

Susan G. Boswell, Esq. (AZ #004791; Admitted Pro Hac Vice)
 Kasey C. Nye, Esq. (AZ#020610; Admitted Pro Hac Vice)
 Lori L. Winkelman, Esq. (AZ#021400; Admitted Pro Hac Vice)
QUARLES & BRADY LLP
 One South Church Avenue
 Suite 1700
 Tucson, Arizona 85701-1621
 Telephone: (520) 770-8700
 Facsimile: (520) 770-2222
 Email: susan.boswell@quarles.com
 Email: kasey.nye@quarles.com
 Email: lori.winkelman@quarles.com

Michael R. Mills, Esq. (AK #891174)
DORSEY & WHITNEY LLP
 1031 West Fourth Avenue
 Suite 600
 Anchorage, AK 99501-5907
 Telephone: (907) 276-4557
 Facsimile: (907) 276-4152
 Email: mills.mike@dorsey.com

Attorneys for Debtor, Catholic Bishop of Northern Alaska

IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE DISTRICT OF ALASKA

CATHOLIC BISHOP OF NORTHERN)	Case No. 08-00110-DMD
ALASKA, an Alaska religious corporation)	
sole,)	(Chapter 11)
)	
Debtor.)	
)	
)	
)	
)	

**THIRD AMENDED AND RESTATED DISCLOSURE STATEMENT IN SUPPORT OF
 DEBTOR'S AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS'
 THIRD AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION FOR
 CATHOLIC BISHOP OF NORTHERN ALASKA DATED DECEMBER 16, 2009**

Quarles & Brady LLP
 One South Church Ave.
 Suite 1700
 Tucson, Arizona 85701-
 1621

Table of Contents

	Page
I. INTRODUCTION	1
II. INFORMATION ABOUT THIS DISCLOSURE STATEMENT AND PLAN CONFIRMATION PROCESS	3
A. Definitions And Plan Supremacy.....	3
B. Limited Representations	3
C. Voting Procedures.....	5
III. OVERVIEW OF THE THIRD AMENDED JOINT PLAN	9
IV. THE DEBTOR.....	12
A. The Ministries and Activities of CBNA and the Fairbanks Diocese and their Relationship to Roman Catholic Parishes and Parish Churches in Northern and Western Alaska.....	12
B. Other Ministries and Activities of CBNA	15
C. The Sexual Abuse Crisis and the Fairbanks Diocese's Response.....	18
D. The Financial Structure and Operations of CBNA.....	23
E. Disputes Over Property Ownership and Associated Risks.....	38
V. SIGNIFICANT EVENTS PRIOR TO THE REORGANIZATION CASE	65
A. Clarification of Fiduciary Relationships.....	65
B. Creation of the Catholic Trust of Northern Alaska.....	66
C. CBNA's and the Fairbanks Diocese's Response to the Sexual Abuse Crisis	67
D. The Alaska Clergy Abuse Litigation	68
VI. SIGNIFICANT EVENTS IN CHAPTER 11.....	69
A. First Day Motions	69
B. Employment of Bankruptcy Professionals	70
C. Establishment of Bar Date and Procedures Related to Filing Claims Under Seal.....	71
D. Construction Motion	72
E. Insurance and Tort Litigation.....	72
F. Post-Petition Financing.....	73
G. The Standing Motion and Related Proceedings.....	74

Table of Contents
(continued)

	Page
H. Other Property of the Estate.....	74
I. Recession Affects CBNA Income and Budgets	76
J. Mediations and Settlement Negotiations	77
K. Stay Relief Proceedings	77
L. Plan & Disclosure Statement	77
M. Events Following the Filing of the Second Amended Plan.....	78
VII. DESCRIPTION OF THE THIRD AMENDED JOINT PLAN.....	79
A. Unclassified and Unimpaired Claims	80
B. Impaired Claims.....	81
VIII. MEANS FOR EXECUTION OF THE THIRD AMENDED JOINT PLAN	99
A. Pre-Effective Date Transactions	99
B. Actions on the Effective Date	100
C. Post-Effective Date Performance by the Reorganized Debtor	100
D. Post-Confirmation Management.....	102
E. Treatment of Executory Contracts	103
IX. EFFECT OF CONFIRMATION	104
A. Discharge	104
B. Vesting	105
C. Channeled Claims	105
D. Exculpation and Limitation of Liability	106
E. Permanent Injunction Against Prosecution of Released and Channeled Claims	106
X. FEDERAL TAX CONSEQUENCES.....	107
XI. ACCEPTANCE AND CONFIRMATION	110
A. Voting Procedures.....	110
B. Feasibility.....	112
C. Best Interests Of Creditors And Liquidation Analysis	112
D. Confirmation Over Dissenting Class	114
XII. ALTERNATIVES TO THE THIRD AMENDED JOINT PLAN.....	116

Table of Contents
(continued)

Page

XIII. RECOMMENDATIONS OF THE DEBTOR AND CONCLUSION 116

I.
INTRODUCTION

Catholic Bishop of Northern Alaska, an Alaska religious corporation sole, the debtor and debtor-in-possession ("CBNA" or the "Debtor") in the above-captioned Chapter 11 reorganization case (the "Reorganization Case"), has prepared this Third Amended and Restated Disclosure Statement ("Disclosure Statement") in connection with soliciting acceptances of the "Third Amended and Restated Joint Plan of Reorganization for the Catholic Bishop of Northern Alaska" dated December 16, 2009 (the "Third Amended Joint Plan") from CBNA's Creditors. A copy of the Third Amended Joint Plan is attached as Exhibit "1" to this Disclosure Statement. The Official Committee of Unsecured Creditors (the "Committee") is a co-proponent of the Third Amended Joint Plan. The Committee supports confirmation of the Third Amended Joint Plan and will be sending a letter of recommendation to Creditors recommending that Creditors vote to accept the Third Amended Joint Plan (the "Committee Letter"). The Committee Letter will be a part of the solicitation package that will be sent to Creditors. The Third Amended Joint Plan reflects the agreements between CBNA and the Committee for the reorganization of CBNA and compensation and treatment of the Tort Claims¹ of Tort Claimants. The Third Amended Joint Plan reflects the tireless efforts of retired California State Court Judge William L. Bettinelli ("Judge Bettinelli") who acted as the mediator in the Reorganization Case and the efforts and the willingness of CBNA and the Committee to continue to engage in mediation which resulted in the resolution that is embodied in the Third Amended Joint Plan.

It is impossible to overstate the tragedy of the sexual abuse that was inflicted on literally hundreds of Native Alaskan children and teenagers by a small group of individuals, mostly Jesuit priests or, in some cases, volunteers supervised by Jesuits, who purported to be doing the missionary work of the Roman Catholic Church, but instead inflicted untold pain and suffering on these children and teenagers. CBNA, the civil entity incorporated pursuant to Alaska's

¹ Capitalized terms used in this Disclosure Statement that are not otherwise defined in this Disclosure Statement will have the meaning ascribed to them in the Third Amended Joint Plan.

Religious Corporations statute for purposes of holding and administering property in trust for the benefit of the Roman Catholic religious entities and functions within the Diocese of Fairbanks (the "Fairbanks Diocese"), together with the Committee proposes the Third Amended Joint Plan in order to pay just compensation to survivors of sexual abuse perpetrated by individuals associated with the Fairbanks Diocese, and to restructure its financial affairs to preserve and develop the ministries and missions that are facilitated by CBNA and are so critical to the people of northern and western Alaska.

The Third Amended Joint Plan memorializes a compromise between CBNA and the Committee after nearly one year and nine months in Reorganization, and extensive litigation and mediations. Below, this Disclosure Statement seeks to provide adequate information for Creditors to be able to evaluate the Third Amended Joint Plan and decide whether to vote to accept the Third Amended Joint Plan. In addition to describing the Third Amended Joint Plan itself, in order to assist Creditors in voting on the Third Amended Joint Plan, this Disclosure Statement provides information about CBNA, its Assets, property that it holds for others, its liabilities, its history, the problem of sexual abuse perpetrated by individuals associated with the Fairbanks Diocese, the steps taken by CBNA to address the injuries inflicted by such sexual abuse and steps taken to prevent abuse from occurring now and in the future. This Disclosure Statement also provides information about CBNA's insurance coverage for these Tort Claims, its current operations and business plan for the future and the events that have occurred in the Reorganization Case, including disputes with the Committee regarding whether the Bankruptcy Court should require CBNA to use property held for others to pay CBNA's Creditors. This Disclosure Statement also describes the process by which Creditors will vote to accept or reject the Third Amended Joint Plan, and the circumstances under which the Third Amended Joint Plan may be approved by the Court, even if some creditors do not vote to accept the Third Amended Joint Plan.

Quarles & Brady LLP
One South Church Ave.
Suite 1700
Tucson, Arizona 85701-
1621

II.
INFORMATION ABOUT THIS DISCLOSURE STATEMENT AND PLAN
CONFIRMATION PROCESS

A. Definitions And Plan Supremacy

All terms defined in the Third Amended Joint Plan will have the same meanings when used in this Disclosure Statement, unless it is expressly stated that a term will have a different meaning when used in this Disclosure Statement. In addition, unless otherwise stated, terms used in this Disclosure Statement will have the same meanings as in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure or the Local Rules of the Bankruptcy Court. Terms defined in this Disclosure Statement which are also defined in the Third Amended Joint Plan or the other sources described above, are solely for convenience when reading this Disclosure Statement; the Debtor does not intend to change the definitions of those terms from the Third Amended Joint Plan or from the otherwise applicable sources. Furthermore, in the event of any inconsistency between the Third Amended Joint Plan and this Disclosure Statement, the Third Amended Joint Plan will control. The exhibits attached to this Disclosure Statement are incorporated into and are a part of this Disclosure Statement.

B. Limited Representations

This Disclosure Statement is submitted in accordance with Bankruptcy Code § 1125 for the purpose of soliciting acceptances of the Third Amended Joint Plan from holders of certain Claims. This Disclosure Statement has been approved by the Bankruptcy Court as containing information of a kind, and in sufficient detail, which is adequate to enable you to make an informed judgment whether to vote to accept or to reject the Third Amended Joint Plan.

In determining whether the Third Amended Joint Plan should be confirmed, the Bankruptcy Court will consider whether the Third Amended Joint Plan satisfies the requirements of the Bankruptcy Code, including whether it is feasible, and whether it is in the best interests of the holders of Claims. The Bankruptcy Court also will receive and consider a ballot report prepared by the Debtor, concerning the votes for acceptance or rejection of the Third Amended Joint Plan by parties entitled to vote. Only holders of Allowed Claims that are impaired under

the Third Amended Joint Plan will be allowed to vote to accept or reject the Third Amended Joint Plan.

THIS DISCLOSURE STATEMENT IS NOT THE THIRD AMENDED JOINT PLAN. THIS DISCLOSURE STATEMENT, TOGETHER WITH THE THIRD AMENDED JOINT PLAN, WHICH IS ATTACHED HERETO AS EXHIBIT "1", SHOULD BE READ COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE THIRD AMENDED JOINT PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE THIRD AMENDED JOINT PLAN ARE QUALIFIED IN THEIR ENTIRETY BY THE THIRD AMENDED JOINT PLAN ITSELF, WHICH IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

The Bankruptcy Court will hold a hearing on confirmation of the Third Amended Joint Plan on January 25 and 26, 2010, commencing at 9:00 a.m. Alaska Standard Time (the "Confirmation Hearing") and continuing thereafter until conclusion of the Confirmation Hearing. The Confirmation Hearing may be adjourned from time to time without further written notice.

Information contained in this Disclosure Statement was obtained from knowledgeable personnel at CBNA or from the books and records of CBNA. Financial information developed for purposes of this Disclosure Statement was developed by personnel at CBNA working with the Debtor's Professionals. Certain materials contained in this Disclosure Statement are taken directly from other, readily accessible documents or are digests of other documents. While every effort has been made to retain the meaning of such documents, you are urged to rely upon the contents of such documents and only after a thorough review of the documents themselves.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS OPERATIONS, THE VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF THE REORGANIZED DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS DISCLOSURE STATEMENT DESCRIBING CBNA HAVE NOT BEEN SUBJECT TO A CERTIFIED

AUDIT, BUT HAVE BEEN PREPARED FROM INFORMATION COMPILED BY CBNA FROM RECORDS MAINTAINED IN THE ORDINARY COURSE OF ITS BUSINESS. EVERY EFFORT HAS BEEN MADE TO BE AS ACCURATE AS POSSIBLE IN THE PREPARATION OF THIS DISCLOSURE STATEMENT.

THIS IS A SOLICITATION BY THE DEBTOR AND IT IS NOT A SOLICITATION BY THE DEBTOR'S ATTORNEYS OR ANY OTHER PROFESSIONALS EMPLOYED BY THE DEBTOR. THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE DEBTOR AND NOT OF THE DEBTOR'S ATTORNEYS OR ANY OTHER PROFESSIONAL. THE COMMITTEE WILL ALSO BE SOLICITING ACCEPTANCES OF THE PLAN; HOWEVER NONE OF THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT ARE REPRESENTATIONS OF THE COMMITTEE OR THE COMMITTEE'S PROFESSIONALS. ALL REPRESENTATIONS AND STATEMENTS MADE BY THE COMMITTEE WILL BE CONTAINED IN THE LETTER OF THE COMMITTEE ACCOMPANYING THIS DISCLOSURE STATEMENT.

REASONABLE EFFORTS HAVE BEEN MADE TO ACCURATELY PREPARE ALL UNAUDITED FINANCIAL STATEMENTS WHICH MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE INFORMATION AVAILABLE TO THE DEBTOR. HOWEVER, AS TO ALL SUCH FINANCIAL STATEMENTS, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED THEREIN IS WITHOUT ERROR.

APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE CERTIFICATION BY THE COURT THAT THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACY.

C. Voting Procedures

In accordance with Bankruptcy Code § 1122(a), the Third Amended Joint Plan classifies Claims into different Classes based on similarities and differences between the legal rights associated with the Claims and provides for how each Class of Claims will be treated.

Specifically, the Third Amended Joint Plan classifies Claims against the Debtor into the following Classes:

Class 1 – Priority Employee Unsecured Claims

Class 2 – Prepetition Date Secured Tax Claims

Class 3 – Other Secured Claims

Class 4 – Great Falls Secured Claim

Class 5 – Annuity Secured Claims

Class 6 – General Unsecured Convenience Claims

Class 7 – Jesuit Unsecured Claims

Class 8 – General Unsecured Claims

Class 9 – Other Tort and Employee Claims

Class 10 – Tort Claims and Future Tort Claims

Class 11 – Insurance and Benefit Claims

Class 12 – Continental Claims

Class 13 – Pilgrim Springs Claims

Class 14 – Penalty Claims

The Third Amended Joint Plan's treatment of a Class will either "impair" the Claims in that Class or leave them "unimpaired." Claims are impaired if the Third Amended Joint Plan in any way alters the legal, equitable, or contractual rights associated with the Claims or if the Third Amended Joint Plan provides for paying less than the full amount of the Allowed Claims. Holders of Claims in Classes which are impaired under the Third Amended Joint Plan may vote to either accept or reject the Third Amended Joint Plan. If you are the holder of such Claim, it is important that you vote.²

² Holders of Claims which are unimpaired, that is their rights are not altered and they will be paid or satisfied in full, are deemed to have accepted the Third Amended Joint Plan and are not required to vote. See Bankruptcy Code § 1126(f). Similarly, holders of Claims who will receive nothing under the Third Amended Joint Plan are deemed to reject the Third Amended Joint Plan and also need not vote. See Bankruptcy Code § 1126(g).

In order to confirm the Third Amended Joint Plan, at least one Class of Claims impaired by the Third Amended Joint Plan must vote to accept the Third Amended Joint Plan. In order for a Class of Claims to vote to accept the Third Amended Joint Plan, votes representing at least two-thirds (2/3) in amount of the Claims in that Class that vote and more than one-half (1/2) in number of the Claims in that Class that vote must be cast in favor of accepting the Third Amended Joint Plan. As more fully described below, the Debtor is seeking acceptances from holders of Allowed Claims in the following Classes (reserving the right to supplement as to any other impaired Class(es) of Claims, if any):

<u>Class</u>	<u>Description</u>	<u>Status</u>
Class 2	Prepetition Date Secured Tax Claims	Impaired – Entitled To Vote
Class 3	Other Secured Claims	Impaired – Entitled To Vote
Class 4	Great Falls Secured Claim	Impaired – Entitled To Vote
Class 6	General Unsecured Convenience Claims	Impaired – Entitled To Vote
Class 7	Jesuit Unsecured Claims	Impaired – Entitled To Vote
Class 8	General Unsecured Claims	Impaired – Entitled To Vote
Class 9	Other Tort and Employee Claims	Impaired – Entitled To Vote
Class 10	Tort Claims and Future Tort Claims	Impaired – Entitled To Vote
Class 12	Continental Claims	Impaired – Entitled to Vote

The following Classes of Claims are not impaired under the Third Amended Joint Plan, or are otherwise prohibited by the Bankruptcy Code from voting on the Third Amended Joint Plan, for the reason indicated:

<u>Class</u>	<u>Description</u>	<u>Status</u>
Unclassified	Administrative Claims	Unimpaired – Deemed to Accept
Unclassified	Priority Unsecured Claims	Unimpaired – Deemed to Accept
Unclassified	Priority Tax Claims	Unimpaired – Deemed to Accept
Class 1	Priority Employee Unsecured Claims	Unimpaired – Deemed to Accept
Class 5	Annuity Secured Claims	Unimpaired – Deemed to Accept
Class 11	Insurance and Benefit Claims	Unimpaired – Deemed to Accept
Class 13	Pilgrim Springs Claims	Receive \$0.00 - Deemed to Reject
Class 14	Penalty Claims	Receive \$0.00 - Deemed to Reject

The specific treatment of each Class under the Third Amended Joint Plan is set forth in the Third Amended Joint Plan and is summarized in Article VII of this Disclosure Statement. It is possible that one or more Classes of Claims will have no Creditors in that Class. In that event, under the terms of the Third Amended Joint Plan, that Class will be deemed to be automatically deleted from the Third Amended Joint Plan.

Bankruptcy Code § 1129(b) provides that, if the Third Amended Joint Plan is rejected by one or more impaired Classes of Claims, the Third Amended Joint Plan nevertheless may be confirmed by the Bankruptcy Court, if: (i) the Bankruptcy Court determines that the Third Amended Joint Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class(es) of Claims; and (ii) at least one Class of Impaired Claims has voted to accept the Third Amended Joint Plan.

A VOTE FOR ACCEPTANCE OF THE THIRD AMENDED JOINT PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS MOST IMPORTANT. THE DEBTOR RECOMMENDS THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE THIRD AMENDED JOINT PLAN. THE DEBTOR FURTHER UNDERSTANDS THAT THE COMMITTEE RECOMMENDS THAT THE HOLDER OF ALLOWED CLAIMS VOTE IN FAVOR OF THE THIRD AMENDED JOINT PLAN.

III.
OVERVIEW OF THE THIRD AMENDED JOINT PLAN

As discussed above, CBNA filed this Reorganization Case in order to pay just compensation to survivors of sexual abuse perpetrated by individuals associated with the Fairbanks Diocese and to restructure its financial affairs to preserve and develop the ministries and missions that are facilitated by CBNA and are so critical to the people of northern and western Alaska. CBNA and the Committee have proposed the Third Amended Joint Plan to accomplish these goals. Under the Third Amended Joint Plan the Debtor, with additional help from its KNOM division, the Parish Churches, the Monroe Foundation, increased insurance settlements and agreements by professionals to forego certain fees, has been able to commit to a guaranteed payment of \$9.8 million to the Fund for paying Tort Claims. The \$9.8 million amount to be paid to Tort Claimants is net of administrative expenses (representing an increase in funding of over \$1,300,000 compared with the Second Amended Plan proposed by the Debtor on October 26, 2009). The \$9.8 million will be transferred to the Fund by CBNA on or before the Effective Date. The Third Amended Joint Plan also contains certain minor modifications to the treatment of Tort Claims as well as certain refinements to the *Great Divide* settlement arrangement proposed in the Second Amended Plan.

As a result, the Third Amended Joint Plan provides for the sale of CBNA's essential ministry property, including the Catholic Schools of Fairbanks, to the Endowment in exchange for approximately \$7.9 million of Cash on or before the Effective Date. One of the conditions of the Endowment's purchase of CBNA's Real Property is a dismissal of any actions pending against the Endowment, a finding in the Confirmation Order that the Endowment, as a charitable trust, is properly excluded from the Estate and approval by the Bankruptcy Court of the sale of CBNA Real Property to the Endowment. In order to accomplish this sale, the Third Amended Joint Plan also provides for amendments to the Endowment Documents that must be approved by the Confirmation Order.

In addition, CBNA will immediately sell the Pilgrim Springs Property at an auction to be conducted on February 25, 2010. The Endowment will submit the opening bid at the Pilgrim Springs Auction for \$1.85 million (the "Pilgrim Springs Guaranteed Sale Price"). If there are third party bidders at the Pilgrim Springs Auction who submit bids in excess of the Pilgrim Springs Guaranteed Sale Price and close on the sale, all excess proceeds, net of customary closing costs of the sale will be paid to the Fund to then be used in accordance with the Plan.

In addition, the Third Amended Joint Plan effects a settlement and compromise between the CBNA and the Estate on the one hand and the Parish Churches, Monroe Foundation, and the Catholic Trust of Northern Alaska ("CTNA") on the other hand, pursuant to which the Parishes agree to contribute \$650,000 from their unrestricted funds on deposit with the CTNA to the Fund for paying Tort Claimants and the Monroe Foundation agrees to contribute \$150,000, in order to settle any and all claims that CBNA, as the Debtor-in-Possession and the Estate may have to the property of the Parish Churches, the Monroe Foundation or the CTNA, including any and all Avoidance Actions. As a result of this settlement, the Parish Churches, the CTNA and the Monroe Foundation will become Participating Third Parties under the Third Amended Joint Plan and will receive the protections of the Channeling Injunction provided under the Third Amended Joint Plan. In addition to the foregoing, CBNA will also transfer to the Fund, proceeds from an insurance settlement with Alaska National Insurance Company ("Alaska National"), which increased from \$1,100,000 to \$1,400,000. The Alaska National settlement will be the subject of a motion under Bankruptcy Rule 9019 when CBNA and Alaska National complete documentation. CBNA will also assign its claims of indemnity, allocation of fault and contribution against the Sisters of Saint Ann to the Fund, as well as any claims it may have for insurance coverage under the Oregon Province of Jesuit's Safeco Insurance Policies and the Jesuit Allocation of Fault Claims net of any amounts utilized to setoff against the Jesuit Unsecured Claims.

The Third Amended Joint Plan provides for certain modifications to the treatment of Tort Creditors. First, there is the addition of a Convenience Tort Claim treatment, which will allow

Tort Creditors to opt out of the Litigation Protocol and the Litigation Trust (if one is established) and Settlement Trust claim allowance and evaluation procedures and receive \$2,500 within thirty (30) days of the Effective Date of the Plan. Second, there are certain modifications to the Litigation Protocol for allowing and liquidating Tort Claims that opt into Litigation Tort Claim treatment. Third, there are certain refinements to the process governing Settling Tort Claims: (1) Settling Tort Claims are deemed Allowed and Allowed Settling Tort Claims are assigned by the Settling Tort Claimants to the Settlement Trustee; the liquidated amount of the assigned Settling Tort Claims will be determined by either Claim Allowance Agreements which have been approved as reasonable by the Bankruptcy Court under Bankruptcy Rule 9019, or will be liquidated by the Special Arbitrator in a Binding Arbitration Proceeding; (2) Each Settling Tort Claimant will receive a reasonable share of the Settlement Trust based on a matrix of evaluation factors that was developed in connection with the settlement between the Jesuits and one hundred thirteen (113) Tort Claimants in December 2007. The Settlement Trustee will make a preliminary distribution from the Settlement Trust shortly after the matrix evaluation is completed and as expeditiously as possible after the Effective Date. The Third Amended Joint Plan also gives effect to a covenant settlement arrangement under *Great Divide Insurance Co. v. Carpenter*, 79 P.3d 599 (Alaska 2003), and other legal authority, pursuant to which CBNA will assign its Claims against Great Divide Candidate Insurers to the Settlement Trustee, who will pursue Debtor's insurance coverage claims against the Great Divide Candidate Insurers for the Settling Tort Claimants Allowed Claims. In addition, each Settling Tort Claimant will assign any of his or her Claims against a Great Divide Candidate Insurer to the Settlement Trustee. Proceeds from actions against the Great Divide Candidate Insurers will be used to fund additional distributions from the Settlement Trust to Settling Tort Claimants and will also be used to fund the Future Claims Reserve.

Quarles & Brady LLP
One South Church Ave.
Suite 1700
Tucson, Arizona 85701-
1621

IV.
THE DEBTOR

A. The Ministries and Activities of CBNA and the Fairbanks Diocese and their Relationship to Roman Catholic Parishes and Parish Churches in Northern and Western Alaska

CBNA is the civil entity incorporated pursuant to Alaska's Religious Corporations statute since 1952, to hold and administer property in trust for the benefit of all of the religious entities and functions that exist within the Fairbanks Diocese (or its ecclesiastical predecessor, the Vicariate Apostolic of Alaska). The Fairbanks Diocese is the ecclesiastical entity subject to the jurisdiction of the Bishop, presently Most Reverend Donald J. Kettler, JCL ("Bishop Kettler") who serves as the principal teacher, sanctifier, and governor of the Roman Catholic faith and the Catholic faithful within the territory of the Fairbanks Diocese. As reflected in the map of the Fairbanks Diocese that is attached as Exhibit "2" to this Disclosure Statement, the territory of the Fairbanks Diocese is vast. It stretches from Tok, near the Canadian border, all the way across the state to Little Diomedea near the border with Russia; from Barrow on the coast of the Arctic Ocean to Chefnak south of Nelson Island, encompassing almost 410,000 square miles (an area slightly more than one and one half times the area of the state of Texas). Within its boundaries, the Fairbanks Diocese is home to 15,500 Catholics, out of a general population of 161,000. The Fairbanks Diocese is also the ecclesiastical entity through which the Bishop carries out his duties in accordance with the Code of Canon Law ("Canon Law"), which is the ecclesiastical law of the Roman Catholic Church.

There are many other Roman Catholic ecclesiastical entities that operate within the Fairbanks Diocese. Under Canon Law, such entities are referred to as "juridic persons." The most prominent of these ecclesiastical entities are Parishes, but other juridic persons include the various religious orders that minister within the Fairbanks Diocese's territory.

Under Canon law, Parishes are defined as established stable communities of the Christian faithful whose pastoral care is entrusted by the diocesan bishop to its proper pastor. Although appointed by the diocesan bishop, a pastor does not receive his power from the diocesan bishop,

but rather from his office as pastor, nor is a pastor of a parish the representative or delegate of the diocesan bishop. Instead, the power of a pastor stems from his office. CIC, c. 131, 519. The pastor, not the Bishop, is the steward of all of the property of the parishes to which he is appointed. CIC, c. 532. Although in many parts of the United States parishes are separately incorporated, in Alaska parish communities function for civil law purposes as unincorporated associations typically known as "___ Catholic Church." In this Disclosure Statement, the civil law unincorporated associations are referred to as "Parish Churches" and the ecclesiastical juridic persons are referred to as "Parishes."

Including the five Parishes in the Fairbanks and North Pole metropolitan area, only nine (9) of the forty-six (46) Parishes in the Fairbanks Diocese are located on the road system. The rest of the Parishes are located in rural villages that are only accessible by airplane year round. In the summer, many of these villages are accessible by boat, and in winter by snow machine. Approximately eight (8) Parishes are located in the Interior Region in primarily Athabaskan villages situated on or near the Koyukuk, Kuskokwim, Tanana and Yukon Rivers. There are five (5) Parishes and two (2) mission churches in the Northern Region, including the urban areas of Nome and Barrow. These churches serve largely Inupiat Eskimo and Caucasian populations. There are also approximately twenty-four (24) Parishes serving Yup'ik Eskimo villages and the Yukon Kuskokwim Region. The locations of the Parishes within the Fairbanks Diocese are reflected on the Exhibit "2" map.

It is well documented that the rural Alaska villages where most of the Parishes are located suffer from staggering poverty and social problems³ when compared to national

³ See, "A Summary of Recent Findings Regarding Substance Abuse in Alaska," <http://www.hss.state.ak.us/dph/PDF/substance%20abuse/ExecSmries.pdf>; See "Alaska Behavioral Health Score Card Drill Down, December 2008," <http://www.hss.state.ak.us/pdh/healthplanning/scorecard/assets/indicators.pdf>; See "Alaska Family Violence Prevention Project" http://www.hss.state.ak.us/dph/ipems/injury_prevention/akfvpp/bkgnd.htm

averages. In spite of these challenges, the Parishes located in so-called "Bush Alaska" are truly remarkable "communities of the Christian faithful." Due to the severe shortage of priests in the Fairbanks Diocese (there are only 18 active priests including the Bishop⁴), only five (5) of the Fairbanks Diocese's forty-six (46) Parishes have the benefit of a full-time, assigned priest as pastor. For Canon Law purposes, Bishop Kettler has appointed the Vicar General for the Parishes without a resident pastor, alternatively he has appointed the Coordinator for Office of Rural Ministries for the Yukon Kuskokwim Region as Parish administrator for the twenty-four (24) Parishes in the Yukon Kuskokwim Region.⁵ Typically these Parishes only see a priest once every several weeks. The ministry of these mission Parishes is carried on by trained lay staff members, local volunteer Eucharistic and Catechistic ministers, or one of the more than twenty (20) ordained Native Yup'ik Eskimo deacons, whose ministry is supported by priests and religious brothers or sisters. More often than not, a priest is unavailable to offer the traditional Sunday Mass; instead trained lay leaders or ordained Native deacons from the villages preside over Celebrations of the Word, with Holy Communion, using hosts that were consecrated at the last Mass that was celebrated. This has become a very important part of the spiritual life of many of the Alaskan communities. It is their way of continuing to learn the meaning of the Word and remembering that Jesus continues to live on, in and through all of us.

Whether through major events such as baptisms, weddings, or funerals or through weekly Celebrations of the Liturgy of the Word along with Holy Communion, these Parishes play a distinctive role in the continued vitality of village life, offering communities both spiritual succor and common ground where all are welcome. Parish Churches' facilities are often gathering spots in the communities where they are located and important parts of the communities in which they

⁴ That is roughly one priest for every 24,000 square miles-an area slightly smaller than West Virginia.

⁵ Canon Law authorizes appointment of administrators to serve as a temporary substitute for a pastor.

exist. In addition to volunteer Native Deacons and lay ministers, almost all of these Parish Churches have at least one lay paid administrator who typically works several hours per week keeping up the property, keeping the books, keeping sacramental records and coordinating religious services. The only geographic area within the Fairbanks Diocese that has more than one Parish is Fairbanks.

Only eight (8) of the forty-six (46) Parishes and missions are self-supporting, meaning that they raise enough from plate collections and donations from parishioners to sustain their own operations. The eight self-supporting Parishes are:

- a. St. Patrick Church, Barrow
- b. Immaculate Conception Church, Bethel
- c. Our Lady of Sorrows, Delta Junction
- d. Sacred Heart Cathedral, Fairbanks
- e. Immaculate Conception Church, Fairbanks
- f. St. Mark's University Parish, Fairbanks
- g. St. Nicholas Church, North Pole
- h. St. Raphael Church, Fairbanks.

The other Parish Churches fund their Parishes' operations through a combination of plate collections and subsidies from CBNA. As a result of the poverty and social challenges of the communities within its territory, as well as the inability of most of the Parishes in its territory to sustain themselves financially, the Fairbanks Diocese is considered the only fully missionary Catholic diocese in the United States, falling under the "Congregation for the Evangelization of Peoples," the Church's international missionary wing formerly known as the Sacred Congregation for the Propagation of the Faith.

B. Other Ministries and Activities of CBNA

There are only two Catholic schools in the Fairbanks Diocese which share a campus in the City of Fairbanks just three (3) miles from CBNA's Chancery Offices. Immaculate Conception Elementary and Monroe Junior/Senior High, also known as the Catholic Schools of

Fairbanks ("CSF"), have been a vibrant part of the social fabric of the Fairbanks community since 1946, counting many prominent Alaskans among its alumni. Although it receives a substantial subsidy from CBNA, the majority of funding for CSF comes from tuition and fundraising efforts of the Monroe Foundation, Inc., a separate non-profit corporation renowned for its annual three day HIPOW auction fundraiser. The Board of Directors for the Monroe Foundation also provides guidance to CSF administration.

The Fairbanks Diocese is also home to the oldest Catholic radio station in the country ("KNOM"). Located in Nome on the western edge of the Seward Peninsula more than six hundred (600) miles away from CBNA's main offices, KNOM went on the air in July 1971, after years of planning, fund-raising and work. The educationally oriented, public-service station has garnered dozens of awards for its news and programming. It has full-time listeners throughout Alaska's Seward Peninsula, around Norton Sound, the Yukon-Kuskokwim Delta, and deep into the Russian Far East. It can be heard easily from the Aleutian Islands to the Arctic coast. KNOM's programming sounds similar to many commercial stations with popular music, talk, and news, but in place of the commercials, KNOM inserts 30 and 60-second inspirational and educational spots. KNOM also plays a number of special programs, including the live broadcast of Sunday Mass from St. Joseph Church in Nome, the nightly "Family Rosary," and an inspirational spot which preaches the following week's Gospel, as well as a number of programs from other religious broadcasters. It is wholly financed through listener and donor support from mailing of the "*Static*" newspaper to thousands of donors in the lower forty-eight (48) states. KNOM is staffed with a combination of paid employees and full-time volunteers who receive a small stipend.

The Fairbanks Diocese also conducts several other important ministries, including:

- o The Alaska Native Ministry which includes the Kateri Tekakwitha Center located in Galena, Alaska which serves eight (8) Athabaskan Indian villages in the interior of Alaska and provides educational programs in the surrounding villages to educate

individuals to become more proficient in administering their local Parishes in the absence of priests, brothers and sisters;

- The Native Ministry Training Program based in the Yup'ik Eskimo village of St. Mary's, which offers the very effective training of native Eskimo adults members and local leaders of the Church in the twenty-four (24) Yup'ik Parishes within the geographic territory of the Fairbanks Diocese;
- The Children and Family Center provides faith-based enrichment and education activities for families and children. This office includes the Diocesan Child Protection Officer;
- The Office of Worship supports and guides the sacramental, liturgical and spiritual life of the Fairbanks Diocese and Parishes;
- Stephen Ministry Outreach offers one-on-one care for people with special needs by well-trained Stephen ministers. This ministry includes Catholic chaplaincy to the Fairbanks community hospital and nursing homes;
- The Urban Native Ministry serves as a liaison between the Fairbanks Diocese and the native people living in the Fairbanks urban area;
- The Diocesan Engineering Office provides services for the actual construction and/or maintenance of Parish Churches and facilities at a major savings in construction and maintenance costs;

In addition, in the Deacon Programs within the Fairbanks Diocese consist of:

- The Rural Deacon Program, formerly known as the Native Deacon Program, which was founded in 1970 as the first program in the United States to train native men for the permanent diaconate. Presently, the program has twenty (20) active deacons who minister as the leaders of prayer in eleven (11) of the twenty-four (24) villages that comprise the Yukon-Kuskokwim Region of the Fairbanks Diocese.
- The Urban Deacon Program has historically functioned as a training program for deacons in urban areas of the Fairbanks Diocese and is currently being revamped.

Also, through the Office of Religious Education the Fairbanks Diocese promotes the ministry of catechesis in the Fairbanks Diocese. Catechesis is the word that describes the essential ministry of the Roman Catholic Church through which the teachings of Christ have been passed on throughout the ages.

C. The Sexual Abuse Crisis and the Fairbanks Diocese's Response

The sexual abuse crisis that led CBNA to this point cannot be underestimated as to its impact on the Tort Claimants, the Fairbanks Diocese and the Catholic faithful. Let there be no doubt, a handful of individuals,⁶ mostly Jesuit priests or volunteers, engaged in criminal sexual acts in varying degrees including exposing themselves, genital touching and fondling over and under clothing, oral sex, child rape including vaginal penetration and sodomy, with more than two-hundred fifty (250) mostly native Athabaskan, Yup'ik Eskimo, or Inupiat Eskimo children and teenagers over a period of more than three (3) decades. These individuals' conduct was despicable, and contrary to every teaching of the Roman Catholic Church (the "Church"). The harm that these individuals caused the survivors, the survivors' families, and the survivors' communities is tragic. These individuals who perpetrated these horrible crimes also betrayed and injured the Church in so many ways.

Approximately two hundred ninety (290) Proofs of Claim were filed asserting injuries from sexual abuse. Ninety-seven percent (97%) of the Tort Claims occurred more than twenty (20) years before the commencement of this Reorganization Case, and more than half of the abuse occurred more than thirty-five (35) years ago. There are no allegations of childhood sexual abuse taking place since Bishop Kettler became Bishop of the Fairbanks Diocese.

Attached hereto as Exhibit "3" is a list of individuals associated with the Fairbanks Diocese who have been accused of sexual abuse that are known to CBNA. Others may have also

⁶ More than four hundred (400) priests and one thousand (1000) religious women and lay volunteers have served in the Fairbanks Diocese.

engaged in the conduct that they have been accused of, but CBNA has not been able to evaluate the credibility of those Claims.

Survivors started coming forward in large numbers beginning in the fall of 2002. In response, Bishop Kettler has led the Fairbanks Diocese in:

- Apologizing for the wrongs committed;
- Appointing a Child Protection Review Board;
- Implementing a comprehensive policy called Faithful Healing - Preventing and Responding To Ministry Related Child Sex Abuse;
- Requiring all priests, deacons, religious, and lay employees and volunteers to receive education and training regarding recognizing and preventing childhood sexual abuse;
- Requiring criminal background checks for all priests, deacons, religious, and lay employees and volunteers ministering in the Fairbanks Diocese;
- Appointing a survivor assistance coordinator;
- Advertising to encourage survivors to come forward;
- Traveling throughout the Fairbanks Diocese to engage in listening sessions in affected communities;
- Conducting Healing Masses and liturgies that incorporate Native elements;
- Making himself available to personally meet with survivors; and
- Requesting that special prayers be added to the intercessions portion of the Mass asking for healing of past wrongs and to strengthen the resolve to prevent future abuse.

The Bishop's forthrightness and aggressive policies to combat the problem of childhood sexual abuse has earned praise both from village communities and from the auditors who audit the extent of the Fairbanks Diocese's implementation of sexual abuse prevention measures adopted by the United States Conference of Catholic Bishops. Bishop Kettler and CBNA intend by the Third Amended Joint Plan that CBNA pay just compensation for the survivors of abuse

and facilitate the future hard work toward healing and reconciliation for everyone involved taking into account the financial circumstances of CBNA and the need to continue the ministry and mission of the Fairbanks Diocese which is critical to the many communities that it serves.

The Third Amended Joint Plan further reinforces CBNA's commitment to reconciliation and healing by continuing CBNA's commitment to assist the healing process and by CBNA's commitment to take additional actions including:

(a) CBNA will file with the Bankruptcy Court the names of the individuals attached on Exhibit "3" identifying them as the priests, religious, lay employees and volunteers accused of sexual abuse in filed Proofs of Claim. The Debtor will not seek to seal such filing and will oppose any effort by any third party to seal such filing.

(b) For a period of ten (10) years after the Effective Date, the Reorganized Debtor will post on the home page of its website and the Website of the Fairbanks Diocese, a prominent link on the home page to the names listed on Exhibit "3" and any other known perpetrators (admitted, proven or credibly accused), including deceased perpetrators and those previously listed.

(c) Within eighteen (18) months after the Effective Date, Bishop Kettler will personally go to every Parish in which any individuals were abused and where those persons identified in Paragraph (a) above served. The Bishop will read from the pulpit a statement of apology and encourage parishioners to support victims. He will also identify all perpetrators that have served in the Fairbanks Diocese and urge all abuse survivors to report abuse to law enforcement, the diocesan Victim's Assistance Coordinator, health care professionals and/or any survivor group or organization felt appropriate by the person wishing to make a report of abuse. He will assure survivors and parishioners that no one will go to hell as a result of coming forward regarding the abuse they suffered and that survivors did not commit any sin in coming forward.

The Bishop's visits to the rural Parishes will, to the extent feasible, be publicized by the following means: (i) posted on the Parish Church bulletin board; (ii) posted by the Parish administrator or the Parish contact in the post office, the washeteria, the community center and the store of each village to the extent allowed by each of such place; (iii) announced by VHF radio by the Parish contact person as requested by the Bishop; and (iv) announced on KNOM two weeks in advance. At least thirty (30) days in advance of the Bishop's visit to a Parish, the Bishop will send a written invitation to all known abuse survivors in that Parish inviting them to attend his visit. Consistent with the Bishop's current practice, the Bishop will continue his "listening" sessions and healing ceremonies during the Parish visits.

(d) A general letter of apology will be displayed on the Fairbanks Diocese's website for a period of ten (10) years from the Effective Date. In addition, this letter of apology will be published in Parish bulletins (where Parish bulletins are used) once a month for three (3) months after the Effective Date. The letter of apology will be read by the Bishop onto a public service announcement to be played on KNOM at least once a month for three (3) months after the Effective Date.

(e) The statement of apology described above in paragraph (c) and the letter of apology described in paragraph (d) above will, among other things:

(i) assure the faithful that all the sacraments conducted by perpetrators are not invalid by virtue of the fact that they were conducted by a perpetrator of abuse;

(ii) include an acknowledgement and apology for the abuses which occurred at Holy Cross Boarding School, the Nulato Catholic Mission School (a/k/a Our Lady of the Snows), and St. Mary's High School (a/k/a St. Mary's Catholic Mission), and also for the cultural

disregard/disrespect resulting from the forced assimilation of Native people;

(f) No later than sixty (60) days after allowance of any Tort Claim (as defined in the Plan), Bishop Kettler will send individual letters of apology to such Tort Claimant and, if requested by such Tort Claimant, to his or her immediate family. The letters of apology will state that the survivor was not at fault for the abuse. Furthermore, the letters will state that no sins were committed by those who have come forward on account of their having come forward. The letters of apology will be personally signed by the Bishop.

(g) CBNA will continue to comply in all respects with the following: (i) the Charter for the Protection of Children and Young People initially adopted by the United States Conference of Catholic Bishops in 2002 and revised in 2005 and as it may be amended from time to time; (ii) the Fairbanks Diocese's Faithful Healing, Preventing and Responding To Ministry-Related Child Sexual Abuse policy adopted on August 1, 2003, as revised subsequently and as it may be amended from time to time; and (iii) the Fairbanks Diocese's Policy on Abuse of Vulnerable Adults adopted November 16, 2005, as it may be amended from time to time. Among other things the Debtor will continue to require individuals working for the Debtor or ministering within the Fairbanks Diocese to sign sworn statements attesting that they have not sexually abused any minor at any time. Further, the Debtor and the Reorganized Debtor will continue to aggressively assert its policy requiring individuals working for the Debtor or ministering within the Fairbanks Diocese to report any information indicating the existence of sexual abuse to law enforcement.

(h) Four times per year for five (5) years after the Effective Date and one time per year for twenty (20) years after the Effective Date, the Reorganized Debtor will publish a prominent statement in media available within the Fairbanks

Diocese, including, where applicable, parish bulletins, parish bulletin boards, Diocesan newsletters circulated within the Fairbanks Diocese (including but not limited to Ministering), KNOM, and on the homepage of the Reorganized Debtor's website, urging persons sexually abused by priests or religious to contact law enforcement, and the diocesan Victim's Assistance Coordinator, doctor or other health care professional or other trusted person and/or any survivor group or organization to make a report of abuse. In addition, the Debtor will provide information of health care professionals for mental health support or counseling.

(i) The Reorganized Debtor will institute a policy requiring that its representatives (including, but not limited to, Bishop Kettler and the Debtor's spokespersons), not refer either verbally or in print to sexual abuse claimants as "alleged" claimants, "alleged" victims or "alleged" survivors, and urging its representative to refer to claimants as survivors of clergy sexual abuse.

(j) The Reorganized Debtor will file status reports regarding its compliance with these non-monetary undertakings with the Bankruptcy Court and serve the Settlement Trustee. Reports will be filed semi-annually for the first two years after the Effective Date and annually for the next three years after the Effective Date. Nothing about this reporting requirement will prevent the issuance of a final decree or closing the Reorganization Case.

D. The Financial Structure and Operations of CBNA

The financial operations of CBNA are, in many respects, unlike most other dioceses and archdioceses in the United States. Most dioceses conduct certain ministries but primarily provide oversight and assistance to parishes and deal with matters of the Roman Catholic faith within their territory. This work often includes the need to assist a few of the poorer parishes. Generally speaking, these operations are funded out of chancery taxes assessed against plate collections of the parishes within their territory, from fees for services or other support which is

paid to such dioceses and archdioceses by the parishes and other institutions within their respective geographic territories.

CBNA, on the other hand, must subsidize the operation of thirty-eight (38) out of the forty-six (46) Parishes within the Fairbanks Diocese's territory. Accordingly, one of CBNA's primary activities is raising money to subsidize the practice of the Roman Catholic faith in the thirty-eight (38) non-self sustaining parishes, to provide services supporting the operations of these financially non-self sustaining parishes and to provide services to all people regardless of their faith. For purposes of clarity in the discussions and exhibits that follow- CBNA operates on a fiscal year that begins July 1 and ends on June 30.

1. Sources of Income

As reflected in the historical analysis attached to this Disclosure Statement as Exhibit "4", CBNA's operations have five (5) primary sources of income: (a) individual donations solicited by the Alaskan Shepherd (averaging 53.19% of annual income of CBNA since 2000); (b) Endowment Income (averaging 8.86% of annual income of CBNA since 2000); (c) Bequests (averaging 13.31% of annual income of CBNA since 2000); (d) Grants (averaging 14.31% of annual income of CBNA since 2000); and (e) fees for services and Parish Assessments⁷ (averaging 6.91 % of annual income since 2000).

a. The Alaskan Shepherd

CBNA raises most of the funds necessary to operate the Fairbanks Diocese and fund Parish subsidies through the work of its Alaskan Shepherd office. The work of the Alaskan Shepherd office is two fold. First, it publishes the "The Alaskan Shepherd" newsletter. The newsletter, which is published ten (10) times each year, is meant to keep friends and benefactors of the Fairbanks Diocese informed about and interested in its people and its apostolic works, with articles that are historically accurate, interesting and edifying. Second, the Alaskan

⁷ The Fairbanks/North Pole area Parishes pay a substantial assessment to subsidize CSF's operation which is part of CBNA.

Shepherd program seeks prayer and raises financial resources which help the Fairbanks Diocese carry out its mission and ministry. The Alaskan Shepherd newsletter and solicitations go to a mailing list of more than forty-five thousand (45,000) donors around the world.

The importance of the Alaskan Shepherd operation to the Fairbanks Diocese and the other Catholic entities and agencies within its territory cannot be overemphasized. One of the most important components of the Alaskan Shepherd's operations is maintaining credibility with its donors around the world that their money goes to the missionary work and specific projects and programs designated (restricted) by the donor. It is one thing to consistently put money in a collection basket that passes through the pew at church each week and an entirely different thing to mail a \$5, \$10, \$25 or \$100 check halfway around the world on a regular basis.

Yet thousands of individuals from the lower forty-eight (48) states and around the world do. Many donors' contributions are accompanied by a prayer request. Additionally, there are many people who write-in, expressing a deep interest in the missionary nature of CBNA, but who are too poor to make a contribution. Instead of funds, they send a contribution in the form of a note containing a heartfelt prayer. Further, many individuals write in describing personal difficulties and sufferings and ask that the diocese pray for them and their loved ones. These prayer requests are all brought to the special Mass often led by Bishop Kettler each Thursday morning, specifically mentioning these requests during that portion of the liturgy that is called the "prayers of the faithful." The Alaskan Shepherd also receives hundreds, if not thousands, of Mass intentions. These requests are treated with the utmost care and reverence by the Alaskan Shepherd's staff who ensure that they are distributed to priests according to the donors' wishes.

In order to maintain credibility with its donors, and so that CBNA can manage its cash flow and operations within the law governing the use of charitable gifts, the Alaskan Shepherd office operates a sophisticated and highly accurate donor and donation tracking system. This operation allows CBNA to ensure that donation patterns are tracked and donors' intents are meticulously followed. The viability of CBNA's continued operations and its ability to make a

meaningful contribution (in addition to insurance proceeds) toward funding the Plan depends on its ability to maintain donor confidence throughout the reorganization process.

b. The Endowment

The Endowment was established in approximately 1980 by Bishop Robert Louis Whelan. The Endowment was further refined and organized by Bishop Michael Joseph Kaniecki in formal documents in approximately 1996. The Endowment is actually a "collection of endowments created by CBNA to provide for the future of the Fairbanks Diocese by ensuring the fiscal security of the Church, the parishes within the territory of the Fairbanks Diocese, schools, agencies and programs." The Endowment documents (the "Endowment Documents") provide that:

[T]he DONATE Fund⁸ will:

- Enable individuals, families, and others to support future needs of the Fairbanks Diocese, its parishes, schools, agencies and programs.
- Provide individuals, families, and others the opportunity to establish a memorial honoring a friend or loved one.
- Provide individuals, families, and others greater flexibility and focus in achieving their personal giving objectives.

The Endowment Documents also describe certain established Endowment funds to which a donor can donate. The Endowment Documents also allow for a donor to create an Endowment to "meet specific personal giving objectives" which will then be administered by CBNA. If additional Endowment funds are established, an Endowment Operating Agreement is executed by the donor or person establishing the Endowment, as well as a Participation Agreement (collectively, "Related Documents"). The largest Endowment fund is the Mission Support Endowment (which was formerly known as the "Alaskan Shepherd Endowment"). From its inception in the early '80's until the early '90's, monies received with express restrictive intent were placed in the Mission Support Endowment. Beginning in the early 1990's, Bishop Kaniecki

⁸ The DONATE Fund is the name given to the Endowment.

announced a policy whereby, unless a bequest expressly indicated otherwise, all bequest donations would be deposited into the Mission Support Endowment, the corpus preserved and income used in connection with mission support. This policy was widely and regularly published in the Alaskan Shepherd newsletter and otherwise. This policy enabled the Mission Support Endowment to significantly accumulate in value.

Under the Endowment Documents and Related Documents, the Endowment funds are managed under the "total return" concept of Endowment management "to the extent feasible." That means that funds will be invested within specific risk levels to achieve maximum total return (earnings) without regard to the distinction between capital appreciation (realized and unrealized) and yield (interest, dividends, etc.). Further, the Endowment Documents limit earnings withdrawals to 5.5% of the principal value of the fund averaged over the preceding three (3) years. Also, "spending distributions will be limited to the accumulated net yield and capital appreciation (realized and unrealized)." This type of fund management required the fund administrator to determine earnings based on the concept of "historical dollar value." As defined in the Uniform Management of Institutional Funds Act ("UMIFA"), a charity could prudently spend amounts above historic dollar value of all contributions to the fund, valued at the time of contribution. Amounts below historic dollar value cannot be spent. As a result, if the value of Endowment investments falls below an historical dollar value due to shifts in the market, no income could be distributed until market gains increase the value of Endowment investments above the historic levels, even if it meant that the programs that the Endowment was intended to support suffered tremendously. The effect of this principle can be seen in the historical financial data for CBNA where Endowment income fell to \$0.00 for the fiscal years ending on June 30, 2002, 2003, and 2004. This result was caused by the devaluation in the market value of Endowment investments after the September 11, 2001 terrorist attacks. CBNA presently is experiencing a similar problem because of the severe market downturn in the fall of 2008. If CBNA were to retain the historical dollar value based management of the Endowment, the Endowment will generate no income for many years.

In mid-2002, when the lower earnings from the Endowment did not continue to support the CBNA mission, Fr. Richard Case, after consultation with the Diocesan Finance Council, urged a change in the policy regarding bequests so that, absent specific donor intent to the contrary, bequests would be used to support current operations and would not be placed in the Endowment. This policy was again widely advertised in the Alaskan Shepherd newsletter and otherwise before it was implemented in order to give donors the opportunity to change their wills. Thereafter, if a bequest was received from someone who died after the policy change went into effect, the funds went to general operations unless the bequest documents specifically provided otherwise. The effect of this policy change can be seen in the historical financials where bequest income grew from \$179 on June 30, 2002, to as much as \$1,915,090 in the year ending June 30, 2005, averaging \$981,928 per year.

CBNA has maintained comprehensive accounting records of the various Endowment funds that demonstrate how CBNA has honored donors' intent by recording all corpus funds and segregating out the earnings for the purpose of the Endowment. The Alaskan Shepherd office, with its extensive donation intake and tracking capabilities has always administered the solicitation and intake of donations to the Endowment, and CBNA has similarly managed the funds in a manner consistent with the Endowment purposes and the donors' intent. CBNA has always respected this intent by not using the corpus and by using the income for Endowment designated purposes. The Endowment funds were not reflected as "unrestricted" on financials and were segregated as a separate fund in accordance with the nature of the Endowment.

Based upon applicable Alaska and Federal Bankruptcy law, it is CBNA's position that the Endowment, the Endowment Documents and Related Documents meet the definition of a charitable trust and must be respected. See e.g., *Roberts v. State Dept. of Revenue*, 162 P.3d 1214 (Alaska 2007); *Botelho v. Griffin*, 25 P.3d 689, 693 (Alaska 2001); and *Alaska State Employees Ass'n v. Alaska Pub. Employees Ass'n*, 825 P.2d 451, 459 (Alaska 1991). Therefore, it is CBNA's position that the principal and income from the Endowment are exempt from the Claims of CBNA's Creditors, and neither the property nor the value of the Endowment corpus are

included in the Third Amended Joint Plan. See 11 U.S.C. § 541(d); *In re Parkview Hospital*, 211 B.R. 619 (Bankr. N.D. Ohio 1997); and *In re Roman Catholic Archbishop of Portland in Oregon*, 345 B.R. 686 (Bankr. D. Ore. 2006).

The Committee, however, disagreed with this proposition and had filed an adversary proceeding that seeks a declaration that the Endowment corpus and income are part of the Estate and may be invaded to pay Claims pursuant to Bankruptcy Code § 541 (the "Declaratory Judgment Adversary"). However, as a result of the settlement between CBNA and the Committee, upon confirmation of the Plan, the Declaratory Judgment Adversary will be dismissed with prejudice. In addition, as discussed below, the assets of the Endowment are not included in the liquidation analysis or CBNA's analysis of the best interests of creditors test.

In order to facilitate implementation of the Third Amended Joint Plan, the Third Amended Joint Plan provides for two significant amendments to the Endowment Documents. First, the Third Amended Joint Plan provides for modifying the Endowment spending policy that has been based on the historical dollar value concept and implements the prudence standard articulated in the recently promulgated Uniform Prudent Management of Institutional Funds Act ("UPMIFA").⁹ Second, and more importantly, the Third Amended Joint Plan modifies the Endowment Documents in order to permit investment in investment and mission real property, and provides for modifications to the permitted asset allocations. The Endowment Documents will be amended to add the following provision to the Investment Guidelines:

- (1) Real estate: real estate includes developed or undeveloped land and buildings that are suitable for use as investment, mission, or school property.
- (2) Investment property will have appropriate income, capital appreciation, marketability and administrative costs characteristics.

⁹ UPMIFA has been enacted by 48 of the 50 states, and was introduced in the Alaska State Senate as SB 134 in 2009. It is presently pending before the Senate Education Committee.

- (3) Mission and School Property must have stable value and the property's use must be necessary for the long term mission of the Catholic Church in Northern Alaska.

The asset allocations will be amended as follows:

	<u>Maximum</u>	<u>Minimum</u>	<u>Target</u>
Total Return Based Pooled Fund:			
Real Estate	70%	0%	40%
Equities	70%	25%	45%
Fixed Income	50%	5%	10%
Cash	20%	0%	5%

After approval of this amendment, the Endowment will be permitted to acquire real property. Under the Third Amended Joint Plan, CBNA will sell the following real property to the Endowment which will then become part of the corpus of the Endowment:

Catholic Schools of Fairbanks	\$3,500,000.00
Chancery property	\$1,200,000.00
Kobuk Center/ priest residence	\$1,120,000.00
Warehouse maintenance center	\$225,000.00
KNOM property, Nome , AK	\$430,000.00
FCA Barnett St Building	\$600,000.00
Betty Street Residence	\$205,000.00
Hanger	\$346,000.00
Kateri Center, Galena	\$175,000.00
Cessna 207	\$75,000.00
Lot next to warehouse	\$31,000.00
Total	\$7,907,000.00

In addition, the Monroe Foundation will be funding its contribution to the Plan by selling a vacant lot that it owns to the Endowment for \$150,000. This investment in real estate will represent an allocation of 55% of the historic dollar value of the Endowment and approximately 57% of the value of the Endowment as of December 1, 2009. Such an investment profile is well within the range permitted by the proposed investment policy revision.

The UPMIFA amendment will greatly stabilize CBNA's ability to operate on a going forward basis. Instead of using historic dollar value as a limitation discussed above, UPMIFA applies a more carefully articulated prudence standard to the process of making decisions about expenditures from an endowment fund which standards are designed to encourage institutions to establish a spending policy that will be responsive to short-term fluctuations in the value of the fund, and allow an institution to maintain appropriate levels of expenditures in times of economic downturn or economic strength. In some years, accumulation rather than spending will be prudent, and in other years an institution may appropriately make expenditures even if a fund has not generated investment return that year. Although the UPMIFA does not require that a specific amount be set aside as "principal," UPMIFA assumes that the charity will act to preserve "principal" (i.e., to maintain the purchasing power of the amounts contributed to the fund) while spending "income" (i.e. making a distribution each year that represents a reasonable spending rate, given investment performance and general economic conditions). Thus, it requires the institution to monitor principal in an accounting sense, identifying the original value of the fund (the historic dollar value of the corpus) and the increases in value necessary to maintain the purchasing power of the fund.

Accordingly, the Endowment Documents will be amended to provide that at least twice annually, on or about March 31 and October 31, the Diocesan Bishop, in consultation with the Diocesan Finance Office and after consulting with the Diocesan Finance Council, may determine such spending distributions from one or more of the Endowments as is prudent for the uses, benefits, purposes and perpetual duration for which an Endowment was established. In determining the spending distributions, the Diocesan Bishop is to act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. The relevant factors to be considered by the Diocesan Bishop in setting the spending distributions for a particular period will be determined by the Diocesan Bishop in consultation with the Diocesan Finance Office and the Diocesan Finance Council.

These factors include:

- (1) the need to preserve the Endowment into perpetuity monitoring principal in an accounting sense, identifying the original value of the fund (the historic dollar value) and the increases in value necessary to maintain the purchasing power of the fund;
- (2) the purposes of CBNA, the Fairbanks Diocese and the Endowment fund;
- (3) donor intent;
- (4) general economic conditions;
- (5) the possible effect of inflation or deflation on the fund and the beneficiaries;
- (6) the expected total return from income and the appreciation of investments;
- (7) other resources of CBNA; and
- (8) the investment policy of the Endowment.

The Bishop's authority with respect to spending distributions will be limited to no more than an amount equal to six and one quarter percent (6.25%) of the fair market value of an Endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of the preceding three (3) years. The six and one quarter percent (6.25%) figure was chosen in order to be conservative compared to UPMIFA's presumption that a seven percent (7%) withdrawal is prudent.

The Debtor's forecast assumes that as a result of this amendment to the Endowment Documents, CBNA will receive disbursements of an amount equal to two and one-half percent (2.5%) to three percent (3%) of the historic dollar value of the Endowment on a consistent basis. This number is much lower than the six and one quarter percent (6.25%) permitted under the UPMIFA amendment, but reflects an anticipated decrease in returns due to the large investment in mission real estate contemplated under the Third Amended Joint Plan. The lower returns also permit the value of the Endowment to be replenished to historic dollar values over time, while still providing CBNA the ability to rely on the Endowment in its budgeting process.

The Debtor believes that these amendments to the Endowment are prudent and are and will be consistent with donor intent. These amendments also enable CBNA to meet its obligations under the Plan and to finally provide for a consensual way to establish a fund from which to compensate the Tort Claimants while still maintaining the mission and ministry of the Fairbanks Diocese.

c. Bequests

As discussed above, beginning in 2002, bequests received from estates of men and women who died before August 1, 2002, but which did not contain an express requirement that the corpus be preserved and only the income used, or other express restriction, were treated as current unrestricted donations. Since 2002, legacies, bequests, and annuity income has averaged \$841,678.00 annually. As of the Petition Date, CBNA had approximately one hundred (100) to one hundred fifty (150) pending bequests. That is to say that these donors had named CBNA in a planned giving instrument or had passed away, and CBNA was waiting for the donors' estates to be processed. In many cases, charities are entitled to a percentage of the remainder after all other aspects of the estate have been processed. As such, bequests are often pending for several years until a potential donor dies or while the decedents' estates are probated and administered. Often CBNA is unaware it is a beneficiary of a will or trust until it is contacted by a decedent's personal representative. The precise timing and amount of distributions vary widely and is very difficult to predict.

d. Fees for Services and Parish Assessments

The self sustaining Parishes pay a subsidy to the Fairbanks Diocese for support of the non-self sustaining Parishes and the CSF. The assessments are calculated as follows:

Assessment Calculation
Fiscal Year 2009 - 2010

Parish	Year Established	Years in Existence	Approx Registered Families	Prior Year Revenue	CSF Assessment		Subsidized Parish Assessment		Total Assessment	
SHC - Fbks	1967	42	500	396,400	48,559	12.25%	20,415	5.15%	68,974	17.40%
ICC - Fbks	1903	106	800	402,852	49,349	12.25%	20,747	5.15%	70,096	17.40%
St. Mark - Fbks	1980	29	45	56,414	4,654	8.25%	2,905	5.15%	7,559	13.40%
St. Nicholas - NP	1979	30	320	267,984	27,468	10.25%	13,801	5.15%	41,269	15.40%
St. Raphael - Fbks	1989	20	260	194,033	19,888	10.25%	9,993	5.15%	29,881	15.40%
ICC - Bethel	---	---	---	145,478	---	---	7,492	5.15%	7,492	5.15%
St. Patrick - Barrow	---	---	---	85,000	---	---	4,378	5.15%	4,378	5.15%
OLS - Delta Junction	---	---	---	60,000	---	---	3,090	5.15%	3,090	5.15%

Assessment rates are set by the Bishop, in conjunction with the Finance Department

{A} Revenues are based on the prior year plate collections, donations, and fundraisers

{B} Parish assessment is a flat rate regardless of parish statistics

{C} CSF assessment is based on registered families

12.25% 500+ registered families

10.25% 100 - 499 registered families

8.25% 1 - 99 registered families

{D} Barrow's and Delta Junction's 2008 operating reports have not yet been provided to the Finance Department.

As such, we have used an estimate based upon their 2007 operating reports.

The Fairbanks Diocese redistributes these monies to the CSF on a monthly basis, and to the subsidized Parishes on or about the 15th day of August, November, February, and May. It should also be noted that even the self-sustaining Parishes have very limited revenue. For example, the largest collection plate revenue for any of the Parishes is barely over \$400,000 annually, and cumulatively, the eight (8) self-sustaining Parishes report just over \$1.6 million annually. Thus, additional taxing of the self-sustaining Parishes was not a viable avenue for CBNA to raise funds to fund the Plan. For example, even if the Fairbanks Diocese were to impose a new three percent (3%) tax on revenue (which would represent a fifty-eight percent (58%) tax increase over what is currently charged), CBNA would raise less than \$50,000 in revenue. In addition, the amount of a tax or assessment imposed by the Fairbanks Diocese on the Parishes is an ecclesiastical church governance matter and there are constraints imposed on the taxing authority of the Bishop.

CBNA also collect fees for services for portfolio management for the Endowment, accounting services provided to the Alaska Conference of Catholic Bishops and for services provided to the trustees of the Catholic Trust of Northern Alaska. Altogether, these fees and assessments average a total of approximately \$600,000 per year.

As a result of its financial difficulties in 2009, CBNA was forced to seek additional sources of income. One place that CBNA turned was to seek one time emergency gifts and or loans from dioceses and archdiocese in the lower forty-eight (48) states. In all, CBNA contacted seventy-seven (77) dioceses and archdioceses including — Albany, NY, Allentown, PA, Amarillo, TX, Arlington, VA, Atlanta, GA, Austin, TX, Baltimore, MD, Belleville, WA, Baton Rouge, LA, Beaumont, Boise, ID, Buffalo, NY, Burlington, VT, Camden, NJ, Charleston, SC, Charlotte, NC, Cincinnati, OH, Cleveland, OH, Colorado Springs, CO, Corpus Christi, TX, Dallas, TX, Denver, CO, Detroit, MI, Dodge City, KS, Des Moines, IA, Dubuque, IA, El Paso, TX, Erie, PA, Fall River, Fargo, ND, Ft Worth, TX, Fresno, CA, Gary, IN, Great Falls-Billings, MT, Green Bay, WI, Hartford, CT, Helena, MT, Honolulu, HI, Indianapolis, IN, Joliet, IL, Kansas City-St Joseph, MO, Kansas City, KS, Laredo, TX, Lafayette, ID, Lafayette, LA, Las Cruces, NM, Lexington, KY, Louisville, KY, Marquette, Miami, FL, Michigan Catholic Conference, Nashville, TN, New York, NY, Oakland, CA, Omaha, NE, Orange, CA, Palm Beach, FL, Phoenix, AZ, Pittsburgh, PA, Philadelphia, PA, Providence, RI, Reno, NV, San Angelo, CA, San Bernardino, CA, San Francisco, CA, San Jose, CA, Seattle, WA, St Louis, MO, Sioux Falls, SD, Springfield, IL, Springfield -Cape Girardeau, MO, Tucson, AZ, Victoria, BC, Yakama, WA, and Youngstown, OH. As a result of these efforts, CBNA has received gifts from twenty-four (24) dioceses and archdiocese ranging from \$200 to \$50,000. The cumulative amount of all the gifts is \$416,900. Unfortunately, none of the dioceses or archdioceses have been willing to lend to CBNA in large part because of CBNA's inability to demonstrate that it would be able to debt-service any such loans.

2. Uses of Income

CBNA's operation is lean. Excluding KNOM and CSF, CBNA directs the majority of its resources towards ministry and mission programs. In 2008, \$2,103,663 of revenue resources were channeled back out to the bush Parishes in the form of direct subsidies, wage and benefit subsidies for religious and lay Parish workers and program directors, as well as for the building, remodeling, and restoration of the Parish facilities. Additionally, CBNA directed another

\$749,175 of revenue resources towards other chancery based ministry programs such as Religious Education, Children and Family Life, and Adult Formation. Combined, CBNA was able to focus more than fifty-six percent (56%) of its resources towards ministry and mission. The Alaskan Shepherd Fundraising operations further comprise another approximately eleven percent (11%) of the expenditures.

Significantly, since 2000, professional fees have grown from one and .41 percent (1.41%) of expenses, to over seventeen percent (17%) of expenses while the Reorganization Case was pending in the fiscal year ended June 30, 2008. Since the fiscal year ending June 30, 2001 (no sexual abuse Claims were filed before that date), professional fees have grown by an average of fifty-eight and .47 percent (58.47%) per year. Continuing to devote so many resources to professional fees is not sustainable and is also one of the reasons CBNA filed the Reorganization Case.

As a result of significant cash shortfalls, in May 2009, the Fairbanks Diocese took certain emergency steps to drastically reduce its staffing levels. Among other things, the Bishop announced the elimination of five (5) full-time positions and one (1) part-time position for fiscal year beginning July 1, 2009. Further in addition to continuing to furlough employees one (1) day per week throughout the summer, CBNA instituted permanent reductions for certain staff including:

- twenty percent (20%) hours and pay reduction for the Bishop's secretary;
- fifty percent (50%) hours and pay reduction for the Librarian/Archive Clerk (going from full time to half time);
- twenty percent (20%) hours and pay reduction for the office manager for the Alaskan Shepherd;
- twenty percent (20%) hours and pay reduction for three clerks in the Alaskan Shepherd's office; and
- sixteen percent (16%) salary reduction for the Chancery Office Campus Maintenance Director.

In addition to the foregoing, the Bishop announced that top management was also taking voluntary permanent salary reductions including:

- twenty percent (20%) salary reduction for the Bishop;
- twenty-five percent (25%) salary reduction for the Director of Finance; and
- twenty percent (20%) salary reduction for the Chancellor.

All told these efforts will reduce CBNA's payroll expense by more than \$400,000 per year.

3. Catholic Schools of Fairbanks Sources and Uses of Cash

As reflected in the historical analysis of CSF attached to this Disclosure Statement as Exhibit "5", on average, CSF's operations generate seventy-three and .4 percent (73.4%) of its income from tuition and fees, five and .45 percent (5.45%) of its income from after school program charges, and sixteen and .87 percent (16.87%) of its income from direct donations consisting primarily of a direct subsidy from CBNA's chancery office and an assessment charged to the Fairbanks and North Pole metropolitan area Parishes. However CSF's operations, including direct donations, only account for eighty-two percent (82%) of the funds needed to operate CSF. On average, CSF's operations run at an annual deficit of \$589,179. CSF, therefore, depends on the generosity and hard work of the Monroe Foundation, which net of fundraising expenses, raises \$610,433 on average each year or eighteen and .46 percent (18.46%) of the funds necessary to operate CSF. On average, direct contributions and Monroe Foundation contributions together account for thirty-two and .33 percent (32.33%) of CSF's annual operating budget.

4. KNOM's Sources and Uses of Cash

As reflected in the historical analysis of KNOM attached to this Disclosure Statement as Exhibit "6", on average, KNOM receives eighty-four percent (84%) of its income from its "Static" newspaper fundraising and eleven and .6 percent (11.6%) from bequests specific to KNOM. On average, fundraising expenses account for approximately twenty-seven and .93

percent (27.93%) of KNOM's expenses; programming accounts for seven and .97 percent (7.97%) of expenses; expenses associated with volunteers and staffing account for roughly forty-five and .26 percent (45.26%) of expenses; technical expenses account for approximately six and .34 percent (6.34%) of expenses; and general operating overhead accounts for twelve and one-half percent (12.50%) of expenses. Since 2000, on average, KNOM's operations have lost \$16,491.18 per year.

E. Disputes Over Property Ownership and Associated Risks

Similar to other diocesan bankruptcy cases, CBNA scheduled property that it holds in trust for the benefit of Parishes and property that it holds in trust for charitable purposes (the Endowment) as property held for the benefit of others, under line 14 of the Statement of Financial Affairs. This was not out of the ordinary. Indeed, every debtor in every bankruptcy case in the United States answers line 14 of the Statement of Financial affairs. Pursuant to Bankruptcy Code § 541(d), property that a debtor holds in trust (a trustee holds bare legal title) for the benefit of another (who holds the equitable interest in the property) does not constitute property of the debtor's bankruptcy estate and cannot be used to pay the debtor's creditors. Specifically, Bankruptcy Code § 541 provides in pertinent part:

(a) The commencement of a case under section 301, 302, or 303 of this title creates an estate. Such estate is comprised of all the following property, wherever located and by whomever held:

(1) Except as provided in subsections (b) and (c)(2) of this section, all legal or equitable interests of the debtor in property as of the commencement of the case.

...

(d) Property in which the debtor holds, as of the commencement of the case, ***only legal title and not an equitable interest***, . . . becomes property of the estate under subsection (a)(1) or (2) of this section only to the extent of the debtor's legal title to such property, ***but not to the extent of any equitable interest in such property that the debtor does not hold***.

(emphasis added).

By the provisions of the Bankruptcy Code quoted above, the Bankruptcy Code recognizes long standing black letter law that it is a breach of fiduciary duty, a breach of the duty of loyalty, and self dealing for a trustee to divert funds that he or she holds for the benefit of another for personal benefit (i.e. paying the trustee's personal debts). See e.g., 38 Am. Jur. 2d Trusts § 381 (1992) ("A trustee is under a duty to refrain from personal traffic in, or private use, or appropriation of trust property or funds, at least without the express consent of the beneficiary. The trustee must not apply trust property or funds to his or her personal debts, or suffer them to be so applied."); *Restatement (Third) of Trusts* § 42 cmt. c (2003) ("Although a beneficial interest in a trust may generally be reached by creditors of the beneficiary . . . , the trustee's personal creditors or trustee in bankruptcy may not reach either the trust property or the trustee's nonbeneficial interest therein."). In other words, just because a debtor files for bankruptcy protection or reorganization does not compel the debtor to breach his or her fiduciary duties with respect to property that is held in trust.

A true and correct copy of line 14 of the Statement of Financial Affairs that was filed with CBNA's amended schedules is attached to this Disclosure Statement as Exhibit "7". The property identified on line 14 includes: (1) Parish Church real property which is held by CBNA as a trustee for the benefit of the Parish Churches; (2) Endowment funds which are held by CBNA as a trustee for the benefit of certain charitable purposes; (3) custodial funds held by CBNA primarily resulting from consolidating "second collections" at church services for payment of a single check to the national charity; and (4) I.R.C. § 457 retirement accounts of certain employees.

The Committee and certain individual tort creditors had asserted that the Parish Church real property and the Endowment funds (collectively the Parish Church real property and the Endowment funds are referred to in this Disclosure Statement as the "Contested Trust Property") should be taken and used to pay CBNA's Creditors and, as a result of that dispute, the Committee initiated the Declaratory Judgment Adversary Proceeding in order to require the use of this trust property to pay Creditors. substantively consolidated with CBNA's estate. CBNA disputes the

Committee's position; however, as a result of the settlement between CBNA and the Committee and pursuant to the Third Amended Joint Plan, the Declaratory Judgment Adversary Proceeding will be dismissed with prejudice upon the Effective Date of the Third Amended Joint Plan.

In addition to the foregoing, the Court granted the Committee the right to file avoidance actions in order to try to recover the transfer of funds to the CTNA as a fraudulent transfer, or as an improper preference, in October 2007. Immediately after the Court entered its order permitting the Committee to pursue avoidance actions against the CTNA, the Committee filed the complaint captioned *Official Committee of Unsecured Creditors v. Catholic Trust of Northern Alaska, et. al.*,¹⁰ Adversary no. 09-90025-DMD (the "Avoidance Action Adversary"). CTNA and CBNA believe that there were numerous defenses to the Avoidance Action Adversary; however, as a result of the settlement between CBNA and CTNA which has been approved by the Committee, upon the Effective Date of the Third Amended Joint Plan, the Avoidance Action Adversary will be dismissed with prejudice.

The Third Amended Joint Plan incorporates settlements between CBNA and the Estate on the one hand and the Parish Churches, Monroe Foundation and the CTNA on the other hand. Under that settlement, the Parish Churches agree to pay \$650,000 from their unrestricted deposits with the CTNA to the Fund on the Effective Date, and the Monroe Foundation agrees to pay \$150,000 to the Fund on the Effective Date, in exchange for a release from claims against their property including a dismissal of the Declaratory Judgment Adversary Proceeding and the Avoidance Action Adversary Proceeding, with prejudice. The \$650,000 represents more than two-thirds of the unrestricted funds still on deposit with the CTNA (the weak economy has forced Parish Churches to look to their savings to help sustain themselves).

¹⁰ The Committee also named every trustee and every parish as defendants.

1. Assets

a. Real Property

Below is a summary of CBNA's real property and its disposition under the Third Amended Joint Plan:

- (1) Chancery and Retreat Center, 1316-1318 Peger Rd., Fairbanks, AK 99709 PAN: 0573787

The Chancery Office and Retreat Center is located just off of Airport Road in Fairbanks and serves as the main offices of CBNA and the Fairbanks Diocese. It was appraised at a value of \$1.1 million in late 2007. Under the Third Amended Joint Plan, the Chancery Office will be sold to the Endowment for \$1.2 million in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

- (2) Kobuk Center, 2890 N. Kobuk Ave., Fairbanks AK 99709 PAN# 0573795

The Kobuk Center, which is also critical to the continued mission and ministry, is located just off of Airport Road in Fairbanks and serves as a conference center used for retreats and other CBNA and Diocesan business; it also serves as a residence for priests including the bishop of the Fairbanks Diocese and guest quarters for ministers visiting Fairbanks from the bush. It was appraised at a value of \$1.1 million in late 2007. Under the Third Amended Joint Plan, the Kobuk Center will be sold to the Endowment for \$1.12 million in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

- (3) Warehouses, 1316 Peger Rd., Fairbanks, AK 99709 PAN# 0126985

The Warehouses are on the same campus as the Chancery and Kobuk Center. CBNA uses the Warehouses for staging supplies and materials for shipping to bush Parish Churches. CBNA considers the Warehouses essential to its ability to subsidize and assist the bush Parish Churches. CBNA intends to retain the Warehouses for ministry purposes. Under the Third Amended Joint Plan, the Warehouses will be sold to the Endowment for \$225,000 in Cash on or

before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

- (4) Fairbanks Counseling and Adoption Center, 912 Barnette St.,
Fairbanks, AK PAN# 0040410

The Fairbanks Counseling and Adoption Center is an office building in central Fairbanks which CBNA leases to its sister charity, Fairbanks Counseling and Adoption ("FCA"), at below market rent. FCA provides essential charitable services to all the people of Fairbanks and northern Alaska in general, including providing counseling to survivors of sexual abuse. In addition to providing FCA discounted rent, CBNA provides FCA a small operating subsidy. Under the Third Amended Joint Plan, the FCA building will be sold to the Endowment for \$600,000 in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

- (5) Kateri Tekakwitha Center/Convent; Galena, AK

Named after the first Blessed Native American, the Kateri Tekakwitha Center, located in Galena, Alaska on the Yukon River, serves eight (8) Athabascan Indian villages in the interior and houses three (3) religious women. The primary work of the Center is to educate and support Catholics in the villages of Galena, Huslia, Kaltag, Koyukuk, McGrath, Nulato, Ruby and Tanana to become proficient in administering their local Parishes in the absence of priests, brothers and sisters. The Kateri Tekakwitha Center strives to enable and empower Athabascan villagers lay ministry as Prayer Leaders, Eucharistic Ministers, Lectors, Sacristans and Parish Administrators in their home parishes. The work of the Center is essential to the Fairbanks Diocese's ministry and CBNA's ability to support the Parish Churches in the interior region. CBNA does not believe that there is any significant market in Galena for the Kateri Tekakwitha Center. Under the Third Amended Joint Plan, the Kateri Tekakwitha Center will be sold to the Endowment for \$175,000 in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

(6) Aircraft Hangar, 3548 University Ave., Fairbanks, AK 99709

CBNA constructed an airplane hangar sufficient to hold two aircraft, on land that is the subject of a long term ground lease from the Fairbanks Airport Authority. In the past, CBNA housed aircraft used for mission travel at the Hangar. In December 2008, CBNA successfully sold the primary aircraft housed at the location. Under the Third Amended Joint Plan, the Aircraft Hangar will be sold to the Endowment for \$346,000 in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

(7) Jesuit Residence, 1318 Peger Rd., Fairbanks, AK 99709

The Jesuit Residence is a four (4) bedroom, two (2) bath residence featuring a chapel and four (4)-car garage located in central Fairbanks and has a market value of \$255,000. It is part of the collateral pool securing the \$1 million of debtor-in-possession financing provided by Great Falls. CBNA will retain the property under the Third Amended Joint Plan subject to the lien in favor of Great Falls.

(8) CBNA 14.5 Acres raw land next to Chancery - House of Prayer

There is a parcel of approximately 14.5 acres of raw land near the Chancery Offices and Kobuk Center and includes the House of Prayer Chapel. This land is also part of the collateral pool securing the \$1 million of debtor-in-possession financing provided by Great Falls. CBNA will retain the property under the Third Amended Joint Plan subject to the lien in favor of Great Falls.

(9) Catholic Schools of Fairbanks, 615 Monroe Street and 709 Illinois Street, Fairbanks, AK 99701 PAN# 0103497, 0478377, 0478393

The campus of Monroe Jr. & Sr. High Schools and Immaculate Conception Elementary School are located in central Fairbanks. The schools operated there are the only Catholic Schools located within the four hundred ten thousand (410,000)-mile territory of the Fairbanks Diocese. Closure of the schools would impose an undue burden on the free exercise of religion on the Fairbanks families desiring a Catholic education for their children, and, therefore, its value is included in the Third Amended Joint Plan as Excluded Property pursuant to the

Religious Freedom Restoration Act. Further, almost all of the improvements on the campuses are the direct result of the fundraising efforts of the Monroe Foundation.

Although these parcels were scheduled with a value of \$3.5 million, CBNA does not believe that value accurately reflects the market for the property. As a preliminary matter, as is reflected in its historical information contained in Exhibit "5", CSF is only able to operate as a result of \$1,068,969 in annual contributions from the Monroe Foundation, CBNA and the Fairbanks and North Pole area Parishes. No for-profit private school would be able to invest \$3.5 million to acquire a campus to operate a school at a \$1 million annual loss. Although it is conceivable that a developer could acquire the property, raze the school buildings and attempt to develop it commercially, the nearby vacant retail and industrial properties, as well as the extraordinary costs of tearing down the school make such a scenario highly unlikely, much less at a value anywhere approaching \$3.5 million. For the foregoing reasons, the CSF campus is not included in the liquidation analysis. CBNA has further estimated that if the Religious Freedom Restoration Act argument could be overcome, the highest amount that a developer would pay for the property would be \$1,750,000. Nevertheless, under the Third Amended Joint Plan, the CSF campus will be sold to the Endowment for \$3.5 million in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

(10) Catholic Schools - PAN #0478377 LOT A MONROE
CATHOLIC SCHOOL FIRST ADDITION OUT OF J-1
MONROE CATHOLIC SCHOOL TRACT

This is a vacant lot adjacent to the CSF campus. It is presently subject to an eminent domain request by the City of Fairbanks. CBNA intends to sell this lot to the City of Fairbanks, but to the extent the sale has not closed before the Effective Date, CBNA will retain the property.

(11) CSF Convent, 615 Betty Street, Fairbanks, AK 99701 PAN#
0061778, 0061786

This is a small residential building/convent adjacent to the CSF campus which has been and can be utilized for housing teachers. Under the Third Amended Joint Plan, the CSF Convent

will be sold to the Endowment for \$205,000 in Cash, on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan.

- (12) Harding Lake Chapel and Lot, 11239 Salcha Dr., Harding Lake, AK

This is a small chapel located near some vacation cabins on Harding Lake that are used by certain families in summer. Visiting priests say Mass at this location occasionally to a handful of Catholic families who vacation at Harding Lake during the summer. CBNA intends to sell the Chapel to a group of the families who own nearby vacation cabins for \$15,000.

- (13) KNOM Radio Station, 107 West Third Street, Nome, AK 99762
Lots 35A, 37A, 39A, 41A, and 43A of Block 30, according to the official plat recorded on April 2, 1992 as Plat 92-4; Records of the Cape Nome Recording District, Second Judicial District, State of Alaska.

There are five properties associated with KNOM in Nome: (1) Station, Garage, Generator, Cold Storage + Lot; (2) Volunteer house + Lot; (3) South Steadman Lot; (4) West 3rd Ave Lot; and (5) North Steadman (at 3rd Ave) Lot. CBNA scheduled the KNOM real property at a value of \$780,000; however, that was based on an estimate by a banker and not a formal appraisal. CBNA believes that there is no market value to the lot with the Station, Garage, Generator and Cold Storage. This is because the building on the lot was built as a radio station studio, with significant wiring in the walls, no kitchen, and only public style restrooms. Any other user would need to either completely gut the building or raze it and construct a new building. Such a cost would make the building worth almost nothing in Nome's marketplace.

Further, there is no market whatsoever for a radio station in Nome. Indeed, KNOM's competitor in Nome, KICY, which is a commercial radio station, has to supplement its budget by doing salmon barbecue fundraisers at Covenant Churches throughout the lower forty-eight (48) states. The reason for this is that there simply are not enough retailers in the listening area to purchase sufficient advertising. Indeed, as reflected in its historical performance as described in

Exhibit "6", KNOM entirely depends on donations through its "*Static*" newspaper and direct mail appeals in order to survive.

The KNOM real property could have value to a developer willing to demolish the buildings and build new buildings. Under the Third Amended Joint Plan, the KNOM Real Property Center will be sold to the Endowment for \$430,000 in Cash on or before the Effective Date. The proceeds of the sale will be paid to the Fund pursuant to the terms of the Plan. In addition KNOM will contribute \$150,000 of the Cash needed from CBNA to fund the Plan.

(14) Harding Lake Second Tier Vacant Lot PAN #0160121; LOT 50
US SURVEY 3210

This is a second tier lot located at Harding Lake that is suitable for constructing a vacation cabin. CBNA has been attempting to sell this lot for a number of years, but has so far been unsuccessful. CBNA is contributing Cash to the Fund sufficient to account for whatever value is in this property.

(15) Two Rivers Vacant Lot.

The Two Rivers Vacant Lot was donated to CBNA. Unfortunately, the donors placed significant restrictions on CBNA's ability to sell this property whereby the donors must not only approve the purchaser, but also must approve the purchaser's plans for the property. CBNA has brought what it believed to be three (3) viable offers for the property that have all been rejected by the donors. In light of the unwieldy restrictions on this gift, CBNA intends to return the property to the donors.

(16) Oknagamut raw land remote 23.15 acres

This is a very remote parcel of raw land that has primarily been used by area Native people for subsistence since time immemorial. CBNA presently is in negotiations with a nearby Alaska Native village corporation which is interested in purchasing this parcel to ensure that subsistence uses continue into the future.

(17) Akulurak raw land remote 66.06 acres

This is another very remote parcel of raw land that has primarily been used by area Native people for subsistence since time immemorial. CBNA obtained Court approval to sell this property to Alakanuk Native Corporation, an Alaska Native village corporation, for \$25,000 and the sale closed over the summer. The proceeds of the sale will be used to pay CBNA's funding obligations on the Effective Date.

(18) Pilgrim Springs 320 acres Historic Hot Springs 70 miles northeast of Nome AK.

Pilgrim Hot Springs ("Pilgrim Springs Property") is a verdant 320 acre enclave of fee land owned by CBNA located in western Alaska, about 46 miles (75 km) north of Nome. This property is surrounded by lands controlled by an ANCSA Native Village Corporation, the Mary's Igloo Native Corporation (MINC). The MINC lands, in turn, lie within a very large land swath, some of which is controlled by an ANCSA Native Regional Corporation known as Bering Straits Native Corporation (BSNC). It should be noted that the old village site of Mary's Igloo is approximately seven (7) miles northwest of the Pilgrim Springs Property. The Pilgrim Springs Property access road crosses some lands owned by the MINC, the BSNC and state-selected lands for the State of Alaska.

The Catholic Church's involvement in the region began in the early 1900's with missionary priests ministering to the native people of Old Igloo. In 1918, after a severe influenza epidemic killed more than 1,200 people, the Catholic Church was asked to take in orphans from the Nome area. They built an orphanage, a church, some greenhouses, and assorted other buildings near the original hot springs. The thermal waters were used for the greenhouse, a bath house and the natural hot spring pool. Impressive vegetable crops were also grown on the property. This mission survived until 1941, by which time all the children had grown up. A cemetery used during the orphanage days and subsequent years is located on the property.

In 1969, CBNA entered into a 99 year ground lease with a company called Pilgrim Springs Ltd. ("PS Ltd.") who, it was contemplated, would develop the property so as to generate

substantial royalties in addition to nominal rents. As a result of PS Ltd.'s failure to perform, and its alleged defenses of impossibility and mutual mistake, the Court authorized CBNA to rescind the lease. PS Ltd. and one of its former employees have filed unsecured claims as a result of this rescission. CBNA believes that the Pilgrim Springs Property has substantial development potential as a source of geothermal power in the region, or more limited tourist or agricultural uses. CBNA has already received one offer to purchase the Pilgrim Springs Property from the Bering Straits Native Corporation, though for a lower amount than CBNA believes may be realized under the current development plan for the property.

Geothermal Exploration – The earliest geothermal investigations at Pilgrim Springs included those of U. S. Geological Survey personnel G. Waring in 1917 and T. Miller in 1975. In 1975, R. Forbes of the University of Alaska undertook reconnaissance geological and geophysical studies. Then, in 1979 and 1982, the Geophysical Institute, the Alaska Division of Geological and Geophysical Surveys (ADGGS), and Woodward Clyde Consultants (WCC) mapped the surface and the bedrock, conducted helium, mercury, gravity, seismic refraction, and electrical resistivity surveys, undertook geochemical sampling and analyses, and logged test wells. Their combined findings are summarized below:

- 1979 surface thermal spring discharge was about 67 gpm of alkali-chloride water at a temperature of about 178°F (81°C).
- Preliminary Na-K-Ca geothermometry suggests that a deep underlying geothermal reservoir may be as hot as 302°F (150°C).
- Springs likely located near intersection of two orthogonal fault zones that form a corner of a graben.
- Gravity studies suggest that bedrock is 1,500 feet (458 m) below property.
- Resistivity studies suggest Pilgrim Spring reservoir is pancake shaped and about 160 ft. (50 m) thick over a ~ 0.58 sq. mi. (1.5 sq. km.) thawed area.
- Artesian aquifers were encountered in a 66-100 ft. (20-30m.) depth interval with flow rates estimated at 200 and 300-400 gpm respectively, at a temperature of 194°F (90°C).
- In 1982, 6 new wells produced artesian flows of 30 to 250 gpm with about 6 ft. (1.8 m.) of head. Maximum temperature was 194°F (90°C).

- o The thermal gradient in the two deepest wells was ~4.0°F per 100 ft. suggesting that 302°F (150°C) might be reached at depth of about 4,800 feet (1,463 m.).

Studies did not determine location and nature of the upflow zone or the location, depth, and nature of possible "deep" hot reservoir. These must be determined if the property is going to have potential for development to produce electric power.

Market Comments – Nome currently requires 5 MW power at a cost of approximately \$0.35 per kwh for residential customers. If adequate flows (~1,250 gpm per MWe) of thermal waters at 200°F (93°C) can be obtained from production scale wells at Pilgrim Springs Property, a modern (UTC-type) binary power cycle could be used to generate power. The efficiency of this system would be greatly enhanced by the availability of very cold river water nearby and the low (< 25°F, -3°C) average ambient air temperature. If a deeper, hotter resource is discovered, a more efficient industry standard "ORMAT-type" binary system might be installed. Using a modern (UTC-type) binary power cycle generation, Pilgrim Springs Property could be a viable power supplier. Power transmission to Nome must be considered in determining economic viability.

Bering Straights Regional Native Corporation filed a letter with the Court offering \$900,000 for the Pilgrim Springs Property. As a result of CBNA's ongoing efforts to market and improve the Pilgrim Springs Property, CBNA believes that the value could be as high as \$2.75 million. The Pilgrim Springs Property will be sold pursuant to the Plan at the Pilgrim Springs Auction which will be held on or about February 25, 2010. The opening bid at the Pilgrim Springs Auction will be by the Endowment for the sum of \$1,850,000. Any bids in excess of \$1,850,000 Cash will be considered and the Pilgrim Springs Property will be sold to the highest bidder. If the Pilgrim Springs Property is sold for an amount in excess of \$1,850,000, in addition to \$1,850,000 all excess net proceeds will be paid to the Fund.

b. Personal Property

The following are CBNA's primary items of personal property:

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1621

(1) Cash

As of January 31, 2009, CBNA had approximately \$760,474.64 in Cash and cash equivalents, with \$283,813 associated with the administrative offices, \$468,887.68 associated with KNOM and \$7,773.36 associated with CSF. These balances, especially KNOM's balance, are relatively high because December and January are peak giving seasons.

(2) Investments

As of January 31, 2009, CBNA had approximately \$743,535.53 in investments associated with the Current Fund and the Third Amended Joint Plan Fund. All of these investments are donated funds and grant proceeds that are subject to donor imposed use restriction and, therefore, are classified as temporarily restricted. As CBNA incurs the expenses contemplated by the grants or the donors, the funds will be released to the general fund and the expenses paid out of the general operating account of CBNA. CBNA has improved its management practices with respect to these restricted investment funds by more regularly reconciling the incurred expenses with restricted uses so as to free up more general unrestricted money.

(3) Limited Partnerships

As of January 31, 2009, CBNA had approximately \$261,324.53 in investments associated with its interest in the Alaska Conference of Catholic Bishops which is a 501(c)(3) corporation that provides, among other things, insurance services to the Dioceses of Alaska. The interest is not marketable. CBNA is also a member of CUP II which is not marketable.

(4) Accounts Receivable

As of January 31, 2009, CSF had approximately \$691,429 in tuition receivable. CBNA was also owed accounts receivable of roughly \$75,000. CBNA is also the holder of several small notes secured by mortgages on real property.

(5) Aircraft

CBNA is the owner of a 1965 Cessna 172 prop plane which has been used in missionary work since 1980. CBNA has been attempting to sell this aircraft for several years without success.

CBNA also owns a 1978 Cessna 207A prop plane, which is used to support CBNA's construction and engineering department's work which, in turn, supports the repair, upgrade and building of mission Parish Churches. CBNA intends to retain and continue to use this aircraft. On Schedule B, CBNA estimated that this plane has a value of \$80,000.00.

(6) Claims Against NorthMail, Inc.

KNOM engages in fundraising activities by: (1) appeal campaigns mailed three times each year (spring, fall, and winter) to mailing lists purchased by KNOM for that purpose; and (2) monthly newsletters mailed to current and prior donors obtained through the appeal campaigns. KNOM purchases its appeal mailing lists. Each list has a "shelf life" - a period of time in which a solicitation must be sent so as to realize a maximum return of donations from the appeal. The monthly newsletters, or "*Statics*," also have a shelf life, and must be mailed several weeks apart so as to realize maximum return. KNOM contracted with NorthMail to insert, address, and send its mass-mailed appeals and *Statics*. NorthMail did not mail KNOM's *Statics* to certain zip codes; or mailed them in so defective a manner that they failed to reach the intended recipients. Further, NorthMail did not mail all of the *Statics* prior to the expiration of their "shelf life."

Similarly, NorthMail did not mail the January 2008 appeals to all intended recipients and did not mail all of the January 2008 appeals prior to the expiration of their "shelf life." As a result, KNOM suffered significant damages due to loss of cash flow. KNOM has estimated the loss to be in excess of \$250,000.

(7) Claims for Contribution or Indemnity Against the Oregon Province of Jesuits and Other Religious Orders

Under Alaska law, when there is more than one defendant there is "several liability" only. This means that each pays damages according to his/her own share of fault. Because a defendant only pays for its share of fault, there is no need for a contribution claim on the theory that one cannot be forced to pay more than one's "fair share."

However there is nothing in the "several liability" that precludes an "indemnification" claim. It is possible for a defendant to have liability to a plaintiff and still be entitled to be indemnified for that liability - i.e. CBNA may have liability to the Tort Claimants because of its status as the Fairbanks Diocese which may owe general duties to hire, install and/or supervise priests, but may claim indemnification against the Jesuits or other applicable religious orders because any liability of CBNA was due to the "active" fault of the Jesuits and CBNA did not have any "active" fault beyond the acts and omissions of the Jesuits.

CBNA has indemnification claims against the Jesuits, who provided most of its priests, including most of the perpetrators. Each and every bishop prior to Bishop Kettler was a Jesuit priest and subject to the governance of the Jesuit provincial with respect to Jesuit matters. Moreover, the CBNA bishop did not and does not assign the priests' locations; the Jesuits did. The Jesuits filed for Chapter 11 reorganization on February 17, 2009. CBNA timely filed a proof of claim with respect to its indemnification and other claims against the Jesuits. Under the Third Amended Joint Plan, unless the Jesuits and other religious orders settle CBNA's indemnification claims by contributing substantial funds to the Reorganization Plan so as to become Participating Third Parties under the Third Amended Joint Plan, CBNA will assign its indemnification claims against the Jesuits and religious orders to the Settlement Trustee.

CBNA may also have claims against the Brothers of St. Francis, the Sisters of Saint Ann and certain orders of religious women as well. Under the Third Amended Joint Plan all such Claims will be transferred to the Settlement Trustee.

The Jesuits disagree with the statements, representations, and opinions (collectively, the "Statements") in the Disclosure Statement, which are solely those of CBNA. The Jesuits dispute the accuracy and completeness of certain of the Statements. The Statements in the Disclosure Statement are not binding on the Jesuits and do not constitute findings by the Court. It is the position of the Jesuits that they have reserved all their rights and objections with respect to the Plan, all rights and defenses with respect to the Jesuits' proofs of claim, and all rights, claims, and defenses with respect to any other matter in the Reorganization Case. Similarly, CBNA

reserves all of its rights and objections to any position and objections which may be asserted by the Jesuits.

(8) Claims Against Insurance Companies for Defense and Indemnity

CBNA has claims against its Insurance Companies with respect to the sexual abuse claims filed against it. Specifically, CBNA has claims for defense and indemnity coverage against Catholic Mutual Relief Society of America ("Catholic Mutual"), which provided CBNA primary and excess/umbrella layers of insurance coverage from April 15, 1979 through April 15, 1983, and then "claims made" special excess coverage claims for the policy period of July 1, 1990 through July 1, 2009; claims against Alaska National which provided a primary layer of liability coverage from April 15, 1983 to April 15, 1988; and against Travelers Casualty and Surety Company, formerly known as Aetna Casualty and Surety Company ("Travelers"), which provided primary and excess/umbrella layers of liability coverage from April 15, 1988 through July 1, 1990. As claims alleging tort liability for sexual abuse have been filed against CBNA it has tendered the defense and indemnity claims to its Insurance Companies.

In addition to the foregoing Insurance Companies, CBNA tendered claims alleging sexual abuse in the period between October 1973 and April 15, 1979 to Continental Insurance Company ("Continental"), under the belief that Continental had provided CBNA with liability coverage during that period. Unfortunately, neither CBNA or Continental was able to locate a copy of the policies. Nevertheless, Continental provided to CBNA a defense of the tendered claims but did so under a reservation of rights to deny coverage if the policies terms could not be established or if the claims of sexual abuse were not covered under the policies issued by Continental.

CBNA attempted to gather as much secondary evidence of coverage as possible in order to establish Continental's coverage of the tendered claims. Unsatisfied, Continental filed a declaratory judgment action in the United States District Court for the District of Alaska in 2006 (the "Policies Existence Case"). CBNA and Continental conducted extensive discovery and each fully briefed cross motions for summary judgment on the Policies Existence issue. The action was stayed by the Reorganization Case and was subsequently referred to the Bankruptcy Court.

The Bankruptcy Court heard oral argument on the cross motions for summary judgment on June 30, 2009.

On September 11, 2009, the Bankruptcy Court issued an interlocutory memorandum decision granting summary judgment to Continental in the Policies Existence Case, holding that although CBNA had some evidence that Continental had issued insurance policies to CBNA, there was insufficient evidence as a matter of law, to support the nature of the insurance or the scope and terms of the coverage. As a result of this decision, Continental asserts that it is entitled to extensive damages. CBNA has entered into a settlement of Continental's Claims against CBNA and CBNA's claims against Continental. CBNA is filing a motion to approve the settlement between it and Continental pursuant to 9019 Fed. R. Bankr. P. within days of the filing of this Disclosure Statement.

In addition to the Policies Existence Case, CBNA filed a separate declaratory judgment action against all the Insurance Companies to determine the scope of coverage under the relevant policies, Case No. 08-90019, entitled *Catholic Bishop of Northern Alaska, Plaintiff v. Continental Insurance Company, et al., Defendants* (the "Comprehensive Coverage Action"). As a result the settlement of Continental's claims, Continental will be dismissed from the Comprehensive Coverage Action. The parties have engaged in substantial discovery in the Comprehensive Coverage Action. CBNA's remaining Insurers have responded differently from one another with respect to the tendered claims and the Comprehensive Coverage Action. The response to the tendered claims and the treatment of the Insurance Claims under the Third Amended Joint Plan are described in detail below.

(a) Alaska National Insurance Company

Alaska National has honored its obligations to provide defense and indemnity coverage to CBNA within the terms of its Insurance Policies. Pre-petition, Alaska National authorized CBNA to issue offers of judgment to each remaining plaintiff who had asserted claims against CBNA that Alaska National had acknowledged were covered under its Insurance Policies. Each such claimant accepted the offers of judgment. Post-petition there have been five (5) claims that

Alaska National has agreed implicate its liability coverage. CBNA and Alaska National are in the process of documenting a settlement whereby Alaska National has agreed to pay \$1.4 million to CBNA (which CBNA will use to fund its obligations under the Plan with respect to the Fund and payment of Allowed Administrative Claims), Alaska National will obtain a release from any Claim by CBNA to insurance coverage for any present Tort Claims or Future Tort Claims and Alaska National will become a Settling Insurer under the Plan and will benefit from the proposed Channeling Injunction. The Alaska National settlement will be the subject of a motion under Bankruptcy Rule 9019. when CBNA and Alaska National complete documentation. In that motion CBNA will also sell the Alaska National policies back to Alaska National under 11 U.S.C. § 363. CBNA anticipates that the motion to approve the Alaska National settlement will be heard in conjunction with the Confirmation Hearing.

(b) The Catholic Mutual Relief Society of America

The Catholic Mutual Relief Society of America ("Catholic Mutual") provided CBNA primary and excess/umbrella liability insurance coverage from April 15, 1979 through April 15, 1983 and again from July 1, 1990 through the present, including "claims made" special excess coverage for the period between July 1, 2008 to July 1, 2009. CBNA contends that Catholic Mutual has breached its obligations to CBNA under its policies, and as a result CBNA is relieved of its duty to cooperate with Catholic Mutual and, therefore, for example CBNA may waive its statute of limitations defenses as to Settling Tort Claimants, as applied to Catholic Mutual.

Catholic Mutual has outright denied CBNA any coverage of Post-Abuse Impact claims under the umbrella coverage provided during period from April 15, 1979 through April 15, 1983. Under the subject umbrella coverage certificates, Catholic Mutual agreed that it would indemnify CBNA "for all sums which [CBNA] will be legally obligated to pay as damages, all as more fully defined by the term 'ultimate net loss' on account of:

1. Personal Injuries,
2. Property Damage,
3. Advertising Offense,

to which this Certificate applies, caused by an occurrence."

Section IV of the Catholic Mutual certificates states that "[t]his certificate applies to personal injury, property damage or advertising offense which occurs anywhere during the certificate period.

The Catholic Mutual Certificates define covered "Personal Injuries" as follows:

8. PERSONAL INJURIES

The term "Personal Injuries" whenever used herein means bodily injury, mental injury, mental anguish, shock, sickness, disability, false arrest, false imprisonment, wrongful eviction, detention, malicious prosecution, discrimination, (unless coverage thereof is prohibited by law), humiliation, also libel, slander or defamation of character or invasion of rights of privacy, except that which arises out of any Advertising activities.

(Parenthesis in certificates, underlined emphasis added)

In contrast, the Catholic Mutual primary liability coverage part covers "bodily injury" which takes place during a certificate period, and the certificates define "bodily injury" to mean

bodily injury, sickness or disease sustained by any person which occurs during the certificate period, including death at any time resulting therefrom.

In spite of the broader definition of "Personal Injuries" in its umbrella coverage, to include potential coverage for such "Post-Abuse Impacts" as the "mental injury," "mental anguish," "shock," and/or "humiliation," Catholic Mutual has attempted to equate "Personal Injuries" with the narrower definition of covered "bodily injury" in the primary liability coverage part. CBNA submits that this coverage position, confirmed by Catholic Mutual in coverage position letters to CBNA, and also during the deposition of Ray Miller, Catholic Mutual's Vice President - Claims, reflects an improper effort by Catholic Mutual to retroactively re-write CBNA's umbrella coverage to limit coverage to "bodily injury, sickness or disease," and to delete from CBNA's umbrella coverage the clear statements of potential liability coverage to CBNA for "mental injury," "mental anguish," "shock," and/or "humiliation" alleged to have taken place during the Catholic Mutual

umbrella annual coverage periods of 04/15/79 - 04/15/80, 04/15/80 - 04/15/81, 04/15/81 - 04/15/82 and 04/15/82 - 04/15/83.

Having decided not to limit covered "Personal Injuries" in its standard umbrella coverage form to just "bodily injury, sickness or disease," Catholic Mutual should not be allowed to read out of its umbrella certificates coverage for "mental injury," mental anguish," "shock," and/or "humiliation." There is nothing in Catholic Mutual's definition of "Personal Injuries" in its umbrella Certificate that limits coverage to only the policy period(s) when a claimant was subjected to alleged physical sexually abusive contact with a priest, other religious or any other person. Catholic Mutual chose not to do so. CBNA submits that it is entitled to the broader coverage Catholic Mutual chose to sell to CBNA.

Various of the Tort Claimants who alleged that they suffered physical abuse prior to April 15, 1979, have asserted that they suffered post abuse impacts such as "mental injury," "mental anguish," "shock," and/or "humiliation" during the 1979-1983 coverage periods and, therefore, are covered by Catholic Mutual's umbrella coverage. CBNA further contends that Catholic Mutual is obligated to provide extensive insurance coverage of such post abuse impacts because under the Catholic Mutual Policies there is a \$2 million bodily injury umbrella coverage on a "per occurrence" basis, and there is no "general bodily injury aggregate" for any of the four annual certificate coverage periods beginning on April 15, 1979 through April 15, 1983. On September 28, 2009, CBNA filed a motion for summary judgment in the Comprehensive Coverage Action seeking a declaration of its rights to coverage for Post Abuse Impacts under Catholic Mutual's umbrella policies and that there is no general bodily injury aggregate limit for such injuries. On November 2, 2009 Catholic Mutual filed its response to CBNA's motion for partial summary judgment, and at the same time Catholic Mutual filed a cross-motion for summary judgment on the Post-Abuse Impacts coverage issue. The Court in Adversary No. 09-90019 has scheduled a hearing on January 14, 2010 for CBNA's and Catholic Mutual's cross-motions.

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Suite 1700
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1621

Further, there are numerous other claims against Catholic Mutual's primary coverage, and several claims applicable to the claims made during the coverage period of July 1, 2008 to July 1, 2009. Catholic Mutual has asserted full reservation of rights with regard to indemnity coverage for these claims and has raised various coverage defenses, all of which CBNA contends are without merit.

(c) Travelers Casualty and Surety Company, formerly known as AETNA

Travelers provided both primary and excess umbrella coverage to CBNA from April 15, 1988 through July 1, 1990. Only three claimants have asserted that they were physically abused during that coverage period. Travelers has agreed to defend CBNA with regard to the three claimants under the Travelers umbrella coverage, but under a full reservation of rights to withdraw the reference and to deny indemnity coverage to CBNA for the three claimants. Travelers has completely denied umbrella coverage to CBNA for all Post-Abuse Impacts Claimants. Like Catholic Mutual, Travelers has raised various coverage defenses, all of which CBNA contends are without merit. It is CBNA's position that the Travelers umbrella Insurance Policies include an annual \$5 million aggregate coverage limit, and thus Travelers' maximum exposure under its umbrella coverage Insurance Policies is \$15 million. Travelers has asserted that there are only two \$5,000,000 aggregate coverage limits, so that Travelers' maximum exposure under its umbrella coverage is \$10 million.

On October 9, 2009, Travelers filed a motion for summary judgment in the Comprehensive Coverage Action seeking a declaration that its umbrella policies do not cover Post Abuse Impacts and that the only claims potentially covered under Travelers' umbrella coverage are the three claims alleging that physical abuse took place during the umbrella policy period of April 15, 1988 to April 15, 1989. On November 9, 2009 CBNA filed a response to Travelers' motion and a cross-motion for summary judgment seeking a declaration that Travelers' umbrella policies cover Post Abuse Impacts. The Court in Adversary No. 08-090019 has scheduled a hearing on January 14, 2010 for Travelers' and CBNA's cross motions.

(d) Assignment to Settlement Trustee

Under the Third Amended Joint Plan, CBNA will assign its claims against Catholic Mutual and Travelers to the Settlement Trustee. As described below, each Tort Claimant will be deemed to have assigned his or her Allowed Tort Claim to the Settlement Trustee so that the Claims for indemnity against Catholic Mutual and Travelers will be subject to covenant settlements, under such authority as *Great Divide Insurance Co. v. Carpenter*, 79 P.3d 599 (Alaska 2003).

Pursuant to the Third Amended Joint Plan, each Tort Claimant will be deemed to have assigned his or her Allowed Tort Claim to the Settlement Trustee (the "Assigned Allowed Tort Claim") regardless of whether such Tort Claimant votes on the Third Amended Joint Plan or votes to reject the Third Amended Joint Plan (so long as the Third Amended Joint Plan is confirmed and the Effective Date occurs). As a result of such assignment, the Settlement Trustee will succeed to all rights of the Tort Claimants against the Debtor and any Great Divide Candidate Insurer; provided, however, that any recoveries to the Settlement Trustee or any Tort Claimant with an Allowed Tort Claim against the Debtor or the Reorganized Debtor will be limited to and by the Fund, the terms of the Third Amended Joint Plan and the discharge received by the Debtor pursuant to the Third Amended Joint Plan and applicable provisions of the Bankruptcy Code. In addition, on the Effective Date, the Debtor will assign all of its rights against any Great Divide Candidate Insurer. The Settlement Trustee will also be substituted as the Plaintiff for CBNA in the Comprehensive Coverage Action and the Settlement Trustee, not CBNA, will have the right and obligation to prosecute any and all other actions against Great Divide Candidate Insurers. The proceeds of any recoveries from judgments against or settlements with any Great Divide Candidate Insurers will be paid to Settlement Trustee to be held and administered in accordance with the Third Amended Joint Plan.

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Suite 1700
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1621

(9) Jesuit Safeco Insurance Policies Claims

CBNA is informed and believes that Safeco Insurance or one of its subsidiary or related insurance companies issues indemnity insurance to the Jesuits ("Safeco"). Because of the pervasive control of CBNA and the Fairbanks Diocese by the Jesuits and the various contractual relationships between the Jesuits, on the one hand, and the Fairbanks Diocese and/or CBNA on the other hand, CBNA believes that it may have direct claims against Safeco or any indemnity insurance policies issued by Safeco to the Jesuits. In addition, CBNA is informed and believes that the Jesuits released all indemnity insurance coverage from Safeco when it settled with certain of the Tort Claimants in 2008. CBNA was not a party to the settlement with the Tort Claimants nor was it a party to any agreements with Safeco. Accordingly, CBNA is not bound by any of the agreements between CBNA and Safeco. CBNA has informally requested copies of the Safeco indemnity or other insurance policies and the agreement between the Jesuits and Safeco; however, to date, the Jesuits have not produced those documents.

2. Liabilities

a. Great Falls Secured Claims

The Diocese of Great Falls-Billings, Montana loaned money to CBNA under the post-petition debtor-in-possession financing arrangement in the amount of \$1,000,000 at seven percent (7%) interest payable over a twenty (20) year term and was granted a super-priority claim and a first priority lien on (1) fourteen and one-half (14.5) acres of raw land next to the Chancery in Fairbanks described in Section E.1.a(1) above; and (2) the Jesuit Residence, described in Section E.1.a(7) above. No payments are due under the loan until the Court confirms a plan of reorganization in the Reorganization Case.

b. Annuity Secured Claims

Certain individual persons have claims for charitable gift Annuities purchased by them from CBNA under a gift and bequest program. Various donors made charitable gift annuities in exchange for which such donors are receiving certain fixed payments during their lives or the

lives of another person, the payments for which were fixed at the date of the gift based on actuarial tables of the donor's life expectancy and uniform gift annuity rates. Upon the individual's passing, the remainder of the gift becomes the property of CBNA. Because of the unknown nature of future mortality, CBNA is unable to precisely estimate the amounts it owed under the charitable gift Annuities; however, as of the Petition Date, it believed it had approximately \$202,751.31 in such liability, secured by the property given to CBNA by the gifting individual.

c. Lease Related Claims & Pilgrim Springs Claims

CBNA filed a motion to assume its leases with (1) the State of Alaska, Department of Transportation and Public Facilities for use of the aircraft hangar and land described in Section F.1.a(6), and (2) Ciunerkiurvik Corporation for use of a dormitory, offices and storage space in the village of St. Mary's, Alaska. The Hangar lease runs through May 31, 2040 and requires CBNA as lessee to make annual rental payments of \$1,735.20 each. The St. Mary's lease runs through 2011 and requires CBNA to make semi-annual rental payments of \$68,817.60 on January 1 and July 1 of each year.

In regard to the Pilgrim Springs lease which was rescinded by CBNA, as landlord, following breach of the lease by the lessee, two Proofs of Claim were filed. The first, filed by PS Ltd. in the amount of \$2,875,000.50, alleges damages related to the rescission of the lease. The second was filed by Louis and Nancy Green, employees of PS Ltd. (the "Green Claim"). The Green Claim alleges \$263,143 in damages representing purported lost wages that they allege Pilgrim Springs would have paid to them had the lease not been rescinded. The Greens subsequently withdrew the Green Claim. The Greens recently filed an action in the Alaska Superior Court for quiet title alleging that they have succeeded to the property by adverse possession (the "Quiet Title Action"). The Quiet Title Action was brought in violation of the automatic stay of Bankruptcy Code §362. CBNA served written demand on the Greens to immediately dismiss the Quiet Title Action. The Greens have refused to dismiss the Quiet Title Action, and CBNA will file appropriate motions in the Bankruptcy Court and seek appropriate

sanctions for the Greens wilfull violation of the automatic stay. In addition, the Greens' claims have no merit because they were never in adverse possession of the Pilgrim Springs Property. Furthermore, CBNA disputes the validity of each of these Pilgrim Springs Claims and will file an objection to them, in addition to exercising and asserting its Pilgrim Springs Setoff Claims.

d. Employee Benefit Claims and Tax Claims

On March 5, 2008, the Court granted CBNA's motion to honor its employee benefit plans with the caveat that CBNA could not cash out any accrued benefits save under a Plan of Reorganization. As of the Petition Date, CBNA believes it owed employee benefits in the approximate amount of \$346,006.80, of which amount \$224,422.56 is entitled to priority treatment. In addition to these Claims, certain employees of Parishes subsidized by CBNA may also assert General Unsecured Claims against CBNA based on accrued benefits owed to their employees.

The Internal Revenue Service also filed a Proof of Claim in the amount of \$1,131.18. The Claim appears to be for a post-petition tax penalty for prepetition taxes that were paid after the Petition Date pursuant to order of the Bankruptcy Court. CBNA will investigate this Claim to determine whether an objection should be filed.

e. Trade Debt

CBNA, as an operating religious non-profit, has incurred certain trade debt. As of April 23, 2008 (the date of filing its Amended Schedule F), CBNA believes that it, along with CSF and KNOM, had approximately \$94,126.26 in trade debt. Additionally, CBNA believes that First National Bank of Alaska holds a General Unsecured Claim against CBNA in the approximate amount of \$16,278.73; however, First National Bank filed a Proof of Claim in the Reorganization Case in the amount of \$18,520.90. To the extent the Claim includes debt incurred and paid post-petition, CBNA will object to this Claim. Other trade creditors have filed Claims that were not scheduled by CBNA. CBNA is investigating these Claims to determine whether an objection should be filed. These include a Proof of Claim filed by Gear Athletics,

L.L.C. in relation to CSF in the amount of \$1,317.99, and a Proof of Claim filed by Alpenglow, Inc., in the amount of \$959.50, also in relation to CSF.

f. Tort Claims and Future Tort Claims

As is discussed in detail below, CBNA is a party to a number of lawsuits or other Claims wherein the Claimants allege that they were abused by clergy or others associated with CBNA. These Claimants, whether or not they had filed a lawsuit against CBNA prior to the Petition Date are referred to in the Third Amended Joint Plan as Tort Claimants. The Tort Claimants assert, among other things, that CBNA is liable because it failed to properly hire, install and/or supervise these individuals. CBNA has denied these allegations and, to the extent that lawsuits were filed prepetition, has been defending those suits. In addition to the Claims that were known on the Petition Date, one hundred sixty-five (165) individuals filed Proofs of Claim (collectively the "Present Tort Claims"). CBNA further believes that there may be other potential Tort Claimants for whom the statute of limitations applicable to Tort Claims had not occurred before November 2, 2008 ("Future Tort Claims").

The Court appointed Michael Murphy to represent the legal interests of the Future Tort Claimants (the "Future Claims Representative") at the joint request of CBNA and the Committee. The Future Claims Representative filed a contingent, unliquidated Proof of Claim on April 2, 2009.

Pursuant to the Third Amended Joint Plan, the Committee and CBNA, with the concurrence of the attorneys who represent most of the Tort Claimants, resolved CBNA's liability and that resolution is now embodied in the Third Amended Joint Plan.

g. Insurance Related Claims

As part of the Policies Existence Case, Continental asserted that because it had incurred costs defending CBNA under a reservation of rights, it had a substantial Claim against CBNA for reimbursement of such costs in the event that the Court determined that Continental had no duty to defend or indemnify CBNA. Continental filed a Proof of Claim for these damages prior to the

hearing on the Disclosure Statement conducted on June 18, 2009. CBNA objected to the Proof of Claim.

As a result of having been granted summary judgment in the Policies Existence Case that there is not sufficient secondary evidence of the terms of the policies that CBNA purchased from Continental in order to establish coverage of the Tort Claims, the Court scheduled trial on whether Continental was entitled to reimbursement of defense costs for Friday, October 16, 2009. Continental also asserted a right to attorney's fees and costs from the Policies Existence Case and the Comprehensive Coverage action. CBNA intended to appeal the final judgment in the Policies Existence Case. However, in the days leading up to the October 16, 2009 damages trial, CBNA and Continental agreed in principal to a settlement that will result in a \$1,200,000 Allowed Claim in favor of Continental, but which also provided for an agreed plan treatment allowing CBNA to pay Continental \$75,000 in four (4) annual installments with no interest (the "Continental Claim Payment"). Continental is assigning its rights to the Continental Claim Payment to the Fund and Continental will thereby become a Participating Third Party under the Plan. In accordance with the agreement between the Committee and CBNA, the lump sum of \$75,000 is included in the amount to be paid to the Fund on or about the Effective Date and CBNA will have no obligations to pay the four (4) annual installments discussed above. In addition, as part of the settlement, CBNA will not appeal any final verdict on CBNA's claims against Continental.

The settlement with Continental is being incorporated into a settlement agreement and a Bankruptcy Rule 9019 motion that will be heard at or prior to the Confirmation Hearing.

Additionally, CBNA's Insurance Companies have failed to pay the full amount of their portion of certain legal fees incurred in the Tort Claim litigation proceedings. Therefore, the law firm of Cook Schuhmann & Groseclose, Inc., CBNA's Special Litigation Counsel appointed under Bankruptcy Code §327(e) filed a Contingent Claim against CBNA in the amount of \$389,123.19, the amount owed by CBNA's Insurance Companies for the defense of CBNA in the Tort Claim litigation proceedings. Based on information and belief, the Groseclose firm is in

fact owed approximately \$191,000 on unpaid insurance reimbursement claims. The Groseclose firm's prepetition claim, if and when Allowed, will be treated as a general unsecured claim.

h. Society of Jesus, Oregon Province ("Jesuits")

CBNA also has liability under a Promissory Note given to the Jesuits in consideration for the purchase of the Bishop's residence in Fairbanks. As of the Petition Date, the amount of the claim was approximately \$217,081.51.

Based on Proofs of Claim filed in the Reorganization Case, CBNA believes the Jesuits assert contingent and unliquidated Claims against CBNA for insurance coverage, allocation of fault, or other indemnification.

i. Parish Claims

As described above, certain of the subsidized Parish Communities may hold contingent, unliquidated Claims against CBNA for certain employee benefits. The Parish Churches may also hold contingent, unliquidated Claims against CBNA for future indemnification or contribution related to the Tort Claims; however, at this time, no Parish Church has filed a Proof of Claim. Moreover, any such Claims for indemnification, contribution or allocation of fault will be settled and released pursuant to the Parish Settlement Agreement.

V.

SIGNIFICANT EVENTS PRIOR TO THE REORGANIZATION CASE

A. Clarification of Fiduciary Relationships

As is discussed extensively above, CBNA has always served in the capacity of a trustee holding the legal but not the beneficial interest in certain property belonging to the Parishes and others. As CBNA became aware of decisions in the Portland Archdiocese and Spokane Diocese reorganization cases, it became clear that unnecessary confusion and litigation about the CBNA-Parish Church trustee-beneficiary relationships could arise with respect to these longstanding trustee-beneficiary relationships under the corporation sole statutes. Indeed, in the Davenport Diocese's reorganization case where, like the diocese where Bishop Kettler served as a pastor, the parishes are separately incorporated and directly hold title to their land, the controversy over

parish property that was so time consuming and costly was completely avoided. As fiduciaries, Bishop Kettler and CBNA believed it to be important to try to avoid any confusion about property that CBNA held as a trustee for the Parishes in the geographic territory of the Fairbanks Diocese.

On April 2, 2007, Bishop Kettler executed amended and restated Articles of Incorporation for CBNA to make clear the long-standing pre-existing trust relationship between CBNA and the Parishes with respect to property ownership. Further, each Parish recorded a "notice of beneficial interest" to further give notice of the trust relationship.

B. Creation of the Catholic Trust of Northern Alaska

In carrying out the oversight responsibilities of the Bishop, it has long been the policy of the Fairbanks Diocese that excess deposits of Parish Churches should be pooled for investment and management purposes. This allows the Parish Churches to obtain a greater return than they would be able to get if they separately invested their funds and also allows for more professional management of the funds. Historically, the Parish Churches' funds that were sent to CBNA as custodian and manager were deposited and invested through an investment portfolio account that was segregated from other funds held and administered by CBNA. Also, the Parish Churches and other related entities, such as FCA who participated in the program, were guaranteed a certain rate of return on their investments. The excess earnings were held in reserve in order to ensure that in times when the investments did not generate the guaranteed rate of return, there would be funds to cover the return to be paid. However, any funds in excess of the guaranteed return and not needed for reserves were to be paid to CBNA. Over the years, that reserve had built up to approximately \$1,294,629.55 as of June 30, 2006.

Approximately two (2) years ago, Bishop Kettler requested that CBNA, the Finance Council of the Fairbanks Diocese and Parish administration explore whether there was another mechanism for investment of their excess funds that might better serve the Parishes. As a result, the Catholic Trust of Northern Alaska ("CTNA") was formed with George R. Elliott Jr., James Haselberger, Frederick A. Villa, Fr. Ross Tozzi, Harold Esmailka, Norman E. Schmidt and

Bishop Kettler, as Trustees. Each Parish with deposits signed Settlor Statements, among other things, agreeing to the terms of the CTNA and instructing CBNA to transfer of the investments from the Parish deposit accounts to CTNA. This work was completed in October 2007, even though the establishment of the CTNA and discussion regarding the manner in which the CTNA would operate, were ongoing since sometime in 2005. As both Bishop Kettler and finance director Deacon Bowder have testified, the establishment of the CTNA was simply to provide a better way for the Parish Churches' funds to be invested and managed.

None of the reserves were transferred to the CTNA, but instead were paid to and used by CBNA. CBNA provides administrative assistance to the Trustees for which it will receive a fee of approximately \$7,500 to \$10,000 annually. As discussed above, the Committee filed the Avoidance Action Adversary Proceeding seeking to avoid the initial transfer of funds to the CTNA as a fraudulent transfer under 11 U.S.C. § 544 or 548 or as preference under 11 U.S.C. § 547; however, as a result of the agreements embodied in the Third Amended Joint Plan, the Avoidance Action Adversary Proceeding will be dismissed with prejudice on or before the Effective Date.

C. CBNA's and the Fairbanks Diocese's Response to the Sexual Abuse Crisis

Immediately after the survivors of sexual abuse began to come forward in the Fall of 2002, CBNA and the Fairbanks Diocese, under Bishop Kettler's leadership, started working and have continued to work uncompromisingly to provide a safe environment in the programs, Parishes and missions throughout the geographic territory of the Fairbanks Diocese.

The United States Conference of Catholic Bishops adopted the "Charter for the Protection of Children and Young People" in June 2002 at its meeting in Dallas (the "Charter"). As part of the Charter, the Office of Child and Youth Protection ("OCYP") was established and is responsible for assisting dioceses in implementing the Charter and ensuring the consistent application of guidelines and procedures to prevent sexual abuse of minors and properly deal with allegations of misconduct.

In accordance with the Charter, all clergy and staff, along with volunteers working with children, youth, and vulnerable adults, undergo criminal background checks. Training in the recognition and prevention of child sexual abuse is provided to children, youth, parents, volunteers, staff and clergy. In addition, clergy and staff receive additional training in ministerial misconduct and maintaining healthy boundaries. These are critical programs which must continue to be funded and must be maintained, so that what happened decades ago cannot be allowed to happen again.

CBNA maintains a Victim's Assistance Coordinator to assist anyone who has been abused. Any current reports of abuse are promptly reported to civil law enforcement agencies. Past reports along with abuse policies are reviewed by the Child Protection Team, which is comprised of community members.

In order to measure how effectively each diocese adheres to the Charter, the OCYP developed and manages an appropriate compliance audit mechanism which is conducted by the Gavin Group, Inc., (the "Gavin Group"), an independent consulting firm founded by a retired FBI official. The implementation of Diocesan abuse prevention programs has been audited annually by the Gavin Group. CBNA is in full compliance with the norms of the Charter and has received commendations for its efforts.

D. The Alaska Clergy Abuse Litigation

Beginning in 2003, the first in a series of cases were filed against CBNA alleging sexual abuse committed by priests and other workers in the Roman Catholic Church in Alaska (the "Alaska Clergy Abuse Cases"). These cases have resulted in claims by approximately 150 plaintiffs. The number of plaintiffs has, from time to time, fluctuated because of settlements and dismissals.

For each of the Alaska Clergy Abuse Cases containing allegations of abuse between October 1973 and April 15, 1979, CBNA tendered defense of the claims to Continental, which CBNA believed was CBNA's primary insurer during that time period. Continental provided defense in these cases under a reservation of rights. However, on January 19, 2006, Continental

filed a complaint in the District Court initiating the Policies Existence Case to obtain a judicial declaration that CBNA could not offer satisfactory evidence of the issuance of various liability policies by Continental to CBNA for any policy periods from October 1973 to April 15, 1979, and to be awarded a money judgment against CBNA equal to the defense costs already advanced under a reservation of rights. As of the Petition Date, there were cross motions for summary judgment by Continental and CBNA pending before the District Court with regard to the existence of the policies CBNA contends were issued to it by Continental. The outcome and resolution of the Policies Existence Case is addressed in Section IV(1)(b)(8) above.

The Alaska State Court ordered CBNA, the plaintiffs in the Alaska Clergy Abuse Cases, as well as other co-defendants, to participate in a mediation conducted by Judge Bettinelli. Unfortunately, the parties were unable to settle the Alaska Clergy Abuse Cases. However, following the mediations, CBNA made several offers of judgment on cases implicating Alaska National, which were accepted by the plaintiffs.

In November 2007, the Jesuits, a co-defendant with CBNA in the Alaska Clergy Abuse Cases and the religious order that historically supplied all of the religious workers in the Fairbanks Diocese, including every predecessor of the current Bishop, entered into a global settlement of the sexual abuse claims against the Jesuits for an aggregate amount of \$50 million. CBNA was not a part of that settlement.

In view of CBNA's limited resources, the parties' failure to resolve the pending cases outside of bankruptcy, and CBNA's desire to fairly compensate the survivors of sexual abuse, CBNA filed the Reorganization Case on March 1, 2008.

VI. **SIGNIFICANT EVENTS IN CHAPTER 11**

The significant events that have occurred since the Petition Date are summarized as follows:

A. First Day Motions

The Court granted CBNA's "first day" motions and entered orders:

(1) Approving adequate assurance of payment to utility companies pursuant to 11 U.S.C. § 366 and prohibiting utility service providers from altering, refusing or discontinuing services;

(2) Authorizing CBNA to continue to honor certain employee benefit plans, including those for vacation and sick pay, to retain CBNA's current employees;

(3) Authorizing CBNA to file portions of Schedule F, the Master Mailing List, and other pleadings and documents under seal;

(4) Establishing an official service list and limiting notice;

(5) Authorizing CBNA to continue its current bank accounts and current cash management system in order to avoid disruption in CBNA's business and conserve estate assets; and

(6) Granting various relief pertaining to employment and compensation of professionals (described in detail *infra*, Section VI "B").

B. Employment of Bankruptcy Professionals

CBNA filed applications to employ certain professionals to assist it with the Reorganization case. The Bankruptcy Court has entered orders approving the employment of the following professionals by CBNA:

- The law firm of Quarles & Brady, LLP;
- The law firm of Dorsey & Whitney, LLP;
- The law firm of Cook, Schuhmann & Groseclose, Inc.;
- The accounting and financial consulting firm of Keegan, Linscott & Kenon, P.C.;
- The aircraft brokerage Northern Aircraft, Inc.;
- The real estate firm of Robert Fox Realty, L.L.C.; and
- The geothermal consultant Gerald W. Hutterer of the firm of Geothermal Management Company, Inc.

The United States Trustee appointed the Committee which has also filed applications to

employ professionals. The Bankruptcy Court has entered orders approving the employment of the following professionals by the Committee:

- The financial consulting firm of J.H. Cohn;
- The law firm of Manly & Stewart, LLP;
- The firm of Morrow & Hensel Consulting;
- The law firm of David H. Bundy, P.C.; and
- The law firm of Pachulski Stang Ziehl & Jones, LLP.

CBNA and the Committee jointly moved to employ the individual Future Claims Representative, Michael Murphy, and his firm, Alix Partners, L.L.C., which employment was approved by the Court.

On CBNA's application, the Court also entered an order establishing a procedure for allowance and payment of professionals on a monthly basis during the course of the Reorganization Case. However, because of the financial circumstances of CBNA, professionals have not been receiving payment on a monthly basis.

C. Establishment of Bar Date and Procedures Related to Filing Claims Under Seal

Because of the sensitive nature of the Tort Claims, CBNA filed a motion on the Petition Date, which the Court granted, to allow filing of certain portions of Schedule F and the Master Mailing List under seal. All Proofs of Claim forms of Tort Claimants have similarly been filed under seal. CBNA has worked closely with the United States Trustee and the Committee to establish practices that ensure the confidentiality of the Tort Claimants' personal identifying information, while at the same time preserving the Claimants' right to appear and be heard.

The Court set December 2, 2008, as the date by which all claims against CBNA were to be filed. This date was extended to April 2, 2009 as to the Future Claims Representative. The Court also approved the form of notice, the Claim form to be used by Tort Claimants, and the manner in which CBNA proposed to publish, and did publish, notice and advertise in various state and national printed publications and other media.

D. Construction Motion

On March 28, 2008, CBNA filed an "Emergency Motion to Use Restricted and Unrestricted Funds for Certain Construction Projects," which the Court granted over the Committee's objection following an evidentiary hearing. Through the motion, CBNA sought permission to complete various projects that had begun pre-petition. These included: (1) repairing fire damage to St. Michael Parish church in McGrath; (2) installing a water treatment system in Kalskag; (3) constructing a new church to replace an old, unsafe structure in Scammon Bay; and (4) adding an emergency exit and small private room to the church in Kotlik. The Committee stipulated to allow the fire repairs in McGrath, and the Court granted the remainder of the disputed relief over the Committee's objection. Recognizing the importance that donated funds be used by CBNA in accordance with the donors' intent, and the important role that CBNA plays in rural Alaskan villages through projects such as these, the Court held that the construction projects were within the ordinary course of CBNA's charitable religious operations.

E. Insurance and Tort Litigation

The Court granted a motion for limited stay relief on June 27, 2008 to allow the District Court to hear oral argument on pending cross-motions for summary judgment in the Policies Existence Case. That case was referred to the Bankruptcy Court approximately two weeks later and was currently pending as Adversary No. 08-90033. Oral argument on the cross motions for summary judgment was heard on June 30, 2009. The Court issued its summary judgment decision in favor of Continental on September 11, 2009. Pursuant to the settlement discussed in Section IV(1)(b)(8) above, CBNA will not appeal the ruling of the Bankruptcy Court in the Policies Existence Case.

On April 24, 2008, CBNA filed the Comprehensive Coverage Action, seeking, among other things, a determination as to the existence and extent of its insurance coverage. A motion to withdraw the reference was filed, but the case will remain in the Bankruptcy Court through the completion of pre-trial proceedings, which will last at least through the first half of 2010. On March 25, 2009, the Court denied the Committee permission to intervene as a plaintiff in the

Comprehensive Coverage Action. There has been extensive discovery conducted in the Comprehensive Coverage Action, and on October 2, 2009 CBNA filed a Motion for Summary Judgment contending that: Catholic Mutual Insurance Company has breached its policy with CBNA, and that under the terms of Catholic Mutual's umbrella second level coverage during the period between April 15, 1979 and April 15, 1983, mental anguish, shock and humiliation experienced by Tort Claimants during the policy period is covered, even if the physical abuse occurred before the policy period. On October 9, 2009, Travelers filed a motion for summary judgment seeking a finding that its coverage only extends to potentially three (3) claimants that allege that they were abused during their coverage period. On November 9, 2009, CBNA filed in response in opposition to Travelers' motion and CBNA also filed a cross-motion for summary judgment against Travelers on the "Post-Abuse Impact" coverage issue.

With respect to the Comprehensive Coverage Action, the Bankruptcy Court issued a "Report and Recommendation Regarding the Defendant's Motion to Withdraw the Reference" on September 16, 2008 (the "Report"). A copy of this Report is attached hereto as Exhibit "8."

The Committee, certain Tort Claimants, and CBNA twice stipulated to extend the deadline for CBNA to remove certain actions filed by Tort Claimants in state court to the Bankruptcy Court, which relief the Court granted although, pursuant to Bankruptcy Rule 9027(a)(2)(B), the time for CBNA to remove has not yet begun.¹¹ Therefore, CBNA still has the option of removing the Alaska Clergy Abuse Cases to the Bankruptcy Court although in light of the resolution with the Committee and fact that the Third Amended Joint Plan is being proposed jointly by the Committee and the Debtor, CBNA does not believe that any such removal will occur.

F. Post-Petition Financing

CBNA negotiated an agreement with Great Falls, to provide interim debtor-in-possession financing in the amount of \$1,000,000, which was approved by the Court by final order entered

¹¹ The Stipulation specifically acknowledged that this time period had not yet begun.

December 12, 2008. Great Falls was granted a super-priority administrative claim in exchange for such financing, as described in Section F.2.a. The loan was used to pay certain administrative costs associated with the Reorganization Case, among other things.

G. The Standing Motion and Related Proceedings

On January 23, 2009, the Committee filed a motion for the Court to grant it standing to prosecute various Claims on behalf of CBNA, which, if such Claims existed, would be property of the estate (the "Standing Motion"). CBNA believed these claims were unsustainable and that the resources of the Estate were better used to compensate the Tort Claimants rather than to incur the administrative expenses necessary to pursue Claims that will ultimately be unsuccessful. The Committee disagreed. CBNA and the Committee attempted to mediate these issues in October, 2008, but were unsuccessful.

In the course of reviewing the Standing Motion, CBNA discovered that state court litigation counsel had violated the automatic stay. On February 11, 2009, at CBNA's request, the Court issued an Order to Show Cause why state court litigation counsel should not be sanctioned for the stay violation. Counsel responded in opposition to the Order to Show Cause and the matter was taken under advisement following an evidentiary hearing. The Court issued its Memorandum Decision and Order on the matter on April 16, 2009. The Court held that the stay had been violated and, in addition to imposing monetary sanctions, among other things, ordered the Committee to file an amended Standing Motion. Ultimately the Committee filed an amended Standing Motion and, on September 11, 2009, the Court denied the amended Standing Motion as to all of the claims except for the avoidance action against CTNA. As previously stated, all Claims with respect to the avoidance and other actions are being settled pursuant to the Third Amended Joint Plan and the Parish Settlement (which includes CTNA) and the Monroe Foundation Settlement.

H. Other Property of the Estate

The Court granted CBNA's motion to sell an aircraft and certain remote real property in western Alaska, under which CBNA was able to realize significant value for the Estate. The

Court also granted CBNA's application to employ Robert Fox Realty, L.L.C. to market certain of CBNA's real property that has not yet been sold.

The Court also granted CBNA's stipulated application to extend time for it to assume or reject executory contracts and unexpired leases.

In December, 2008, the Court approved CBNA's rescission of a lease of its property known as Kruzgamepa Hot Springs Ranch or Pilgrim Hot Springs. CBNA had entered into the Lease in 1969, under which the tenant agreed to develop a resort or other business enterprise at the hot springs, to develop the geothermal potential of the property, to develop the oil and gas potential of the property, and to remit a percentage of the proceeds of these operations to CBNA. The tenant defaulted under the lease by failing to develop the property and even to maintain the structures already existing on the property. The tenant asserted, among other things, impossibility of performance which resulted in recession of the lease. CBNA intends to sell the property, for which purpose it has retained a geothermal consultant. Additionally, the Alaska Center for Energy and Power, based at the University of Alaska at Fairbanks, is currently conducting research regarding the property's potential at no expense to CBNA. CBNA also brought a motion for turnover after the former tenant refused to vacate the property and the motion was granted.

Upon learning of CBNA's plans to sell Pilgrim Hot Springs, three parties filed objections to CBNA's Disclosure Statement: (1) Louis and Nancy Green; (2) Nancy McGuire, President of Friends of Pilgrim Springs, and (3) GNL Exploration. The parties objected to sale of Pilgrim Hot Springs because, among other things, of the alleged presence of a cemetery on the property. The objecting parties also asserted various other theories regarding the salability of the Pilgrim Spring Property not supported by evidence, such as difficulties with ingress and egress and concerns about the chain of title to the property. These objections were, in substance, objections to the sale of Pilgrim Hot Springs itself, and not proper objections to the Disclosure Statement; therefore, they were overruled by the Court at a hearing on December 4, 2009.

I. Recession Affects CBNA Income and Budgets

CBNA has been affected by the global economic downturn the same as so many others. Specifically, as a result of the unprecedented fall in the equities markets (for example, the S&P 500 fifty-seven percent (57%) drop from its October 2007 peak), the market value of the Endowment investments had fallen thirty-two percent (32%) from their Petition Date values. Accordingly, a source of funds on which CBNA would have ordinarily relied became unavailable. CBNA's other investments have similarly suffered, and it has not realized donations at the rate it ordinarily would, as many of its donors have suffered similar economic distress. Moreover, other capital reserves had been depleted prior to the Petition Date and after, primarily to pay professional fees for defense of the State Court Actions and with respect to the Reorganization Case. As a result, CBNA has been forced to rely more heavily on bequest income for basic operations. Unfortunately, bequest income is less predictable than standard Alaskan Shepherd donations. These unforeseeable decreases in income have adversely affected CBNA's ordinary operating budgets.

While CBNA's operations have always been lean, CBNA took unprecedented measures to slash its budgets to respond to these challenges as described in detail in Section IV(D) above. In addition to the steps taken by CBNA to deal with operational issues in light of its decreasing cash flow that is described in Section IV(D) above, CBNA eliminated the matched retirement contribution benefit previously offered to its employees. As previously stated, these steps will result in approximately \$400,000 per year of savings on payroll expenses. Even with these drastic stop-loss measures, the very existence of CBNA was in danger.

Fortunately, the Endowment has regained much of the value that it lost over the winter and spring. No one can foresee how long the current national economic crisis will persist, or whether it will worsen before it improves. These severe economic problems caused CBNA to reconsider a plan based on major debt service obligations.

J. Mediations and Settlement Negotiations

As part of its ongoing efforts to present a consensual resolution of the Reorganization Case and facilitate confirmation of a plan of reorganization that could be supported by all significant creditor constituencies, CBNA engaged in ongoing mediations with parties essential to its Third Amended Joint Plan. CBNA, the Committee and counsel for certain Tort Claimants engaged in several days of mediation in October 2008 ("October Mediations") regarding the extent of Estate property. The October Mediations were conducted by Judge Bettinelli. Unfortunately those negotiations proved unsuccessful. The parties concluded that until the Claims Bar Date passed on December 2, 2008 and the Insurance Companies could be brought to the table, no productive mediations could take place.

Accordingly, the parties and the Court scheduled mediation secessions to be conducted by the Hon. Frank L. Kurtz, United States Bankruptcy Judge for the Eastern District of Washington, and Judge Bettinelli beginning in Seattle, Washington on April 20-23, 2009 ("April Comprehensive Mediations"). CBNA filed its initial Plan of Reorganization and Disclosure Statement in order to set forth a starting place proposal for these comprehensive negotiations. Regrettably the parties were unable to resolve the issues. The results of the latest mediation which resulted in the Third Amended Joint Plan are discussed in Section M below.

K. Stay Relief Proceedings.

On September 14, 2009, eight (8) Tort Claimants filed a limited motion for relief from the automatic stay in order to release their eight claims for trial solely for purposes of conducting a jury trial in order to determine the value of their Tort Claims. The Debtor objected. The moving Tort Claimants responded as did Travelers. The Committee joined in the moving Tort Claimants' response. The Court heard argument on the motion on October 28, 2009, and took the matter under advisement. It is expected that if the Third Amended Joint Plan is approved, there will not be a need for the Court to rule on the lift stay motion.

L. Plan & Disclosure Statement

The Court granted CBNA's two stipulated motions to extend its exclusive period in which

to file its plan of reorganization, to allow CBNA further time to try to come to an agreement with the Committee as to a plan of reorganization. CBNA had presented a detailed term sheet to the Committee in the early stages of the Reorganization Case in the hope that the parties could agree to a plan. CBNA timely filed the First Amended Plan prior to expiration of the exclusivity deadline of March 31, 2009. CBNA's exclusivity, therefore, was automatically extended through June 15, 2009 during which period CBNA may exclusively solicit acceptance of a plan. The Debtor sought a further extension of the exclusive period in connection with its pending plan and disclosure statement. The Court further extended exclusivity through oral argument on the Disclosure Statement on June 18, 2009.

The Disclosure Statement supporting the First Amended Plan was argued on June 18, 2009. The Court extended exclusivity while it considered certain under advisement matters. The Court ruled on the objections to the First Amended Disclosure Statement requiring that the Debtor include information about its rulings on the Policy Existence Case and the Avoidance Actions Motion, and further requiring certain technical amendments. In addition, the Court extended exclusivity through November 2, 2009. No further exclusivity extensions are permitted under the statute.

On October 26, 2009 CBNA filed its Second Amended Plan of Reorganization and on October 30, 2009 filed a Disclosure Statement supporting that Plan. Finally, as a result of agreement with the Committee for plan treatment of the Tort Claimants, the Debtor and the Committee are filing the Third Amended Joint Plan and the Debtor is filing the Third Amended and Restated Disclosure Statement with respect to the Third Amended Joint Plan.

M. Events Following the Filing of the Second Amended Plan.

Following the filing of the Second Amended Plan:

- Certain Tort Claimants and the Debtor argued a motion for relief from the Automatic Stay.
- The Defendants in the Committee's Declaratory Judgment and Avoidance Action adversary proceedings filed motions to dismiss under Rule 12.
- The Committee intensified its discovery, including a review of accounting

documents in Fairbanks.

- The Debtor, the Parish Churches, the Monroe Foundation and the CTNA engaged in extensive negotiation with the Committee, including a face to face mediation conducted by Judge Bettinelli on November 13, 2009 which ultimately resulted in the settlement represented in the Third Amended Joint Plan.

VII. DESCRIPTION OF THE THIRD AMENDED JOINT PLAN

Among other things, treatment of Claims is described below. However, whether or not any payment is made under the Third Amended Joint Plan on account of a Claim depends on whether it is "Allowed" by the Bankruptcy Court. A Claim may be Allowed in one of three ways- (1) it was listed in CBNA's schedules as undisputed and in a liquidated amount even if no Proof of Claim was filed by the holder of the Claim; (2) a timely Proof of Claim was filed by the holder of the Claim and no objection to the Proof of Claim was timely filed in accordance with the treatment the applicable Class of Claims; or (3) if an objection was filed to a Proof of Claim then when an order has been entered by allowing the Claim that has not been appealed, or if appealed, the appeal has been finally determined or dismissed.

The Third Amended Joint Plan proposes that it will become effective (the "Effective Date") the first Business Day which is twenty (20) days after the Bankruptcy Court enters an Order confirming the Third Amended Joint Plan, in a form and substance acceptable to the Debtor and the Committee, unless the Confirmation Order is stayed by an order of the Bankruptcy Court, the District Court or another appellate court. Nothing in the Plan precludes the date by which the Effective Date has to occur from being extended by agreement between the Committee and CBNA although there is no requirement that either the Committee or CBNA agree to any such extension. The Effective Date triggers many of the obligations of the parties under the Third Amended Joint Plan, including funding the Third Amended Joint Plan and payment of certain Claims. However, the Effective Date may occur before all Claims have been Allowed by the Bankruptcy Court and will occur before all Tort Claims have been liquidated and Allowed. Accordingly, in the description of the treatment of Claims below and in the Third

Amended Joint Plan, the payment of Claims is, in some cases, triggered by the "Claim Payment Date" which is defined as the later of the Effective Date or the first Business Day ten (10) days after a Claim becomes an Allowed Claim by a Final Order.

A. Unclassified and Unimpaired Claims

The Third Amended Joint Plan identifies three types of Claims as unclassified and treats those Claims in accordance with the Bankruptcy Code and applicable law: Administrative Claims, Priority Unsecured Claims and Priority Tax Claims. The Third Amended Joint Plan defines Administrative Claims to include any actual and necessary costs or expenses of administration under Bankruptcy Code § 503, post-petition operating expenses, professional fees and expenses approved by the Bankruptcy Court under Bankruptcy Code §§ 330 or 331, certain post-petition property tax claims and charges assessed under Chapter 123 of Title 28, United States Code. The Third Amended Joint Plan defines Priority Unsecured Claims to include any Claim entitled to priority under Bankruptcy Code § 507 that is not an Administrative Claim, a Priority Tax Claim or a Priority Employee Unsecured Claim. The Third Amended Joint Plan provides that Administrative and Priority Unsecured Claims will be paid in Cash in full on the Claim Payment Date, or by any alternative arrangement agreed to by the Claim holder. The Third Amended Joint Plan defines Priority Tax Claims to include all unsecured Claims entitled to priority pursuant to Bankruptcy Code § 507(a)(8) and provides for the treatment authorized by Bankruptcy Code § 1129(a)(9)(C).

The following Classes of Claims are unimpaired by the Third Amended Joint Plan - that is to say that the Claims will be paid in full in accordance with the Claim holder's existing contractual rights:

Class 1- Priority Employee Unsecured Claims. This Class is defined to include the Claims of CBNA employees for vacation or sick leave pay which are entitled to priority under Bankruptcy Code § 507(a)(4)(A). These Claims will be honored in the ordinary course in accordance with CBNA's policies at the time the Claims mature. However, the Third Amended Joint Plan does not alter CBNA's ability to review the policies and procedures regarding vacation

and sick leave pay and to propose modifications to those policies and procedures to become a part of the Third Amended Joint Plan. To the extent CBNA proposes any changes to such policies and procedures that would be retroactive, CBNA will modify the Third Amended Joint Plan to include such changes and give notice to the holders of any Priority Employee Unsecured Claims. In that event, the holders of the Priority Employee Unsecured Claims will be impaired and the Third Amended Joint Plan will be modified to so state.

Class 5- Annuity Secured Claims. This Class is defined to include the Claims of individuals who made charitable gifts to CBNA through Annuity contracts whereby the donors receive certain fixed payments during their lives or the lives of another person, the payments for which were fixed at the date of the gift based on actuarial tables of the donor's life expectancy and uniform gift annuity rates. These Claims are unaltered by the Third Amended Joint Plan and will continue to be paid in the ordinary course.

Class 11- Insurance and Benefit Claims. This Class is defined to include Claims arising from or related to obligations, contributions or benefits pursuant to any pension or other benefit plan in effect as of the Petition Date. Such Claims will be determined and paid in accordance with the provisions of the applicable benefit plans, CBNA's applicable policies and procedures, the documents evidencing the creation of the Third Amended Joint Plan and applicable law.

B. Impaired Claims

1. Class 2: Prepetition Date Secured Tax Claims- Impaired and Entitled to Vote

a. Definition.

Class 2 is defined to include the prorated portion of a Secured Tax Claim which arises before and up to the Petition Date. Secured Tax Claims include the Claims of any federal, state, or local governmental unit secured by Estate Property by operation of applicable non-bankruptcy laws, including, but not limited to, unpaid real property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing taxes, but only to the extent of the validity, perfection, and enforceability of the claimed lien, or security interest.

b. Allowance and Liquidation.

Secured Tax Claims will be prorated depending on the date when the tax arises: Taxes arising before the Petition Date will be treated under Class 2. Secured Tax Claims arising after the Petition Date but before the Effective Date will be treated as unclassified Administrative Claims. Secured Tax Claims that arise on or after the Effective Date will be paid in the ordinary course of business of the Reorganized Debtor. Class 2 Claims may be determined by the Bankruptcy Court notwithstanding the existence of any appeals to state or local taxing authorities of property tax or assessment determinations on the Petition Date.

c. Treatment

Allowed Class 2 Claims will bear interest from and after the Effective Date until they are paid in full at the rate of two percent (2%) per annum and will be paid in two equal installments, with the first installment paid on the first Business Day 30 days after the Claim Payment Date and the second installment paid on the first Business Day of the sixth (6th) month after the Claim Payment Date.

2. Class 3: Other Secured Claims-Impaired and Entitled to Vote

a. Definition.

Class 3 is defined to include every Claim, or portion thereof, secured against non-payment by property in which the Debtor has an interest, but only to the extent of the validity, perfection, and enforceability of the claimed lien, security interest, or assignment, which is not a Secured Tax Claim, or which is not separately classified under the Third Amended Joint Plan.

b. Treatment

Allowed Class 3 Claims will bear interest at a rate of two percent (2%) per annum and will be paid in two equal installments with the first installment paid on the first Business Day thirty (30) days after the Claim Payment Date and the second installment paid on the first Business Day of the sixth (6th) month following the Claim Payment Date.

3. Class 4: Great Falls Secured Claim- Impaired and Entitled to Vote.

a. Definition.

Class 4 includes only the Secured Claim arising out of the Great Falls DIP Loan.

b. Treatment.

The Class 4 Great Falls Secured Claim will be paid fully and in Cash accordance with the terms of Great Falls DIP Loan, except that the Third Amended Joint Plan grants CBNA an option to extend the term of the Great Falls DIP Loan from its present 20 year term to a 25 year term. In order to exercise this extension option, the Reorganized Debtor must provide written notice of exercising the option and pay an extension fee of \$7,500 no later than Friday, May 31, 2019. The monthly payments due pursuant to the Great Falls Promissory Note will be reamortized beginning with the payment due in the second (2nd) month succeeding exercise of the extension option, so as to repay the full amount of principal and interest by the end of extended term.

4. Class 6: General Unsecured Convenience Claims- Impaired and Entitled to Vote.

a. Definition.

Class 6 includes all Unsecured Claims in an amount of \$500 or less, inclusive of interest accrued thereon after the Petition Date through the Claim Payment Date; but holders of Unsecured Claims greater than \$500 may elect to reduce such claim to \$500 and be treated in Class 6 for all purposes, by so electing on their timely submitted Ballot. Making this election will be deemed to be an irrevocable waiver right to participate Class 8 governing the treatment of General Unsecured Claims.

b. Treatment.

Class 6 Claims will be paid in two equal installments with the first installment paid on the first Business Day thirty (30) days after the Claim Payment Date and the second installment paid on the first Business Day of the sixth (6th) month after the Claim Payment Date.

5. Class 7: Jesuit Unsecured Claims- Impaired and Entitled to Vote.

a. Definition

Class 7 is defined to include only the Claims described in the Proofs of Claim filed by the Jesuits in the Reorganization Case. These Claims include a Claim for allocation of fault or indemnity under Alaska law including AS 09.17.080, for \$217,081.51 due on an unsecured promissory note, and a Claim of a possible beneficial interest in insurance owned by CBNA.

b. Treatment.

If and when Allowed, the Jesuit Unsecured Claims will be setoff against any recoveries against the Jesuits on account of the Jesuit Fault Allocation Claims. The Jesuits will not receive or retain anything on account of the Third Amended Joint Plan, except and only to the extent that the amount of the Jesuit Fault Allocation Claims do not exceed any Allowed Jesuit Unsecured Claims. If there are any remaining unsatisfied Allowed Jesuit Unsecured Claims after such setoff, the Allowed Jesuit Unsecured Claims will be paid the lesser of the amount owed after setoff or ten thousand dollars (\$10,000) within (60) days after a Final Order is entered allowing any Jesuit Unsecured Claims and determining the amount of account any setoff.

6. Class 8: General Unsecured Claims- Impaired and Entitled to Vote.

a. Definition

Class 8 includes every Claim against CBNA (including, but not limited to, every such Claim arising from the rejection of an Executory Contract and every Claim which is the undersecured portion of any Secured Claim), which is not an Administrative Claim, a Priority Unsecured Claim, a Priority Tax Claim, a General Unsecured Convenience Claim, a Jesuit Unsecured Claim, an Other Tort and Employee Claim, an Insurance and Benefit Claim, a Pilgrim Springs Claim, a Tort Claim, a Future Tort Claim or a Penalty Claim.

b. Treatment

Allowed Class 8 Claims will incur interest at a rate of two percent (2%) per annum and will be paid in Cash in full in three (3) annual installments, including interest, with the first installment paid on the first Business Day of the sixth (6th) month after the later of the Effective

Date or Claim Payment Date, the second (2nd) annual installment paid on the first Business Day that is twelve (12) months after the first payment and the third (3rd) annual installment to be paid on the first Business Day that is twelve (12) months after the second payment.

7. Class 9: Other Tort and Employee Claims- Impaired and Entitled to Vote.

a. Definition.

Class 9 includes any and all Unsecured Claims against the Debtor for property damage, liability or workers compensation whether arising from tort, contract or workers compensation for which there is insurance coverage or a self-insured retention, but excluding Tort Claims and any Claims of employees entitled to priority pursuant to Bankruptcy Code § 507.

b. Treatment

Class 9 Other Tort and Employee Claims may only be Allowed up to the applicable insurance policy limits inclusive of any applicable self insurance retention or deductible. Any claim amounts exceeding policy limits will automatically be deemed disallowed. Class 9 Claims will be paid solely from the proceeds of any insurance policies including any self insured retention applicable to such Other Tort and Employee Claim.

8. Class 10: Tort Claims, and Future Tort Claims- Impaired and Entitled to Vote.

a. Definition

Class 10 includes all Claims or every kind arising from perpetration sexual abuse of children, adolescents, or vulnerable adults perpetrated by individuals associated with the Fairbanks Diocese and its missionary work in Alaska, including but not limited to priests, religious brothers, religious sisters, deacons, employees, or volunteers and based on a failure to properly hire, install and/or supervise the perpetrator so as to prevent the abuse from occurring, the failure to warn, disclose or provide information concerning sexual abuse or other misconduct committed by the perpetrator, or any other theory of fault or liability. Future Tort Claims are Tort Claims that are included in Class 10 even if the applicable statute of limitations had not expired as of November 2, 2008 (thirty (30) days prior to the December 2, 2008 generally

applicable Claims Bar Date), whether because the Claimant had not yet turned eighteen (18) years of age or for any other reason preventing the statute of limitations from expiring (i.e. tolling) under applicable Alaska or federal law. A fiduciary known as the Future Claims Representative has been appointed by the Bankruptcy Court to represent the interests of Future Tort Claimants with respect to the Reorganization Case and the Third Amended Joint Plan.

b. Treatment

(1) Subclassification of Tort Claims.

The Third Amended Joint Plan divides into three (3) subclasses for purposes of allowance, liquidation, and payment: (1) Convenience Tort Claims, (2) Settling Tort Claims, or (3) Litigation Tort Claims. The Plan provides alternative mechanisms for Allowing, liquidating and paying Tort Claims depending on their subclassification. All Tort Claims will be treated as Settling Tort Claims for purposes of allowance and liquidation and compensated pursuant to the Settlement Trust Agreement unless:

- (a) the Debtor has objected to a Tort Claim prior to the hearing on approval of the Disclosure Statement; or
 - (b) the Tort Claimant has expressly elected on his or her Ballot to be treated as a Convenience Tort Claim or a Litigation Tort Claim.
- (2) Settlement and Litigation Trust Sole Source of Recovery for Tort Claims; Allocation of Funding.

The Settlement Trust will be the sole source of recovery for Settling Tort Claimants for their Tort Claims. A copy of the proposed Settlement Trust Agreement is attached to this Disclosure Statement as Exhibit "9." The Litigation Trust (or the Litigation Reserve discussed below) will be the sole source of recovery for Litigation Tort Claimants on their Tort Claims. The Litigation Reserve may be established pursuant to agreement between the Debtor and the Committee prior to the Confirmation Hearing, if any Tort Claimant opts out of treatment as a Settling Tort Claimant pursuant to the Third Amended Joint Plan and the Ballot. In the event the Committee and the Debtor cannot agree on the amount of the Litigation Reserve, the amount of

the Litigation Reserve will be determined by the Bankruptcy Court as part of the confirmation process; provided, however, that, in all events the Litigation Trust Reserve will be funded out of the Fund.

The Litigation Reserve will take the place of the Litigation Trust and will be held and administered by the Settlement Trustee as part of the Settlement Trust. In the event a Litigation Reserve is established, the Litigation Reserve will function and be administered in the same manner as the Litigation Trust. If the Committee and the Debtor determine that a Litigation Trust is necessary, the Litigation Trust Agreement will be filed with the Bankruptcy Court no later than five (5) calendar days prior to the Confirmation Hearing which is currently scheduled for January 25 and 26, 2010.

Upon transfer of the property to the Fund by CBNA in accordance with the Third Amended Joint Plan in an amount of not less than \$9.8 million and the occurrence of the Effective Date, all Tort Claims against the Debtor and the Reorganized Debtor will be discharged and no Tort Claimant will have any further Claim against the Debtor or the Reorganized Debtor. Pursuant to the Channeling Injunction described in Article 21 of the Plan and the Confirmation Order, all Tort Claims held by Tort Claimants and Future Tort Claimants against the Debtor, the Reorganized Debtor, Released Parties, Settling Insurers, Settling Parties, and Participating Third Parties will be permanently enjoined and channeled in to the Settlement Trust or the Litigation Trust as the sole source of recovery. The Bankruptcy Court will determine the allocation of the funding between the Litigation Trust (or the Litigation Reserve) and the Settlement Trust as part of the confirmation process if not agreement is reached between the Committee and CBNA and such allocation will be incorporated into the Confirmation Order. If agreement is reached between the Committee and CBNA regarding the allocation between the Settlement Trust and the Litigation Trust (or the Litigation Reserve), the allocation, if accepted by the Bankruptcy Court, will be approved in the Confirmation Order.

Quarles & Brady LLP
One South Church Ave.
Suite 1700
Tucson, Arizona 85701-
1621

(3) Treatment of Convenience Tort Claims.

Each Convenience Tort Claim will be deemed Allowed in an amount of \$2,500, and in full release and satisfaction of his or her Tort Claim, each Convenience Tort Claimant will be paid \$2,500 Cash within thirty (30) days of the occurrence of the Effective Date or the Claim Allowance Date.

(4) Treatment of Settling Tort Claims.

(a) Allowance and Assignment to Settlement Trustee.

Settling Tort Claims will be deemed Allowed and the Allowed Settling Tort Claim will be treated in the same manner as a stipulated judgment against the Debtor, subject to the terms of the Plan, including, without limitation, the discharge and injunction provisions of Article 21 of the Plan. CBNA will assign each and all of its Claims against the Great Divide Candidate Insurers to the Settlement Trustee. Each Allowed Settling Tort Claim will be automatically assigned to the Settlement Trustee for purposes of pursuing the Debtor's and any Settling Tort Claimant's Claims against the Great Divide Candidate Insurers.

(b) Liquidation and Payment of Settling Tort Claims.

Unless the amount of the Settling Tort Claim is determined prior to the Effective Date pursuant to a Claim Allowance Agreement, the amount of each Settling Tort Claim will be liquidated by the Special Arbitrator pursuant to the Binding Arbitration Process. In liquidating a Settling Tort Claim, the Special Arbitrator will consider and base allowance of a Settling Tort Claim on the risks to CBNA and the Settling Tort Claimant in light of the facts bearing on the liability and damage aspects of the Settling Tort Claim. In addition, in determining the amount of the Arbitration Award, the Special Arbitrator must consider all of the circumstances affecting the Debtor's potential liability and available defenses regarding the Tort Claim of a Settling Tort Claimant, including but not limited to:

- (i) the substance and credibility of the Tort Claim,
- (ii) the Debtor's legal responsibility for the actions of the perpetrator

under Alaska law,

(iii) the severity of the abuse suffered,
(iv) the impact of the abuse on the Tort Claimant including any bodily injury, shock, fright, mental injury, disability, mental anguish, humiliation, sickness or disease sustained by the Tort Claimant, and

(v) the risks to CBNA and the Settling Tort Claimant had the Settling Tort Claim otherwise been the subject of a trial, including the existence of affirmative defenses such as the statute of limitations. The statute of limitations defense may be waived by the Settlement Trustee as part of the process subject to the Settlement Trustee's right to seek a determination from the Court at the Confirmation Hearing or after as to whether such a waiver of the statute of limitations defense and/or any other provision of the Third Amended Joint Plan objected to by the Insurance Company violates the provision of any Insurance Policy and/or any duty of an insured under an Insurance Policy issued by the objecting Insurance Company. If the Settlement Trustee seeks a determination by the Bankruptcy Court as to the merits of any such waiver(s) and no objection regarding the statute of limitations and/or any other provision of the Third Amended Joint Plan or otherwise is filed with regard to any Insurance Company's obligation to provide a defense to CBNA or its assignee and/or to provide liability insurance to CBNA or its assignee, then the waiver and all other provisions of the Third Amended Joint Plan will be automatically and conclusively deemed not to violate any Insurance Policy provision and/or any duty owed by CBNA or its assignee under any and all Insurance Policies. As to all other Claims, including the Claims of Litigation Tort Claimants, CBNA reserves all rights with respect thereto.

(vi) The Special Arbitrator may also consider any other factors the Bankruptcy Court may determine as part of the confirmation process or in connection with approval of any Claim Allowance Agreements.

As a result of the Binding Arbitration Process, the Special Arbitrator will issue an Arbitration Award setting forth the liquidated amount of each Allowed Settling Tort Claim. Each Settling Tort Claimant will be paid a share of the Settlement Trust as determined by the Special Arbitrator. In determining the share of the Settlement Trust to be received by a Settling Tort Claimant with an Allowed Settling Tort Claim, each of the Settling Tort Claims will be individually evaluated by the Special Arbitrator on the evaluation factors attached hereto as Exhibit "17". Points will be allocated to each Settling Tort Claimant in relation to each evaluation category. Each Settling Tort Claimant will be paid a pro rata share of the Settlement Trust based upon the ratio of the points received by that Settling Tort Claimant to the total points awarded to all Settling Tort Claimants. Thus, by way of example, if Claimant A is awarded 20 points and the total points awarded all Claimants is 4,000 points, Claimant A will be awarded 20/4000 of the Settlement Trust. The Special Arbitrator will determine each Settling Tort Claimant's share of the Settlement Trust within thirty (30) days of the Effective Date based solely upon the Proofs of Claim, the Uniform Questionnaire and the terms of the Plan.. Each Settling Tort Claimant will return a completed Uniform Questionnaire to the Special Arbitrator within thirty (30) days of service. If a Settling Tort Claimant fails to timely return his or her completed Uniform Questionnaire, then his or her Tort Claim will be treated and paid as a Convenience Tort Claim. Additional details regarding the process for liquidation of Allowed Settling Tort Claims are set forth in Article 18 of the Plan and the reader of this Disclosure Statement is referred to said Article 18 of the Plan for additional detail.

Before any distribution(s) to any Settling Tort Claimants with Allowed Tort Claims, the Settlement Trustee will subtract the Qualified Counsel Fees from the Settlement Trust which are the total amount of actual fees and reimbursable expenses payable to Qualified Counsel pursuant to written retainer or fee agreements between Qualified Counsel and a Settling Tort Claimant; provided that no Qualified Counsel will receive a distribution in excess of the amounts owed under such retainer or fee agreements. The Settlement Trustee will make the Preliminary Distribution to Settling Tort Claimants within sixty (60) days after every Settling Tort

Claimant's share of the Settlement Trust has been finally determined which will be based upon the amount of Cash less reserves that is in the Settlement Trust on the date such final determination is made by the Special Arbitrator.

The holders of Settling Tort Claims which are being defended pursuant to a reservation of rights by a Great Divide Candidate Insurer must have his or her Settling Tort Claim liquidated pursuant to a formal arbitration, and the Special Arbitrator will conduct the formal arbitration for such Settling Tort Claimant utilizing the J.A.M.S. rules and procedures. The Reorganized Debtor will only be obligated to participate in such formal arbitration pursuant to the J.A.M.S. rules and procedures, if its defense costs will be paid by a Great Divide Candidate Insurer. Otherwise, the Debtor or the Reorganized Debtor will have no obligation to participate in the process or defend against any such Tort Claims of a Settling Tort Claimant who is subject to the foregoing procedure.

(5) Treatment of Litigation Tort Claim.

(a) Allowance and Liquidation; Litigation Protocol.

Unless a complaint alleging a Litigation Tort Claim was filed before the Petition Date and is presently pending in the Alaska Superior Court—which will be Disallowed or Allowed and liquidated pursuant to a final judgment by the Alaska Superior Court—each Litigation Tort Claim will be Disallowed or Allowed and liquidated pursuant to a final judgment of the District Court. Within sixty (60) days of the Effective Date of the Third Amended Joint Plan each Litigation Tort Claimant must: file a complaint in the United States District Court for the District of Alaska against the Settlement Trustee asserting his or her Litigation Tort Claim against the Debtor and serve such complaint upon the Settlement Trustee; or, if a complaint was pending on the Petition Date in the Alaska Superior Court, file a motion in the Alaska Superior Court to put the case back onto its active trial docket, and serve such motion on the Settlement Trustee. If a Litigation Tort Claimant does not timely file such a complaint or motion, then his or her Tort Claim will be treated as a Convenience Tort Claim, which treatment will be irrevocable and in complete satisfaction, payment and release of the Litigation Tort Claim. The

Settlement Trustee will succeed to all of the Debtor's and any Participating Third Party's rights, defenses, affirmative defenses including statute of limitations, counterclaims, setoffs and recoupments with respect to Litigation Tort Claims and will substitute in any litigation in the Alaska Superior Court as the Defendant in place of the Debtor and any Participating Third Parties who are defendants in such actions pending in the Alaska Superior Court. The Settlement Trustee will have complete control of litigation and settlements of Litigation Tort Claims and Future Tort Claims, the holders of which elect to proceed with allowance under the Future Tort Claim Litigation Process.

(b) Payment.

Each holder of an Allowed Litigation Tort Claim will be paid in Cash by the Litigation Trust such holder's pro rata share of the Litigation Trust net of the Settlement Trustee's fees, costs, and attorneys fees and costs defending all Litigation Tort Claims, within thirty (30) days after of the later of the date on which all Litigation Tort Claims have been Allowed or Disallowed by Final Order.

(6) Treatment, Allowance and Distribution of Future Tort Claims.

The Future Tort Claims Representative's Tort Claim will be deemed satisfied when the Settlement Trust is funded. The Future Claims Reserve will not be funded from the first \$9.8 Million transferred from the Fund to the Settlement Trustee. The Future Claims Reserve will be funded from the first monies received by the Settlement Trustee (borne by the Settlement Trust and the Litigation Trust, if any, on a pro rata basis) and will not exceed ten percent (10%) of the total of the highest total balances in the Settlement Trust and the Litigation Trust. Any Future Tort Claims that are Allowed will be paid out of the Future Claims Reserve regardless of whether the Future Tort Claimant opts out the Future Tort Claim Settlement Process or the Future Tort Claim Litigation Process.

The holder of a Future Tort Claim may elect to proceed with allowance under the Future Tort Claim Settlement Process or the Future Tort Claim Litigation Process by (i) filing with the Special Arbitrator the Future Tort Claim Proof of Claim. The Future Tort Claim Proof of Claim

will be available from the Special Arbitrator or the Settlement Trustee upon request of a Future Tort Claimant who elects the Future Tort Claim Settlement Process, or (ii) filing a complaint in the District Court naming the Settlement Trustee as Defendant which constitutes an election by a Future Tort Claimant of the Future Tort Claim Litigation Process. Each Future Tort Claim Proof of Claim by a Future Tort Claimant electing the Future Tort Claim Settlement Process will include a release of claims in the form provided in the Future Tort Claim Proof of Claim.

If a holder of an Future Tort Claim elects to proceed with allowance under the Future Tort Claims Settlement Process, such Future Tort Claim will be Allowed (a) if the Special Arbitrator determines that the holder of such Future Tort Claim has proven by a preponderance of the evidence (i) that such Future Tort Claimant was abused, and (ii) that the applicable statute of limitations under applicable non-bankruptcy law had not begun to run on or before March 1, 2008; and (b) if the Special Arbitrator does not find that there is clear, cogent and convincing evidence that the applicable statute of limitations under applicable non-bankruptcy law had run (i) after March 1, 2008, and (ii) before the date the holder of such Future Tort Claim filed a Future Tort Claim Proof of Claim. In addition, the Special Arbitrator may employ any of the procedures set forth in Section 18.1 of the Third Amended Joint Plan for purposes of liquidating and Allowing or Disallowing any Future Tort Claim in the Future Tort Claim Settlement Process. The Special Arbitrator will determine the Allowed amount of such Future Tort Claim by assigning such Future Tort Claim a dollar value pursuant to the matrix for distributions for Settling Tort Claimants. The Special Arbitrator may consider the credibility of the Future Tort Claimant and the facts alleged in support of the Future Tort Claim and, in the Special Arbitrator's sole discretion, reduce or deny the Future Tort Claim. The dollar value assigned to a Future Tort Claimant electing the Future Tort Claim Settlement Process will be confidential. At any time prior to final allowance or disallowance of a Future Tort Claim under the Future Tort Claim Settlement Process, the holder of such Future Tort Claim may settle the Future Tort Claim with the Special Arbitrator.

If a holder of a Future Tort Claim elects to proceed with allowance under the Future Tort Claim Litigation Process, such Future Tort Claim will be determined either by a trial of such Future Tort Claim conducted by the District Court, or a settlement between the holder of such Future Tort Claim and the Settlement Trustee. Such Future Tort Claim is subject to all defenses available under applicable law, including but not limited to, the applicable statute of limitations and the defenses enumerated in the Third Amended Joint Plan with respect to any Tort Claims and which are or were available to Debtor. Notwithstanding the election by a Future Tort Claimant to have his or her Future Tort Claim determined pursuant to the Future Tort Claim Litigation Process, the holder of such Future Tort Claim can change his or her election. However, the election may only be changed prior to the earliest of the dates on which the Settlement Trustee has filed a dispositive motion with respect to, or trial has commenced on, a Future Tort Claim that is being determined under the Future Tort Claim Litigation Process. The election must be made by delivering a written notice of such election to the Special Arbitrator and the Settlement Trustee. Any such amended election will be irrevocable which means it cannot thereafter be changed. Also, by changing his or her mind and electing to proceed under the Future Tort Claim Settlement Process instead, the Future Tort Claimant is deemed to have consented to a reduction of the amount of any distribution with respect to such holder's Allowed Future Tort Claim, by the amount of all pre litigation and litigation Professional Fees and expenses incurred with respect to such Future Tort Claim, and all other Settlement Trust costs and expenses attributable to such Future Tort Claim, which accrued through the date of such amended election.

A Future Tort Claim must be filed on or before the seventh (7th) anniversary of the Effective Date in order to be eligible for Allowance. Future Tort Claims filed after the seventh (7th) anniversary of the Effective Date of the Third Amended Joint Plan will be barred, and any Future Tort Claimant who attempts to assert a Future Tort Claim after the seventh (7th) anniversary of the Effective Date of the Third Amended Joint Plan will have no right to payment or any other right under this Plan, and all such Claims will be discharged under Article 21 of the

Plan. A Future Tort Claimant with an Allowed Future Tort Claim will be paid in Cash by the Settlement Trustee from the Future Claims Reserve within thirty (30) days after the later of the date on which such Future Tort Claim is Allowed or the date on which the Future Claims Reserve is initially funded as provided for in the Plan; provided however that, any Future Tort Claimant that elects the Future Tort Claim Litigation Process will receive no more than eight percent (8%) of the Future Claims Reserve at the time the Future Tort Claim is filed, net of the costs of the Settlement Trustee to defend the Future Tort Claim of a Future Tort Claimant who has elected the Future Tort Claim Litigation Process.

(7) General.

All distributions to the holders of Allowed Tort Claims and Allowed Future Tort Claims will be in full release, discharge and satisfaction of such Claims. A Tort Claimant or a Future Tort Claimant whose Tort Claim or Future Tort Claim is Disallowed pursuant to the claim determination procedures set forth in the Plan, or a Litigation Tort Claimant or a Future Tort Claimant who has elected the Future Claim Litigation Process and whose Tort Claim or Future Tort Claim is denied and Disallowed, will receive no distribution under the Plan and will have no further Claim against CBNA, the Reorganized Debtor, any Settling Party or any Released Party.

(8) Treatment of Attorneys' Fees of Tort Claimants and Future Tort Claimants

. Subject to payment of Qualified Counsel Fees discussed above, the fees and expenses of attorneys representing any of the Settling Tort Claimants, Litigation Tort Claimants or Future Tort Claimants who receive payment from the Settlement Trust, the Litigation Trust (or the Litigation Reserve) or the Future Claims Reserve, will be borne by such claimants based on applicable state law and individual arrangements made between such claimants and their respective attorneys. In no event will CBNA, the Reorganized Debtor, the Settlement Trustee, the Settlement Trust, the Settlement Trustee, the Litigation Trust (if applicable) or the Litigation Reserve (if applicable) have any liability for any fees and expenses of attorneys representing any

of the Settling Tort Claimants, any of the Litigation Tort Claimants or any of the Future Tort Claimants and any such Claims for any such fees and expenses, if any, will be Disallowed.

(9) Treatment of Punitive Damages.

Claims for punitive or exemplary damages in connection with Tort Claims or Future Tort Claims or asserted by any other claimants, will be treated as Penalty Claims and be Disallowed.

(10) Contentions of Great Divide Candidate Insurers with respect to the treatment of Tort Claims in the Third Amended Joint Plan.

The Great Divide Candidate Insurers, Catholic Mutual and Travelers, objected to the Second Amended Disclosure Statement with respect to certain references to them in the Second Amended Disclosure Statement. CBNA agreed to include the following contentions of the Great Divide Candidate Insurers in this Disclosure Statement. The Great Divide Candidate Insurers contend that notwithstanding any other provision of this Disclosure Statement or the Third Amended Joint Plan:

- Those Insurance Companies identified in this Disclosure Statement and the Plan as “Breaching Insurers”¹² have not been found by any court, including the Bankruptcy Court, to have breached their contractual obligations under any agreement with the Debtor or any other party.
- Each such Insurance Company disputes its characterization as a Great Divide Candidate Insurer and, along with the Debtor, reserves all rights to defend such allegations.
- The validity, scope and enforceability of certain Insurance Coverage is the subject of the pending and unresolved Insurance Adversary proceeding,¹³ and if the

¹² CBNA has changed the definition in this Disclosure Statement from "Breaching Insurers" to Great Divide Candidate Insurers.

¹³ The Disclosure Statement defines “Comprehensive Coverage Action” to mean what is defined in the Plan as the “Insurance Adversary.” We submit that the Disclosure Statement should be revised so that defined terms in the Disclosure Statement are consistent with those in the Plan.

Insurance Companies are correct in their defense of, and with respect to, their assertions in the Insurance Adversary proceeding, then with respect to those Insurance Companies, there will be greatly reduced Insurance Action Recoveries or no Insurance Action Recoveries whatsoever, and the resulting distribution to Tort Claimants under the Plan will be affected accordingly.

- Even if those Insurance Companies are not correct, in whole or in part, in their defense of and with respect to their assertions in the Insurance Adversary proceeding, the Tort Claimants may be required to institute litigation, which may be at their own expense, against such Insurance Companies in order to recover that portion of an award made with an assignment of the Debtor's rights against such Insurance Companies.

- Nothing in the Disclosure Statement, the Plan, the Confirmation Order, or any Plan Documents will affect, modify, impair or waive any (1) rights, defenses or claims of each Insurance Company that is a party to the Insurance Adversary proceeding, in that action or otherwise available under all applicable agreements with the Debtor or as a matter of law; and (2) the rights, defenses or claims of the Debtor with respect thereto, all of which rights are specifically and completely reserved.

(11) Disagreement of the Debtor and the Committee with the Contentions of the Great Divide Candidate Insurers as set forth in Section 10 above

The Debtor and the Committee do not agree with the representations and statements requested by the Insurance Companies in the foregoing Section 10 above and the Debtor and the Committee have agreed to include those statement and representations in this Disclosure Statement for disclosure purposes only and the Debtor and the Committee reserve all of their rights, Claims and defenses against the Insurance Companies.

Quarles & Brady LLP
One South Church Ave.
Suite 1700
Tucson, Arizona 85701-
1621

9. Class 12- Continental Claims.

a. Definition.

Class 12 includes any and all Claims held by Continental against the Debtor, including, but not limited to, any and all claims for reimbursement of defense costs, damages, attorneys' fees or costs, directly or indirectly relating to the Bankruptcy Court's order granting summary judgment to Continental in adversary no. 08-90033. Pursuant to the terms of CBNA's settlement with Continental, Continental will receive a stipulated Allowed claim of \$1,200,0000. Continental will assign its right to receipt of any payments under the Third Amended Joint Plan to the Fund in exchange for treatment as a Participating Third Party. The result of the assignment will be that \$75,000 of the amount paid by CBNA to the Fund will be attributed to the assignment from Continental.

10. Class 13 – Pilgrim Springs Claims- Deemed to Reject Plan- Not Entitled to Vote.

Class 13 includes all Claims of whatever nature asserted by PS Ltd. and Louis M. and Nancy E. Green in the Proofs of Claim filed in the Reorganization Case, Claim Nos. 21 and 23, associated with the Pilgrim Springs Property. The Pilgrim Springs Claims are subject to the Pilgrim Springs Setoff Claims which exceed the Pilgrim Springs Claims. The Pilgrim Springs Claims will be Disallowed, there will be no distribution to the holders of any Pilgrim Springs Claims and such holders will not receive anything under the Third Amended Joint Plan.

11. Class 14 - Penalty Claims- Deemed to Reject Plan- Not Entitled to Vote.

Class 14 includes any Claims for any fine, penalty, forfeiture, multiple damages, punitive damages, or exemplary damages, including, but not limited to, any such Claims not meant to compensate the claimant for actual pecuniary loss. No Class 14 will receive any property whatsoever on account of Class 14 Claims.

VIII.
MEANS FOR EXECUTION OF THE THIRD AMENDED JOINT PLAN

A. Pre-Effective Date Transactions

1. Amendment to the Endowment Documents.

Prior to the Effective Date, but after the Confirmation Order has become a Final Order, the Diocesan Bishop will amend the Endowment Documents to permit the sale of assets to the Endowment. After the amendment to the Endowment Documents pursuant to the Confirmation Order, CBNA will close the asset sale transaction transferring certain CBNA Real Property to the Endowment in exchange for \$7.625 million Cash.

2. Closing the Sale of the Pilgrim Springs Property.

CBNA will close the sale of the Pilgrim Springs Property to the highest bidder at the Pilgrim Springs Auction as soon as practicable after the Pilgrim Spring Auction. The proceeds of the Pilgrim Springs Auction will be distributed in accordance with the terms of the Third Amended Joint Plan to the Settlement Trustee.

3. Administrative Claims Bar Date.

The Administrative Claims Bar Date will occur and all Debtor's Professionals and Committee's Professionals will submit their final fee applications. In light of the agreement of various of the Chapter 11 Professionals with respect to the amount of fees and costs, the Debtor and the Committee may seek an agreement with the United States Trustee, subject to approval of the Court, to forego the requirement of final fee applications in order to avoid the expense of preparation of such final fee applications. If such an agreement and order of the Bankruptcy Court are sought, the Chapter 11 Professionals will give notice of such intent ten (10) calendar days prior to the Confirmation Hearing. Any objections to Administrative Claims or fee applications (if filed) will be filed in accordance with Federal and Local Bankruptcy Rules. If and to the extent a fee application is disputed, CBNA will reserve sufficient funds to pay the fee application pending resolution of the fee objection.

B. Actions on the Effective Date

1. Creation of the Settlement Trust and the Litigation Trust

Unless the Settlement Trust and the Litigation Trust (or the Litigation Reserve) have been earlier established, the Reorganized Debtor will cause the Settlement Trust and the Litigation Trust (or the Litigation Reserve) to be established on the Effective Date. In the event that no Tort Claimant opts out of the Settlement Trust, there will not be a Litigation Reserve or a Litigation Trust.

2. Payments on the Effective Date

a. Payment, Cure and Reinstatement or Setoff of Allowed Claims Other Than Tort Claims.

The Reorganized Debtor will pay or make provision for the prompt payment to holders of Allowed Claims to whom payments, pursuant to the Third Amended Joint Plan, are to be made on the Effective Date by the Debtor, including Allowed Administrative Claims. If the Pilgrim Springs Auction has not occurred and the Pilgrim Springs Sale has not closed by the Effective Date, it may be necessary to delay payment of some Administrative Claims until the Pilgrim Springs Sale has closed which may occur after the Effective Date.

b. Payment to the Fund.

On the Effective Date the Reorganized Debtor will deliver all amounts transferred to the Fund as of the Effective Date, and any other assignments or pledges provided for under the Third Amended Plan, if any, to the Settlement Trustee to be held and administered in accordance with the Plan, the Confirmation Order and the Plan Documents. The amount to be transferred to the Fund on the Effective Date will not be less than \$9.8 million.

C. Post-Effective Date Performance by the Reorganized Debtor

The funds necessary to ensure continuing performance under the Third Amended Joint Plan after the Effective Date may be obtained from:

- (a) Any and all remaining Assets retained by the Reorganized Debtor after the Effective Date;

- (b) Cash generated from the post-Effective Date operations of the Reorganized Debtor;
- (c) Cash generated from the sale of any property owned by CBNA for which it has both legal and equitable interest, that is not Excluded Property, that is not otherwise restricted and which CBNA, in its discretion, determines to sell in order meet its obligations under the Third Amended Joint Plan;
- (d) Any reserves established by the Debtor or the Reorganized Debtor;
- (e) The net proceeds of the Pilgrim Springs Auction which are to be paid to the Settlement Trust; and,
- (f) Any other contributions or financing (if any) which the Reorganized Debtor may obtain on or after the Effective Date.

Under the Third Amended Joint Plan, CBNA is again proposing that Bishop Kettler send out a special appeal in the Alaskan Shepherd Newsletter for the purpose of soliciting gifts specially designated for compensation for funding counseling for Tort Claimants, with any money raised over \$150,000 net of the costs of the fund raising in each campaign going to the Settlement Trust.

In light of the likely reduction of income from the Endowment and in light of the significantly larger Cash payment on the Effective Date, CBNA has abandoned the Alaskan Shepherd Sharing Agreement that was proposed in the First Amended Plan.

An analysis of CBNA's projected cash flow from operation of the Reorganized Debtor and for purposes of meeting its funding obligations under the Third Amended Joint Plan, along with a Summary of Significant Assumptions, are attached hereto as Exhibit "11". The Summary of Significant Assumptions reflects CBNA's business plan. This cash flow is premised on moderately aggressive assumptions about CBNA's income, and continuing significant measures to control costs such as keeping wages frozen through FYE 2011. The projections assume that CBNA will recruit a Development Officer at a base salary of \$50,000 provided that the salary can be offset by a \$35,000 grant for the first three years of employment. Management conservatively anticipates the following increases in contribution revenue:

a.	FYE 2010	\$85,000
b.	FYE 2011	\$135,000
c.	FYE 2012	\$220,000

- d. FYE 2013 \$320,000
- e. FYE 2014 \$350,000

CBNA's management team believes that the assumptions are realistic and show the Third Amended Joint Plan to be feasible. Previously, some creditors raised several questions about the capital projects included in the projection that was part of the Second Amended Disclosure Statement. As described in the business plan, all of the capital projects will require restricted funding either through special appeals or through grants. If CBNA does not obtain the special restricted funding it will not take on the capital improvement projects. CSF's projected Effective Date cash flow under the Third Amended Joint Plan is attached hereto as Exhibit "12".

D. Post-Confirmation Management

The Reorganized Debtor will continue to be managed in accordance with the principles of Canon Law and applicable state law, and the Bishop will be the sole director of the Reorganized Debtor.

CBNA and the Committee have agreed that Judge Bettinelli will serve as the Special Arbitrator, and he has agreed to serve. Judge Bettinelli is very familiar with the Fairbanks Diocese and many of the Tort Claims which have been asserted against CBNA over the years. Judge Bettinelli served as a mediator with respect to the litigation claims that were filed in the Alaska State Court prior to the Petition Date. As stated previously in this Disclosure Statement, Judge Bettinelli has also served as a mediator with respect to the Tort Claims during the Reorganization Case. Judge Bettinelli's *curriculum vitae* is attached to this Disclosure Statement as Exhibit "13." Attached as Exhibit "14" is the proposal from Judge Bettinelli with respect to his service as the Special Arbitrator including a suggested method for determination of the Settling Tort Claims and proposed fees with respect to his service as the Special Arbitrator.

The Committee has proposed that Robert L. Berger serve as the Settlement Trustee under the Third Amended Joint Plan. Mr. Berger is the founder and managing member of Omni Management Group, LLC (fka Robert L. Berger & Associates, Inc.). He is an expert in the administration of Chapter 11 cases and serves in a post-confirmation capacity in many cases around the country. Currently, he is the Settlement Trustee under the confirmed chapter 11 plan

for the Diocese of Davenport. Mr. Berger studied accounting at Sir George Williams University in Montreal, Canada. After completing his studies, he worked for an accounting firm. He relocated to California in 1964 and worked for a well-known business consulting group that specialized in insolvency problems. In 1970, Mr. Berger founded Robert L. Berger & Associates, Inc. The firm provided insolvency administrative services to receivers, trustees and attorneys. With the enactment of the 1979 Bankruptcy Act, Mr. Berger and the firm expanded to include providing services as Noticing Agent, Claims Agent, Disbursing Agent, Balloting Agent and Liquidating Trustee. Mr. Berger is a well-respected member of the turnaround community. Attached to this Disclosure Statement as Exhibit "15" is a copy of the rate schedule for Omni Management Group, LLC which will apply to Mr. Berger's service as the Settlement Trustee.

E. Treatment of Executory Contracts

1. Assumption and Rejection of Executory Contracts

In accordance with the provisions and requirements of Bankruptcy Code §§ 365 and 1123, all Executory Contracts of the Debtor (including Executory Contracts with KNOM and CSF) will be deemed assumed on the Confirmation Date other than those Executory Contracts that have already been rejected by order of the Bankruptcy Court or are subject to a motion to reject Executory Contracts that is pending on the Confirmation Date. Each Executory Contract assumed pursuant to this Section will revert in, and be fully enforceable by, the Reorganized Debtor in accordance with its terms. With respect to indemnification obligations of the CBNA to any Person serving at any time on or prior to the Effective Date as one of its officers, employees, council members or volunteers, to the extent provided in any of the Debtor's constituent documents or by a written agreement with the Debtor or under the laws of the State of Alaska pertaining to the Debtor, those obligations will be deemed and treated as Executory Contracts that are assumed by the Reorganized Debtor, pursuant to the Third Amended Plan and Bankruptcy Code § 365 as of the Effective Date; provided, however, that under no circumstances will the Debtor or the Reorganized Debtor assume or be responsible for any alleged

indemnification obligations of the Jesuits or any priests or others against whom CBNA has determined or may, in the future, determine, that there are credible allegations of sexual abuse asserted against such Person(s) or such Person has or may have engaged in some other conduct that would excuse the Reorganized Debtor from providing any indemnification to such Person.

2. Claims Based on Rejection of Executory Contracts

Every Claim asserted by a Creditor arising from the rejection of an Executory Contract pursuant to the Third Amended Joint Plan must be filed with the Bankruptcy Court no later than the first Business Day which is thirty (30) days after the Confirmation Date or the first Business Day that is thirty (30) days after entry of the Final Order of the Bankruptcy Court approving rejection if such Final Order is entered after the Confirmation Date. Every such Claim which is timely filed, as and when it becomes an Allowed Claim, will be treated under Class 8 General Unsecured Claims. Every such Claim which is not timely filed by the deadline stated above will be forever barred, unenforceable, and discharged.

**IX.
EFFECT OF CONFIRMATION**

A. Discharge

Except as otherwise expressly provided in the Third Amended Joint Plan or in the Confirmation Order, on the Effective Date, the Debtor will be discharged from and its liability will be extinguished completely, in respect of any and all Claims that arose from any agreement of the Debtor entered into, or obligation of the Debtor incurred, before the Confirmation Date, or from any conduct of the Debtor prior to the Confirmation Date, or that otherwise arose before the Confirmation Date and any debt, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown and from any liability of the kind specified in Bankruptcy Code §§ 502(g), 502(h), and 502(i), whether or not a Proof of Claim is filed or is deemed filed under Bankruptcy Code § 501, such Claim is Allowed under Bankruptcy Code § 502, or the holder of such Claim has accepted the Third Amended Joint Plan; provided,

however, that any Tort Claims as a result of sexual abuse committed after the Petition Date will not be discharged.

B. Vesting

Except as otherwise expressly provided in the Third Amended Joint Plan or in the Confirmation Order, on the Effective Date, the Reorganized Debtor will be vested with all of the property of the Estate free and clear of all Claims, liens, encumbrances, charges and other interests of Creditors, and will, thereafter, hold, use, dispose or otherwise deal with such property and operate its business free of any restrictions imposed by the Bankruptcy Code or by the Court. All Retained Claims are hereby preserved for the benefit of the Reorganized Debtor. Any claims, causes of action or demands transferred to the Fund are preserved for the benefit of the Settlement Trustee under the Settlement Trust and the Litigation Trustee under the Litigation Trust.

C. Channeled Claims

Except as otherwise expressly provided in the Third Amended Joint Plan, in consideration of the promises and obligations of the Participating Third Parties and the Settling Parties under the Third Amended Joint Plan, including the establishment and funding of the Settlement Trust and the Litigation Trust, all Persons who have held, hold, or may hold Tort Claims and Future Tort Claims, whether known or unknown, will be forever barred from pursuing such Tort Claims, whether such Claims are based upon tort or contract or otherwise, that they heretofore, now or hereafter possess or may possess against the Settling Parties, in each case based upon or in any manner arising from or related to any acts or omissions of CBNA or the Fairbanks Diocese or any of the other Settling Parties related to any sexual misconduct or other acts committed by any clergy, employees, volunteers or other Persons associated with CBNA. Such Tort Claims will be channeled to the Fund. Except as otherwise expressly provided in the Third Amended Joint Plan and the Third Amended Joint Plan Documents, the provisions of the Third Amended Joint Plan will operate, as between all Settling Parties, as a mutual release of all Claims which any Settling Party may have against another Settling Party.

The channeling provisions and the injunction are integral parts of the Third Amended Joint Plan and are essential to its implementation.

D. Exculpation and Limitation of Liability

None of the Released Parties will have or incur any liability to, or be subject to any right of action by, any holder of a Claim or any other party in interest or any of their respective agents, employees, officers, directors, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Reorganization Case, the pursuit of confirmation of the Third Amended Joint Plan, or the administration of the Third Amended Joint Plan or the property to be distributed under the Third Amended Joint Plan, except for their willful misconduct; and in all respects such parties will be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Third Amended Joint Plan or in the context of the Reorganization Case.

E. Permanent Injunction Against Prosecution of Released and Channeled Claims

Except as otherwise expressly provided in the Third Amended Joint Plan, for the consideration described herein, or described in any agreement by which a Person becomes a Settling Party, or if such Person is a Released Party on the Effective Date, all Persons who have held, hold, or may hold Channeled Claims or Claims against CBNA, the Fairbanks Diocese, any Settling Party or any Released Party, whether known or unknown, and their respective civil law and Canon Law officers, directors, officials, representatives, council members, employees, agents, attorneys, and all others acting for or on their behalf, will be permanently enjoined on and after the Effective Date from: (a) commencing or continuing in any manner, any action or any other proceeding of any kind with respect to any Claim, including, but not limited to, any Tort Claim or any Future Tort Claim against the Parties or the property of the Parties; (b) seeking the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against the Parties or the property of the Parties, with respect to any discharged Claim or Channeled Claim; (c) creating, perfecting, or enforcing any encumbrance of

any kind against the Parties or the property of the Parties with respect to any discharged Claim or Channeled Claim; (d) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due to the Parties with respect to any discharged Claim or Channeled Claim; and (e) taking any act, in any manner and in any place whatsoever, that does not conform to or comply with provisions of the Third Amended Joint Plan or the Third Amended Joint Plan Documents, including, the Settlement Trust Agreement or the Litigation Trust Agreement. Each Non-settling Tort Claimant (including any Future Tort Claimant if the Future Claims Representative opts out of the Settlement Trust) will be entitled to continue or commence an action against the Litigation Trustee (in his or her capacity as trustee only and not in his or her individual capacity) for the sole purpose of obtaining a judgment as permitted by the Litigation Trust Agreement, the Litigation Protocol and the Third Amended Joint Plan, thereby liquidating such Non-settling Tort Claimant's (including Future Tort Claimants, if applicable) Claim so that he or she may be paid with other Allowed Tort Claims in the ordinary course of the operations of the Litigation Trust, consistent with the provisions of the Litigation Trust Agreement, the Litigation Protocol and the Third Amended Joint Plan. The holder of any such judgment will be enjoined from executing against the Litigation Trust, its assets or the assets of any of the Parties or the Settlement Trust. In the event any Person takes any action that is prohibited by, or is otherwise inconsistent with, the provisions of the Third Amended Joint Plan, then, upon notice to the Court by an affected Party, the action or proceeding in which the Claim of such Person is asserted, will automatically be transferred to the Court (or, as applicable, the District Court) for enforcement of the provisions of Article 21 of the Third Amended Joint Plan. The foregoing injunctive provisions are an integral part of the Third Amended Joint Plan and are essential to its implementation.

X.

FEDERAL TAX CONSEQUENCES

THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE
THIRD AMENDED JOINT PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN.

ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR PERSONAL TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE THIRD AMENDED JOINT PLAN WITH RESPECT TO SUCH HOLDER, AND THE TAX IMPLICATIONS OF SUCH HOLDER'S RECEIPT OF ANY PAYMENTS FROM THE TRUST. NEITHER THE DEBTOR NOR DEBTOR'S COUNSEL MAKES ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE THIRD AMENDED JOINT PLAN AS TO THE DEBTOR OR ANY CREDITOR.

Under the Internal Revenue Code of 1986, as amended (the "IRC"), there may be significant federal income tax issues arising under the Third Amended Joint Plan described in this Disclosure Statement, that affect Creditors in the case.

The Settlement Trust and the Litigation Trust (if one is established) are each a "qualified settlement fund" ("QSF") within the meaning of Treasury Regulations enacted under IRC Section 486B(g). Each Trust is characterized as a QSF because:

1. Each Trust is established pursuant to an order of, or is approved by, the United States, any state or political subdivision thereof, or any agency or instrumentality (including a court of law) of any of the foregoing and is subject to the continuing jurisdiction of that governmental authority;
2. Each Trust is established to resolve or satisfy one or more contested or uncontested Claims that have resulted or may result from an event that has occurred and that has given rise to at least one Claim asserting liability arising out of, among other things, a tort, breach of contract, or violation of law (but excluding non-tort obligations of CBNA to make payments to its general trade Creditors or debt holders that relates to: a case under title 11 of United States Code, a receivership, foreclosure of similar proceeding in a Federal or State court, or a workout); and
3. Each Trust is a trust under state law.

The primary tax consequences of a Trust being characterized as a QSF, are the following:

1. The Trust must use a calendar taxable year and the accrual method of accounting.

2. CBNA must treat the transfer of property to the Trust as a sale or exchange of property. Accordingly, any gain or loss from the deemed sale must be reported by CBNA.

3. The Trust takes a fair market value basis in property contributed to it by CBNA.

4. The Trust's gross income, less certain modifications, is taxable at the rate equal to the maximum rate in effect for such taxable year under IRC Section 1(e) (currently 35%). CBNA's funding of the Trust with Cash and other property is not reported by the Trust as taxable income. However, net earnings recognized from, for example, the short-term investment of the Trust's funds will be subject to tax.

5. The Trust may deduct from its gross income a limited number of administrative expenses; the Trust is not entitled to deduct distributions paid to its Claimants.

6. The Trust will have a separate taxpayer identification number and will be required to file annual tax returns (which are currently due on March 15 unless the Trust is granted an extension of time for filing). The Trust will be required to comply with a number of other administrative tax rules.

7. The Trust must treat distributions of property from the Trust as a sale or exchange. Accordingly, any gain or loss from these deemed sales or exchanges must be reported by the Trust.

8. The Trust's gross income will be subject to applicable state and local income taxation.

Regardless of the Federal income tax treatment of the Trust, payments and distributions made by a Trust to a Tort Claimant may be subject to certain information reporting (generally

IRS Form 1099) when approved payments are made to Tort Claimants. Furthermore, the Settlement Trust and the Litigation Trust may be subject to withholding obligations under the IRC in connection with certain payments to Tort Claimants.

XI.
ACCEPTANCE AND CONFIRMATION

A. Voting Procedures

1. Generally

Only those Classes that are impaired under the Third Amended Joint Plan are entitled to vote to accept or reject the Third Amended Joint Plan. CBNA reserves the right to supplement this Disclosure Statement (if necessary) and to solicit any of those Classes which may prove to be impaired or unimpaired if circumstances so warrant.

Separate Ballots will be sent to the known holders of Claims whether or not such Claims are disputed. CBNA and the Committee have agreed that Tort Claims for **voting purposes only**, should be estimated at \$1.00 and have requested that the Court approve this estimation of Tort Claims. In addition, only the holders of Allowed Claims (or Claims that have been temporarily Allowed or have been estimated by the Bankruptcy Court) which are impaired, are entitled to vote on the Third Amended Joint Plan. A Claim to which an objection has been filed is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection and any appeals are determined, unless the Bankruptcy Court determines otherwise. A Claim to which no objection has been filed is deemed an Allowed Claim until and unless an objection is filed to the Claim. The holders of such Disputed Claims, including any Tort Claims that are the subject of a pending objection as of the date of conditional approval of this Disclosure Statement, are not entitled to vote on the Third Amended Joint Plan unless they request that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allow the Claims in appropriate amounts solely for the purpose of enabling the holders of such Disputed Claims to vote on the Third Amended Joint Plan, and the Bankruptcy Court does so.

2. Incomplete Ballots

Ballots which are signed, dated, and timely received, but on which a vote to accept or reject the Third Amended Joint Plan has not been indicated, will not be counted as a vote either to accept or to reject the Third Amended Joint Plan, or as a vote cast with respect to the Third Amended Joint Plan.

3. Withdrawal Of Ballots; Revocation

Any Creditor holding an impaired Allowed Claim which has delivered a Ballot accepting or rejecting the Third Amended Joint Plan or opting out of the Settlement Trust, may withdraw such acceptance or rejection or election by delivering a written notice of withdrawal to CBNA at any time prior to the voting deadline. A notice of withdrawal, to be valid, must: (i) contain the description of the Claim to which it relates and the amount of such Claim; (ii) be signed by the voting Creditor, in the same manner as the Ballot; and (iii) be received by CBNA in a timely manner at the address set forth below. Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots or change in the Claimants election to opt out of the Settlement Trust which is not received in a timely manner will not be effective to withdraw a previously furnished Ballot.

4. Submission Of Ballots

The form of Ballot for each of the Classes entitled to vote on the Third Amended Joint Plan will be sent to all Creditors along with a copy of this Disclosure Statement, conditionally approved by the Court which will have attached as an exhibit, a copy of the Third Amended Joint Plan. Creditors should read the Ballot carefully. The Bankruptcy Court has approved the form of Ballot to be submitted to the holders of Tort Claims. If any Creditor has any questions concerning voting procedures, it may contact:

QUARLES & BRADY LLP
One South Church Avenue, Suite 1700
Tucson, AZ 85701
Attention: Kasey Nye
Telephone: (520) 770-8700
E-mail: kasey.nye@quarles.com

Quarles & Brady LLP
One South Church Ave.
Suite 1700
Tucson, Arizona 85701-
1621

Ballot(s) or withdrawals/revocations or changes of election thereof must be returned to the above counsel for the Fairbanks Diocese. Ballots (and withdrawals/revocations and changes of elections of Ballots) must be received no later than ___ a.m./p.m. prevailing Alaska Time, _____, 2010 by CBNA at the following address, in accordance with the "Notice of Hearing on Plan Confirmation; Notice of Manner and Timing for: (1) Voting on the Third Amended Joint Plan; (2) Filing Objections to the Third Amended Joint Plan; and (3) Submitting Ballots to Vote to Accept or Reject the Third Amended Joint Plan."

Jane Friedman, Paralegal
Quarles & Brady LLP
One South Church Avenue, Suite 1700
Tucson, AZ 85701-1621
Phone (520) 770-8700; Fax (520) 770-2212
E-mail: jane.friedman@quarles.com

B. Feasibility

The Bankruptcy Code requires, as a condition to confirmation, that the Bankruptcy Court find that liquidation of CBNA, or the need for future reorganization, is not likely to follow after confirmation. For the purpose of determining whether the Third Amended Joint Plan meets this requirement, the Reorganized Debtor's ability to meet its obligations under the Third Amended Joint Plan has been analyzed. CBNA has prepared projections of the cash flow for the CBNA ministries and operations. The projections were prepared by management and are attached as Exhibit "11" to this Disclosure Statement. CBNA reasonably believes that it will be able to fund the Third Amended Joint Plan on the Effective Date, and the Reorganized Debtor will be able to make all payments required to be made, pursuant to the Third Amended Joint Plan.

C. Best Interests Of Creditors And Liquidation Analysis

Under Bankruptcy Code § 1129(a)(7), the Third Amended Joint Plan must provide that Creditors receive no less under the Third Amended Joint Plan than they would receive in a Chapter 7 liquidation of CBNA. This analysis is unusually hypothetical in the Reorganization Case, because, as a non-profit entity, the Reorganization Case cannot be converted to a Chapter 7 without CBNA's consent under Bankruptcy Code § 1112(c) (disallowing conversion of Chapter

11 cases where the debtors is "not a moneyed corporation"). CBNA submits that the best interest of creditors test in this context is akin to that of a Chapter 9 proceeding.

While the best interests of the creditors test is an elusive standard in Chapter 9 nevertheless the concept is not without meaning.... The concept should be interpreted to mean that the Second Amended Plan must be better than the alternative that creditors have. In the chapter 9 context, the alternative is dismissal of the case, permitting every creditor to fend for itself in the race to obtain the mandamus remedy and to collect the proceeds.... [The courts] must apply **the test to require a reasonable effort by the municipal debtor that is a better alternative to the creditors than dismissal of the case.**

In re County of Orange, 191 B.R. 1005, 1020 (Bankr. C.D. Ca. 1996) (quoting 4 Collier on Bankruptcy, 943.03(7) (15th ed. 1995) (emphasis added by Judge Ryan).

Accordingly, the best interest of creditors standard test applied here is to compare the Third Amended Joint Plan to the true alternative of dismissal and a race to the courthouse by the Tort Claimants which greatly benefits the first to trial over the claims of others.

Nevertheless, CBNA has included a hypothetical liquidation (attached as Exhibit "16" to this Disclosure Statement) analysis similar to that filed in *In re General Teamsters, Warehousemen & Helpers Union Local 890*, 225 B.R. 719 (Bankr. N.D.Cal. 1998) aff'd 265 F.3d 869 (9th Cir. 2001). Specifically the *Teamsters Local* bankruptcy court determined—and the U.S. District Court and the 9th Circuit Court of Appeals each affirmed—that certain assets were properly excluded from the liquidation analysis because the assets did not "represent property of Debtor's estate that would be capable of liquidation under Chapter 7." See 225 B.R. at 734. Thus, CBNA's liquidation analysis excludes property that is not property of CBNA's Estate. Specifically, Parish Real Property, Parish personal property, the Endowment, the Priest's retirement fund, custodial funds are excluded from the liquidation analysis. The liquidation analysis also excludes other property which is property of the Estate, but which is not "capable of liquidation under Chapter 7" pursuant to the Religious Freedom Restoration Act and other reasons including the KNOM radio station license and equipment, and the Catholic Schools of Fairbanks campus and related personal property. The Committee disagrees with the Debtor over whether the property excluded from the liquidation analysis is properly excluded; however, as a

result of the settlement with the Committee, these issues are moot assuming that the Third Amended Joint Plan is confirmed and the Effective Date occurs.

D. Confirmation Over Dissenting Class

In the event that any impaired Class of Claims does not accept the Third Amended Joint Plan, the Bankruptcy Court may nevertheless confirm the Third Amended Joint Plan at the request of CBNA and the Committee if all other requirements under Bankruptcy Code § 1129(a) are satisfied, and if, as to each impaired Class which has not accepted the Third Amended Joint Plan, the Bankruptcy Court determines that the Third Amended Joint Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such non-accepting Classes. Each of these requirements is discussed below.

1. No Unfair Discrimination

The Third Amended Joint Plan "does not discriminate unfairly" if: (a) the legal rights of a dissenting Class are treated in a manner that is consistent with the treatment of other Classes whose legal rights are similar to those of the dissenting Class; and (b) no Class receives payments in excess of those which it is legally entitled to receive for its Claims. CBNA believes that under the Third Amended Joint Plan: (i) all Classes of impaired Claims are treated in a manner that is consistent with the treatment of other similar Classes of Claims; and (ii) no Class of Claims will receive payments or property with an aggregate value greater than the aggregate of the Allowed Claims in such Class. Accordingly, CBNA believes that the Third Amended Joint Plan does not discriminate unfairly as to any impaired Class of Claims.

2. Fair and Equitable Test

The Bankruptcy Code establishes different "fair and equitable" tests for Secured Claims, Unsecured Claims, and holders of Equity Interests, as follows:

(a) Secured Creditors. Either: (i) each impaired Secured Creditor retains its liens securing a Secured Claim and receives on account of its Secured Claim deferred Cash payments having a present value equal to the amount of its Allowed Secured Claim; (ii) each impaired Secured Creditor realizes the "indubitable equivalent" of its Allowed Secured Claim; or (iii) the

property securing the Claim is sold free and clear of liens with such liens to attach to the proceeds, and the liens against such proceeds are treated in accordance with clause (i) or (ii) of this subparagraph (a).

(b) Unsecured Creditors. Each impaired Unsecured Creditor receives or retains under the Third Amended Joint Plan property of a value equal to the amount of its Allowed Claim. There is no absolute priority rule issue in this Reorganization Case because there are no interests or junior creditors; or the holders of Claims and Equity Interests that are junior to the Claims of the non-accepting Class do not receive any property under the Third Amended Joint Plan on account of such Claims and Equity Interests.

(c) Equity Interests. Either: (i) each holder will receive or retain under the Third Amended Joint Plan property of a value equal to or greater than (A) the fixed liquidation preference or redemption price, if any, of such interest or (B) the value of such interest; or (ii) the holders of interests that are junior to the non-accepting Class will not receive any property under the Third Amended Joint Plan. The Fairbanks Diocese believes that the Third Amended Joint Plan satisfies the "fair and equitable" test with respect to all impaired Classes.

As with the best interests of creditors test, the fair and equitable test is applied differently in the Reorganization Case than in most reorganization cases because CBNA is not a moneyed corporation. This is the situation because the members of a non-profit, in this case, the Bishop, have no personal interest in the property of the corporation. Accordingly, there is effectively no equity interest in the Fairbanks Diocese. Therefore, what is commonly referred to as the "absolute priority rule" embodied by Bankruptcy Code § 1129(b)(2)(B) does not prevent CBNA from continuing to operate.

XII.
ALTERNATIVES TO THE THIRD AMENDED JOINT PLAN

If the Third Amended Joint Plan is not confirmed, several different events could occur: (1) the Debtor could propose another plan providing for different treatment of certain Creditors; or (2) the Bankruptcy Court (after appropriate notice and hearing) could dismiss the Reorganization Case if the Debtor is unable to confirm an alternative plan in a reasonable period of time.

XIII.
RECOMMENDATIONS OF THE DEBTOR AND CONCLUSION

CBNA and the Committee recommend that all Creditors vote to accept the Third Amended Joint Plan. CBNA and the Committee believe that the Third Amended Joint Plan provides the best possible return to Creditors under the circumstances.

DATED: December 16, 2009

CATHOLIC BISHOP OF NORTHERN ALASKA, an
Alaska religious corporation sole

By Donald Kettler
Most Reverend Donald J. Kettler
Bishop of the Diocese of Fairbanks

Prepared and Submitted By:

QUARLES & BRADY LLP
One South Church Avenue
Suite 1700
Tucson, AZ 85701-1621

By Susan G. Boswell
Susan G. Boswell
Kasey C. Nye
Lori L. Winkelman

Attorneys for Debtor
Catholic Bishop of Northern Alaska

Quarles & Brady LLP
One South Church Ave.
Suite 1700
Tucson, Arizona 85701-
1621

In re *Catholic Bishop of Northern Alaska*, Case No. 08-00110-DMD