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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 REPLY IN SUPPORT OF DISCLOSURE STATEMENT FOR MODIFIED FOURTH AMENDED PLAN OF REORGANIZATION

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

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 *Reply in Support* (the "Reply") of the *Disclosure Statement for the Modified Fourth Amended Plan of Reorganization* [Docket No. 2759] ("Debtor Disclosure Statement") and the corresponding *Modified Fourth Amended Plan of Reorganization* [Docket No. 2758] ("Debtor Plan") In support, the Debtor respectfully states as follows:[1]

I. REPLY

"Talk is cheap." This is how the Committee gives the back of its hand to the Debtor's Disclosure Statement in its Objection.[2] But that cliché is a more apt description of the Committee Disclosure Statement; the Debtor's being a thorough, specific, principled explanation of the Debtor Plan that provides the "what", "how", and "why" of the Debtor's proposal for resolving this Chapter 11 Case: $180 million contributed by defined and certain sources over 3.5 years[3] into a Survivors' Trust with procedures for efficient and expeditious liquidation of claims and an insurance-neutral assignment. The Debtor offers a concrete and confirmable plan that is unprecedented in providing for claimants—on a per-claim basis—the highest contribution ($521,000) from a debtor and related parties (outside of insurance) of any comparable case in the country.[4]

By contrast, the Committee Disclosure Statement failed to provide even the bare minimum—the "talk"—of their own proposal. Instead, it relies on funding sources they know will not be available at the

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[1] Capitalized terms not defined below have the meaning ascribed to them in the documents referenced. This Reply uses terms defined in the Debtor's Disclosure Statement.

[2] Pursuant to the Court-approved confirmation schedule, on April 7, the Debtor filed its *Opposition* [Docket No. 2796] to the Committee Disclosure Statement, and the Committee filed its Objection [Docket No. 2800] to the Debtor's. Additional objections were filed by various Insurers to both Disclosure Statements, as applicable; *see* Docket Nos. 2797, 2798, 2799, and 2806; and RCWC, RCC, and Adventus filed an objection solely as to the Committee Disclosure Statement. *See* Docket No. 2801.

[3] The Committee characterizes $521,000 per claim as "paltry," Objection at 7:7, and "pennies on the dollar," *id*. at 8:9, but Abuse Claimants may not agree when given full and accurate information about both Plans. This is particularly true when considering that the Committee Plan has a nearly identical (but lower) projected recovery ($520,000 per claim assuming $195.2 million in contributions and 375 claims, *see* Committee Disclosure Statement at 8-9). One assumes the only real guiding principle behind the Committee's demanded contribution is this calculation.

[4] As comparable cases, the Debtor has typically used cases with plans of reorganized confirmed since 2015 and more than 150 alleged claims of abuse. Given the recent timing of the proposed settlement and the fact that it is in this Court, the Debtor Disclosure Statement also included the *Franciscan Friars* case. *See* Debtor Disclosure Statement at 6.

projected Effective Date, if ever, purported contributions from Non-Debtor Entities who already have refused to participate in the Committee Plan, hypothetical generalities, and hyperbolic rhetoric. It is designed to interfere with Abuse Claimants' ability to make an informed choice and falsely suggests to Abuse Claimants and others that they will receive greater and sooner recompense under the Committee's Plan than under the Debtor's when the Committee Plan instead is patently unconfirmable and will crater on day one.[5] The Committee wants to persuade Abuse Claimants to cast their vote for a "plan" that will set them back.[6]

1. The Committee's Objection, Generally.

Notably, while spending more time plumping its own Plan than addressing the Debtor's, the Committee's Objection to the Debtor Disclosure Statement counters virtually none of the concerns raised continually by the Debtor over the last six weeks, asking instead that the Court put off fundamental problems like inherent infeasibility and confirmability to a confirmation hearing two months from now so that it can attempt to exercise leverage it does not and should not have. The Court should reject that invitation.

The Committee Objection is organized into three parts. The first includes a Preliminary Statement presenting agitprop in lieu of facts to inflame the Debtor's creditors into voting against a Debtor Plan that far better serves their interests by providing them certainty in per-claim payments larger than those in any comparable case to date (and larger than those contemplated by the Committee Plan itself), a Litigation Option available to all, and thoughtful procedures designed to liquidate their claims efficiently and equitably to allow distributions. The Committee hopes that Abuse Claimants will fall for its Potemkin

[5] For this reason, the Debtor has moved to strike the Committee Disclosure Statement and Committee Plan [Docket No. 2803]. The Motion to Strike is predicated on the arguments raised in the Debtor's Opposition and case law from the Bankruptcy Court for the Southern District of New York, in a case decided within the last six weeks, recognizing that in some cases involving allegedly competing Plans, "the court may conclude that the expeditious and economical resolution of the case is better served by holding one plan in abeyance while permitting the other plan to move forward." *See In re 1300 Desert Willow Road, LLC*, 2026 WL 508285, at *4 (Bankr. S.D.N.Y. Feb. 24, 2026).

[6] The fatal problems with the Committee's Disclosure Statement and Plan are detailed in the Debtor's *Opposition* [Docket No. 2796] to the Committee Disclosure Statement.

village of plan that is infeasible on day one while rejecting the Debtor Plan that provides unprecedented, meaningful recoveries. The Committee's cynical effort to mislead Abuse Claimants should be rejected.

2. The Committee's Attacks on the Debtor Plan.

The second section takes aim at the Debtor Plan's confirmability, recycling seven failed arguments why the Debtor Plan is purportedly patently unconfirmable. Virtually all were raised, briefed, and argued, *and, most importantly, abandoned* (by the Committee) in addressing the Debtor's Third Amended Plan, which was approved for solicitation in April 2025. All arguments fail now as they did then; mere repetition does nothing to change the outcome. In summary: (1) the Debtor Plan's claims-allowance framework is lawful and consistent with the Bankruptcy Code (§ 1129(a)(1)); (2) the Plan was proposed in good faith (§ 1129(a)(3)); (3) the liquidation analysis satisfies the best-interests test and the Committee's "church property" authorities do not undermine the hypothetical liquidation inquiry, which will occur at confirmation of the Debtor Plan (§ 1129(a)(7)); (4) the Debtor Plan will satisfy the impaired-accepting-class requirement (§ 1129(a)(10)); (5) the Committee's unfair-discrimination and (6) "fair and equitable" critiques fail on the law and the facts (§ 1129(b)(1)); and (7) the absolute priority rule does not apply as the Committee suggests to a nonprofit debtor with no equity holders (§ 1129(b)(2)(B)).

- ***The Debtor Plan's Claims Allowance Process Does Not Render it Unconfirmable* (§ 1129(a)(1))**—The Committee argues that the Debtor Plan's allowance that any party in interest may object to Abuse Claims renders it patently unconfirmable. The Committee is wrong. The Debtor Plan does not "grant" any parties additional rights to object to claims; it merely recognizes rights that arguably already exist in 11 U.S.C. § 502. The Committee's argument confuses *standing* to object (which may or may not exist) with an additional *right* to object (which the Debtor Plan does not create).[7]

- ***The Debtor Proposed the Debtor Plan in Good Faith* (§ 1129(a)(3))**—Once again the Committee argues that because it opposes the Debtor Plan, the Debtor lacks good faith, using topsy-turvy analysis to mischaracterize an iterative, *improving* Plan process as somehow evidencing bad faith. This ignores Ninth Circuit precedent, which "directs courts to look only to the proposal of the plan, not the

[7] This argument was previously raised at least once, in the context of the Debtor's Second Amended Disclosure Statement. *See* Docket No. 1773 at 1. The Debtor responded at Docket No. 1781.

terms of the plan" in determining whether the plan was proposed in good faith,"[8] and fails for this reason alone. But it also is irreconcilable with this Court's repeated recognition that the Debtor has acted in good faith throughout this Chapter 11 Case. For example, on March 10, this Court stated::

> Thank you, all of you, for not only your good arguments, but your recognition of how much progress you've made and of, I think, as much as you disagree, the inherent good faith of both sides. I really appreciate that. Thank you very much.[9]

The Committee has no veto right over the Debtor Plan. Failure to capitulate to its unreasonable demands does not show a lack of good faith.[10]

- ***The Debtor Plan Will Satisfy the Best Interests Test* (§ 1129(a)(7))**—Similarly, the Committee again argues that because the Debtor's *original* liquidation analysis took a legal position which it disputed, the Debtor cannot satisfy the hypothetical liquidation test of § 1129(a)(7).[11] The Debtor already conclusively demonstrated otherwise through the filing of "Liquidation Analysis 2.0," which demonstrated that the Debtor satisfied that test with respect to the Third Amended Plan.[12] Debtor will produce a liquidation analysis supporting the Debtor Plan in the course of expert discovery, per the parties' agreed schedule on what is clearly a confirmation issue.[13]

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[8] *See Garvin v. Cook Investments NW, SPNWY, LLC*, 922 F.3d 1031, 1034-1035 (9th Cir. 2019) (cited in the Debtor's *Reply* [Docket No. 1541] to the Committee's objection to the Debtor's *original* Disclosure Statement, filed on December 16, 2024).

[9] Mar. 10 Hr'g Tr. at 79:4-10. Three days later, the Court remarked: "If [the RCWC contribution drops out of the Committee Plan], the distributions, if you compare the distributions right now that the Committee want from the Debtor and the Debtor, with a willing participation by RCWC, is willing to put on the table, they're not that different. And I can't help but be struck by that." Mar. 13 Hr'g Tr. at 19:8-12.

[10] The Committee has attacked the Debtor's good faith in every prior objection to a Debtor disclosure statement save one. It has failed every time. *See* Docket No. 1518 at 8 (Committee objection to Debtor's original disclosure statement); Docket No. 1773 at 5 (Committee objection to Debtor's second amended disclosure statement); Docket No. 1846 at 8 (Committee objection to Debtor's third amended disclosure statement).

[11] The cases cited by the Committee in the Objection address whether a creditor *may* attach church property to satisfy a judgment, not whether a Chapter 7 trustee *would* liquidate operating churches as part of a hypothetical liquidation analysis under § 1129(a)(7). In the course of prior disclosure statement hearings, the Court reserved legal arguments about the hypothetical liquidation test for confirmation.

[12] *See* Docket No. 1771, the *Notice of Revised Liquidation Analysis for Debtor's Second Amended Disclosure Statement Regarding Debtor's Second Amended Plan of Reorganization*, discussed in Docket No. 1781 filed on February 26, 2025.

[13] The Confirmation Scheduling Order entered by the Court on April 6 requires that affirmative expert reports (including amended affirmative expert reports) to be circulated on May 7, 2026.

- ***The Debtor Will Have Multiple Accepting Impaired Classes* (§ 1129(a)(10))**—The Committee makes the conclusory argument in its Objection that classes likely to accept the Debtor Plan, or that already accepted the Third Amended Plan, are insiders, part of manufactured classes, or do not hold claims against the Debtor.[14] It presents these assertions without evidence or supporting legal analysis—failing to explain, for example, *why* RCC is an insider of the Debtor—but instead as objective fact. The Debtor will demonstrate *at confirmation* that it has at least one, likely several, accepting impaired classes. In particular, the Debtor anticipates the following classes will vote in favor of its Plan: Class 1 (RCC); Class 3 (General Unsecured Creditors), Class 5 (Unknown Abuse Claims), and Class 6 (Non-Abuse Litigation Claims).

- ***The Debtor Plan is Fair and Equitable* (§ 1129(b)(1))**—The Committee Objection argues, once again, that the Debtor's comparisons to other diocesan bankruptcies are meaningless because each case involves different assets, different law, and different claim values. Yet its own analysis proves otherwise, as it simultaneously argues that the Debtor is not cutting deeply enough *when compared to other dioceses in bankruptcy*. *See* Committee Objection at 8-9 (describing efforts by the Dioceses of Albany, New Orleans (an Archdiocese), Santa Fe (same), and Santa Rosa to satisfy funding requirements through property liquidations).[15]

This Court has recognized that other case outcomes are a data point that can inform the analysis of what is fair and equitable. The Committee does not really contest that data is important; it just wants to cherry-pick the data it prefers. At confirmation the Debtor is confident that it will be able to present evidence, derived in part from other case outcomes, that the contributions it proposes here are fair and equitable, provide certainty to Abuse Claimants that have lived for years in uncertainty, and, unlike the Committee Plan, does not discriminate against "weaker" claims for the benefit of "stronger" ones.

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[14] Although directed at different classes (at that time, OPF and Unknown Abuse Claims), this argument was also previously raised at least once, in the context of the Debtor's Second Amended Disclosure Statement. *See* Docket No. 1773 at 1. The Debtor responded at Docket No. 1781.

[15] As noted above and below, this comparison ignores the meaningful sacrifices to which the Debtor has committed itself in the Debtor Plan. Not including these measures alongside the present criticism can only be intended to mislead, as noted in the Debtor's proposed Letter to survivors regarding the Committee Disclosure Statement, should that Disclosure Statement ever be approved for solicitation. *See* Docket No. 2804.

Further, the Committee's argument that the Debtor Plan discriminates unfairly as between Classes 3 and 4 falls flat. First, it relies entirely on a $1.7 million claim valuation derived from a single source: state-court settlements in the early 2000s. Second, it fails to recognize that the Committee Plan itself proposes similar treatment, with Class 3 receiving payment in full on the Effective Date and Class 4 claimants receiving an average per-claim distribution *shockingly* similar to the Debtor Plan (and far short of $1.7 million).[16] Finally, the claims in each class are fundamentally different in nature and risk, and Class 4 has an option to augment its recovery through the Litigation Option that is unavailable to Class 3. The Debtor's Plan satisfies the Ninth Circuit's test for fair discrimination as to these two classes.[17]

- ***The Absolute Priority Rule is Inapplicable to this Case* (§ 1129(b)(2)(B))**—Strangely, the Committee Objection again argues that the Debtor Plan violates the absolute priority rule despite Ninth Circuit case law stating that the absolute priority rule "does not, by its terms, prohibit a debtor entity from retaining its own assets, and cannot, by its terms, apply to a situation . . . where the debtor has no equity security holders."[18] Such is the case with a non-profit, religious entity like the Debtor.

Accordingly, nothing in the Committee's Objection provides a basis to deny approval of the Debtor Disclosure Statement or to delay solicitation of the Debtor Plan (if ultimately necessary to proceed to confirmation).

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[16] *See* note 3, *supra*. As the Debtor has noted before, the Committee's continued reliance on the $1.7 million figure undermines its oft-repeated argument that there is no market for abuse claims. The Committee agrees a market *could* exist; it just wants to use different data to create one.

[17] *See In re Ambanc La Mesa Ltd. P'ship*, 115 F.3d 650, 656 (9th Cir. 1997) (outlining four factors, including that the "discrimination must be supported by a reasonable basis"); 7 Collier on Bankruptcy & 1122.03[1][a] (Richard Levin & Henry J. Sommer eds. 16th ed. 2021) ("The separate classification of otherwise substantially similar claims and interests is acceptable as long as the plan proponent can articulate a 'reasonable' justification for separate classification."). *accord Barakat v. Life Ins. Co. of Va. (In re Barakat)*, 99 F.3d 1520, 1526 (9th Cir. 1996) ("legitimate business or economic justification" permits separate classification of unsecured claims).

[18] *See In re Gen. Teamsters, Warehouseman and Helpers Union, Local 890, 225 B.R. 719, 737* (Bankr. N.D. Cal. 1998) (confirming plan of union with no interest holders, overruling absolute priority rule objection); *aff'd, Security Farms v. Gen. Teamsters, Warehouseman and Helpers Union, Local 890 (In re Gen. Teamsters, Warehouseman and Helpers Union, Local 890)*, 265 F.3d 869 (9th Cir. 2001) (also cited in the Debtor's *Reply* [Docket No. 1541] to the Committee's objection to the Debtor's *original* Disclosure Statement, filed on December 16, 2024).

3. The Committee's Defense of Its Disclosure Statement.

Finally, the third section seeks to defend the Committee Plan itself, 1) arguing that feasibility is a confirmation issue that apparently cannot be ascertained at the Disclosure Statement stage despite objective facts and 2) pivoting to revise its proposed Child Protection Protocols to remove discriminatory, offensive language, positing that approval of same is a confirmation issue, too. In so doing, the Committee attempts to paint the Debtor as hypocritical, arguing that unless it is *impossible* for its Plan to be confirmed, it should be allowed to go forward, pointing to prior statements by Debtor's counsel in 2024.

The distinction the Committee sidesteps is that the Committee Plan *is* impossible to confirm for all the reasons stated in the Debtor's Opposition. The legal issues the Committee raised over a year ago—and then abandoned—were overcome to allow solicitation of the Debtor's Third Amended Plan. Conversely, the issues in the Committee Plan cited by the Debtor cannot be because they are factual impossibilities: 1) the Debtor does not have $53.5 million to make its required Effective Date payments under the Committee Plan and will not in the foreseeable future, 2) RCWC, RCC, and Adventus have refused to contribute to the Committee Plan, and 3) the Committee cannot provide any principled basis for its demands. And it is in fact the Committee that is being hypocritical by dismissing outcomes from other diocese cases at every turn as irrelevant and misleading but then *citing some of those same cases* in support of the argument that the Debtor is not cutting deep enough, not sacrificing enough, in proposing to liquidate the Debtor-owned portions of: 1) twelve real property locations on which Churches currently operate either as primary or secondary locations; 2) twelve vacant real estate parcels *not* containing a Church or ministry-related building; 3) vacant portions of eighteen real estate parcels, 4) five residential homes (plus one owned by Adventus) and 5) more, including the Livermore Property. *See* Debtor Disclosure Statement at 8. These are the sacrifices the Committee says are not "meaningful" enough and represent only the Debtor's "intransigence."[19]

Notably, the Committee's Objection provides zero additional explanation for the "how" or "why" of the Committee Plan, following the Committee Disclosure Statement in lockstep. Instead, it attempts to paint the lack of specificity and explanation as a virtue, arguing that it "makes provisions for

[19] *See* Objection at 8:19-20.

contingencies" through multiple hypothetical sources. Objection at 18. This does nothing to alleviate the deficiencies in the Committee Disclosure Statement[20] or correct its misleading statements. Rather, it doubles down on them, repeating, for example, the misrepresentation that the Debtor had a "prepetition plan to close 30 or so parishes." *Id*. at 18.[21] Additionally, it continues to ignore the refusal of RCWC, RCC, and Adventus to participate in the Committee Plan. That refusal was reiterated explicitly in those entities' filing on April 7, which also highlighted the Committee's own prior statements about amending the Committee Plan to which it did not live up.[22]

II. CONCLUSION

On April 10, this Court will be called upon to chart the course for the remainder of this bankruptcy case. On one side is a Debtor Plan that has already been put through the crucible of solicitation approval—albeit on a Third Amended Plan that has since been greatly improved—and provides $180 million in certain contributions to Abuse Claimants and the Survivors' Trust. That Plan is confirmable, feasible, fair, and equitable. It provides all Abuse Claimants with a vehicle to augment their own recoveries and have their day in court. It also contemplates meaningful sacrifices by the Debtor in terms of its ministry, its assets, and its operations. To borrow the Committee's phrase: it earns the Debtor a discharge.[23]

On the other side is the Committee Plan: a poorly framed list of demands bereft of any guiding principles or explanation for why it came to be or how it is to be achieved. Instead, it merely establishes a mark that the Debtor must clear in order to gain the Committee's approval. Far from providing "adequate information" to support it, the Committee Disclosure Statement dissembles and misleads, relying on the

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[20] The Court preemptively rejected the "myriad of ways" answer on March 13. In describing the Committee's required burden as to "how all the wonderful things they want to have happen are going to happen," the Court stated: "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. Mar. 13 Hr'g Tr. at 21:2-6.

[21] The Objection also references new alleged statements by the Bishop without any actual quotes, much less backup, citations, or proof that they actually happened. *See* Objection at 10:11-17.

[22] *See* Mar. 10 Hr'g Tr. at 46:1-4: "The Committee is not requiring RCWC to make any payment. They don't need to … It can drop out." and 57:15-16: "If Adventus does not want to contribute, under our plan, it can say so. It can say so today. We will remove that from our plan." Both entities said so. The Committee changed nothing.

[23] Committee Objection at 9 (following discussion of other diocesan bankruptcy cases where debtors have sold property to contribute proceeds to a plan of reorganization).

Committee's professed ability to control the vote to extract more value, as evidenced by its nonsensical assertion in the Committee Disclosure Statement that dismissal is somehow better than confirmation of the Debtor Plan.

The Committee does not and cannot have a unilateral veto over the Debtor Plan. It is time that the Debtor Plan proceeds to confirmation alone without the unnecessary distraction and waste associated with the Committee Plan.

DATED: April 9, 2026

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