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1 The Roman Catholic Archbishop of Portland in Oregon, and successors, a  
2 corporation sole, *dba* the Archdiocese of Portland in Oregon, and the debtor and debtor  
3 in possession in the above captioned Chapter 11 reorganization case (the  
4 “Archdiocese” or the “Debtor”), has prepared this Disclosure Statement in connection  
5 with the solicitation of acceptances of the “Debtor’s First Modified Plan of  
6 Reorganization” dated ~~November 15,~~ March 28, 2005 (the “Plan”). A copy of the Plan  
7 accompanies this Disclosure Statement.

8 **I. INTRODUCTION AND STATEMENTS REGARDING REPRESENTATIONS.**

9 **A. Introduction.**

10 On July 6, 2004 (the “Petition Date”), the Archdiocese commenced this Chapter  
11 11 reorganization case (“Case”) by filing a voluntary petition under Chapter 11 of the  
12 United States Bankruptcy Code (“Bankruptcy Code”). Since the Petition Date the  
13 Archdiocese has remained a debtor-in-possession pursuant to Sections 1107 and 1108  
14 of the Code. The Archdiocese filed this Chapter 11 Bankruptcy Case to reorganize its  
15 financial affairs pursuant to a plan of reorganization that will, among other things, fairly,  
16 justly, and equitably compensate valid Claims of Claimants alleging child sexual abuse  
17 by persons associated with the Archdiocese, while allowing the Archdiocese to continue  
18 its religious ministries, serve the spiritual needs of the faithful, and pursue its non-profit,  
19 charitable mission of service to those in need.

20 **B. Definitions and Plan Supremacy.**

21 Unless this Disclosure Statement expressly states that a term defined in the Plan  
22 will have a different meaning herein, all terms defined in the Plan will have the same  
23 meanings when used in this Disclosure Statement. In addition, unless otherwise stated,  
24 terms used in this Disclosure Statement will have the same meanings as in the  
25 Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Local Rules of  
26 the Court. Terms defined in this Disclosure Statement which are also defined in the

1 Plan or the other sources described above are solely for convenience and the Debtor  
2 does not intend to change the definitions of those terms from the Plan or from the  
3 otherwise applicable sources. Furthermore, in the event of any inconsistency between  
4 the Plan and this Disclosure Statement, the Plan will control. The Exhibits attached to  
5 this Disclosure Statement are incorporated into and are a part of this Disclosure  
6 Statement.

7 **C. Limited Representations.**

8 This Disclosure Statement is submitted in accordance with Bankruptcy Code  
9 §1125 for the purpose of soliciting acceptances of the Plan from holders of certain  
10 Claims. The Court has approved this Disclosure Statement as containing information of  
11 a kind, and in sufficient detail, which is adequate to enable you to make an informed  
12 judgment whether to vote to accept or to reject the Plan.

13 In determining whether the Plan should be confirmed, the Court will consider  
14 whether the Plan satisfies the requirements of the Bankruptcy Code, including whether  
15 sufficient classes of creditors have voted to accept it, whether it is feasible from an  
16 economic standpoint, and whether it is in the best interests of Creditors and other  
17 parties in interest. The Court also will receive and consider a ballot summary prepared  
18 by the Debtor concerning the votes cast for acceptance or rejection of the Plan by  
19 parties entitled to vote. Only holders of Allowed Claims that are impaired under the Plan  
20 (or that have been temporarily allowed for voting purposes) will be allowed to vote to  
21 accept or reject the Plan. "Impaired" means that a Claimant's legal, equitable, or  
22 contractual rights have been altered by the Plan, or the Claimant will not receive  
23 payment in full of his or her Claim on or about the Effective Date for those Claims that  
24 have been Allowed and are then due.

25 THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS  
26 DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN, WHICH  
ACCOMPANIES THIS DISCLOSURE STATEMENT SHOULD BE READ  
COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN

1 IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL  
2 SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN  
3 ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH  
4 IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

5 The Court will hold a hearing on confirmation of the Plan commencing at  
6 \_\_\_\_\_ a.m. on \_\_\_\_\_, 2006. The confirmation hearing may be  
7 adjourned from time to time without further written notice.

8 Certain materials contained in this Disclosure Statement are taken directly from  
9 other, readily accessible documents or are summaries prepared from other documents.  
10 While every effort has been made to retain the meaning of such documents, you are  
11 urged to rely upon the contents of such materials only after a thorough review of the  
12 documents themselves.

13 NO REPRESENTATIONS OR ASSURANCES CONCERNING THE  
14 DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS OPERATIONS, THE  
15 VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF THE  
16 REORGANIZED DEBTOR ARE AUTHORIZED BY THE DEBTOR  
17 OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

18 THIS IS A SOLICITATION BY THE DEBTOR ONLY AND IT IS NOT A  
19 SOLICITATION BY THE DEBTOR'S ATTORNEYS OR ANY OTHER  
20 PROFESSIONALS EMPLOYED BY THE DEBTOR. THE  
21 REPRESENTATIONS MADE HEREIN ARE THOSE OF THE DEBTOR  
22 AND NOT OF THE DEBTOR'S ATTORNEYS OR ANY OTHER  
23 PROFESSIONAL.

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

27 **D. Voting Procedures.**

28 If you are the holder of a Claim that is "impaired" under the Plan, it is important  
29 that you vote. In that regard, acceptances of the Plan are sought only from those  
30 holders of Claims whose Claims are "impaired" by the Plan and who are not deemed to

1 have accepted or rejected the Plan. Holders of Claims that are not impaired under the  
2 Plan are deemed to have accepted the Plan. See Bankruptcy Code §1126(f).  
3 Conversely, acceptances need not be solicited from the holders of Claims who will  
4 receive nothing under the Plan because they are deemed to have rejected the Plan.  
5 See Bankruptcy Code §1126(g).

6 In order for a class of Claims to vote to accept the Plan, votes representing at  
7 least two-thirds in amount and more than one-half in number in that class must be cast  
8 in favor of acceptance of the Plan. As more fully described below, the Debtor is seeking  
9 acceptances from holders of Allowed Claims in the following classes (reserving the right  
10 to supplement as to any other impaired class(es) of Claims, if any):

<u>Class</u>	<u>Description</u>	<u>Status</u>
Class 3	Umpqua Bank	Impaired – Entitled to Vote
Class 4	Perpetual Endowment Fund	Impaired – Entitled to Vote
<u>Class 5</u>	<u>Key Bank</u>	<u>Impaired – Entitled to Vote</u>
Class 6	General Unsecured Claims	Impaired – Entitled to Vote
<del>Class 7</del>	<del>Allowed Present Tort Claims</del>	<del>Impaired – Entitled to Vote</del>
Class 87	Unresolved Present Tort Claims	Impaired – Entitled to Vote
Class 98	Future Claims	Impaired – Entitled to Vote
<u>Class 13</u>	<u>Oregon Insurance Guaranty Association</u>	<u>Impaired – Entitled to Vote</u>
21	//	
22	//	
23	//	
24	//	
25	//	
26	//	

1 //

2 The following classes of Claims are not impaired under the Plan or are otherwise  
3 prohibited by the Bankruptcy Code from voting on the Plan for the reason indicated:

4 <u>Class</u>	<u>Description</u>	<u>Status</u>
5 Class 1	Non-Tax Priority Claims	Unimpaired – Deemed to 6 Accept
7 Class 2	Administrative Convenience Claims	Unimpaired – Deemed to 8 Accept
9 <del>Class 5</del>	<del>Guaranty Claims</del>	<del>Unimpaired – Deemed to Accept</del>
10 Class <u>409</u>	Supplemental Present Tort Claims	Impaired - Included in Class <u>98</u> – Duplicative and not Entitled 11 to Vote – Will not be Counted 12 for Voting or Confirmation Purposes
13 Class <u>410</u>	Retiree Benefit Claims	Unimpaired – Deemed to Accept
14 Class <u>4211</u>	Donor Claims	Unimpaired – Deemed to Accept
15 Class <u>4312</u>	Beneficiary Claims	Unimpaired – Deemed to Accept

17 The specific treatment of each class under the Plan is set forth in the Plan and is  
18 summarized in Articles V and VIII of this Disclosure Statement. Bankruptcy Code  
19 §1129(b) provides that, if the Plan is rejected by one or more impaired classes of  
20 Claims, the Plan nevertheless may be confirmed by the Court, if: (i) the Court  
21 determines that the Plan does not discriminate unfairly and is fair and equitable with  
22 respect to the rejecting class(es) of Claims that are impaired under the Plan; and (ii) at  
23 least one class of impaired Claims has voted to accept the Plan. These requirements  
24 are described in further detail in Section X.C. of this Disclosure Statement.

25 A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF  
26 CLAIMS WHO ARE ENTITLED TO VOTE IS IMPORTANT. THE



1 DEBTOR RECOMMENDS THAT THE HOLDERS OF ALLOWED CLAIMS  
2 VOTE IN FAVOR OF THE PLAN.

3 Unless otherwise expressly stated, portions of this Disclosure Statement  
4 describing the Archdiocese have not been subjected to an independent audit, but have  
5 been prepared from information compiled by the Archdiocese from records maintained  
6 in the ordinary course of its operations. Every effort has been made to be as accurate  
7 as possible in the preparation of this Disclosure Statement.

8 **II. BACKGROUND.**

9 In 1999, the Oregon Supreme Court decided *Fearing v. Bucher*, 328 Or. 367, 977  
10 P.2d 1163 (1999) and *Lourim v. Swensen and the Boy Scouts of America*, 328 Or. 380,  
11 977 P.2d 1157 (1999), which established for the first time that an employer/principal  
12 (including the Archdiocese) could be held liable under a *respondeat superior* theory of  
13 vicarious liability for the intentional acts of sexual misconduct by its personnel (the same  
14 ruling against the Boy Scouts applied to Scoutmaster volunteers). *Fearing v. Bucher*  
15 also decided that the extended statute of limitations for civil claims involving child abuse  
16 under ORS 12.117 applied to the principal/employer as well as the agent/employee who  
17 actually was accused of the misconduct.

18 As a result of these cases, it became legally viable and financially lucrative, for  
19 personal injury lawyers and their clients to pursue such claims against the Archdiocese.  
20 Prior to *Fearing v. Bucher*, an employer could not be held vicariously liable for the  
21 sexual misconduct of its employee, because that type of activity could not in any way be  
22 viewed as serving the interest of the employer and was, therefore, as a matter of law,  
23 outside the course and scope of employment of the alleged abuser. *G.L. v. Kaiser*  
24 *Foundation Hospitals*, 306 Or. 54, 757 P.2d 1347 (1988)

25 Beginning in late 1999, several lawsuits with twenty-five plaintiffs were filed  
26 against the Archdiocese alleging misconduct of Maurice Grammond, who had been the  
pastor at Our Lady of Victory Church in Seaside, Oregon from 1966-1985. At the

1 request of the Archdiocese, and with the participation of its insurance carriers, a  
2 mediation was held in mid-2000 that resulted in settlement of all twenty-five (25) cases  
3 (“Grammond I”). The settlement of those claims was announced in October 2000, with  
4 extensive media publicity. Also, a very public apology by Archbishop Vlazny was  
5 disseminated widely, in the media and otherwise.

6 Cases continued to be filed in 2001 and many new claims were filed in 2002 after  
7 intense media reporting of claims against priests of the Archdiocese of Boston and  
8 criticism of Cardinal Bernard Law, then the Archbishop of Boston. Again, Archbishop  
9 Vlazny sought and announced publicly his desire to resolve the claims and to  
10 compensate valid claimants. Another large-scale mediation took place for  
11 approximately six weeks in 2003, resulting in settlement of most of the cases mediated.  
12 However, the Archdiocese lost the full support of some of its insurers. As of early 2004,  
13 \$53,000,000 had been paid to settle claims of alleged sexual misconduct, \$27,000,000  
14 of which was paid from the Archdiocese’s own funds.

15 Almost all of the ~~tort claims~~ Tort Claims against the Archdiocese allege sexual  
16 misconduct with minors happening before the early 1980s. Most of the Tort Claims  
17 arise out of the 1960s and 1970s, some out of the 1950s and 1940s, and very few in the  
18 1980s. The lack of more recent claims may be the result of policies and programs  
19 initiated after the very public arrest, conviction and sentencing of the former Rev.  
20 Thomas B. Laughlin, who was pastor of All Saints Parish, Portland when arrested by the  
21 police in 1983 on a charge of child sex abuse. In response, the Archdiocese conducted  
22 clergy seminars on child abuse and reporting, clergy screening procedures were  
23 updated, and other practices were implemented to prevent these problems from re-  
24 occurring. As a result of these efforts, almost all of the ~~tort claims~~ Tort Claims against  
25 the Debtor alleging sexual misconduct with minors are at least 20 years old, and many  
26 are decades older.

1           Despite the abandonment of the Archdiocese by refusal of some of its major  
2 insurers, ~~Safeco Insurance Company of America and General Insurance Company of~~  
3 ~~America to defend and pay Claims~~, the Archdiocese continued to settle claims into  
4 2004. However, in mid-2004 the Archdiocese faced two claims asking for ~~a total of~~  
5 more than \$155,000,000 between them. Claimant C.B. sought \$10,000,000 in  
6 compensatory damages and \$125,000,000 in punitive damages. Claimant James  
7 Devereaux sought ~~\$10,000,000~~5,000,000 in compensatory damages and  
8 ~~\$10,000,000~~20,000,000 in punitive damages. The actual alleged misconduct in those  
9 cases was less serious than what was alleged in many of the previously settled cases.  
10 Plaintiffs' counsel refused the Debtor's efforts to resolve these cases on anywhat the  
11 Debtor deemed to be a reasonable basis.

12           With approximately 65 other claims pending, the Archdiocese was concerned  
13 that paying the demands of the two plaintiffs would put the Archdiocese at great  
14 financial risk and cripple its ability to compensate valid claimants. On July 6, 2004,  
15 Archbishop Vlazny announced that the Archdiocese would file for Chapter 11  
16 reorganization in bankruptcy court, as a just and prudent course of action and as the  
17 best choice if he were to be a prudent steward of the resources of parishes and schools,  
18 as well as those of the Archdiocese. In a widely publicized Open Letter to the Church  
19 of Western Oregon, Archbishop Vlazny stated that: "[f]iling for bankruptcy offers the  
20 best possibility for the Archdiocese to resolve fairly *all* pending claims, to manage a  
21 difficult financial situation and to preserve the ability of the Archdiocese to fulfill its  
22 mission."

23   **III.    SIGNIFICANT EVENTS IN CHAPTER 11.**

24           Since the filing of the petition on July 6, 2004 the following events of significance  
25 have occurred:

26

1           • The Court established a Claims Bar Date of April 29, 2005 and attendant  
2 notice procedures pursuant to which notice of the April 29, 2005 deadline for filing  
3 Claims was given to known and potential creditors both by direct mail and by publication  
4 in local, regional, and national newspapers and other sources;

5           • A Tort Claimants Committee (the "TCC") was appointed to represent the  
6 collective interest of all Present Tort Claimants;

7           • A Future Tort Claimants Representative (the "FCR") was appointed to  
8 represent the interests of those Child Abuse Tort Claimants who as of the Claims Bar  
9 Date (1) were under the age of 18; (2) were suffering from "repressed memory" and  
10 could not remember the Child Abuse; or (3) had not discovered the injury or the causal  
11 connection between the injury and the Child Abuse, nor in the exercise of reasonable  
12 care should have discovered the injury or the causal connection between the injury and  
13 the Child Abuse (collectively the "Future Claimants");

14           • The Court approved an Accelerated Claims Resolution Procedure  
15 pursuant to which approximately 60 early filed Tort Claims alleging Child Abuse were  
16 mediated in an effort to settle such Claims. These mediations commenced in August  
17 2005 and were concluded in September 2005. In these mediations, and subsequent  
18 thereto, approximately 34 Claimants -- many of whom participated in the mediations --  
19 agreed to the amounts necessary to settle their Claims. The Archdiocese has filed a  
20 motion to obtain Court approval of the amount of these claims.

21           • ~~The Tort Claimants Committee~~ TCC instituted litigation to determine  
22 whether Parish and school property, and other property which the Archdiocese asserts  
23 is held in trust or is otherwise restricted from being used to pay Claims against the  
24 Archdiocese, is available to pay Claims. ~~That litigation is pending and no decision has~~  
25 ~~been made as to whether such property can or cannot be used to pay Claims.~~ On  
26 December 30, 2005, the Court issued its decision on the TCC's Second and Third

1 Motions for Partial Summary Judgment in that litigation. In the Second Motion, the TCC  
2 asked the Court to rule that the Parishes had no separate legal existence from the  
3 Archdiocese and the Parishes had no power to sue or be sued. The Court ruled in favor  
4 of the TCC on that motion, finding that the Parishes were merely part of the Archdiocese  
5 and did not have the power to sue or be sued, or to be the beneficiaries of a trust. In  
6 the Third Motion, the TCC asked the Court to avoid any interest asserted by the  
7 Parishes, the parishioners, and any donors or other parties in the real property of nine  
8 Parishes and Regis High School. The Court ruled partially in favor of the TCC on that  
9 motion finding that such interests were avoidable under §544(a)(3) of the Bankruptcy  
10 Code, but also finding that a trial would be necessary to determine whether the  
11 Religious Freedom Restoration Act placed some constraint on whether those properties,  
12 or possibly others in place of those properties, could be liquidated to pay Claims against  
13 the Archdiocese. The TCC has filed a Fourth Motion for Partial Summary Judgment  
14 asking the Court to find that the Perpetual Endowment Fund (further described herein),  
15 which contains approximately \$36 million in cash and liquid investments, is property of  
16 the Archdiocese's estate and is available to pay claims. The parties are in the process  
17 of briefing the Fourth Motion with a hearing on that motion scheduled for early May  
18 2006. The Court has not yet ruled on the Fourth Motion or made any further decisions  
19 on what property will be available to pay claims.

20         • The Court appointed Hamilton Rabinovitz & Alschuler (“HR&A”), a firm  
21 with extensive experience in estimating future tort claims in mass tort cases such as  
22 those involving asbestos exposure to assist in determining the estimated amount of  
23 Claims which can be expected to be asserted by the Future Claimants. HR&A has  
24 provided the Debtor, the TCC, and the FCR with a preliminary report of its findings,  
25 however, the Debtor is unable to make that information public until HR&A issues its final  
26 report.

1           • The Archdiocese instituted litigation against its insurers to recover  
2 amounts previously paid in settling claims for which the insurers denied coverage, to  
3 require the insurance companies to fulfill their obligations to provide coverage for the  
4 Tort Claims, and for other causes of action relating to the Insurance Policies. ~~That~~The  
5 Debtor believes that it is owed in excess of \$20 million from insurers on account of  
6 prepetition settled claims. In addition, the Debtor believes it is entitled to substantial  
7 additional coverage for the remaining Tort Claims. The insurance litigation is ongoing  
8 and is not expected to be concluded until after confirmation of the Plan.

9           • As of the Claims Bar Date a total of 197 child sex abuse Claims had been  
10 filed against the Debtor (3 additional Claims were filed based on prepetition settlements  
11 for which the settlement amounts had not been fully paid). As of ~~November 10, 2005,~~  
12 ~~60~~March 28, 2006, approximately 77 of these Claims had been disallowed, settled,  
13 tentatively settled, or withdrawn. Of the ~~137~~remaining unresolved 120 child sex abuse  
14 Claimsclaims, 83 are duplicates, leaving ~~129~~such approximately 117 Claims to be  
15 resolved (not including any Future Tort Claims, i.e., child abuse Claims filedwhich are  
16 asserted after the Claims Bar Date). ~~Numerous~~ Claims are continuously in the process  
17 of being disallowed, withdrawn, or settled. The Archdiocese has filed a motion asking  
18 the Court to estimate the remaining known child sex abuse Claims and other Tort  
19 Claims where no settlement has been reached for the purposes of voting on and  
20 determining whether to confirm the Plan.

21           • On January 11, 2006, the Court ruled that over 100 of the remaining  
22 Unresolved Tort Claims would be permitted to proceed to trial in either federal or state  
23 court, depending on whether the claimant elects to waive any claim for punitive  
24 damages against the Archdiocese. These Claimants have until April 15, 2006 to make  
25 their elections. Claimants electing to waive their right to seek punitive damages will be  
26 entitled to proceed to trial on their Claims in state court. Claimants retaining their right

1 to pursue punitive damages must try their Claims in the federal District Court. The two  
2 cases which were scheduled to go to trial on the date the Archdiocese filed Chapter 11 -  
3 C.B.'s claims for \$10 million in compensatory damages and \$125 million in punitive  
4 damages, and James Devereaux's Claims for \$5 million in compensatory damages and  
5 \$20 million in punitive damages - will be the first cases allowed to proceed to trial in  
6 federal District Court. At this time it appears that those trials, unless the Claims are  
7 settled, will likely take place in the Fall 2006.

8 • On February 13, 2006, the Tort Claimants Committee filed its own plan. In  
9 its plan, the TCC proposes to treat all Claims against the Archdiocese as unimpaired. If  
10 such a plan could be confirmed, which is far from certain at this time, Claimants would  
11 be entitled to pursue their Claims against the Archdiocese, and once a Claim was  
12 settled or a judgment entered, attempt to collect the amount of their settlement or  
13 judgment from the Archdiocese (or from a trust to be established under the plan with the  
14 Archdiocese's assets). According to the TCC, the trust would initially be funded with  
15 \$42 million in cash and investments, with subsequent amounts to be paid by the  
16 Archdiocese into the trust as claims are resolved and the trust funds are depleted by  
17 payment of prior claims. If the Archdiocese failed to make these payments, the trust  
18 would be entitled to sell as many parish churches and schools as necessary to fund the  
19 Claims until all the Claims have been paid in full. The promises contained in such a  
20 plan are illusory because it would require many favorable court rulings before such a  
21 plan could be confirmed, much less implemented. The Court has not yet ruled whether  
22 the property the TCC proposes be used to fund its plan, is either the Archdiocese's  
23 property and is free of restrictions so that it can be used to pay Claims. In addition, the  
24 Court has made no determination regarding the amount of the Claims, therefore, it is  
25 unknown at this time whether the Claims will exceed the value of the property that is  
26

1 ultimately found to be available to pay them. In fact, the Court has stated that many  
2 issues remain to be decided before the TCC's plan could be confirmed.

3       • On February 28, 2006, the Court issued its Opinion regarding the  
4 Archdiocese's request that it estimate disputed and unliquidated Tort Claims to provide  
5 the basis for determining the amount of funding that the Archdiocese will need to make  
6 available for payment of such Claims under its Plan. In that opinion, the Court stated  
7 that such estimations must be made by the District Court if the estimations will be used  
8 to establish the maximum amount of funds the Archdiocese will be required to contribute  
9 for payment of the Claims, and that further hearings will be held to determine the  
10 methodology that the Court will recommend be used by the District Court in estimating  
11 those Claims. The Archdiocese intends to proceed with estimation of the Claims  
12 pursuant to the procedures to be established by the Court and the District Court, as it  
13 believes estimation of the Claims offers the only viable, cost-effective approach that will  
14 permit confirmation of a plan and payment of Claims without undue delay. As discussed  
15 below, such estimates will provide the Archdiocese with a basis for funding its plan in  
16 the aggregate amount the District Court determines will be sufficient to pay all Claims in  
17 full, and will avoid the delay inherent in waiting for resolution of the property litigation to  
18 determine how much property could be made available to pay the Claims. Although  
19 there may be some risk the District Court's estimates are low, which would result in  
20 insufficient funds being made available to pay all the Tort Claims in full, the Archdiocese  
21 believes the benefit to Claimants of a plan that will provide assured funding in an  
22 amount the District Court believes will be sufficient to pay all the Claims in full, without  
23 having to wait for the property litigation to be resolved before a funding source can be  
24 established, far outweighs the risk to Claimants that the District Court's estimates might  
25 be wrong.

26 **IV. OVERVIEW OF THE PLAN.**



1           **A. General Structure Of The Plan.**

2           The Plan provides for the reorganized Archdiocese (the "Reorganized Debtor") to  
3 provide funds in an amount that the District Court determines will be sufficient to pay all  
4 Claims in full based on (1) the settled or agreed amount of the Claims which are  
5 resolved prior to the Effective Confirmation Date of the Plan, and (2) for those Claims  
6 that have not been resolved prior to the Effective Confirmation Date, for the District Court  
7 to estimate the amount which it determines is likely to be awarded for such Claims  
8 through later settlements, arbitrations, or trials. The Plan provides for the establishment  
9 of a Claims Resolution Facility to assume liability for, and to resolve and pay all  
10 ~~Unresolved Tort Claims, including Future Claims. The Plan contemplates that, on the~~  
11 ~~Effective Date, all settled or otherwise resolved Claims will be paid, the Claims~~  
12 ~~Resolution Facility will be established, and provides that~~ the Reorganized Debtor will  
13 provide funding to the Claims Resolution Facility in an amount that the aggregate  
14 amount that the District Court determines will be sufficient to pay all Unresolved Tort  
15 Claims in full. The Court will be asked to estimate the aggregate amount of all  
16 Unresolved Tort Claims in order to determine the amount of funding that the  
17 Reorganized Debtor will be required to provide to the Claims Resolution Facility that will  
18 be adequate to pay such Claims in full Tort Claims in full, including Future Claims, and  
19 any portion of such Claims for punitive damages or a penalty.

20           **B. Estimated Distributions To Creditors.**

21           The following is a summary of the projected recoveries for each of the holders of  
22 Allowed Claims under the Plan:

23

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Total Estimated Allowed Amount of Claims</u>	<u>Estimated Dates and Amounts Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Total Estimated Allowed Amount of Claims</u>	<u>Estimated Dates and Amounts Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Class 1 Non-Tax Priority Claims	Unimpaired	\$2,920	In full when such Claims become due, or if already due, as soon as reasonably practicable following on the Effective Date or if later, the Allowance Date	100%
Class 2 Administrative Convenience Claims	Unimpaired	\$60,795	In full as soon as reasonably practicable following on the Effective Date or if later, the Allowance Date	100%
Class 3 Umpqua Bank Secured Claim	Impaired	\$376,600 <u>361,800</u>	180 consecutive equal monthly installments, including principal and interest at the non-default contract rate, commencing within 30 days following the Effective Date, or if later the Allowance Date	100%
Class 4 Perpetual Endowment Fund Secured Claim	Impaired	\$5,194,239 <u>5,131,807</u>	180 consecutive equal monthly installments, including principal and interest at the non-default contract rate, commencing within 30 days following the Effective Date, or if later the Allowance Date	100%
Class 5 <u>Key Bank Guaranty Claims</u> <u>Claim</u>	<del>Unimpaired</del> <u>Impaired</u>	\$20,197,917 <u>20,218,730</u>	Reorganized Debtor will assume all Guaranty Claims and pay according to their terms <u>the Key Bank guaranty obligation and pay according to its terms, subject to revisions to the guaranty agreement that will permit the Reorganized Debtor to cure any default and continue making any payments required of the principal obligor on the underlying obligations secured by the guaranty before the guaranty obligation would become due and payable.</u>	N/A
Class 6 General Unsecured Claims	Impaired	\$461,507 <u>461,505</u>	12 consecutive equal monthly installments, including principal and interest at the Plan Interest Rate, commencing within 30	100%

**Page 15 of 6464 - DISCLOSURE STATEMENT REGARDING DEBTOR'S FIRST MODIFIED PLAN OF REORGANIZATION**

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Total Estimated Allowed Amount of Claims</u>	<u>Estimated Dates and Amounts Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
			days following the Effective Date, or if later the Allowance Date	
Class 7 Allowed Present Tort Claims	Impaired	Approximately \$1,967,944 <sup>2</sup> million in settled Present Tort Claims (as of 3/28/06) plus an additional amount for Unresolved Present Tort Claims to be estimated by the District Court	In full as soon as reasonably practicable following Allowed Present Tort Claims to be paid by Claims Resolution Facility after such Claims become Allowed and as distributions are authorized by the Effective Date District Court. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages thus it is unknown when distributions might be made for Punitive Damages.	100%
Class 8 Unresolved Present Tort Future Claims	Impaired	To Be Determined <sup>be</sup> estimated by the District Court	To be paid by Claims Resolution Facility after such Claims become Allowed and as distributions are authorized by the District Court. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages, thus it is unknown when distributions might be made for Punitive Damages.	100%
Class 9 Future Tort Claims	Impaired	To Be Determined by the Court	To be paid by Claims Resolution Facility after such Claims become Allowed and as distributions are authorized by the District Court	100%
Class 409 <sup>1</sup> Supplemental Unresolved Present Tort Claims	Impaired	N/A – Included in Class 9 <sup>8</sup>	To be paid by Claims Resolution Facility after such Claims become Allowed and as distributions are authorized by the District Court. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages, thus it	100%

<sup>1</sup> Currently included in Future Tort Claims Class. Will only become a Class if the Court's Order to include such Claimants in the class of Future Tort Claimants is reversed on appeal.

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Total Estimated Allowed Amount of Claims</u>	<u>Estimated Dates and Amounts Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
			is unknown when distributions might be made for Punitive Damages.	
Class 1110 Retiree Benefit Claims	Unimpaired	\$404,000	To be assumed and paid by the Reorganized Debtor when due in accordance with the terms of the benefit plans providing for payment of such Claims	100%
Class 1211 Donor Claims	Unimpaired	N/A	Reorganized Debtor to comply with Canon Law and civil law regarding the donors' intent and any restrictions on the use and disposition of donated property.	N/A
Class 1312 Beneficiary Claims	Unimpaired	N/A	Reorganized Debtor to comply with Canon Law and civil law regarding the use and disposition of property held in trust or otherwise for the benefit of the Parishes, parishioners, and others.	N/A
Class 13 Oregon Insurance Guaranty Association	Impaired	\$2,641,071	If Allowed, to be paid by the Reorganized Debtor in 60 consecutive equal monthly installments, including principal and interest at the Plan Interest Rate, commencing within 30 days following the Effective Date, or if later the Allowance Date	100%

**V. ARCHDIOCESE'S RECOMMENDATIONS OF THE DEBTOR.**

The Archdiocese recommends that all Creditors who are entitled to vote, vote to accept the Plan. The Archdiocese believes the its Plan provides the best alternative to resolve and pay Claims as soon as possible, and is in the best interest of all creditors and other interested parties. Until a plan is confirmed, the Debtor Archdiocese expects the Tort Claimants Committee will continue to litigate with the Archdiocese over whether

1 the Parish churches, schools, and personal property ~~is~~are available to pay Claims  
2 against the Archdiocese. The Archdiocese asserts that such property is not available to  
3 pay Claims because, among other reasons, such property was given for religious and  
4 charitable purposes for the benefit of the Parishes, parishioners, and others who benefit  
5 from the use of such property. The Archdiocese asserts that it only holds legal title to  
6 the Parish property and not the equitable or beneficial interests. The Tort Claimants  
7 Committee disputes this and asserts that all such property is the Archdiocese's,  
8 primarily because the Archdiocese is the only civilly incorporated entity (with the  
9 exception of one Parish), and title to most of the real property is held in the name of that  
10 civil corporate entity. ~~The only court to ever rule on such issue is the Bankruptcy Court~~  
11 ~~for the Eastern District of Washington, which in August 2005 held that under~~  
12 ~~Washington law the parish property was either the property of the Diocese of Spokane,~~  
13 ~~or held in trust for the Diocese's benefit. That decision is currently on appeal.~~As  
14 previously stated, the Court has ruled that the Parishes do not have a separate civil  
15 legal existence from the Archdiocese, and cannot sue or be sued or be the beneficiaries  
16 of a trust. The Archdiocese and other defendants in the property litigation have filed  
17 appeals regarding the Court's ruling on the status of the Parishes and it is unknown  
18 when a decision from the appellate court can be expected. However, if the  
19 Archdiocese's Plan is confirmed, which provides for funding to pay Claims in an amount  
20 the District Court estimates will be sufficient to pay all the Claims in full, the Court's  
21 decision on the separateness of the Parishes, or the availability of parish property to  
22 pay claims will become irrelevant, and an appeal of the Court's decision on those issues  
23 will no longer be necessary.

24 If the Court ~~Archdiocese's Plan is not confirmed, and the appellate court were to~~  
25 rule that the Parish property is ~~the property of the Archdiocese, and that such property~~  
26 is ~~not held in trust and/or restricted in its use for the benefit of the Parishes,~~

1 parishioners, and others, the Archdiocese, the Parishes, and other defendants would  
2 undoubtedly appeal that decision. On the other hand, if the Court were to rule that the  
3 Parish property was not available to pay Claims, the Archdiocese would might have little  
4 incentive at that point to offer an amount that would be sufficient to pay the estimated  
5 amount of all Claims in full as it has offered to do under the Plan. In fact, if none of the  
6 Parish assets, but only the Unrestricted Archdiocesan Property described in Section VII  
7 below was available to pay Claims, there would be only approximately \$21.5  
8 million available for unsecured creditors, resulting in payments to creditors of possibly  
9 only 50% or less of their Allowed Claims based on the Debtor's estimates of the amount  
10 of the Claims. In contrast, the Archdiocese's Plan as currently proposed offers funding  
11 which the District Court estimates will be sufficient to pay all Claims in full regardless of  
12 what assets are ultimately determined to be available to pay such Claims.

13 In the absence of confirmation of a plan such as that proposed by the  
14 Archdiocese, which provides significantly more money for creditors than the  
15 Archdiocese could be forced to pay if the Archdiocese were successful in the Parish  
16 and school property litigation, all Claims would likely need to be resolved and the  
17 property litigation concluded before it could be determined how much could be paid on  
18 each Claim. ~~The Plan as proposed provides for full payment to creditors who have~~  
19 ~~settled their Claims as soon as the Plan can be confirmed. It provides for payment to all~~  
20 ~~other creditors whose Claims are resolved after confirmation, either through settlement~~  
21 ~~or litigation, promptly after such Claims are resolved. These payments under the~~  
22 Archdiocese's plan are not contingent on the Tort Claimants Committee successfully  
23 litigating the Parish, school, and other restricted property issues, which would be  
24 necessary for any other plan to provide payments anywhere approaching the amounts  
25 the Archdiocese has committed to pay pursuant to the Archdiocese's Plan. In fact, if the  
26 Tort Claimants Committee is unsuccessful in the property litigation, and without

1 significant payments from the Archdiocese's insurers, unsecured creditors would likely  
2 receive ~~50% or less~~ only a portion of the allowed amount of their Claims.

3 In contrast, the Archdiocese's Plan provides for ~~payment of an aggregate amount~~  
4 ~~which is expected to be sufficient~~ funding to pay all Claims in full, ~~without any reliance on~~  
5 ~~recovery from the insurance carriers, and~~ Tort Claims based on the District Court's  
6 estimate of the amount of such claims without the risk of an adverse ruling for the Tort  
7 Claimants Committee in the Parish and school property litigation. Finally,  
8 ~~payments~~ distributions can be ~~made~~ commence under the Archdiocese's Plan promptly  
9 as individual Claims are resolved without having to wait potentially years for all Claims  
10 (including Future Claims which may not come forward for many years) to be resolved  
11 and the Parish and school property litigation to wind its way through the appellate courts  
12 before ~~any creditor can be paid~~ creditors can begin receiving distributions on their  
13 Claims. The Archdiocese's Plan provides for payment of all Tort Claims by the Claims  
14 Resolution Facility once they are resolved, with the District Court determining the timing  
15 and amount of distributions to Claimants from the funds contributed by the Reorganized  
16 Debtor to the Facility for the payment of such Claims. For those Claimants who do not  
17 want to settle their Claims and insist on trying their Claims to a jury, that option remains  
18 available under the Plan, with payments to be made to such Claimants ~~shortly after the~~  
19 jury renders its verdict from the funds contributed by the Reorganized Debtor to the  
20 Claims Resolution Facility, assuming there is no appeal, ~~from the funds contributed by~~  
21 the Archdiocese to the Claims Resolution Facility and the District Court determines that  
22 such payment will not jeopardize payments to other Tort Claimants who have not yet  
23 resolved their Claims.

24 //

25 //

26 **VI. THE DEBTOR.**

1           **A. The History and Mission of the Archdiocese.**

2           The Roman Catholic Church is a hierarchical religious organization governed by  
3 its own laws and customs and protected by the “establishment” and “free exercise”  
4 clauses of the United States Constitution, the Oregon Constitution, and other applicable  
5 laws, rules, and regulations regarding the free exercise of religion in the United States of  
6 America and the State of Oregon. The Church’s own laws are written in the Code of  
7 Canon Law. Canon Law defines the organization of the Church, the roles and powers  
8 of the various entities which comprise the Church as a whole, and the duties of the  
9 various persons and entities participating in the Church.

10           The Archdiocese is one such entity and was initially created as a Vicariate–  
11 Apostolic on December 1, 1843. It became an archdiocese in 1846 under the name  
12 “Archdiocese of Oregon City.” The Archdiocese is the second oldest archdiocese in the  
13 United States, the oldest being Baltimore. The Archdiocese is presided over by an  
14 archbishop. The first archbishop was Francis Norbert Blanchet, who served in that  
15 capacity from 1846 until 1880. John G. Vlazny is the current archbishop, having served  
16 since 1997. The Archbishop provides ecclesiastical guidance to all Catholics within a  
17 geographical area extending from the crest of the Cascade Mountains on the east to the  
18 Pacific Ocean on the West, and from the southern Washington border on the north to  
19 the northern California border on the south.

20           In 1874, the decision was made to form a religious *corporation sole* under  
21 Oregon law to conduct the secular affairs of the Archdiocese. That corporation was  
22 initially incorporated under the name “Roman Catholic Archbishop of the Diocese of  
23 Oregon.” After a number of name changes and the merger with another religious  
24 corporation in 1994, the surviving corporation’s name became “Roman Catholic  
25 Archbishop of Portland in Oregon, and successors, a corporation sole,” which it remains  
26 to this day. The Archdiocese’s main offices are located in the Pastoral Center, 2838 E.



1 Burnside St., in Portland.

2 In addition to the Archdiocese itself, many other Catholic entities exist within  
3 western Oregon, including parishes, universities, hospitals, monasteries, and various  
4 other religious, teaching, and charitable organizations and institutions. There are an  
5 estimated 380,000-plus Roman Catholics who are served by 124 Parishes and 24  
6 missions in western Oregon.

7 **B. Organizational Structure Of The Archdiocese.**

8 The Archdiocese is structured and operates in accordance with Canon Law and  
9 applicable civil law. Among other things, Canon Law establishes that the Roman  
10 Catholic Church is comprised of "juridic persons." According to Canon Law, a "juridic  
11 person" is an artificial person similar to a corporation in civil law. Each diocese and  
12 parish affiliated with the Church is considered a separate juridic person. An ordinary (the  
13 bishop or archbishop in larger dioceses known as archdioceses) is given the  
14 responsibility to supervise the juridic persons in the geographical area covered by the  
15 diocese. A juridic person is an artificial person, distinct from all natural persons or  
16 material goods, constituted by competent ecclesiastical authority for an apostolic  
17 purpose, with a capacity for continuous existence and with canonical rights and duties  
18 like those of a natural person (e.g., to own property, enter into contracts, sue or be  
19 sued).

20 A parish is a certain community of the christian faithful whose pastoral care is  
21 entrusted to a pastor under the authority of the diocesan bishop. Once a parish has  
22 been established, it becomes a juridic person. The pastor (not the bishop) represents  
23 the parish in all juridic affairs in accord with the norm of law. The pastor is to see to it  
24 that the goods of the parish are administered in accordance with the norms of the  
25 canons.

26

1 All church property, whether held in the name of the Archdiocese, the  
2 Archbishop, a Parish, or a school, has been acquired with charitable donations made by  
3 parishioners, religious organizations, charitable foundations, and others. As such, the  
4 Archdiocese asserts that much of the property titled in its name is held in trust, or is  
5 otherwise restricted, for the use and benefit of the Parishes, parishioners, parents,  
6 students, and others who rely on the continued use of such property in order to practice  
7 their religion and educate their children, and that certain property is specifically  
8 designated for a particular purpose and can only be used for that purpose. Consistent  
9 therewith, the Archdiocese asserts that it must comply with the duties imposed on it as a  
10 trustee, and in compliance with any restrictions imposed on Parish and school property,  
11 or any other trust or restricted property.

12 Contrary to the Archdiocese's view, the Tort Claimants Committee asserts that  
13 the Parishes and schools have no legal existence separate from the Archdiocese (which  
14 assertion has been confirmed by the Court) and that all Parish and school property is  
15 property of the Archdiocese's bankruptcy estate (which the Court has determined to be  
16 the case for the real property of nine parishes and Regis High School), is not held in  
17 trust or restricted in its use, ~~and is available to pay Claims against the Archdiocese.~~  
18 ~~This issue alone has generated heavily contested litigation in this Case. The Court has~~  
19 ~~made no determination regarding this issue; however, summary judgment motions are~~  
20 ~~currently pending regarding (1) the legal status of the Parishes, and (2) whether the~~  
21 ~~interests of the Parishes, parishioners, beneficiaries, and donors (which has not been~~  
22 ~~determined by the Court although it has ruled that any asserted beneficial interests of~~  
23 ~~the parishes, parishioners, donors, and others in the real property of the nine Parishes~~  
24 ~~and Regis High School can be avoided so as to make such properties part of the~~  
25 ~~Archdiocese's bankruptcy estate. The Archdiocese believes it will be unnecessary for~~  
26 ~~the Court to decide these issues~~parishes and Regis High School is avoidable), and that

1 all such property is available to pay Claims against the Archdiocese (which has not  
2 been determined by the Court). These issues alone have generated heavily contested  
3 litigation in this Case. Although the Court has ruled in favor of the TCC on certain of  
4 these issues, the Archdiocese believes these rulings, and any appellate rulings  
5 subsequent thereto, regarding the property of the estate or its availability to pay Claims  
6 will be rendered moot if the Plan is confirmed because the Plan will provide funding that  
7 is anticipated to be sufficient to pay all Claims in full without regard to whether the  
8 Parish and school property is available to pay those Claims against the Archdiocese.  
9 #

10 **C. The Archdiocese's Assets And Liabilities.**

11 **1. Assets.**

12 There are four main categories of property in which the Archdiocese holds some  
13 type of interest. The first category is property the Archdiocese owns outright without  
14 any restrictions or encumbrances ("Unrestricted Archdiocesan Property"). The second  
15 category is property owned by the Archdiocese which the Archdiocese asserts contains  
16 restrictions on use that prevent the Archdiocese from using such property to pay Claims  
17 against the Archdiocese ("Restricted Archdiocesan Property"). The third category is  
18 property that the Archdiocese asserts is held in trust, or is restricted, for the use of  
19 Parishes, parishioners, schools, and/or others that prevents such property from being  
20 used to pay Claims against the Archdiocese (collectively "Parish and School Property").  
21 The fourth category is the proceeds of the Archdiocese's claims against its insurers  
22 relating to the Tort Claims ("Insurance Recoveries") of which any recovery would be  
23 available to pay Claims.

24 **(a) Unrestricted Archdiocesan Property.** The Unrestricted  
25 Archdiocesan Property is described on Exhibit 1, and includes the Pastoral Center  
26 Building and associated real property, the Casa Del Rey Apartments, certain houses

1 and vacant land, and certain assets held in the General Operating Fund, the Insurance  
2 Fund, and the Property Fund. The Archdiocese believes the current estimated fair  
3 market value of the Unrestricted Archdiocesan Property is approximately \$27,  
4 244,17224,529,238 as of ~~September 30, 2005.~~ February 28, 2006.

5 (b) **Restricted Archdiocesan Property.** The Restricted  
6 Archdiocesan Property is described on Exhibit 2, and includes the Annual Catholic  
7 Appeal Fund, the Priest Retirement Fund, the Archdiocese Catholic Education  
8 Endowment Fund, the Perpetual Endowment Fund, the Archdiocesan Cemeteries and  
9 all associated operating funds, the Restricted Fund, and the Charitable Gift Annuity  
10 Fund. The Archdiocese believes the current estimated fair market value of the  
11 Restricted Archdiocesan Property is approximately ~~\$89,566,598~~ as of ~~September 30,~~  
12 2005.93,159,916 as of February 28, 2006. The Tort Claimants Committee asserts that  
13 at least the Perpetual Endowment Fund containing approximately \$36 million is property  
14 of the estate and is available to pay claims against the Archdiocese. The Debtor  
15 disputes this and asserts that the Perpetual Endowment Fund is a valid charitable trust,  
16 with the beneficiaries of that trust being an ever changing group of people including  
17 parishioners, the poor, the sick, and the hungry who benefit from the mission of the  
18 Church. The dispute over the Perpetual Endowment Fund is currently the subject of the  
19 Tort Claimants Committee's Fourth Motion for Partial Summary Judgment discussed  
20 above and in Section IV.C.2. below. If the Committee should prevail on its motion,  
21 approximately \$36 million would become available as a source to pay claims against the  
22 Archdiocese and the Pastoral Center and Casa Del Rey Apartments would no longer be  
23 encumbered with the Perpetual Endowment Fund's liens and would be available to be  
24 sold to pay Claims. The Committee further asserts that approximately \$15.2 million  
25 raised for the Annual Catholic Appeal Fund or held in the Priest Retirement Fund, the  
26

1 Restricted Fund, and the Charitable Gift Annuity Fund are all property of the estate;  
2 however, the Committee has not included those assets as part of the property litigation.

3 (c) **Parish and School Property.**

4 The Parish and School  
5 Property is described on Exhibit 3, and includes all Parish churches, schools, and  
6 cemeteries, Central Catholic High School, Regis High School, Marist High School, and  
7 all Parish and school bank and investment accounts, including such entities' funds and  
8 investments in the Archdiocesan Loan and Investment Program and the Catholic  
9 Education Endowment Fund. The value of the cash and investments in these accounts  
10 totals approximately \$71,297,341 as of June 30, 2005. Approximately \$23.8 million of  
11 this amount is held in Parish bank accounts and is constantly being used and  
12 replenished to support Parish and school operations, \$15.5 million is held in parish  
13 Catholic Education Endowment Fund accounts, and \$23.2 million is held in Parish ALIP  
14 accounts. The Archdiocese only receives Parish financial reports annually in the fall of  
15 each year for the preceding fiscal year; however, the Archdiocese believes it unlikely  
16 that the stated amounts have changed significantly since June 30, 2005. No current  
17 appraisals exist for this the real property and it would be very difficult to provide a reliable  
18 estimate of the value of such property. This is because the property can likely only be  
19 used for churches and schools without significant cost to the purchaser to demolish or  
20 convert the buildings on the property. There is only a limited market for church and  
21 school property. In addition, many of the churches and schools are in residential  
22 neighborhoods with restricted zoning which could prevent the property from being used  
23 for any other purpose. The most recent tax appraisal information tax appraised value as  
24 stated in the Debtor's Statement of Financial Affairs lists the value of the real property at  
25 approximately \$389,820,856.

26 (d) **Insurance Recoveries.**

The Archdiocese, the Parishes, the schools, and other entities are insured under certain insurance policies that the

1 Archdiocese asserts provides coverage for the Tort Claims. Some of the Insurance  
2 Policies are occurrence policies, which means that if the act occurred during a policy  
3 year, regardless of when the Claimclaim is made, then the Claimclaim is covered by the  
4 applicable Insurance Policy. The remaining policies are “Claimsclaims made” policies,  
5 which means that the relevant time period for determining coverage is not the date of  
6 occurrence, but the date the Claimclaim is first made.<sup>2</sup>

7 The Insurance Companies are defendants or plaintiffs in adversary proceedings  
8 pending in the Court to determine the insurers’ liability for and the amount of coverage  
9 available to the Archdiocese for the Tort Claims. Certain insurers are paying the  
10 Archdiocese’s defense costs to resolve the Tort Claims and other insurers have refused  
11 to pay defense costs. All the insurers have reserved their rights with respect to whether  
12 there is coverage for the Tort Claims. The Archdiocese contends that it has various  
13 claims against the Insurance Companies related to coverage and additional claims  
14 arising out of certain of the Insurance Companies’ actions with respect to coverage and  
15 settlement of the Tort Claims. At this time the Archdiocese does not have a reliable  
16 estimate of the total value of the Insurance Claims but believes they ~~could be worth~~are  
17 substantially in excess of \$20 million.

18 **(e) Additional Potential Sources of Funding.**

19 **(1) Oregon Catholic Press.** The Archdiocese has  
20 historically received annual payments from the Oregon Catholic Press (“OCP”)  
21 averaging approximately \$670,000 to \$850,000 per year since the year 2000. The  
22 Archdiocese anticipates that it will continue to receive similar annual payments.  
23 However, such payments are made solely at the discretion of OCP, which could  
24

25  
26 <sup>2</sup> Although these policies are “Claimsclaims made” policies, they are limited to Claimsclaims made for acts which occurred after the issuance of the policies.

1 determine not to make any further payments to the Archdiocese at any time. OCP is  
2 and has long been a separate non-profit corporation with its own board of directors.

3 **(2) Archdiocesan Cemeteries.** The Debtor operates  
4 three Archdiocesan cemeteries, these being Mt. Calvary Cemetery, Portland;  
5 Gesthsemani Cemetery, Portland; and Mt. Calvary Cemetery, Eugene. These  
6 cemeteries are currently generating revenues exceeding expenses of approximately  
7 \$750,000 to \$950,000 per year from the sale of gravesites, crypts, and niches.  
8 However, at some point there will no longer be any gravesites, crypts, or niches to be  
9 sold and the cemeteries will cease to be profitable. This is because the cemeteries will  
10 continue to incur expenses for the perpetual care of the graves, grounds, and buildings.  
11 Those who purchase gravesites, crypts or niches are promised that these burial sites  
12 will be cared for in perpetuity. Accordingly, the excess revenues being generated from  
13 current sales must be retained so as to be available to fund the cemetery operations  
14 when there is no longer any sales revenue. The Archdiocese believes these funds are  
15 subject to a valid trust for cemetery purposes and cannot be used to pay Claims against  
16 the Archdiocese. The Tort Claimants Committee disputes this, at least regarding the  
17 ability of the Archdiocese to use the excess yearly revenues. The Committee contends  
18 that the future income stream could be sold to generate a lump sum of as much as \$5  
19 million to pay Claims. The Court has not made any determination regarding the funds  
20 held for cemetery use or the ability of the Archdiocese to use the excess revenues being  
21 generated from cemetery operations. The Archdiocese does not expect these funds,  
22 even if the Court found them to be available, to be necessary for funding its obligations  
23 to pay Claims under the Plan.

24 **2. Liabilities.**

25 **(a) Administrative Claims.** The Debtor anticipates that it will  
26 owe approximately \$2,685,000 in unpaid administrative expenses on the Effective Date

1 (assuming an Effective Date of June 2006), consisting primarily of legal fees and  
2 expense owing to the Debtor's, the Tort Claimants Committee's, and the Future  
3 Claimants Representative's attorneys, accountants, consultants, experts, and other  
4 advisors.

5 **(b) Non-Tax Priority Claims.** Allowed Non-Tax Priority Claims  
6 are estimated to total approximately \$2,920 consisting of tenant deposits at the Casa  
7 Del Rey Apartments.

8 **(bc) Administrative Convenience Claims.** Administrative  
9 Convenience Claims are estimated to total approximately \$60,795. These consists  
10 primarily of trade creditor claims totaling less that \$1,000.

11 **(ed) Umpqua Bank.** Umpqua Bank's Secured Claim, which is  
12 secured by liens on the real property located at 1610 NE Couch Street and 1623 W.  
13 Burnside in Portland, Oregon, is estimated to total approximately ~~\$376,600~~ 361,800.  
14 The Debtor believes the estimated fair market value of the property securing this claim  
15 to be approximately \$2.1 million.

16 **(de) Perpetual Endowment Fund.** The Perpetual Endowment  
17 Fund's Secured Claim, which is secured by liens on the Pastoral Center and the Casa  
18 Del Rey Apartments, is estimated to total approximately ~~\$5,194,239~~ 5,131,807. The  
19 current tax appraised real market value of the property securing this Claim is  
20 \$7,175,676 . This Claim is the result of a loan made by the Perpetual Endowment Fund  
21 to the Debtor in July of 2003 to replenish funds in the Debtor's Insurance program that  
22 had been used to pay Tort Claims. The loan is a form of investment for the Perpetual  
23 Endowment Fund in that it provides a market rate of interest, with the Debtor's principal  
24 obligation secured by adequate collateral to protect the PEF in the event the Debtor  
25 should fail to make the required payments. This loan is not in default.



1                   (e) ~~Guaranty Claims.~~ Guaranty Claims are estimated to total  
2 approximately \$20,197,917, consisting of the Debtor's guaranty of Key Bank's loans on  
3 the Assumption Village, Trinity Court, and Village of St. Margaret housing projects which  
4 are owned by separate non-profit corporations in which the Debtor has no equity  
5 interest.

6           The Debtor asserts that the Perpetual Endowment Fund is a valid charitable trust  
7 containing cash and investments totaling approximately \$36.1 million plus the loan to  
8 the Debtor. As such, the assets in the Perpetual Endowment Fund would not be  
9 considered property of the estate and available to pay the Claims of creditors in this  
10 case. The Tort Claimants Committee disputes this and asserts that the Perpetual  
11 Endowment Fund is not a valid trust and the fund's assets are property of the estate.  
12 The Committee asserts that the Debtor is the settlor, the trustee, the sole beneficiary,  
13 and has the power to amend, modify, or terminate the trust and distribute the assets in  
14 the trust to the Debtor. The Debtor contends that a corporation other than the Debtor  
15 was the settlor and the original trustee of the trust, the Debtor is now the successor  
16 trustee, the Debtor is not the sole beneficiary, and the Debtor does not have the power  
17 to modify, amend, or terminate the trust. These issues are currently being litigated  
18 pursuant to the Committee's Fourth Motion for Partial Summary Judgment. If the  
19 Committee is correct, the Perpetual Endowment Fund's Claim could be disallowed and  
20 the assets in the Perpetual Endowment Fund could become available to pay claims.  
21 Furthermore, the Perpetual Endowment Fund's liens against the Pastoral Center and  
22 Casa Del Rey Apartments could be extinguished and those properties would no longer  
23 be encumbered by such liens. This could result in approximately \$42 million of disputed  
24 property becoming available to pay Claims in this case. If on the other hand the Debtor  
25 were to prevail, none of the Perpetual Endowment Fund's assets would be available  
26 and the Pastoral Center and Casa Del Rey apartments would have little value to

1 creditors because they would continue to be encumbered by the Perpetual Endowment  
2 Fund's liens.

3 (f) Key Bank. Key Bank's Claim results from the Debtor's  
4 guaranty of loans made to Assumption Village, LLC ( senior housing/assisted living  
5 project), Trinity Court, LLC (OSU Newman Center and student housing project), and  
6 Village Enterprises, LLC ( Villa St. Margaret) ( senior apartment project) for construction  
7 loans to build those projects, which loans are secured by letters of credit issued by Key  
8 Bank. The unpaid balance on these loans currently totals approximately \$20,218,730.  
9 Neither the underlying borrower's obligations on these loans nor the Debtor's guaranty  
10 obligations to Key Bank are in default.

11 The Archdiocese has obtained information from Key Bank that it has current  
12 appraisals showing the value of the properties to be worth approximately \$15 million. If  
13 this is correct, Key Bank's Claim could be under secured by as much as \$5 million. The  
14 Archdiocese has been informed by Village Enterprises that it believes the bank's  
15 appraisals on some of the property is below the true fair market value. Furthermore,  
16 Village Enterprises has obtained additional guaranties that provide additional security  
17 for the Key Bank obligation, thus even if the appraisal values are correct, the Debtor's  
18 exposure is likely less than \$5 million.

19 The Debtor's guaranty agreements with Key Bank currently provide that the  
20 Debtor will pay Key Bank in the event of a default by the underlying borrowers. Those  
21 guaranty agreements will be modified to provide the Debtor with the opportunity to cure  
22 any default in the underlying obligations which would result in a default under the  
23 guaranty agreements before Key Bank will be entitled to enforce its rights under the  
24 guaranty agreements. This will provide for greater assurance that, in the event of the  
25 underlying borrowers' default, the Reorganized Debtor will not have to immediately pay  
26 \$20 million to Key Bank, but will have the opportunity to continue making payments to

1 and liquidate the collateral before having to pay any deficiency to Key Bank. In addition,  
2 the Reorganized Debtor will have the option to provide loans to Assumption Village in  
3 the event it should be unable to make any payments on the underlying obligations,  
4 which the Reorganized Debtor would almost certainly do, at least for a period of time to  
5 allow decisions to be made by the Reorganized Debtor and Assumption Village  
6 regarding the property and whether or not the property should be sold to pay off the  
7 underlying obligations.

8 **(f)(g) General Unsecured Claims.** General Unsecured Claims  
9 are estimated to total approximately ~~\$461,507.~~461,505. These claims consists primarily  
10 of trade claims against the Debtor which were unpaid as of the Petition Date.

11 **(gh) Allowed Present Tort Claims.** Allowed Present Tort  
12 Claims total approximately \$1,967,944. consists of three claims that were settled  
13 prepetition totaling approximately \$2,001,603. If any Claims are allowed between now  
14 and the Effective Date, they will be added to this number.

15 **(hi) Unresolved Present Tort Claims.** Unresolved Present Tort  
16 Claims have been alleged asserting/allege damages of over \$500 million. In addition to  
17 Tort Claims alleging child sex abuse, these Claims, include torts allegedly committed  
18 while the Claimant was an adult, and Claims of Co-Defendants<sup>3</sup> for indemnity or  
19 contribution for the underlying Tort Claims. The Debtor has filed or will file motions to  
20 estimate these Claims for purposes of voting and for confirmation of the Plan. In its  
21 motion to estimate Unresolved Present Tort Claims for unresolved present child sex  
22 abuse claims, the Debtor proposes/proposed that such Claims be valued for voting and  
23 confirmation purposes at \$182,230 each, except for Claims based on alleged abuse  
24 committed by former priests Maurice Grammond and Thomas Laughlin, which Claims  
25 will/would be valued at \$631,211 for Claims against Maurice Grammond and \$773,443

26 \_\_\_\_\_  
<sup>3</sup> These Claims are discussed in more detail on Exhibit "C" hereto.

1 for Claims against Thomas Laughlin. ~~Because the Court has not yet ruled on the~~  
2 ~~Debtor's estimation motion, solely for purposes of voting on the Plan, the Unresolved~~  
3 ~~Present Tort Claims will be valued at the amounts proposed by the Debtor in its~~  
4 ~~estimation motion.~~<sup>3</sup> ~~Based on these estimations, as of November 10, 2005, the~~  
5 ~~estimated amount of~~ Using this methodology as of March 28, 2006, the estimated  
6 amount of Unresolved Present Tort Claims for child sex abuse totals approximately  
7 \$40,035,769, including \$6,882,000 \$30,518,139, plus approximately \$7,000,000 in  
8 tentatively settled resolved Claims. The Debtor estimates the Unresolved Present Tort  
9 Claims which are not based on child sex abuse at approximately \$500,000. Thus, the  
10 Debtor's estimated value of all Unresolved Present Tort Claims is currently  
11 approximately \$40,535,769 \$38,000,000. The Court has stated that further work will  
12 need to be done to determine the actual methodology to be used in estimating these  
13 Claims.

14 (ii) **Future Claims.** Future Claims are those Tort Claims for  
15 child abuse meeting certain criteria which were not asserted as of the April 29, 2005  
16 Claims Bar Date. The Court has appointed Hamilton Rabinovitz & Aschuler ("HR&A") to  
17 assist the parties and the Court in estimating these Claims and the Plan provides for the  
18 Archdiocese to provide sufficient funds to pay the estimated amount of the Future  
19 Claims as determined by the Court. ~~HR&A will provide a~~ has provided a preliminary  
20 report including its conclusions prior to the confirmation hearing to the Debtor, the Tort  
21 Claimants Committee, and the Future Claimants Representative. This report will be  
22 finalized and creditors and interested parties will have an opportunity to review such  
23 report and contest the findings and conclusions contained in such report at or prior to

24 \_\_\_\_\_  
25 <sup>3</sup> ~~Although not conclusively settled, the Debtor and 31 Tort Claimants have agreed to amounts to settle~~  
26 ~~their Claims. These Claims will be provisionally allowed solely for voting and confirmation purposes in the~~  
~~amounts agreed to between the Debtor and such Claimants. If any additional Claims are settled prior to~~  
~~the voting deadline, the holders of such Claims shall be entitled to vote such Claims at the settled amount~~  
~~and such amounts will be used for confirmation purposes.~~

1 the ~~confirmation~~estimation hearing. Upon receiving the HR&A estimation report  
2 becoming finalized, the Debtor expects to file a motion asking the Court to estimate the  
3 aggregate amount of Future Claims for confirmation purposes. ~~If prior to the voting~~  
4 ~~deadline, the Court has not determined the estimated aggregate amount of the Future~~  
5 ~~Claims, the FCR will be entitled to cast one vote for all Future Claimants valued solely~~  
6 ~~for voting purposes in the aggregate amount of \$1.~~

7 **(j)(k) Supplemental Unresolved Present Tort Claims.** There  
8 are currently no Supplemental Unresolved Present Tort Claims. These Claims are  
9 currently included in the definition of Future Tort Claims and will only arise if the Court's  
10 decision to include in the category of Future Tort Claimants those adult Tort Claimants  
11 alleging child abuse who remember the abuse occurred, but who have not discovered  
12 their injuries or the causal connection between their injuries and the abuse, is reversed  
13 on appeal. At the present time these Claims are merely duplicative of certain Claims  
14 within the Future Tort Claims class and will not be entitled to vote or considered for  
15 confirmation purposes.

16 **(k)(l) Retiree Benefit Claims.** Retiree Benefit Claims are  
17 estimated to total approximately \$404,000.

18 **(l) — Donor Claims. — m) Donor Claims.** These claims consists  
19 of the claims filed by parishioners, donors, and others who have made donations to the  
20 Debtor, the parishes, or the schools claiming their donations or the property purchased  
21 with their donations are subject to donor imposed restrictions which would prevent such  
22 property from being utilized to pay claims against the Debtor. Under the Debtor's plan,  
23 no Archdiocesan or parish real or personal property containing donor imposed  
24 restrictions will be utilized to fund the plan without the consent of the donors as required  
25 by civil and Canon Law; therefore, these claims will remain contingent and no payment  
26 will be required on these claims. These claims will only become an issue if restricted

1 assets are utilized to fund the plan without the requisite donor consent. The Debtor  
2 believes confirmation of its plan will not result in any such claims becoming non-  
3 contingent and payable. The Debtor does not believe any facts exist~~sexist~~ which would  
4 cause any Donor Claims to be due and payable upon Confirmation of the Plan.

5 #

6 #

7 ~~(m)~~ **Beneficiary Claims.** ~~n)~~ **Beneficiary Claims.** These  
8 claims consists of the claims filed by parishes, parishioners, and others who claim some  
9 beneficial interest or rights in parish, school, or other charitable trust property. Under  
10 the Debtor's plan, no parish or school real or personal property will be utilized to fund  
11 the plan without the consent of the parishes and others as required by civil and Canon  
12 Law; therefore, these claims will remain contingent and no payment will be required on  
13 these claims. These claims will only become an issue if parish assets or trust assets  
14 are utilized to fund the plan without the requisite consent of the beneficiaries holding  
15 rights and interests in such property. The Debtor believes confirmation of its plan will  
16 not result in any such claims becoming non-contingent and payable. The Debtor does  
17 not believe any facts exists which would cause any Beneficiary Claims to be due and  
18 payable upon Confirmation of the Plan.

19 **VII. DESCRIPTION OF THE PLAN.**

20 The following description of the Plan is for informational purposes only and does  
21 not contain all provisions of the Plan. Creditors should not rely on this description for  
22 voting purposes but should read the Plan in its entirety. This summary of the Plan does  
23 not purport to be complete.

24 THE PLAN IS CONTROLLING IN THE EVENT OF ANY  
25 INCONSISTENCY BETWEEN THE CONTENTS OF THE PLAN AND  
THIS DISCLOSURE STATEMENT.

26 **A. Classification And Treatment Of Claims Under The Plan.**

1                   **1.     Claim Amounts.**

2                   Until allowed by the Court, certain Claims against the Archdiocese are in  
3 ~~unknown or undetermined~~ unliquidated amounts. Accordingly, the amounts of Claims  
4 specified in this Disclosure Statement reflect only the Archdiocese's best estimates  
5 based on information available to it. Additionally, the amounts of Claims specified in  
6 this Disclosure Statement do not include all Claims that may arise from the rejection of  
7 certain executory contracts or other contingent or unliquidated Claims against the  
8 Archdiocese.

9                   **2.     Effective Date of the Plan.**

10                  The "Effective Date" of the Plan determines when the performance of  
11 many of the obligations under the Plan are due. The Effective Date is defined in the  
12 Plan and is anticipated to occur, absent an appeal of the confirmation order, 11 days  
13 following the Court's entry of its order confirming the Plan.

14 #

15 #

16                  **3.     Classification Generally.**

17                  The Plan divides Claims against the Archdiocese into thirteen separate  
18 Classes which the Archdiocese believes complies with the requirements of the  
19 Bankruptcy Code. Unless otherwise expressly stated in the Plan, the respective  
20 treatments under the Plan of Allowed Claims are in full discharge and satisfaction of  
21 those Allowed Claims. Except as provided in the Plan, all Claims against the  
22 Archdiocese arising prior to entry of the Confirmation Order will be discharged as of the  
23 ~~Confirmation~~ Effective Date pursuant to Bankruptcy Code §1141(d).

24                  **4.     Unclassified Claims.**

25                  **(a)    Administrative Claims.**    The Administrative Claims consist

26 of the fees of the Chapter 11 Professionals and other Claims that would be allowable as

1 Administrative Claims pursuant to Bankruptcy Code § 503. The Debtor anticipates the  
2 unpaid amount of these Claims will total approximately \$2,685,000 as of the Effective  
3 Date (if occurring in June 2006). The holder of an Allowed Administrative Claim will  
4 receive, in full satisfaction of such Claim, (a) a single cash payment in the Allowed  
5 amount of the Claim as soon as reasonably practicable after the Effective Date (or the  
6 Allowance Date if the Administrative Claim is not an Allowed Claim on the Effective  
7 Date); or (b) as otherwise agreed in writing by the holder of the Allowed Claim or  
8 ordered by the Bankruptcy Court. Every Allowed Administrative Claim for an expense  
9 of operation of the Debtor incurred in the ordinary course of such operations will be paid  
10 fully ~~and~~paid in cash in the ordinary course of business (including any payment terms  
11 applicable to any such expense). Administrative Claims requiring Court approval, such  
12 as the fees of professionals retained during the Bankruptcy Case, will not be paid until  
13 entry of a Final Order allowing such Claims.

14 **5. Unimpaired Claims.**

15 (a) **Class 1: Non-Tax Priority Claims.** Holders of Allowed  
16 Non-Tax Priority Claims shall receive either payment from the Reorganized Debtor of  
17 the full amount of their Allowed Claims at such time as their Claims become due and  
18 payable.

19 (b) **Class 2: Administrative Convenience Claims.** Holders of  
20 Allowed Administrative Convenience Claims shall receive, as soon as reasonably  
21 practicable after the Effective Date, or, if later, the Allowance Date, payment from the  
22 Reorganized Debtor of the full amount of their Allowed Claims.

23 (c) **Class 5: Guaranty Claims.** ~~Holders of Allowed Guaranty~~  
24 ~~Claims shall retain their Claims against the Reorganized Debtor, and the Plan shall~~  
25 ~~leave unaltered the legal, equitable, and contractual rights to which such Claims entitle~~  
26 ~~the holders thereof.~~ (d) **Class 1110: Retiree Benefit Claims.** The



1 holders of Allowed Retiree Benefit Claims shall not be impaired and shall not have their  
2 rights altered by this Plan. Allowed Retiree Benefit Claims shall be paid, performed,  
3 and honored by the Reorganized Debtor in full, when due, in accordance with their  
4 terms notwithstanding any other contrary provision of this Plan; provided, however, that  
5 the rights of the holders of such Claims shall be subject to modification or termination as  
6 provided by the terms of the existing benefit plans, consistent with applicable law.

7 **(ed) Class 1211: Donor Claims**. Holders of Allowed Donor  
8 Claims shall retain their Claims against the Reorganized Debtor, and this Plan shall  
9 leave unaltered the legal, equitable, and contractual rights to which such Claims entitle  
10 the holders thereof.

11 **(fe) Class 1312: Beneficiary Claims**. Holders of Allowed  
12 Beneficiary Claims shall retain their Claims against the Reorganized Debtor, and this  
13 Plan shall leave unaltered the legal, equitable, and contractual rights to which such  
14 Claims entitle the holders thereof.

15 #

16 **6. Impaired Claims**.

17 **(a) Class 3: Umpqua Bank**. Umpqua Bank ("Umpqua") will  
18 have an Allowed Secured Claim for approximately ~~\$376,600,361,800~~, plus any interest,  
19 fees, and other charges accrued on such Claim as authorized by the terms of the  
20 Debtor's promissory note and other related documents (the "Umpqua Loan  
21 Documents"). Umpqua's Allowed Secured Claim will be paid in full, together with  
22 interest accruing from and after the Effective Date at the non-default contract rate, in  
23 180 equal monthly installments of principal and interest commencing on the first day of  
24 the first month following the Effective Date and continuing on the first day of each month  
25 thereafter until paid in full. Umpqua shall retain its security interest and lien on all  
26 collateral securing its Claim, which security interest and lien shall be subject and

1 subordinate only to such security interests and liens as were perfected and had priority  
2 over the liens and security interests of Umpqua on the Petition Date. The Reorganized  
3 Debtor shall execute and deliver to Umpqua such notes, loan agreements, security  
4 agreements, financing statements, control agreements, and the like as may reasonably  
5 be requested by Umpqua. The ~~loan documents~~ Umpqua Loan Documents shall contain  
6 such terms and provisions as are ordinary and usual for loans made by Umpqua in the  
7 amounts provided in this Plan.

8 (b) **Class 4: Perpetual Endowment Fund.** The Perpetual  
9 Endowment Fund (the "Endowment Fund") will have an Allowed Secured Claim for  
10 approximately \$~~5,194,239,5,131,807~~, plus any interest, fees, and other charges accrued  
11 on such Claim as authorized by the terms of the Debtor's promissory note and other  
12 related documents (the "Endowment Fund Loan Documents"). The Endowment Fund's  
13 Allowed Secured Claim will be paid in full, together with interest accruing from and after  
14 the Effective Date at the non-default contract rate, in 180 equal monthly installments of  
15 principal and interest commencing on the first day of the first month following the  
16 Effective Date and continuing on the first day of each month thereafter until paid in full.  
17 The Endowment Fund shall retain its security interest and lien on all collateral securing  
18 its Claim, which security interest and lien shall be subject and subordinate only to such  
19 security interests and liens as were perfected and had priority over the liens and  
20 security interests of the Endowment Fund on the Petition Date. The Reorganized  
21 Debtor shall execute and deliver to the Endowment Fund such notes, loan agreements,  
22 security agreements, financing statements, control agreements, and the like as may  
23 reasonably be requested by the Endowment Fund. The ~~loan documents~~ Endowment  
24 Fund Loan Documents shall contain such terms and provisions as are ordinary and  
25 usual for loans made by the Endowment Fund in the amounts provided in this Plan.

26 (c) **Class 5: Key Bank.** Key Bank shall retain its Guaranty

1 Claim against the Reorganized Debtor, subject to all agreements between Key Bank  
2 and the Debtor regarding such Claim being amended to provide that the Reorganized  
3 Debtor will be given notice and an opportunity to cure any monetary or nonmonetary  
4 defaults in the underlying obligations which would entitle Key Bank to exercise its rights  
5 under its agreements with the Debtor.

6 \_\_\_\_\_ (d) **Class 6: General Unsecured Claims.** Each holder of an  
7 Allowed General Unsecured Claim will receive payment from the Reorganized Debtor  
8 equal to 100% of such Allowed General Unsecured Claim in 12 equal monthly  
9 installments of principal and interest at the Plan Interest Rate, commencing within 30  
10 days following the later to occur of the Effective Date or the Allowance Date.

11 ~~(d) **Class 7: Allowed Present Tort Claims.** Holders of~~  
12 ~~Allowed Present Tort Claims shall receive, as soon as reasonably practicable after the~~  
13 ~~Effective Date, payment from the Reorganized Debtor of the full amount of such Claims.~~

14 (e) **Class 8: Unresolved7: Present Tort Claims.** At Closing, the  
15 Reorganized Debtor will, in full release, satisfaction and discharge of all Unresolved  
16 Present Tort Claims, execute and deliver the Claims Resolution Facility Agreement to  
17 the Depository Trustee, together with the initial payments, promissory notes, letters of  
18 credit, and other security documents required thereunder, thereby establishing the  
19 Claims Resolution Facility for the liquidation and payment of all Unresolved-Present Tort  
20 Claims, which provides, subject to its terms, for total payments by the Reorganized  
21 Debtor of up to the full estimated amount of all Unresolved-Present Tort Claims as  
22 determined by the Court. This means that the Reorganized Debtor will provide funding  
23 to the Facility only up to the aggregate amount of the District Court's estimate. The  
24 Debtor fully expects the District Court's estimate to be adequate, and potentially in  
25 excess of, the amount needed to pay all Claims in full. However, if the District Court's  
26 estimate is low and the actual value of the Claims turns out to be more than the

1 estimate, the Reorganized Debtor will not provide additional funding to make up the  
2 difference. Thus, it is theoretically possible that Present Tort Claimants could receive  
3 less than full payment of their Claims, or potentially no payment in the unlikely event the  
4 Facility should run out of money before all Claims are resolved and paid. To guard  
5 against that possibility, the Claims Resolution Facility Agreement requires that the  
6 District Court authorize any distribution to Claimants, taking into account the alleged  
7 amount of Unresolved Claims still pending before distributions can be made to  
8 Claimants holding resolved Claims. This is to ensure that those Claimants whose  
9 Claims are the last to be resolved will be treated fairly and that funds will remain  
10 available to pay such Claims once they are finally resolved.

11 Class 8 also includes the Claims of Co-Defendants who assert Claims for  
12 contribution or indemnity against the Archdiocese as a result of a Tort Claim being  
13 asserted against such Co-Defendant. Such Co-Defendant Claims are subject to  
14 disallowance pursuant to Section 502(e) of the Bankruptcy Code. Thus, if the  
15 underlying Tort Claim is disallowed the Co-Defendant's Claim will also be disallowed. In  
16 addition, the Co-Defendant's Claim will be disallowed if it is contingent, or if such Co-  
17 Defendant asserts a right of subrogation to the rights of the underlying Tort Claimant  
18 under Section 509 of the Bankruptcy Code.

19 (f) **Class 9: Future Tort Claims.** At Closing, the Reorganized  
20 Debtor will, in full release, satisfaction and discharge of all Future Tort Claims, execute  
21 and deliver the Claims Resolution Facility Agreement together with the initial payment,  
22 promissory notes, letters of credit, and other security documents required thereunder to  
23 the Depository Trustee, thereby establishing the Claims Resolution Facility for the  
24 liquidation and payment of all Future Tort Claims, which provides, subject to its terms,  
25 for total payments by the Reorganized Debtor of up to the full estimated amount of all  
26 Future Tort Claims as determined by the Court. As with Present Tort Claimants, Future

1 Claimants face the same theoretical possibility of receiving less than full payment or  
2 potential non-payment of their Claims in the event the District Court's estimate is too low  
3 (see Section 6.(e) above).

4 (g) **Class 10: Supplemental Present Tort Claims.** There are  
5 currently no Claims in this class for the reasons described in Section VII.C.2.(j) above.  
6 Nevertheless, at Closing, the Reorganized Debtor will, in full release, satisfaction and  
7 discharge of all Supplemental Present Tort Claims, execute and deliver the Claims  
8 Resolution Facility Agreement together with the initial payment, promissory notes,  
9 letters of credit, and other security documents required thereunder to the Depository  
10 Trustee, thereby establishing the Claims Resolution Facility for the liquidation and  
11 payment of all Supplemental Present Tort Claims, which provides, subject to its terms,  
12 for total payments by the Reorganized Debtor of up to the full estimated amount of all  
13 Supplemental Present Tort Claims as determined by the Court. As with Present Tort  
14 Claimants and Future Claimants, Supplemental Present Tort Claimants face the same  
15 theoretical possibility of receiving less than full payment or potential non-payment of  
16 their Claims in the event the District Court's estimate is too low (see Section 6.(e)  
17 above).

18 (h) **Class 13: Oregon Insurance Guaranty Association.**  
19 Oregon Insurance Guaranty Association asserts a Claim for \$2,641,071.42 against the  
20 Debtor based on pre-petition payments made by OIGA to pay settled Tort Claims that  
21 were insured by insolvent insurance companies. OIGA made such payments under a  
22 reservation of rights. Its Claim against the Archdiocese is based on such reservation  
23 and OIGA's assertion that it has no liability for payment of the Tort Claims as the  
24 guarantor of the insolvent insurers' obligations. The Archdiocese believes that OIGA's  
25 Claim should be disallowed. If, however, the Claim is ultimately Allowed, OIGA will  
26 receive payment from the Reorganized Debtor equal to 100% of its Allowed Claim in 60

1 equal monthly installments of principal and interest at the Plan Interest Rate,  
2 commencing within 30 days following the later to occur of the Effective Date or the  
3 Allowance Date.

4 **B. Punitive Damages Will Be Subordinated to Payment of**  
5 **Compensatory Damages.**

6 If any Tort Claimant establishes a right to Punitive Damages, payment of  
7 Punitive Damages will be subordinated to payment of all other Tort Claims, to the extent  
8 they are not for Punitive Damages. At Closing, the Reorganized Debtor will, in full  
9 release, satisfaction and discharge of all Punitive Damages, execute and deliver the  
10 Claims Resolution Facility Agreement together with the initial payment, promissory  
11 notes, letters of credit, and other security documents required thereunder to the  
12 Depository Trustee, thereby establishing the Claims Resolution Facility for the  
13 liquidation and payment of all Punitive Damages, which provides, subject to its terms,  
14 for total payments by the Reorganized Debtor of up to the full estimated amount of all  
15 Punitive Damages as determined by the District Court. Because such Punitive  
16 Damages must be subordinated to the payment of the compensatory portion of all Tort  
17 Claims, such Punitive Damages will not be paid until the District Court determines that  
18 sufficient funds are available in the Facility to pay such claims without jeopardizing  
19 payment in full of the compensatory portion of all other Tort Claims, including Future  
20 Claims. Because the Future Claims Bar Date will not occur for 15 years from the  
21 Effective Date, it is possible the District Court will not authorize any payments for  
22 Punitive Damages for many years, if at all, prior to the Future Claims Bar Date and the  
23 resolution of all Future Claims.

24 The Archdiocese believes the likelihood of Punitive Damages being awarded to  
25 any Claimant to be relatively small. This is because Punitive Damages are generally  
26 only available to punish and deter future wrongdoing. The Archdiocese contends that  
an award of punitive damages would be inappropriate and not available under Oregon

1 law as a deterrent to the prevention of further abuse and would raise serious legal  
2 concerns under the First Amendment to the United States Constitution. The  
3 Archdiocese has already suffered tremendous economic loss and has taken steps to  
4 prevent any future abuse from taking place. Furthermore, under Oregon law, 60% of  
5 any punitive damage award must be paid to the State of Oregon, and up to 20% is paid  
6 to the Claimant's attorney, with the Claimants receiving as little as 10% after the tax  
7 consequences are considered. Thus, punitive damages provide little economic benefit  
8 to Claimants. Nevertheless, despite the Archdiocese's belief that no Punitive Damages  
9 are likely to be awarded to any Claimant, the Archdiocese's Plan provides for funding of  
10 such Claims in the event a Claimant establishes a right to Punitive Damages.

11 **C. All Unresolved Tort Claims to be Resolved and Paid by Claims**  
12 **Resolution Facility.**

13 Archdiocese of Portland Claims Resolution Facility, Inc., ("APCRF") acting as the  
14 Claims Resolution Facility, will (a) assume liability for all Unresolved Tort Claims; (b)  
15 provide for payment of Unresolved Tort Claims that become Allowed Tort Claims under  
16 the conditions set forth in the Claims Resolution Facility Agreement; (c) oversee and  
17 provide directions to the Depository Trustee for the collection, investment, and  
18 distribution of funds for the benefit of Tort Claimants; (d) pay the costs and expenses of  
19 the Claims Resolution Facility; and (e) fulfill all other obligations required of the Claims  
20 Resolution Facility, all as set forth more fully in the Claims Resolution Facility  
21 Agreement. APCRF will be owned by the Reorganized Debtor and will be managed by  
22 a board of directors consisting of three persons to be chosen by the Archbishop upon  
23 consultation with the Archdiocesan Finance Council. APCRF's operating expenses will  
24 be paid by the Reorganized Debtor. The Depository Trust will be established pursuant  
25 to the Claims Resolution Facility Agreement as a Qualified Settlement Fund with the  
26 Tort Claimants being the beneficiaries of the Depository Trust. All funds paid by the

1 Reorganized Debtor to the Facility for payment of Tort Claims will be deposited in the  
2 Depository Trust. These funds will not be available to APCRF to pay any other  
3 expenses. If any funds are left in the Depository Trust after payment of the Tort Claims,  
4 such funds will be returned to the Reorganized Debtor.

5 The Claims Resolution Facility Agreement does not require the Facility to provide  
6 any Claimant with an appeal bond or other security in the event the Facility elects to  
7 appeal any judgment awarded to a Tort Claimant. Although an appeal bond or other  
8 security is usually required under state law to protect the judgment creditor in the event  
9 the judgment debtor is later unable to pay the judgment, the Archdiocese does not  
10 believe this to be necessary under the Facility. The Facility is required to manage the  
11 funds in the Facility for payment of Tort Claims so as to assure that all Tort Claims are  
12 fairly and equitably paid. In addition, the District Court must authorize any distributions  
13 to Tort Claimants with a view toward preserving the funds and paying Tort Claimants  
14 equally. Therefore, an appeal bond or other security should not be necessary under  
15 these circumstances.

16 **CD. Tort Claims to be Estimated if Not Resolved Prior to Confirmation.**

17 Either prior to or as part of the confirmation hearinghearings, the District Court  
18 will estimate for all purposes, the aggregate allowed amount of all Unresolved Present  
19 Tort Claims and the aggregate allowed amount of all Future Claims (including  
20 Supplemental Present Tort Claims). EachThis is necessary to prevent undue delay in  
21 the administration of the estate, and to determine the funding necessary to confirm a  
22 feasible plan that is in the best interest of creditors. On March 6, 2006, the Court issued  
23 its Amended Memorandum Opinion regarding estimation of the Tort Claims. Pursuant  
24 to that Opinion, the Court will conduct further proceedings to determine the  
25 methodology for estimation of the Tort Claims that it will recommend the District Court  
26 utilize in estimating the Claims. The Archdiocese previously has proposed a



1 methodology based primarily on the average value of settlements reached for  
2 approximately 140 claims prior to the Archdiocese's bankruptcy filing. Based on these  
3 settlements, the Archdiocese proposed that the pending unresolved child sex abuse  
4 Claims be estimated with \$631,211 being assigned to each Claim against Fr. Maurice  
5 Grammond, \$773,443 to each Claim against Fr. Thomas Laughlin, and \$182,230 to  
6 each Claim against any other accused person.

7 This methodology incorporated the premise that those Tort Claims against the  
8 Archdiocese involving Co-Defendant religious orders and others be estimated based  
9 only on the portion of prior settlement amounts paid by the Archdiocese for Tort Claims  
10 involving Co-Defendants. This is because the Archdiocese has historically paid only a  
11 small portion of the Claims involving Co-Defendants (e.g., 0% to 25%). For instance, a  
12 Claimant may bring a Claim against both the Archdiocese and a religious order for  
13 alleged acts of abuse involving a religious order priest serving in one of the Parishes  
14 within the Archdiocese. Because such priest is a member of the religious order and  
15 reports to the religious order and not the Archdiocese, the religious order has typically  
16 paid the majority of any settlement. If the pending claims were estimated at 100%, and  
17 not at the smaller percentage actually paid by the Archdiocese, the estimate of the  
18 Archdiocese's liability for Tort Claims involving Co-Defendants would be inflated, and  
19 would not be a fair estimate of the amount of the Archdiocese's liability for such Claims.

20 In its Memorandum Opinion, the Court stated that it wanted to refine further the  
21 Archdiocese's proposed methodology to take into account not only the previous  
22 settlements, but also any relevant jury trial information, as well as other information that  
23 might allow for an estimation on a more individualized basis. Thus, the estimation  
24 methodology that will ultimately be utilized by the District Court will be subject to further  
25 proceedings and cannot be determined at this time.

26 The Tort Claims also include Claims for contribution or indemnity asserted by

1 nine Co-Defendant religious orders or others entities against whom Tort Claims have  
2 been asserted or potentially could be asserted in the future. A complete list and  
3 description of these Claims is included on Exhibit 4 hereto. Most of these Claims are  
4 filed in an unknown amount because neither the underlying Tort Claim, nor the Co-  
5 Defendant's liability for such Claim has been resolved. The Archdiocese believes these  
6 Claims should be estimated at zero, primarily because such Claims will likely be  
7 disallowed because the Co-Defendant is the primary defendant on the underlying Tort  
8 Claim, or pursuant to Section 502(e) of the Bankruptcy Code, which provides that  
9 Claims for contribution or indemnity will be disallowed if (1) the underlying Tort Claim is  
10 disallowed, (2) the Claim for indemnity or contribution is contingent, or (3) such Co-  
11 Defendant asserts a right of subrogation to the rights of the underlying Tort Claimant  
12 under Section 509 of the Bankruptcy Code. If the District Court were estimate the  
13 underlying Tort Claim at 100% of its value without taking into account the probable  
14 contribution of the Co-Defendant for payment of such Claim, and also give value to the  
15 Co-Defendant's Claims, this would result in double counting the underlying Tort Claim.  
16 The only Co-Defendant that has filed a response to the Archdiocese's motion to  
17 estimate the Co-Defendant Claims is St. Mary's Home. The Archdiocese believes the  
18 other Co-Defendant's may withdraw their Claims prior to the confirmation hearing, or will  
19 do so at the time the underlying Tort Claims are resolved and paid.

20 Finally, it is important for Claimants to understand that the District Court's  
21 estimation of the Tort Claims will only establish the aggregate estimated amount of all  
22 the Claims to establish the basis for the amount of funding that will be provided by the  
23 Reorganized Debtor to pay Claims. It will not determine the amount of any individual's  
24 Claim for distribution purposes. Claimants will be entitled to settle their Claims or  
25 proceed to trial for the purpose of actually liquidating the amount of their individual  
26 Claims to determine how much will actually be distributed on their Claims. Therefore,

1 upon confirmation of the Plan, each Tort Claimant whose Claim has not been Allowed  
2 as of the Effective Date will have the actual value of his or her Claim resolved under the  
3 Claims Resolution Procedures set forth in the Claims Resolution Facility Agreement.  
4 Such Claims will be resolved and paid under the terms of the Claims Resolution Facility  
5 Agreement and all case management orders entered by the Court and the District  
6 Court. Each such Tort Claimant shall (a) be subject to the Claims Resolution  
7 Procedures, and (b) not receive any payment if (and to the extent) the Claim is  
8 Disallowed pursuant to the Claims Resolution Procedures. All Tort Claimants holding  
9 Unresolved Tort Claims shall retain the right to adjudicate their Claims through litigation  
10 (including trial by jury), subject, however, to the provisions of the Plan and the Claims  
11 Resolution Facility Agreement.

12 **D. ~~Consortium Claims Will be Satisfied and Released by the Treatment~~**  
13 **~~Afforded Primary Claimant.~~**

14 The treatment of a Tort Claimant (referred to as the "Primary Claimant") under  
15 the Plan will be cumulative of the Consortium Claims of any parent, spouse, child or  
16 other individuals related to, or who have some other personal relationship with the  
17 Primary Claimant. The Consortium Claims of such related parties shall be governed by  
18 the election to settle or litigate made by, and shall be deemed released by the treatment  
19 afforded the Claims of, the Primary Claimants under the Plan.

20 **E. ~~Punitive Damage Claims Will be Disallowed.~~**

21 Certain Tort Claimants have asserted Claims for punitive and exemplary  
22 damages against the Archdiocese. The Archdiocese disputes such Claims and  
23 believes it would be inequitable to award punitive damages to any Claimant when any  
24 such award could potentially result in other Claimants receiving less than the full  
25 amount of their compensatory Claims in full. The Plan provides for funding which is  
26 estimated to pay all compensatory Claims in full without first determining whether the  
Archdiocese's assets are of sufficient value that it could be forced to actually pay this

1 amount. ~~If it continues to be subjected to threats of punitive damages, it might be~~  
2 ~~unwilling to offer this much to pay Claims.~~

3 ~~Even if the Archdiocese were willing to provide money for punitive damages,~~  
4 ~~60% of any punitive damage award must be paid to the State of Oregon, up to 20% is~~  
5 ~~paid to the Claimant's attorney, with the Claimants receiving as little as 10% after the~~  
6 ~~tax consequences are considered (the Claimant is required to pay income taxes on 40%~~  
7 ~~even though a portion of the 40% is paid to the Claimant's attorney). Thus, punitive~~  
8 ~~damages provide little economic benefit to Claimants.~~

9 ~~Finally, the Archdiocese believes it has taken all reasonable steps to prevent~~  
10 ~~any further child abuse. It also contends that an award of punitive damages would be~~  
11 ~~inappropriate and not available under Oregon law as a deterrent to the prevention of~~  
12 ~~further abuse and would raise serious legal concerns under the First Amendment to the~~  
13 ~~United States Constitution. Therefore, all Claims for punitive or exemplary damages~~  
14 ~~against the Debtor and the Claims Resolution Facility will be disallowed and will be~~  
15 ~~released and discharged upon confirmation of the Plan.~~

16 ~~//~~

17 ~~//~~

18 **E. Reorganized Debtor's Obligations to Claims Resolution Facility to be**  
19 **Funded by Line of Credit and Secured by Letters of Credit.**

20 The Reorganized Debtor's obligations to the Claims Resolution Facility will  
21 consist of the amount necessary to pay (1) the operating expenses of the Facility,  
22 including defense costs for resolution of the Tort Claims, and (2) the amount, not to  
23 exceed the District Court's estimate, that is necessary to pay the Allowed amount of the  
24 Tort Claims in full, including the Future Claims and any Punitive Damages. The  
25 Reorganized Debtor will obtain a line of credit in a sufficient amount to fund the District  
26 Court's estimate of the Claims. This line of credit will be secured by irrevocable letters

1 of credit provided to the Claims Resolution Facility equal in amount to the District  
2 Court's estimation. As the Reorganized Debtor makes payments to the Facility to pay  
3 Claims, these letters of credit will be reduced in a corresponding amount.

4 The Archdiocese has not yet secured either the line of credit or the letters of  
5 credit because it is currently unknown how much funding will actually be necessary.  
6 This amount can only be determined once the District Court has issued its estimate of  
7 the amount of the Claims. Nevertheless, the Archdiocese and its financial advisor,  
8 Mesirow Financial, have discussed the line of credit funding mechanism with a number  
9 of prospective lenders and the Archdiocese is confident it will be able to obtain the  
10 necessary funding once the District Court provides its estimate of the Claims.  
11 Depending on the amount of funding that will be necessary, the Parishes may be  
12 required to provide a portion of the collateral base for the line of credit, consisting of  
13 parish real property and investments. The Archdiocese has had lengthy discussions  
14 with the Parishioners Committee regarding these funding issues and based on those  
15 discussions the Archdiocese believes it will be able to obtain the necessary Parish  
16 consent to use the Parish property, if necessary, as collateral to secure the line of credit  
17 and obtain the letters of credit for the Facility.

18 Although the Archdiocese believes it will be able to obtain the necessary funding  
19 for the Plan, there is a possibility it will be unable or unwilling to do so if the District  
20 Court's estimates are substantially higher than the Archdiocese's current estimates. As  
21 stated above, the Archdiocese has estimated the present known Tort Claims at  
22 approximately \$38 million. It has not made any formal estimate of the amount of the  
23 Future Claims or Punitive Damages; however, based on the Archdiocese's belief that  
24 Punitive Damages are unlikely to be awarded to any Claimant, and based on  
25 preliminary estimates of value for the Future Claims, the Archdiocese believes that the  
26 required funding will be possible with the Parishes and parishioners' support. If the

1 required amount of funding is not provided, the Archdiocese's current Plan would not be  
2 confirmable without first determining the value of the property of the estate that is  
3 available to pay claims, or the actual liquidated amount of the Claims. Because of the  
4 possibility that Future Claims will continue to be asserted for many years, and the delay  
5 inherent in resolving the property of the estate litigation, it could be years before an  
6 alternative plan could be proposed and confirmed.

7 **F. Reorganized Debtor F. Claims Resolution Facility to Receive All**  
8 **Insurance Recoveries Paid by Insurance Companies.**

9       The Reorganized Debtor will assign its rights that have accrued for covered  
10 losses relating to the Tort Claims to the Claims Resolution Facility, including the right to  
11 receive all Insurance Recoveries thereon. The APCRF may be substituted for the  
12 Debtor in any existing action for Insurance Coverage. The APCRF will be entitled, in its  
13 sole discretion, to pursue or not pursue the Insurance Claims against the Insurance  
14 Companies, and upon resolution of such Insurance Claims to receive for its sole  
15 benefit any and all Insurance Recoveries paid by the Insurance Companies. To  
16 resolve any question regarding a Claimant's right to assert a claim against or interests  
17 in amounts paid or payable by any Insurance Company, the Debtor will seek, as part of  
18 the Confirmation Order or pursuant to an adversary proceeding, a determination that the  
19 Debtor's rights and interests in such amounts paid or payable by all Insurance  
20 Companies are superior to the competing Claims of all Claimants. Consequently, if the  
21 Debtor is successful, the Confirmation Order or another order or judgment will disallow  
22 any competing claims to amounts paid or to be paid by the Insurance Companies  
23 pursuant to settlement agreements or litigation between the Debtor and the Insurance  
24 Companies will be paid to the Claims Resolution Facility for deposit in the Depository  
25 Trust and used to pay Tort Claims. The Plan is intended to be "insurance neutral,"  
26 meaning that all claims and defenses of the Debtor, the Claims Resolution Facility, and

1 the Insurance Companies relating to the Insurance Claims, and all rights (whether  
2 contractual or statutory) of the Debtor, the Claims Resolution Facility, and the Insurance  
3 Companies relating to the Insurance Policies, shall remain unaffected by the Plan and  
4 the Confirmation Order.

5 **G. Executory Contracts to be Assumed if not Rejected.**

6 On the Confirmation Date all Executory Contracts of the Debtor that have not  
7 been assumed or rejected, or are not subject to a pending motion to reject, will be  
8 assumed and assigned to the Reorganized Debtor in accordance with the provisions  
9 and requirements of Bankruptcy Code §§365 and 1123. Every Claim asserted by a  
10 Creditor arising from the rejection of an Executory Contract must be filed with the  
11 Bankruptcy Court no later than the first Business Day which is thirty (30) days after the  
12 Confirmation Date or the first Business Day that is thirty (30) days after entry of the  
13 Final Order of the Bankruptcy Court approving rejection if such Final Order is entered  
14 after the Confirmation Date. Every such Claim which is timely filed, as and when it  
15 becomes an Allowed Claim, will be treated as a General Unsecured Claim under the  
16 Plan. Every such Claim which is not timely filed by the deadline stated above will be  
17 forever barred, unenforceable, and discharged, and the Creditor holding the Claim will  
18 not receive or be entitled to any distribution under the Plan on account of such Claim.

19 **H. Objections to Claims.**

20 Notwithstanding the occurrence of the Effective Date, and except as to any Claim  
21 that has been Allowed prior to the Effective Date, the Reorganized Debtor may object to  
22 the allowance of any Claim against the Debtor or seek estimation thereof on any  
23 grounds permitted by the Bankruptcy Code by filing the appropriate pleading in the  
24 Bankruptcy Court at any time prior to the first Business Day which is at least thirty (30)  
25 days after the Effective Date. No payments or other distributions will be made to  
26 holders of Claims unless and until such Claims are Allowed Claims. If a Claim is not an

1 Allowed Claim by or on the Effective Date, or when payment is otherwise due under the  
2 Plan, payment on the Allowed Claim (plus interest, if any, as provided herein) will  
3 commence within 30 days following the Allowance Date.

4 **I. Administrative Claims Bar Date.**

5 All requests for payment of Administrative Claims and expenses incurred prior to  
6 the Effective Date pursuant to Bankruptcy Code §§507(a)(1) and 503(b) must be served  
7 and filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date.  
8 Any such Claim which is not served and filed within this time period will be forever  
9 barred. Any Claims for fees, costs, and expenses incurred by any Chapter 11  
10 professionals after the Effective Date will be treated as part of the fees and expenses of  
11 the Reorganized Debtor and need not be submitted to the Bankruptcy Court for  
12 approval. After approval of the final fee applications of the Chapter 11 professionals by  
13 the Bankruptcy Court for services provided and costs incurred during the course of  
14 administration of the Reorganization Case and prior to the Effective Date, the Chapter  
15 11 professionals will not be required to submit any further fee applications to the  
16 Bankruptcy Court in accordance with Bankruptcy Code §330.

17 **J. Discharge.**

18 Except as otherwise expressly provided in this Plan, the Plan Documents, or in  
19 the Confirmation Order, on the Effective Date the Debtor shall be discharged, and its  
20 liability shall be extinguished completely, from all Claims and Debts, whether reduced to  
21 judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or  
22 unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or  
23 equitable, known or unknown, that arose from any action, inaction, agreement, or  
24 obligation of the Debtor before the Effective Date, or from any conduct of the Debtor or  
25 its Representatives prior to the Effective Date, or that otherwise arose before the  
26 Effective Date, including, without limitation, all interest, if any, on any such Claims and



1 Debts, whether such interest accrued before or after the date of commencement of this  
2 Case, and including, without limitation, all Claims and Debts based upon or arising out  
3 of Child Abuse or Sexual Misconduct, and from any liability of the kind specified in  
4 Sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not a proof of  
5 claim is filed or is deemed filed under Section 501 of the Bankruptcy Code, such Claim  
6 is Allowed under Section 502 of the Bankruptcy Code, or the holder of such Claim has  
7 accepted this Plan.

8 **K. Vesting of Property.**

9 Except as otherwise expressly provided in the Plan or in the Confirmation Order,  
10 on the Effective Date the Reorganized Debtor shall be vested with all of the property of  
11 the estate free and clear of all Claims, liens, encumbrances, charges and other interests  
12 of Creditors, and will thereafter hold, use, dispose or otherwise deal with such property  
13 and operate its business free of any restrictions imposed by the Bankruptcy Code or by  
14 the Court.

15 **L. Reservation of Rights.**

16 Except as expressly provided in the Plan and this Disclosure Statement, the Plan  
17 will have no force or effect unless the Confirmation Order is entered by the Bankruptcy  
18 Court and the Effective Date has occurred. The filing of the Plan, any statement or  
19 provision contained in the Plan or in this Disclosure Statement, or the taking of any  
20 action by the Debtor with respect to the Plan will not be or will not be deemed to be an  
21 admission or waiver of any rights of the Debtor with respect to the holders of Claims  
22 prior to the Effective Date.

23 #

24 **VIII. POST-CONFIRMATION MANAGEMENT OF REORGANIZED DEBTOR.**

25 The administration of the Reorganized Debtor will continue as before  
26 confirmation with the Archbishop being the sole director of the Reorganized Debtor.

1 The Archbishop's compensation will include an annual salary (currently \$24,573), health  
2 insurance, retiree benefits, the use of a car, the use of a home, and reimbursement of  
3 expenses incurred while performing his duties as Archbishop. The Reorganized Debtor,  
4 with due regard for its rights and obligations under Canon Law and those of others  
5 thereunder, shall have the right to alter the organization and structure of entities  
6 associated with the Archdiocese, including but not limited to, the right to separately  
7 incorporate the Reorganized Debtor and each of the Parishes and High Schools,  
8 establish endowments and trusts, and transfer property between any existing or newly  
9 created entities, so long as any such actions do not diminish the Reorganized Debtor's  
10 ability or obligation to make the payments required under the Plan or Claims Resolution  
11 Facility Agreement, nor the Claims Resolution Facility's rights or ability to collect the  
12 payments required of the Reorganized Debtor, including the right to draw on the letters  
13 of credit, or exercise its rights under any other documents securing the Reorganized  
14 Debtor's obligations to the Claims Resolution Facility.

15 **IX. FEDERAL TAX CONSEQUENCES.**

16 THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF  
17 THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY,  
18 ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX  
19 ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL  
20 TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.

21 NEITHER THE DEBTOR NOR DEBTOR'S COUNSEL MAKES ANY  
22 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF  
23 CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR  
24 ANY CREDITOR.

25 Under the Internal Revenue Code of 1986, as amended (the "Code"), there may  
26 be significant federal income tax issues arising under the Plan described in this

1 Disclosure Statement that affect Creditors in the case. The Depository Trust under the  
2 Claims Resolution Facility is structured as a “qualified settlement fund” (“QSF”) with in  
3 the meaning Treasury Regulations enacted under Internal Revenue Code Section  
4 486B(g). The Depository Trust is characterized as a QSF because:

5 1. The Depository Trust is established pursuant to an order of, or is  
6 approved by, the United States, any state or political subdivision thereof, or any agency  
7 or instrumentality (including a court of law) of any of the foregoing and is subject to the  
8 continuing jurisdiction of that governmental authority;

9 2. The Depository Trust is established to resolve or satisfy one or  
10 more contested or uncontested claims that have resulted or may result from an event  
11 that has occurred and that has given rise to at least one claim asserting liability arising  
12 out of, among other things, a tort, breach of contract, or violation of law (but excluding  
13 non-tort obligations of the Archdiocese to make payments to its general trade creditors  
14 or debt holders that relates to: a case under title 11 of United States Code, a  
15 receivership, foreclosure of similar proceeding in a Federal or State court, or a workout);  
16 and

17 3. The Depository Trust is a trust under state law.

18 4. The primary tax consequences of the Depository Trust being  
19 characterized as a QSF are the following:

20 (a) The Depository Trust must use a calendar taxable year and  
21 the accrual method of accounting;

22 (b) The Depository Trust takes a fair market value basis in  
23 property contributed to it by the Archdiocese;

24 (c) The Depository Trust’s gross income less certain  
25 modifications is taxable at the highest federal tax rate applicable to trusts and estates  
26 (currently 35%). The Archdiocese’s funding of the Depository Trust with cash and other

1 property is not reported by the Trust as taxable income. However, earnings recognized  
2 from, for example, the short-term investment of the Depository Trust's funds will be  
3 subject to tax;

4 (d) The Depository Trust may deduct from its gross income a  
5 limited number of administrative expenses; the Trust is not entitled to deduct  
6 distributions paid to its beneficiaries;

7 (e) The Depository Trust will have a separate taxpayer  
8 identification number and will be required to file annual tax returns (which are due on  
9 March 15). The Trust will also be required to comply with a number of other  
10 administrative tax rules including filing information returns (generally IRS Form 1099)  
11 when approved payments are made to Claimants.

12 It is not practicable to present a detailed explanation of every possible federal  
13 income tax ~~ramifications~~ramification of the Plan.

14 **X. ACCEPTANCE AND CONFIRMATION.**

15 **A. Voting Procedures.**

16 **1. Generally.**

17 Only those Classes that are impaired under the Plan are entitled to vote to  
18 accept or reject the Plan. In that regard, only the holders of Allowed Claims in Classes  
19 3, 4, 5, 6, 7, 8, and 9~~13~~ are entitled to vote on the Plan. Classes 1, 2, 5,~~10~~, 11, ~~12~~, and  
20 ~~13~~12 are not impaired under the Plan and are deemed to have accepted the Plan  
21 without voting. Class ~~10~~9 is not entitled to vote because it is duplicative of Class ~~9~~8.  
22 The Archdiocese reserves the right to supplement this Disclosure Statement (if  
23 necessary) and to solicit any of those Classes which may prove to be impaired and  
24 entitled to vote, as the Case develops further.

25 Separate ballots will be sent to the known holders of Claims whether or not such  
26 Claims are disputed. However, only the holders of Allowed Claims (or Claims that have

1 been temporarily allowed or have been estimated by the Bankruptcy Court) which are  
2 impaired are entitled to vote on the Plan. A Claim to which an objection has been filed  
3 is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection  
4 and enters an order allowing the Claim. The holders of such Disputed Claims are not  
5 entitled to vote on the Plan unless they request that the Bankruptcy Court, pursuant to  
6 Bankruptcy Rule 3018, temporarily allow the Claims in appropriate amounts solely for  
7 the purpose of enabling the holders of such Disputed Claims to vote on the Plan, and  
8 the Bankruptcy Court does so.

9 **2. Incomplete Ballots.**

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

13 **3. Withdrawal Of Ballots; Revocation.**

14 Any Creditor holding an impaired Allowed Claim which has delivered a  
15 Ballot accepting or rejecting the Plan may withdraw such acceptance or rejection or  
16 election by delivering a written notice of withdrawal to the balloting agent, BMC Group,  
17 Inc., at any time prior to the voting deadline. A notice of withdrawal, to be valid, must: (i)  
18 contain the description of the Claim to which it relates and the amount of such Claim; (ii)  
19 be signed by the voting Creditor, in the same manner as the Ballot; and (iii) be received  
20 by BMC in a timely manner at the address set forth below. Unless otherwise directed by  
21 the Bankruptcy Court, a purported notice of withdrawal of Ballots or change in the vote  
22 which is not received in a timely manner will not be effective to withdraw a previously  
23 furnished Ballot.

24 **4. Submission Of Ballots.**

25 The form of Ballot for each of the Classes entitled to vote on the Plan will  
26 be sent to all Creditors along with a copy of the Court-approved Disclosure Statement

1 and a copy of the Plan. Creditors should read the Disclosure Statement, Plan, and  
2 Ballot carefully. If any Creditor has any questions concerning voting procedures, it may  
3 contact:

4 BMC GROUP, INC.  
1330 E. Franklin Avenue  
5 El Segundo, CA 90245  
Toll Free: 888-909-0100  
6 Main: 310-321-5555  
Fax: 310-640-8071

7 Ballot(s) or withdrawals/revocations or changes of election thereof must be  
8 returned to BMC. Ballots (and withdrawals/revocations and changes of elections of  
9 Ballots) must be postmarked no later than \_\_\_\_\_, 200\_\_\_. In addition, Ballots  
10 may be faxed to BMC at 310-640-8071. To be effective, transmission of the facsimile  
11 must begin no later than 5:00 P.M. on \_\_\_\_\_, ~~2005-2006~~.

12 The Bankruptcy Court will hold a hearing on confirmation of the Plan  
13 commencing on \_\_\_\_\_, 2006 at \_\_\_\_\_ a.m./p.m. in the Bankruptcy  
14 Courtroom No. 1, 1100 SW Fifth Avenue, 7<sup>th</sup> Floor, Portland, Oregon, 97204. All  
15 objection(s), if any, to the confirmation of the Plan must be in writing; must state with  
16 specificity the grounds for any such objections); and must be filed with the Bankruptcy  
17 Court and served upon counsel for the Archdiocese at the following address on or  
18 before \_\_\_\_\_, 2006:

19 SUSSMAN SHANK LLP  
Attn: Thomas W. Stillely  
20 1000 SW Broadway, Suite 1400  
Portland, OR 97205

21 #

22 **5. Feasibility.**

23 The Bankruptcy Code requires, as a condition to confirmation, that the  
24 Bankruptcy Court find that liquidation of the Archdiocese or the need for future  
25 reorganization is not likely to follow after confirmation. For the purpose of determining  
26 whether the Plan meets this requirement, the Reorganized Debtor's ability to meet its

1 obligations under the Plan has been analyzed. The Archdiocese has prepared  
2 projections for the funding of the Claims Resolution Facility and the payment of Claims  
3 together with the cannot be adequately analyzed until the District Court completes its  
4 estimation of the Tort Claims. For that reason the Archdiocese has refrained from  
5 preparing projections of the amount of funding that will be needed or a projected cash  
6 flow from the Archdiocese's operations and from loans which the Archdiocese will  
7 secure to fund payments under the Plan. The projections are attached hereto as  
8 Exhibits "4". The Archdiocese reasonably believes that it will be able to fund the  
9 payments required by the Plan on the Effective Date and the Reorganized Debtor will  
10 be able to make all payments required to be made pursuant to the Plan after the  
11 Effective Date Archdiocese will only be able to provide realistic cash flow projections  
12 once the Claims estimation process is completed. Nevertheless, the Archdiocese does  
13 not believe such projections are necessary or required for creditors to have adequate  
14 information to determine whether to vote for or against the Plan. If creditors are willing  
15 to accept the District Court's estimations that will establish the aggregate amount of the  
16 funds that will be made available to pay the Tort Claims they should vote to accept the  
17 Plan. The Court will determine at confirmation if the Archdiocese has obtained sufficient  
18 funding, or the Archdiocese and the Parishes have committed sufficient assets, which  
19 will result in payments to Tort Claimants up to the aggregate amount of the District  
20 Court's estimates. If the Court cannot make that determination, the Plan will not be  
21 confirmed.

22 **B. Best Interests Of Creditors And Liquidation Analysis.**

23 Under Bankruptcy Code §1129(a)(7), the Plan must provide that Creditors  
24 receive as much under the Plan as they would receive in a Chapter 7 liquidation of the  
25 Archdiocese. Either prior to or as part of the confirmation hearing the Debtor will ask  
26 the District Court to will estimate the aggregate amount necessary to pay all Tort Claims

1 in full (including all Unresolved Tort Claims). Upon In doing so, if the District Court  
2 determines that the amount being provided under the Plan will be sufficient to  
3 pay establishing the aggregate allowed amount of all Claims in full (as determined by the  
4 Court's estimate), the Debtor believes the Tort Claims for purposes of confirming the  
5 Plan and determining whether the Plan is in the best interest of creditors. By providing  
6 funding equal to the aggregate allowed amount of the Claims, as determined at the time  
7 of confirmation, the Plan will satisfy the requirement that the Plan provide creditors with  
8 as much as they would receive in a Chapter 7 liquidation of the Debtor's assets ~~will~~  
9 ~~have been satisfied~~. This is because in Chapter 7 creditors can be paid no more than  
10 the allowed amount of their Claims, and the Archdiocese is committing the pay that  
11 allowed amount as determined at the time of confirmation.

12 #

13 #

14 **C. Confirmation Over Dissenting Class.**

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

21 **1. No Unfair Discrimination.**

22 The Plan "does not discriminate unfairly" if: (a) the legal rights of a  
23 dissenting Class are treated in a manner that is consistent with the treatment of other  
24 Classes whose legal rights are similar to those of the dissenting Class; and (b) no Class  
25 receives payments in excess of ~~those~~ that which it is legally entitled to receive for its  
26 Claims. The Archdiocese believes that under the Plan: (i) all Classes of impaired



1 Claims are treated in a manner that is consistent with the treatment of other similar  
2 Classes of Claims; and (ii) no Class of Claims will receive payments or property from  
3 the Debtor or Reorganized Debtor with an aggregate value greater than the aggregate  
4 of the Allowed Claims in such Class. Accordingly, the Archdiocese believes that the  
5 Plan does not discriminate unfairly as to any impaired Class of Claims.

6 **2. Fair and Equitable Test.**

7 The Bankruptcy Code establishes different “fair and equitable” tests for  
8 secured claims and unsecured claims, as follows:

9 (a) **Secured Creditors.** Either (i) each impaired secured  
10 creditor retains its liens securing a Secured Claim and receives on account of its  
11 secured claim deferred cash payments having a present value equal to the amount of  
12 its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable  
13 equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold  
14 free and clear of liens with such liens to attach to the proceeds, and the liens against  
15 such proceeds are treated in accordance with clause (i) or (ii) of this subparagraph (a).

16 (b) **Unsecured Creditors.** Either (i) each impaired unsecured  
17 creditor receives or retains under the plan property of a value equal to the amount of its  
18 allowed claim, or (ii) the holders of claims and equity interests that are junior to the  
19 claims of the non-accepting class do not receive any property under the plan on account  
20 of such claims and equity interests. Here, sufficient funds are being provided to pay all  
21 Allowed Claims in full based on the District Court’s estimations. Thus, the Archdiocese  
22 believes that the Plan satisfies the “fair and equitable” test with respect to all impaired  
23 Classes.

24 In addition, the fair and equitable test must be applied differently in this  
25 Case than most reorganization cases because the Archdiocese is not a moneyed  
26 corporation. This is the case because the members of a non-profit corporation have no

1 personal interests in the corporation. Accordingly there is no equity interest to receive  
2 any property under the Plan. Thus, the Debtor believes that what is commonly referred  
3 to as the “absolute priority rule” embodied by Bankruptcy Code § 1129(b)(2)(B) does not  
4 apply and would not prevent the plan from being confirmed even if the Claims in a non-  
5 accepting Class were not being paid in full.

6 **XI. ALTERNATIVES TO THE PLAN.**

7 If the Plan is not confirmed, several different events could occur: (1) the Debtor  
8 could propose another plan providing for different treatment of certain Creditors; (2) the  
9 Debtor and the Tort Claimants Committee could propose a joint plan; (3) the Debtor and  
10 the Tort Claimants Committee could continue to litigate over the availability of Parish  
11 property and funds to pay Claims and upon resolution of that litigation, including all  
12 appeals, the Debtor could propose a new plan which takes into consideration that ruling,  
13 (34) a creditor or other interested party could propose a competing plan, ~~or~~ (4) the  
14 Tort Claimants Committee could attempt to have its plan confirmed, or (5) the  
15 Bankruptcy Court (after appropriate notice and hearing) could dismiss the  
16 Reorganization Case if no party is able to confirm a plan in a reasonable period of time.

17 The Debtor believes that any alternative plan requiring resolution of the dispute  
18 over the availability of Parish and school property to pay Claims will result in significant  
19 delay in the payment of Claims ~~that have been settled or otherwise resolved~~ and is not  
20 in the best interest of creditors, the Archdiocese, the Parishes, the parishioners, and  
21 other interested parties. In fact, the Debtor anticipates that regardless of who were to  
22 prevail in that litigation, the other side will appeal that decision and it could be years  
23 before the issue is ultimately resolved in the appellate courts. Therefore, the  
24 Archdiocese urges those creditors who are entitled to vote, to accept the Plan and  
25 return their ballots to BMC on or before the voting deadline.

26 **DATED:** ~~November 15, 2005~~ March 28, 2006

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2 **ROMAN CATHOLIC ARCHBISHOP OF PORTLAND IN OREGON,  
AND SUCCESSORS, A CORPORATION SOLE,**

3 */s/ John G. Vlazny*  
4 */s/ Leonard Vuylsteke*

5 \_\_\_\_\_  
6 By: Most Reverend John G. Vlazny  
By: Leonard Vuylsteke  
Its: Director of Financial Services

7 **SUSSMAN SHANK LLP**

8 */s/ Thomas W. Stilley*  
9 \_\_\_\_\_  
10 By: Thomas W. Stilley  
Attorneys for Roman Catholic Archbishop of Portland in Oregon,  
and successors, a corporation sole

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