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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 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 **ANSWER OF THE ROMAN CATHOLIC BISHOP OF OAKLAND TO FIRST AMENDED ADVERSARY COMPLAINT FOR DECLARATORY RELIEF** Judge: Hon. William J. Lafferty

The Roman Catholic Bishop of Oakland, a California corporation sole and the debtor and debtor in possession (the "Debtor" or "RCBO") in the above-captioned chapter 11 bankruptcy case (the "Chapter 11 Case"), hereby answers and responds to the *First Amended Adversary Complaint For Declaratory Relief* [Docket No. 36] (the "Complaint"), filed by the Official Committee of Unsecured Creditors in the Chapter 11 Case (the "Committee").

PRELIMINARY STATEMENT

1. The Committee brings this action to resolve a fundamental dispute over the availability of tens of millions of dollars to satisfy creditors' claims against the Debtor in the above captioned Chapter 11 case (the "**Chapter 11 Case").**

ANSWER: Paragraph 1 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

2. Although the Debtor's pre-petition audit indicates that only approximately $3.5 million of its assets contain restrictions on use, the Debtor now alleges that more than $38 million is held by it and the Churches in a charitable trust as a result of donor restrictions. The Debtor alleges those Shielded Assets are not property of the Debtor's estate, do not need to be included on the Debtor's Schedules and Statements of Financial Affairs (the "**Schedules and SOFAs"),** do not need to be reported in the Debtor's monthly operating reports, can be adjusted out of the Debtor's liquidation analysis, and cannot be used to pay its creditors, including but not limited to survivors of sexual abuse ("**Survivors").** However, despite almost two years of discovery, the Committee has not been provided with documentation and identification sufficient to establish donor restrictions and/or a trust over the Shielded Assets.

ANSWER: The Debtor admits that its 2022 year-end audited financial statements, which reflect only RCBO's central services and do not include the Churches, reflect not less than $3.5 million in restricted assets, not including deposits payable and investments held for others, which may include additional restricted assets. The Debtor admits that approximately $38 million in restricted funds are held by the Debtor or the Churches, or by OPF on behalf of Churches. The

Debtor admits that donor-restricted assets are held in trust, and that pursuant to established law, property held in trust by the Debtor is not property of the estate. The Debtor denies the remaining allegations of paragraph 2.

3. Without question, the size of the Debtor's estate and, in turn, the ability of the Debtor to fairly treat claims filed by Survivors (and all creditors) will be materially impacted by resolution of this dispute. Thus, whether the Debtor is able to confirm its proposed Plan hinges on resolution of this dispute.

ANSWER: The Debtor admits that determination of whether assets the Debtor asserts are restricted are part of the estate will affect the size of the estate. The Debtor denies the remaining allegations of paragraph 3.

JURISDICTION AND VENUE

4. The Court has jurisdiction over this adversary proceeding (the "**Adversary Proceeding")** pursuant to 28 U.S.C. §§ 157 and 1334(b); 11 U.S.C. § 105; and Federal Rules of Bankruptcy Procedure 7001 and 7013.

ANSWER: The Debtor admits that this Court has subject matter jurisdiction over this Adversary Proceeding. The Debtor denies the remaining allegations in paragraph 4.

5. Venue in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409 as this Adversary Proceeding arises under and in connection with a case under Chapter 11 of the Bankruptcy Code that is pending in this District.

ANSWER: Admitted.

6. This Adversary Proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

ANSWER: Admitted.

PARTIES

7. Plaintiff is the Official Committee of Unsecured Creditors in this Chapter 11 Case appointed by the Office of the United States Trustee under 11 U.S.C. § 1102(a).

ANSWER: Admitted.

8. The Committee is a party in interest in the Chapter 11 Case under 11 U.S.C. § 1109(b).

ANSWER: Admitted.

9. The Committee is comprised of nine Survivors asserting claims against the Debtor based on sexual abuse perpetrated by persons or entities associated with or representing the Debtor or other Debtor-related institutions.

ANSWER: The Debtor admits that the Committee is comprised of persons asserting such claims but denies that the perpetrators were "representing" the Debtor. The Debtor denies the remaining allegations of paragraph 9.

10. Defendant The Roman Catholic Bishop of Oakland is the Debtor and debtor-in-possession in this Chapter 11 Case and is a religious corporation sole organized under the laws of California with its principal place of business at 2121 Harrison Street, Suite 100, Oakland, CA 94612.

ANSWER: Admitted.

11. Defendant The Oakland Parochial Fund, Inc. ("**OPF")** is a California nonprofit religious organization with its principal place of business also at 2121 Harrison Street, Suite 100, Oakland, CA 94612.

ANSWER: Admitted.

FACTUAL ALLEGATIONS

A. The Diocese Enterprise Corporate Structure

12. The Roman Catholic Bishop of Oakland, the Diocese, is incorporated under California law as a corporation sole.

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ANSWER: The Debtor admits that it is incorporated under California law as a corporation sole. The Debtor denies the allegations of paragraph 12 to the extent they allege that the Debtor and the Diocese are the same.

13. The Debtor is a religious corporation sole.

ANSWER: Admitted.

14. The churches within the Diocese (the "**Churches")** are not separately incorporated and do not hold property independently from the Debtor. Therefore, unless subject to a valid restriction, any property previously designated as property of the Churches or property being held for the benefit of Churches, is property of the Debtor's estate.

ANSWER: The Debtor admits that the Churches are not separately incorporated and, as a matter of civil law, do not hold property separately from the Debtor, although the Churches are separate juridic persons that hold property separate from the Debtor under Canon Law. The Debtor admits that unrestricted property held by or for the Churches is property of the bankruptcy estate under Section 541(a) of the Bankruptcy Code. The Debtor denies the remaining allegations of paragraph 14.

15. OPF is a separately incorporated California nonprofit religious corporation that was established in 2014 with the primary purpose of supporting the missions and purposes of the Diocese, to be operated, supervised or controlled by The Roman Catholic Bishop of Oakland.

ANSWER: The Debtor admits that OPF is a separately incorporated California nonprofit religious corporation that was established in 2014 with the primary purpose of supporting the missions and purposes of the Catholic Church within the Diocese. The Debtor denies the remaining allegations of paragraph 15.

B. <u>Significant Litigation Against the Diocese</u>

16. On October 13, 2019, Governor Gavin Newsom signed into law California Assembly Bill No. 218 ("**AB 218").** AB 218 revived the statute of limitations for individuals to file civil lawsuits for childhood sexual abuse. The passage of AB 218 allowed certain Survivors

to bring what had been time-barred claims against individuals and entities for such claims through and including December 31, 2022.

ANSWER: Admitted.

17. As of May 4, 2023, the Debtor estimated that there were 332 separate, active lawsuits or mediation demands pending against the Debtor filed by Survivors alleging sexual abuse by clergy or others associated with the Debtor.

ANSWER: Admitted.

C. <u>The Debtor's Chapter 11 Case</u>

18. On May 8, 2023, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

ANSWER: Admitted.

19. The Debtor asserts it lacked the financial means to litigate the approximately 332 lawsuits and mediation demands that were pending against the Debtor as of May 2023.

ANSWER: Admitted.

20. On November 8, 2024, the Debtor filed the *Debtor's Plan of Reorganization* (as subsequently amended, the "**Plan")** and the *Disclosure Statement for Debtor's Plan of Reorganization* (as subsequently amended, the "**Disclosure Statement").**

ANSWER: Admitted.

21. On April 4, 2025, the Court entered the *Order (I) Approving Third Amended Disclosure Statement; (II) Establishing Procedures for Plan Solicitation, Notice, and Balloting.*

ANSWER: Admitted.

22. A hearing on confirmation of the Plan is scheduled to begin on August 25, 2025.

ANSWER: Admitted.

23. The Plan provides that claims of Survivors—which are classified in Class 4 (Abuse Claims) and Class 5 (Unknown Abuse Claims)—are impaired under the Plan.

ANSWER: Admitted.

24. In the Disclosure Statement, the Debtor alleges that "many" of its assets (the "**Shielded Assets")** cannot be used "to pay operational expenses, or to pay its creditors" because the assets are held in a charitable trust pursuant to the California Business and Professions Code (the "**CBPC")** section 17510.8.

ANSWER: Admitted, provided for clarification that the bases for restriction and the trust nature of the restricted assets are not limited to CBPC 17510.8.

D. <u>The Adversary Proceeding</u>

25. On November 20, 2024, the Committee filed a complaint (the "**Original Complaint")** initiating this Adversary Proceeding.

ANSWER: Admitted.

26. The Debtor and OPF each filed a motion to dismiss the Original Complaint.

ANSWER: Admitted.

27. On April 4, 2025, the Court entered the *Order After Hearing on Motions to Dismiss,* which granted the motions to dismiss the Original Complaint, granting the Committee leave to amend the Original Complaint.

ANSWER: Admitted.

E. <u>The Shielded Assets.</u>

28. The Debtor currently alleges that approximately $38 million of its assets are Shielded Assets.

ANSWER: The Debtor admits that it alleges that approximately $38 million in assets held by the Debtor or the Churches (or by OPF on behalf of the Debtor or the Churches) are subject to some form of restriction (the "<u>Restricted Assets</u>"). The Debtor denies any remaining allegations in paragraph 28.

29. Upon information and belief, the Shielded Assets were commingled both with unrestricted assets, and with assets subject to different alleged restrictions.

ANSWER: Denied.

30. Upon information and belief, the Shielded Assets are held in accounts at OPF, Bank of the West, Wells Fargo Bank, N.A., Fremont Bank, Mechanics Bank, Bank of America, US Bank, Bank of Marin, First Republic Bank, Edward Jones, United Business Bank, and JP Morgan Chase Bank, N.A.

ANSWER: The Debtor admits that certain Restricted Assets may be held at some or all of the foregoing institutions. The Debtor denies any remaining allegations in paragraph 30.

i. The Individual Donor Assets

31. Certain of the Shielded Assets were donated or gifted to the Debtor by individual donors who allegedly specified restrictions on the use of the funds (the "**Individual Donor Assets**").

ANSWER: The Debtor admits that a substantial part of the Restricted Assets are subject to restrictions imposed by the donors on the use of such Restricted Assets. The Debtor denies any remaining allegations in paragraph 31.

32. The documentation relating to certain of the Individual Donor Assets permitted the Debtor and/or the Bishop to use the funds in its/his discretion or otherwise did not specify any restriction for the donation.

ANSWER: Denied.

ii. The Campaign Assets

33. The Debtor, Churches, and third parties have run campaigns and/or other collections to raise money from parishioners and others associated with the Debtor and/or its affiliates (the "**Campaign Assets").**

ANSWER: Admitted.

34. The Campaign Assets were donated to the Debtor as a result of solicitations (the "**Solicitation Materials")** through the Debtor and the Churches.

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ANSWER: The Debtor admits that restricted Campaign Assets were donated to the Churches or the Debtor in response to solicitations by the Debtor and/or the Churches. The Debtor denies any remaining allegations in paragraph 34.

35. One such solicitation is referred to as the "**Bishop's Appeal."**

ANSWER: Admitted, provided that what was previously referred to as the Bishop's Appeal is now referred to as the Bishop's Ministries Appeal, as recognized in paragraph 37.

36. In or about 2008, the Debtor informed prospective purchasers of its bonds that the funds held in its deposit and loan fund (the "**DLF"),** collected in connection with the Bishop's Appeal were "unrestricted," noting

> The Bishop's Appeal is an annual direct appeal by the Bishop to every Catholic household in the Diocese to provide funding for the agencies of the Diocese. All of these funds are unrestricted and available to pay the budgeted expenses of the Diocese as well as any amounts payable on debt of the Diocese, including the Bonds.

ANSWER: The Debtor admits that the bond offering memorandum speaks for itself. The Debtor denies the remaining allegations in paragraph 36.

37. In the Disclosure Statement, the Debtor now asserts that the funds raised through the Bishop's Appeal, now called the Bishop's Ministries Appeal, are restricted assets.

ANSWER: Admitted.

38. Certain of the Solicitation Materials included provisions that the Debtor and/or the Bishop can use the Campaign Assets at their discretion.

ANSWER: Denied.

39. Certain of the Solicitation Materials, or documents regarding the use of funds received on account of the Solicitation Materials, at times, provided that the funds raised were to be used to service or pay down outstanding debts of certain Churches.

ANSWER: Denied.

40. The Debtor and Churches, at times, used Campaign Assets for purposes other than as set forth in the Solicitation Materials.

ANSWER: The Debtor admits that in limited instances restricted assets may have been repurposed with the express consent of the donor or returned to the donor where the purpose of the original restriction was no longer feasible. The Debtor denies the remaining allegations in paragraph 40.

CAUSES OF ACTION

COUNT ONE

(Declaratory Relief: The Campaign Assets Are Not Held in Charitable Trust Under Section 17510 *et seq.* of the CBPC)

(Against the Debtor and OPF)

41. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

ANSWER: The Debtor adopts and incorporates its responses to set forth above and below as its response to paragraph 41.

42. Section 17510 *et seq.* of the CBPC provides that a charitable trust is established with respect to donations and gifts to a charity that are solicited for charitable purposes.

ANSWER: Paragraph 42 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

43. The Solicitation Materials did not seek donations for charitable purposes.

ANSWER: Denied.

44. As a result, section 17510 *et seq.* of the CBPC does not apply to the Campaign Assets.

ANSWER: Denied.

45. Section 17510.3 of the CBPC sets forth requirements for solicitations to create a charitable trust, including (i) the solicitor shall exhibit to the prospective donor a card entitled

"Solicitation or Sale for Charitable Purposes Card" that is signed and dated under penalty of perjury by an individual who is a principal, staff member, or officer of the soliciting organization, among other requirements, or (ii) distributing printed material including, among other things, the name and address of each organization on behalf of which all or any part of the money collected will be utilized for charitable purposes, the manner in which the money collected will be utilized for charitable purposes, and the percentage which may be deducted as a charitable contribution under both federal and state law.

ANSWER: Paragraph 45 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

46. The Solicitation Materials did not include a card entitled "Solicitation or Sale for Charitable Purposes Card" that was signed and dated under penalty of perjury by an individual who is a principal, staff member, or officer of the solicitating organization.

ANSWER: Denied.

47. The Solicitation Materials did not include printed material including the name and address of each organization on behalf of which all or any part of the money collected would be utilized for charitable purposes, the manner in which the money collected would be utilized for charitable purposes, nor the percentage which may be deducted as a charitable contribution under both federal and state law.

ANSWER: Denied.

48. The Solicitation Materials do not comply with section 17510.3 of the CBPC.

ANSWER: Denied.

49. Section 17510.4 of the CBPC provides that "[i]f the initial solicitation or sales solicitation is made by radio, television, letter, telephone, or any other means not involving direct personal contact with the person solicited, including over the Internet, this solicitation shall clearly disclose the information required by Section 17510.3."

ANSWER: The Debtor admits that the Section 17510.4 includes the quoted language. The Debtor denies the remaining allegations in paragraph 49.

50. Because the Solicitation Materials do not comply with section 17510.3 of the CBPC, upon information and belief, the Solicitation Materials do not comply with section 17510.4 of the CBPC, to the extent applicable.

ANSWER: Denied.

51. Section 17510.6 of the CBPC provides that "[t]he provisions of this article [creating a charitable trust] shall not apply to solicitations, sales, offers, or attempts to sell within the membership of a charitable organization or upon its regular occupied premises . . . ."

ANSWER: The Debtor admits that the Section 17510.6 includes the quoted language, except the bracketed insert. The Debtor denies the remaining allegations in paragraph 51.

52. The solicitations leading to donations of the Campaign Assets were within the membership of the Debtor and/or its affiliates or upon its regular occupied premises.

ANSWER: Denied.

53. To the extent the Debtor is a charity, the Solicitation Materials are not in compliance with section 17510.6 of the CBPC.

ANSWER: Denied.

54. Section 17510.8 of the CBPC establishes a charitable trust and a duty on the part of the charity and the person soliciting on behalf of the charity to use those charitable contributions for the declared charitable purposes for which they are sought.

ANSWER: Paragraph 54 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

55. Section 17510.25 of the CBPC defines "charity" as "a charity subject to supervision by the Attorney General pursuant to Article 7 (commencing with Section 12580) of Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code."

ANSWER: The Debtor admits that the Section 17510.25 includes the quoted language. The Debtor denies the remaining allegations in paragraph 55.

56. Article 7 (Section 12583) of Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code provides that "[t]he filing, registration, and reporting provisions of this article do not apply to . . . any religious corporation sole or other religious corporation or organization that holds property for religious purposes, or to any officer, director, or trustee thereof who holds property for like purposes, to a cemetery corporation regulated under Chapter 12 (commencing with Section 7600) of Division 3 of the Business and Professions Code, or to any committee as defined in Section 82013 that is required to and does file any statement pursuant to Article 2 (commencing with Section 84200) of Chapter 4 of Title 9, or to a charitable corporation or unincorporated association organized and operated primarily as a religious organization [or an] educational institution . . . ."

ANSWER: The Debtor admits that the Section 17583 includes the quoted language. The Debtor denies the remaining allegations in paragraph 56.

57. The Debtor is a religious corporation sole.

ANSWER: Admitted.

58. OPF is a religious corporation.

ANSWER: Admitted.

59. Accordingly, neither the Debtor nor OPF are charities as defined by section 17510.25 of the CBPC.

ANSWER: Paragraph 59 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

60. Accordingly, section 17510.8 of CBPC does not apply to the funds held by the Debtor or OPF.

ANSWER: Denied.

61. Section 17510 *et seq.* does not apply to the Campaign Assets.

ANSWER: Denied.

62. Accordingly, a charitable trust was not established with respect to the Campaign Assets pursuant to section 17510 *et seq.* of the CBPC.

ANSWER: Denied.

63. The Debtor asserts that many of its assets are held in a charitable trust pursuant to section 17510.8 of the CBPC.

ANSWER: Admitted.

64. Accordingly, an actual, substantial, and justiciable controversy exists as to whether or not the Campaign Assets are held in a charitable trust pursuant to section 17510.8 of the CBPC.

ANSWER: Paragraph 64 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

65. The Committee is entitled to a judicial determination that the Campaign Assets are not held in a charitable trust.

ANSWER: Paragraph 65 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

COUNT TWO

(Declaratory Relief: The Individual Donor Assets Are Not Held in Charitable Trust Under Section 17510 *et seq.* of the CBPC)

(Against the Debtor and OPF)

66. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

ANSWER: The Debtor adopts and incorporates its responses to set forth above and below as its response to paragraph 66.

67. Section 17510 *et seq.* of the CBPC provides that a charitable trust is created with respect to donations and gifts that are solicited for charitable purposes.

ANSWER: Paragraph 67 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

68. The Individual Donor Assets were not donated in response to any solicitation by the Debtor.

ANSWER: Denied.

69. Section 17510 *et seq.* of the CBPC does not apply to the Individual Donor Assets.

ANSWER: Denied.

70. Section 17510.8 of the CBPC establishes a charitable trust and a duty on the part of the charity and the person soliciting on behalf of the charity to use those charitable contributions for the declared charitable purposes for which they are sought.

ANSWER: Paragraph 70 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

71. Section 17510.25 of the CBPC defines "charity" as "a charity subject to supervision by the Attorney General pursuant to Article 7 (commencing with section 12580) of Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code."

ANSWER: The Debtor admits that the Section 17510.25 includes the quoted language. The Debtor denies the remaining allegations in paragraph 71.

72. Article 7 (Section 12583) of Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code provides that "[t]he filing, registration, and reporting provisions of this article do not apply to . . . any religious corporation sole or other religious corporation or organization that holds property for religious purposes, or to any officer, director, or trustee thereof who holds property for like purposes, to a cemetery corporation regulated under Chapter 12 (commencing with Section 7600) of Division 3 of the Business and Professions Code, or to any committee as defined in Section 82013 that is required to and does file any statement pursuant to Article 2 (commencing with Section 84200) of Chapter 4 of Title 9, or to a charitable corporation or

unincorporated association organized and operated primarily as a religious organization [or an] educational institution . . . ."

ANSWER: The Debtor admits that the Section 12583 includes the quoted language. The Debtor denies the remaining allegations in paragraph 72.

73. The Debtor is a religious corporation sole.

ANSWER: Admitted.

74. OPF is a religious corporation.

ANSWER: Admitted.

75. Accordingly, neither the Debtor nor OPF are charities as defined by section 17510.25 of the CBPC.

ANSWER: Paragraph 75 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

76. Accordingly, section 17510.8 of the CBPC does not apply to the funds held by the Debtor or OPF.

ANSWER: Paragraph 76 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

77. Therefore, the Individual Donor Assets are not held in a charitable trust pursuant to section 17510.8 of the CBPC.

ANSWER: Paragraph 77 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

78. The Debtor asserts that many of its cash assets are held in a charitable trust pursuant to section 17510.8 of the CBPC.

ANSWER: Admitted.

79. Accordingly, an actual, substantial, and justiciable controversy exists as to whether or not the Individual Donor Assets are held in a charitable trust pursuant to section 17510.8 of the CBPC.

ANSWER: Paragraph 79 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

80. The Committee is entitled to a judicial determination that the Individual Donor Assets are not held in a charitable trust.

ANSWER: Paragraph 80 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

COUNT THREE

(Declaratory Relief: The Shielded Assets Are Not Held in Trust Pursuant to Section 9142(c) of the California Corporations Code)

(Against the Debtor and OPF)

81. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

ANSWER: The Debtor adopts and incorporates its responses to set forth above and below as its response to paragraph 81.

82. Section 9142(c) of the California Corporation Code provides:

> (c) No assets of a religious corporation are or shall be deemed to be impressed with any trust, express or implied, statutory or at common law unless one of the following applies:
>
> > (1) Unless, and only to the extent that, the assets were received by the corporation with an express commitment by resolution of its board of directors to so hold those assets in trust.
> >
> > (2) Unless, and only to the extent that, the articles or bylaws of the corporation, or the governing instruments of a superior religious body or general church of which the corporation is a member, so expressly provide.
> >
> > (3) Unless, and only to the extent that, the donor expressly imposed a trust, In writing, at the time of the gift or donation.

ANSWER: The Debtor admits that the Section 9142(c) includes the quoted language. The Debtor denies the remaining allegations in paragraph 82.

83. Because the Debtor and OPF are religious corporations, section 9142(c) of the California Corporations Code applies to determine whether the Shielded Assets are held in trust.

ANSWER: Paragraph 83 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

84. None of the Shielded Assets were received by the Debtor with an express commitment by resolution of its board of directors to so hold those assets in trust.

ANSWER: Denied.

85. Neither the Debtor's articles or bylaws, or other governing instruments, expressly provide for any of the Shielded Assets to be held in trust.

ANSWER: Denied.

86. The Solicitation Materials do not expressly impose a trust, in writing, over any Campaign Assets.

ANSWER: Denied.

87. The Campaign Assets donated in response to Solicitations Materials do not expressly impose, in writing, a trust over the Campaign Assets.

ANSWER: Denied.

88. Certain of the Individual Donor Assets were donated to the Debtor without any specific restricting language.

ANSWER: Denied.

89. Certain of the Individual Donor Assets were donated to the Debtor with the instruction that the Debtor and/or the Bishop may deviate from the restricted use of a donation if other activities were deemed to be more closely aligned with the donation's purpose.

ANSWER: Denied.

90. Upon information and belief, certain of the Individual Donor Assets, even if properly restricted, can be used to pay creditors of the Debtor that fall within the restricted purpose.

ANSWER: The Debtor admits that donor-restricted assets may be used consistent with the applicable donor restriction. The Debtor denies the remaining allegations in paragraph 90.

91. The Shielded Assets are not held in trust pursuant to sections 9142(c) of the California Corporations Code.

ANSWER: Denied.

92. The Debtor asserts that the Shielded Assets are held in trust.

ANSWER: Admitted.

93. Accordingly, an actual, substantial, and justiciable controversy exists as to whether or not the Shielded Assets are held in trust.

ANSWER: Paragraph 93 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

94. The Committee is entitled to a judicial determination that the Shielded Assets are not held in trust pursuant to Section 9142(c) of the California Corporations Code.

ANSWER: Paragraph 94 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

COUNT FOUR

(Declaratory Relief: The Shielded Assets Are Commingled and Not Properly Accounted For or Identified)

(Against the Debtor and OPF)

95. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

ANSWER: The Debtor adopts and incorporates its responses to set forth above and below as its response to paragraph 95.

96. Upon information and belief, the Shielded Assets are, or have been, commingled both with unrestricted assets and with assets subject to different alleged restrictions.

ANSWER: Denied.

97. The Shielded Assets now being held at OPF were previously deemed unrestricted by the Debtor while such funds were held in the Debtor's DLF.

ANSWER: Denied.

98. Certain of the Shielded Assets are used for purposes other than as set forth in the Solicitation Materials or support of the Individual Donor Assets.

ANSWER: Denied.

99. Upon information and belief, the use of Shielded Assets is not properly accounted for.

ANSWER: Denied.

100. Upon information and belief, the Shielded Assets have not been identified in actual segregated bank and/or investment accounts or, in the alternative, have not been traced using an acceptable methodology if commingled.

ANSWER: Denied.

101. Upon information and belief, the Debtor has not analyzed whether the Shielded Assets could be used to pay creditors of the Debtor other than Survivors.

ANSWER: Denied.

102. The Debtor asserts that the Shielded Assets are properly accounted for and cannot be used to pay creditors of the Debtor's estate.

ANSWER: Admitted.

103. Accordingly, an actual, substantial, and justiciable controversy exists as to whether or not the Shielded Assets are in fact properly accounted for such that the Shielded Assets are subject to valid restriction and/or available to pay creditors of the Debtor.

ANSWER: Paragraph 103 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

104. The Committee is entitled to a judicial determination that the Shielded Assets are commingled and are not properly accounted for and therefore are not subject to a valid restriction and are available to pay creditors of the Debtor.

ANSWER: Paragraph 104 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

COUNT FIVE

(Declaratory Relief: The Shielded Assets Are Unrestricted Property of the Debtor's Estate Under 11 U.S.C. § 541(a)(1))

(Against the Debtor and OPF)

105. The Committee repeats and realleges each of the allegations set forth above and below as if fully set forth herein.

ANSWER: The Debtor adopts and incorporates its responses to set forth above and below as its response to paragraph 105.

106. The Shielded Assets constitute unrestricted assets of the Debtor's estate, are not held in trust, and may be used to pay the claims of the Debtor's creditors.

ANSWER: Denied.

107. The Debtor asserts that the Shielded Assets constitute restricted assets, which the Debtor holds in trust, and therefore cannot be used to pay the claims of any creditors.

ANSWER: Denied.

108. Accordingly, an actual, substantial, and justiciable controversy exists as to whether or not the Shielded Assets are in fact restricted.

ANSWER: Paragraph 108 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

109. The Committee is entitled to a judicial determination that the Shielded Assets (i) are not subject to valid restriction or held in any trust that prohibits them from being used to pay creditors of the Debtor, (ii) must be included in the Debtor's Schedules and SOFAs, (iii) must be

reported in the Debtor's Monthly Operating Reports, and (iv) must be included in the Debtor's liquidation analysis without adjustment or reduction.

ANSWER: Paragraph 109 makes no averment or allegations of fact to which a response is required, and is denied on that basis.

AFFIRMATIVE AND ADDITIONAL DEFENSES

Without admitting to the truth of any of the allegations in Plaintiff's Complaint that have been previously denied; without conceding that RCBO bear any burden of proof as to the allegations in Plaintiff's Complaint or that any of the following necessarily must be pled as an affirmative defense; and without conceding that any of the following is not already at issue by virtue of the foregoing denials, RCBO asserts the following affirmative defenses, and reserves the right to supplement and/or amend its affirmative defenses as may be necessary and appropriate as this litigation proceeds.

First Affirmative Defense

(Failure to State a Claim)

The relief sought is barred, in whole or in part, to the extent the Complaint fails to state a cause of action against the Debtor upon which relief may be granted.

Second Affirmative Defense

(Statute of Limitations)

The relief sought is barred, in whole or in part, by applicable statutes of limitations.

Third Affirmative Defense

(Lack of Case or Controversy)

Declaratory relief is not available because there is no justiciable case or controvesy.

Fourth Affirmative Defense

(**Ripeness**)

All or some of the Committee's claims are not ripe for adjudication.

Fifth Affirmative Defense

(Uncertainty)

Plaintiff's claims are barred, in whole or in part, because it cannot be ascertained from the FAC the basis of any of the allegations stated therein, including in particular the specific restricted assets that the Committee asserts are not held in trust or otherwise subject to donor restriction.

Sixth Affirmative Defense

(**Failure to Join Necessary Parties**)

As an additional affirmative defense RCBO asserts the Committee's failure to join necessary parties pursuant to Federal Rule of Civil Procedure 19. In particular, the donors of restricted gifts are necessary parties to this matter pursuant to, *inter alia*, Rule 19(a)(1)(A) and (a)(1)(B).

Seventh Affirmative Defense

(**Waiver**)

The Committee's claims are barred by the doctrines of waiver, estoppel, and/or laches, including because the Committee has not objected to use of restricted assets for their designated purpose, and such assets are no longer available.

Eighth Affirmative Defense

(**Mootness**)

The Committee's claims are barred by the doctrine of mootness to the extent that the restricted assets that are the subject of the Committee's Complaint have already been used for their designated purpose.

Ninth Affirmative Defense

(**Further Defenses**)

RCBO reserves its rights to assert additional defenses upon further discovery of the Committee's claims and its bases for asserting that specific assets are not subject to restriction.

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DEMAND FOR TRIAL BY JURY

The Debtor demands a trial by jury as to all issues so triable.

PRAYER FOR RELIEF

WHEREFORE, the Debtor respectfully requests that the Court deny all relief requested by the Committee and enter judgment for the Debtor:

a. Dismissing the Committee's Complaint with prejudice;

b. Granting the Debtor such other and further relief that this Court deems just and proper.

Dated: July 1, 2025

FOLEY & LARDNER LLP

/s/ Shane J. Moses
Shane J. Moses

Attorneys for the Debtor
The Roman Catholic Bishop of Oakland