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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 **DECLARATION OF KATHERYN R. MCNALLY IN SUPPORT OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' OBJECTION TO CONFIRMATION OF THE DEBTOR'S MODIFIED FOURTH AMENDED PLAN OF REORGANIZATION**

I, Katheryn R. McNally, hereby declare under penalty of perjury, pursuant to Section 1746 of Title 28 of the United States Code, as follows:

1. I submit this declaration ("**Declaration**") in connection with the *Debtor's Modified Fourth Amended Plan of Reorganization Dated March 27, 2026* [Dkt. No. 2758] (the "**Plan**") and in support of the *Official Committee of Unsecured Creditors' Objection to Confirmation of the Debtor's Modified Fourth Amended Plan of Reorganization* [Dkt. No. 2912] in the chapter 11 case (this "**Chapter 11 Case**") of The Roman Catholic Bishop of Oakland ("**RCBO**" or the "**Debtor**"). I am a Managing Director of Stout Risius Ross, LLC ("**Stout**"), which has been retained by Lowenstein Sandler LLP ("**Counsel**") in its capacity as counsel to the Official Committee of Unsecured Creditors (the "**Committee**") to provide services with respect to sexual abuse claims filed against RCBO as part of the bankruptcy case (the "**RCBO Sexual Abuse Claims**" and the holders of RCBO Sexual Abuse Claims, "**RCBO Sexual Abuse Claimants**").

I. INTRODUCTION.

A. Professional Qualifications.

2. I am qualified to render the opinions expressed herein based on my education, training, knowledge, and experience in the fields of economic damages quantification and statistical analysis. My entire career has been focused on financial consulting services, specializing in providing complex claims consulting.

3. Currently, I am a Managing Director in the Disputes, Claims, and Investigations group and Practice Leader for the Commercial Litigation group at Stout, supporting clients in complex business disputes and litigation. Stout is a global investment bank and advisory firm specializing in corporate finance, valuation, financial disputes, and investigations. I have been employed at Stout since September 2022 when Stout acquired my prior employer, The Claro Group, LLC, where I had been employed since its inception in September 2005. Stout's team of CPAs, MBAs, and finance professionals has deep experience assisting clients with data analyses and damages calculations in complex litigation. Our expertise includes claims quantification,

damages quantification, claims estimation, and insurance policy allocation services over a wide range of situations, including expert testimony.

4. I have also served as an Adjunct Lecturer of Statistics and Economics at Northwestern University.

5. Over the course of my career, I have advised over one hundred clients on a wide range of issues. I have previously been retained as an expert witness as well as in an expert consulting capacity. Those retentions involved underlying litigation matters, including numerous sexual misconduct cases, high-profile class action cases, damages quantification under the False Claims Act, environmental contribution and recovery matters under CERCLA, insurance recovery matters, and creditor-debtor disputes, among others.

6. I have extensive experience in the valuation of sexual abuse claims and the allocation of related liabilities to insurance coverage, providing these services in connection with several of the largest and highest profile matters in recent history, including Michigan State University/Nassar, University of Southern California/Tyndall, and the Boy Scouts of America Chapter 11 cases. I have also been retained on behalf of the creditor committees in a number of diocesan Chapter 11 cases.

7. My role and services provided vary but typically involve the valuation or quantification of damages or amounts in dispute, requiring data analysis, expenditure review and quantification, statistical modeling, and/or allocation of damages among insurance policies (where applicable). While each matter has its own facts, the analyses I performed for purposes of this Declaration relied upon standard procedures and methodologies typically relied upon in a valuation context.

8. I earned a BS in Finance from Miami University in 2004 and an MBA from the University of Chicago Booth School of Business in 2009 with concentrations in Statistics and Econometrics, Economics, Finance, and Accounting.

B. Statement of Independence.

9. Stout's retention in this Chapter 11 Case was authorized by order of the Bankruptcy Court, dated October 7, 2023 [Dkt. No. 510] (the "**Stout Retention Order**"), and Stout's compensation will be in accordance with the Stout Retention Order.

10. Stout is being compensated for my time on this matter at a billing rate of $750 per hour. The compensation is in no way contingent or based on the content of my opinions or the outcomes of this matter. I affirm that the opinions expressed in this Declaration reflect my genuine opinions.

C. Summary of Opinion.

11. Certain prior RCBO settlements with sexual abuse survivors directly inform the valuation of the RCBO Sexual Abuse Claims.

12. Based on the analyses and the assumptions set forth herein, and informed by the historical settlements entered into between RCBO and sexual abuse survivors who came forward during the statute of limitations revival windows, it is my opinion that the aggregate value of the RCBO Sexual Abuse Claims exceeds $420,566,040. This claim liability figure is specific to RCBO. It does not include claim liability associated with the Roman Catholic Welfare Corporation ("**RCWC**").

13. I offer no opinion or analyses as to what amount(s) the Debtor is willing or able to pay in connection with such claims, or what amount(s) may be recoverable from insurance relating to its liabilities. Any argument that RCBO may lack sufficient assets to satisfy the full value of claims against it does not reduce the underlying value of those claims. Moreover, my opinion regarding the size of the Debtor's liabilities related to the RCBO Sexual Abuse Claims is unimpacted by the particular case forum—i.e., whether it be in state court, Chapter 11, or even a Chapter 7 case, though I understand the forum may be indicative of a defendant's ability to satisfy its liabilities in full.

II. RELEVANCE OF PRIOR SETTLEMENTS AND BANKRUPTCY DISTRIBUTIONS ON THE VALUE OF RCBO SEXUAL ABUSE CLAIMS.

14. Historical settlements can be informative benchmarks in determining the value of sexual abuse claims to the extent one can control for variables suspected to impact claim value, such as the statute of limitations, and isolate like-claims that were resolved via arm's-length negotiations between the parties and in the absence of externalities, such as insolvency risk, that may influence settlement outcomes.

15. While insolvency-related risk may influence what payment a claimant is willing to accept to resolve their claim (as with any type of creditor claim), it is irrelevant to an analysis focused purely on valuing the size of the liabilities, or the face value of the claims. Claim valuation and distribution forecasting are distinct analytical exercises, as the value of a claim is a wholly distinct concept from a debtor's ability to pay that claim. A debtor's financial constraints may affect the amount ultimately distributed to creditors (whether abuse survivors or otherwise), but such constraints do not impact the size of the underlying liabilities. Similarly, the source of funds historically used to satisfy claims does not affect the size of the liabilities. Consequently, a claim valuation that exceeds the ultimately approved distribution does not demonstrate that the valuation was wrong; it demonstrates that the relevant debtor lacked sufficient resources to compensate claimants at the full value of their claims.

16. Similarly, the availability of insurance assets to compensate survivors of sexual abuse (or to repay the insured for settlement payments it makes) does not impact the value of the underlying claim.

17. To the contrary, that the RCBO Sexual Abuse Claims are not subject to statute of limitations defenses is relevant to their value regardless of whether RCBO has sufficient assets to pay them. Further, separate diocesan bankruptcies involve unique facts, including the number and severity of claims, available assets, the legal landscape, and negotiation dynamics. That the RCBO Sexual Abuse Claims may be more valuable than claims resolved in other diocesan bankruptcies is reasonable given the particular legal environment, the nature of the allegations, and the absence of statute of limitations defenses.

18. Whether a statute of limitations defense is available to a defendant is a key driver of the value of sexual abuse claims in a civil action. Given that the statute of limitations defense creates potentially significant risk that a sexual abuse claimant may recover nothing for their sexual abuse claim in the tort system, if a defendant were to prevail on such a defense, the statute of limitations is often a central valuation issue with respect to sexual abuse claims against an institutional defendant. In other words, the increased likelihood that a defendant may prevail—resulting in $0 recovery to the plaintiff—drives down settlement value, all else equal.

19. Claims falling outside the statutory limitations period face additional hurdles in the tort system, and given this additional defense available to the institutional defendant, such claims are typically settled for lower amounts than similar claims not subject to the statute of limitations defense. A comparison of potentially comparable settlements involving institutional defendants in California and other jurisdictions indicates that claims within the statute of limitations settle, on average, for 2.2 to 2.7 times more than the claims falling outside the statute of limitations—representing an estimated discount of 55% to 63%, on average, for litigation risk associated with statute of limitations claim defenses.

III. PRIOR RCBO SETTLEMENTS WITH SEXUAL ABUSE SURVIVORS.

20. I am aware of 70 executed settlement agreements entered into between RCBO and survivors of childhood sexual abuse. Although Counsel requested detailed information relating to each of the 70 executed settlement agreements, I received the requisite detail (for example, tier of abuse) for some but not all of the settlements.

A. RCBO Settlements Prior to 2003 Revival Window.

21. In 2002, California enacted legislation that created its first "revival window," permitting otherwise time-barred childhood sexual abuse claims to be pursued against perpetrators and third-party defendants, including dioceses (the "**First Legislation**"). Prior to this First Legislation, the applicable statute of limitations in California was age 26 or the age of discovery plus 3 years, whichever was later. RCBO resolved eight claims for a total of $901,645 prior to the First Legislation. During that time, settlement payments ranged from $25,000 to

$300,000 ($67,056 to $554,932 on an inflation-adjusted basis) and averaged $112,706 per claim ($225,070 per claim on an inflation-adjusted basis). Based on my experience and review of the underlying settlement documentation, it is likely that certain claims resolved prior to the revival window in the First Legislation may have been subject to statute of limitations defenses.

22. Because the childhood sexual abuse claims at issue in this Chapter 11 Case are not subject to statute of limitations defenses and because this claim defense is a key driver of claim value, the RCBO Settlements Prior to the 2003 Revival Window are not appropriate benchmarks for claim value for the RCBO Sexual Abuse Claims. The dated nature of these settlements creates an additional hurdle for their usability in this context.

B. <u>RCBO 2003 Revival Window Settlements</u>.

23. As a result of the First Legislation, which created a temporary window during which otherwise time-barred claims were revived, RCBO resolved 54 claims that were no longer subject to statute of limitations defenses for a total of $57,536,464. Settlement payments ranged from $75,000 to $2,800,000 ($114,448 to $4,264,139 on an inflation-adjusted basis) and averaged $1,065,490 per claim ($1,642,107 per claim on an inflation-adjusted basis). Importantly, this series of settlements resolved all outstanding First Legislation lawsuits against RCBO.

24. While the RCBO 2003 Revival Window Settlements control for one primary consideration in the valuation of childhood sexual abuse claims—the statute of limitations—they do not control for the shift in societal attitudes and increased value placed on childhood sexual abuse claims over the 20-year period that followed. This is known as the manifestation of "social inflation," a term coined largely by the insurance industry to describe increased claim values over time for reasons other than economic factors. These reasons include, in part, jurors' changing attitudes towards institutions, large jury awards, and a generally more plaintiff-friendly environment.

25. Because the application of monetary inflation to claim settlement values does not fully capture the notable upward trends in sexual abuse claim value and social inflation over recent years, the inflation-adjusted settlement average among the RCBO 2003 Revival Window Settlements likely underestimates what similar claims would resolve for in today's environment.

C. **RCBO Pre-Bankruptcy Settlements.**

26. As a result of subsequent California legislation, which created a second temporary window during which otherwise time-barred claims were revived (the "**Second Legislation**"), RCBO faced at least 332 lawsuits against it related to allegations of childhood sexual abuse. Only eight claimants during the California Assembly Bill 218 ("**AB218**") revival window accepted offers of settlement from RCBO prior to its bankruptcy filing in May of 2023. Settlement payments ranged from $8,887 to $3,500,000 ($9,855 to $4,080,139 on an inflation-adjusted basis) and averaged $626,361 per claim ($725,152 on an inflation-adjusted basis). These eight settlements are, on average, lower than the RCBO 2003 Revival Window Settlements despite social inflation, upward trends in verdict exposure, and RCBO's concern over increased exposure to punitive damages as a result of the Second Legislation.

27. The earlier RCBO 2003 Revival Window Settlements resolved all pending lawsuits filed as a result of the First Legislation, a necessity to avoid all trials. By contrast, the RCBO Pre-Bankruptcy Settlements only reflect the small subset of claims that received and were willing to accept RCBO's settlement offer. Because RCBO filed for bankruptcy with the vast majority of Second Legislation lawsuits pending, RCBO did not have to reach a negotiated resolution with all plaintiffs to avoid potentially significant exposure at trial. RCBO was able to select which plaintiffs received settlement offers, determine how much RCBO was willing to pay, and allow the unsettled lawsuits of plaintiffs that did not accept offers to be resolved as part of this Chapter 11 Case. In addition to the small sample size, this results in potential selection bias that renders these eight settlements potentially unreliable benchmarks for assessing the value of the RCBO Sexual Abuse Claims.

28. However, if included with the RCBO 2003 Revival Window Settlements, all RCBO settlements known to resolve claims brought during statute of limitations revival windows ("**RCBO Revival Window Settlements**") have an inflation-adjusted average of $1,523,790. For the purposes of developing my opinion related to the aggregate value of RCBO Sexual Abuse Claims, I use the inflation-adjusted average of the RCBO Revival Window Settlements.

IV. CERTAIN PRIOR RCBO SETTLEMENTS INFORM THE VALUE OF RCBO SEXUAL ABUSE CLAIMS.

29. Certain prior RCBO settlements with sexual abuse survivors are informative with respect to the value of the RCBO Sexual Abuse Claims. To the extent appropriate data exists in a given case, historical settlements and verdict amounts are commonly used to estimate the value of current claims in the mass tort context, both in the tort system as well as the bankruptcy system. The use of prior settlement data for purposes of estimating mass tort claim value in the bankruptcy context has been utilized to estimate the value of pending and future claims. From a practical perspective, the RCBO 2003 Revival Window Settlements (and resulting claim average) were contemporaneously announced publicly by the Debtor, which would have provided "price" transparency to current plaintiffs' counsel and realistic expectations for plaintiffs' attorneys and their clients to the extent they had been able to negotiate settlements in the absence of a bankruptcy.

30. In extrapolating historical payments to estimate the liability associated with current claims, it is best practice to control for attributes that are suspected to impact claim value. Two key drivers of value of childhood sexual abuse claims are the statute of limitations and the severity of the alleged abuse. Similar to the RCBO Sexual Abuse Claims, both the RCBO 2003 Revival Window Settlements as well as the RCBO Pre-Bankruptcy Settlements resolved claims that were filed as part of the statute of limitations revival windows. Further, although the nature of abuse was only ascertainable for a subset of the RCBO Revival Window Settlements, a wide array of allegations was observed, similar to the RCBO Sexual Abuse Claims. Using the Fisher's Exact Test, I determined the difference in distribution of allegations in each abuse tier was not statistically significant between the RCBO Revival Window Settlements and the RCBO Sexual Abuse Claims.

31. In addition to the monetary compensation, the scope of release is often part of the negotiated resolution between the plaintiff and the defendant in a sexual abuse lawsuit. Counsel instructed me to assume that the scope of release among RCBO Revival Window Settlements generally included releases for RCBO, as well as for other entities, some of which will not receive a release as part of the proposed Plan ("**Other Released Entities**"). I have been asked to assume

that the vast majority of claimants holding RCBO Sexual Abuse Claims are not expected to execute an RCWC release, so I treated RCWC as an entity that will not receive a release ancillary to the proposed Plan but that did receive a release in the RCBO Revival Window Settlements.

32. RCBO Sexual Abuse Claimants with claims against one of the Other Released Entities retain their ability to bring claims against those entities, whereas settling plaintiffs in the RCBO Revival Window Settlements were compensated for a release for the Other Released Entities. Based on Stout's review, roughly 40% of RCBO Sexual Abuse Claims include allegations involving one or more of the Other Released Entities.

33. To control for the narrower release to be provided by the current RCBO Sexual Abuse Claims that include allegations involving an Other Released Entity, and for purposes of extrapolating the historical RCBO settlements, I assumed the following: (i) 40% of the RCBO Sexual Abuse Claim allegations involve an Other Released Entity; and (ii) 50% of the claim value is attributed to the Other Released Entity (versus RCBO). The resulting aggregate adjustment was 20% (40% x 50% = 20%). Reducing the inflation-adjusted average amount of the RCBO Revival Window Settlements of $1,523,790 by 20% results in an adjusted figure of $1,219,032 ("**Adjusted RCBO Revival Window Settlement Average**").

34. Extrapolated across 345 RCBO Sexual Abuse Claims, this equals $420,566,040 of potential claim liability for RCBO. This does not include claim liability associated with RCWC.

35. I recognize that it is possible with the benefit of additional time and discovery the prevalence of claims against an Other Released Entity may be higher or lower than 40% and that the share of liability apportioned to RCBO versus the Other Released Entities may vary from 50%; however, $420,566,040 likely underestimates the value of the RCBO Sexual Abuse Claims for multiple reasons, including: (i) it does not factor in social inflation; (ii) the RCBO Pre-Bankruptcy Settlements are likely affected by selection bias; (iii) it assumes only 345 RCBO Sexual Abuse Claims exist, although 386 non-duplicative, timely-filed claims exist in this Chapter 11 Case; (iv) the Debtor's claim count has already been reduced for claims that predate its formation in 1962 and for claims that assert liability of a third party, making the 20%

adjustment potentially conservative and duplicative; (v) it does not factor in the increased verdict exposure related to punitive damages under AB218; and (vi) average recent settlements resolving claims brought within the statute of limitations and involving allegations of childhood sexual abuse involving religious institutions range from $2.1 million to $2.7 million, depending on the lookback period, which are higher than the Adjusted RCBO Revival Window Settlement Average.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed this 5 day of June, 2026.

