage Litigation that the Debtor filed and has been prosecuting for more than eighteen months, (b) authorization to substitute the Committee as plaintiff in the already pending Insurance Coverage Litigation, and (c) (in a footnote) to be given full control of the Debtor's attorney-client and attorney work product privilege related to the Insurance Coverage Litigation and coverage issues (the "Second Standing Motion"). The Demand Letter did not make any demand that the Debtor pursue, and did not otherwise address, the claims in the Insurance Coverage Litigation that were the subject of the Second Standing Motion.

On December 30, 2024, the Debtor filed objections and/or responses to the First Standing Motion, Lift Stay Motion, and Second Standing Motions [Docket Nos. 1586, 1581, and 1580, respectively] and supporting declarations and evidence. Generally, the Debtor argued:

- The First Standing Motion should be denied because: 1) the alleged claims against the Churches are moot—the Debtor has acknowledged that Church real property is property of the Debtor's estate—and 2) the alleged fraudulent-transfer claims against OPF and the Churches are not colorable. The Debtor did not fraudulently transfer any assets, and all property that would have been available to satisfy creditor claims prior to the transfers remains equally available now. Specifically, OPF merely acts as a deposit and investment manager, and all funds deposited with OPF by the Churches are fully accounted for an remain equally as much a part of the bankruptcy estate as if they had been directly deposited with a bank or other investment manager. In other words, transfer of funds to OPF was not intended to, and did not, take any assets out of the reach of creditors that otherwise would have been available to pay claims.

- The Lift-Stay Motion should be denied because: 1) stay relief is unnecessary in light of the Litigation Option that, as described herein, will provide Survivors the chance to have their day in court, should they elect to pursue it, 2) the Committee failed to present a *prima facie* case supporting stay relief, instead relying on rank speculation and unsupported theories about future behavior, and 3) the few diocesan cases cited by the Committee where stay relief was granted are factually and legally distinguishable. Further, it is inequitable to allow a select few cases to proceed to trial while asking the remaining claimants and the Debtor to simply wait, potentially for years, until these select few cases complete trial or are settled. Allowing stay relief will only result in delay and will not result in a better outcome for claimants, with the possible exception of the select few whose cases are allowed to proceed in advance of the rest. No requirement for stay relief exists to successfully conclude this Chapter 11 Case pursuant to a confirmed plan of reorganization—*this* Plan.

- The Second Standing Motion should be denied because: 1) it seeks relief completely unsupported by the law in terms of the Committee asking for derivative standing for a lawsuit the Debtor has already brought, 2) the Abeyance Motion does not constitute an unjustified refusal to prosecute the Insurance Coverage Litigation; rather, it is the most appropriate course of action to reduce litigation costs for a limited period of time while the Plan is pending, and 3) the request to be granted control of the Debtor's attorney-client privilege is wildly inappropriate. Also, again, the individualized Litigation Option resolves the Insurance Coverage Litigation for the benefit of Trust Claimants.

For the reasons stated on the record at hearings held on January 15, 16, and 21, 2025, the Court denied without prejudice both the First Standing Motion and the Second Standing Motion. The Court's orders denying the First Standing Motion and Second Standing Motion were entered on February 1, 2025 [Docket Nos. 1700 and 1701].

For the reasons stated on the record at the hearings held on January 15, 16, and 21, 2025, the Court denied the Lift Stay Motion without prejudice as to the request to allow six state court actions to proceed against the Debtor. The Court found that the automatic stay of actions against the Debtor does not bar actions against non-debtors named as co-defendants with the debtor in state court actions, and therefore the state court plaintiffs may proceed against such non-debtor parties. This relief was not opposed by the Debtor and was without prejudice to the right of any party to seek to extend or enforce the stay as to any particular case or cases. The Court's order on the Lift Stay Motion was entered on February 11, 2025 [Docket No. 1721].

Because the relief requested in the First Standing Motion, Second Standing Motion, and Lift Stay Motion was denied without prejudice, the Committee may seek to renew its requests for the same relief in the future, if circumstances change. The Debtor continues to believe that any such attempt would be unfounded and a waste of estate resources, for the reasons set forth in its oppositions to the motions and as summarized above.

The Debtor filed motions to dismiss the Adversary Proceedings on January 24, 2025, and strongly disputes the factual and legal contentions contained therein. The non-debtor defendants in each of the Adversary Proceedings also filed motions to dismiss on the same date (together with the motions filed by the Debtor, the "Motions to Dismiss").

The First Adversary Proceeding asks for relief that is almost entirely meaningless and cannot achieve any real benefit for creditors. The Committee's causes of action to consolidate Churches into the Debtor's bankruptcy estate, or for declaratory relief holding that Church property is property of the bankruptcy estate are meaningless, because, as the Debtor acknowledges, the Churches are not separate from the debtor as a matter of applicable civil law, and property of the Churches is already property of the bankruptcy estate, subject to certain funds being held in trust based on donor restrictions. While it is the Debtor's position, as set forth herein, that Church real property cannot be involuntarily liquidated, the First Adversary Proceeding has no bearing on that issue.

That Second Adversary Proceeding, seeking similar relief as to Adventus, RCWC, and RCC is likewise meritless and will not result in any benefit to creditors. As set forth above, RCWC and RCC are separately incorporated non-profit organizations under California law, that respectively operate the Schools and cemeteries within the diocese. As a legal matter, the Committee's claims that they are indistinguishable from the Debtor are extremely unlikely to succeed. Further, as a practical matter the Plan provides for a contribution of up to $14.25 million to the Survivors' Trust by RCWC (depending on the extent of releases received), and a loan of $55 million from RCC that will be used to fund the Survivors' Trust. Even in the unlikely event the Committee were successful on its legal claims against these entities, it is unlikely that the result would be more than the up to $69.25 million they are already contributing under the Plan. In sum, it is the Debtor's believe that the Adversary Proceedings would accomplish nothing other than delay and wasting estate resources on attorneys' fees.

The Bankruptcy Court heard oral argument on the Motions to Dismiss on March 4, 2024. As of the date hereof, the Bankruptcy Court had not yet ruled on either Motion to Dismiss.

[THE DEBTOR WILL UPDATE THIS DISCLOSURE STATEMENT AS APPROPRIATE TO REFLECT THE RESULTS OF THE HEARING ON THE MOTIONS TO DISMISS].

As set forth in the Committee Letter, the Committee disputes the Debtor's position regarding the merits of the motions and Adversary Proceedings described above.

ARTICLE VI

SUMMARY OF THE PLAN

The Debtor submits that the treatment of creditors under the Plan is more favorable than the treatment creditors would receive if the Chapter 11 Case were converted to a case under chapter 7 of the Bankruptcy Code. Therefore, the Debtor submits that the Plan is in the best interests of all creditors and the Debtor recommends acceptance of the Plan by Holders of Claims in Class 3 (General Unsecured Claims), Class 4 (Abuse Claims), Class 5 (Unknown Abuse Claims), and Class 6 (Non-Abuse Litigation Claims).

The summary of significant elements of the Plan below is provided for the convenience of all parties. The summary does not describe every element of the Plan and is not intended as a substitute for a thorough and complete review of the Plan. This summary is subject to, and is qualified in its entirety by reference to, the full text of the Plan. All creditors are encouraged to review the Plan and this Disclosure Statement, including Exhibits, in their entirety for a more complete understanding of the Plan's provisions and impact upon creditors. To the extent any term or provision in this Disclosure Statement is inconsistent with a term or provision of the Plan, the term or provision of the Plan shall control.

A. Classification of Claims Generally

Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall designate classes of Claims against a debtor. Section 1122 of the Bankruptcy Code further requires that each class of Claims contain only claims that are "substantially similar" to each other. The Debtor believes that it has classified all Claims in compliance with the requirements of Section 1122 and 1123. However, it is possible that the Holder of a Claim may challenge such classification and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, the Debtor would, to the extent permitted by the Bankruptcy Court, modify the classifications in the Plan as required and use the acceptances received in this solicitation for the purpose of obtaining the approval of a Class or Classes of which the accepting Holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class of which such Holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. Furthermore, a reclassification of Claims may necessitate a re-solicitation.

B. Classification and Treatment of Claims

All classified Claims have been placed into one of eight separate Classes. The Plan affirmatively states whether each Class of Claims is Impaired or Unimpaired and whether such Class is entitled to vote. Additionally, some Claims are left unclassified. The separate Classes are described in detail within this Disclosure Statement and in the Plan.

Class	Class Description	Status	Voting Rights

Class 1	RCC Secured Claim	Unimpaired	Non-voting Deemed to accept
Class 2	Priority Unsecured Claims, other than non-classified claims set forth in Article III	Unimpaired	Non-voting Deemed to accept
Class 3	General Unsecured Claims	Impaired	Eligible to vote
Class 4	Abuse Claims	Impaired	Eligible to vote
Class 5	Unknown Abuse Claims	Impaired	Eligible to vote via the Unknown Abuse Claims Representative
Class 6	Non-Abuse Litigation Claims	Impaired	Eligible to vote
Class 7A	Contribution and Indemnification Claims Related to Class 4 Claims	No recovery	Non-voting Deemed to reject
Class 7B	Contribution and Indemnification Claims Related to Class 5 Claims	No recovery	Non-voting Deemed to reject

1. **Class 1 – Secured Claim of RCC**

Classification: Class 1 shall consist of the Allowed Secured Claim of RCC.

Treatment: Except to the extent RCC agrees to less favorable treatment of its Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for its Allowed Secured Claim, RCC shall receive reinstatement under § 1124 of the Bankruptcy Code.

Voting: Class 1 is Unimpaired under the Plan. Each Holder of a Class 1 Claim is conclusively presumed to have accepted the Plan under § 1126(f) of the Bankruptcy Code and is not entitled to vote on the Plan.

2. **Class 2 – Priority Unsecured Claims**

Classification: Class 2 shall consist of all Allowed Priority Unsecured Claims, other than non-classified claims set forth in Article III of the Plan and described in Section V.C below.

Treatment: Except to the extent a Holder of an Allowed Priority Unsecured Claim agrees to less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Unsecured Claim, each such Holder shall receive payment in Cash in an amount equal to such Allowed Priority Unsecured Claim, payable on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date when such Priority Unsecured Claim becomes an Allowed Priority Unsecured Claim, or (c) the date on which the Holder of such Priority Unsecured Claim and the Debtor or Reorganized Debtor, as applicable, shall otherwise agree in writing.

Voting: Class 2 is Unimpaired under the Plan. Each Holder of a Class 2 Claim is conclusively presumed to have accepted the Plan under § 1126(f) of the Bankruptcy Code and is not entitled to vote on the Plan.

3. **Class 3 – General Unsecured Claims**

Classification: Class 3 shall consist of all Allowed General Unsecured Claims. Class 3 does not include Abuse Claims.

Treatment: Except to the extent a Holder of an Allowed General Unsecured Claim (including an Allowed Rejection Claim) agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed General Unsecured Claim, each such Holder shall receive payment in Cash from the general operating revenues of the Reorganized Debtor in an amount equal to such Allowed General Unsecured Claim, payable no later than the later of (a) the date that is one year after the Effective Date, (b) the date that is 21 days after the date when such General Unsecured Claim becomes an Allowed General Unsecured Claim, or (c) the date on which the Holder of such General Unsecured Claim and the Reorganized Debtor shall otherwise agree in writing.

Voting: Class 3 is Impaired under the Plan. Each Holder of a Class 3 Claim is entitled to vote to accept or reject the Plan.

4. **Class 4 – Abuse Claims**

Classification: Class 4 shall consist of all Allowed Abuse Claims, other than Unknown Abuse Claims. As stated above, approximately 386 non-duplicative, timely Abuse Claims have been asserted against the Debtor and the Contributing Non-Debtor Catholic Entities through proofs of claim filed in the Chapter 11 Case.

Treatment: The Plan creates the Survivors' Trust to fund payments to Holders of Allowed Abuse Claims entitled to such payments under the Plan and the Survivors' Trust Documents. Except to the extent a Holder of an Allowed Abuse Claim agrees to less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Allowed Abuse Claim, each such Holder shall receive their allocable share of the Survivors' Trust Assets at the time and in the manner set forth in Articles VIII and IX of the Plan and the Survivors' Trust Documents. It is intended that any payment on an Allowed Abuse Claim will constitute payment for damages on account of personal physical injuries or sickness arising from an occurrence, within the meaning of Section 104(a)(2) of the Tax Code.

The Plan provides for the establishment of the Survivors' Trust to fund distributions to Holders of Class 4 and Class 5 Claims. The Survivors' Trust shall be funded as provided in Article IX of the Plan. Distributions from the Survivors' Trust shall be made to Holders of Class 4 and Class 5 Claims on a fair and equitable basis, pursuant to and in accordance the Survivors' Trust Agreement and other Survivors' Trust Documents, including the Survivors' Trust Distribution Plan. Holders of Class 4 and Class 5 Claims may recover their Claims from the Survivors' Trust and/or through the Litigation Option as described in Article VII herein and in Article IX of the Plan.

Voting: Class 4 Claims are Impaired under the Plan. Each Holder of a Class 4 Claim is entitled to vote to accept or reject the Plan.

5. **Class 5 - Unknown Abuse Claims**

Classification: Class 5 shall consist of all Allowed Unknown Abuse Claims.

Treatment: The Unknown Abuse Claims Reserve shall be established on the Effective Date pursuant to the Survivors' Trust Documents. Except to the extent a Holder of an Allowed Unknown Abuse Claim agrees to less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Allowed Abuse Claim, each such Holder shall receive their allocable share of the Unknown Abuse Claims Reserve at the time and in the manner set forth in Articles VIII and IX of the Plan and the Survivors' Trust Documents. It is intended that any payment on an Allowed Unknown Abuse Claim will constitute payment for damages on account of personal physical injuries or sickness arising from an occurrence, within the meaning of section 104(a)(2) of the Tax Code.

Voting: Class 5 Claims are Impaired under the Plan. The Unknown Abuse Claims Representative is entitled to vote to accept or reject the Plan on behalf of all Holders of Class 5 Claims and shall submit a single Ballot on behalf of all such Holders.

6. **Class 6 – Non-Abuse Litigation Claims**

Classification: Class 6 shall consist of all Allowed Non-Abuse Litigation Claims.

Treatment: The Plan creates the Non-Abuse Litigation Reserve to fund payments to Holders of Allowed Non-Abuse Litigation Claims in accordance with Section 12.7 of the Plan. Except to the extent a Holder of an Allowed Non-Abuse Litigation Claim agrees to less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Allowed Non-Abuse Litigation Claim, each such Holder shall receive their allocable share of the Non-Abuse Litigation Reserve.

Voting: Class 6 Claims are Impaired under the Plan. Each Holder of a Class 6 Claim is entitled to vote to accept or reject the Plan.

7. **Class 7A – Abuse Related Contribution Claims Related to Class 4 Claims**

Classification: Class 7A shall consist of all Abuse Related Contribution Claims against the Debtor arising out of a Class 4 Claim.

Treatment: Any Holder of a Class 7A Claim who is also a Contributing Non-Debtor Catholic Entity shall be deemed to have waived its Class 7A Claim against the Debtor, Reorganized Debtor, the Estate, the Survivors' Trust, and any Settling Insurer in exchange for the Release and Exculpation provided by the Plan. Any Holder of a Class 7A Claim who is not a Contributing Non-Debtor Catholic Entity shall have its Class 7A Claim Disallowed.

Voting: Class 7A Claims are Impaired under the Plan. Holders of Class 7A Claims shall not receive a distribution under the Plan and are therefore deemed to reject the Plan.

8. **Class 7B – Abuse Related Contribution Claims Related to Class 5 Claims**

Classification: Class 7B shall consist of all Abuse Related Contribution Claims against the Debtor arising out of a Class 5 Claim.

Treatment: Any Holder of a Class 7B Claim who is also a Contributing Non-Debtor Catholic Entity shall be deemed to have waived its Class 7B Claim against the Debtor, Reorganized Debtor, the Estate, the Survivors' Trust, and any Settling Insurer in exchange for the Release and Exculpation provided by the Plan. Any Holder of a Class 7B Claim who is not a Contributing Non-Debtor Catholic Entity shall have its Class 7B Claim Disallowed.

Voting: Class 7B Claims are Impaired under the Plan. Holders of Class 7B Claims shall not receive a distribution under the Plan and are therefore deemed to reject the Plan.

C. Unclassified Claims.

The following Claims shall not be classified under the Plan but shall be entitled to the treatment set forth in Article III of the Plan.

1. Administrative Claims

a. *Administrative Expense Claims*. Administrative Expense Claims are Claims for costs or expenses incurred in the administration of the Debtor's Chapter 11 Case, which are Allowed under section 503(b) of the Bankruptcy Code. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims have not been classified and are treated as described in Section 3.1 of the Plan.

(i) **Treatment.** Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees to less favorable treatment with respect to such Allowed Administrative Expense Claim, each Holder of an Allowed Administrative Expense Claim shall receive, on account of and in full and complete settlement, release and discharge of, and in exchange for, such Claim, payment of cash in an amount equal to such Allowed Administrative Expense Claim on or as soon as reasonably practicable after the later of: (a) the Effective Date; (b) the first Business Day after the date that is thirty (30) calendar days after the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim; (c) such other date(s) as such holder and the Debtor or the Reorganized Debtor shall have agreed; or (d) such other date ordered by the Bankruptcy Court; provided, however, Allowed Administrative Expense Claims arising in the ordinary course of the Debtor's operations during the Chapter 11 Case may be paid by the Debtor or the Reorganized Debtor (as applicable) in the ordinary course of business and in accordance with the terms and conditions of the particular agreements governing such obligations, course of dealing, course of operations, or customary practice.

(ii) **Administrative Expense Claims Bar Date.** Except as provided for in the Plan or in any order of the Bankruptcy Court, and subject to Section 503(b)(1)(D) of the Bankruptcy Code, Holders of Administrative Expense Claims, other than a Fee Claim or a Claim for U.S. Trustee Fees, accruing on or before the Confirmation Date must file and serve on the Debtor requests for the payment of such Claims not previously Allowed by a Final Order in accordance with the procedures specified in the Confirmation Order, on or before the Administrative Expense Claims Bar Date, or such Claims shall be automatically Disallowed, forever barred from assertion, and unenforceable against the Debtor or the Reorganized Debtor, the Estate, or their property without the need for any objection or further notice to, or action, order, or approval of the Bankruptcy Court, and any such Claims shall be deemed fully satisfied, released, and discharged. Administrative Expense Claims representing obligations incurred by the Debtor or Reorganized Debtor (as applicable) after the date and time of the entry of the Confirmation Order shall not be subject to application to the Bankruptcy Court and may be paid by the Debtor or Reorganized Debtor (as applicable) in the ordinary course of business and without Bankruptcy Court approval.

b. *Priority Tax Claims*. Priority Tax Claims are Claims of a Governmental Unit for certain types of taxes, duties, or penalties set forth in Section 507(a)(8) of the Bankruptcy Code. In accordance with section 1123(a)(1) of the Bankruptcy Code, Priority Tax Claims have not been classified and are treated as described in Section 3.2 of the Plan.

(i) The Debtor does not anticipate any Priority Tax Claims will exist as of the Effective Date. To the extent any do exist, the legal and equitable rights of the Holders of Priority Tax Claims are Unimpaired under the Plan.

(ii) The legal and equitable rights of Holders of Priority Tax Claims are Unimpaired under the Plan. Except to the extent a Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, each Holder of an Allowed Priority Tax Claim shall receive on account of and in full and complete settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim, cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of: (a) the Effective Date, to the extent such Claim is an Allowed Priority Tax Claim on the Effective Date; (b) the first Business Day after the date that is 30 days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim; and (c) the date such Allowed Priority Tax Claim is due and payable in the ordinary course as such obligation becomes due; provided, however, that the Debtor and Reorganized Debtor each reserves the right to prepay all or a portion of any such amounts at any time under this option without penalty or premium.

c. *Fee Claims*. Fee Claims are Claims under sections 328, 330, 331, 503, or 1103 of the Bankruptcy Code for compensation of a Professional or other Entity for services provided to the Debtor or Committee, or expenses incurred in the course of providing services to the Estate, during the Chapter 11 Case. In accordance with section 1123(a)(1) of the Bankruptcy Code, Fee Claims have not been classified and are treated as described in Section 3.3 of the Plan.

(i) All Professionals or other Entities requesting the final allowance and payment of a Fee Claim for services rendered during the period from the Petition Date to and including the Effective Date shall File final applications for allowance and payment of such Fee Claims no later than the first Business Day that is 45 days after the Effective Date.

(ii) Objections to any Fee Claim must be filed and served on the Reorganized Debtor and the applicable Professional no later than the first Business Day that is 30 days after the filing of the final fee application that relates to the Fee Claim (unless otherwise agreed by the Debtor or the Reorganized Debtor, as applicable, and the Professional requesting allowance and payment of a Fee Claim).

(iii) An Allowed Fee Claim, including any amounts previously held back by Order of the Bankruptcy Court, shall be paid in full, in cash, in such amounts as are Allowed by the Bankruptcy Court no later than the first Business Day that is 21 calendar days after the entry of a Final Order Allowing the Fee Claim. The Reorganized Debtor can pay compensation for services rendered or reimbursement of expenses incurred by its own Professionals after the Effective Date in the ordinary course and without the need for Bankruptcy Court approval.

(iv) Unless otherwise directed by the Bankruptcy Court, all Professionals filing final fee applications are required to comply with the *Order Appointing Fee Examiner and Establishing Procedures for Review of Interim and Final Fee Applications Filed by Estate Professionals* [Docket No. 1122] entered in the Chapter 11 Case, including any subsequent amendments.

d. *Cure Claims*. Cure Claims are monetary Claims arising out of the Debtor's default(s) under any Executory Contract or Unexpired Lease that the Debtor has assumed under section 365 of the Bankruptcy Code. Cure Claims shall be paid in full in accordance with, and at such times as are set forth in, Section 7.2.2 of the Plan.

e. *U.S. Trustee Fees*. U.S. Trustee Fees include all fees and charges assessed against the Debtor under 28 U.S.C. § 1930, together with interest, if any, under 31 U.S.C. § 3717.

(i) To the extent any U.S. Trustee Fees have become due before the Effective

Date and have not previously been paid, then such fees shall be paid pursuant to 11 U.S.C. § 1129(a)(12) and 28 U.S.C. § 1930. Any U.S. Trustee Fees relating to the period from and after the Effective Date shall be paid as provided in Section 12.8.4 of the Plan.

(ii) The requirement to pay U.S. Trustee Fees is subject to any amendments to 28 U.S.C. § 1930(a)(6) that Congress makes retroactively applicable to confirmed chapter 11 cases. The Reorganized Debtor shall have the exclusive right to pursue any cause of action, right to reimbursement for overpayment, or similar interest of the Debtor in amounts paid pursuant to 28 U.S.C. § 1930.

ARTICLE VII

SURVIVORS' TRUST

A. Survivors' Trust Liability for Abuse Claims.

As provided in Section 9.1 of the Plan, on the Effective Date, the Survivors' Trust shall be established in accordance with the Survivors' Trust Documents. The Survivors' Trust will, upon its creation, and without limitation: (1) assume liability for all Abuse Claims, including without limitation Unknown Abuse Claims, of the Debtor, Contributing Non-Debtor Catholic Entities, and any Settling Insurers; and (2) receive, hold, administer, liquidate, and distribute the Survivors' Trust Assets in accordance with the Plan and the Survivors' Trust Documents.

B. Role of the Survivors' Trust

The Survivors' Trust shall administer, process, settle, resolve, liquidate, satisfy, and make Trust Distributions in such a way that Holders of Abuse Claims are treated equitably and in a substantially similar manner, subject to the applicable terms of the Plan Documents and the Survivors' Trust Documents. From and after the Effective Date, (i) the Abuse Claims and Unknown Abuse Claims against the Debtor and (ii) Claims against any Settling Insurer for or relating to insurance coverage in connection with such Claims shall be channeled to the Survivors' Trust pursuant to the Channeling Injunction set forth in Section 13.12 of the Plan and may be asserted only and exclusively against the Survivors' Trust.

The Survivors' Trust shall have no liability for Non-Abuse Litigation Claims. Holders of Non-Abuse Litigation Claims shall have no recourse to the Survivors' Trust with respect to such Claims.

C. **Appointment and Powers of the Survivors' Trustee**

On the Confirmation Date, the Bankruptcy Court shall appoint the Survivors' Trustee to serve in accordance with, and who shall have the functions and rights provided in, the Survivors' Trust Documents. Any successor Survivors' Trustee shall be appointed in accordance with the terms of the Survivors' Trust Documents. For purposes of the Survivors' Trustee performing his or her duties and fulfilling his or her obligations under the Survivors' Trust and the Plan, the Survivors' Trust and the Survivors' Trustee shall be deemed to be "parties in interest" within the meaning of Section 1109(b) of the Bankruptcy Code.

The Survivors' Trustee shall have such powers and duties as are set forth in the Survivors' Trust Documents, including without limitation the following:

1. *Survivors' Trustee as Fiduciary*. The Survivors' Trustee shall be deemed to be a fiduciary of the Survivors' Trust under the terms of the Survivors' Trust Agreement and shall have all rights, powers, authority, responsibilities, and benefits under California law specified in the Plan and as reflected in the Survivors' Trust Agreement, including commencing, prosecuting or settling causes of

action, enforcing contracts, and asserting Claims, defenses, offsets and privileges. If there is any inconsistency or ambiguity between the Confirmation Order and the Survivors' Trust Agreement with respect to Trustee's authority to act, the provisions of the Survivors' Trust Agreement shall control.

2. *Liquidation of Survivors' Trust Assets*. The Survivors' Trustee shall liquidate and convert to Cash the Survivors' Trust Assets, make timely distributions, and not unduly prolong the duration of the Survivors' Trust. The Survivors' Trustee may also abandon any property which the Survivors' Trustee determines in the Survivors' Trustee's reasonable discretion to be of *de minimis* value or of more burden than the value of the Survivors' Trust.

3. *Protection of Survivors' Trust Assets.* The Survivors' Trustee shall protect and enforce the rights in and to the Survivors' Trust Assets under the Survivors' Trust Documents.

4. *Bank Accounts of the Survivors' Trust*. The Survivors' Trustee may open and maintain bank accounts on behalf of the Survivors' Trust to deposit funds in and draw checks on the bank accounts as appropriate under the Survivors' Trust Documents. Notwithstanding anything herein to the contrary, the Survivors' Trustee may open and maintain bank accounts on behalf of the Survivors' Trust after Confirmation but before the Effective Date.

5. *Insurance*. The Survivors' Trustee shall obtain all reasonably available insurance coverage with respect to any property that is, or may in the future become, a Survivors' Trust Asset.

6. *Taxes*. The Survivors' Trustee may request an expedited determination of taxes of the Survivors' Trust under Section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Survivors' Trust for all taxable periods through the dissolution of the Survivors' Trust.

7. *Settlements With Non-Settling Insurers*. The Survivors' Trustee shall be authorized to enter into consensual settlements with one or more Non-Settling Insurers on and after the Effective Date, covering some or all of the Abuse Claims insured thereby, provided that such settlements shall not impair the rights of any other Non-Settling Insurers, including those rights set forth herein. Approval requirements, if any, for such settlements shall be as specified in the Survivors' Trust Agreement. No settlement (whether in the Plan or otherwise) as among any of the Debtor, its Estate, the Survivors' Trust, and Holder of an Abuse Claim, and the Settling Insurers, including payment obligations, shall bind a Non-Settling Insurer in any way without its consent.

D. Survivors' Trust Advisory Committee

As set forth in the Survivors' Trust Documents, there shall be established the Survivors' Trust Advisory Committee, which shall be initially comprised of five (5) members selected by the Committee and formed as of the Effective Date. Except with respect to Insurance Settlement Agreements entered into by the Survivors' Trust post-Effective Date and certain other matters, the Survivors' Trust Advisory Committee is intended to be consultative in nature and assist the Survivors' Trustee in the independent exercise of his or her duties.

E. Property and Funding of the Survivors' Trust

As stated in the Executive Summary (Article I above), the Survivors' Trust shall be funded with (i) aggregate Cash contributions from the Debtor and Reorganized Debtor (as applicable) of $115 million, (ii) any Cash contributions from a Contributing Non-Debtor Catholic Entity pursuant to Section 9.3.2 of the Plan, (iii) any proceeds held by the Debtor or the Reorganized Debtor on account of Insurance Settlement Agreements as set forth in and subject to the Plan, and (iv) the Assigned Insurance Interests. These are the Survivors' Trust Assets. Each is detailed below.

The Survivors' Trust Assets may be supplemented from time to time from: (a) any payment by a Settling Insurer pursuant to an Insurance Settlement Agreement; (b) any Assigned Insurance Interest Proceeds; (c) proceeds of Litigation Awards; (d) proceeds of Outbound Contribution Claims; and (e) any other proceeds which the Survivors' Trust may obtain pursuant to the terms of the Plan.

On the Effective Date, all Survivors' Trust Assets shall vest in the Survivors' Trust, and the Debtor, Reorganized Debtor, Contributing Non-Debtor Catholic Entities, and Settling Insurers shall be deemed for all purposes to have transferred all of their respective interests in the Survivors' Trust Assets to the Survivors' Trust. On the Effective Date, or as soon as practicable thereafter, the Reorganized Debtor, any other Released Party, and Settling Insurers, as applicable, shall take all actions reasonably necessary to transfer any Survivors' Trust Assets to the Survivors' Trust. Upon the transfer of control of Survivors' Trust Assets in accordance with this paragraph, the Debtor, Reorganized Debtor, Contributing Non-Debtor Catholic Entities, and the Settling Insurers shall have no further interest in the Survivors' Trust Assets except as otherwise explicitly provided in the Plan.

The transfer to, vesting in and assumption by the Survivors' Trust of the Survivors' Trust Assets as contemplated by the Plan shall, as of the Effective Date, discharge all obligations and liabilities of and bar any recovery or action against the Released Parties for or in respect of all Abuse Claims (including Unknown Abuse Claims). The Confirmation Order shall provide for such discharge. Subject to Article VIII hereof and the rights of Litigation Claimants, the Survivors' Trust shall, as of the Effective Date, assume sole and exclusive responsibility and liability for all Abuse Claims against the Released Parties, and such Claims shall be paid by the Survivors' Trust from the Survivors' Trust Assets or as otherwise directed in the Survivors' Trust Documents and Articles VIII and IX of the Plan. From and after the Effective Date, all Abuse Claims against the Released Parties or any Settling Insurer shall be considered Channeled Claims subject to the Channeling Injunction under Section 105(a) of the Bankruptcy Code and the provisions of the Plan and the Confirmation Order, except for (a) an Abuse Claim against any Person who personally committed an act or acts of Abuse resulting in a Claim against the Debtor or Contributing Non-Debtor Catholic Entity, or (b) any Claim (including any Abuse Claim) held by a Non-Settling Insurer against any Released Party other than the Debtor or the Reorganized Debtor. Subject to the foregoing, from and after the Effective Date, the Released Parties shall not have any obligation with respect to any liability of any nature or description arising out of, relating to, or in connection with any Abuse Claims.

The Debtor Cash Contribution and any Non-Debtor Catholic Entity Contributions are not, and shall not be construed as, a discharge and/or release of any Abuse Claim (including any Unknown Abuse Claim) covered or alleged to be covered under any of the Non-Settling Insurer Policies. Notwithstanding the foregoing, the Debtor and any Contributing Non-Debtor Catholic Entity shall have no further financial obligations under the Plan or the Plan Documents to Holders of Allowed Abuse Claims (except, in the case of any Contributing Non-Debtor Catholic Entity, with respect to Holders of Opt-Out Abuse Claims as set forth in Section 6.2 hereof), including Allowed Unknown Abuse Claims, other than the obligations required to be paid to the Survivors' Trust in Section 9.3 of the Plan.

1. *Debtor Cash Contribution*. On the Effective Date of the Plan, the Debtor shall transfer $63 million in good and available funds to the Survivors' Trust using wiring instructions provided by the Survivors' Trustee (the "Initial Debtor Contribution"). The Initial Debtor Contribution will consist of (i) approximately $53 million in Cash received through the Exit Facility (*See* **Exhibit D**), and (ii) approximately $10 million in non-restricted Cash held by the Debtor. The Survivors' Trust shall also receive Cash from the Debtor as set forth below (collectively, the "Additional Debtor Contributions" and together with the Initial Debtor Contribution, the "Debtor Cash Contribution"):

   a. On the date that is one year after the Effective Date, the Debtor shall transfer $10 million in good and available funds to the Survivors' Trust using wiring instructions provided by the Survivors' Trustee.

b. On the date that is one year after the Effective Date, the Debtor shall transfer $10 million in good and available funds to the Survivors' Trust using wiring instructions provided by the Survivors' Trustee.

c. On the date that is three years after the Effective Date, the Debtor shall transfer $10 million in good and available funds to the Survivors' Trust using wiring instructions provided by the Survivors' Trustee.

d. On the date that is four years after the Effective Date, the Debtor shall transfer $10 million in good and available funds to the Survivors' Trust using wiring instructions provided by the Survivors' Trustee.

e. On the date that is five years after the Effective Date, the Debtor shall transfer $12 million in good and available funds to the Survivors' Trust using wiring instructions provided by the Survivors' Trustee.

2. *Contributions from Non-Debtor Catholic Entities*. Any Non-Debtor Catholic Entity against whom the Holder of a Class 4 Claim has asserted liability in connection with an Abuse Claim may become a Contributing Non-Debtor Catholic Entity by contributing Cash or other assets to the Survivors' Trust in exchange for Releases by such Holders of Class 4 Claims.

a. **Roman Catholic Welfare Corporation of Oakland**. RCWC shall contribute Cash to the Survivors' Trust in an aggregate amount that is contingent on the number of Releases it secures from those Holders of Class 4 Claims and Class 5 Claims who have asserted liability against RCWC in connection with an Abuse Claim ("RCWC Claimants"). RCWC shall transfer a total of $28,500,000.00 (the "RCWC Cash Contribution") to the Survivors' Trust, as follows: $2,000,000.00 on the Effective Date, $4,000,000.00 on the date that is one year after the Effective Date, $4,000,000.00 on the date that is two years after the Effective Date, $6,000,000.00 on the date that is three years after the Effective Date, $6,000,000.00 on the date that is four years after the Effective Date, and $6,500,000.00 on the date that is five years after the Effective Date; provided, however, if less than 100% of all RCWC Claimants grant RCWC a release pursuant to Section 13.9 of the Plan, then the RCWC Cash Contribution, and each of its installments set forth in this Section 9.3.2.2, shall be reduced by a percentage proportional to the percentage of RCWC Claimants who either opt out of granting RCWC such release or fail to return a Ballot. To illustrate, if 80% of RCWC Claimants grant RCWC a release pursuant to Section 13.9 of the Plan, RCWC shall only contribute 80% of the aggregate RCWC Cash Contribution, or $22,800,000.00, to the Survivors' Trust, in installments of $1,600,000.00 on the Effective Date, $3,200,000.00 on the first and second anniversaries of the Effective Date, $4,800,000.00 on the third and fourth anniversaries of the Effective Date, and $5,200,000.00 on the fifth anniversary of the Effective Date. *See* **Exhibit E**, RCWC Currier Letter.

b. **Other Contributing Non-Debtor Catholic Entities**. Should any other Non-Debtor Catholic Entity become a Contributing Non-Debtor Catholic Entity between the filing of the Plan and the date of the filing of the Plan Supplement, the Plan Supplement shall set forth the amount of Cash contributed by any such Non-Debtor Catholic Entity (or, if the Contribution is not in Cash, the nature and approximate Cash-value of the contribution by any such Non-Debtor Catholic

Entity) and shall set forth the extent to which such Non-Debtor Catholic Entity's contribution is conditioned on the number of Releases it receives from Holders of Class 4 and Class 5 Claims asserting liability against such Non-Debtor Catholic Entity in connection with an Abuse Claim.

c. **Release by Holders of Class 5 Claims**. For purposes of calculating the percentage of Releases under Section 13.9 of the Plan received by a Non-Debtor Catholic Entity, the Unknown Abuse Claims Representative shall count as a single Holder, and each Holder of a Class 4 Claim shall count as a single Holder.

3. *Separate Contributions*. Any contribution to the Survivors' Trust by a Contributing Non-Debtor Catholic Entity shall be in addition to and separate from the Debtor Cash Contribution

4. *Insurance Settlement Agreements*. In addition to the Debtor Cash Contribution, any Cash received by the Debtor on or before the Effective Date in connection with an Insurance Settlement Agreement shall be transferred to the Survivors' Trust on the Effective Date and shall be part of the Survivors' Trust Assets. After the Effective Date, *see* below at Article VII.G.6.

5. *Assignment of Assigned Insurance Interests*. On the Effective Date, the Insurance Assignment described in Article VIII of the Plan shall become effective. The Assigned Insurance Interests means all rights, claims, interests, benefits, responsibilities, and obligations of the Debtor in the Non-Settling Insurer Policies, subject to the terms of the Plan including without limitation Articles VIII and IX of the Plan and the provisions of the Plan concerning the Litigation Option.

6. *Use of Survivors' Trust Assets*. The Survivors' Trust Assets shall be used in accordance with and for the purposes set forth in the Survivors' Trust Documents, including without limitation to pay Abuse Claims and reasonable expenses of the Survivors' Trust, and to pursue and execute Insurance Settlement Agreements (i.e. negotiate and effectuate potential settlements with Non-Settling Insurers). Notwithstanding anything herein to the contrary, no monies and/or assets comprising the Survivors' Trust Assets that are transferred, granted, assigned, or otherwise delivered to the Survivors' Trust shall be used for any purpose other than in accordance with the Plan and the Survivors' Trust Documents.

7. *No Insurer Reimbursement Obligation*. The Non-Settling Insurers shall not be liable for or obligated to reimburse any contribution to the Plan made by the Debtor and its Estate, nor shall the Survivors' Trust be authorized to seek such recovery.

F. **Unknown Abuse Claims Reserve**

The Unknown Abuse Claims Reserve is a Cash reserve maintained by Survivors' Trust established on the Effective Date pursuant to the Survivors' Trust Documents for the benefit of Holders of Class 5 Claims, or Unknown Abuse Claims.

Upon the Effective Date, the Survivors' Trust shall segregate $5,000,000.00 (Five Million Dollars and Zero Cents) of the Initial Debtor Contribution into the Unknown Abuse Claims Reserve. The Unknown Abuse Claims Reserve shall be maintained for the greater of (i) five years after the Effective Date, and (ii) resolution of all Unknown Abuse Claims submitted to the Survivors' Trustee within five years after the Effective Date. On that date, the remaining funds in the Unknown Abuse Claims Reserve will be de-segregated and returned to the Survivors' Trust's general accounts, and neither the Debtor, Reorganized Debtor, Survivors' Trust, nor any Settling Insurer shall have any more liability for any Unknown Abuse Claim.

G. Treatment of Abuse Claims.

1. *Immediate Payment Election.*

Abuse Claimants may elect to receive the Immediate Payment from the Survivors' Trust by checking the appropriate box on their respective Ballots. Only Holders of Abuse Claims who return a Ballot and who affirmatively check the box on their Ballot indicating they wish to receive the Immediate Payment shall be entitled to receive the Immediate Payment. If a Holder of an Abuse Claim elects to receive the Immediate Payment, the payment will be made within thirty (30) days after the Effective Date. After receipt of the Immediate Payment, the Holder of an Abuse Claim shall not be entitled to any further distributions from the Survivors' Trust and shall not be entitled to pursue any Abuse Claim against the Non-Settling Insurers or any other party. If a Person submitted, or is the Holder of, more than one Abuse Claim and such Holder elects to receive the Immediate Payment, such Holder shall only be entitled to one Immediate Payment on account of all of their Abuse Claims, shall not be entitled to any further distributions from the Survivors' Trust, and shall not be entitled to pursue any Abuse Claim against the Non-Settling Insurers or any other party.

2. *Review and Scoring of Claims.*

After the Effective Date, every Trust Claim held by an Abuse Claimant shall be reviewed and allocated a percentage of the recovery pool based on numerical scaling factors (but not based on alleged dollar value of the Claim) by the Abuse Claims Reviewer in order to determine the distribution to each such Holder in accordance with the terms of the Survivors' Trust Documents.

The scoring process works as follows:

- First, the Abuse Claims Reviewer applies Initial Criteria to determine whether any incurable defects exist with respect to a Trust Claim;
- Second, the Abuse Claims Reviewer applies General Criteria intended to determine whether the Trust Claim adequately describes the alleged abuse, alleged perpetrator, location of abuse, and legal liability of the Debtor or another party; and,
- Third, the Abuse Claims Reviewer applies Evaluation Factors to actually score the claim on a scale from 1-100. The Evaluation Factors include the nature of the abuse (in terms of duration, frequency, level of severity and degree of intrusiveness, etc.), the impact of the abuse (in terms of mental and physical health, spiritual well-being, interpersonal relationships, etc.); prior recoveries, if any, from other parties; and the claimant's involvement in bringing the abuse to light for the benefit of all Trust Claimants.

After scoring each Trust Claim, the Abuse Claims Reviewer will calculate the value of an individual "point." The point value will be determined by dividing (a) the total dollars available for distribution to Trust Claims by (b) the total of points among the individual Trust Claims. For example:

- Assume there are 345 claimants holding Trust Claims with an average score of 50 points per claim.
- 50 points per claim multiplied by 345 claims yields 17,250 total points.
- Assuming a total distributable amount of $138.5 million, each point would be valued at $8,028.99 ($138.5 million divided by 17,250 points).

Accordingly, Trust Claims assigned 25, 50, and 75 points would receive projected total recoveries of $200,724.75, $401,449.50, and $602,174.25 from the Survivor's Trust, respectively.

3. *Initial Determination.*

a. Based on the percentage allocation determined by the Abuse Claims Reviewer, the Survivors' Trustee shall provide a determination of the distribution to which each Holder of each Trust Claim is entitled (the "Initial Determination"), in accordance with the terms of the Survivors' Trust Documents. Each Holder of a Trust Claim will receive a notice containing the Initial Determination, including a projected recovery based on the anticipated available assets of the Survivors' Trust at the time of the Initial Determination.

b. Within thirty (30) days of receipt of the notice of the Initial Determination, each Holder of a Trust Claim shall have the right to request an additional review of the Initial Determination by the Abuse Claims Reviewer and shall be allowed to submit additional documentation or information that such Claimant believes should be considered. The Abuse Claims Reviewer shall provide a subsequent determination (the "Review Determination"), as provided for in the Survivors' Trust Documents.

c. If requested, the Review Determination shall be the "Final Determination" for purposes of such Holder's distributions from the Survivors' Trust. If the Review Determination is not requested, the outcome of the Initial Determination shall be the Final Determination.

d. For the avoidance of doubt, no determination will be made in the Chapter 11 Case concerning the alleged dollar value of an Abuse Claim for purposes of unsettled Insurance. Neither the Abuse Claims Reviewer's or Survivors' Trustee's review of an Abuse Claim and determination of qualification, nor the Survivors' Trust's estimation of Claims or payment of distributions, shall constitute a trial, an adjudication on the merits, or evidence of liability or damages in any litigation with the Non-Settling Insurer or any other Person.

4. *Distributions to Trust Claimants from the Survivors' Trust.*

Subject to the Survivors' Trust Documents, the Plan provides that the following procedures will govern distributions to Trust Claimants from the Survivors' Trust:

a. Within 30 days of the Abuse Claims Reviewer's completion of all Review Determinations, the Survivors' Trustee shall make a projection of anticipated distributions to each Holder of a Trust Claim. This amount may differ from the Initial Determination after accounting for Review Determinations.

b. The Survivors' Trustee will make an initial distribution (the "Initial Distribution") to each Trust Claimant, except for those Trust Claimants who elect the Litigation Option (defined below and in Section 9.8.4 of the Plan). The Initial Distribution shall be comprised of each such Trust Claimants' *pro rata* share of the Survivors' Trust Assets existing on that date, less reasonable reserves for the Survivors' Trust, to be determined by the Survivors' Trustee in accordance with the Survivors' Trust Documents (the "Initial Reserve").

c. Upon the receipt of additional contributions into the Survivors' Trust, including from sales of real property owned by the Survivors' Trust, the Survivors' Trustee shall make further distributions (the "Additional Distributions") to Distribution Claimants in accordance with this Section of the Plan and the Survivors' Trust Documents, less such appropriate reserves (the "Additional Reserves").

d. After (i) the final resolution of all Trust Claims, including with respect to Litigation Claimants, and (ii) all Survivors' Trust Assets are monetized, the Survivors' Trustee shall make a final distribution to Distribution Claimants (the "Final Distribution"), which shall include previously withheld reserves and any reallocated funds. If, after 180 days from the date of the Final Distribution, there are any funds which are not claimed by the Holder of a Trust Claim, such unclaimed funds shall be returned to the Reorganized Debtor.

5. *Election of Distribution Option vs. Litigation Option.*

Irrespective of whether a Trust Claimant has requested an additional review of the Initial Determination by the Abuse Claims Reviewer, within 90 days of receiving the notice of the Initial Determination of a Trust Claim, the Holder may, instead of receiving an Initial Distribution, elect to pursue litigation against the Non-Settling Insurers and/or other parties (excluding the Debtor or Reorganized Debtor as appropriate) (the "Abuse Claim Litigation" and, the election of the Abuse Claim Litigation, the "Litigation Option") by filing the notice described in Section 8.2.2 of the Plan. **The Holder of an Abuse Claim who elects the Distribution Option shall not be entitled to pursue the Litigation Option, meaning they shall not be entitled to pursue any additional recovery from the Non-Settling Insurers**. If no election to pursue the Litigation Option is timely made, the Trust Claimant shall be deemed to have chosen the Distribution Option.

a. In the event a Trust Claimant elects the Litigation Option, the Reserved Amount to be held by the Survivor's Trustee on account of such Trust Claimant shall be the amount of such Trust Claimant's Final Determination. As the Survivors' Trust receives additional Cash (including, without limitation, on account of the Debtor Cash Contributions, RCWC Cash Contributions, Insurance Settlement Agreements, other contributions of Cash, or proceeds from the liquidation of any of the Survivors' Trust Assets), the Survivors' Trustee shall increase the Reserved Amount on account of such Trust Claimant commensurately.

b. The liability, if any, of the Survivors' Trust to a Litigation Claimant shall be limited to the Reserved Amount for such Trust Claimant, even if the Trust Claimant obtains a judgment by a Final Order through the Abuse Claim Litigation (the "Litigation Judgment") that is higher than the Reserved Amount.

c. In the case of a Trust Claimant who obtains a Litigation Judgment that is lower than the Reserved Amount for such Trust Claimant, the distribution from the Survivors' Trust to such Trust Claimant shall be capped at the amount of the Litigation Judgment; provided, however, that such distribution from the Survivors' Trust shall be further reduced by the amount of any liability for the Litigation Judgment that is apportioned to (i) one or more defendants in the Abuse Claim Litigation other than any of the Released Parties, and/or (ii) any Non-Settling Insurer on account of such Non-Settling Insurer's coverage obligations under an Abuse Insurance Policy, if any, subject to such Non-Settling Insurer's rights to Contribution and other rights under this Plan and the applicable Abuse Insurance Policy(ies). The difference between a Trust Claimant's Reserved Amount and the reduced distribution to such Trust Claimant from the Survivors' Trust shall be reallocated for distribution to Trust Claimants in their *pro rata* share.

d. In the case of a Trust Claimant who obtains a Litigation Judgment that is higher than the Reserved Amount for such Trust Claimant, the distribution from the Survivors' Trust to such Trust Claimant shall be the lower of: (a) the Reserved Amount or (b) the amount of such Litigation Judgment less any liability for the Litigation Judgment apportioned to (i) any defendants in the Abuse Claim Litigation other than any of the Released Parties and/or (ii) any Non-Settling Insurer on account of such Non-Settling Insurer's coverage obligations under an Abuse Insurance Policy, if any, subject to such Non-Settling Insurer's rights to Contribution and other rights under this Plan and the applicable

Abuse Insurance Policy(ies). The difference between a Litigation Claimant's Reserved Amount and the reduced distribution to such Litigation Claimant from the Survivors' Trust shall be reallocated to Distribution Claimants in their *pro rata* share.

e. If a Trust Claimant obtains a Litigation Judgment for which all liability is assigned in the aggregate to (i) defendants in the Abuse Claim Litigation other than the Released Parties and/or (ii) one or more Non-Settling Insurers, any party found liable for payment to such Trust Claimant shall pay that judgment directly to such Trust Claimant. The Trust Claimant shall have no further claims against the Survivors' Trust. The Survivors' Trustee shall reallocate the Reserved Amount on account of such Trust Claimant's Trust Claim to Distribution Claimants in their *pro rata* share.

f. If, pursuant to Section 9.8.4, a Trust Claimant who received a Litigation Judgment is entitled to a distribution from the Survivors' Trust, the Survivors' Trustee shall make any such distribution from the Survivors' Trust Assets to such Trust Claimant not later than thirty (30) days after the Survivors' Trustee receives notice of entry of the Trust Claimant's Litigation Judgment in the Abuse Claim Litigation. If the Survivors' Trust is not a formal notice party in the Abuse Claim Litigation filed by such Trust Claimant, it shall be the burden of the Trust Claimant to serve the Survivors' Trustee with notice of entry of the Trust Claimant's Litigation Judgment in the Abuse Claim Litigation.

g. Upon written notice to the Survivors' Trustee, subject to the Survivors' Trustee's sole and absolute discretion, a Litigation Claimant may rescind that election in favor of the Distribution Option (and become, for all purposes, a Distribution Claimant). Notwithstanding the foregoing, the Survivors' Trustee shall consent to such rescission if such written notice of rescission is given prior to entry of an order of dismissal or a final judgment by a Final Order in the Abuse Claim Litigation in favor of a Released Party.

h. Following final resolution of the last Abuse Claim Litigation, the Survivors' Trustee will make his Final Distribution to Distribution Claimants as set forth in Section 9.8.3.4 of the Plan.

The Survivors' Trustee shall report to the Reorganized Debtor, on a quarterly basis, or upon reasonable request, (i) the date on which each Holder of an Abuse Claim is notified of their award under the Survivors' Trust Distribution Plan, (ii) whether each Holder of an Abuse Claim has elected the Immediate Payment, the Distribution Option, or the Litigation Option, and (iii) any modification made by any Holder of an Abuse Claim to their treatment status.

6. *Post-Effective Date Insurance Settlement Agreements.*

To the extent the Survivors' Trust enters into an Insurance Settlement Agreement that covers the Abuse Claim of a Litigation Claimant that commenced an Abuse Claim Litigation (a "Settling Trust Claimant"), (i) such Abuse Claim Litigation shall be promptly dismissed to the extent the Settling Trust Claimant is seeking a determination of, and the availability of Insurance Recoveries for, the liability of a Released Party on account of the Settling Trust Claimant's Abuse Claim, (ii) within thirty (30) days of receipt of the Cash consideration of such Insurance Settlement Agreement, the Survivors' Trust shall pay the Settling Trust Claimant an amount equivalent to 50% of the Settling Trust Claimant's then-existing Reserved Amount, calculated based on the value of the Survivors' Trust Assets immediately before receipt of such Cash consideration from the Insurance Settlement Agreement, (iii) the Settling Trust Claimant shall be deemed to have rescinded their election of the Litigation Option in favor of the Distribution Option and the Survivors' Trustee shall be deemed to have consented to such rescission, each in accordance with Section 9.8.4.7 of the Plan, and (iv) the remaining Cash realized by the Survivors' Trust on account of the Insurance Settlement Agreement shall be added to the Survivors' Trust Assets. Thereafter, Settling Trust Claimants shall: 1) be treated as Distribution Claimants in all respects, and 2) be entitled to receive *pro rata* distributions from the Survivors' Trust Assets in accordance with the terms of this Plan and the Survivors' Trust Documents.

H. Compensation and Reimbursement of Expenses to Survivors' Trustee and Survivors' Trust Professionals.

The Survivors' Trustee shall be entitled to compensation as provided for in the Survivors' Trust Documents. The Survivors' Trustee may retain and reasonably compensate, without Bankruptcy Court approval and without the consent of the Reorganized Debtor, counsel and other Professionals as reasonably necessary to assist in the duties of the Survivors' Trustee subject to the terms of the Survivors' Trust Documents. All fees and expenses incurred in connection with the foregoing shall be payable from the Survivors' Trust, as provided for in the Survivors' Trust Documents.

I. Excess Survivors' Trust Assets.

After the payment of all Abuse Claims that are entitled to a distribution from the Survivors' Trust and all expenses of the Survivors' Trust, all remaining Assets in the Survivors' Trust shall be transferred to the Reorganized Debtor concurrent with the termination of the Survivors' Trust pursuant to the Survivors' Trust Documents.

J. Indemnification of Debtor, Reorganized Debtor, and Contributing Non-Debtor Catholic Entities.

The Survivors' Trust shall indemnify and hold harmless the Debtor, Reorganized Debtor, and the Contributing Non-Debtor Catholic Entities from and against any and all Abuse Claims, as well as indemnify and reimburse such parties for all fees, costs and expenses related to Abuse Claims (including such fees, costs and expenses incurred in connection with discovery), to the extent set forth in the Plan and the Survivors' Trust Documents. The Survivors' Trust shall not have any obligation to indemnify any Person accused of committing a physical act of Abuse against a Holder of an Abuse Claim or such Holder's predecessor(s)-in-interest.

K. Modification of Survivors' Trust Documents.

The Survivors' Trust Documents may not be amended or modified without the consent of the Reorganized Debtor. The Reorganized Debtor shall also have consent rights with respect to the appointment of any successor Survivors' Trustee and Survivors' Trust Advisory Committee members, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the indemnification obligations of the Survivors' Trust described in the Plan as to any Released Party may not be amended or modified without the consent of such Released Party and no such amendment shall affect the rights of any remaining Non-Settling Insurers.

ARTICLE VIII

SETTLING INSURERS

A. No Insurance Settlement Agreements to Date

As of the date of the filing of this Disclosure Statement, there are no Settling Insurers and no Insurance Settlement Agreements executed. Any discussion of a Settling Insurer or Insurance Settlement Agreement herein refers to the identification of Settling Insurers under future Insurance Settlement Agreements.

B. Insurance Settlement Agreements

If, before Confirmation, an Insurer enters into an Insurance Settlement Agreement with the Debtor under which the Insurer would become a Settling Insurer under the Plan upon entry of the Confirmation Order, the Debtor shall file with the Plan Supplement providing for any provisions required by the proposed Settling Insurer, and agreed to by the Debtor, to be made a part of the Plan. Any such provisions set forth in the Plan Supplement shall be deemed incorporated into this Section as part of the Plan. Any Insurer that becomes a Settling Insurer shall receive the treatment as may be provided in any Insurer Settlement Agreement approved by a Final Order.

Each Insurance Settlement Agreement is effective and binding upon all Persons who have notice, and any of their successors and assigns, upon the entry of a Final Order approving the Insurance Settlement Agreement and satisfaction of all conditions precedent, provided such settlement shall not affect the rights of any remaining Non-Settling Insurers. Payments by each Settling Insurer to the Survivors' Trust, and the releases by the Debtor and/or the Contributing Non-Debtor Catholic Entities of each Settling Insurer, pursuant to the Insurance Settlement Agreements shall occur and/or be effective according to the terms of each such agreement.

C. Sale Free and Clear of Interests of Settling Insurer Policies

Each Settling Insurer Policy shall be sold to the issuing Settling Insurer, pursuant to sections 105, 363, and 1123 of the Bankruptcy Code, free and clear of all liens and Claims of all Persons, to the extent provided for in each applicable Insurance Settlement Agreement, provided such sale shall not affect the rights of any remaining Non-Settling Insurers.

D. Rights Under Insurance Settlement Agreements

The Insurance Settlement Agreements shall survive the confirmation, effectiveness, and consummation of the Plan. The rights of the parties under any Insurance Settlement Agreement shall be determined exclusively under the applicable Insurance Settlement Agreement, the Final Order approving such Insurance Settlement Agreement, the Plan, and the Confirmation Order.

E. Contribution Claims of Settling Insurers

Each Settling Insurer agrees that it will not pursue any Abuse Related Contribution Claim that it might have against any other Insurer (a) whose Contribution Claim against Settling Insurers is satisfied and extinguished entirely; or (b) that does not make an Abuse Related Contribution Claim against the Settling Insurers, or any of them. If, in the future, a Non-Settling Insurer releases its Abuse Related Contribution Claims, if any such exist, that it may have against the Settling Insurers, then such released Settling Insurer shall release its Abuse Related Contribution Claims against such releasing Insurer.

If any Non-Settling Insurer asserts a Claim directly against the Survivors' Trust arising from or concerning the one or more Settling Insurers' Abuse Insurance Policies, any Abuse Related Contribution Claim of the Settling Insurers shall be transferred to the Survivors' Trust, and the Survivors' Trust shall be authorized to assert the Contribution Claims of such Settling Insurer against such Non-Settling Insurer.

F. Timing

The injunctions, releases, and discharges to which any Settling Insurer is entitled pursuant to such Insurance Settlement Agreement, the Plan, the Confirmation Order, the Final Order approving the

Insurance Settlement Agreement, and the Bankruptcy Code shall become effective pursuant to the terms of such Insurance Settlement Agreement.

ARTICLE IX

MATTERS RELATING TO NON-SETTLING INSURERS

A. Insurance Coverage for Abuse Claims

Holders of Abuse Claims who do not elect to receive an Immediate Payment may seek to have their claim satisfied by electing either (i) the Distribution Option, or (ii) for the purpose of recovering from one or more Non-Settling Insurers under their respective Insurance Policies, the Litigation Option. Absent agreement of the applicable Non-Settling Insurer(s), the Holder of an Abuse Claim may only litigate coverage of such Holder's Abuse Claim under the Non-Settling Insurer's Abuse Insurance Policy(ies) by electing the Litigation Option. Only the applicable Holder of an Abuse Claim may seek recovery for such Abuse Claim against a Non-Settling Insurer pursuant to an Abuse Insurance Policy issued by such Non-Settling Insurer. The Insurance Assignment is subject to the exclusive rights of such Holders.

After Confirmation, any Litigation Claimant shall be granted leave to pursue such Claim by filing in the Chapter 11 Case a written statement of intent to do so by electing the Litigation Option (which may be filed under a pseudonym if the claimant's name has not been previously publicly identified, *provided* that (i) the notice otherwise adequately identifies the relevant Claim including the case number for the pending litigation and (ii) the claimant or his or her counsel notifies the Non-Settling Insurers of the claimant's actual name). After the expiration of ninety (90) days following the filing of such written statement, such Holder of an Abuse Claim may continue to pursue such Claim in a separate action filed in a non-bankruptcy court of competent jurisdiction as determined by applicable law, solely to seek a recovery from Abuse Insurance Policies. Affected Non-Settling Insurers shall have the right (and the obligation, to the extent so provided under their respective Abuse Insurance Policy(ies)), to defend such Claim, consistent with the terms of their Abuse Insurance Policies and applicable non-bankruptcy law. Such affected Non-Settling Insurers are also granted leave to defend against Abuse Claims and take other actions authorized in their respective Abuse Insurance Policies in response to Abuse Claims, including paying settlements to which the affected Non-Settling Insurers agree or any judgments.

The Debtor (including the estate and the Reorganized Debtor) and the Survivors' Trust will cooperate in the defense of any such claim to the extent provided under the applicable Abuse Insurance Policy or Policies and as requested by an affected Non-Settling Insurer.

Nothing in Section 8.2.2 of the Plan or in this Article IX.A shall diminish or alter the rights of a Holder of an Abuse Claim who elects the Litigation Option to receive a distribution from the Survivors' Trust pursuant to Section 9.8.4 herein.

If the Holder of an Abuse Claim elects the Litigation Option then, among other things, (1) the rights of affected Non-Settling Insurers to defend or associate in the defense of such Abuse Claims shall be fully preserved so that a Non-Settling Insurer who has offered to, or has an obligation to, defend may do so, and (2) the rights of affected Non-Settling Insurers to assert all coverage defenses and issues in any insurance recovery action (under Cal. Ins. Code § 11580 or otherwise) shall also be fully preserved. In any such insurance recovery action (under Cal. Ins. Code § 11580 or otherwise), Holders of Abuse Claims shall have no greater or lesser rights than the Debtor, including as to any findings of fact, conclusions of law, or rulings issued in connection with the Coverage Action or any other coverage litigation between the Debtor or the Survivors' Trust and any of the Insurers. To the extent any applicable Non-Settling Insurer elects not to defend an Abuse Claim in the non-bankruptcy court system after receiving proper notice and opportunity to do so, the Holder of an Abuse Claim shall be entitled to seek a default judgment against the Debtor as nominal party only, solely to allow such Holder of an Abuse Claim to then pursue insurance rights under Cal. Ins. Code § 11580 in accordance with the provisions in the Plan.

If a Holder of an Abuse Claim elects the Litigation Option, liquidates its Claim, and obtains a final judgment by a Final Order against a Non-Settling Insurer, such Non-Settling Insurer shall pay the amount of the judgment directly to the Holder of such Claim in accordance with, and subject to, the provisions of the Plan. The Holder of an Abuse Claim shall have the exclusive right to liquidate such Holder's Abuse Claim under the Litigation Option and pursue Coverage Claims against a Non-Settling Insurer.

B. <u>Preservation of the Rights of Non-Settling Insurers</u>

The Plan is intended to ensure preservation of the rights of Insurers and Holders of Abuse Claims who wish to pursue recovery from applicable, available insurance coverage, and of the obligations of the parties to each of the Abuse Insurance Policies. The Plan seeks to achieve this "insurance neutral" result through the following terms, among others.

With respect to Non-Settling Insurers, nothing in the Plan, the Plan Documents, the Confirmation Order, or the Survivors' Trust Documents, including any provision that purports to be preemptory or supervening, shall in any way operate to, or have the effect of, impairing, altering, supplementing, changing, expanding, decreasing, or modifying (i) the terms and conditions of any Abuse Insurance Policy, (ii) the rights and obligations of the Debtor (or its Estate) and any Non-Settling Insurers (and third-party claims administrators) under any of the Abuse Insurance Policies, or (iii) the coverage or benefits provided under the Abuse Insurance Policies; <u>provided</u>, <u>however</u>, that because the Non-Settling Insurers would solely be potentially financially responsible for payment of Abuse Claims (and the Debtor would have no such potential financial responsibility), the provisions of Cal. Civil Code § 2860 entitling an insured to appointment of independent counsel in certain circumstances shall not apply to any claims pursued by Holders of Abuse Claims against the Debtor (as a nominal party only) or the Survivors' Trust in the non-bankruptcy court system for the purpose of recovering from Non-Settling Insurers.

With respect to the Non-Settling Insurers, notwithstanding any provision in the Plan, the Plan Documents, the Confirmation Order, or the Survivors' Trust Documents, nothing contained in any such documents or in this paragraph shall impose, or shall be deemed or construed to impose, any obligation on any Non-Settling Insurer to provide a defense for, settle, or pay any judgment with respect to, any Abuse Claim. Rather, a Non-Settling Insurer's obligation, if any, with respect to an Abuse Claim shall be determined solely by and in accordance with the applicable Abuse Insurance Policy or Abuse Insurance Policies issued by that Non-Settling Insurer subject to applicable non-bankruptcy law. Nothing in the Plan, the Plan Documents, the Confirmation Order, or the Survivors' Trust Documents shall diminish or impair, or be deemed to diminish or impair, the rights of any Non-Settling Insurer to defend any Abuse Claim or to assert any claim, defense, right, or counterclaim in connection with any Abuse Claim or Abuse Insurance Policy in accordance with applicable law; <u>provided</u>, <u>however</u>, that any claim or counterclaim for Contribution (as defined in Section 8.4 of the Plan) against a Settling Insurer shall be addressed as provided herein.

For all issues relating to insurance coverage concerning Non-Settling Insurers, the provisions, terms, conditions, and limitations of the applicable Abuse Insurance Policies shall control, subject to applicable non-bankruptcy law.

A Non-Settling Insurer's obligation, if any, with respect to an Abuse Claim shall be determined solely by and in accordance with the applicable Abuse Insurance Policy or Abuse Insurance Policies issued by that Non-Settling Insurer subject to applicable non-bankruptcy law. Liability with respect to any Abuse Claim for purposes of any recovery against an Abuse Insurance Policy will be determined pursuant to applicable non-bankruptcy law.

With respect to the Non-Settling Insurers, for purposes of establishing the value of any Abuse Claim for purposes of recovery from, or coverage under, any Abuse Insurance Policy issued by a Non-Settling Insurer, no determination made in the Chapter 11 Case, nor any determinations made by the Abuse Claims Reviewer or Survivors' Trustee concerning any Abuse Claim at any time, shall be binding on or against a Non-Settling Insurer, nor shall any party (including any Holder of an Abuse Claim against the Debtor) offer into evidence, or seek to admit into evidence, any such alleged determination in any tort actions pursued by Holders of Abuse Claims against the Debtor (as a nominal party only) or the Survivors' Trust in the non-bankruptcy court system for the purpose of recovering from Non-Settling Insurers, except for the limited purpose of establishing the amount of any credit to which Debtor (as a nominal party) may be entitled to offset any verdict in favor of a holder of an Abuse Claim.

The determination of, qualification and estimation of Claims, and the payment of Survivors' Trust distributions is not an admission of liability by the Debtor or Reorganized Debtor (as applicable), any Non-Settling Insurer, the Survivors' Trust, or any other Person with respect to any Abuse Claims and has no *res judicata* or collateral estoppel effect on any Non-Settling Insurer, the Debtor, the Survivors' Trust, or any other Person, except that such determination may be introduced for the limited purpose of establishing the amount of any credit to which the Debtor (as a nominal party) or the Survivors' Trust may be entitled to offset any verdict in favor of a Holder of an Abuse Claim.

Neither the Abuse Claims Reviewer's nor Survivors' Trustee's review of an Abuse Claim and determination of qualification, nor anything in the Survivors' Trust Documents (including any action or decision pursuant to the Survivors' Trust Documents, including any estimation of claims or payment of distributions), shall constitute a trial or an adjudication on the merits, or evidence of liability or damages, in any litigation with the Non-Settling Insurer or any other Person.

With respect to Non-Settling Insurers, nothing in the Plan, the Plan Documents, the Confirmation Order, or the Survivors' Trust Documents shall, under any theory, (a) constitute a trial, a judgment, an adjudication on the merits, or evidence establishing the liability (in the aggregate or otherwise) or obligation of the Debtor or the Survivors' Trust with respect to any Abuse Claim, (b) constitute a trial, a judgment, an adjudication on the merits, or evidence (or be introduced as evidence) establishing the liability of any Non-Settling Insurer in current or subsequent litigation for any Claim, including, without limitation, any Abuse Claim, or under any Abuse Insurance Policy, (c) constitute, or be deemed to constitute (or be introduced to support a determination) of the reasonableness of the amount of any Claim, including any Abuse Claim, either individually or in the aggregate with other Claims, (d) be deemed to grant to any Person or Entity any right to sue any Non-Settling Insurer directly, in connection with a Claim, including any Abuse Claim, or any Abuse Insurance Policy, that such Person or Entity did not otherwise have under applicable non-bankruptcy law, (e) constitute a finding or determination (or be introduced to support a finding or determination) that the Debtor is a named insured, additional insured, or insured in any other way under any Abuse Insurance Policy, (f) constitute a finding or determination (or be introduced to support a finding or determination) that any Insurer in fact issued any alleged Abuse Insurance Policy or that any alleged Abuse Insurance Policy has any particular terms or conditions, (g) constitute a finding or determination (or be introduced to support a finding or determination) that any Insurer has any defense or indemnity obligation with respect to any Claim or Abuse Claim, or (h) constitute a finding or determination (or be introduced to support a finding or determination) on any matter at issue or which may be raised as an issue in any action, including the

Insurance Coverage Litigation. In addition, no payment made in accordance with the Plan shall be, or be deemed to be, a waiver of any rights of any Non-Settling Insurer under any Abuse Insurance Policy.

Other than with respect to the effectiveness of the Insurance Assignment contemplated by the Plan (if necessary) and the findings necessary to confirm the Plan under Section 1129 of the Bankruptcy Code for such purpose only, no Non-Settling Insurer shall be bound in any current or future litigation concerning an Abuse Claim or an Abuse Insurance Policy by any factual findings or conclusions of law issued in connection with Confirmation of the Plan, and no such findings of fact or conclusions of law shall have any *res judicata* or collateral estoppel effect on any Claim, defense, right, offset, or counterclaim that has been asserted or that may be asserted in any current or subsequent litigation concerning an Abuse Claim or an Abuse Insurance Policy. Non-Settling Insurers shall retain, and be permitted to assert, (i) all of their insurance coverage defenses subject to applicable non-bankruptcy law in connection with Abuse Claims notwithstanding any provision of the Plan, the Plan Documents, or the Confirmation Order, provided, however, no Non-Settling Insurer may assert the Insurance Assignment as a defense to any Coverage Claim nor challenge the efficacy or validity of the Insurance Assignment, and (ii) all of the Debtor's defenses to liability, both legal and equitable, in connection with any asserted Abuse Claim, and the Non-Settling Insurers' rights to assert all such underlying defenses and insurance coverage defenses in connection with Abuse Claims will not be impaired in any way by the Plan, the Plan Documents, the Confirmation Order, or the Survivors' Trust Documents, but shall be subject to applicable non-bankruptcy law.

Any disputes regarding a Non-Settling Insurer's liability for Abuse Claims and/or coverage therefor under any Abuse Insurance Policy shall be resolved under applicable non-bankruptcy law in a court of competent jurisdiction or such other venue as the affected parties (including the Non-Settling Insurer(s)) may agree.

Nothing in the Plan shall limit the ability of any Non-Settling Insurer to agree to different terms or treatment of its Abuse Insurance Policies as part of a consensual settlement with the Debtor, Survivors' Trust, and/or Holders of Abuse Claims.

Any Non-Settling Insurer's legal, equitable, or contractual rights and obligations relating to the Abuse Insurance Policies issued by such Non-Settling Insurer shall be determined under applicable non-bankruptcy law. Nothing in the Plan shall be construed to impair or diminish the Debtor's or any Non-Settling Insurer's legal, equitable, or contractual rights or obligations under any Abuse Insurance Policy including, but not limited to, the ability to negotiate resolution of any dispute; provided, however, (a) that because Non-Settling Insurers would solely be potentially financially responsible for payment of Abuse Claims (and the Debtor would have no such potential financial responsibility), the provisions of Cal. Civil Code § 2860 entitling an insured to appointment of independent counsel in certain circumstances shall not apply to any claims pursued by Holders of Abuse Claims against the Debtor (as a nominal party only) in the non-bankruptcy court system for the purpose of recovering from Debtor (as a nominal party) and (b) neither the Debtor (including the Estate and the Reorganized Debtor) nor the Survivors' Trust shall have the right to (i) direct or interfere with a Non-Settling Insurer's defense of a tort action asserting an Abuse Claim, or (ii) settle an Abuse Claim without the consent of all affected Non-Settling Insurers; provided, however, that at the Reorganized Debtor's election and at its sole expense, the Reorganized Debtor may appoint its own counsel ("Reorganized Debtor Counsel") to represent the Bishop in the defense of any action by a Holder of an Abuse Claim against the Debtor (as a nominal party only). Any such Reorganized Debtor Counsel shall cooperate and coordinate with defense counsel appointed by the Non-Settling Insurers to represent the Debtor in such action, and the Reorganized Debtor's election to appoint Reorganized Debtor Counsel shall not constitute direction of or interference with a Non-Settling Insurer's defense of a tort action asserting an Abuse Claim. The Non-Settling Insurers reserve all policy defenses and claims, including without limitation all rights, claims, and defenses concerning cooperation, offsets, recoupments, deductions, deductibles, self-insured retentions, and all rights, claims, and defenses provided in their policies. For the avoidance of doubt, if the Holder of an Abuse Claim has elected the Immediate Payment or the Distribution Option, nothing in Section 8.3.12 of the Plan shall restrict the Survivors' Trust from resolving or making a distribution on account of such Abuse Claim without the consent of any Non-Settling Insurer for purposes of the Immediate Payment or Distribution Option.

Except as expressly stated herein, any coverage issues involving the Non-Settling Insurers or the Abuse Insurance Policies issued by the Non-Settling Insurers shall be determined in accordance with applicable non-bankruptcy law. All positions and arguments with respect to available coverage under such Abuse Insurance Polices shall be fully preserved for assertion by the Non-Settling Insurers and Abuse Claimants in any litigation of coverage issues. Subject to the terms of the Plan, the Non-Settling Insurers and Holders of Abuse Claims reserve their rights, if any, to (i) bring proceedings concerning the application and interpretation of the terms of the Abuse Insurance Policies and rights thereunder, as well as whether defense and/or indemnity are owed under the Abuse Insurance Policies, and (ii) oppose any such proceeding commenced by any other person or entity in any court of appropriate jurisdiction as determined under applicable non-bankruptcy law; provided, however, because the Debtor will have received a discharge under the Plan, 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. Any disputes regarding a Non-Settling Insurer's liability for Abuse Claims (after such Abuse Claim has been liquidated under the provisions set forth above) and/or coverage therefor under Abuse Insurance Policies shall be resolved under applicable non-bankruptcy law in a court of competent jurisdiction or such other venue as the affected parties (including the Non-Settling Insurer(s)) may agree.

The limitations in Section 8.3 of the Plan are for the benefit of the Non-Settling Insurers to preserve their ability to assert the Debtor's defenses to Abuse Claims as well as Non-Settling Insurers' own coverage defenses. For the avoidance of doubt, the Debtor (and the Reorganized Debtor, as applicable) reserves its right to enforce the Plan, including without limitation its discharge, and to the benefits of any settlements reached with Settling Insurers, provided that the foregoing will not limit the protections afforded to the Non-Settling Insurers herein. All parties in interest in this Chapter 11 Case shall retain the right to enforce the Claims Bar Date Order (as amended) and all confidentiality orders issued in the Chapter 11 Case.

The provisions of Section 8.3 of the Plan shall be incorporated into the Confirmation Order.

C. Scope of Plan Injunctions With Respect to Non-Settling Insurers

The injunctions under the Plan and Confirmation Order shall not prohibit a Non-Settling Insurer from asserting Claims against the Survivors' Trust for contribution, subrogation, indemnification, reimbursement, or other similar Cause of Action (collectively, "Contribution") for any Settling Insurer's alleged share or equitable share relating to the defense and/or indemnity obligation for any Abuse Claim, or for any Cause of Action released in any Insurance Settlement Agreements.

If a Non-Settling Insurer asserts it has (a) Contribution Claims directly or indirectly arising out of or in any way relating to such Non-Settling Insurer's payment of loss on behalf of the Debtor or defense expenses incurred in any action that should have been paid by or are otherwise attributable to a Settling Insurer related to any Abuse Claim or (b) rights to recover any self-insured retentions/obligations and/or deductibles (collectively, "Payment Obligations") in connection with its payment of defense and/or indemnity related to an Abuse Claim, then (i) such Contribution Claims or Payment Obligations may be asserted as a setoff, defense, or counterclaim against any Abuse Claimant and/or the Survivors' Trust in any insurance action or insurance recovery action (under Cal. Ins. Code § 11580 or otherwise) involving such Non-Settling Insurer and (ii) to the extent such Contribution Claims or Payment Obligations are determined to be valid, the liability (if any) of such Non-Settling Insurer to the holder of the Abuse

Claim or the Survivors' Trust shall be reduced by the amount of such Contribution Claims or Payment Obligations, provided that if any such Contribution Claim exceeds the liability of such Non-Settling Insurer to the Survivors' Trust, the Non-Settling Insurer does not waive any excess claim and may seek affirmative recovery from the Survivors' Trust.

To the extent payment of a self-insured retention is a condition to a Non-Settling Insurer's obligation to provide defense or indemnity under applicable non-bankruptcy law and the Non-Settling Insurer's applicable insurance policies, the failure of the Survivors' Trust to pay such self-insured retention to the Non-Settling Insurer shall result in the Non-Settling Insurer having the right to argue that such failure of payment is a complete defense to any claim for coverage by the Non-Settling Insurer to, or related to, any claim for recovery of insurance from the Non-Settling Insurer.

D. <u>Non-Settling Insurers' Contribution Claims Against Settling Insurers</u>

In any Action, including the Insurance Coverage Litigation, involving the Holder of an Abuse Claim and one or more Non-Settling Insurers, where a Non-Settling Insurer has asserted, asserts, or could assert any Contribution Claim against any of the Settling Insurers or the Survivors' Trust, and such Contribution Claims are determined by the court presiding over such Claims to be valid, then any judgment or award obtained against such Non-Settling Insurer by such Holder of an Abuse Claim shall be automatically reduced by the amount, if any, that the Survivors' Trust or any of the Settling Insurers is liable to pay such Non-Settling Insurer as a result of the Non-Settling Insurer's Contribution Claim, so that the Contribution Claim is thereby satisfied and extinguished; <u>provided</u>, <u>however</u>, that, as against the Survivors' Trust (as successor to the Debtor), a Non-Settling Insurer may only assert any such Contribution Claim for the payment of deductible or self-insured retention. The Settling Insurers shall be required to cooperate in good faith with the Debtor, the Reorganized Debtor, and/or the Survivors' Trust to take commercially reasonable steps to defend against any Contribution Claim by a Non-Settling Insurer.

E. <u>Cooperation with Non-Settling Insurers</u>

The Survivors' Trust and the Debtor (including the Estate and the Reorganized Debtor) shall have the obligation as provided in the Abuse Insurance Policies to cooperate with the Non-Settling Insurers with respect to the investigation and defense of Abuse Claims pursuant to the terms of the Non-Settling Insurers' respective Abuse Insurance Policies, including with respect to preserving any documents relevant to liability or coverage disputes, making documents and witnesses available to the Non-Settling Insurers concerning such disputes, and maintaining privilege with regard to the defense.

The Reorganized Debtor and its agents will not voluntarily waive any privilege under applicable non-bankruptcy law applicable to documents or communications related to alleged Abuse Claims (collectively, "<u>Privileged Communications</u>"). Without limiting the generality of the foregoing, neither the Reorganized Debtor nor its agents shall provide the Survivors' Trust or any Holder of an Abuse Claim with any Privileged Communications, absent the express consent of all affected Non-Settling Insurers or a court order compelling such a production. The Reorganized Debtor shall provide prompt notice of any requests and/or motions to compel disclosure of Privileged Communications and cooperate with affected Insurers with respect to the same.

The Non-Settling Insurers shall reserve all coverage defenses with respect to any current or future failure to cooperate. The Debtor and the Survivors' Trust reserve all rights under the applicable Abuse Insurance Policies of the Non-Settling Insurers. The terms of the Plan (including Articles VIII and IX of the Plan) constitute a voluntary agreement by the Non-Settling Insurers to the Insurance Assignment, and such terms shall not be deemed to be an involuntary order to that effect.

F. Reductions In Non-Settling Insurers' Liability

No Litigation Claimant shall recover in the aggregate from the Survivors' Trust and any Non-Settling Insurer an amount greater than the total amount of the judgment entered by the applicable court of competent jurisdiction on such Holder's underlying Abuse Claim, subject to the terms of Section 5.14 of the Plan. A Non-Settling Insurer shall have all rights available under non-bankruptcy law to assert, seek, and enforce any right to offset, recoup, or otherwise reduce its liability on any such entered judgment, including without limitation all rights available under non-bankruptcy law to assert, seek, and recover on such claims against the Survivors' Trust.

ARTICLE X

MEANS FOR IMPLEMENTATION OF THE PLAN

The Plan provides for means of implementation as set forth in Article XII thereof and described below.

A. Revesting.

The Plan provides that property of the bankruptcy estate will revest in the Reorganized Debtor on the Effective Date, as follows:

a. *Revesting of Property in the Reorganized Debtor*. On the Effective Date, all property of the Estate as defined in Section 541 of the Bankruptcy Code, including any Causes of Action, shall revest in the Reorganized Debtor, free and clear of all liens and encumbrances and all Claims, rights, interests, and entitlements. Thereafter, the Reorganized Debtor may use, sell, transfer or exchange such property in its discretion, subject to any restriction or limitation set forth in the Plan.

b. *Obtaining Credit.* At any time after the Effective Date the Reorganized Debtor may obtain credit in its sole discretion without approval of the Bankruptcy Court.

c. *No Waiver*. No claim, right, Cause of Action, or other property of the Estate shall be deemed waived or otherwise forfeited by the Debtor's failure to identify such property in the Schedules or the Disclosure Statement accompanying the Plan.

B. Child Protection Measures.

In order to further promote healing and reconciliation, and in order to continue efforts to prevent Abuse from occurring in the future, the Reorganized Debtor agrees that, as of the Effective Date (unless a different date is provided in the Confirmation Order), it will use continue the non-monetary measures outlined in Article IV(G) above entitled "Debtor's Mission to Effect Reconciliation and Compensation."

The Committee believes the non-monetary measures outlined in Article IV(G) above entitled "Debtor's Mission to Effect Reconciliation and Compensation" are inadequate to protect children from abuse, to require the timely reporting of abuse, and to assure an unbiased review of reported abuse. The Committee has proposed enhanced child protection procedures which the Debtor has rejected.

C. CCCEB Settlement

Through the CCCEB Settlement, the Plan contemplates that, in full and complete satisfaction of all obligations under the CCCEB Note, on the Effective Date, CCCEB shall transfer fee simple title to the Cathedral Center to the Reorganized Debtor, 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.

In connection with the CCCEB Settlement:

a. CCCEB shall assign to the Reorganized Debtor, and the Reorganized Debtor shall assume all obligations of CCCEB under, all current contracts related to maintenance and operation of the Cathedral Center, provided that the Reorganized Debtor may decline to assume any such contract following reasonable diligence review, and further provided that to the extent any such contracts are not assignable under their terms or applicable law or assignment would constitute a breach under the terms of such contract, Reorganized Debtor may instead, at its election, fund CCCEB's obligations for payment under any such contracts.

b. Funds in deposit accounts in the name of or controlled by CCCEB for operation of the Cathedral Center shall, at the Reorganized Debtor's election, be transferred to the Reorganized Debtor, or otherwise used for operating expenses related to the Cathedral Center or otherwise to pay the debts of CCCEB.

c. CCCEB shall assign to RCBO, and RCBO shall assume all obligations under the existing User Agreements.

d. Following effectuation of the CCCEB Settlement as set forth in the Plan, CCCEB shall have no further obligation or liability of any kind for the debt evidenced by the CCCEB Note, or in connection with the CCCEB Note. The Plan provides that the Debtor will reject the existing lease with CCCEB as it will no longer be necessary.

The CCCEB Settlement provides a straightforward, practical resolution of CCCEB's unpaid debt to the Debtor under the CCCEB Note. CCCEB has no material assets other than the Cathedral Center. It also has no income other than lease payments and user fees paid by the Debtor and other users of the Cathedral Center, substantially all of which are devoted to operation and maintenance of the Cathedral Center. CCCEB is therefore unable to service the CCCEB Note and has no foreseeable means to repay the principal balance thereunder. Based on appraisals obtained by the Debtor, the Cathedral Center has a value in excess of the balance due under the CCCEB Note. Sale of the Cathedral Center in order to repay the CCCEB Note is not a viable option for either CCCEB or the Debtor for reasons, including (i) the Cathedral is essential to the Debtor's religious mission and serves as home to the Cathedral of Christ the Light parish Church; (ii) the Debtor relies on use of the administrative offices and rectory in the Cathedral Center; and (iii) the Cathedral Center includes a mausoleum licensed to RCC requiring maintenance in perpetuity. The CCCEB Settlement therefore reflects a practical means for the Debtor to collect under the CCCEB Note through transfer of CCCEB's sole material asset to the Debtor.

In evaluating settlements, bankruptcy courts in the Ninth Circuit consider the following factors: (a) The probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (d) the paramount interest of the creditors. *See In re A & C Properties*, 784 F.2d 1377, 1381 (9th Cir. 1986). The obligation of CCCEB to the Debtor is clear, so there is a high probability that the Debtor would prevail in litigation. Because CCCEB has no material assets other than title to the Cathedral Center, the only avenue for collection would be through foreclosure of a judgment lien on the Cathedral Center. If the Debtor were to seek collection of the CCCEB Note by obtaining and executing on a judgment against CCCEB, the end result would be that the Debtor would obtain title to the Cathedral Center real property through foreclosure on a judgment lien. While the litigation would not be particularly complex, it would entail needless expense and delay. The CCCEB Settlement achieves the same result without the need for the expense and delay of litigation. Considering the overall paramount interests of creditors and the interests of the Debtor, the CCCEB Settlement is in the best interests of the estate and creditors because it achieves the same results that would be achieved through litigation and collection in a much more expedient, orderly, and less costly manner.

As set forth in the Committee Letter, the Committee does not believe this proposed settlement is in the best interest of the Debtor's estate and creditors.

D. Treatment of Actions and Causes of Action.

On the Effective Date, all Causes of Action held by the Estate or the Debtor other than those included in the Survivors' Trust Assets shall be deemed fully vested in the Reorganized Debtor. Pursuant to Section 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtor shall retain and have the exclusive authority and standing to prosecute, enforce, pursue, sue on, settle or compromise any and all Causes of Action (including Avoidance Actions), arising before the Effective Date, including all Causes of Action of a trustee and debtor-in-possession under the Bankruptcy Code, but not including the Insurance Coverage Litigation, Assigned Insurance Interests, and any other Causes of Action expressly released or compromised as part of or pursuant to the Plan or by other order of the Bankruptcy Court entered prior to the Effective Date. The Reorganized Debtor shall also retain and may prosecute and enforce all defenses, counterclaims, and rights that have been asserted or could be asserted by the Debtor against or with respect to all Claims asserted against the Debtor or property of the Estate. Failure to specifically identify potential Causes of Action in the Plan shall not be deemed a waiver of any such Cause of Action by the Debtor, Reorganized Debtor, or the Survivors' Trust.

E. Continued Existence.

From and after the Effective Date, the Debtor shall continue in existence as the Reorganized Debtor in accordance with applicable law for all purposes, including, among other things, (a) enforcing and prosecuting claims, interests, rights, and privileges of the Debtor including, without limitation, prosecuting Causes of Action, (b) resolving Disputed Claims, (c) administering the Plan, (d) filing appropriate tax returns and refund requests, and (e) performing all such other acts and conditions required by and consistent with consummation of the Plan.

F. The Survivors' Trust.

On the Effective Date, the Survivors' Trust shall be created, as provided in Article IX of the Plan, and described in Article VII of this Disclosure Statement.

G. Post-Effective Date Prosecution of Non-Abuse Litigation Claims.

Section 12.7 of the Plan includes the following provisions regarding litigation claims pending against the Debtor that are not Abuse Claims:

a. *Relief from the Automatic Stay*. Effective upon the Effective Date, Holders of Class 6 Claims are granted relief from the automatic stay of Section 362 of the Bankruptcy Code solely for the purpose of continuing to prosecute their Class 6

Claim in a court of competent jurisdiction (each, a "Class 6 Action"), including but not limited to litigating such action through entry of a judgment, prosecution of any appeals and/or settlement of such action, subject to the terms and conditions set forth herein. All Holders of Class 6 Claims shall be permitted, but not required, to liquidate their Class 6 Action in a court of competent jurisdiction in accordance with 28 U.S.C. § 157(b)(2)(B).

b. No less than sixty (60) days after the Effective Date, the Reorganized Debtor shall establish the Non-Abuse Litigation Reserve and fund it with $750,000.00.

c. *Sources of Recovery for Non-Abuse Litigation Claims.* Notwithstanding any provision to the contrary in the Plan Documents, Holders of Class 6 Claims shall be entitled to prosecute and/or settle their respective Class 6 Action, provided that each such Holder shall be limited to recovering from (i) the proceeds of any applicable insurance policy which provides coverage, or could provide coverage, with respect to such Class 6 Claim and (ii) its *pro rata* portion of the Non-Abuse Litigation Reserve; provided, however, no Holder of a Class 6 Claim may recover more than $250,000.00 from the Non-Abuse Litigation Reserve. Effective upon the Effective Date, Holders of Class 6 Claims shall be otherwise barred and enjoined from seeking recovery on any judgment or settlement obtained in their respective Class 6 Action from the assets of the Debtor, Reorganized Debtor, Contributing Non-Debtor Catholic Entities, Survivors' Trust, and any other party receiving a release under the Plan.

d. *Insurance Coverage for Non-Abuse Litigation Claims.* All parties, including, but not limited to, any insurer under any insurance policy alleged to provide coverage of a Class 6 Claim, reserve and expressly do not waive any of their rights, remedies and/or defenses with respect to any Class 6 Claim. If any insurer denies and/or disclaims coverage of a Class 6 Claim, the Debtor or Reorganized Debtor (as applicable) shall reasonably cooperate at the sole cost of the Holder of such Class 6 Claim to assign to that Holder the right to pursue and receive the proceeds of any applicable coverage under such Insurer's Abuse Insurance Policy or Abuse Insurance Policies. Nothing contained herein shall be deemed a representation or warranty concerning the availability, scope or interpretation of any insurance coverages which may or may not exist for Class 6 Claims.

H. Bankruptcy Procedure and Transition.

Notice Required Post-Confirmation. Except as otherwise specifically provided in the Plan, notice of Filings in the Bankruptcy Court after the Confirmation Date, including fee applications, shall be required to be given only to Persons or Entities on the Post-Confirmation Notice List. Consistent with the Local Rules of the Bankruptcy Court, no other form of service shall be required on parties receiving service through ECF. The Post-Confirmation Notice List consists of: (a) the Reorganized Debtor; (b) the Survivors' Trustee; (c) the Office of the United States Trustee; (d) Persons against whom relief is sought; and (e) Persons who request notice of such matters through a written request that is filed with the Bankruptcy Court and served on the Debtor not earlier than the Confirmation Date.

Dissolution of the Committee. On the Effective Date, the Committee shall be dissolved and the Committee and its members, as of the Effective Date, shall be discharged of and from all further authority, duties, responsibilities, and obligations related to, arising from and in connection with the Chapter 11 Case.

Statutory Fees. Section 12.8.4 of the Plan includes specific provisions regarding payment of statutory fees to the United States Trustee as required by 28. U.S.C. § 1930(a)(6).

I. Post-Petition Deposits.

As of the Effective Date, the Reorganized Debtor shall be authorized to close the Adequate Assurance Account, as defined in the *Final Order Establishing Adequate Assurance Procedures With Respect to The Debtor's Utility Providers* [Docket No. 114], and retain all funds held therein. From and after the Effective Date, the Reorganized Debtor may, at its election, demand the refund of any deposit provided to a Person other than a utility after the Petition Date or may offset the amount of such deposit, at the Reorganized Debtor's election, against either post-Effective Date billings or against distributions to the holder of such deposit on account of its Allowed Claims, or otherwise take any actions permitted by law to obtain recovery of such deposit; for the avoidance of any doubt, the foregoing supersedes any pre- or post-petition agreement between the holder of such deposit and the Debtor.

J. Cancellation of Liens

Except as otherwise specifically provided herein, upon the payment of an Allowed Secured Claim in accordance with the Plan, or upon any Secured Claim being Disallowed, any lien securing such Secured Claim shall be deemed released, and the holder of such Secured Claim shall be authorized and directed to release any collateral or other property of the Debtor held by such holder and to take such actions as may be reasonably requested by the Reorganized Debtor, to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases as may be requested by the Reorganized Debtor at the sole cost and expense of the Reorganized Debtor. For clarity, this Section does not modify the terms of assumed Executory Contracts or Unexpired Leases of real property.

K. Other Actions.

On and after the Effective Date, the Reorganized Debtor shall be authorized to take such actions as are reasonably necessary to complete and effectuate the terms of the Plan, subject only to the specific limitations contained in the Plan, the Bankruptcy Code or Bankruptcy Rules, and any order of the Court.

L. General Settlement.

Pursuant to Sections 105 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including without limitation the CCCEB Settlement. On or before the Effective Date, the Bankruptcy Court will have approved, by Final Order, such compromises, and the Bankruptcy Court's findings will constitute its determination that such compromises and settlements are in the best interests of the Debtor, the Estate, Holders of Abuse Claims (including Unknown Abuse Claims), Holders of other Claims, and other parties in interest, and are fair, equitable, and within the range of reasonableness. To the extent a separate Final Order is not entered on or before the Confirmation Date, the entry of the Confirmation Order will constitute the Final Order approving the compromises and settlements hereunder.

M. Closing of the Case.

As soon as reasonably practicable when the Reorganized Debtor deems appropriate, consistent with the provisions of the Plan, the Bankruptcy Code including without limitation Section 350 of the Bankruptcy Code, the Bankruptcy Rules including without limitation Bankruptcy Rule 3022, and the Local Rules of the Bankruptcy Court, the Reorganized Debtor shall file and serve an application for entry of a Final Decree closing the Chapter 11 Case, together with a proposed Final Decree. A Final Decree may be entered before the Survivors' Trust is fully administered, and the expectation that the Survivors' Trust will make further distributions shall not be a basis for delaying entry of a Final Decree. Entry of a Final Decree closing the Chapter 11 Case shall, whether or not specified therein, be without prejudice to the right of the Reorganized Debtor, the United States Trustee, the Survivors' Trustee, or any other party in interest to reopen the Chapter 11 Case for any matter over which the Bankruptcy Court or the District Court has retained jurisdiction under the Plan. Any Final Decree or order closing the Chapter 11 Case will provide that the Bankruptcy Court or the District Court, as appropriate, will retain (a) jurisdiction to enforce, by injunctive relief or otherwise, the Confirmation Order, any other orders entered in this Chapter 11 Case, and the obligations created by the Plan and the Plan Documents; and (b) all other jurisdiction and authority granted to it under the Plan and the Plan Documents

ARTICLE XI

DISPUTED CLAIMS AND CLAIMS DISTRIBUTIONS

A. Single Claim.

Except as otherwise provided by the Plan, a Person that holds multiple Allowed Claims based on the same indebtedness or obligation, shall be deemed to have only one Allowed Claim against the Estate in an amount equal to the largest of similar Claims for the purposes of voting and distribution under the Plan.

B. Objections to Claims

Parties Permitted to Object to Claims

Any party in interest may object to Claims to the extent permitted under Section 502(a) of the Bankruptcy Code and the Holder of any Claim to which an objection is made is entitled to assert their defenses to such objection.

Time Limits for Objections

The Reorganized Debtor and the Survivors' Trust may File an objection to any Claim at any time through the closing of the Chapter 11 Case. For all other parties in interest except Non-Settling Insurers who agree to defend against any Litigation Claimant as set forth in Section 5.2.2, Article VIII, and Article IX of the Plan, objections to a Claim must be Filed on or before the Claims Objection Deadline.

Disputed Claims

Upon the filing of an objection to a Claim, the Claim shall be a Disputed Claim.

C. Treatment of Disputed Claims

Until such time as an unliquidated Claim, contingent Claim, an unliquidated or contingent portion of a Claim, or a Claim which has been objected to becomes Allowed or is Disallowed, such Claim will be treated as a Disputed Claim for all purposes related to Plan Distributions. No distribution shall be made on account of any Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a non-appealable order, and the Disputed Claim has become an Allowed Claim. In the event that Disputed Claims in Class 2 or Class 3 are pending at the time of a distribution under the Plan, the Reorganized Debtor shall maintain a reasonable reserve for such Disputed Claims. No distribution of such reserved funds for a Disputed Claim shall be made until such Disputed Claim has been resolved by order of the Court or compromise consistent with the terms of the Plan and the Bankruptcy Code. Distributions for Disputed Claims in Class 4 or Class 5 shall be as provided in the Survivors' Trust Distribution Plan and/or other Survivors' Trust Documents.

D. Late Filed Claims.

Claims required to be submitted, but which are not submitted, on or before their applicable Claims Bar Date, or which are not otherwise deemed timely and/or Allowed by order of the Court, shall receive no distribution under the Plan. Instead, they shall be deemed Disallowed Claims, and expunged. The submission of a Ballot shall not constitute an amendable informal Proof of Claim or an amendment to a previously filed Proof of Claim or scheduled Claim. Any amendment to an otherwise timely filed Proof of Claim must be filed on or before the Confirmation Date, provided that the foregoing shall not waive or modify the right of any party in interest to object to amendment of a Claim before the Confirmation Date. The Unknown Abuse Claims Representative need not submit or File a Proof of Claim on behalf of Holders of Class 5 Claims as a prerequisite to vote on the Plan or for any Class 5 Claims to be deemed Allowed. If there are any Holders of Class 5 Claims, they shall submit their Claims in accordance with the procedure for submitting Unknown Abuse Claims under the Trust Documents.

E. Claims Estimation

To effectuate distributions pursuant to the Plan and avoid undue delay in the administration of the Plan, the Reorganized Debtor or the Survivors' Trustee, as applicable, shall have the right to seek an order of the Court pursuant to Section 502(c) of the Bankruptcy Code as to any Disputed Claim, estimating or limiting: (i) the amount that must be withheld from or reserved for distribution purposes on account of such Disputed Claim(s), (ii) the amount of such Claim for allowance or disallowance purposes, or (iii) the amount of such Claim for any other purpose permitted under the Bankruptcy Code. Whether any such Claim is subject to estimation pursuant to Section 502(c) of the Bankruptcy Code, and the timing and procedures for such estimation proceedings, if any, shall be determined by the Court.

F. No Distribution on Disallowed Claims

Notwithstanding any provision in the Plan to the contrary, no distribution shall be made on account of any Claim which is not an Allowed Claim.

G. Timing of Distributions on Allowed Claims.

Next Business Day

Whenever any distribution on a Claim to be made pursuant to the Plan would otherwise be due on a day other than a Business Day, such distribution shall be due on the immediately succeeding Business Day.

Timeliness

Any distribution on a Claim to be made by the Reorganized Debtor pursuant to the Plan or agreements entered into pursuant to the Plan, or by the Survivors' Trust pursuant to the Plan or Survivors' Trust Documents or agreements entered into pursuant to either, shall be deemed to have been timely made if made within 15 days after the time therefor specified in the Plan or such other agreements between the Holder of a Claim and the Debtor, Reorganized Debtor, or Survivors' Trust, as applicable. No additional interest shall accrue or be paid with respect to any distribution as a consequence of such distribution not having been made on the date specified therefor herein. For the avoidance of doubt, this section does not modify the terms of assumed Executory Contracts or Unexpired Leases of non-residential real property.

H. Transfers of Claims.

As of the close of business on the Confirmation Date, there shall be no further changes in the record holders of the Claims for purposes of distributions under the Plan unless the Reorganized Debtor (as to all Claims other than Class 4 and Class 5 Claims) or the Survivors' Trustee (as to Class 4 and Class 5 Claims) otherwise agree. Neither the Reorganized Debtor nor the Survivors' Trustee shall have any obligation to recognize any unapproved transfer of Claims occurring after the Confirmation Date.

I. Prepayment of Claims.

Notwithstanding anything to the contrary in the Plan or the Plan Documents, the Reorganized Debtor may prepay all or any portion of an Allowed Claim payable by the Reorganized Debtor or a note issued by the Debtor or Reorganized Debtor in payment of an Allowed Claim at any time without charge or penalty.

J. Delivery of Distributions.

Distributions to holders of Allowed Claims, other than Class 4 or Class 5 Claims, will be sent to (i) the addresses set forth in any written notice of address change delivered to the Debtor or the Reorganized Debtor after the date of any related Proof of Claim; (ii) the address set forth on such holder's Proof of Claim filed with the Court; (iii) the address set forth on the schedules, if no Proof of Claim has been filed and no notice of change of address has been received; or (iv) to the last known address reflected in the Debtor's books and records. Distributions to Abuse Claimants and Unknown Abuse Claimants from the Survivors' Trust Assets will be made in accordance with the Survivors' Trust Documents.

K. Unclaimed Distributions.

If a holder of an Allowed Claim cannot be located after reasonable effort, or otherwise fails to accept a distribution within 90 days following the date of such distribution, then the distribution to such holder shall be canceled and there shall be no further distributions required with respect to such Claim.

L. No Interest on Claims.

Unless otherwise specifically provided for in the Plan, by applicable law (including Section 506(b) of the Bankruptcy Code), or agreed to by the Debtor or the Reorganized Debtor (as applicable): (i) interest shall not accrue or be paid on any Claim, and no holder of any Claim shall be entitled to interest accruing on and after the Petition Date on account of any Claim; and (ii) without limiting the foregoing, interest shall not accrue on or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made when and if such Disputed Claim becomes an Allowed Claim.

M. Provisions Governing Unimpaired Claims.

Except as otherwise provided in the Plan, nothing will affect the Debtor's or the Reorganized Debtor's rights and defenses with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal and equitable defenses to, or setoffs or recoupments against, such unimpaired Claims.

N. Additional Terms Regarding Class 4 and Class 5 Claims.

Except as otherwise provided in Article V of the Plan, terms for resolution of and distribution to Abuse Claims in Class 4 or Class 5 shall be as provided in the Survivors' Trust Documents. For the avoidance of doubt, (i) any such Holder of an Abuse Claim shall not recover in the aggregate from the Survivors' Trust and any Non-Settling Insurer an amount greater than the amount of the judgment issued by the applicable court of competent jurisdiction on the underlying Abuse Claim, (ii) any such Holder of an Abuse Claim is not barred by this Section 5.14 from seeking extracontractual damages under the holding of *Hand v. Farmers Ins. Exchange*, 23 Cal. App.4th 1847 (1994) ("*Hand*"), and (iii) all defenses and the rights of any Non-Settling Insurer to oppose any such claim by a Holder of an Abuse Claim under *Hand* are fully preserved, including that *Hand* is not a correct statement of applicable law and that it would not apply to any such asserted claim.

ARTICLE XII

EFFECTIVE DATE

A. Conditions Precedent to Effective Date

The Effective Date shall not occur, and the Plan shall not go into effect, unless each of the following conditions are satisfied or waived as set forth in Section 10.2 of the Plan:

1. The Confirmation Order shall have been entered and shall be a Final Order in a form reasonably acceptable to the Debtor, and there shall be no stay or injunction that would prevent the occurrence of the Effective Date. The Debtor in its sole discretion may waive the requirement that the Confirmation Order be a Final Order.

2. There shall have been no material amendments to the Plan or Confirmation Order.

3. The Debtor and all other necessary parties shall have executed all documents and entered into all agreements as may be necessary in connection with the Exit Facility described in Article XI of the Plan.

4. The Debtor, the Survivors' Trustee, and any other necessary parties shall have executed all documents necessary for formation of the Survivors' Trust, and for the Survivors' Trustee to administer and operate the Survivors' Trust.

5. Transfer of funds to the Survivors' Trust for all initial contributions to the Survivors' Trust shall have been made, and the proof thereof provided to the Debtor and the Survivors' Trustee.

6. All other actions, authorizations, filings, consents, and approvals required (if any), including but not limited to canonical approvals, shall have been obtained, effected, or executed in a manner acceptable to the Debtor and remain in full force and effect or, if waivable, waived by the Person or Persons entitled to the benefit thereof.

7. All other actions, documents, and agreements necessary to implement and effectuate the Plan shall have been effected or executed.

8. The statutory fees owing to the United States Trustee as of the deadline for payment immediately preceding the Effective Date shall have been paid in full.

B. Waiver of Conditions Precedent to the Effective Date

Any condition to the occurrence of the Effective Date set forth in Section 10.2 of the Plan may be waived, in whole or in part, by the Debtor, subject to approval of the Court, provided that Sections 10.2.3 and 10.2.4 are not waivable. The failure to satisfy any material condition to Confirmation or the Effective Date may be asserted by the Debtor in its sole discretion so long as such failure was not primarily caused by any action or inaction by the Debtor. The failure of the Debtor to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

C. Revocation of the Plan.

As provided in Section 10.4 of the Plan, if Confirmation does not occur, an order denying Confirmation is entered by the Court, or if the Plan does not become effective, then the Plan shall be null and void, and nothing contained in the Plan or Disclosure Statement shall: (a) constitute a waiver or release of any Claims against the Debtor; (b) constitute a waiver or release of any right, claim or cause of action of the Debtors; (c) constitute an admission of any fact or legal conclusion by the Debtor or any other Person; (d) prejudice in any manner the rights of the Debtor or any other party in any related or further proceedings; or (e) constitute a settlement, implicit or otherwise, of any kind whatsoever.

ARTICLE XIII

EFFECTS OF PLAN CONFIRMATION AND EFFECTIVE DATE

Article XIII of the Plan provides that confirmation and effectiveness of the Plan will have the effects set forth below, as of the Effective Date:

A. Binding Effect of Confirmation.

Section 13.1 of the Plan provides that as of the Confirmation Date, but subject to occurrence of the Effective Date, the provisions of the Plan shall be binding on and inure to the benefit of the Debtor, the Estate, all Holders of Claims against the Debtor, and all other Persons or Entities whether or not such Persons or Entities have accepted the Plan. The rights, benefits, and obligations of any Person or Entity named or referred to in the Plan will be binding on, and will inure to the benefit of, the executors, administrators, successors and assigns of each Person or Entity (as applicable), whether or not they have accepted the Plan.

B. Ratification.

Subject to all the terms of the Plan, the Confirmation Order shall be deemed to ratify all transactions effectuated by the Debtor during the pendency of the Chapter 11 Case to the extent occurring pursuant to an order of the Court.

C. Discharge of Claims

Under Section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any agreement or document executed pursuant to the Plan, the distributions, rights, and treatment of Claims and Causes of Action in the Plan shall be in complete satisfaction, discharge, and release, as of the Effective Date, of Claims and Causes of Action that arose prior to the Effective Date, whether known or unknown, against, the Debtor (including for the avoidance of doubt the Churches) or any of its assets or properties, including without limitation (i) any demands, liabilities, and Causes of

Action that arose before the Effective Date, (ii) any liability to the extent such Claims relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, (iii) any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and (iv) all debts of the kind specified in Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code. Any default by the Debtor with respect to any Claim existing immediately before or on account of the filing of the Chapter 11 Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims subject to the Effective Date occurring.

D. Confirmation Injunction.

Except as expressly provided in the Plan or the Confirmation Order, as of the Effective Date all Holders of Claims of any nature whatsoever against or in the Debtor or any of its assets or properties based upon any act, omission, transaction, occurrence, or other activity of any nature that occurred before the Effective Date shall be precluded and permanently enjoined from prosecuting or asserting any such discharged Claim against the Debtor or the Reorganized Debtor or the property of the Debtor or Reorganized Debtor. In accordance with the foregoing, except as expressly provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge or termination of all Claims, and other debts and liabilities against or in the Debtor pursuant to Sections 105, 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtor at any time to the extent such judgment relates to a discharged Claim.

E. Injunction Against Interference with the Plan.

Upon the entry of the Confirmation Order, all Holders of Claims and other parties in interest, along with their respective present or former affiliates, employees, agents, officers, directors, attorneys, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

F. Exculpation

Subject to the occurrence of the Effective Date, to the fullest extent permissible under applicable law and without affecting or limiting either the releases by the Debtor or the Releases by Abuse Claimants, and except as otherwise specifically provided in the Plan or the Confirmation Order, none of the Exculpated Parties shall have or incur any liability to any Holder of a Claim or any other Person for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the Plan, the pursuit of Confirmation of the Plan, the negotiation and consummation of the Plan, or the administration of the Chapter 11 Case and the Plan, the property to be distributed under the Plan, the administration of the Survivors' Trust Assets and the Survivors' Trust by the Survivors' Trustee, or any other related agreement, or any restructuring transaction, contract, instrument, release, or other agreement or document created or entered into during the Chapter 11 Case in connection with the Chapter 11 Case, or upon any other act or omission, transaction, agreement, event, or other occurrence related or relating to the foregoing, and each Exculpated Party hereby is exculpated from any claim or Cause of Action related to the foregoing; provided, however, that the foregoing shall not operate as an exculpation, waiver or release for (i) any express contractual obligation owing by any such Person or Entity, (ii) willful misconduct or gross negligence, and (iii) with respect to Professionals, liability arising from claims of professional negligence which shall be governed by the standard of care otherwise applicable to professional negligence claims under applicable non-bankruptcy law, and, in all respects, the Exculpated Parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided further that nothing in the Plan shall, or shall be deemed to, release the Exculpated Parties, or exculpate the Exculpated Parties with respect to, their respective obligations or covenants arising pursuant to the Plan.

G. Injunction Related to Exculpation.

As of the Effective Date, all Holders of Claims that are the subject of Section 13.6 are, and shall be, expressly, conclusively, absolutely, unconditionally, irrevocably, and forever stayed, restrained, prohibited, barred and enjoined from taking any of the following actions against any Exculpated Party and, solely to the extent provided by Section 1125(e) of the Bankruptcy Code, any Entity described in Section 1125(e) or its or their property or successors or assigns on account of or based on the subject matter of such Claims, whether directly or indirectly, derivatively or otherwise: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including any judicial, arbitral, administrative or other proceeding) in any forum; (b) enforcing, attaching (including any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (c) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any lien or encumbrance; and/or (d) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation that is discharged under Section 13.3 or exculpated under Section 13.6.

H. Releases by the Debtor.

As of the Effective Date, except for the rights that remain in effect from and after the Effective Date to enforce the Plan and the Confirmation Order, pursuant to Section 1123(b) of the Bankruptcy Code, for good and valuable consideration, the adequacy of which is hereby confirmed, including the service of the Released Parties and Settling Insurers, and each of them, to facilitate and implement the reorganization of the Debtor, as an integral component of the Plan, the Debtor, the Reorganized Debtor, and the Estate shall, and shall be deemed to, expressly, conclusively, absolutely, unconditionally, irrevocably, and forever release and discharge each and all of the Released Parties and Settling Insurers of and from any and all Causes of Action (including Avoidance Actions), any and all other Claims, obligations, rights, demands, suits, judgments, damages, debts, remedies, losses and liabilities of any nature whatsoever (including any derivative claims or Causes of Action asserted or that may be asserted on behalf of the Debtor, the Reorganized Debtor, or the Estate), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, contract, tort or otherwise, based on or relating to, or in any manner arising from, in whole or in part, any act, omission, transaction, event, or other circumstance taking place or existing on or before the Effective Date (including before the Petition Date) in connection with or related to the Debtor, the Reorganized Debtor, the Estate, their respective assets and properties, the Chapter 11 Case, the Plan Documents, and any related agreements, instruments, and other documents created or entered into before or during the Chapter 11 Case, the pursuit of entry of the Confirmation Order, the administration and implementation of the Plan, including the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth in this Section 13.8 shall not be construed as releasing any post-Effective Date obligations of any Person or Entity under the Plan or any document, instrument, or agreement executed to implement the Plan or reinstated under the Plan.

I. Releases by Abuse Claimants.

As of the Effective Date, except for the rights that remain in effect from and after the Effective Date to enforce the Plan and the Confirmation Order, pursuant to Section 1123(b) of the Bankruptcy Code, for good and valuable consideration, the adequacy of which is hereby

confirmed, including the service of the Released Parties to facilitate and implement the reorganization of the Debtor, as an integral component of the Plan, and except as otherwise expressly provided in the Plan or the Confirmation Order, to the maximum extent permitted under applicable law, as such law may be extended subsequent to the Effective Date, all Abuse Claimants (including without limitation Unknown Abuse Claims and any Abuse Claims that are Disputed Claims) that timely return a ballot but do not affirmatively opt out of the Releases pursuant to Section 6.2 of the Plan, shall, and shall be deemed to, expressly, conclusively, absolutely, unconditionally, irrevocably, and forever discharge and release each and all of the Released Parties and their respective property and successors and assigns of and from all Abuse Claims and any and all Claims and Causes of Action whatsoever, whether known or unknown, asserted or unasserted, derivative or direct, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, whether for tort, fraud, contract, veil piercing or alter-ego theories of liability, successor liability, contribution, indemnification, joint liability, or otherwise, arising from or related in any way to such Abuse Claims.

J. Injunction Related to Releases.

As of the Effective Date, and except as set forth in Articles VIII and IX hereof allowing Litigation Claimants to sue the Debtor (as a nominal party only), all Abuse Claimants that are the subject of Section 13.9 of the Plan are, and shall be, expressly, conclusively, absolutely, unconditionally, irrevocably, and forever stayed, restrained, prohibited, barred and enjoined from taking any of the following actions against any Released Party or its property or successors or assigns on account of or based on the subject matter of such Claims, whether directly or indirectly, derivatively or otherwise: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including any judicial, arbitral, administrative or other proceeding) in any forum; (b) enforcing, attaching (including, without limitation, any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (c) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any lien or encumbrance; and/or (d) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation that is discharged under Section 13.3 of the Plan or released under Section 13.9 of the Plan.

K. Channeling Injunction Preventing Prosecution of Channeled Claims Against Released Parties

1. IN CONSIDERATION OF THE UNDERTAKINGS OF THE RELEASED PARTIES HEREIN, THEIR CONTRIBUTIONS TO THE SURVIVORS' TRUST, AND OTHER CONSIDERATION GIVEN, AND, WHERE APPLICABLE, PURSUANT TO THEIR RESPECTIVE SETTLEMENTS WITH THE DIOCESE AND TO FURTHER PRESERVE AND PROMOTE THE AGREEMENTS BETWEEN AND AMONG THE RELEASED PARTIES, AND TO SUPPLEMENT WHERE NECESSARY THE INJUNCTIVE EFFECT OF THE DISCHARGE AS PROVIDED IN SECTIONS 524 AND 1141 OF THE BANKRUPTCY CODE, AND PURSUANT TO SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE:

a. **ANY AND ALL CHANNELED CLAIMS ARE CHANNELED INTO THE SURVIVORS' TRUST AND SHALL BE TREATED, ADMINISTERED, DETERMINED, AND RESOLVED UNDER THE PROCEDURES AND PROTOCOLS AND IN THE AMOUNTS ESTABLISHED UNDER THE PLAN, THE ALLOCATION PROTOCOL, AND THE SURVIVORS' TRUST AGREEMENT AS THE SOLE AND EXCLUSIVE REMEDY FOR ALL HOLDERS OF CHANNELED CLAIMS.**

b. **EXCEPT AS SET FORTH IN ARTICLES VIII AND IX HEREOF FOR**

ABUSE CLAIMANTS WHO ELECT THE LITIGATION OPTION TO SUE THE DEBTOR (AS A NOMINAL PARTY ONLY), ALL PERSONS WHO HAVE HELD OR ASSERTED, HOLD OR ASSERT, OR MAY IN THE FUTURE HOLD OR ASSERT, ANY CHANNELED CLAIMS, ARE HEREBY PERMANENTLY STAYED, ENJOINED, BARRED, AND RESTRAINED FROM TAKING ANY ACTION, DIRECTLY OR INDIRECTLY, FOR THE PURPOSES OF ASSERTING, ENFORCING OR ATTEMPTING TO ASSERT OR ENFORCE ANY CHANNELED CLAIMS AGAINST THE RELEASED PARTIES, INCLUDING:**

(i) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND WITH RESPECT TO ANY CHANNELED CLAIM AGAINST ANY OF THE RELEASED PARTIES OR SETTLING INSURERS OR AGAINST THE PROPERTY OF ANY OF THE RELEASED PARTIES Or SETTLING INSURERS;

(ii) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING, OR SEEKING TO ACCOMPLISH ANY OF THE PRECEDING, BY ANY MANNER OR MEANS, ANY JUDGMENT, AWARD, DECREE, OR ORDER WITH RESPECT TO ANY CHANNELED CLAIM AGAINST ANY OF THE RELEASED PARTIES OR SETTLING INSURERS, OR THE PROPERTY OF ANY OF THE RELEASED PARTIES OR SETTLING INSURERS;

(iii) CREATING, PERFECTING, OR ENFORCING, OR SEEKING TO ACCOMPLISH ANY OF THE PRECEDING, ANY LIEN OF ANY KIND RELATING TO ANY CHANNELED CLAIM AGAINST ANY OF THE RELEASED PARTIES OR SETTLING INSURERS, OR THE PROPERTY OF THE RELEASED PARTIES OR SETTLING INSURERS;

(iv) **ASSERTING, IMPLEMENTING, OR EFFECTUATING ANY CHANNELED CLAIM OF ANY KIND AGAINST:**

(a) ANY OBLIGATION DUE ANY OF THE RELEASED PARTIES;

(b) ANY OF THE RELEASED PARTIES OR SETTLING INSURERS; OR

(c) THE PROPERTY OF ANY OF THE RELEASED PARTIES OR SETTLING INSURERS.

(v) TAKING ANY ACT, IN ANY MANNER, IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM TO, OR COMPLY WITH, THE PROVISIONS OF THE PLAN OR THE SURVIVORS' TRUST DOCUMENTS; AND

(vi) **ASSERTING OR ACCOMPLISHING ANY SETOFF, RIGHT OF INDEMNITY, SUBROGATION, CONTRIBUTION, OR RECOUPMENT OF ANY KIND AGAINST AN OBLIGATION DUE TO ANY OF THE RELEASED PARTIES, OR THE PROPERTY OF ANY OF THE RELEASED PARTIES OR SETTLING INSURERS.**

L. <u>Provisions Relating to the Channeling Injunction.</u>

Pursuant to Section 13.13 of the Plan, the Channeling Injunction set forth above is subject to the following provisions:

a. *Modifications.* The Channeling Injunction is a permanent injunction. It shall not be modified, dissolved, or terminated.

b. *Non-Limitation*. Nothing in the Plan or the Survivors' Trust Documents shall or shall be construed in any way to limit the scope, enforceability, or effectiveness of the Channeling Injunction or the assumption by the Survivors' Trust of all liability with respect to the Abuse Claims.

c. *Bankruptcy Rule 3016 Compliance*. The Debtor's compliance with the requirements of Bankruptcy Rule 3016 shall not constitute or be deemed to constitute an admission that the Plan provides for an injunction against conduct not otherwise enjoined under the Bankruptcy Code.

d. *No Duplicative Recovery.* In no event shall any Abuse Claimant be entitled to receive any payment, reimbursement, or restitution from any Released Party under any theory of liability for the same loss, damage, or other Abuse Claim that is reimbursed by the Survivors' Trust or is otherwise based on the same events, facts, matters, or circumstances that gave rise to the applicable Abuse Claim. This provision does not prohibit a Holder of an Abuse Claim from pursuing recovery from Non-Settling Insurers for coverage of an Abuse Claim, subject to Articles VIII and IX of the Plan.

M. <u>Effect of Channeling Injunction.</u>

The Channeling Injunction is an integral part of the Plan and is essential to the Plan's consummation and implementation. It is intended that the channeling of the Channeled Claims as provided in Section 13.12 of the Plan shall inure to the benefit of the Released Parties and the Settling Insurers. In any action to enforce the injunctive provisions of Section 13.12 of the Plan against a Holder of a Claim whereby it is held by a Final Order that such Holder willfully violated the terms of Section 13.12 of the Plan, the moving party may seek an award of costs including reasonable attorneys' fees against such Holder, and such other legal or equitable remedies as are just and proper, after notice and a hearing. The Channeling Injunction does not bar claims against any Non-Settling Insurer except to the extent a Non-Settling Insurer becomes a Settling Insurer.

N. <u>Exclusion Regarding Non-Settling Insurers.</u>

NOTWITHSTANDING THE FOREGOING, AND FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS ARTICLE XIII (INCLUDING THE RELEASES, INJUNCTIONS, AND EXCULPATIONS) LIMITS THE RIGHTS OF A NON-SETTLING INSURER AS SET FORTH IN, OR PRESERVED BY, THE PLAN, INCLUDING (I) ARTICLES VIII AND IX AND (II) THE RIGHTS OF ANY INSURER (INCLUDING NON-SETTLING INSURERS) TO ASSERT ANY CLAIMS FOR REINSURANCE UNDER REINSURANCE CONTRACTS OR CLAIMS UNDER RETROCESSIONAL CONTRACTS AGAINST THE SETTLING INSURERS AND OTHER INSURANCE COMPANIES. FURTHERMORE, THE NON-SETTLING INSURERS ARE NOT GRANTING (NOR SHALL THEY BE SUBJECT TO) ANY THIRD-PARTY RELEASE, INJUNCTION, OR EXCULPATION COVERING ANY NON-DEBTOR PERSON OR ENTITY AND THEY SHALL BE DEEMED TO HAVE OPTED OUT OF ANY SUCH RELEASE, INJUNCTION, OR EXCULPATION.

ARTICLE XIV

RETENTION OF JURISDICTION

Section 15.1 of the Plan provides that the Bankruptcy Court will retain jurisdiction over the Chapter 11 Case after the Effective Date for all purposes provided by the Bankruptcy Code, including the specific purposes set forth in more detail therein.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction or is otherwise without jurisdiction over any matter arising out of the Chapter 11 Case, including matters set forth in Section 15.1 of the Plan, such lack of jurisdiction will not diminish, control, prohibit, or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

ARTICLE XV

TAX CONSEQUENCES OF THE PLAN

The following is a summary of certain U.S. federal income tax consequences of the Plan to certain holders of Claims. This summary is based on the Internal Revenue Code (the "Tax Code"), Treasury Regulations promulgated thereunder (the "Treasury Regulations"), and administrative and judicial interpretations and practice, all as in effect on the date of the Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtor does not intend to seek a ruling from the Internal Revenue Service as to any of the tax consequences of the Plan discussed below. There can be no assurance that the Internal Revenue Service will not challenge one or more of the tax consequences of the Plan described below.

This summary does not apply to holders of Claims that are not U.S. Persons (as such term is defined in the Tax Code) or that are otherwise subject to special treatment under U.S. federal income tax law (including, without limitation, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, and regulated investment companies). The following discussion assumes that holders of Allowed Claims hold such Claims as "capital assets" within the meaning of section 1221 of the Tax Code. Moreover, this summary does not purport to cover all aspects of U.S. federal income taxation that may apply to holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than U.S. federal income tax law, including under state, local or foreign tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. Federal Income Tax Consequences to Holders of Unsecured Claims

In accordance with the Plan, all holders of General Unsecured Claims and Abuse Claims will receive Distributions on their Allowed Claims. Holders of General Unsecured Claims and Abuse Claims will realize a loss, if any, in an amount equal to that Claim, minus any recovery, on an adjusted tax basis.

The tax consequences to holders of General Unsecured Claims and Abuse Claims will differ and will depend on factors specific to the holder, including but not limited to: (i) whether the Claim, or a portion of the Claim, constitutes a Claim for interest or principal, (ii) the origin of the Claim, (iii) the type of consideration received in exchange for the Claim, (iv) whether the holder is a United States person or a foreign person for tax purposes, (v) whether the holder reports income on the accrual or cash basis method, and (vi) whether the holder has taken a bad debt deduction or otherwise recognized a loss with respect to the Claim.

The Debtor anticipate that Distributions to Abuse Claimants will, in all instances, constitute damages, other than punitive damages, on account of personal physical injuries and physical sickness, within the meaning of section 104(a)(2) of the Internal Revenue Code of 1986, as amended. The Debtor has not, however, fully analyzed such tax issues and cannot (and do not hereby) make any assurances or representations regarding the anticipated tax treatment of Abuse Claims.

THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCE TO EACH HOLDER OF A GENERAL UNSECURED CLAIM OR AN ABUSE CLAIM. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH HOLDER OF A GENERAL UNSECURED CLAIM AND ABUSE CLAIM OBTAIN HIS, HER, OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO THE HOLDER OF A GENERAL UNSECURED CLAIM OR ABUSE CLAIM AS A RESULT OF THE PLAN.

B. Federal Income Tax Consequences to the Debtor

The Debtor is a not-for-profit religious corporation having tax-exempt status under 26 U.S.C. § 501(c)(3). Due to the Debtor's status as a not-for-profit corporation, the Debtor anticipate that the confirmation of the Plan will have no material federal income tax consequences on a cash basis for the Debtor or the Reorganized Debtor.

C. Tax Consequences to the Survivors' Trust

The Survivors' Trust may satisfy the requirements of a designated settlement fund under Section 468B of the Tax Code or a qualified settlement fund under Regulation 1.468B-1 of the Treasury Regulations. There are certain tax consequences associated with the characterization of the Survivors' Trust as a designated settlement fund or a qualified settlement fund.

THE DEBTOR EXPRESSES NO OPINION REGARDING WHETHER THE SURVIVORS' TRUST IS A DESIGNATED SETTLEMENT FUND OR A QUALIFIED SETTLEMENT FUND. THE DEBTOR HAS NOT REQUESTED A RULING FROM THE INTERNAL REVENUE SERVICE OR AN OPINION OF COUNSEL REGARDING WHETHER THE SURVIVORS' TRUST IS A DESIGNATED SETTLEMENT FUND OR A QUALIFIED SETTLEMENT FUND. ACCORDINGLY, EACH CREDITOR IS URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE CHARACTERIZATION OF THE SURVIVORS' TRUST AND THE TAX CONSEQUENCES OF SUCH CHARACTERIZATION.

ARTICLE XVI

ALTERNATIVES TO THE PLAN

The Debtor believes the Plan is in the best interests of the Creditors and should accordingly be accepted and confirmed. If the Plan as proposed, however, is not confirmed, the following two alternatives may be available: (a) an alternative plan of reorganization may be proposed and confirmed, or (b) the Chapter 11 Case may be dismissed. As discussed below, two other options, liquidation under chapter 7 and the appointment of a chapter 11 trustee, are not viable alternatives in this Chapter 11 Case.

A. Alternative Plan Pursuant to Chapter 11 of the Bankruptcy Code

If the Plan is not confirmed, the Debtor or another party in interest may propose a different plan, which might involve an alternative means for reorganizing the Debtor. The Plan as proposed has the support of, among other entities, the Contributing Non-Debtor Catholic Entities. Accordingly, the Debtor believes that the terms of the Plan provide for the most favorable outcome for Creditors. The negotiation and drafting required for additional plans would likely add substantially greater administrative expenses with no guarantee of a better result for Creditors. For these reasons, the Debtor do not believe that an alternative plan of reorganization is a preferable alternative to the Plan.

B. Dismissal of the Chapter 11 Case

If the Plan is not confirmed, the Debtor or another party in interest may seek to dismiss the Chapter 11 Case. After appropriate notice and a hearing, the Bankruptcy Court may grant the request and dismiss the Chapter 11 Case. Dismissal of the Chapter 11 Case would have the effect of restoring, or attempting to restore, all parties to the position they were in immediately prior to the Petition Date.

Upon dismissal of the Chapter 11 Case, the protection of the Bankruptcy Code would be lost, resulting in the expensive and time-consuming process of negotiation and protracted litigation between the Debtor and individual Abuse Claimants and between the Debtor and its Insurers. In addition to the expense and delay, the Debtor believes that these actions would lead to an inequitable recovery for Abuse Claimants, with the first Abuse Claimants to obtain and enforce judgments against the Debtor depleting the Debtor's assets and resulting in insufficient assets to satisfy later judgments. Therefore, the Debtor believes that dismissal of the Debtor's Chapter 11 Case is not a preferable alternative to confirming the Plan.

C. Chapter 7 Liquidation Not a Viable Alternative

Pursuant to 11 U.S.C. § 1112(c), if a debtor is "not a moneyed corporation", a debtor's chapter 11 case cannot be converted to a chapter 7 case without the debtor's consent. The Debtor, as a non-profit entity, is not a moneyed corporation, and may not be forced to convert its Chapter 11 Case to a chapter 7 case. Thus, conversion to chapter 7 is not a viable alternative to the Plan.

D. Appointment of a Chapter 11 Trustee is Not a Viable Alternative

It is the position of the Debtor that, as a result of limitations imposed by the First Amendment to the United States Constitution and the Religious Freedom and Restoration Act, a chapter 11 trustee cannot be appointed to replace the Bishop's administration of the Debtor.

ARTICLE XVII

ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. General Confirmation Requirements

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtor, including that (i) the Plan classifies Claims in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Debtor has complied with applicable provisions of the Bankruptcy Code; (iv) the Debtor propose the Plan in good faith and not by any means forbidden by law; (v) the disclosures required by section 1125 of the Bankruptcy Code have been made; (vi) the Plan has been accepted by the requisite votes of Creditors (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code); (vii) the Plan is feasible and confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor; (viii) the Plan is in the "best interests" of all holders of Claims in an Impaired Class by providing to such holders on account of their Claims property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim in such Class has accepted the Plan; and (ix) all U.S. Trustee Fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date.

1. **Parties in Interest Entitled to Vote.**

Pursuant to the Bankruptcy Code, only Classes of Claims that are "Impaired" (as defined in section 1124 of the Bankruptcy Code) under the Plan are entitled to vote to accept or reject the Plan. A Class is Impaired if the legal, equitable or contractual rights to which the Claims of that Class entitled the holders of such Claims are modified, other than by curing defaults and reinstating the debt. Classes of Claims that are not Impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims that receive no Distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan.

2. **Classes Impaired Under the Plan.**

Class 3 (General Unsecured Claims), Class 4 (Abuse Claims), Class 5 (Unknown Abuse Claims), and Class 6 (Non-Abuse Litigation Claims) are the only Classes that are Impaired and entitled to vote under the Plan.

Acceptances of the Plan are being solicited only from those holders of Claims in Impaired Classes that will or may receive a Distribution under the Plan. Accordingly, the Debtor is soliciting acceptances only from holders of Claims in Class 3 (General Unsecured Claims), Class 4 (Abuse Claims), Class 5 (Unknown Abuse Claims), and Class 6 (Non-Abuse Litigation Claims).

3. **Voting Procedures and Requirements.**

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. YOU SHOULD COMPLETE, SIGN, AND RETURN THE BALLOT YOU RECEIVE IN ACCORDANCE WITH THE PROVISIONS SET FORTH IN ARTICLE I(B) ABOVE.

4. **Ballots.**

In voting for or against the Plan, please use only the Ballot or Ballots sent to you with this Disclosure Statement. If you are a Holder of Class 3 General Unsecured Claims, Class 4 Abuse Claims, Class 6 Non-Abuse Litigation Claims, or the Unknown Abuse Claims Representative entitled to vote in Class 5, and you did not receive a Ballot, if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, please contact the Debtor's counsel, Foley & Lardner LLP, 555 California Street, Suite 1700, San Francisco, CA 94104-1520, Attention: Shane J. Moses, or the Debtor's Claims and Noticing Agent, Verita, by email at RCBOInfo@veritaglobal.com or by calling (888)-733-1425 (U.S./Canada) or (310)-751-2631 (International) and requesting to speak with a member of the solicitation team.

PLEASE FOLLOW THE DIRECTIONS CONTAINED ON THE ENCLOSED BALLOT CAREFULLY, COMPLETE AND SIGN THE BALLOT AND RETURN IT TO THE DIOCESE'S SOLICITATION AND CLAIMS AGENT. TO BE COUNTED, SIGNED BALLOTS MUST BE RECEIVED ON OR BEFORE ______, 2025, AT 5:00 P.M., PREVAILING PACIFIC TIME.

B. **<u>Confirmation Hearing</u>**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a hearing regarding whether the Debtor and the Plan have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for ____, **2025 at _ _.m. (prevailing Pacific Time)**, before the Honorable William J. Lafferty III, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Northern District of California, United States Courthouse, 1300 Clay Street, Courtroom 220, Oakland, CA 94612. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement in open court at the Confirmation Hearing of the date to which the Confirmation Hearing has been adjourned.

C. **<u>Confirmation</u>**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) be accepted by the requisite holders of Claims or, if not so accepted, that it be "fair and equitable" and "not discriminate unfairly" as to each non-accepting Class of Claims, (ii) be in the "best interests" of each holder of a Claim that does not vote to accept the Plan in each Impaired Class under the Plan, (iii) be feasible, and (iv) comply with the applicable provisions of the Bankruptcy Code.

D. **<u>Acceptance of Plan</u>**

As a condition to confirmation, the Bankruptcy Code requires that each class of impaired claims votes to accept the plan, except under certain circumstances. A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and more than one-half in number of claims of that class vote to accept the plan. Only those Holders of Claims who actually vote for or against the Plan count in these tabulations. Holders of Claims who fail to vote, or whose votes are designated pursuant to section 1126(e) of the Bankruptcy Code, are not counted as either accepting or rejecting a plan.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the bankruptcy court to be in the best interests of each holder of a claim or interest in such class. In addition, each impaired class must accept the plan for the plan to be confirmed without application of the "fair and equitable" and "unfair discrimination" tests in section 1129(b) of the Bankruptcy Code discussed below.

E. **Confirmation Without Acceptance of All Impaired Classes**

The Bankruptcy Code contains provisions for confirming a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the plan. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying other requirements of section 1129(a) of the Bankruptcy Code, it (a) "does not discriminate unfairly" and (b) is "fair and equitable," with respect to each class of claims that is impaired under, and has not accepted, the Plan. As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have specific meanings unique to bankruptcy law.

In general, the "fair and equitable" standard, also known as the "absolute priority rule," requires that a dissenting class receive full compensation for its allowed claims before any junior class receives any distribution. More specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed under that section if: (a) with respect to a secured class (i) the holders of such claims retain the liens securing such claims to the extent of the allowed amount of such claims and that each holder of a claim of such class receive deferred cash payments equaling the allowed amount of such claim as of the plan's effective date, or (ii) such holders realize the indubitable equivalent of such claims; (b) with respect to an unsecured claim, either (i) the impaired unsecured creditor must receive property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the dissenting class may not receive any property under the plan on account of such junior claim or interest; and (c) with respect to a class of interests, either (i) each holder of an interest of such class must receive or retain on account of such interest property of a value, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest, or (ii) the holder of any interest that is junior to the interest of such class may not receive or retain any property on account of such junior interest.

The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal priority.

IF A CLASS OF CLAIMS VOTING ON THE PLAN VOTES TO REJECT THE PLAN, THE DEBTOR RESERVES THE RIGHT TO SEEK CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF THE BANKRUPTCY CODE WITH RESPECT TO SUCH CLASS.

F. **Best Interests Test**

In order to confirm a plan, the Bankruptcy Court must independently determine that the plan is in the best interests of each holder of a claim in any impaired class who has not voted to accept the plan. Accordingly, if an impaired class does not unanimously accept the plan, the best interests test requires the Bankruptcy Court to find that the plan provides to each member of such impaired class a recovery on account of the class member's claim that has a value, as of the effective date of the plan, at least equal to the value of the distribution that each such member would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

To calculate what holders of Claims would receive if the Debtor were liquidated under a hypothetical chapter 7 case under the Bankruptcy Code, the Bankruptcy Court must first determine the dollar amount that would be realized from such liquidation (the "Liquidation Fund"). The Liquidation Fund would consist of the net proceeds from the disposition of the Debtor's assets (after satisfaction of all valid liens) and the recoveries on causes of action, if any, held by the Estate. The Liquidation Fund would not include (i) the portion of the Contributing Entities' Cash Contribution coming from Entities other than the Debtor, (ii) the assignment of Assigned Insurance Interests, (iii) any contributions by Setting Insurers, or (iv) restricted funds, which would be subject to a *cy pres* action involving the California Attorney General. The Liquidation Fund would be reduced by the cost of the liquidation. The costs of a hypothetical liquidation under chapter 7 would include the fees and expenses of the chapter 7 trustee, as well as those of counsel and other professionals that might be retained by the chapter 7 trustee, selling expenses and wind-down costs, any unpaid expenses incurred by the Debtor during its Chapter 11 Case (such as fees for attorneys, financial advisors and accountants) which would be Allowed in the chapter 7 proceedings, interest expense on secured debt and claims incurred by the Debtor during the pendency of the cases. These Claims would be paid in full out of the Liquidation Fund before the balance of the Liquidation Fund, if any, would be made available to holders of General Unsecured Claims and Abuse Claims. In addition, other Claims that would arise upon conversion to a chapter 7 case would dilute the balance of the Liquidation Fund available to holders of Claims. Moreover, additional Claims against the Estate would arise because of the establishment of a new Bar Date for the filing of Claims in the chapter 7 case. The present value of the Distributions from the Liquidation Fund (after deducting the amounts described above) must then be compared with the present value of the property offered to each of the Classes of Claims under the Plan, to determine if the Plan is in the best interests of Claim holders.

The Debtor believes that a chapter 7 liquidation of its remaining Assets would result in a diminution of the value realized by holders of Claims. That belief is based upon, among other factors: (a) the reduced value of Debtor's remaining Assets in a chapter 7 case; (b) the additional administrative expenses involved in the appointment of a chapter 7 trustee, attorneys, accountants, and other chapter 7 professionals; (c) the substantial time that would elapse before Creditors would receive any Distribution in respect of their Claims, due to a chapter 7 trustee's need to become familiar with the Debtor's books and records and the chapter 7 trustee's administration of the case; and (d) the additional Claims that may be asserted against the Debtor.

G. <u>Feasibility</u>

In connection with confirmation of the Plan, the Bankruptcy Court must determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the need for liquidation or further financial reorganization of the Debtor, except as proposed in the Plan.

In this case, the Debtor has prepared cash flow projections demonstrating that the Debtor, together with the Contributing Non-Debtor Catholic Entities, will be able to fund the Contributing Entities' Cash Contribution, that the Debtor and the Reorganized Debtor will be able to meet their other respective obligations under the Plan, and that the Reorganized Debtor will have sufficient resources to support ongoing ministries and operations. A copy of the financial projections is attached hereto as **Exhibit C**. The cash flow projections demonstrate that the Debtor will be able to fund the Plan on the Effective Date and that the Reorganized Debtor will be able to make all payments required pursuant to the Plan so that no further financial restructuring will be necessary. Accordingly, the Debtor believes that the Plan satisfies the feasibility test.

H. <u>Compliance with the Applicable Provisions of the Bankruptcy Code</u>

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtor has considered each of these provisions in the development of the Plan and believe that the Plan complies with all applicable provisions of the Bankruptcy Code.

ARTICLE XVIII

RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THIS INFORMATION, HOWEVER, SHOULD NOT BE REGARDED AS THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND/OR ITS IMPLEMENTATION.

A. Risks Associated with the Insurance Assignment

The Insurance Assignment effected by the Plan provides Trust Claimants who choose the Litigation Option (defined above as "Litigation Claimants") with the opportunity to liquidate their claims against the Debtor (as a nominal party) by way of a judgment in the tort system and then seek to recover the amount of their judgment under any applicable insurance policies of the Debtor. The ability of Litigation Claimants to monetize their judgment through recovery from Non-Settling Insurers on account of the Assigned Insurance Interests is a fundamental aspect of the Plan that the Debtor believes has tremendous value for such Claimants in the form of contractual rights (i.e., the potential insurance coverage for the judgement under the insurance policies) and potential extracontractual rights (i.e., through a potential future cause of action for bad faith against the Non-Settling Insurers). At present, the Debtor believes that it holds no existing bad faith cause of action against any of its Insurers. Therefore, no such cause of action (as opposed to insurance rights) can or will be assigned under the Plan. However, the Debtor believes the intent of the Plan is to assign all of Debtor's rights under its insurance – including any potential future bad faith claims.

The Committee contends that Litigation Claimants may, nevertheless, be able to assert potential direct bad faith claims against any of Debtor's insurers should an insurer fail in good faith to pay a covered judgment, after the Effective Date based upon the decision in *Hand v. Farmers Ins. Exchange*, 23 Cal. App.4th 1847 (1994) ("*Hand*"). Section 5.14 of the Plan reserves the rights of Litigation Claimants to try to assert such bad faith claims directly based upon potential future actions by the Insurers after the Effective Date based upon the *Hand* decision.

The Insurers contest whether any bad faith claims could be successfully asserted by Litigation Claimants, whether directly or through assignment from the Debtor. The Insurers assert, *inter alia*, that the Debtor will not be negatively affected by any post Effective Date future Insurer actions and therefore will not have a bad faith cause of action against the Insurers capable of assignment post Effective date. The Insurers further contest whether *Hand* is a correct statement of California law such that Litigation Claimants could have a direct bad faith cause of action against any Insurers. They also assert that supposed future bad faith claims based on things that have not yet happened are entirely speculative. If the Insurers' contentions in this regard are upheld by a court in future litigation, Litigation Claimants that obtain a covered judgment against the Debtor in name only would be able to recover money from the Non-Settling Insurers under any applicable insurance policy up to the limits of those policies, but would not be able to recover any extracontractual damages (i.e. damages in addition to the insurance coverage provided under the insurance policies) based on any future acts or omissions by the Non-Settling Insurers.

The Committee believes ~~the Insurers' position is not an accurate statement of the law, and~~that the design of the Plan (in particular, the timing of the Debtor's discharge) creates a substantial risk that Litigation Claimants will be stripped of their ability to pursue extra-contractual claims against the Non-Settling Insurers as the assignee of the Debtor. The Insurers also believe that the Plan extinguishes all extra-contractual claims against the Insurers. The Committee, for its part, believes that a plan of reorganization could be designed to clearly preserve extra-contractual claims against the Non-Settling Insurers, but the Debtor's Plan is not designed in this way. The Debtor does not believe that the design of the Plan needs to be changed. The Debtor believes that certain post-confirmation conduct by Insurers that allegedly violate obligations to act in good faith would survive confirmation of the Plan, such as the obligation to pay a covered judgment, and that an Insurer's violation of that obligation could give rise to a direct bad faith cause of action on the part of Litigation Claimants. The Debtor ~~believes this is an open question of law, with strong arguments on both sides of the issue, and does not predict here how a California court would ultimately rule.~~also believes California law does not foreclose the Debtor's ability to hold and assign a bad faith claim based on other Insurer conduct, such as failure to accept a reasonable within-limits settlement offer, post Effective Date as the holder of those rights still has a risk regarding the asserted claims beyond the potential recovery of insurance proceeds. The Debtor also notes that the insurance coverage rights assigned to the Litigation Claimants under the Plan have significant value standing alone even if the Insurers are correct regarding either the *Hand* decision, specifically, or bad faith claims, generally, (i.e., such that there is no bad faith recovery).

The Debtor notes that the insurance coverage rights assigned to the Litigation Claimants under the Plan have significant value standing alone even if the Insurers are correct regarding either the *Hand* decision, specifically, or bad faith claims, generally, (i.e., such that there is no bad faith recovery).

In any event, as recognized by the Court in its Memorandum Concerning Certain Issues Raised During January 21, 2025 Hearing on Approval of Disclosure Statement [Docket No. 1673], the outcome of the dispute related to potential, future bad faith claims is not merely uncertain, it is unlikely to be determinable at confirmation, and likely cannot be determined until such time (if ever) that an Insurer is alleged to have acted in bad faith, which may occur, if at all, years after the occurrence of the Effective Date in this case.

B. Objection to Classifications of Claims

Section 1122 of the Bankruptcy Code provides that a plan may place a claim in a particular class, only if such claim is substantially similar to the other claims in such class. The Debtor believes that the classification of Claims under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion. To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed and the reclassification adversely affects the treatment of the Claim of any Creditor, the Debtor could be required to re-solicit votes for or against the Plan.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim of a particular Class unless the holder of a particular Claim agrees to a less favorable treatment of its Claim.

The Debtor believes that the Plan complies with the requirement of equal treatment. To the extent that the Court finds that the Plan does not satisfy the equal treatment requirement, the Court could deny confirmation of the Plan.

Issues or disputes relating to classification or treatment could result in a delay of the confirmation or consummation of the Plan and could increase the risk that the Plan will not be consummated.

C. Failure to Satisfy Voting Requirements

If the Debtor obtain the requisite votes to accept the Plan in accordance with the requirements of the Bankruptcy Code, the Debtor intend, as promptly as practicable thereafter, to seek confirmation of the Plan. In the event that sufficient votes are not received, the Debtor may be forced to pursue an alternative plan of reorganization, or the Debtor may dismiss the Chapter 11 Case.

D. The Plan May Not Be Accepted or Confirmed

The Plan may not be confirmed without the affirmative acceptance of at least one Impaired Class. Even if all voting Classes accept the Plan, the Plan may not be confirmed if the Bankruptcy Court determines that the Plan does not meet the requirements for confirmation set forth in section 1129 of the Bankruptcy Code. The Debtor believes that the Plan satisfies all of the relevant section 1129 requirements. There can be no assurance, however, that the requisite Creditor consent will be obtained or that the Bankruptcy Court will also conclude that all such requirements have been satisfied.

E. The Debtor's Assumptions and Estimates May Prove Incorrect

The Debtor has made certain assumptions regarding, and has attempted in good faith and to the best of its ability to estimate, the aggregate number and amount of Claims in each Class, the projected expenses incurred to date or to be incurred in connection with the confirmation and administration of the Plan, and the assets which may be available for liquidation and Distribution under the Plan. There can be no guarantee, however, that the Debtor's assumptions and estimates regarding these amounts will prove to be accurate.

F. Non-Confirmation or Delay in Confirmation of the Plan

In the event a party objects to the Plan, it is possible that the Bankruptcy Court may not approve confirmation of the Plan.

Specifically, as outlined in the Committee Letter, the Committee does not support this Plan and contests many of the legal positions taken by the Debtor and/or factual statements made herein. Ultimately, the Bankruptcy Court will decide any contested legal or factual issues, and there is no guarantee that those issues will be decided in the Debtor's favor. Confirmation is not assured in light of the Committee's opposition, however strongly the Debtor believes the Plan can and should be confirmed.

G. Non-Consensual Confirmation

In the event the Impaired Class of Claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request if the cramdown requirements described above are satisfied. The Debtor believes that the Plan satisfies these requirements.

H. Consent to Third-Party Releases

On June 27, 2024, the Supreme Court issued its decision in *Harrington v. Purdue Pharma L.P.*, No. 23-124, 144 S. Ct. 2071 (2024) (the "Purdue Decision"). In the Purdue Decision, the Supreme Court ruled that a bankruptcy court does not have the authority to issue nonconsensual releases discharging creditors' claims against non-debtor entities.

The Debtor and Contributing Non-Debtor Catholic Entities worked to address the Purdue Decision and believe that the releases granted by Abuse Claimants to Contributing Non-Debtor Catholic Entities in the Plan will be deemed consensual.

The third-party releases and Channeling Injunction contained in the Plan are an integral part of the Debtor's overall restructuring efforts and are an essential element in obtaining the Contributing Non-Debtor Catholic Entities' support for the Plan. The contributions from the Contributing Non-Debtor Catholic Entities are contingent on the Contributing Non-Debtor Catholic Entities receiving the benefit of the Plan's third-party releases. Failure of Abuse Claimants to consent to the third-party releases will reduce the Contributing Non-Debtor Catholic Entities' contributions and thus may result in reduced recoveries for Abuse Claimants under the Plan. Should this scenario occur, the Contributing Non-Debtor Catholic Entities may not approve the confirmation order, which is a condition of confirmation under the Plan, and the Plan may fail, which will significantly delay any recovery for Abuse Claimants.

I. Risk of Non-Occurrence of the Effective Date

Although the Debtor believes that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to the timing or as to whether the Effective Date will in fact occur.

J. Non-Settling Insurers May Raise Objections to Confirmation

Certain Non-Settling Insurers may object to confirmation of the Plan by asserting that the Plan impermissibly alters their contractual rights, duties and obligations under their Insurance Policies. For example, certain insurers raise concerns regarding, among other things, the Plan's treatment of applicable self-insured retentions required under any Non-Settling Insurer Policy.

Although the Debtor does not believe there is any merit to such objections or assertions, if any, because the Plan incorporates the settlement the Debtor reached with its Insurers (as discussed above), if the Non-Settling Insurers were to raise and prevail on such contentions, the Bankruptcy Court might find that the Plan is not feasible or otherwise not confirmable.

K. Post-Confirmation Litigation May Not Result in Additional Recovery

The Plan provides for the assignment to the Survivors' Trust of Assigned Insurance Interests against Non-Settling Insurers. The Non-Settling Insurers are likely to assert factual and legal defenses to both their coverage obligations and to the underlying liability of the Debtor and other Contributing Non-Debtor Catholic Entities for Abuse Claims. Litigation of such issues against Non-Settling Insurers through the Litigation Option could be protracted and expensive. There is no guarantee that the Survivors' Trust will prevail in its prosecution of the Assigned Insurance Interests against Non-Settling Insurers.

In the event the Non-Settling Insurers successfully defend against the Assigned Insurance Interests, the Contributing Entities' Cash Contribution and the settlement payments from Settling Insurers would be the sole source of recovery for Abuse Claims.

L. Confirmation of the Plan may be Delayed or Denied by the District Court

The Debtor's position is that the Bankruptcy Court has constitutional authority to confirm the Plan. If it is determined that the Bankruptcy Court lacks the authority to approve such provisions, the Debtor anticipates that the Bankruptcy Court will issue proposed findings of fact and conclusions of law with respect to the confirmation of the Plan. The Bankruptcy Court's findings and conclusions would then be subject to *de novo* review by the District Court for the Northern District of California before the Plan can be confirmed, which may result in a delay in the occurrence of the Effective Date. It is difficult to estimate how long the District Court would take to render a decision with respect to confirmation of the Plan, however, in the recent Boy Scouts of America bankruptcy case which included similar plan concepts, the District Court for the District of Delaware took approximately six months to review and affirm the bankruptcy court's findings and conclusions and to issue a confirmation order.

ARTICLE XIX

BANKRUPTCY RULE 9019 REQUEST

Pursuant to Bankruptcy Rule 9019 and through the Plan, the Debtor requests approval of all compromises and settlements included in the Plan or contemplated.

ARTICLE XX

RECOMMENDATION AND CONCLUSION

The Debtor believes that the Plan is in the best interests of all Creditors. The Plan as structured allows Creditors to participate in Distributions believed to be in excess of those which would otherwise be available were the Chapter 11 Case dismissed and provides an opportunity to maximize insurance recoveries through settlements with the Settling Insurers and post-confirmation litigation of Assigned Insurance Interests against Non-Settling Insurers.

FOR ALL OF THE REASONS SET FORTH IN THIS DISCLOSURE STATEMENT, THE DEBTOR BELIEVES THAT THE CONFIRMATION AND CONSUMMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES. THE DEBTOR STRONGLY RECOMMENDS THAT ALL CREDITORS ENTITLED TO VOTE ACCEPT THE PLAN AND TO EVIDENCE SUCH ACCEPTANCE BY RETURNING THEIR BALLOTS SO THAT THEY ARE RECEIVED BY THE DIOCESE'S SOLICITATION AND CLAIMS AGENT NO LATER THAN 5:00 P.M. PREVAILING PACIFIC TIME ON _, 20_.

THE COMMITTEE URGES ALL SURVIVORS, WHO HOLD CLASS 4 CLAIMS, TO VOTE TO REJECT THE PLAN AND OPT-OUT OF THE PROPOSED RELEASE.

[Signature Page Follows]

DATED: March 17, 2025. Respectfully submitted,

THE ROMAN CATHOLIC BISHOP OF OAKLAND

By: */s/ Attila Bardos*
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Summary report: **Litera Compare for Word 11.7.0.54 Document comparison done on 3/24/2025 3:15:44 PM**	
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Intelligent Table Comparison: Active	
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