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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

DEBTOR'S OPPOSITION TO THE DISCLOSURE STATEMENT FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' PLAN OF REORGANIZATION, DATED MARCH 27, 2026

Judge: Hon. William J. Lafferty

Date: April 10, 2026
Time: 8:00 a.m.
Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

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The Roman Catholic Bishop of Oakland, debtor and debtor in possession ("Debtor" or "RCBO") in the above-captioned case ("Chapter 11 Case"), hereby files its opposition ("Opposition") to the *Disclosure Statement for the Official Committee of Unsecured Creditors' Plan of Reorganization, Dated March 27, 2026* [Docket No. 2753] ("Committee Disclosure Statement"), filed by the Official Committee of Unsecured Creditors ("Committee"). In support, the Debtor respectfully states as follows:[1]

I. INTRODUCTION

The Committee Disclosure Statement is a mirage. The closer parties get to it, the less substantial it appears. The Committee Disclosure Statement cannot be approved for solicitation as it is fundamentally misleading in critical respects, woefully deficient in others, and its sole purpose is to promote a Committee Plan that cannot legally be confirmed. Both it and the Committee Plan should be stricken.

MISLEADING. The Committee Disclosure Statement is facially misleading in three key respects. ***First***, in attempting to disparage the Debtor Plan, it mischaracterizes its own proposed payment schedule. The Committee states that because the Committee will appeal any order confirming the Debtor Plan, that will postpone that Plan's Effective Date, with proposed contributions dragged out until 2029 or 2030. By contrast, the Committee Disclosure Statement brazenly (but falsely) asserts that its contemplated contributions "will be made in installments with the last payment due on or before September 5, 2029." Committee Disclosure Statement at p. 4.

What the Committee omits is that **the Committee Plan has the same alleged problem**. *No* contribution under that Plan occurs until after the proposed Effective Date, even though *subsequent* contributions under the Committee Plan are tied to anniversaries of the filing date. Thus, unless the Committee intends to waive the condition to effectiveness of a final, nonappealable order[2]—exposing the Debtor to the risk of making contributions during an inevitable Insurer appeal of the Committee Plan, without the benefit of a discharge—there is no realistic scenario in which Abuse Claimants ultimately receive payments more quickly under the Committee Plan than the Debtor Plan, if they occur at all.

Second, in the only two places where it attempts to explain how the Debtor might make the required contributions—a fatal flaw detailed further below—the Committee Disclosure Statement

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

[2] And the Committee, of course, has made no such assertion.

continues to mischaracterize Bishop Barber's prepetition statements. Specifically, the Committee Disclosure Statement states:

> The Debtor has a myriad of ways in which to fund the Debtor Contribution, including, but not limited to, selling the real property it has committed to sell under the Diocese Plan, **executing on its prepetition plan to close 30 or so parishes**, reducing its operating reserves for a temporary period of time, using restricted assets for their intended purpose and, in turn, allowing the Debtor to use more unrestricted assets to make the Debtor Contribution and/ or borrowing from its Non-Debtor Catholic affiliates, financial institutions and/or the public markets, as it has done before.

Committee Disclosure Statement at pp. 17:12-15 and 24:17-20 (emphasis added).[3]

The Committee's intentional misrepresentation of Bishop Barber's actual statements is a centerpiece of its Disclosure Statement, relied on to assert how it plans to fund its competing Plan. Nearly one year ago, the Debtor exposed the Committee's lie. What Bishop Barber actually said (detailed below), in a request to the deaconries within the Diocese to make recommendations, is "[w]e may have to structure down from 81 parishes that what we have now to 50 plus parishes" through "clustering, merging, and even closing some parishes." *See* Docket No. 1852 at p. 4, (emphasis added).[4] Bishop Barber did not say, and has never said, he intended to "close 30 or so parishes." Because the Committee's statement is untrue, it follows that its claim about how the Debtor will fund the Committee Plan also fails, as does the Committee's credibility.

Third, the Committee Disclosure Statement artificially inflates the Committee's proposed distributions by including RCWC's "optional" $118.9 million contribution. RCWC has already refused to participate in the Committee Plan. Including this as a *possibility* misleads and confuses creditors. The Committee wants abuse survivors to think its plan provides $314.1 million in non-insurance contributions, when the actual amount is $195.2 million.

INSUFFICIENT. Besides being misleading, the Committee Disclosure Statement fails to achieve the key purpose of a Disclosure Statement, which this Court described as "giv[ing] . . . the proponent, the

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[3] In a filing prior to the March 10 status conference, the Committee insisted that the Committee Plan "[d]oes ***not*** propose 'hypothetical funding vehicles, including, but not limited to, a forced loan from a third party, the Debtor's re-entry into the bond market, and the use restricted cash of both the Debtor and RCWC … to pay creditors.'" *See* Docket No. 2709 at 20:16-23 (emphasis in original). In fact, this one sentence belies every part of that statement.

[4] The Committee promptly withdrew its opposition to approval of the Debtor's Third Amended Disclosure Statement.

ability to articulate why they're doing what they're doing, what you're going to get, and why that's fair and legally supportable." Dec. 18, 2024 Hr'g Transcript ("Dec. 18 Hr'g Tr.") at 31:15-19. Even more critically, the Committee Disclosure Statement does not even attempt to meet the standard the Committee supported imposing on the Debtor: to provide "at a minimum, some articulation of why on a principled basis X is available and Y isn't." *Id*. at 30:15-17. Instead, the Committee did exactly what this Court told it not to do:

> The debtor suggested that the committee should be put to some version of that exercise to explain in greater depth how all the wonderful things they want to have happen are going to happen. **Or if the answer is, well, we don't know, or leave it up to the debtor, that is an answer that may indicate a lot of uncertainty. That is not a great answer, and I'll just leave it at that.** But I do think that the committee ought to be put to a similar exercise of simply explaining in greater depth, not a disclosure statement, but just how this is going to work in their view.

March 13, 2026 Hr'g Transcript ("March 13 Hr'g Tr.") at 20:41-21:10 (emphasis added). The Committee Disclosure Statement asks claimants to take its word that the Debtor can make the required contributions—explicitly refusing to describe funding mechanisms except in the most abstract, hypothetical terms—and that those contributions (totaling $195.2 million over 3.5 years) are necessary and appropriate. The Committee offers no explanation of why $195.2 million is the correct number and not $195.1 million, $250 million, or anything else. The Committee Disclosure Statement sidesteps these essential assumptions. It likewise provides short shrift to several material risk factors that plague the Committee Plan. This hinders claimants' ability to choose between a Debtor Plan that provides them with *certain* payments and a Committee Plan that does not.

PATENTLY UNCONFIRMABLE. While these issues alone cause the Committee Disclosure Statement to fail, its biggest defect is that the Committee Plan it supports is facially infeasible and patently unconfirmable. At base, the Committee Plan requires payments by the Debtor on the Effective Date totaling not less than $53.5 million comprised of: (1) an Initial Debtor Contribution to the Survivors' Trust of $33.1 million; (2) repayment of a projected $15 million debtor-in-possession financing facility borrowed from RCC; (3) the satisfaction of outstanding principal and default interest amounts owed on account of RCC's prepetition secured claim, likely not less than $4 million; and (4) payments to outstanding general unsecured creditors totaling approximately $1.4 million. Yet the Committee knows the Debtor does not currently have and does not project to have these funds at any relevant point for the

Effective Date, leaving the Committee Plan with a $53.5 million unfillable hole *on day one*. This is a fatal flaw.

The Committee offers zero explanation for how the Debtor will repay RCC under its Plan.[5] The Committee has admitted on the record the Initial Debtor Contribution will only be available to creditors if and when the Committee (or the Survivors' Trustee under the Debtor's Plan) achieves *complete* victory in the Restricted Assets Adversary Proceeding,[6] and that this will not happen before confirmation of either Plan (if ever). Thus, none of the Committee Plan's Effective Date payments can occur as proposed, making its entire Plan infeasible. Later contributions premised on utilizing property of non-debtors (*i.e.*, the Livermore Property, owned by Adventus) or borrowing funds from non-debtors (*i.e.*, RCC) that have explicitly stated they will not participate in the Committee Plan are similarly flawed. There is no legal mechanism to force these non-parties to contribute funds of property to support the Committee's Plan. Notably, the Committee identifies none.

Finally, the Committee Plan is inherently prejudicial to Abuse Claimants, especially when compared to the Debtor Plan, and thus, disserves the shared goal of fostering healing and compensating victims. It includes a mechanism whereby the proposed Survivors' Trustee must authorize Litigation Option claimants to proceed with state-court cases to recover insurance proceeds.[7] This creates risk that some cases will never go forward, depriving Survivors of their day in court in favor of advancing other preferred claims—a tactic the Committee has employed before—ostensibly for the purpose of placing pressure on Insurers.[8] Yet the Committee Disclosure Statement explains neither this nor the reality that,

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[5] By contrast, the Debtor Plan proposes to roll the $15 million DIP into a $55 million exit facility from RCC that will facilitate its Effective Date payments and the contemplated $40 million contribution to the Survivors' Trust. The Debtor Plan also proposes—with RCC's support—to reamortize the prepetition secured claim and service that debt in due course. The Committee Plan has no such mechanisms, instead requiring payment on the Effective Date. RCC does not support the Committee Plan and the Committee may not assume it will receive any funds from RCC for its Plan.

[6] As defined in the Debtor Plan, Section 1.1.

[7] Section 8.2.3 of the Committee Plan includes a single sentence stating that an Abuse Claimant can petition the *Bankruptcy Court* to overrule the Survivors' Trustee but provides no framework or criteria for that petition.

[8] One wonders how preventing victims from bringing suits that otherwise could result in their receiving payments by an Insurer puts pressure *on the Insurer*.

despite their election of the Litigation Option, some claimants would never actually get to litigate. In contrast, the Debtor's Plan allows *every* claimant that elects the Litigation Option to litigate. The Committee Disclosure Statement fails to address this critical distinction.

For these reasons, the Committee Disclosure Statement cannot be approved for solicitation. Putting aside the Committee Plan it purports to describe, as a freestanding document, it is rife with misleading statements and unexplained assumptions of what the Committee wants to do, how it wants to do it, and why. Far from the reasoned articulation of factual and legal bases typically required of a plan proponent (and previously required of and met by the Debtor), it is a campaign document targeted at a vulnerable audience that the Committee believes will simply vote as they are told. It does not even approach the necessary standard under the Bankruptcy Code—and directed by this Court in this case—for "adequate information."

II. BACKGROUND

A. General Background

On May 8, 2023 (the "Petition Date"), the Debtor filed a voluntary petition for chapter 11 bankruptcy relief under the Bankruptcy Code. On May 23, 2023, the Office of the United States Trustee for Region 17 (the "U.S. Trustee") appointed the Committee. Background information regarding the Debtor, its mission, ministries, and operations, and the events and circumstances preceding the Petition Date, is set forth in the *Declaration of Charles Moore, Managing Director of Alvarez & Marsal North America, LLC* [Docket No. 19], and the Debtor Disclosure Statement (defined below), which are incorporated herein by reference.

B. Overview of the Plan Process

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 December 18, 2024, the Court convened a hearing on approval of the Debtor's Original Disclosure Statement, and in requiring certain amendments and additions to that document, the Court observed:

> What I'm searching for is a world in which the debtor tells us why that's the case. What is the rationale for why this is available? And that is, what is the limit? And there's a lot of ways they could express that. And just to get this on the table, I'm not seeing that in the disclosure statement yet. And maybe the debtor can tell me if they think that's totally

> inappropriate. **But it seems to me at a minimum some articulation of why on a principled basis X is available and Y isn't is something that I think we need to know because you're not going to agree -- we need to know why we disagree about that.**

Dec. 18 H'rg Tr. at 30:9-19 (emphasis added). The Court continued:

> But the point of a disclosure statement ought to be, among other things, to give the debtor, the proponent, the ability to articulate why they're doing what they're doing, what you're going to get, and why that's fair and legally supportable.

Id. at 31:15-19 (emphasis added). The Committee emphatically agreed with both statements.

The Original Plan was amended on February 18 and March 17, 2025, along with accompanying Disclosure Statements, then the Bankruptcy Court approved the Third Amended Disclosure Statement and permitted the Debtor to solicit the Third Amended Plan on April 4, 2025. *See* Docket No. 1877. The deadline to vote on the Third Amended Plan was May 30, 2025. The majority of Class 4 Claimants voted against the Third Amended Plan, though other classes voted in favor of it. *See Declaration of Andres A. Estrada with Respect to Solicitation and the Tabulation of Votes on the Debtor's Third Amended Plan of Reorganization,* Docket No. 2040. The Debtor determined not to proceed with confirmation of the Third Amended Plan in July 2025, because of cash flow constraints.

C. The Debtor's Fourth Amended Plan and Executive Summary

At the status conference on February 17, 2026, the Debtor expressed its intent to file a Fourth Amended Plan. The Committee requested leave to file a competing Plan.

On February 20, the Debtor filed its original Fourth Amended Plan of Reorganization. *See* Docket No. 2654. The Fourth Amended Plan was accompanied by an Executive Summary in place of a Disclosure Statement. The Committee filed its initial Plan of Reorganization on March 6, 2026. *See* Docket No. 2705. No Disclosure Statement or similar document was filed by the Committee at that time.

D. Plan Scheduling and the Committee Disclosure Statement

The Court held additional status conferences on March 10, 13, 20, and 25 to discuss, among other things, confirmation scheduling and additional filings. Critically, on March 10, the Debtor stressed the need for disclosure by the Committee not just of the "what" of its Plan, but also the "why" and the "how":

> [W]e believe strongly that the committee needs to file something akin to a disclosure statement. The Court really put us through our paces in December of 2024 and January of 2025 to articulate not just the what we're going to do or what we were proposing to do, but the why and the how. And there were several lengthy back-and-forths between the Court and Mr. Weisenberg and the Court and myself about the guiding principles or the limitations that the diocese saw for why it was doing A but not B or X but not Y.

> We now have a plan from the Committee that says we will have to fund a survivors trust with 195.2 million dollars. But it provides no mechanism for how. It doesn't provide any insight into where that number comes from. And I think I can back into it a little bit with math, but it doesn't provide any guiding principles for what we would have to do. Doesn't provide any mechanism for borrowing funds. It doesn't really say anything, other than here's the mark that you have to reach to be able to get my approval.
>
> And so the same way that we were required to put out into the world so that it could be challenged what we were proposing and why, the Committee needs to go to that same effort. They need to explain how this plan works. They need to explain why they're asking for what they're asking for. Where does 195.2 come from. How are we supposed to reach it. None of that stuff is in the plan. It is much, much, much more mechanical.

March 10, 2026 Hr'g Tr. ("March 10 Hr'g Tr.") at 27:9-28:9. Counsel continued:

> And it begs the question, again, where does this number come from, and how are we supposed to meet this mark. Because the Committee pushes back against the idea that all they want is more and more and more. But all we've heard is that we want more and more and more. We haven't heard any explanation of why. We haven't heard any explanation of how. We've only heard the explanation of what.

Id. at 65:7-13. Counsel concluded: "the fundamental reality is we need the documents to be able to assess what their underlying guiding principles are and challenge some of those principles . . . Otherwise, they get to hide behind what their plan doesn't say . . . and instead, it just says go forth and figure it out." *Id*. at 69:14-22 (cleaned up).

> At a status conference soon after, the Court agreed that the Committee must explain itself:
>
> I do think that, in place of a disclosure statement, the Debtor's executive summary is very useful. The Debtor suggested that the Committee should be put to some version of that exercise to explain in greater depth how all the wonderful things they want to have happen are going to happen. Or if the answer is, well, we don't know, or leave it up to the debtor, that is an answer that may indicate a lot of uncertainty. **That is not a great answer, and I'll just leave it at that.** But I do think that the Committee ought to be put to a similar exercise of simply explaining in greater depth, not a disclosure statement, but just how this is going to work in their view.

March 13 Hr'g Tr. at 20:41-21:10 (emphasis added, cleaned up). The Court continued:

> So I think part of this -- part of this exercise would be for the Committee to come up with something that, whether you want to call it executive summary or whatever, really lays out in all the detail they think they can why -- how their plan will work. We used to call this, I guess, means of implementation. This is a version of that, how they expect the debtor to do the various things that they're obligating the debtor to do under their plan.

Id. at 21:24-22:6 (cleaned up). Debtor's counsel responded: "[W]e're very gratified to hear that the Court is going to put the Committee through the same exercise that we did in terms of describing the how, the why, the what of [their] plan in a very thoughtful way." *Id*. at 24:18-21 (cleaned up).

E. The Current Situation

Between the status conferences on March 13 and 20, the Debtor and Committee agreed (following considerable back and forth) on certain dates and deadlines with respect to a confirmation process for the competing Plans, provided each was approved for solicitation. On March 25, the Court approved a schedule culminating in confirmation hearings commencing on or about June 15, 2026, with discovery and briefing deadlines in advance. The resulting schedule, following additional modifications, was filed at Docket No. 2774. The Court entered that schedule on April 6. *See* Docket No. 2790.

On March 27, the Committee filed the Committee Plan[9] and the Committee Disclosure Statement. Later that evening, the Debtor circulated the Debtor Plan and the Debtor Disclosure Statement.[10]

The Debtor Plan provides Abuse Claimants with the certainty of $180 million in contributions from RCBO and RCWC over a 3.5-year period, including $40 million on the Effective Date. The Committee opposes this Plan, arguing that the Debtor should pay more while refusing to say how or why or attempting to show the Debtor's ability to pay more. The Debtor likewise opposes the Committee Plan, which requires payments that the Debtor cannot make, including an Effective Date contribution that the Committee knows cannot be made without complete victory in the Restricted Assets Adversary Proceeding—an outcome the Committee has admitted will not occur before confirmation (and may never occur)—and likely would not be feasible even with a complete victory.

For the reasons expressed in this Opposition, the Debtor is confident that the Committee Plan will never be confirmed. Feasibility requires more than good intentions or aspirational targets; it requires a showing that confirmation is not likely to be followed by liquidation or the need for further reorganization. The Committee Plan—which depends on money the Debtor does not have—provides for contributions from entities that have refused to and cannot be forced to make these, and a vague, unarticulated funding strategy, cannot make this showing. It is, in substance, a set of demands imposed on the Debtor without

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[9] *The Official Committee of Unsecured Creditors' Plan of Reorganization, Dated March 27, 2026* [Docket No. 2752] (as may be modified, the "Committee Plan").

[10] Respectively, the *Debtor's Modified Fourth Amended Plan of Reorganization Dated March 27, 2026* [filed on March 30, 2026 at Docket No. 2758] (as may be modified, the "Debtor Plan") and the *Disclosure Statement* in support of the Debtor Plan [filed on March 30, 2026 at Docket No. 2759] (as may be modified, the "Debtor Disclosure Statement").

any principled explanation of how or why, and with no reasonable basis for concluding that the proposed payments will ever occur as contemplated.

Further, while the Committee tries to avoid the point, the Committee Plan relies on forcing the Debtor to close Churches that the Debtor has deemed essential to its continued ministry and sell the properties on which they are built. There is simply no other way that the $195.2 million the Committee demands could be funded. The Debtor cannot and will not accept this outcome, which is contrary to law. The Debtor Plan already contemplates real, meaningful cuts to the Debtor's ministry and good works that will affect its parishioners and community. Forcing the Debtor to go beyond what it can reasonably sustain benefits no one, least of all the Abuse Claimants who depend on the Plan being feasible and the Debtor being able to successfully reorganize.

III. LEGAL STANDARD

The purpose of a disclosure statement is to provide all creditors with a source of information that will allow them to make an informed decision regarding whether to approve or reject a plan. *See, e.g., In re California Fidelity, Inc.*, 198 B.R. 567, 571 (9th Cir. BAP 1996); *In re Budd Co., Inc.*, 550 B.R. 407, 412 (Bankr. N.D. Ill. 2016) ("[A] disclosure statement is intended to be a source of factual information upon which one can make an informed judgment about a reorganization plan, not 'an advertisement or a sales brochure.") (cleaned up). To that end, section 1125 of the Bankruptcy Code provides that acceptance or rejection of plan may not be solicited unless a disclosure statement has been approved by the bankruptcy court as containing "adequate information." 11 U.S.C. § 1125(b). It defines "adequate information" as:

> [I]nformation of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan . . . .

11 U.S.C. § 1125(a)(1). "[I]n determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information[.]" *Id.*

Even if a disclosure statement provides adequate information, a court may disapprove it when, as here, the proposed plan cannot possibly be confirmed. As recognized in this District, "[i]t is now well

accepted that a court may disapprove of a disclosure statement, *even if it provides adequate information about a proposed plan*, if the plan could not possibly be confirmed." *E.g., In re Main St. AC, Inc.*, 234 B.R. 771, 775 (Bankr. N.D. Cal. 1999) (citing case law); *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.").

It is the burden of the plan proponent to demonstrate its disclosure statement and plan satisfy the applicable standards. *E.g., In re Michelson,* 141 B.R. 715, 720 (Bankr. E.D. Cal. 1992) ("[T]he plan proponent bears the ultimate risk of nonpersuasion on the question of compliance with the requirement to disclose adequate information and must bear that burden twice—once at the hearing on the disclosure statement pursuant to section 1125 and once again at confirmation pursuant to section 1129(a)(2)."); *In re Microwave Prods. of Am., Inc.,* 100 B.R. 376, 379 (Bankr. W.D. Tenn. 1989) ("The Court notes that any party filing a disclosure statement and plan is held to the same standard as the debtor-in-possession.").

IV. ARGUMENT

A. The Committee Disclosure Statement Cannot be Approved Because the Committee Plan is Patently Unconfirmable.

The Committee Plan is dead on arrival. It has long been the rule that a disclosure statement relating to a facially non-confirmable plan cannot be approved. *See, e.g., Beyond.com Corp.*, 289 B.R. at 140 (disapproving a disclosure statement because the plan was patently unconfirmable); *Main St. AC, Inc.*, 234 B.R. at 775 (same). As one court observed:

> If, on the face of the plan, the plan could not be confirmed, then the Court will not subject the estate to the expense of soliciting votes and seeking confirmation. Not only would allowing a nonconfirmable plan to accompany a disclosure statement, and be summarized therein, constitute inadequate information, it would be misleading and it would be a needless expense to the estate.

In re Arnold, 471 B.R. 578, 5876 (Bankr. C.D. Cal. 2012) (cleaned up).

This Court need not look any further than the Committee Plan itself to determine that the Committee Disclosure Statement must be disapproved. Even before evaluating whether the Committee Disclosure Statement satisfies section 1125(a) (which it does not), it is abundantly clear that the Committee Plan cannot be confirmed for *at least* three reasons: (1) it is patently not feasible, failing section 1129(a)(11); (2) it purports to treat Abuse Claimants differently through the Litigation Option violating

section 1123(a)(4); and (3) it proposes Child Protection Protocols that discriminate on the basis of religion. Each of these reasons are independent grounds for denying confirmation of the Committee Plan, and thus warrant disapproving the Committee Disclosure Statement now.

1. The Committee's Plan Is Not Feasible.

To confirm a plan, the Court must find that it is feasible, "meaning that confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor." *In re Windmill Durango Office, LLC*, 481 B.R. 51, 67 (B.A.P. 9th Cir. 2012) (quoting *Sherman v. Harbin (In re Harbin)*, 486 F.3d 510, 517 (9th Cir. 2007)); 11 U.S.C. § 1129(a)(11). While feasibility does not require proof that success is "inevitable or assured," a plan cannot be based on "a visionary scheme which promises more than the debtor can deliver." *Windmill Durango Office,* 481 B.R. at 67 (quoting *Wells Fargo Bank v. Loop 76, LLC (In re Loop 76, LLC)*, 465 B.R. 525, 544 (9th Cir. B.A.P. 2012)). To that end, when a plan, like the Committee's, is patently not feasible, disapproval of the disclosure statement is appropriate. *E.g., In re Quilates*, 2021 WL 4073027, at *2 (Bankr. E.D. Cal. Sept. 7, 2021) (disapproving a disclosure statement because the court determined the plan was "patently not feasible"); *In re Am. Cap. Equip.*, 688 F.3d 145, 148 (3rd Cir. 2012) (disapproving a disclosure statement because the chapter 11 plan was not feasible and thus, patently unconfirmable).

Here, the Committee Plan contemplates total contributions to the Survivors' Trust from the Debtor of $195.2 million over approximately 3.5 years, with the first contribution of $33.1 million occurring on the proposed Effective Date. Committee Plan at § 9.3.1. The Committee Plan defines this payment as the "Initial Debtor Contribution." But the Initial Debtor Contribution is only one of several required payments by the Debtor on the Effective Date totaling not less than approximately $53.5 million:

- Initial Debtor Contribution—$33.1 million, (*id.*);
- Repayment of the projected DIP—$15 million, (*id.* at § 3.1.1);
- Payment of outstanding principal and default interest owed to RCC on account of its prepetition secured claim—approximately $4 million, (*id.* at § 4.1.2);
- Satisfaction of allowed general unsecured claims—approximately $1.4 million, (*id.* at § 4.3.2); and,
- Any outstanding allowed professional fees—UNKNOWN, (*id.* at § 4.3.3).

What the Committee Plan does not say—and the Committee Disclosure Statement does not disclose—is that the Debtor does not have $53.5 million in unrestricted funds available to make these

payments, nor is it projected to on the Effective Date of a Committee Plan. Accordingly, that Plan is not feasible on *day one* before even accounting for later contributions to the Survivors' Trust totaling $162.1 million (discussed below).[11]

The Initial Debtor Contribution has a glaring problem: it is premised on using funds that the Debtor asserts are restricted and/or unavailable for use in paying creditors. Where it has left this issue open in its filings, Committee counsel has been explicit in various hearings—that initial payment relies on using otherwise restricted funds.

Both the Debtor and the Court gave the Committee a roadmap for how to address this issue (which everyone now agrees cannot be resolved prior to potential confirmation): the Committee should amend the Committee Plan to contemplate contribution of allegedly unrestricted funds *if and when* the Restricted Assets Adversary Proceeding (as defined in the Debtor Plan) is litigated to a successful conclusion (from the Committee's perspective). From the March 20 status conference:

> THE COURT: If phase 1 of the payments under your plan thirty-three million on or about the effective date, if we're not able to resolve this issue, what would you do other than say it is our intention to pay the maximum amount possible on the effective date? On our theory that these assets are not restricted, that number would have been thirty-three million dollars. There is an issue about that that we simply cannot resolve before the effective date. We remain committed to the notion that that thirty-six million is going to be available.
>
> And if there is a resolution to be had before confirmation, we will have it. And that will contribute to the thirty-three million. If there isn't, then it's simply a question of timing. But we remain highly confident that at the end of the day, that money is available. It may be available in the year after confirmation.

March 20, 2026 Hr'g Tr. ("March 20 Hr'g Tr.") at 27:10-24. That the Committee chose not to pursue this avenue in its filings on March 27 shows bad faith and should be fatal to the Committee Plan. It recognizes that the Debtor cannot make the required Initial Debtor Contribution of $33.1 million under the Committee Plan without using assets it acknowledges are unavailable on the Effective Date *but requires it anyway*. This appears to be a deliberate choice—the Committee does not want to propose a Plan with no payments on the Effective Date—that renders the Committee Plan infeasible on its face.

Moreover, due to the refusal of RCWC, Adventus, and RCC to participate in the Committee Plan, later required Debtor contributions under the Committee Plan (totaling approximately $162.1 million) are

[11] As noted *supra* at note 4, the Debtor Plan solves this problem with the consent of RCC to different treatment and to provide exit financing.

also infeasible. The biggest problem for the Committee is the Livermore Property, the proceeds from the sale of which Adventus has agreed (after deductions for costs and fees) to contribute to the Debtor Plan. Despite having no similar agreement with Adventus, the Committee Plan is predicated on a similar arrangement to support its required Debtor contributions. *See* Committee Plan at § 9.3.4.[12] How the Debtor could make the necessary contributions without the Livermore Property is not discussed anywhere in the Committee Disclosure Statement.

The speculative nature of the Committee Plan extends beyond its funding assumptions to contributions it contemplates from third parties. The Committee Plan includes an "optional" contribution from RCWC of $118.9 million, despite RCWC's express refusal to participate in the Committee Plan. And it contemplates borrowing from RCC, another non-debtor that has explicitly refused to cooperate. There is no uncertainty about each of these assumptions: we already know they will not happen. A plan that relies on contributions from parties who have affirmatively refused to contribute is no plan at all—it is a wish list. *E.g., In re Quigley Co., Inc.*, 437 B.R. 102, 142 (Bankr. S.D.N.Y. 2010) (finding a plan was not feasible where funding source was "speculative at best and visionary at worst"); *In re Prudential Energy Co.*, 58 B.R. 857, 862-63 (Bankr. S.D.N.Y. 1986) ("[A] plan based on impractical or visionary expectations cannot be confirmed."); *Am. Cap. Equip.*, 688 F.3d at 148 (finding a plan was patently not feasible when its source of funding relied on wholly speculative litigation proceeds and mere assumptions).

Even setting aside the infeasibility of the Initial Debtor Contribution and the refusal of non-debtor entities to participate, the Committee Plan suffers from a more fundamental deficiency: it rests on speculation, undefined mechanisms, and assumptions the Committee has not substantiated (nor attempted to). A plan of reorganization must be sufficiently concrete that the Court can evaluate whether it meets the requirements of section 1129 of the Bankruptcy Code and that creditors can make an informed decision about whether to vote in its favor. The Committee Plan does neither.

[12] Strangely, the Committee Disclosure Statement does not mention the Livermore Property at all.

2. The Committee's Plan Provides for Unequal Treatment of Abuse Claimants.

Section 1123(a)(4) of the Bankruptcy Code requires that a plan "provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to less favorable treatment of such particular claim or interest." 11 U.S.C. § 1123(a)(4). Like the Debtor Plan, the Committee Plan sets forth a similar mechanism under which Abuse Claimants may elect to pursue recovery from an insurer (defined as the "Litigation Option" in the Committee Plan). While this type of "Litigation Option" has generally been approved under section 1123(a)(4) since claimants of the same class are presented with the same procedural option, *see generally In re Dow Corning Corp.,* 244 B.R. 634, 668-69 (Bankr. E.D. 1999), *affirmed by* 280 F.3d 648, 662-63 (6th Cir. 2002); *In re W.R. Grace & Co*., 729 F.3d 311, 327 (3d Cir. 2013), the Committee's proposed Litigation Option, however, goes a step further and alters Abuse Claimants' rights under the Litigation Option entirely.

Under the Committee's proposed structure, the Survivors' Trustee must approve which state-court cases may proceed under the Litigation Option. *See* Committee Plan at § 9.8.4 ("Only those Trust Claimants who are authorized by the Survivors' Trustee shall be permitted to move forward with Abuse Claim Litigation against the Debtor, RCWC, Non-Settling Insurer(s) and/or other parties."). The Committee Disclosure Statement describes it as follows:

> Abuse Claimants with claims within the Non-Settling Insurers' coverage periods may pursue claims insured by Non-Settling Insurers as Litigation Claimants **as authorized by the Survivors' Trustee** in accordance with the Survivors' Trust Documents.

Committee Disclosure Statement at p. 12 (emphasis added). The next paragraph reiterates: "Only those Trust Claimants who are authorized by the Survivors' Trustee are permitted to move forward with a Litigation Claim[.]" *Id*. In short, the Committee Plan is facially prejudicial to certain Abuse Claimants electing the Litigation Option. This is in direct contrast to the Debtor Plan, which provides:

> **All Trust Claimants** will have until the later of: 1) 90 days from issuance of their respective Initial Determination, or 2) the first anniversary of the Effective Date to elect one of two paths as to their Trust Claim: 1) receive a distribution from the Survivors' Trust *and* pursue litigation that could yield additional recovery from an insurer, if any (the "Litigation Option")

Debtor Disclosure Statement at p. 14 (emphasis added).

Thus, where the Debtor Plan allows *all* Trust Claimants that elect to do so to move forward in state court to pursue additional individual recoveries from the Debtor's Insurers, the Committee Plan places the

Survivors' Trustee in a gatekeeping role. Why it does so is unclear—like virtually everything else, the Committee Disclosure Statement does not describe the rationale—but it appears intended to prioritize certain claims over others, effectively placing "stronger" or "better" claims at the front of the line in state-court proceedings. This approach raises the concern that those Abuse Claimants with perceived "weaker" claims may be denied the opportunity to proceed altogether,[13] purportedly in sacrifice to favor the interests of Abuse Claimants with purportedly "stronger" claims. In doing so the Committee's Plan, in effect, favors some claimants over others in stark violation of section 1123(a)(4). *Cf. In re Serta Simmons Bedding, L.L.C.*, 125 F.4th 555, 592 (5th Cir. 2024) ("A better analogy would be a plan distribution by which all class members were given the opportunity to litigate their asbestos injuries, but only half had such injuries. We do not think that our sister circuits would find such an arrangement compliant with § 1123(a)(4).").

This structure is inequitable and prejudicial to those claimants who elected the Litigation Option, as such claimants would then be denied access and a chance of recovery *and possibly never told why*. It also belies the Committee's own statement that "[t]he 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 Committee Plan." Committee Disclosure Statement at 26. The Committee really means "Litigation Claimants *that the Survivors' Trustee selects*."

Overall, the Committee Plan's Litigation Option violates section 1123(a)(4), rendering the Plan unconfirmable as a matter of law. Thus, the Committee Disclosure Statement cannot be approved.

3. The Committee's Child Protection Protocols Violate the First Amendment and Render the Committee Plan Unconfirmable.

A key aspect of both competing Plans is the proposal of new Child Protection Protocols for implementation by the Debtor going forward. These proposed Protocols were heavily negotiated by the parties and are structurally very similar. Key differences exist, however, which render the Committee Plan—which seeks approval of their Protocols—patently unconfirmable.

A core aspect of both versions is the establishment of a new position within the Debtor: the Compliance Monitor, who will be tasked with implementing the new protocols, safe environment

[13] This would also appear to raise troubling due process issues.

guidelines, and related practices and procedures. The parties largely agree on the purpose of the Compliance Monitor, how that person will work within the Debtor's existing structure, and the fundamental goal of the protocols: protecting all individuals from abuse. Where they disagree is, among other things, the term of the Compliance Monitor and whether the Bishop (current or future) retains the authority to make decisions with respect to individuals accused of abuse.

The Debtor does not agree to the Committee's proposed Protocols, which also include an overtly discriminatory requirement that a specific member of the reconstituted Minor Diocesan Review Board—an existing body within the Debtor since the early 2000s—be a non-Catholic. *See* Docket No. 2753-1, § 1.2.1.1. The Debtor also does not agree that the Bishop can or should cede decision making authority with respect to, in particular, members of the clergy, *in perpetuity*. The Debtor—a religious organization—cannot be forced to adopt internal bylaws or operating protocols to which it does not agree; accordingly, any Committee Plan that requires it to cannot be confirmed. *See Hosanna-Tabor Evangelical Lutheran Church & School v. E.E.O.C.*, 565 U.S. 171, 188-190 (2012) (holding, in the context of the ministerial exception to federal employment discrimination laws, that the First Amendment prohibits "government interference with an internal church decision that affects the faith and mission of the church itself.").

B. <u>The Disclosure Statement Contains Inadequate Information to Enable Abuse Claimants to Cast Informed Votes</u>.

Even assuming, *arguendo*, the Committee manages to remedy the Committee's Plan deficiencies described above that render the Committee's 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 standard for adequate information under section 1125 has been evaluated using numerous factors, "including the present condition of the debtor while in Chapter 11, the classes and claims within the reorganization plan, the estimated administrative expenses (including attorneys' fees), financial information and projections relevant to the decision to accept or reject the debtor's plan, and information relevant to the risks posed to creditors under the debtor's plan." *In re Islet Sci., Inc.,* 640 B.R. 425, 460 (Bankr. D. Nev. 2022); *see also In re Pac. Shores Dev., Inc.*, 2011 WL 778205, at * 4 (Bankr. S.D. Cal. Feb. 25, 2011) (listing factors). These factors, however, are not exclusive, and ultimately, the adequacy of disclosure statement information should be determined on a case-by-case basis, with the determination

being largely within the discretion of the bankruptcy court. *See In re Pac. Shores Dev.,* 2011 WL 778205 at *4 (citing *In re Brotby*, 303 B.R. 177, 193 (B.A.P. 9th Cir. 2003)).

This Court has largely determined the type of information that should be disclosed in a proposed disclosure statement in this Case—*i.e.,* it should "articulate why [a plan proponent is] doing what they're doing, what you're going to get, and why that's fair and legally supportable." Dec. 18 Hr'g Tr. at 30:15-19. Moreover, this Court noted that voters must "understand the possibility that the committee plan is infeasible from day one" and the risk related thereto. March 13 Hr'g Tr. at 21:18-23.

As detailed below, not only does the Committee Disclosure Statement disregard this Court's guidance as to "adequate information," but it also provides fundamentally misleading information and other inaccuracies regarding this Chapter 11 Case and the Debtor Plan. Unless those deficiencies are cured, the Committee Disclosure Statement cannot be approved.

1. The Committee Disclosure Statement is Fundamentally Misleading.

"[D]isclosure statements which are misleading, or which contain unexplained inconsistencies, should not be approved." *In re Applegate Prop., Ltd*., 133 B.R. 827, 829 (Bankr. W.D. Tex. 1991); *see also Islet Sci.,* 640 B.R. at 460 (noting that including false information in a disclosure statement is more serious than the mere lack of information); *In re Clamp-All Corp*., 233 B.R. 198, 208 (Bankr. D. Mass. 1999) (noting that the Bankruptcy Code's requirement of court approval of a disclosure statement "clearly contemplates some creditors need to be protected against misinformation." quoting *In re Rook Broadcasting of Idaho, Inc*., 154 B.R. 970, 976 (Bankr. D. Idaho 1993)). The Committee Disclosure Statement is fundamentally misleading in three ways and, accordingly, cannot be approved for solicitation to creditors, including Abuse Claimants.

First, in attempting to disparage the Debtor's Plan, the Committee Disclosure Statement mischaracterizes both Plans. Specifically, the introduction to the Committee Disclosure Statement states:

> The Committee Plan proposes that the Diocese pay $195.2 million to a Survivors' Trust for the benefit of Survivors in three installments with the last payment due no later than September 2029 […] In contrast, the Diocese Plan proposes that the Diocese pay just $150 million to the Survivors' Trust on a timetable that cannot be determined at this time, but is likely to extend into late 2030 and beyond[.]

Committee Disclosure Statement at p. 2. This juxtaposition—which does not accurately describe the Debtor Plan's proposed schedule—is based off the Committee's intent with respect to potential appeals. The Executive Summary of the Committee Disclosure Statement makes this plain:

> The contributions will be made within three and a half years of the Effective Date of the Diocese Plan, which will occur no earlier than July 2026, and likely will not occur until all appeals of any Order confirming the Diocese Plan are resolved –which could take several years.

Id. at p. 4. Thus, because the Committee will appeal any confirmation of the Debtor Plan over its objection, and the Debtor's proposed contribution schedule is keyed off the Effective Date of the Debtor Plan, the Committee mischaracterizes its own Plan as getting Survivors more money, faster.

What the Committee omits is that **the Committee Plan has the same alleged problem**. Though *subsequent* contributions under the Committee Plan are tied to anniversaries of the Original Plan Filing Date (defined as March 6, 2026), *no* contributions occur until after the Effective Date. This is clear from the language of Section 9.3.1 of the Committee Plan and its concordant subsections, each of which states with regard to the anniversary dates "if the Effective Date has not occurred by such date, this Additional Debtor Contribution shall be made on the Effective Date." *See* Committee Plan at § 9.3.1 ("On the Effective Date of the Plan, the Debtor transfer [the Initial Debtor Contribution]; §§ 9.3.1.1-9.3.1.4 (describing "Additional Debtor Contributions," each of which cannot occur prior to the Effective Date). Later, the Committee Disclosure Statement recognizes this problem, noting:

> If the Committee Plan is approved by the Bankruptcy Court, the Committee expects the Debtor and/or the Non-Settling Insurers to appeal the Confirmation Order. In such case, the Effective Date of the Committee Plan will be delayed and if the Debtor and/ or the Non-Settling Insurers prevail on their appeal, the Effective Date will not occur.

Committee Disclosure Statement at p. 28. Given the import placed on the purported timing advantage of the Committee Plan, this minimal disclosure does not cure the misleading statements that the Debtor Plan suffers from a potential delay (of the Committee's own making) that the Committee Plan does not have.

Second, in the only two places where it even attempts to explain how the Debtor might make the required contributions, the Committee Disclosure Statement repeats its prior mischaracterizations of Bishop Barber's prepetition statements in the context of the Mission Alignment Process. Specifically, the "myriad of ways" phrasing referenced in the introduction includes the Debtor's alleged "prepetition plan to close 30 or so parishes." Committee Disclosure Statement at pp. 17:12-13 & 24:18.

The Debtor addressed this issue before in the context of approval of the Debtor's Third Amended Disclosure Statement, [*see* Docket No. 1851 at 6-8], establishing conclusively that this is a complete misrepresentation of Bishop Barber's actual statements, which were:

> And so one of the problems is we don't have enough people attending mass in each of our churches to keep them all going. I don't have enough priests to keep a priest in every parish. We have 81 parishes right now. We don't have 81 priests in the pipeline to replace those who are retiring. And also, we don't have enough money to pay the bills in every parish. So it's parishioners, priests and also financial resources.
>
> I'll just give you an example. This year, 2022, three pastors have asked me if they could retire, and they're of the age. Next year, two pastors have already asked to retire in 2023, and that's just so far. That's five pastors I'm losing in the next 18 months. And how many priests are we ordaining for our diocese? This year, we're happy to ordain one new priest. 2023, we're looking at ordaining one new priest. That doesn't replace the five we're losing, and it's projected to keep going that way into the future. We **may have to structure down** from 81 parishes that what we have now to 50 plus parishes, 50, 54, something like that. So we're going to have to make some pretty strong changes in our diocese, but I know we can do it because we want to make a church that's stronger, that's better able to serve you, not a church that's scrambling to live from hand to mouth.

Docket No. 1852 at p. 4 (emphasis added). Bishop Barber then described three options for how to *potentially* "structure down:" clustering, merging, and, as the last option, closing parishes. As his remarks made clear, clustering and merging would not include closing Churches. Regarding clustering, he said:

> Clustering means taking two or more parishes. The parishes remain separate and retain their names, but they share one priest and one administration. So you cluster together […] you're combining forces, but you keep your identity even though you may not be able to have your own priest **at each of the churches** in a cluster model.

Id. (emphasis added). Regarding merging, he said:

> [T]hat is where two or even three parishes merge together and form one new parish with a new name, and they **usually try and keep each of the churches open** as a shrine or a place to continue to have a Sunday Mass. And this is a little more formal. The advantage is you can rent out unused property and the new parish shares in the financial income of a merged model.

Id. (emphasis added). He then described prior mergers of parishes in the Diocese, which in each case involved keeping both parish Churches open, before closing by stating:

> So please do consider that. It's not easy, but when you consider in the future, and this is our reality, our dioceses [sic] will be smaller, but it will be stronger and it will be more united. Because it's not just each parish trying to look out for itself, but it's extending hands across parish boundaries to our brothers and sisters that are around us and saying, "How can I not just serve myself, but how can we serve all Catholics and families that are living in our area?" So, in your love and charity and brotherhood and sisterhood for one another, **please consider that. So clustering, merging, and even closing some parishes.**

Id. (emphasis added). The Committee also ignores that the Bishop's statements were made in the context of a request that the deaneries within the diocese consider the options laid out and make recommendations back to the Bishop. Docket No. 1852 at p. 4 ("Now, what are the options I'm asking you to consider for your deanery?"), p. 5 ("Thank you very much for your prayerful and charitable recommendations to me for our future."). The Committee wants to present creditors with a world where the Debtor made the explicit determination prepetition to close approximately 30 Churches as a justification for their demand that it do so now. This world does not exist and never existed in the first place.

Third, the Committee Disclosure Statement continues to artificially inflate its own proposed distributions by including the "optional" contribution by RCWC of $118.9 million. RCWC has already emphatically declined to participate in the Committee Plan, and so, the suggestion of the *possibility* serves only to mislead and confuse. At a minimum, the Committee Disclosure Statement should apprise Abuse Claimants of RCWC's refusal. More appropriately given the refusal of RCWC, Adventus, and RCC to participate in a Committee Plan, every single instance in the Committee Disclosure Statement where such participation is contemplated, described, or included in hypothetical outcomes must be stricken.

2. The Committee Disclosure Statement Lacks Sufficient—or Any—Explanation of the "Why" of the Committee Plan.

As an initial matter, the Committee Plan requires total contributions from the Debtor to the Survivors' Trust of $195.2 million, but the Committee Disclosure Statement offers no explanation for how the Committee arrived at that figure. The Committee has not explained why the appropriate contribution is $195.2 million rather than some other figure, nor has it disclosed the basis on which it determined that this amount is necessary, appropriate, or achievable. The Committee provides no valuation analysis, no methodology, and no articulation of its assumptions underlying the number. These are fatal omissions. *E.g., In re Budd Co.,* 550 B.R. at 412 (disclosure statements "must contain factual support for any opinions contained therein since opinions alone do not provide the parties voting on the plan with sufficient information upon which to formulate decisions."); *In re East Redley Corp.,* 16 B.R. 429, 430 (Bankr. E.D. Pa. 1982) (finding that "opinions without factual support . . . do not provide the parties voting on a plan with adequate information."). The central premise of the Committee Plan—that the Debtor must pay $195.2 million—is presented as an article of faith rather than the product of reasoned analysis. Without

any basis to evaluate this assertion, the Court and Abuse Claimants are simply expected to accept it. *See East Redley Corp.,* 16 B.R. at 430 ("Without information sufficient to allow parties voting on the plan the opportunity to arrive at an independent and informed judgment, the disclosure statement cannot be approved.").

In response to the Court's directions in December 2024, the Debtor Disclosure Statement devotes considerable attention to articulating why it is proposing what it is proposing, how it intends to meet its obligations, and what it believes the limiting factors are in what it can be compelled to do. The Committee has done none of that work, again either unable or unwilling to explain itself. At a minimum, if the Committee Plan is ever to be solicited, the Committee must be required to articulate not just the "what" of its Plan, but the "how" and "why" so that Abuse Claimants can meaningfully appreciate the risks associated with a Committee Plan, the methodology used to formulate it, and the reality that it may not actually be a realistically better outcome than the Debtor Plan. Anything short of full and accurate explanation is merely reliance on the idea that creditors will vote for the Committee Plan because they are told to, regardless of what it says.

3. The Committee Disclosure Statement Lacks Sufficient—or Any—Explanation of the "How" of the Committee Plan.

The Committee Disclosure Statement is vague about how it expects the Debtor to fund its contributions to the Survivors' Trust and other required payments (totaling approximately $20 million) on the Effective Date. Beyond referring to hypothetical funding mechanisms "including, but not limited to" selling real property, closing parishes, reducing operating reserves, using restricted assets, and borrowing from affiliates or the public markets, the Committee Plan offers no concrete funding analysis. It does not identify specific assets to be liquidated or their estimated values. It does not project cash flows sufficient to support a $195.2 million contribution schedule or the other required Effective Date payments. It does not address the Debtor's ongoing operational needs or the impact that contributions of this magnitude would have on the Debtor's ability to continue functioning as a religious organization and serving its religious and charitable mission in the community. In short, the Committee Plan identifies a contribution amount and delegates the question of how to achieve it entirely to the Debtor. This is insufficient. *See In re Moore Holdings, LLC*, 2025 WL 1683532, at *4 (Bankr. E.D. Cal. May 29, 2025) ("'Adequate

information' is a flexible concept that permits the degree of disclosure to be tailored to the particular situation, but there is an irreducible minimum, particularly as to how the plan will be implemented.").

The Debtor anticipated this deficiency, arguing at the March 10 status conference that the Committee must not be permitted to rely on what its Plan does not say. Three days later, the Court agreed, directing that "the Committee ought to be put to a similar exercise of simply explaining in greater depth, not a disclosure statement, but just how this is going to work in [its] view." March 13 Hr'g Tr. at 21:6-10. The Court further cautioned that if the Committee's answer to "how" is "we don't know, or leave it up to the debtor, that is an answer that may indicate a lot of uncertainty. That is not a great answer." *Id*. at 20:41-21:10. The Committee has adopted precisely that flawed approach. Either it is unable to explain the "how" of its Plan, or it has chosen not to do so. Neither is acceptable.

A disclosure statement must, as this Court has recognized, provide creditors with a "fundamental understanding of what the risks are on both sides" [*id*. at 26:23] so that they can "look at these things intelligently and make decisions." *Id*. at 22:11-12. Without this information, creditors and other parties in interest cannot properly evaluate the Committee Plan's viability or the likelihood that the proposed contributions will ever be realized.

4. The Committee Disclosure Statement Fails to Adequately Describe Risks Associated with the Committee Plan and the Plan Process.

The Committee Disclosure Statement fails to adequately and accurately describe the risks associated with the Committee Plan, a competing Plan process involving the Debtor Plan, and other potential outcomes. Instead, it discusses potential risks in only the most sanitized and general terms, assuming its own validity and confirmability, as well as the invalidity and nonconfirmability of the Debtor Plan. This not only fails to satisfy the standard for "adequate information," it also fails to comply with this Court's repeated directions.

At the status conference on March 13, the Court referenced the risks associated with both Plans, and the necessity of description of those risks, several times. Specifically, the Court observed:

> And I think that anybody looking at this and either voting on plans or choosing between them really ought to deeply understand the possibility that the committee plan is infeasible from day one. And again, I'm not prepared to make that decision now, but I think that assessing the risks of both of these things is paramount to this exercise.

March 13 Hr'g Tr. at 21:18-23. The "Certain Risk Factors" section of the Committee Plan does not reference the Debtor Plan at all, much less discuss the possibility that it might be confirmed. The only discussion of that eventuality is a single sentence in the "Alternatives to the Committee Plan" section. Committee Disclosure Statement at p. 30. This makes it impossible for Abuse Claimants to, as the Court suggested, understand that if the Court ultimately determines that the Debtor Plan is confirmable, and the Committee Plan is not, "it's the debtor's plan or nothing." March 13 Hr'g Tr. at 23:7-8; s*ee also Arnold*, 471 B.R. at 585-86 (disapproving a disclosure statement for lack of adequate information because it set forth five plan options but did not state which plan option would be operative if the plan was confirmed, nor did it provide information about whether the court's later rulings impact the viability of the various plan options). The Committee Disclosure Statement treats this as an impossibility unworthy of any discussion whatsoever.

Additionally, the Committee Disclosure Statement fails to fully describe a potential case outcome where the Debtor Plan is not confirmed, and the Debtor seeks dismissal. It mentions dismissal, but only so that it can state that the "Committee believes that dismissal is a preferable alternative to confirmation of the [Debtor Plan]" because dismissal would be "a more fair and equitable option than cram down." Committee Disclosure Statement at p. 30.

Setting aside the noted omission, this logic is completely untenable. The Committee—charged by statute with representing the interests of *all* unsecured creditors—wants Abuse Claimants to believe that dismissal, which would cast hundreds of Abuse Claimants back into the state-court system and cause untold additional costs and delay, is a better outcome for them than confirmation of the Debtor Plan. The Committee says nothing about the fact that those at the front of the line would *necessarily* fare better and recover more from the Debtor's scarce resources, including insurance policies, than those at the back. Worse still, at the current pace of proceedings, those claimants at the back of the line would have their cases go to trial, and thus have even the possibly to recover, years and years from now, if ever. Whereas the Debtor Plan allows them to recover from the Survivors' Trust promptly and on an equal basis, and pursue insurance through the Litigation Option, if they choose to do so.

5. Additional Inadequacies in the Committee Disclosure Statement.

In addition to the foregoing, the Committee Disclosure Statement is deficient and/or misleading in other material respects:

- **The Committee's Fair and Equitable Attack on the Debtor Plan**: The Committee Disclosure Statement asserts that in arguing the Debtor Plan is fair and equitable, the Debtor "ignores precedents that do not materially support its narrative" and "insists, in the face of black letter law to the contrary, that the Diocese Plan be found fair and equitable" through comparison to other similar diocesan and religious order bankruptcy outcomes. Committee Disclosure Statement at p.8. But the Committee does not identify these "precedents" or the "black letter law to the contrary" in its Disclosure Statement. Telling Abuse Claimants that the Debtor's position is wrong based on unidentified "black letter law" is misleading at best.

- **Insurance Settlements:** Because it was largely responding to the Debtor's Fourth Amended Plan, the Committee Disclosure Statement takes aim at what it argues are insufficient insurance settlements between the Debtor and certain Insurers. Those settlements were removed from the Debtor Disclosure Statement (which, to be fair, was filed after the Committee Disclosure Statement), and the Committee Disclosure Statement should be modified to reflect this fact.

- **Financial Projections**: The Committee Disclosure Statement explicitly admits that it has not filed financial projections to support feasibility, stating that it will file them only after the Debtor files its own. The Committee is asking claimants to vote on a $195.2 million Plan without providing any projections demonstrating the Debtor can make those (or other required) payments. This is a fundamental deficiency—financial projections supporting a $195.2 million contribution schedule are not optional; they are among the most basic elements of any disclosure statement in a case of this magnitude. Moreover, the Committee's position—that it will file projections later, based on the Debtor's projections "as modified to incorporate assumptions underlying the Committee Plan"—is an admission that the Committee Plan—specifically the contributions contemplated therein—is not based on any real financial analysis. *See id.* at p. 24, n. 3.

- **Net Present Value**: The Committee applies a 6.75% discount rate to reduce the Debtor Plan's proposed $180 million to a present value of $150.3 million, then uses that diminished number to argue the Debtor Plan is inadequate. *See id.* at p. 8. But it does not apply the same discount rate to its own Plan's contributions, which are also paid over 3.5 years. This is selectively misleading—if present value analysis is appropriate, it must be applied consistently to both Plans. Not doing so creates an apples-to-oranges comparison that distorts the actual differential between the two Plans.

- **Insurance Valuation**: The Committee uses a "$1 million per claim" placeholder based on two settlements from the Archdiocese of San Francisco to estimate $325 million in total insurance exposure. *Id.* at pp. 22-23. This extrapolation from two data points in a different diocese is presented as though it establishes the value of the Debtor's insurance, when it is at best a rough estimate and at worst misleading. While this issue is somewhat moot in light of modifications in the Debtor Plan, it remains misleading *and* runs counter to the Committee's oft-repeated assertion that results in other diocesan or religious-order bankruptcy cases are completely irrelevant and of no use.

- **Restricted Assets Assumptions**: The Committee Disclosure Statement states that "the Committee Plan also anticipates that the Bankruptcy Court will rule that at least 90% of the assets the Debtor alleges are restricted are unrestricted." *Id*. at pp. 24-25. This is a remarkable assumption to build a Plan around—particularly since the Committee acknowledges that "litigation is inherently uncertain and thus the Bankruptcy Court may hold that some or all of

the $33.3 million in question is unavailable to pay creditor claims." *Id.* at p. 25. The fact that the Committee Plan's feasibility is expressly contingent on winning 90% of a contested adversary proceeding, while simultaneously acknowledging the outcome is uncertain, is a significant internal tension that the Disclosure Statement does not reconcile. Further, the Committee Disclosure Statement does not address the possibility of a Debtor appeal of an adverse ruling in that adversary proceeding or that the funds they seek to recover may not be sufficient to satisfy the required contribution.

- **Unverified Information**: The Committee admits in its own disclaimers that its professionals "have not independently verified the information" in the Committee Disclosure Statement and states that the "Committee has not yet commenced discovery in connection with the Diocese Plan." While some disclaimer language is standard, the statement about discovery is misleading; the Committee and the Debtor engaged in significant discovery regarding the Debtor's Third Amended Plan in 2025. More importantly, the combination of (1) no independent verification and (2) no financial projections creates a disclosure statement that is asking claimants to make a binding decision based on the Committee's unsupported assertions.

- **Mischaracterization of Debtor's Abuse Claims Assertions**: The Committee Disclosure Statement again states that "the Debtor continues to assert that there are only 324 valid Abuse Claims filed in the Chapter 11 Case." This is false. The Debtor Disclosure Statement, like every version before it, uses 345 Abuse Claims for purposes of calculation and comparison.

V. CONCLUSION

At the December 18, 2024 hearing, the Court recognized the inherent importance—and purpose—of a disclosure statement: giving a plan proponent "the ability to articulate why they're doing what they're doing, what you're going to get, and why that's fair and legally supportable." Dec. 18 Hr'g Tr. at 30:15-19. The Committee has failed to articulate any of these things. It has not explained why $195.2 million is the right number. It has not explained how the Debtor will fund it. It has not explained why creditors should believe that non-debtor entities that have refused to participate will somehow change course. And it has not explained why Abuse Claimants should gamble on a speculative plan when a feasible alternative—the Debtor Plan—is available for confirmation today.

Until the Committee can provide concrete, substantiated answers to critical questions *posed by the Court*, the Committee Plan remains too speculative and ill-defined to be confirmed, and the Committee Disclosure Statement describing it cannot be approved for solicitation. The Committee's continued failure to address these questions, despite repeated direction from this Court, speaks for itself. Because the Committee Plan cannot satisfy even the threshold requirements for confirmation, it should be stricken, and the Committee Disclosure Statement should be disapproved.

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DATED: April 7, 2026

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