FOLEY & LARDNER LLP
Eileen R. Ridley (CA Bar No. 151735)
Tel: (415) 438-6469; eridley@foley.com
Shane J. Moses (CA Bar No. 250533)
Tel: (415) 438-6404; smoses@foley.com
Ann Marie Uetz (admitted *pro hac vice*)
Tel: (313) 234-7114; auetz@foley.com
Matthew D. Lee (admitted *pro hac vice*)
Tel: (608) 258-4203; mdlee@foley.com
Geoffrey S. Goodman (*pro hac vice* requested)
Tel: (312) 832-4515; ggoodman@foley.com
Mark C. Moore (admitted *pro hac vice*)
Tel: (214) 999-4150; mmoore@foley.com
555 California Street, Suite 1700
San Francisco, CA 94104-1520

Counsel for the Debtor
and Debtor in Possession

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 OF THE ROMAN CATHOLIC BISHOP OF OAKLAND, Plaintiff, v. THE ROMAN CATHOLIC BISHOP OF OAKLAND, THE OAKLAND PAROCHIAL FUND, INC., AND JOHN DOE CHURCHES 1-82, Defendants.	Adv. Pro. No. 24-04051 **REPLY IN SUPPORT OF DEBTOR'S MOTION TO DISMISS THE 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

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The Roman Catholic Bishop of Oakland, a California corporation sole and the debtor and debtor in possession (the "Debtor") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case"), hereby files this reply in support of its *Debtor's Motion to Dismiss the First Amended Adversary Complaint for Declaratory Relief* [Docket No. 44] (the "Motion to Dismiss"), and in response to the *Omnibus Response of the Official Committee of Unsecured Creditors to (I) Debtor's Motion to Dismiss the First Amended Adversary Complaint for Declaratory Relief and (II) The Oakland Parochial Fund, Inc.'s Motion to Dismiss* [Docket No. 48] (the "Response").[1]

I.
INTRODUCTION

The Committee has not, and cannot, sidestep the fact that this Court cannot adjudicate whether or not the Restricted Funds are held in a charitable trust without providing the Donors who made contributions believing their assets would be held in such a trust with an opportunity to defend against the Complaint. Instead, the Committee argues that either there is no right for the Donors to defend (a substantive argument that flies in the face of Rule 19), or that the Committee can somehow make an end run on Donor rights simply by not naming them as parties. The Committee's positions find no support in the law. The Committee pled itself into a corner by disputing the interests of the Donors in the FAC. Simply because the Committee wishes to believe that the Donors would fail to defend their rights does not mean that the Donors are not entitled to bring their own defense before this Court: the Committee's brazen attempt to sidestep the requirements of the Donors' due process rights should not be entertained.

II.
ARGUMENT

The Donors are, in fact, required parties under Rule 19. The Committee's specious argument to the contrary focuses on whether or not the Donors *have brought a claim*—which is, of course, not the standard. Courts have protected the due process rights of necessary non-parties under Rule 19 regardless of whether those non-parties had previously claimed an interest in the outcome of the litigation that implicates their rights. *See, e.g.*, *Shermoen v. U.S.*, 982 F.2d 1312, 1317 (9th Cir. 1992) (holding that two

[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion to Dismiss.

non-parties, sovereign indigenous tribes that had not presented their claims before the court, were necessary and indispensable); *Jones v. Bank of Am., N.A.*, 2021 WL 3163758, at *5–6, 11 (C.D. Cal. Feb. 26, 2021) (holding that existing defendant was correct that two non-parties were necessary and requiring plaintiffs to amend and serve their complaint accordingly); *Rosales v. Dutschke*, 279 F.Supp. 3d 1084, 1092–93 (E.D. Cal. 2017) (holding that, where the defendant correctly noted that an unnamed party 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)). Indeed, to pretend otherwise would result in a breathtaking injustice by requiring that necessary non-parties present their claims *before they have been served notice* of an action that could affect their rights: this flies in the face of the Constitutional promise that "'[t]he fundamental requisite of due process of law is the opportunity to be heard[,]'… [which] has little reality or worth unless one is informed that the matter is pending and can choose for himself whether to appear or default, acquiesce or contest." *Mullane v. Cent. Hanover Bank & Tr. Co.*, 339 U.S. 306, 314 (1950) (quoting *Grannis v. Ordean*, 234 U.S. 385, 394 (1914)).

Furthermore, the Committee cannot avoid its own missteps: it has already brought the rights of the Donors to the attention of this Court *by the express terms of its own FAC*, which expressly (and wrongly) contends that the Restricted Funds are not properly held in charitable trust by the Debtor on behalf of the Donors. FAC at ¶¶ 2, 62, 64, 65, 77, 79, and 80. This is a substantive argument that should be examined with care and, of course, defended by all with a genuine stake in the outcome—especially where the argument deals with charitable trusts, which are afforded particular care and respect under California law. *Smith v. James Irvine Found.*, 277 F.Supp. 774, 794–95 (C.D. Cal. 1967) (noting that, "[u]nder the California law gifts to charity are highly favored and trusts intended for charity are highly favored in the law and transfers in trust intended for charity must be liberally construed to uphold their validity whenever possible … 'Charitable trusts are the favorites of equity; they are construed as valid whenever possible, by applying the most liberal rules of which the nature of the case admits, and are often upheld where private trusts would fail.'" (citing *Dingwell v. Seymour*, 91 Cal. App. 483, 507 (Ct. App. First Dist., Div. Two, 1928))).

Finally, the Committee brazenly pretends that the Debtor has been somehow unable or unwilling to provide information regarding the Donors in the past. This is, of course, sheer nonsense: the Debtor has provided mountains of information on Restricted Funds, and had the Committee requested Donor names to file the FAC, the Debtor would have provided them on a confidential basis. As indicated in the Motion to Dismiss, despite the Committee's failure to address this issue up front, the Debtor is willing to work with the Committee to provide the appropriate Donor information, provided that the Committee commits to filing Donor names in its Second Amended Complaint under seal to protect the privacy of the Donors.

III.

CONCLUSION

The Debtor believes that the Restricted Funds are held in trust under CA law and that the Donors have important factual and legal points that they may choose to contribute to the process. That said, whether or not the Donors would succeed in defending their rights in the charitable trusts in question is fully beside the point: the Donors cannot be deprived of their due process rights simply because the Committee finds those rights to be inconvenient. As such, and for the reasons set forth above, the Debtor submits that the Court should dismiss the FAC, with leave to amend.

Dated: June 2, 2025

FOLEY & LARDNER LLP

/s/ Shane J. Moses
Shane J. Moses

Attorneys for the Debtor
The Roman Catholic Bishop of Oakland