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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

In re:

THE ROMAN CATHOLIC BISHOP OF OAKLAND, a California corporation sole,

Debtor.

Case No. 23-40523 WJL

Chapter 11

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' OBJECTION TO APPROVAL OF THE DEBTOR'S DISCLOSURE STATEMENT IN SUPPORT OF THE DEBTOR'S MODIFIED FOURTH AMENDED PLAN OF REORGANIZATION

Judge: Hon. William J. Lafferty

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

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The Official Committee of Unsecured Creditors (the "**Committee**") of The Roman Catholic Bishop of Oakland (the "**Debtor**" or the "**Diocese**") files this objection (this "**Objection**") to approval of the *Disclosure Statement in Support of Debtor's Modified Fourth Amended Plan of Reorganization* [Dkt. No. 2759] (the "**Diocese Disclosure Statement**").

I.

PRELIMINARY STATEMENT[1]

The Diocese Plan suffers from several facial flaws, any one of which leads to but one conclusion: the Diocese Plan cannot be confirmed as a matter of law. The Diocese Plan cannot satisfy:

(i) Section 1129(a)(1) because the Debtor's claims allowance process violates applicable law;

(ii) Section 1129(a)(3) because it is not proposed in good faith;

(iii) Section 1129(a)(7)'s best interests test because the Debtor—admittedly—does not include a substantial portion of its multi-million dollar real estate portfolio in its liquidation analysis and, in its "back-up liquidation analysis," makes assumptions that are unreasonable on their face;

(iv) Section 1129(a)(10)'s requirement that at least one impaired class of creditors accept the plan before a debtor may seek cramdown;

(v) Section 1129(b)(1)'s requirement that the Diocese Plan be fair and equitable and not unfairly discriminate among classes of creditors; and

(vi) Section 1129(b)(2)'s absolute priority rule.

Earlier in this case this Court chose not to weigh in on these issues at this stage of the confirmation process.[2] Indeed, this Court recently expressed a desire for both the Diocese Plan and the Committee Plan to be solicited.[3]

But the Debtor, despite having consistently urged speed and efficiency given its alleged precarious financial position, has stated that it intends to argue, and has previewed its arguments, that the Committee Plan should not proceed. Yet the Debtor filed multiple pleadings earlier in this

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[1] Capitalized terms not defined in this Section are defined below.

[2] The Committee thus ceased prosecuting its objections as part of its opposition to the Debtor's prior disclosure statement so that they could be addressed at plan confirmation.

[3] The Court stating: "We're going to go through the same exercise here. So I don't think we need to long pause on everything any party would say about what they don't like about either plan at this stage. There's plenty of time for that." Hr'g Tr., 53:24–25, 54:1–2, Mar. 20, 2026.

case adamantly arguing that unless a disclosure statement describes a plan of reorganization so fatally flawed that confirmation is "***impossible***," the bankruptcy court should approve a disclosure statement that otherwise adequately describes the chapter 11 plan at issue.[4] Debtor's counsel previously made an impassioned plea that the Debtor's prior Third Amended Plan should proceed to solicitation—even in the face of all but certain universal rejection by Survivors—because it was not "impossible" that all impaired classes of creditors would support the Third Amended Plan:

> Debtor's counsel: "So on the issue of whether the plan is patently unconfirmable, it is not patently unconfirmable because it is possible -- it is not impossible -- that all four of those impaired classes could vote to support the plan. The committee is going to swear up and down, and they have sworn up and down, there's no way class 4 is going to support the plan. But they don't know that. I don't know that. You don't know that.

Hr'g Tr., 98:18–25, Dec. 18, 2024 [Dkt. No. 1568].

The Debtor now appears to disavow the caselaw it cited and the reasoning it adopted. To skirt the very law it cited to this Court, the Debtor's arguments mischaracterize the Committee Plan in an attempt to knock down a straw man. But, as set forth below, a plain reading of the Committee Plan, and the accompanying Committee Disclosure Statement, make clear that the Committee Plan ***can*** be confirmed. And it will be the Committee's burden at the confirmation trial to establish that fact.

II.

THE DIOCESE PLAN CANNOT BE CONFIRMED AS A MATTER OF LAW

If this Court decides to address substantive objections to the *Debtor's Modified Fourth Amended Plan of Reorganization Dated March 27, 2026* [Dkt. No. 2758] (the "**Diocese Plan**") (and *The Official Committee of Unsecured Creditors' Plan of Reorganization, Dated March 27, 2026* [Dkt. No. 2752] (the "**Committee Plan**")), the Committee incorporates by reference, as if fully set forth herein, each of its objections to the Debtor's prior disclosure statements. *See* Dkt. Nos. 1518, 1624, 1705, 1773 and 1846. The objections include:

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[4] *Debtor's Reply to the Official Committee of Unsecured Creditors' Objection to the Debtor's Disclosure Statement*. Dkt. No. 1541, at 5:20–21.

First, the Diocese Plan does not satisfy Section 1129(a)(1) of the Bankruptcy Code because its Abuse Claims allowance process violates applicable law. Under the Diocese Plan, the Survivors' Trust assumes all liability for Abuse Claims. In turn, the allowance and liquidation of Abuse Claims for purposes of determining an Abuse Claimant's share of the Survivors' Trust Assets is done by the Survivors' Trustee. *See* Diocese Plan § 9.1.1 ("The Survivors' Trust will, upon its creation . . . assume liability for all Abuse Claims . . . . The Survivors' Trust shall administer, process, settle, resolve, liquidate, satisfy, and make Trust Distributions in such a way that Abuse Claimants are treated equitably and in a substantially similar manner . . . ."). At the same time, the Debtor, and all other Released Parties, are released from liability. Diocese Plan, § 9.6 ("[F]rom and after the Effective Date, the Released Parties shall not have any obligation with respect to any liability of any nature or description arising out of, relating to, or in connection with any Abuse Claims.").

Notwithstanding the foregoing, the Diocese Plan permits all parties in interest, including the Reorganized Debtor and Non-Settling Insurers, to object to Abuse Claims. *See* Diocese Plan, § 5.2.2 ("All parties in interest reserve the right to object, in the Bankruptcy Court, to Abuse Claims pursuant to Section 502(a) of the Bankruptcy Code . . . ."). From and after the Effective Date, the Debtor and parties in interest, including the Non-Settling Insurers, may object to Abuse Claims in the Bankruptcy Court "only based on any applicable defense arising under the Bankruptcy Code (including untimeliness and any injunction barring late or unfiled claims) . . . ." *Id.*[5] Under Section 1.1.14 of the Diocese Plan, a Claim is Allowed only if no objection to its allowance is made before the applicable Claims Objection Deadline (it is unclear whether the deadline to object to Abuse Claims is one year from the Effective Date or the closing of the Chapter 11 Case).

The Debtor's proposed claims objection procedures create at least three problems: first, they grant rights to parties who do not hold such rights under federal or state law; second, they are unclear as to when the deadline may be for objections to Abuse Claims; and third, depending on gaining clarity on that ambiguity, the Diocese Plan may be inconsistent with the Survivors' Trust

[5] Because Bankruptcy Code § 502(b)(1) permits objections to claims that are otherwise unenforceable against the debtor and property of the debtor under any agreement or applicable law, the perceived attempt to narrow the grounds on which an Abuse Claim may be objected to fails.

Documents and delay distributions to Abuse Claimants until at least one year after the Effective Date occurs, and perhaps until the Chapter 11 Case is closed.

Standing is a threshold question in every case such that "[a] federal court's jurisdiction therefore can be invoked only when" standing is established. *See Warth v. Seldin*, 422 U.S. 490, 498–99 (1975). To have standing in bankruptcy court, a party "must meet three requirements: (1) they must meet statutory 'party in interest' requirements under § 1109(b) of the bankruptcy code; (2) they must satisfy Article III constitutional standing requirements; and (3) they must meet federal court prudential standing requirements." *In re Thorpe Insulation Co.*, 677 F.3d 869, 884 (9th Cir. 2012). Any party in interest, including the Reorganized Debtor and Non-Settling Insurers, bears the burden of proving they meet all three requirements before they may be heard on an issue. *See Lujan v. Defs. of Wildlife*, 504 U.S. 555, 561 (1992).

In *Truck Insurance Exchange v. Kaiser Gypsum Co.* the Supreme Court held that an insurer with ***financial responsibility*** for bankruptcy claims is a "party in interest" under § 1109(b). *Truck Ins. Exch. v. Kaiser Gypsum Co.*, 602 U.S. 268, 277 (2024). The factual underpinnings of *Truck* are critical to understanding its limited scope. In *Truck*, the insurer had expressly acknowledged its financial responsibility. It was this acknowledged financial responsibility—not the mere existence of insurance policies—that gave rise to party-in-interest status. Courts have since focused on this critical issue when deciding whether certain insurers to a diocesan debtor have standing to object to abuse claims. *See, e.g.*, *In re Roman Cath. Diocese of Albany*, 2025 WL 2536165, at *2 (Bankr. N.D.N.Y. Sept. 3, 2025) (holding that insurers cannot claim party-in-interest status based solely on the existence of insurance policies or the theoretical possibility that they may eventually be called upon to fund claims). Rather, *Truck* requires that insurers demonstrate actual, present financial responsibility before they may participate as parties in interest); *In re Roman Cath. Church of the Archdiocese of New Orleans*, 2025 WL 3545484, at *2 (Bankr. E.D. La. Dec. 9, 2025) (Striking sections of plan that would have granted insurer the right to object to proofs of claim—finding these provisions contrary to applicable law—because unlike the insurer in *Truck,* the objecting insurer's "liability to defend and pay on abuse claims

here has neither been adjudicated nor has [the objecting insurer] formally accepted responsibility to pay for those claims.").

The facts here are just like those underlying the *New Orleans* decision, which was predicated on the fact that the allowance of abuse claims and distributions to holders of allowed abuse claims from the settlement trust did not alter the rights of the objecting insurer to assert all rights and defenses to claims filed against it in a court of competent jurisdiction. Here too, the allowance and payment of Abuse Claims is of no moment to Non-Settling Insurers. First, no party in interest can demonstrate an "injury in fact" if an Abuse Claim is allowed against the Survivors' Trust because no party has liability for those claims other than the Survivors' Trust. *See* Diocese Plan, § 9.6 ("[T]he Survivors' Trust shall, as of the Effective Date, assume sole and exclusive responsibility and liability for all Abuse Claims against the Released Parties, and such Claims shall be paid by the Survivors' Trust from the Survivors' Trust Assets . . . ."). Second, the Diocese Plan makes abundantly clear that the allowance or payment on Abuse Claims has zero impact on a Non-Settling Insurers' rights:

> The Non-Settling Insurers reserve (and expressly do not waive) all policy defenses and Claims, including without limitation all rights and defenses concerning cooperation, offsets, recoupments, deductions, deductibles, self-insured retentions, and all rights and defenses provided in their policies. The Non-Settling Insurers also reserve all objections to any Abuse Claim available to a party of interest in this Chapter 11 Case and any such objections are preserved and may be asserted by Non-Settling Insurers as a defense to coverage in Abuse Claim Litigation commenced by a Litigation Claimant.

Diocese Plan, § 8.3.12.

Without facing a concrete injury that is real and actual, Non-Settling Insurers lack standing to object to Abuse Claims. Where insurers have reserved their rights under their policies, they cannot simultaneously claim standing on the basis of financial responsibility while maintaining that they may not have to pay claims. As the *Albany* court observed, such a position is "paradoxical: insurance companies could claim standing because they are likely to contribute to the bankruptcy distribution while simultaneously claiming they are under no obligation to make said contribution." *In re Roman Cath. Diocese of Albany*, 2025 WL 2536165, at *6.

If this Court concludes that the Non-Settling Insurers have standing to object to an Abuse Claim, unless the Diocese revises the Survivors' Trust Distribution Plan—the Diocese has yet to file the Survivors' Trust Distribution Plan in connection with the Diocese Plan—the Diocese Plan's granting of objection rights conflicts with other Plan Documents, which state that only the Survivors' Trust will determine the allowance and valuation of Abuse Claims. *See, e.g.*,

- "The Abuse Claim Reviewer's review as to each Trust Claim shall be the final review for each Abuse Claim, subject only to review as set forth in Section 3.5 below by the Neutral." Survivors' Trust Distribution Plan § 2.1;
- "If a Trust Claimant does not exercise the Neutral Review Option, the Abuse Claim Reviewer's Initial Determination shall be final as to the value of the Trust Claim as against the Survivors' Trust . . . ." *Id.* § 3.5;
- "After the Abuse Claims Reviewer has made all applicable Initial Determinations, the Neutral has conducted all Neutral Reviews, and the applicable time period has passed for all potential Litigation Claimants to submit their respective Litigation Claim Notices, the Survivors' Trustee shall make an Initial Distribution from the Trust Claim Reserve to all appropriate Trust Claimants that did not elect the Litigation Option." *Id.* § 6.2; and
- "For the avoidance of doubt, all Abuse Claims asserted against the Debtor in the Bankruptcy Proceeding shall be resolved exclusively in accordance with the Survivors' Trust Documents." Survivors' Trust Agreement, § 1.2.

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

Second, the Diocese Plan does not satisfy Section 1129(a)(3) of the Bankruptcy Code because it is not proposed in good faith. For close to three years, the Debtor has zigged and zagged in a tireless effort to tamp down on the recovery to be paid to Abuse Claimants, all the while proclaiming its ultimate goal is providing fair and equitable compensation to Survivors. Talk is cheap. The Debtor's actions undercut its proclaimed desire to right horrific wrongs and fairly compensate Survivors. The Debtor has previously tried to cram down a plan of reorganization on Survivors, dismiss this Chapter 11 Case because Survivors would not capitulate to its paltry offers, drive a wedge between professional and client by indefinitely deferring payment of professional fees and now—yet again—seeks cramdown.[6] Taken together, it is difficult to conclude that the Debtor's actions are genuinely intended to treat Survivors' fairly.

With each successive plan of reorganization, the Debtor has professed that it has maximized the value of its estate for creditors and contributed the maximum amount possible to the Survivors' Trust. But the Debtor has found additional assets after each proclamation:

- *Amended Disclosure Statement for Debtor's Amended Plan of Reorganization*: "The Plan maximizes the Debtor's assets available to pay creditors while allowing the Debtor to continue its mission." Dkt. No. 1595, at 3:1–2. "The Initial Debtor Cash Contribution to be made on the Effective Date will include what limited unrestricted cash the Debtor has available to pay Abuse Claims . . . ." *Id.* at 3:7–9.

- *Second Amended Disclosure Statement for Debtor's Second Amended Plan of Reorganization*: "[T]he Plan maximizes the Debtor's assets available to pay creditors while allowing the Debtor to continue its mission …. The Debtor believes it is using the most it is able to use from its assets available to pay creditors . . . ." Dkt. No. 1763, at 3:4–6. "The 63 million Initial Debtor Contribution (to be paid to the Survivors' Trust on the Effective Date) reflects the maximum amount cash the Debtor can contribute . . . . The $40 million dollars to be contributed by the Reorganized Debtor to the Survivors' Trust during the four years following the Effective Date reflects the maximum amount of cash the Debtor can contribute . . . ." *Id.* at 3:14–23.

- *Third Amended Disclosure Statement for Debtor's Third Amended Plan of Reorganization*: "[T]he Plan maximizes the Debtor's assets available to pay creditors while allowing the Debtor to continue its mission, as described more fully below. The Debtor believes it is using the most it is able to use from its assets available to pay creditors . . . ." Dkt. No. 2759, at 7:5–7. "The $63 million Initial Debtor Contribution (to be paid to the Survivors' Trust on the Effective Date)

[6] In a transparent litigation tactic, the Debtor now seeks to object to Abuse Claims. *See Debtor's Motion for an Order (I) Approving Claim Objection Procedures, (II) Approving Claim Hearing Procedures, and (III) Granting Related Relief* [Dkt. No. 2781]. The Committee will be filing an objection to the Debtor's motion, which, while cloaked in the guise of efficiency, is a hammer being wielded by the Debtor to beat Survivors into submission.

reflects the maximum amount cash the Debtor can contribute. . . . The $52 million dollars to be contributed by the Reorganized Debtor . . . during the five years following the Effective Date reflects the maximum amount of cash the Debtor can contribute to the Survivors' Trust . . . ." *Id.* at 3:11–20.

- *Disclosure Statement in Support of Debtor's Modified Fourth Amended Plan of Reorganization*: "[T]he Modified Fourth Amended Plan maximizes the Debtor's assets available to pay creditors while allowing the Debtor to continue its mission, as described more fully below. The Debtor is using the most it is able to use from its assets available to pay creditors." Dkt. No., at 7:5–7. "The $40 million Initial Debtor Contribution reflects the maximum amount of cash the Debtor projects it can contribute to the Survivors' Trust on the Effective Date . . . . The $110 million to be contributed by the Reorganized Debtor . . . reflects the maximum amount of cash the Debtor can contribute to the Survivors' Trust subsequent to the Effective Date . . . ." *Id.* at 7:10–8:4.

The Debtor, yet again, seeks to pay Survivors pennies on the dollar while retaining access to hundreds of millions of dollars in assets. To this point, there can be no dispute. Not only does the Diocese own or control hundreds of millions of dollars of assets that it is not using to compensate Survivors but the Diocese proposes to pay Survivors just $150 million over 3.5 years—from an indeterminate date—of which $100 million or so will likely come from the sale of the vacant Livermore Property.[7] Thus, in exchange for contributing the proceeds of unused vacant property plus $21.7 million in cash (the balance of the Debtor Contribution reduced by the projected value of the Livermore Property and the time value of money), the Debtor seeks a discharge from over 375 claims of sexual abuse and an untold number of sexual abuse claims which will be filed in the future.

For close to three years, this Diocese has steadfastly refused to make meaningful sacrifices in order to maximize the value of its assets for creditors. Its intransigence flies in the face of what has become the norm in diocesan bankruptcies: a willingness to sell real estate, restructure operations, obtain financing and reduce reserves for the benefit of survivors. For example:

- The Diocese of Albany is closing or merging roughly one third of its parishes.[8]

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[7] The present value of the Debtor's contribution is ***$132.1 million***. Because the Effective Date is at least 10 to 12 months away, making the Effective Date four and a half years from now, the present value of the Debtor's plan payments is ***$121.7 million***.

[8] *See* Daniel Payne, *'A Clear Statement of Guilt': Diocese of Albany Announces $148 Million Settlement for Abuse Victims*, EWTN News (Mar. 27, 2026), https://www.ewtnnews.com/world/us/diocese-of-albany-announces-settlement-for-abuse.

- The Diocese of Buffalo sold its headquarters and other properties and has undergone a "major downsizing," having reduced its workforce from some 300 to about 80 since 2017.[9]

- The New Orleans Diocese will fund its plan of reorganization with proceeds from the sale of several independent living apartment complexes.[10]

- The Archdiocese of Santa Fe raised money to fund its plan of reorganization by selling hundreds of "non-essential" properties owned by the Archdiocese.[11]

- The Santa Rosa Diocese is selling at least five of its real property holdings to fund the administrative expenses of its chapter 11 case.[12]

See also

- The New York Archdiocese plans to fund settlement payments to survivors by reducing its budget, reducing employee head count and selling off assets, including completing the sale of its former headquarters in Manhattan.[13]

- The Los Angeles Archdiocese is funding its global settlement with survivors by selling non-essential properties, including the building used as the administrative office for the Archdiocese, using investments, accumulated reserves, bank financing, and other assets.[14]

The examples cited above demonstrate that diocesan debtors accept the fact that a debtor does not have a right to a discharge. It must earn it. To do so, the debtor must proceed "with

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[9] *See* Gina Christian, *Parishes Will Pay $80 Million in Buffalo Diocese's $150 Million Bankruptcy Settlement,* Nat'l Cath. Rep. (June 11, 2025), https://www.ncronline.org/news/parishes-will-pay-80-million-buffalo-dioceses-150-million-bankruptcy-settlement.

[10] *See* Stephanie Riegel, *Archdiocese of New Orleans Sells Three Properties, Raising Cash for Settlements*, NOLA.com (Dec. 18, 2024), https://www.nola.com/news/business/archdiocese-of-new-orleans-sells-three-church-properties-bankruptcy-settlement-clergy-abuse/article_30e841a4-bca3-11ef-b66a-dbd03e48c9ed.html.

[11] *See* Phaedra Haywood, *Final Batch of Archdiocese Properties to Be Auctioned to Pay for Abuse Settlement*, Santa Fe New Mexican (July 25, 2022), https://www.santafenewmexican.com/news/local_news/final-batch-of-archdiocese-properties-to-be-auctioned-to-pay-for-abuse-settlement/article_96cc92ec-094d-11ed-89f3-03a0e745d0ff.html.

[12] *See* Jeff Quackenbush, *Santa Rosa Diocese Selling More Real Estate Amid Bankruptcy as Abuse Claims Climb*, Press Democrat (Feb. 4, 2026), https://www.pressdemocrat.com/2026/02/04/diocese-santa-rosa-real-estate-sebastopol-napa-humboldt.

[13] *See* WABC/Associated Press, *New York Archdiocese Says It's Setting Up a $300M Fund for Sexual Abuse Victims*, ABC7NY (Dec. 9, 2025), https://abc7ny.com/post/new-york-archdiocese-says-setting-300-million-fund-sexual-abuse-victims/18266125.

[14] *See* Richard Winton and Hannah Fry, *L.A. Catholic Church Payouts for Clergy Abuse Top $1.5 Billion with New Record Settlement*, Los Angeles Times (Oct. 16, 2024), https://www.latimes.com/california/story/2024-10-16/archdiocese-of-los-angeles-to-pay-880-million-in-the-largest-clergy-sexual-abuse-settlement#:~:text=Archbishop%20Jos%C3%A9%20H.%20Gomez%20approved%20the%20settlement.,what%20these%20men%20and%20women%20have%20suffered%22 and *AB 218 Civil Litigation and Settlement Questions and Answers,* LA Catholics (2024), https://lacatholics.org/ab218-faqs/

honesty and place[] virtually all its assets on the table for its creditors." *See Harrington v. Purdue Pharma L.P.*, 603 U.S. 204, 209 (2024). But this Diocese refuses to follow the Supreme Court's guidance to debtors seeking a discharge. Instead, the Debtor has staunchly hid behind an improper interpretation of the protections of the First Amendment, arguing that religious freedom permits it to exclude the majority of its assets from the reach of its creditors. In turn, the Debtor asserts it may unilaterally choose which of its assets to make available to creditors. If the Debtor's argument were correct, no judgment creditor could execute a judgment against a religious nonprofit entity by attaching real property to satisfy its claim, making the Diocese all but judgment proof.[15]

Moreover, while this Court determined that substantive consolidation is not a viable cause of action in the Chapter 11 Case—a decision the Committee is appealing—in the context of determining whether the Diocese Plan is proposed in good faith, the fact that the Bishop has touted his ability to control his non-Debtor affiliates when he needed money in the past should not be ignored. In fact, it is highly relevant. When the Debtor needed funds to complete the construction of its Cathedral, the Bishop informed his prospective creditors that he could take any number of actions within his Diocese to raise funds to repay debt, including directing non-Debtors to contribute to pay the debt. Now, the Bishop takes an about-face, insisting he cannot and will not take any similar action. Notably, however, non-Debtor Catholic entities Adventus and Furrer are both contributing assets to the Diocese Plan with no cognizable benefit, reinforcing the Committee's view that non-Debtor affiliates will contribute to fund the Debtor's reorganization if the Bishop directs them to.

Third, the Diocese Plan fails Section 1129(a)(7)'s best interests test. In an effort to satisfy the Bankruptcy Code's requirement that creditors receive at least as much under the Diocese Plan than they would in a hypothetical liquidation, the Debtor continues to mistakenly insist that it need not include all of its assets because it cannot be forced to sell its real estate. *See* Diocese Disclosure Statement, 9:11–14 ("The sale of real property on which a Church currently sits and operates, or

[15] The Debtor's arguments are plainly wrong because extensive caselaw establishes that the First Amendment does not shield nonprofit religious entities' property from attachment to satisfy the claims of creditors. *See, e.g.*, *Floyd S. Pike Elec. Contractor, Inc. v. Goodwill Missionary Baptist Church*, 214 S.E.2d 276, 278 (N.C. Ct. App. 1975) (citations omitted) ("There being no provision in our Constitution exempting church property from execution, unless exempted by statute, said property is subject to sale under execution.").

which is used in its ministry, could not happen in a forced liquidation under chapter 7 of the Bankruptcy Code. Under applicable U.S. Supreme Court and Ninth Circuit case law, the Debtor cannot be forced to sell real estate on which it operates one of the Churches."). The Debtor is mistaken as a matter of law because:

(i) In accordance with the civil law of California, judgments against religious institutions are treated no differently than those against nonprofit and for-profit entities, and real property may be attached to satisfy the claims of creditors. *See, e.g.*, *Watson v. Jones*, 80 U.S. 679, 714 (1872) ("Religious organizations come before [the courts] in the same attitude as other voluntary associations for benevolent or charitable purposes, and their rights of property, or of contract, are equally under the protection of the law, and the actions of their members subject to its restraints."); *see also Floyd S. Pike Elec. Contractor, Inc. v. Goodwill Missionary Baptist Church*, 214 S.E.2d at 278 ("There being no provision in our Constitution exempting church property from execution, unless exempted by statute, said property is subject to sale under execution."); *Rector, Churchwardens & Vestrymen of Church of the Nativity v. Fleming*, 20 N.Y.S.2d 597, 599 (N.Y. Sup. Ct. 1940) ("That the real property of a religious corporation may be sold to satisfy a judgment against it has, apparently, never been questioned in this state and innumerable such sales have been made."), *aff'd*, 23 N.Y.S.2d 46 (N.Y. App. Div. 1940), *aff'd sub nom.*, 34 N.E.2d 485 (N.Y. 1941) (per curiam).

(ii) The entirety of Debtor's real estate portfolio—without exception—is subject to the hypothetical liquidation test. The Debtor voluntarily sought the protection of Chapter 11 of the Bankruptcy Code and hypothetically could seek relief under Chapter 7. Under the assumed (hypothetical) scenario of a conversion to Chapter 7 by Debtor, its properties would be subject to liquidation. This is precisely what is intended by Section 1129(a)(7)—an analysis conducted under a *hypothetical* liquidation. *See* 11 U.S.C. § 1129(a)(7).

(iii) The First Amendment does not shield the Debtor's assets, including its real estate holdings, from consideration under the hypothetical liquidation test. The Debtor is bound by neutral laws of general applicability that govern all debtors in a bankruptcy proceeding. "[T]he right of free exercise does not relieve an individual of the obligation to comply with a 'valid and neutral law of general applicability on the ground that the law proscribes (or prescribes) conduct that his religion prescribes (or proscribes).'" *See Emp. Div., Dep't of Hum. Res. of Or. v. Smith*, 494 U.S. 872, 879–81 (1990) (citation omitted). Ecclesiastical law is not superior to a congressional enactment in a constitutional system that dictates a separation between church and state.

Congress did not insert a special carveout in Section 1129(a)(7) of the Bankruptcy Code solely for the benefit of properties of religious organizations to the exclusion of all other nonprofit entities. Yet the Debtor asks this Court to do what Congress has not done—create a special carveout in the hypothetical liquidation test that would only exempt real estate owned by a religious organization for the purpose of determining the fairness of a plan of reorganization. Such an approach would violate not only the Bankruptcy Code but also the First Amendment. *See*

Church of Lukumi Babalu Aye, Inc. v. City of Hialeah, 508 U.S. 520, 531 (1993) ("a law that is neutral and of general applicability need not be justified by a compelling governmental interest even if the law has the incidental effect of burdening a particular religious practice."). It would subvert Congress's intent that the hypothetical liquidation analysis "[e]nsure that the dissenting members of an accepting class will receive at least what they would otherwise receive under the best interest of creditors test." 124 Cong. Rec. H32406 (daily ed. Sept. 28, 1978) (statement of Rep. Edwards).

In an effort to satisfy the best interests test even if all of its assets are included in a hypothetical liquidation, the Debtor makes assumptions with no basis in reality. For example, the Debtor projects incremental litigation costs of $71 to $87 million in a hypothetical liquidation. *See* Liquidation Analysis, Third Amended Disclosure Statement for Debtor's Third Amended Plan of Reorganization [Dkt. No. 1831] (the "**Third Amended Disclosure Statement**"), Ex. B (the "**Liquidation Analysis**"), at 10, ¶ P.[16] Rather than a chapter 7 trustee merely adopting the trust distribution plan used in virtually every diocesan bankruptcy, the Diocese assumes 12 abuse cases would be litigated through the trial process followed by an alternative dispute resolution process undertaken to expedite the review and adjudication of the remaining abuse cases. *See id.* There are no set of facts through which a Bankruptcy Court would ever permit these fees to be incurred by a chapter 7 trustee administering a winddown. Common sense alone leads one to that inescapable conclusion.

The Diocese Plan also fails the best interests test because it fails to properly value Abuse Claims and the Debtor's real estate portfolio. Although the Debtor concedes that it made no effort to value Abuse Claims, it also posits that Abuse Claims should be valued at $138.5 million. *See* Liquidation Analysis, at 12. Abuse Claims are more easily valued in this case simply by looking to this Debtor's settlement history. The average payment this Diocese made to Survivors to settle claims asserted during a prior opening of the statute of limitations in the early 2000s was $1.1 million per claim. Adjusting that settlement for only the time value of money, and not for social

[16] The Debtor has not filed an amended Liquidation Analysis along with the Diocese Disclosure Statement.

inflation, Abuse Claims should be valued at roughly $1.7 million per claim, and the value of 375 Abuse Claims is roughly $637.5 million.[17]

The Debtor also inappropriately values its real property portfolio at a book value of around $160.9 million and applies artificial recovery range discounts in order to produce a liquidation value that is hundreds of millions of dollars below actual market. *See* Liquidation Analysis, at 13. Had the Debtor's liquidation analysis properly valued Abuse Claims and its real estate portfolio, it is evident on its face that Abuse Claimants would receive more in a hypothetical liquidation than they receive under Diocese Plan—meaning the Diocese Plan fails the best interests test as a matter of law.

Fourth, the Diocese Plan cannot satisfy Section 1129(a)(10) of the Bankruptcy Code. The Debtor concedes that Survivors will reject the Diocese Plan. *See* Executive Summary, Frequently Asked Questions, and General Information Regarding Debtor's Fourth Amended Plan of Reorganization, [Dkt. 2654-1], at 28:23–26 ("[T]he Debtor assumes that Class 4 would vote against the Fourth Amended Plan in a similar manner and will proceed with confirmation of the Fourth Amended Plan via cramdown.").[18] Accordingly, the Diocese Plan can only be confirmed via cramdown. But the Debtor will be unable to secure the vote of one impaired accepting class because no such class exists:

- ***Class 1***, the impaired Secured Claim of the Roman Catholic Cemeteries of the Diocese of Oakland ("**RCC**"), may not serve as the Debtor's impaired accepting class for purposes of cramdown. Under Section 1129(a)(10) of the Bankruptcy

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[17] The term "social inflation" was largely coined by the insurance industry to describe increased claim values over time for reasons other than economic factor. *See* Swiss Re Institute, *Social Inflation and Liability Claims Trends 2024*, Swiss Re Management Ltd. (Apr. 2024); Cary Silverman & Christopher E. Appel, *Nuclear Verdicts: An Update on Trends, Causes, and Solutions*, U.S. Chamber Institute for Legal Reform (May 30, 2024), https://instituteforlegalreform.com/wp-content/uploads/2024/05/ILR-May-2024-Nuclear-Verdicts-Study.pdf; Scott M. Seaman, *The Ultimate Social Inflation Survival Guide: Containing Rising Claims Costs in a World Rife with Economic Inflation, Litigation Funding, Nuclear Verdicts, and Anti-Corporate Sentiment* (Hinshaw & Culbertson LLP 2025); Social Inflation: The Growth of Nuclear Verdicts, Arthur J. Gallagher & Co. (Jan. 2025), https://www.ajg.com/news-and-insights/features/social-inflation-the-growth-of-nuclear-verdicts/.

[18] Even if the Debtor did not concede this point, Survivors will overwhelmingly reject the Diocese Plan. In the last round of voting, 341 out of 343 Survivors—***99.4%***—voted to reject the *Debtor's Third Amended Plan of Reorganization* [Dkt. No. 1830]. *See* Declaration of Andres A. Estrada with Respect to Solicitation and the Tabulation of Votes on the Debtor's Third Amended Plan of Reorganization [Dkt. No. 2040] (the "**Vote Tabulation Declaration**"). In addition, the Unknown Abuse Claims Representative rejected the Debtor's prior plan.

Code, the votes of insiders may not be considered when determining whether a debtor has secured the vote of an impaired accepting class. The Bankruptcy Code's definition of "insider" includes "affiliate" (*see* 11 U.S.C. §101(31)(E)) and the Debtor concedes that RCC is an affiliate. *See* Declaration of Charles Moore, Managing Director of Alvarez & Marsal North America, LLC, Proposed Restructuring Advisor to The Roman Catholic Bishop of Oakland, in Support of Chapter 11 Petition and First Day Pleadings [Dkt. No. 19], at II.C. (listing RCC as one of the "Affiliated Non-Debtor Catholic Entities").

- ***Class 2***, General Unsecured Creditors, is, on its face, a manufactured impaired accepting class of creditors. The total value of claims in this Class is unclear. The Debtor's liquidation analysis filed with its prior Disclosure Statement includes just $104,000 in trade payables. *See* Liquidation Analysis, at 13. But holders of $282,337.21 of Class 2 Claims cast a vote on the Debtor's prior plan.[19] *See* Vote Tabulation Declaration. Under the Diocese Plan, it will receive a $40 million loan from RCC. The loan appears to provide more than sufficient liquidity to pay Class 2 in full on the Effective Date because of the relatively small amount of claims in Class 2.

- ***Class 6***, Non-Abuse Litigation Claims, consists of just 2 claimants. *See* Third Amended Disclosure Statement, at 16:9. The only claimant to have cast a vote on the Debtor's prior plan of reorganization was held by a creditor holding a claim against the Roman Catholic Welfare Corporation, not the Debtor. *See* Vote Tabulation Declaration. Moreover, the two creditors in Class 6 retain their right to pursue the Debtor's insurance assets and retain any insurance recovery. Only if the Debtor is found to have liability and the insurance proceeds do not pay the claimant in full will either creditor have access to a $750,000 reserve established for their sole benefit, which will almost certainly pay the claimant in full given the nature of the claims.

Fifth, the Diocese Plan fails to satisfy Section 1129(b)(1) because the Debtor cannot establish that it does not unfairly discriminate against Abuse Claimants. Section 1129(b)(1) of the Bankruptcy Code requires that a plan not "discriminate unfairly" with respect to non-accepting impaired classes. Courts have "roundly rejected plans proposing grossly disparate treatment (50% or more) to similarly situated creditors . . . ." *In re Trib. Co.*, 472 B.R. 223, 243 (Bankr. D. Del. 2012). Here, Class 2 General Unsecured Claimants are slated to receive payment in full of their Allowed Claims in cash from the Debtor, and Class 6 Non-Abuse Litigation Claimants are all but certain to be paid in full through the payment of insurance proceeds and their share of the $750,000

[19] During discovery, the Committee learned that a number of General Unsecured Creditors voting for the Debtor's prior plan of reorganization were insiders. The Debtor was poised to count the votes of several priests and what appear to be school employees within the Diocese, several other Catholic entities within the Diocese operating under the Bishop's control and most shockingly, the Bishop's vote, arising out of a $300 unreimbursed expense. The Debtor was also going to count the claims asserted by Parish Churches, which have no separate legal existence from the Debtor and cannot hold claims or vote on the Plan. At the time the confirmation hearing was adjourned, the Committee was investigating this issue because the Debtor may not have secured the vote of Class 2 after eliminating insider and facially invalid claims.

Non-Abuse Litigation Reserve (capped at $250,000 per claimant) funded by the Debtor. Because the Debtor has refused to value Survivors' claims under state law as mandated by the Bankruptcy Code it cannot establish that Abuse Claimants are receiving similar treatment. And if the Debtor tried to do so, using the historical inflation adjusted settlement value within this Diocese per Abuse Claim of $1.7 million, Abuse Claims would aggregate to $637.5 million assuming 375 Abuse Claims. Distributing $150 million to this Class equates to a ***23.53%***, a far cry from payment in full.

Sixth, the Diocese Plan also fails to satisfy Section 1129(b)(1)'s requirement that the Diocese Plan be fair and equitable. The Debtor continues to insist, in the face of black letter law to the contrary, that the Diocese Plan be found fair and equitable because the proposed distribution is measured by comparing it to distributions made to ***other*** survivors in ***other*** bankruptcy cases pending in ***other*** jurisdictions in cases with ***different*** governing law, ***different*** estate assets, ***different*** insurance programs and ***different*** historical jury verdicts and settlements.[20]

Determining whether the proposed distribution to Abuse Claimants is fair and equitable depends on, among other things, the amount of assets in this Debtor's estate. Comparing this Chapter 11 Case to a select few Diocese bankruptcy cases scattered around the country does not consider the value of the Debtor's assets, specifically its extensive real estate holdings in one of the most expensive real estate markets in the country, or the value of Abuse Claims in California.

Seventh, the Diocese Plan cannot satisfy Section 1129(b)(2)(B) of the Bankruptcy Code because it fails to satisfy the absolute priority rule. It would be inequitable and contrary to the absolute priority rule to allow the Debtor to impair Abuse Claims by unilaterally deciding how much to pay its victims while reaping the benefits of reorganization, freeing itself of liability, and retaining hundreds of millions of assets for its post-bankruptcy life. The Debtor cannot retain or

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[20] Under applicable non-bankruptcy law, jury verdicts and individual case settlements are the proper mechanism to liquidate the value of Survivors' claims. Congress has expressly preserved claimants' jury-trial rights for personal-injury claims such as the sexual abuse actions in this case. *See* 28 U.S.C. § 157(b). Payment of claims against a bankrupt debtor may be limited by the debtor's resources, but the allowed amount of such claims is not. *See* 11 U.S.C. § 502(b)(1) (claims are allowed "except to the extent . . . unenforceable . . . under . . . applicable law"). *See also Butner v. United States*, 440 U.S. 48, 55 (1979) ("Property interests are created and defined by state law. Unless some federal interest requires a different result, there is no reason why such interests should be analyzed differently simply because an interested party is involved in a bankruptcy proceeding.").

receive anything from the reorganization until all creditors are paid in full. *See* 11 U.S.C. §§ 507, 726 (unsecured creditors are third in line to receive a distribution from the estate and the debtor is sixth in line).

III.

THE COMMITTEE DISCLOSURE STATEMENT DESCRIBES A CONFIRMABLE PLAN

About one year ago, the Debtor and the Committee vigorously battled over whether the Debtor's disclosure statement described a patently unconfirmable plan of reorganization. The Committee argued that the Debtor's plan of reorganization could not be confirmed as a matter of law because it suffered from numerous facial flaws.[21] In response, the Debtor adamantly maintained that unless confirmation of the plan of reorganization is impossible, a bankruptcy court should approve a disclosure statement that otherwise adequately describes the chapter 11 plan at issue.[22]

The Debtor now disavows the caselaw it previously cited, arguing that the *Disclosure Statement for the Official Committee of Unsecured Creditors' Plan of Reorganization, Dated March 27, 2026* [Dkt. No. 2753] (the "**Committee Disclosure Statement**") should not be approved because the Committee Plan is patently unconfirmable.[23] But the Debtor conceded that "[a] plan is patently unconfirmable [only] where (1) confirmation 'defects [cannot] be overcome by creditor voting results' and (2) those defects 'concern matters upon which all material facts are not in dispute or have been fully developed at the disclosure statement hearing.'" *In re Am. Cap. Equip., LLC*, 688 F.3d 145, 154–55 (3d Cir. 2012) (citing *In re Monroe Well Serv., Inc.*, 80 B.R. 324, 333 (Bankr. E.D. Pa. 1987)); *see* Debtor's Reply, at 6:8–12. The Debtor previously

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[21] *See* Dkt. Nos. 1518, 1624, 1705, 1773 and 1846.

[22] *See* Debtor's Reply to the Official Committee of Unsecured Creditors' Objection to the Debtor's Disclosure Statement [Dkt. No. 1541] (the "**Debtor's Reply**"), at 5:20–21.

[23] *See* Diocese Disclosure Statement, Art. VII.A. The Committee expects that the Debtor will file a formal objection to approval of the Committee Disclosure Statement and the Debtor's insurers will do the same.

acknowledged that even the most troubling of plans may go forward at this early stage of the confirmation process.[24]

A. Whether the Committee Plan is Feasible is a Plan Confirmation Issue

In the Diocese Disclosure Statement, the Debtor argues that the Committee Plan is unconfirmable as a matter of law because, among other things, it is not feasible. *See* Diocese Disclosure Statement, at 28:15–18. But courts have consistently held that objections to plan feasibility are premature at the disclosure statement phase and should instead be reserved for the confirmation hearing. This principle protects the integrity of the bankruptcy process by ensuring that due process concerns are preserved and that the disclosure statement hearing does not improperly transform into a confirmation hearing.

In *In re U.S. Brass Corporation*, the bankruptcy court addressed objections to a claimants committee's disclosure statement filed in connection with a complex Chapter 11 reorganization involving a manufacturer that was a defendant in mass tort litigation. 194 B.R. 420 (Bankr. E.D. Tex. 1996). Objectors, including the debtor, argued that the committee's proposed plan was not feasible because it contemplated the formation of a new company ("**Newco**") to continue operations on a stand-alone basis, and questioned whether Newco could replace significant lost sales revenue. *Id.* at 428. The court rejected the feasibility objection as a basis for disapproving the disclosure statement, holding that "feasibility issues are best determined at confirmation." *Id.* The court explained that it "cannot conclude, after reviewing the [committee's plan], that the Plan is so fatally flawed that it cannot be confirmed" and noted that it could not "determine, from the face of the document that Newco will be unable [to] operate profitably." *Id.* The plan itself provided alternative mechanisms in the event that Newco could not operate as anticipated, which further counseled against disapproval at the disclosure statement stage. *Id.* at 428–29 (finding "it is necessary for all parties to be fully aware of the existence of two disclosure statements and proposed plans of reorganization.").

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[24] *See* Debtor's Reply, 5:20–6:6 (citing, among other cases, *In re S. Mont. Elec. Generation & Transmission Coop., Inc.,* 2013 WL 5488723 (Bankr. D. Mont. Oct. 1, 2013)) ("The Court agrees that the road to confirmation in this case is not nicely paved, and the Trustee has significant hurdles to overcome, but as stated earlier, that does not warrant disapproval of a Disclosure Statement that otherwise satisfies the requirements of 11 U.S.C. § 1125.").

The court's reasoning reflects the core purpose of the disclosure statement requirement under Section 1125 of the Bankruptcy Code: to provide creditors with adequate information to make an informed judgment about the plan—not to pre-adjudicate contested issues that are properly reserved for confirmation. *See* 11 U.S.C. § 1125(a)(1). Indeed, "[t]he purpose of the disclosure statement is not to assure acceptance or rejection of a plan, but to provide enough information to interested persons so they may make an informed choice between two alternatives." *In re U.S. Brass Corp.*, 194 B.R. at 423 (quoting *In re Stanley Hotel, Inc.*, 13 B.R. 926, 930 (Bankr. D. Colo. 1981)).

With access to assets potentially approaching a billion dollars, the Committee seeks less than 20% of that value, which the Committee Disclosure Statement explains can be paid timely by the Debtor in any number of ways:

> 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, 24:17–20.

Because the Committee Plan makes provision for contingencies—such as the ability of the Diocese to fund the Committee Plan in several ways and in turn, is not reliant on any one funding source—one cannot conclude from the face of the Committee Disclosure Statement that the proposed reorganization is impossible. Thus, the Debtor's feasibility objections should be deferred to the confirmation hearing where a full evidentiary record can be developed and the parties' due process rights can be fully protected. Indeed, the very case law cited repeatedly by the Debtor supports allowing the Committee Plan to be solicited and the Committee an opportunity to prove its case.

B. Whether the Child Protection Protocols Can Be Approved as Part of the Committee Plan is a Plan Confirmation Issue

In previewing its arguments to the Committee Plan, the Diocese asserts that the Committee's Child Protection Protocols may not be approved because they would require the Debtor to discriminate against individuals based on their religion in the context of reconstituting the Minor Diocesan Review Board. *See* Diocese Disclosure Statement, Art. VII.A. The Committee will revise its Child Protection Protocols to satisfy the Diocese's concern:

> The Minor Diocesan Review Board shall consist of a total of nine persons, comprised of eight lay persons not in the employ of the Diocesan Entities plus an experienced and respected pastor of the Diocese. The Minor Diocesan Review Board shall at all times include: (i) a licensed social worker or a licensed psychologist with particular expertise in the treatment of the sexual abuse of Minors who is not a parishioner of the Diocese; (ii) a lay minister; (iii) an educator who is not a parishioner of the Diocese; (iv) a parent of a student attending any school operated by a Diocesan Entity; (v) a member of law enforcement who is ~~non-Catholic~~not a parishioner of the Diocese; (vi) three Survivors~~,~~ and (vii) a pastor currently serving in ministry in the Diocese. ~~At least two members of the Minor Diocesan Review Board shall be a non-Catholic.~~

Child Protection Protocols, 1.2.1. These amendments render the Diocese's argument on this issue moot.

The Diocese also makes a bare conclusory argument that the Committee's Child Protection Protocols, if adopted without mutual agreement on all terms, would violate the Diocese's constitutional and statutory rights under the First Amendment and the Religious Freedom and Restoration Act ("**RFRA**"). Resolving such substantial issues without affording the Committee an opportunity to conduct discovery, elicit testimony and be heard at plan confirmation would raise due process concerns, especially given the current evidentiary record, which lacks the facts requisite for the Court to render a decision.

Both the First Amendment and RFRA have distinct analytical frameworks that require the Court to carefully assess whether each disputed Child Protection Protocol, as applied to the Diocese, falls within a permissible realm. The Court must determine whether the First Amendment or RFRA applies to a particular Protocol based on a searching review of the record. Fact-intensive determinations based on First Amendment or RFRA principles should be made only after

discovery, full briefing and a plan confirmation hearing. The Court will have to decide difficult questions at plan confirmation, such as whether the Protocols substantially burden the Diocese's religious exercise, and if so, whether the burden serves the compelling state interest in protecting children from sexual abuse, which cannot be achieved through any less restrictive means.

Each of the pertinent inquiries is dependent on facts that are not developed in the current record. To address them, the Court will need evidence (not simply argument) to consider the protective measures already in place within the Diocese and the adequacy of those measures. The Court will have to look at the Diocese's compliance or noncompliance history under its own protective measures and whether other protective measures should be in place. Then, the Court must decide whether each disputed element of the Committee's proposed Protocols may be necessary to achieve the legitimate reorganization purposes aligned with the compelling interest in child safety. Most importantly, the proposed Protocols should be judged by whether they serve the public interest in establishing safeguards designed to prevent the recurrence of the conduct that gave rise to the abuse claims. The proposed Protocols do nothing more than ask the Diocese to demonstrate its commitment to institutional reform, which is essential to maintaining the trust and support of parishioners. It is that trust and support upon which the Diocese depends for its continued service to its parishioners, and therefore the Diocese must do all that is necessary to mitigate future liability exposure and protect the Diocese's financial stability.

Indeed, the Diocese itself has acknowledged that child protection protocols are a "***key aspect***" of the Diocese Plan, "intended, in part, to prevent abuse from occurring in the future—which constitutes its non-monetary commitment under the Plan."[25] The Committee has likewise made clear the need for such protections. *See* Letter From The Official Committee of Unsecured Creditors of The Roman Catholic Bishop of Oakland [Dkt. No. 1874], Ex. G, at 1 ("The Plan also fails to include any changes or additions to its current programs that should be preventing and detecting child sexual abuse. As recently as 2019, a Diocese priest was arrested on suspicion of child sexual abuse. The Diocese has not shown that it is dedicated to the reconciliation and healing of survivors."). "This is not a typical Chapter 11 case: the primary creditors are survivors of

[25] Diocese Disclosure Statement, at 15:20–22 (emphasis added).

childhood sexual abuse whose trust was violated by an institution they were taught to revere. While that void of trust cannot be fully repaired, transparency is crucial for any hope of a consensual resolution between RCBO and creditors." Objection of the Official Committee of Unsecured Creditors to Final Approval of Debtor's Motion For Approval of Confidentiality Procedures [Dkt. No. 132], at 2:6–9.

Non-monetary considerations cut to the very heart of both the Committee Plan and the Diocese Plan. Substantial circumstances like here, where the parties agree that protective measures are necessary, are the very reason why Section 1123 of the Bankruptcy Code grants parties to a reorganization matter broad discretion to include plan provisions that address the unique circumstances giving rise to the bankruptcy filing. *See* 11 U.S.C. § 1123(b)(6) (a plan may "include any other appropriate provision not inconsistent with the applicable provisions of this title."). Indeed, the inclusion of child protection protocols serves several legitimate reorganization purposes. First, such protocols demonstrate the Diocese's commitment to institutional reform, which is essential to maintaining the trust and support of parishioners upon whom the Diocese depends for its continued operations. Second, the protocols help mitigate future liability exposure, thereby protecting the reorganized entity's financial stability. Third, the protocols serve the broader public interest by establishing safeguards designed to prevent the recurrence of the conduct that gave rise to the abuse claims.

Both parties have expressed a shared purpose for adopting Child Protection Protocols. By making findings of fact on each of the issues underlying the Diocese's First Amendment and RFRA arguments, the Court will fulfill the important task of determining whether there is any merit to the Diocese's allegations that the Committee's Child Protection Protocols offend the Diocese's religious exercise or whether the Protocols merely provide an extra layer of permissible protection to vulnerable children. Threshold questions about excessive entanglement or church autonomy cannot be resolved without full merits briefing by the parties, which frames the issues and provides the Court with the foundation to make a sound decision.

For these reasons, the Court should order briefing on the Diocese's First Amendment and RFRA claims and the parties to engage in further fact finding to develop the evidentiary record necessary for the Court to resolve them.

WHEREFORE, the Committee requests that if this Court is inclined to address the merits of the Diocese Plan, the Court (i) deny approval of the Diocese Disclosure Statement because the Diocese Plan is patently unconfirmable, (ii) hold that the Committee Disclosure Statement contains adequate information under Section 1125 of the Bankruptcy Code such that it may be solicited for vote and (iii) grant the Committee such further and other relief as this Court deems just and proper.

Dated: April 7, 2026

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