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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

In re: THE ROMAN CATHOLIC BISHOP OF OAKLAND, a California corporation sole, Debtor.	Case No. 23-40523 Chapter 11
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE ROMAN CATHOLIC BISHOP OF OAKLAND, Plaintiff, v. THE ROMAN CATHOLIC BISHOP OF OAKLAND and THE OAKLAND PAROCHIAL FUND, INC., Defendants.	Adv. Pro. No. 24-04051 **DEBTOR'S MOTION TO DISMISS FIRST AMENDED ADVERSARY COMPLAINT FOR DECLARATORY RELIEF** Judge: Hon. William J. Lafferty Date: June 4, 2025 Time: 2:00 p.m. Place: United States Bankruptcy Court 1300 Clay Street Courtroom 220 Oakland, CA 94612

The Roman Catholic Bishop of Oakland, a California corporation and the debtor and debtor in possession (the "Debtor") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case"), hereby files this motion to dismiss (the "Motion") the *First Amended Adversary Complaint for Declaratory Relief* [Docket No. 36] (the "FAC") filed in the above captioned adversary proceeding (the "Adversary Proceeding") by the Official Committee of Unsecured Creditors (the "Committee") against (i) the Debtor, and (ii) The Oakland Parochial Fund, Inc. ("OPF") under Federal Rules of Civil Procedure 12(b)(7) and 19, as incorporated by Bankruptcy Rules 7012 and 7019. In support of this Motion, the Debtor incorporates by reference herein its Memorandum of Law in Support, set forth below.

WHEREFORE, the Debtor respectfully requests the Court dismiss the Complaint against the Debtor and OPF, and grant such other and further relief as this Court finds just and proper.

DATED: May 23, 2025

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THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE ROMAN CATHOLIC BISHOP OF OAKLAND, Plaintiff, v. THE ROMAN CATHOLIC BISHOP OF OAKLAND and THE OAKLAND PAROCHIAL FUND, INC., Defendants.	Adv. Pro. No. 24-04051 **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF DEBTOR'S MOTION TO DISMISS ADVERSARY COMPLAINT FOR DECLARATORY RELIEF** Judge: Hon. William J. Lafferty Date: June 4, 2025 Time: 2:00 p.m. Place: United States Bankruptcy Court 1300 Clay Street Courtroom 220 Oakland, CA 94612

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The Roman Catholic Bishop of Oakland, a California corporation and the debtor and debtor in possession (the "Debtor") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case"), hereby files this memorandum in support of its motion to dismiss (the "Motion") the *First Amended Adversary Complaint for Declaratory Relief* [Docket No. 36] (the "FAC") filed in the above captioned adversary proceeding (the "Adversary Proceeding") by the Official Committee of Unsecured Creditors (the "Committee") against (i) the Debtor, and (ii) The Oakland Parochial Fund, Inc. ("OPF"). In support hereof, the Debtor states as follows:

I.

PRELIMINARY STATEMENT

This Court should dismiss all Counts of the FAC because it fails to include numerous necessary parties under Federal Rule of Civil Procedure 19, namely donors (the "Donors") of restricted gifts held in charitable trust by the Debtor (the "Restricted Funds"). While the Debtor and the Committee disagree about the legal status of the Restricted Funds, they are not the only parties with an interest in the outcome of this Adversary Proceeding. Rather, the Donors, who contributed their money to the Debtor with an expectation that it would be used solely for specific charitable purposes, have legally protected interests in the outcome of the case and, absent being named, would be impeded in their ability to protect those interests. Accordingly, this Court should dismiss the FAC, with leave to amend, so that the Donors have an opportunity to be heard.

II.

BACKGROUND

A. General Background

On May 8, 2023 (the "Petition Date"), the Debtor caused its attorneys to file a voluntary petition for bankruptcy relief under chapter 11 of the Bankruptcy Code, thereby initiating the above-captioned bankruptcy case (the "Bankruptcy Case"). The Debtor continues to operate its ministries and manage its properties as a debtor in possession under §§ 1107(a) and 1108 of the Bankruptcy Code. No trustee has been appointed in this Chapter 11 Case. Relevant to the instant dispute, the Debtor has prepared the *Third Amended Disclosure Statement for the Debtor's Third Amended Plan of Reorganization* [Bankr. Docket

No. 1595] (the "Disclosure Statement"). Within the Disclosure Statement, the Debtor identified the Restricted Funds and noted that these funds were not property of the estate. Disclosure Statement at 4; Exhibit B to Disclosure Statement at 5–6.

The Debtor is a corporation sole organized under the laws of the State of California. Both before and after the Petition Date, the Debtor observed all requirements for its separate existence under appliable law. The Debtor conducts its civil affairs under the laws of the State of California and the United States of America and in accordance with the Code of Canon Law, the ecclesiastical law of the Roman Catholic Church (the "Catholic Church").[1]

The Debtor estimates that it serves nearly 550,000 resident Catholics within the diocese of Oakland and assists approximately 260,000 people annually through its ministry and charitable services. The Debtor has been under the leadership of the incumbent bishop, Most Reverend Michael C. Barber, SJ, since his appointment on May 25, 2013. The diocese is home to 82 local parish Churches and missions and is home to 159 diocesan priests, 160 religious priests, 35 extern priests and 118 permanent deacons.

As discussed in detail in the *Debtors' Motion to Dismiss the Adversary Complaint for Declaratory Relief* [Docket No. 11] (the "Original Motion to Dismiss"), the Debtor founded OPF as a separate California nonprofit religious corporation in April of 2023 to provide managerial and administrative services on behalf of the Diocese for the benefit of the Churches. Original Motion to Dismiss at 4–6; *see also* FAC ¶¶ 11, 15.

B. The Adversary Proceeding and First Amended Complaint

On November 20, 2024, the Committee filed the original Complaint [Docket No. 1] (the "Original Complaint") in this Adversary Proceeding by which it brought various counts against the Debtor, OPF and the Churches. The Debtor and OPF filed Motions to Dismiss on January 24, 2025. By order entered on April 4, 2025 [Docket No. 34.], this Court dismissed the Original Complaint with leave to amend. The Committee subsequently filed the FAC on April 30, 2025 against only the Debtor and OPF.

[1] Additional 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, Proposed Restructuring Advisor to the Roman Catholic Bishop of Oakland, in Support of Chapter 11 Petition and First Day Pleadings* [Bankr. Docket No. 19] (the "First Day Declaration"), which is incorporated herein by reference.

In the FAC, the Committee acknowledges that certain of the Restricted Funds "were donated or gifted to the Debtor by individual donors who allegedly specified restrictions on the use of the funds." FAC at ¶ 31. The Committee also alleges that the Debtor and its churches have run campaigns and/or collections to raise money from parishioners and that donations were made to the Debtor due to the solicitations. *Id.* at ¶¶ 33-34. The Committee then goes on to allege, with minimal facts cited, that the Restricted Funds are not subject to a trust under California law and, therefore, are property of the Debtor's estate. *See, e.g., id.* at ¶¶ 29, 61, 62, 77, 91, 106.[2]

The FAC does not at any point name any of the Donors (including some that made donations well into the six figures or more) as parties to the Adversary Proceeding, despite the fact that the Donors have—at a minimum—a potential interest in the Restricted Funds and whether they are subject to a trust under California law. The Committee's failure to name any Donor as a defendant in the FAC violates Rule 19 because the Donors are necessary parties to this proceeding. For this reason, and as more fully discussed below, this Court should dismiss the FAC without prejudice as required by Rule 19.

III.

LEGAL STANDARD

Under Fed. R. Civ. P. 12(b)(7), incorporated by Fed. R. Bankr. P. 7012, a complaint must be dismissed if it "fail[s] to join a party under [Fed. R. Civ. P.] Rule 19." Fed. R. Civ. P. 12(b)(7). To determine whether a complaint fails to join a necessary party under Rule 19, incorporated by Fed. R. Bankr. P. 7019, the Court must answer three questions.

First, the court must determine whether the unnamed party in question is necessary to the action. A party may be necessary for one of two reasons. A party is necessary to an action if that party's absence would render the court unable to "accord complete relief among existing parties." Fed. R. Civ. P. 19(a)(1)(A). A party is also necessary if it "has a 'legally protected interest' in the subject of the action and, if so, whether the party's absence will 'impair or impede' the party's ability to protect that interest or will leave an existing party subject to multiple, inconsistent legal obligations with respect to that interest."

[2] The Debtor vehemently disagrees with both the Committee's flawed interpretation of California law on charitable trusts and the purported "facts" the Committee cites in the FAC. Those disputes are for another day. For now, the FAC should be dismissed because it patently violates Rule 19, as discussed below.

White v. Univ. of Cal., 765 F.3d 1010, 1026 (9th Cir. 2014) (citing Fed. R. Civ. P. 19(a)(1)(B)).

Second, once the court has determined that an unnamed party is necessary, it must then determine whether joinder is feasible by assessing whether venue is proper, whether the party in question is subject to the personal jurisdiction of the court, and whether joinder of said party would "destroy subject matter jurisdiction." *E.E.O.C. v. Peabody W. Coal Co.*, 400 F.3d 774, 779 (9th Cir. 2005) (citing Fed. R. Civ. P. 19(a)). If joinder is feasible, the court should order dismissal with leave to amend. *Jones v. Bank of Am., NA*, 2021 WL 3163758, at *5–6 (C.D. Cal. Feb. 26, 2021) (noting that, since it was "clear that [the unnamed parties] ha[d] an interest in the action and resolving the action in their absence may as a practical matter impair or impede their ability to protect their interest … 'it is appropriate to dismiss the [complaint] with leave to amend[.]" (quoting *Rivera v. Wells Fargo Bank, NA*, 2019 WL 6797246, at *9 (C.D. Cal. June 19, 2019))).

Finally, if joinder of a necessary party is not feasible, the court must consider whether the party is indispensable to the action. The Ninth Circuit has held that "[i]ndispensable parties under Rule 19(b) are 'persons who not only have an interest in the controversy, but an interest of such a nature that a final decree cannot be made without either affecting that interest, or leaving the controversy in such a condition that its final termination may be wholly inconsistent with equity and good conscience.'" *Peabody W. Coal Co.*, 400 F.3d at 780 (quoting *Shields v. Barrow*, 58 U.S. 130, 139 (1854)). If a party that cannot be joined is indispensable, the case must be dismissed. *Wagda v. AT&T Corp.*, 2024 WL 1596464, at *1 (9th Cir. Apr. 12, 2024) (citing Fed. R. Civ. P. 19(a) and (b)).

IV.

ARGUMENT

A. The Donors Are Necessary Parties Under Rule 19

As noted in the FAC, the Debtor's position is that the Donors have an interest in the Restricted Funds under California law; as such, the Debtor has refused to breach its fiduciary duties to the Donors by improperly considering their contributions to be property of the Debtor's estate. *See* FAC at ¶¶ 2, 24, 28. It is the Committee's position that these donations were not restricted and that they did not create charitable trusts imposing fiduciary duties on the Debtor. *See, e.g., id.* at ¶¶ 29, 61, 62, 77, 91, 106.

But the Debtor and the Committee are not the only parties with an interest in this Adversary Proceeding. The Donors—who donated their hard-earned money with the expectation that it would be used solely for specific charitable purposes—also have a significant, vested interest in the outcome of this Adversary Proceeding. The Committee nevertheless made no effort to name a single Donor as a defendant in this case.

Under Rule 19, the Donors are plainly necessary parties to this Adversary because (a) they have "legally protected interests" in the subject matter of the action, and (b) their absence would "impair or impede" the Donors' ability to protect those interests. Courts have repeatedly held that where, as here, a party may have an interest in property that is being adjudicated through a complaint, that party must be added as a party in that proceeding. *White*, 765 F.3d at 1026 (citing Fed. R. Civ. P. 19(a)(1)(B)); *Rosales v. Dutschke*, 279 F.Supp.3d 1084, 1092–93 (E.D. Cal. 2017) (holding that, where the party in question had a potential interest in the subject property and could not protect this interest without being joined, such party was necessary under FRCP 19 (citations omitted)); *Jones*, 2021 WL 3163758, at *5–6 (noting that, since it was "clear that [the unnamed parties] ha[d] an interest in the action and resolving the action in their absence may as a practical matter impair or impede their ability to protect their interest . . . 'it is appropriate to dismiss the [complaint] with leave to amend[.]" (quoting *Rivera*, 2019 WL 6797246, at *9; *see also Draisner v. Liss Realty Co.*, 228 F.2d 48, 49 (D.C. Cir. 1955) (holding that a party that held legal title to the disputed property was "a necessary party to proceedings in which his title is affected."); *Alabama-Quassarte Tribal Town v. U.S.*, 899 F.3d 1121, 1123–24 (10th Cir. 2018) (holding that the party claiming an interest was necessary where that interest "could plainly be impaired by disposition of this action in [its] absence.").

Importantly, this Court does not need to determine the validity of the Donors' legally protected interest in deciding this Motion, but only whether the claim of interest is "patently frivolous;" if it is not, then the Donors are necessary parties to the action. *White*, 765 F.3d at 1026–27 (noting that "the language of [Rule 19] contemplates that a party need only have a 'claim' to an interest . . . [t]he question is whether the [parties asserting the claim] have a *claim* that is not 'patently frivolous.'" (emphasis in original) (citing *Shermoen v. U.S.*, 982 F.2d 1312, 1317 (9th Cir. 1992))); *Rosales*, 279 F.Supp.3d at 1092–93 (holding that, where the party in question had a potential interest in the subject property and could not protect this

interest without being joined, such party was necessary under FRCP 19). While the Debtor believes that the Donors would likely prevail in any challenge to the Committee's FAC, at a minimum, the claim of the Donors' interest is not "patently frivolous."

Moreover, the Donors' absence would certainly "impair or impede" the Donors' ability to protect those interests. While the Debtor is opposing the relief sought by the Committee, the Donors may raise supplemental and/or different arguments in opposition, some of which may be individual to a particular Donor. For example, the Debtor alleges that there is no trust over any Restricted Funds under Section 9142(c) of the California Commercial Code. The Debtor believes that many Donors will strongly disagree, and cite evidence that they "expressly imposed a trust, in writing, at the time of the gift or donation."[3] The Donors have a right to raise these arguments and muster their own evidence in opposition to the Committee, rather than relying solely on the Debtor to act on their behalf. The Donors therefore are necessary parties under Rule 19.

B. <u>The Donors Can Feasibly Be Joined</u>

Feasibility under Rule 19 is a technical matter of venue and jurisdiction, as noted above. *Peabody W. Coal Co.*, 400 F.3d 774 at 779 (citing Fed. R. Civ. P. 19(a)). Here, the Court has jurisdiction over the Adversary Proceeding under 28 U.S.C. §§ 157 and 1334(b) and Fed. R. Bankr. P. 7001 and 7013; venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Adversary Proceeding is a core proceeding under 28 U.S.C. § 157(b)(2)(A) and (O).

Adding the Donors as parties will not change the jurisdiction of the Court to determine if the Restricted Funds are or are not property of the Debtor's estate. A "determination of whether assets are property of the estate is a core matter." *In re Woodfield*, 602 B.R. 747, 763 (Bankr. D. Ore. 2019); *In re Southland & Keystone*, 132 B.R. 632, 638 (B.A.P. 9th Cir. 1991) ("Clearly, a determination of whether assets are property of the bankruptcy estate concerns administration of the estate.").

As such, feasibility is not a bar to joinder of any Donor, as venue, personal jurisdiction, and subject

[3] The Debtor suspects that the Committee already knows that at least "certain" Donors can raise this point, as evidenced by their allegation that "***[c]ertain*** of the Individual Donor Assets were donated to the Debtor without any specific restricting language." FAC at ¶ 88. While not relevant to this Motion, the Debtor also notes that the Committee's interpretation of Section 9142(c) is fatally flawed. The Restricted Funds qualify as assets held in trust under Section 9142(c)(2), in addition to donations that qualify under Section 9142(c)(3).

matter jurisdiction are all present under federal law.

C. The Question of Indispensability Need Not Be Considered

While the Donors would likely qualify as indispensable parties, since joinder is feasible, this Court does not need to consider the question of indispensability. As such, this Court should dismiss the FAC with leave to amend so that the Donors can be named and have the opportunity to defend their rights.[4]

V.

CONCLUSION

For the reasons set forth above, the Debtor respectfully requests that the Court grant the Motion, dismiss the First Amended Complaint against the Debtor and OPF, and grant other relief that the Court deems just and proper.

DATED: May 23, 2025

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[4] The Debtor expects that an Amended Complaint with Donor names would include those names under seal to allow those that would choose to remain anonymous an opportunity to do so. Others may willingly come forward and defend their rights. The Debtor is willing to work with the Committee on Donor name issues.