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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 Plan of Reorganization” dated  
6 November 15, 2005 (the “Plan”). A copy of the Plan accompanies this Disclosure  
7 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 Claimants alleging sexual abuse by persons  
17 associated with the Archdiocese, while allowing the Archdiocese to continue its religious  
18 ministries, serve the spiritual needs of the faithful, and pursue its non-profit, charitable  
19 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.

**D. Voting Procedures.**

If you are the holder of a Claim that is "impaired" under the Plan, it is important that you vote. In that regard, acceptances of the Plan are sought only from those 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>
11 Class 3	Umpqua Bank	Impaired – Entitled to Vote
12 Class 4	Perpetual Endowment Fund	Impaired – Entitled to Vote
13 Class 6	General Unsecured Claims	Impaired – Entitled to Vote
14 Class 7	Allowed Present Tort Claims	Impaired – Entitled to Vote
15 Class 8	Unresolved Present Tort Claims	Impaired – Entitled to Vote
16 Class 9	Future Claims	Impaired – Entitled to Vote

17  
18  
19 The following classes of Claims are not impaired under the Plan or are otherwise  
20 prohibited by the Bankruptcy Code from voting on the Plan for the reason indicated:

<u>Class</u>	<u>Description</u>	<u>Status</u>
21 Class 1	Non-Tax Priority Claims	Unimpaired – Deemed to Accept
22 Class 2	Administrative Convenience Claims	Unimpaired – Deemed to Accept
23 Class 5	Guaranty Claims	Unimpaired – Deemed to Accept

1	Class 10	Supplemental Present Tort Claims	Impaired - Included in Class 9 – Duplicative and not Entitled to Vote – Will not be Counted for Voting or Confirmation Purposes
2			
3			
4	Class 11	Retiree Benefit Claims	Unimpaired – Deemed to Accept
5			
6	Class 12	Donor Claims	Unimpaired – Deemed to Accept
7			
8	Class 13	Beneficiary Claims	Unimpaired – Deemed to Accept

9           The specific treatment of each class under the Plan is set forth in the Plan and is  
10 summarized in Articles V and VIII of this Disclosure Statement. Bankruptcy Code  
11 §1129(b) provides that, if the Plan is rejected by one or more impaired classes of  
12 Claims, the Plan nevertheless may be confirmed by the Court, if: (i) the Court  
13 determines that the Plan does not discriminate unfairly and is fair and equitable with  
14 respect to the rejecting class(es) of Claims that are impaired under the Plan; and (ii) at  
15 least one class of impaired Claims has voted to accept the Plan. These requirements  
16 are described in further detail in Section X.C. of this Disclosure Statement.

17           A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF  
18 CLAIMS WHO ARE ENTITLED TO VOTE IS IMPORTANT. THE  
19 DEBTOR RECOMMENDS THAT THE HOLDERS OF ALLOWED CLAIMS  
20 VOTE IN FAVOR OF THE PLAN.

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

26           **II.    BACKGROUND.**

          In 1999, the Oregon Supreme Court decided *Fearing v. Bucher*, 328 Or. 367, 977  
P.2d 1163 (1999) and *Lourim v. Swensen and the Boy Scouts of America*, 328 Or. 380,



1 977 P.2d 1157 (1999), which established for the first time that an employer/principal  
2 (including the Archdiocese) could be held liable under a *respondeat superior* theory of  
3 vicarious liability for the intentional acts of sexual misconduct by its personnel (the same  
4 ruling against the Boy Scouts applied to Scoutmaster volunteers). *Fearing v. Bucher*  
5 also decided that the extended statute of limitations for civil claims involving child abuse  
6 under ORS 12.117 applied to the principal/employer as well as the agent/employee who  
7 actually was accused of the misconduct.

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

15 Beginning in late 1999, several lawsuits with twenty-five plaintiffs were filed  
16 against the Archdiocese alleging misconduct of Maurice Grammond, who had been the  
17 pastor at Our Lady of Victory Church in Seaside, Oregon from 1966-1985. At the  
18 request of the Archdiocese, and with the participation of its insurance carriers, a  
19 mediation was held in mid-2000 that resulted in settlement of all twenty-five (25) cases  
20 (“Grammond I”). The settlement of those claims was announced in October 2000, with  
21 extensive media publicity. Also, a very public apology by Archbishop Vlazny was  
22 disseminated widely, in the media and otherwise.

23 Cases continued to be filed in 2001 and many new claims were filed in 2002 after  
24 intense media reporting of claims against priests of the Archdiocese of Boston and  
25 criticism of Cardinal Bernard Law, then the Archbishop of Boston. Again, Archbishop  
26 Vlazny sought and announced publicly his desire to resolve the claims and to

1 compensate valid claimants. Another large-scale mediation took place for  
2 approximately six weeks in 2003, resulting in settlement of most of the cases mediated.  
3 However, the Archdiocese lost the full support of some of its insurers. As of early 2004,  
4 \$53,000,000 had been paid to settle claims of alleged sexual misconduct, \$27,000,000  
5 of which was paid from the Archdiocese's own funds.

6 Almost all of the tort claims against the Archdiocese allege sexual misconduct  
7 with minors happening before the early 1980s. Most of the Tort Claims arise out of the  
8 1960s and 1970s, some out of the 1950s and 1940s, and very few in the 1980s. The  
9 lack of more recent claims may be the result of policies and programs initiated after the  
10 very public arrest, conviction and sentencing of the former Rev. Thomas B. Laughlin,  
11 who was pastor of All Saints Parish, Portland when arrested by the police in 1983 on a  
12 charge of child sex abuse. In response, the Archdiocese conducted clergy seminars on  
13 child abuse and reporting, clergy screening were updated, and other practices were  
14 implemented to prevent these problems from re-occurring. As a result of these efforts,  
15 almost all of the tort claims against the Debtor alleging sexual misconduct with minors  
16 are at least 20 years old, and many are decades older.

17 Despite the abandonment of the Archdiocese by its major insurers, Safeco  
18 Insurance Company of America and General Insurance Company of America, the  
19 Archdiocese continued to settle claims into 2004. However, in mid-2004 the  
20 Archdiocese faced two claims asking for a total of \$155,000,000 between them.  
21 Claimant C.B. sought \$10,000,000 in compensatory damages and \$125,000,000 in  
22 punitive damages. Claimant James Devereaux sought \$10,000,000 in compensatory  
23 damages and \$10,000,000 in punitive damages. The actual alleged misconduct in  
24 those cases was less serious than what was alleged in many of the previously settled  
25 cases. Plaintiffs' counsel refused the Debtor's efforts to resolve these cases on any  
26 reasonable basis.

1 With approximately 65 other claims pending, the Archdiocese was concerned  
2 that paying the demands of the two plaintiffs would put the Archdiocese at great  
3 financial risk and cripple its ability to compensate valid claimants. On July 6, 2004,  
4 Archbishop Vlazny announced that the Archdiocese would file for Chapter 11  
5 reorganization in bankruptcy court, as a just and prudent course of action and as the  
6 best choice if he were to be a prudent steward of the resources of parishes and schools,  
7 as well as those of the Archdiocese. In a widely publicized Open Letter to the Church  
8 of Western Oregon, Archbishop Vlazny stated that: “[f]iling for bankruptcy offers the  
9 best possibility for the Archdiocese to resolve fairly *all* pending claims, to manage a  
10 difficult financial situation and to preserve the ability of the Archdiocese to fulfill its  
11 mission.”

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

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

- 15 • The Court established a Claims Bar Date of April 29, 2005 and attendant  
16 notice procedures pursuant to which notice of the April 29, 2005 deadline for filing  
17 Claims was given to known and potential creditors both by direct mail and by publication  
18 in local, regional, and national newspapers and other sources;
- 19 • A Tort Claimants Committee was appointed to represent the collective  
20 interest of all Present Tort Claimants;
- 21 • A Future Claimants Representative was appointed to represent the  
22 interests of those Child Abuse Tort Claimants who as of the Claims Bar Date (1) were  
23 under the age of 18; (2) were suffering from “repressed memory” and could not  
24 remember the Child Abuse; or (3) had not discovered the injury or the causal connection  
25 between the injury and the Child Abuse, nor in the exercise of reasonable care should  
26

1 have discovered the injury or the causal connection between the injury and the Child  
2 Abuse (collectively the “Future Claimants”);

3 • The Court approved an Accelerated Claims Resolution Procedure  
4 pursuant to which early filed Tort Claims alleging Child Abuse were mediated in an effort  
5 to settle such Claims. These mediations commenced in August 2005 and were  
6 concluded in September 2005.

7 • The Tort Claimants Committee instituted litigation to determine whether  
8 Parish and school property, and other property which the Archdiocese asserts is held in  
9 trust or is otherwise restricted from being used to pay Claims against the Archdiocese,  
10 is available to pay Claims. That litigation is pending and no decision has been made as  
11 to whether such property can or cannot be used to pay Claims.

12 • The Court appointed Hamilton Rabinovitz & Alschuler, a firm with  
13 extensive experience in estimating future claims in mass tort cases such as those  
14 involving asbestos exposure to assist in determining the estimated amount of Claims  
15 which can be expected to be asserted by the Future Claimants.

16 • The Archdiocese instituted litigation against its insurers to recover  
17 amounts previously paid in settling claims for which the insurers denied coverage, to  
18 require the insurance companies to fulfill their obligations to provide coverage for the  
19 Tort Claims and for other causes of action relating to the Insurance Policies. That  
20 litigation is ongoing and is not expected to be concluded until after confirmation of the  
21 Plan.

22 • As of the Claims Bar Date a total of 197 child sex abuse Claims had been  
23 filed against the Debtor (3 additional Claims were filed based on prepetition settlements  
24 for which the settlement amounts had not been fully paid). As of November 10, 2005,  
25 60 of these Claims had been disallowed, settled, tentatively settled, or withdrawn. Of  
26 the 137 remaining unresolved child sex abuse Claims, 8 are duplicates, leaving 129

1 such Claims to be resolved (not including any Future Claims, i.e., child abuse Claims  
2 filed after the Claims Bar Date). Numerous Claims are in the process of being  
3 disallowed, withdrawn, or settled. The Archdiocese has filed a motion asking the Court  
4 to estimate the remaining child sex abuse Claims where no settlement has been  
5 reached for the purposes of voting on and determining whether to confirm the Plan.

6 **IV. OVERVIEW OF THE PLAN.**

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

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

23 **B. Estimated Distributions To Creditors.**

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

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Total Estimated Allowed Claims</u>	<u>Estimated Dates and Amounts 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 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 the Effective Date or if later, the Allowance Date	100%
Class 3 Umpqua Bank Secured Claim	Impaired	\$376,600	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	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 Guaranty Claims	Unimpaired	\$20,197,917	Reorganized Debtor will assume all Guaranty Claims and pay according their terms.	N/A
Class 6 General Unsecured Claims	Impaired	\$461,507	12 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%
Class 7 Allowed Present Tort Claims	Impaired	\$1,967,944	In full as soon as reasonably practicable following the Effective Date	100%
Class 8 Unresolved Present 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%

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Total Estimated Allowed Claims</u>	<u>Estimated Dates and Amounts of Distributions</u>	<u>Estimated Distributions</u>
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 10 <sup>1</sup> Supplemental Unresolved Present Tort Claims	Impaired	N/A – Included in Class 9	To be paid by Claims Resolution Facility after such Claims become Allowed and as distributions are authorized by the District Court	100%
Class 11 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 12 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 13 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

**V. RECOMMENDATIONS OF THE DEBTOR.**

The Archdiocese recommends that all Creditors who are entitled to vote, vote to accept the Plan. The Archdiocese believes the 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 expects the Tort Claimants Committee will continue to litigate with the Archdiocese over whether the Parish churches, schools, and personal property is available to pay Claims against the

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

1 Archdiocese. The Archdiocese asserts that such property is not available to pay Claims  
2 because such property was given for religious and charitable purposes for the benefit of  
3 the Parishes, parishioners, and others who benefit from the use of such property. The  
4 Archdiocese asserts that it only holds legal title to the Parish property and not the  
5 equitable or beneficial interests. The Tort Claimants Committee disputes this and  
6 asserts that all such property is the Archdiocese's, primarily because the Archdiocese is  
7 the only civilly incorporated entity (with the exception of one Parish), and title to most of  
8 the real property is held in the name of that civil corporate entity. The only court to ever  
9 rule on such issue is the Bankruptcy Court for the Eastern District of Washington, which  
10 in August 2005 held that under Washington law the parish property was either the  
11 property of the Diocese of Spokane, or held in trust for the Diocese's benefit. That  
12 decision is currently on appeal.

13 If the Court were to rule that the Parish property is the property of the  
14 Archdiocese, and that such property is not held in trust and/or restricted in its use for the  
15 benefit of the Parishes, parishioners, and others, the Archdiocese, the Parishes, and  
16 other defendants would undoubtedly appeal that decision. On the other hand, if the  
17 Court were to rule that the Parish property was not available to pay Claims, the  
18 Archdiocese would have little incentive to offer an amount that would be sufficient to pay  
19 all Claims in full as it has offered to do under the Plan. In fact, if none of the Parish  
20 assets, but only the Unrestricted Archdiocesan Property described in Section VII below  
21 was available to pay Claims, there would be only approximately \$21.5 million available  
22 for unsecured creditors, resulting in payments to creditors of possibly only 50% or less  
23 of their Allowed Claims based on the Debtor's estimates.

24 In the absence of confirmation of a plan such as that proposed by the  
25 Archdiocese, which provides significantly more money for creditors than the  
26 Archdiocese could be forced to pay if the Archdiocese were successful in the Parish



1 and school property litigation, all Claims would likely need to be resolved and the  
2 property litigation concluded before it could be determined how much could be paid on  
3 each Claim. The Plan as proposed provides for full payment to creditors who have  
4 settled their Claims as soon as the Plan can be confirmed. It provides for payment to all  
5 other creditors whose Claims are resolved after confirmation, either through settlement  
6 or litigation, promptly after such Claims are resolved. These payments are not  
7 contingent on the Tort Claimants Committee successfully litigating the Parish, school,  
8 and other restricted property issues, which would be necessary for any other plan to  
9 provide payments anywhere approaching the amounts the Archdiocese has committed  
10 to pay pursuant to the Archdiocese's Plan. In fact, if the Tort Claimants Committee is  
11 unsuccessful in the property litigation, and without significant payments from the  
12 Archdiocese's insurers, unsecured creditors would likely receive 50% or less of the  
13 allowed amount of their Claims.

14 In contrast, the Archdiocese's Plan provides for payment of an aggregate amount  
15 which is expected to be sufficient to pay all Claims in full, without any reliance on  
16 recovery from the insurance carriers, and without the risk of an adverse ruling for the  
17 Tort Claimants Committee in the Parish and school property litigation. Finally,  
18 payments can be made under the Archdiocese's Plan promptly as Claims are resolved  
19 without having to wait potentially years for all Claims to be resolved and the Parish and  
20 school property litigation to wind its way through the appellate courts before any creditor  
21 can be paid. For those Claimants who do not want to settle their Claims and insist on  
22 trying their Claims to a jury, that option remains available under the Plan, with payments  
23 to be made to such Claimants shortly after the jury renders its verdict, assuming there is  
24 no appeal, from the funds contributed by the Archdiocese to the Claims Resolution  
25 Facility.

26 //

1 VI. THE DEBTOR.

2 A. The History and Mission of the Archdiocese.

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

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

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

1 to this day. The Archdiocese's main offices are located in the Pastoral Center, 2838 E.  
2 Burnside St., in Portland.

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

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

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

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

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 and  
14 that all Parish and school property is property of the Archdiocese's bankruptcy estate, is  
15 not held in trust or restricted in its use, and is available to pay Claims against the  
16 Archdiocese. This issue alone has generated heavily contested litigation in this Case.  
17 The Court has made no determination regarding this issue; however, summary  
18 judgment motions are currently pending regarding (1) the legal status of the Parishes,  
19 and (2) whether the interests of the Parishes, parishioners, beneficiaries, and donors in  
20 the property of nine Parishes and Regis High School can be avoided so as to make  
21 such properties part of the Archdiocese's bankruptcy estate. The Archdiocese believes  
22 it will be unnecessary for the Court to decide these issues if the Plan is confirmed  
23 because the Plan will provide funding that is anticipated to be sufficient to pay all Claims  
24 in full without regard to whether the Parish and school property is available to pay  
25 Claims against the Archdiocese.

26 //

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

2                   **1.    Assets.**

3           There are four main categories of property in which the Archdiocese holds some  
4 type of interest. The first category is property the Archdiocese owns outright without  
5 any restrictions or encumbrances ("Unrestricted Archdiocesan Property"). The second  
6 category is property owned by the Archdiocese which the Archdiocese asserts contains  
7 restrictions on use that prevent the Archdiocese from using such property to pay Claims  
8 against the Archdiocese ("Restricted Archdiocesan Property"). The third category is  
9 property that the Archdiocese asserts is held in trust, or is restricted, for the use of  
10 Parishes, parishioners, schools, and others that prevents such property from being used  
11 to pay Claims against the Archdiocese ("Parish and School Property"). The fourth  
12 category is the proceeds of the Archdiocese's claims against its insurers ("Insurance  
13 Recoveries") of which any recovery would be available to pay Claims.

14                   **(a)    Unrestricted Archdiocesan Property.** The Unrestricted  
15 Archdiocesan Property is described on Exhibit 1, and includes the Pastoral Center  
16 Building and associated real property, the Casa Del Rey Apartments, certain houses  
17 and vacant land, and certain assets held in the General Operating Fund, the Insurance  
18 Fund, and the Property Fund. The Archdiocese believes the current estimated fair  
19 market value of the Unrestricted Archdiocesan Property is approximately \$27, 244,172  
20 as of September 30, 2005.

21                   **(b)    Restricted Archdiocesan Property.** The Restricted  
22 Archdiocesan Property is described on Exhibit 2, and includes the Annual Catholic  
23 Appeal Fund, the Priest Retirement Fund, the Archdiocese Catholic Education  
24 Endowment Fund, the Perpetual Endowment Fund, the Archdiocesan Cemeteries and  
25 all associated operating funds, the Restricted Fund, and the Charitable Gift Annuity  
26 Fund. The Archdiocese believes the current estimated fair market value of the

1 Restricted Archdiocesan Property is approximately \$89, 566,598 as of September 30,  
2 2005.

3 (c) **Parish and School Property.** The Parish and School  
4 Property is described on Exhibit 3, and includes all Parish churches, schools, and  
5 cemeteries, Central Catholic High School, Regis High School, Marist High School, and  
6 all Parish and school bank and investment accounts, including such entities' funds and  
7 investments in the Archdiocesan Loan and Investment Program and the Catholic  
8 Education Endowment Fund. No current appraisals exist for this property and it would  
9 be very difficult to provide a reliable estimate of the value of such property. The most  
10 recent tax appraisal information lists the value of the real property at approximately  
11 \$389,820,856.

12 (d) **Insurance Recoveries.** The Archdiocese, the Parishes, the  
13 schools, and other entities are insured under certain insurance policies that the  
14 Archdiocese asserts provides coverage for the Tort Claims. Some of the Insurance  
15 Policies are occurrence policies, which means that if the act occurred during a policy  
16 year, regardless of when the Claim is made, then the Claim is covered by the applicable  
17 Insurance Policy. The remaining policies are "Claims made" policies, which means that  
18 the relevant time period for determining coverage is not the date of occurrence, but the  
19 date the Claim is first made.<sup>2</sup>

20 The Insurance Companies are defendants or plaintiffs in adversary proceedings  
21 pending in the Court to determine the insurers' liability for and the amount of coverage  
22 available to the Archdiocese for the Tort Claims. Certain insurers are paying the  
23 Archdiocese's defense costs to resolve the Tort Claims and other insurers have refused  
24 to pay defense costs. All the insurers have reserved their rights with respect to whether  
25

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

1 there is coverage for the Tort Claims. The Archdiocese contends that it has various  
2 claims against the Insurance Companies related to coverage and additional claims  
3 arising out of certain of the Insurance Companies' actions with respect to coverage and  
4 settlement of the Tort Claims. At this time the Archdiocese does not have a reliable  
5 estimate of the total value of the Insurance Claims but believes they could be worth in  
6 excess of \$20 million.

7 **2. Liabilities.**

8 (a) **Non-Tax Priority Claims.** Allowed Non-Tax Priority Claims  
9 are estimated to total approximately \$2,920 consisting of tenant deposits at the Casa  
10 Del Rey Apartments.

11 (b) **Administrative Convenience Claims.** Administrative  
12 Convenience Claims are estimated to total approximately \$60,795.

13 (c) **Umpqua Bank.** Umpqua Bank's Secured Claim, which is  
14 secured by liens on the real property located at 1610 NE Couch Street and 1623 W.  
15 Burnside in Portland, Oregon, is estimated to total approximately \$376,600.

16 (d) **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.

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

24 (f) **General Unsecured Claims.** General Unsecured Claims  
25 are estimated to total approximately \$461,507.

26

1 (g) **Allowed Present Tort Claims.** Allowed Present Tort Claims  
2 total approximately \$1,967,944.

3 (h) **Unresolved Present Tort Claims.** Unresolved Present Tort  
4 Claims have been alleged asserting damages of over \$500 million. The Debtor has filed  
5 or will file motions to estimate these Claims for purposes of voting and for confirmation  
6 of the Plan. In its motion to estimate Unresolved Present Tort Claims for child sex  
7 abuse, the Debtor proposes that such Claims be valued for voting and confirmation  
8 purposes at \$182,230 each, except for Claims based on alleged abuse committed by  
9 former priests Maurice Grammond and Thomas Laughlin, which Claims will be valued at  
10 \$631,211 for Claims against Maurice Grammond and \$773,443 for Claims against  
11 Thomas Laughlin. Because the Court has not yet ruled on the Debtor's estimation  
12 motion, solely for purposes of voting on the Plan, the Unresolved Present Tort Claims  
13 will be valued at the amounts proposed by the Debtor in its estimation motion.<sup>3</sup> Based  
14 on these estimations, as of November 10, 2005, the estimated amount of Unresolved  
15 Present Tort Claims for child sex abuse totals approximately \$40,035,769, including  
16 \$6,882,000 in tentatively settled Claims. The Debtor estimates the Unresolved Present  
17 Tort Claims which are not based on child sex abuse at approximately \$500,000. Thus,  
18 the estimated value of all Unresolved Present Tort Claims is currently approximately  
19 \$40,535,769.

20 (i) **Future Claims.** Future Claims are those Claims for child  
21 abuse meeting certain criteria which were not asserted as of the April 29, 2005 Claims  
22 Bar Date. The Court has appointed Hamilton Rabinovitz & Aschuler ("HR&A") to assist  
23 the parties and the Court in estimating these Claims and the Plan provides for the

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 Archdiocese to provide sufficient funds to pay the estimated amount of the Future  
2 Claims as determined by the Court. HR&A will provide a report including its conclusions  
3 prior to the confirmation hearing and creditors and interested parties will have an  
4 opportunity to review such report and contest the findings and conclusions contained in  
5 such report at or prior to the confirmation hearing. Upon receiving the HR&A estimation  
6 report, the Debtor expects to file a motion asking the Court to estimate the aggregate  
7 amount of Future Claims for confirmation purposes. If prior to the voting deadline, the  
8 Court has not determined the estimated aggregate amount of the Future Claims, the  
9 FCR will be entitled to cast one vote for all Future Claimants valued solely for voting  
10 purposes in the aggregate amount of \$1.

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

20 (k) **Retiree Benefit Claims.** Retiree Benefit Claims are  
21 estimated to total approximately \$404,000.

22 (l) **Donor Claims.** The Debtor does not believe any facts exists  
23 which would cause any Donor Claims to be due and payable upon Confirmation of the  
24 Plan.

25 //

26 //

1 (m) **Beneficiary Claims.** The Debtor does not believe any facts  
2 exists which would cause any Beneficiary Claims to be due and payable upon  
3 Confirmation of the Plan.

4 **VII. DESCRIPTION OF THE PLAN.**

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

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

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

12 **1. Claim Amounts.**

13 Until allowed by the Court, certain Claims against the Archdiocese  
14 are in unknown or undetermined amounts. Accordingly, the amounts of Claims  
15 specified in this Disclosure Statement reflect only the Archdiocese's best  
16 estimates. Additionally, the amounts of Claims specified in this Disclosure  
17 Statement do not include all Claims that may arise from the rejection of certain  
18 executory contracts or other contingent or unliquidated Claims against the  
19 Archdiocese.

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

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

25 //

26 //

1                   **3.     Classification Generally.**

2                   The Plan divides Claims against the Archdiocese into thirteen separate  
3                   Classes which the Archdiocese believes complies with the requirements of the  
4                   Bankruptcy Code. Unless otherwise expressly stated in the Plan, the respective  
5                   treatments under the Plan of Allowed Claims are in full discharge and satisfaction of  
6                   those Allowed Claims. Except as provided in the Plan, all Claims against the  
7                   Archdiocese arising prior to entry of the Confirmation Order will be discharged as of the  
8                   Confirmation Date pursuant to Bankruptcy Code §1141(d).

9                   **4.     Unclassified Claims.**

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

11                   of the fees of the Chapter 11 Professionals and other Claims that would be allowable as  
12                   Administrative Claims pursuant to Bankruptcy Code § 503. The holder of an Allowed  
13                   Administrative Claim will receive, in full satisfaction of such Claim, (a) a single cash  
14                   payment in the Allowed amount of the Claim as soon as reasonably practicable after the  
15                   Effective Date (or the Allowance Date if the Administrative Claim is not an Allowed  
16                   Claim on the Effective Date); or (b) as otherwise agreed in writing by the holder of the  
17                   Allowed Claim or ordered by the Bankruptcy Court. Every Allowed Administrative Claim  
18                   for an expense of operation of the Debtor incurred in the ordinary course of such  
19                   operations will be paid fully and in cash in the ordinary course of business (including  
20                   any payment terms applicable to any such expense). Administrative Claims requiring  
21                   Court approval, such as the fees of professionals retained during the Bankruptcy Case,  
22                   will not be paid until entry of a Final Order allowing such Claims.

23                   **5.     Unimpaired Claims.**

24                   **(a)    Class 1: Non-Tax Priority Claims.** Holders of Allowed

25                   Non-Tax Priority Claims shall receive either payment from the Reorganized Debtor of  
26

1 the full amount of their Allowed Claims at such time as their Claims become due and  
2 payable.

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

7 (c) **Class 5: Guaranty Claims.** Holders of Allowed Guaranty  
8 Claims shall retain their Claims against the Reorganized Debtor, and the Plan shall  
9 leave unaltered the legal, equitable, and contractual rights to which such Claims entitle  
10 the holders thereof.

11 (d) **Class 11: Retiree Benefit Claims.** The holders of Allowed  
12 Retiree Benefit Claims shall not be impaired and shall not have their rights altered by  
13 this Plan. Allowed Retiree Benefit Claims shall be paid, performed, and honored by the  
14 Reorganized Debtor in full, when due, in accordance with their terms notwithstanding  
15 any other contrary provision of this Plan; provided, however, that the rights of the  
16 holders of such Claims shall be subject to modification or termination as provided by the  
17 terms of the existing benefit plans, consistent with applicable law.

18 (e) **Class 12: Donor Claims.** Holders of Allowed Donor Claims  
19 shall retain their Claims against the Reorganized Debtor, and this Plan shall leave  
20 unaltered the legal, equitable, and contractual rights to which such Claims entitle the  
21 holders thereof.

22 (f) **Class 13: Beneficiary Claims.** Holders of Allowed  
23 Beneficiary Claims shall retain their Claims against the Reorganized Debtor, and this  
24 Plan shall leave unaltered the legal, equitable, and contractual rights to which such  
25 Claims entitle the holders thereof.

26 //

1                   **6.     Impaired Claims.**

2                   **(a)     Class 3: Umpqua Bank.** Umpqua Bank ("Umpqua") will

3 have an Allowed Secured Claim for approximately \$376,600, plus any interest, fees,  
4 and other charges accrued on such Claim as authorized by the terms of the Debtor's  
5 promissory note and other related documents (the "Loan Documents"). Umpqua's  
6 Allowed Secured Claim will be paid in full, together with interest accruing from and after  
7 the Effective Date at the non-default contract rate, in 180 equal monthly installments of  
8 principal and interest commencing on the first day of the first month following the  
9 Effective Date and continuing on the first day of each month thereafter until paid in full.  
10 Umpqua shall retain its security interest and lien on all collateral securing its Claim,  
11 which security interest and lien shall be subject and subordinate only to such security  
12 interests and liens as were perfected and had priority over the liens and security  
13 interests of Umpqua on the Petition Date. The Reorganized Debtor shall execute and  
14 deliver to Umpqua such notes, loan agreements, security agreements, financing  
15 statements, control agreements, and the like as may reasonably be requested by  
16 Umpqua. The loan documents shall contain such terms and provisions as are ordinary  
17 and usual for loans made by Umpqua in the amounts provided in this Plan.

18                   **(b)     Class 4: Perpetual Endowment Fund.** The Perpetual

19 Endowment Fund (the "Endowment Fund") will have an Allowed Secured Claim for  
20 approximately \$5,194,239, plus any interest, fees, and other charges accrued on such  
21 Claim as authorized by the terms of the Debtor's promissory note and other related  
22 documents (the "Loan Documents"). The Endowment Fund's Allowed Secured Claim  
23 will be paid in full, together with interest accruing from and after the Effective Date at the  
24 non-default contract rate, in 180 equal monthly installments of principal and interest  
25 commencing on the first day of the first month following the Effective Date and  
26 continuing on the first day of each month thereafter until paid in full. The Endowment

1 Fund shall retain its security interest and lien on all collateral securing its Claim, which  
2 security interest and lien shall be subject and subordinate only to such security interests  
3 and liens as were perfected and had priority over the liens and security interests of the  
4 Endowment Fund on the Petition Date. The Reorganized Debtor shall execute and  
5 deliver to the Endowment Fund such notes, loan agreements, security agreements,  
6 financing statements, control agreements, and the like as may reasonably be requested  
7 by the Endowment Fund. The loan documents shall contain such terms and provisions  
8 as are ordinary and usual for loans made by the Endowment Fund in the amounts  
9 provided in this Plan.

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

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

18 (e) **Class 8: Unresolved Present Tort Claims.** At Closing, the  
19 Reorganized Debtor will, in full release, satisfaction and discharge of all Unresolved  
20 Present Tort Claims, execute and deliver the Claims Resolution Facility Agreement to  
21 the Depository Trustee, together with the initial payments, promissory notes, letters of  
22 credit, and other security documents required thereunder, thereby establishing the  
23 Claims Resolution Facility for the liquidation and payment of all Unresolved Present Tort  
24 Claims, which provides, subject to its terms, for total payments by the Reorganized  
25 Debtor of up to the full estimated amount of all Unresolved Present Tort Claims as  
26 determined by the Court.

1                   (f)     **Class 9: Future Claims.** At Closing, the Reorganized  
2 Debtor will, in full release, satisfaction and discharge of all Future Claims, execute and  
3 deliver the Claims Resolution Facility Agreement together with the initial payment,  
4 promissory notes, letters of credit, and other security documents required thereunder to  
5 the Depository Trustee, thereby establishing the Claims Resolution Facility for the  
6 liquidation and payment of all Future Claims, which provides, subject to its terms, for  
7 total payments by the Reorganized Debtor of up to the full estimated amount of all  
8 Future Claims as determined by the Court.

9                   (g)     **Class 10: Supplemental Present Tort Claims.** There are  
10 currently no Claims in this class for the reasons described in Section VII.C.2.(j) above.  
11 Nevertheless, at Closing, the Reorganized Debtor will, in full release, satisfaction and  
12 discharge of all Supplemental Present Tort Claims, execute and deliver the Claims  
13 Resolution Facility Agreement together with the initial payment, promissory notes,  
14 letters of credit, and other security documents required thereunder to the Depository  
15 Trustee, thereby establishing the Claims Resolution Facility for the liquidation and  
16 payment of all Supplemental Present Tort Claims, which provides, subject to its terms,  
17 for total payments by the Reorganized Debtor of up to the full estimated amount of all  
18 Supplemental Present Tort Claims as determined by the Court.

19            **B. All Unresolved Tort Claims to be Resolved and Paid by Claims**  
20            **Resolution Facility.**

21            Archdiocese of Portland Claims Resolution Facility, Inc., acting as the Claims  
22 Resolution Facility, will (a) assume liability for all Unresolved Tort Claims; (b) provide for  
23 payment of Unresolved Tort Claims that become Allowed Tort Claims under the  
24 conditions set forth in the Claims Resolution Facility Agreement; (c) oversee and  
25 provide directions to the Depository Trustee for the collection, investment, and  
26 distribution of funds for the benefit of Tort Claimants; (d) pay the costs and expenses of  
the Claims Resolution Facility; and (e) fulfill all other obligations required of the Claims

1 Resolution Facility, all as set forth more fully in the Claims Resolution Facility  
2 Agreement.

3 **C. Tort Claims to be Estimated if Not Resolved Prior to Confirmation.**

4 Either prior to or as part of the confirmation hearing, the Court will estimate for all  
5 purposes, the aggregate allowed amount of all Unresolved Present Tort Claims and the  
6 aggregate allowed amount of all Future Claims (including Supplemental Present Tort  
7 Claims). Each Tort Claimant whose Claim has not been Allowed as of the Effective  
8 Date will have his or her Claim resolved under the Claims Resolution Procedures set  
9 forth in the Claims Resolution Facility Agreement. Such Claims will be resolved and  
10 paid under the terms of the Claims Resolution Facility Agreement and all case  
11 management orders entered by the Court and the District Court. Each such Tort  
12 Claimant shall (a) be subject to the Claims Resolution Procedures, and (b) not receive  
13 any payment if (and to the extent) the Claim is Disallowed pursuant to the Claims  
14 Resolution Procedures. All Tort Claimants holding Unresolved Tort Claims shall retain  
15 the right to adjudicate their Claims through litigation (including trial by jury), subject,  
16 however, to the provisions of the Plan and the Claims Resolution Facility Agreement.

17 **D. Consortium Claims Will be Satisfied and Released by the Treatment**  
18 **Afforded Primary Claimant.**

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

25 **E. Punitive Damage Claims Will be Disallowed.**

26 Certain Tort Claimants have asserted Claims for punitive and exemplary  
damages against the Archdiocese. The Archdiocese disputes such Claims and



1 believes it would be inequitable to award punitive damages to any Claimant when any  
2 such award could potentially result in other Claimants receiving less than the full  
3 amount of their compensatory Claims in full. The Plan provides for funding which is  
4 estimated to pay all compensatory Claims in full without first determining whether the  
5 Archdiocese's assets are of sufficient value that it could be forced to actually pay this  
6 amount. If it continues to be subjected to threats of punitive damages, it might be  
7 unwilling to offer this much to pay Claims.

8 Even if the Archdiocese were willing to provide money for punitive damages,  
9 60% of any punitive damage award must be paid to the State of Oregon, up to 20% is  
10 paid to the Claimant's attorney, with the Claimants receiving as little as 10% after the  
11 tax consequences are considered (the Claimant is required to pay income taxes on 40%  
12 even though a portion of the 40% is paid to the Claimant's attorney). Thus, punitive  
13 damages provide little economic benefit to Claimants.

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

21 **F. Reorganized Debtor to Receive All Insurance Recoveries Paid by**  
22 **Insurance Companies.**

23 The Reorganized Debtor will be entitled, in its sole discretion, to pursue or not  
24 pursue the Insurance Claims against the Insurance Companies, and upon resolution of  
25 such Insurance Claims to receive for its sole benefit any and all Insurance Recoveries  
26 paid by the Insurance Companies. To resolve any question regarding a Claimant's right  
to assert a claim against or interests in amounts paid or payable by any Insurance

1 Company, the Debtor will seek, as part of the Confirmation Order or pursuant to an  
2 adversary proceeding, a determination that the Debtor's rights and interests in such  
3 amounts paid or payable by all Insurance Companies are superior to the competing  
4 Claims of all Claimants. Consequently, if the Debtor is successful, the Confirmation  
5 Order or another order or judgment will disallow any competing claims to amounts paid  
6 or to be paid by the Insurance Companies pursuant to settlement agreements or  
7 litigation between the Debtor and the Insurance Companies.

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

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

22 **H. Objections to Claims.**

23 Notwithstanding the occurrence of the Effective Date, and except as to any Claim  
24 that has been Allowed prior to the Effective Date, the Reorganized Debtor may object to  
25 the allowance of any Claim against the Debtor or seek estimation thereof on any  
26 grounds permitted by the Bankruptcy Code by filing the appropriate pleading in the

1 Bankruptcy Court at any time prior to the first Business Day which is at least thirty (30)  
2 days after the Effective Date. No payments or other distributions will be made to  
3 holders of Claims unless and until such Claims are Allowed Claims. If a Claim is not an  
4 Allowed Claim by or on the Effective Date, or when payment is otherwise due under the  
5 Plan, payment on the Allowed Claim (plus interest, if any, as provided herein) will  
6 commence within 30 days following the Allowance Date.

7 **I. Administrative Claims Bar Date.**

8 All requests for payment of Administrative Claims and expenses incurred prior to  
9 the Effective Date pursuant to Bankruptcy Code §§507(a)(1) and 503(b) must be served  
10 and filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date.  
11 Any such Claim which is not served and filed within this time period will be forever  
12 barred. Any Claims for fees, costs, and expenses incurred by any Chapter 11  
13 professionals after the Effective Date will be treated as part of the fees and expenses of  
14 the Reorganized Debtor and need not be submitted to the Bankruptcy Court for  
15 approval. After approval of the final fee applications of the Chapter 11 professionals by  
16 the Bankruptcy Court for services provided and costs incurred during the course of  
17 administration of the Reorganization Case and prior to the Effective Date, the Chapter  
18 11 professionals will not be required to submit any further fee applications to the  
19 Bankruptcy Court in accordance with Bankruptcy Code §330.

20 **J. Discharge.**

21 Except as otherwise expressly provided in this Plan, the Plan Documents, or in  
22 the Confirmation Order, on the Effective Date the Debtor shall be discharged, and its  
23 liability shall be extinguished completely, from all Claims and Debts, whether reduced to  
24 judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or  
25 unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or  
26 equitable, known or unknown, that arose from any action, inaction, agreement, or

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

11 **K. Vesting of Property.**

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

18 **L. Reservation of Rights.**

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

26 //

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

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

18 **IX. FEDERAL TAX CONSEQUENCES.**

19 THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF  
20 THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY,  
21 ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX  
22 ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL  
23 TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.  
24 NEITHER THE DEBTOR NOR DEBTOR'S COUNSEL MAKES ANY  
25 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF

26

1 CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR  
2 ANY CREDITOR.

3 Under the Internal Revenue Code of 1986, as amended (the “Code”), there may  
4 be significant federal income tax issues arising under the Plan described in this  
5 Disclosure Statement that affect Creditors in the case. The Depository Trust under the  
6 Claims Resolution Facility is structured as a “qualified settlement fund” (“QSF”) with in  
7 the meaning Treasury Regulations enacted under Internal Revenue Code Section  
8 486B(g). The Depository Trust is characterized as a QSF because:

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

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

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

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

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

26

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

3 (c) The Depository Trust's gross income less certain  
4 modifications is taxable at the highest federal tax rate applicable to trusts and estates  
5 (currently 35%). The Archdiocese's funding of the Depository Trust with cash and other  
6 property is not reported by the Trust as taxable income. However, earnings recognized  
7 from, for example, the short-term investment of the Depository Trust's funds will be  
8 subject to tax;

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

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

17 It is not practicable to present a detailed explanation of every possible federal  
18 income tax ramifications of the Plan.

19 **X. ACCEPTANCE AND CONFIRMATION.**

20 **A. Voting Procedures.**

21 **1. Generally.**

22 Only those Classes that are impaired under the Plan are entitled to vote to  
23 accept or reject the Plan. In that regard, only the holders of Allowed Claims in Classes  
24 3, 4, 6, 7, 8, and 9 are entitled to vote on the Plan. Classes 1, 2, 5, 11, 12, and 13 are  
25 not impaired under the Plan and are deemed to have accepted the Plan without voting.  
26 Class 10 is not entitled to vote because it is duplicative of Class 9. The Archdiocese

1 reserves the right to supplement this Disclosure Statement (if necessary) and to solicit  
2 any of those Classes which may prove to be impaired and entitled to vote, as the Case  
3 develops further.

4 Separate ballots will be sent to the known holders of Claims whether or not such  
5 Claims are disputed. However, only the holders of Allowed Claims (or Claims that have  
6 been temporarily allowed or have been estimated by the Bankruptcy Court) which are  
7 impaired are entitled to vote on the Plan. A Claim to which an objection has been filed  
8 is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection  
9 and enters an order allowing the Claim. The holders of such Disputed Claims are not  
10 entitled to vote on the Plan unless they request that the Bankruptcy Court, pursuant to  
11 Bankruptcy Rule 3018, temporarily allow the Claims in appropriate amounts solely for  
12 the purpose of enabling the holders of such Disputed Claims to vote on the Plan, and  
13 the Bankruptcy Court does so.

14 **2. Incomplete Ballots.**

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

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

19 Any Creditor holding an impaired Allowed Claim which has delivered a  
20 Ballot accepting or rejecting the Plan may withdraw such acceptance or rejection or  
21 election by delivering a written notice of withdrawal to the balloting agent, BMC Group,  
22 Inc., at any time prior to the voting deadline. A notice of withdrawal, to be valid, must: (i)  
23 contain the description of the Claim to which it relates and the amount of such Claim; (ii)  
24 be signed by the voting Creditor, in the same manner as the Ballot; and (iii) be received  
25 by BMC in a timely manner at the address set forth below. Unless otherwise directed by  
26 the Bankruptcy Court, a purported notice of withdrawal of Ballots or change in the vote



1 which is not received in a timely manner will not be effective to withdraw a previously  
2 furnished Ballot.

3 **4. Submission Of Ballots.**

4 The form of Ballot for each of the Classes entitled to vote on the Plan will  
5 be sent to all Creditors along with a copy of the Court-approved Disclosure Statement  
6 and a copy of the Plan. Creditors should read the Disclosure Statement, Plan, and  
7 Ballot carefully. If any Creditor has any questions concerning voting procedures, it may  
8 contact:

9 BMC GROUP, INC.  
10 1330 E. Franklin Avenue  
11 El Segundo, CA 90245  
Toll Free: 888-909-0100  
Main: 310-321-5555  
Fax: 310-640-8071

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

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

24 SUSSMAN SHANK LLP  
25 Attn: Thomas W. Stillely  
26 1000 SW Broadway, Suite 1400  
Portland, OR 97205

//

1                   **5.     Feasibility.**

2                   The Bankruptcy Code requires, as a condition to confirmation, that the  
3 Bankruptcy Court find that liquidation of the Archdiocese or the need for future  
4 reorganization is not likely to follow after confirmation. For the purpose of determining  
5 whether the Plan meets this requirement, the Reorganized Debtor's ability to meet its  
6 obligations under the Plan has been analyzed. The Archdiocese has prepared  
7 projections for the funding of the Claims Resolution Facility and the payment of Claims  
8 together with the cash flow from the Archdiocese's operations and from loans which the  
9 Archdiocese will secure to fund payments under the Plan. The projections are attached  
10 hereto as Exhibits "4". The Archdiocese reasonably believes that it will be able to fund  
11 the payments required by the Plan on the Effective Date and the Reorganized Debtor  
12 will be able to make all payments required to be made pursuant to the Plan after the  
13 Effective Date.

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

15                   Under Bankruptcy Code §1129(a)(7), the Plan must provide that Creditors  
16 receive as much under the Plan as they would receive in a Chapter 7 liquidation of the  
17 Archdiocese. Either prior to or as part of the confirmation hearing the Debtor will ask  
18 the Court to estimate the aggregate amount necessary to pay all Claims in full (including  
19 all Unresolved Tort Claims). Upon doing so, if the Court determines that the amount  
20 being provided under the Plan will be sufficient to pay the aggregate allowed amount of  
21 all Claims in full (as determined by the Court's estimate), the Debtor believes the  
22 requirement that the Plan provide creditors with as much as they would receive in a  
23 Chapter 7 liquidation of the Debtor's assets will have been satisfied. This is because in  
24 Chapter 7 creditors can be paid no more than the allowed amount of their Claims.

25                   //

26                   //

1           **C.     Confirmation Over Dissenting Class.**

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

8                   **1.     No Unfair Discrimination.**

9           The Plan “does not discriminate unfairly” if: (a) the legal rights of a  
10    dissenting Class are treated in a manner that is consistent with the treatment of other  
11    Classes whose legal rights are similar to those of the dissenting Class; and (b) no Class  
12    receives payments in excess of those which it is legally entitled to receive for its Claims.  
13    The Archdiocese believes that under the Plan: (i) all Classes of impaired Claims are  
14    treated in a manner that is consistent with the treatment of other similar Classes of  
15    Claims; and (ii) no Class of Claims will receive payments or property from the Debtor or  
16    Reorganized Debtor with an aggregate value greater than the aggregate of the Allowed  
17    Claims in such Class. Accordingly, the Archdiocese believes that the Plan does not  
18    discriminate unfairly as to any impaired Class of Claims.

19                   **2.     Fair and Equitable Test.**

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

22                   **(a)     Secured Creditors.** Either (i) each impaired secured  
23    creditor retains its liens securing a Secured Claim and receives on account of its  
24    secured claim deferred cash payments having a present value equal to the amount of  
25    its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable  
26    equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold

1 free and clear of liens with such liens to attach to the proceeds, and the liens against  
2 such proceeds are treated in accordance with clause (i) or (ii) of this subparagraph (a).

3 **(b) Unsecured Creditors.** Either (i) each impaired unsecured  
4 creditor receives or retains under the plan property of a value equal to the amount of its  
5 allowed claim, or (ii) the holders of claims and equity interests that are junior to the  
6 claims of the non-accepting class do not receive any property under the plan on account  
7 of such claims and equity interests. Here, sufficient funds are being provided to pay all  
8 Allowed Claims in full based on the Court's estimations. Thus, the Archdiocese  
9 believes that the Plan satisfies the "fair and equitable" test with respect to all impaired  
10 Classes.

11 In addition, the fair and equitable test must be applied differently in this  
12 Case than most reorganization cases because the Archdiocese is not a moneyed  
13 corporation. This is the case because the members of a non-profit corporation have no  
14 personal interests in the corporation. Accordingly there is no equity interest to receive  
15 any property under the Plan. Thus, what is commonly referred to as the "absolute  
16 priority rule" embodied by Bankruptcy Code § 1129(b)(2)(B) does not apply and would  
17 not prevent the plan from being confirmed even if the Claims in a non-accepting Class  
18 were not being paid in full.

19 **XI. ALTERNATIVES TO THE PLAN.**

20 If the Plan is not confirmed, several different events could occur: (1) the Debtor  
21 could propose another plan providing for different treatment of certain Creditors; (2) the  
22 Debtor and the Tort Claimants Committee could continue to litigate over the availability  
23 of Parish property and funds to pay Claims and upon resolution of that litigation,  
24 including all appeals, the Debtor could propose a new plan which takes into  
25 consideration that ruling, (3) a creditor or other interested party could propose a  
26 competing plan, or (4) the Bankruptcy Court (after appropriate notice and hearing) could

1 dismiss the Reorganization Case if no party is able to confirm a plan in a reasonable  
2 period of time.

3 The Debtor believes that any alternative requiring resolution of the dispute over  
4 the availability of Parish and school property to pay Claims will result in significant delay  
5 in the payment of Claims that have been settled or otherwise resolved and is not in the  
6 best interest of creditors, the Archdiocese, the Parishes, the parishioners, and other  
7 interested parties. In fact, the Debtor anticipates that regardless of who were to prevail  
8 in that litigation, the other side will appeal that decision and it could be years before the  
9 issue is ultimately resolved in the appellate courts.

10 **DATED:** November 15, 2005

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

13 */s/ John G. Vlazny*

14 By: Most Reverend John G. Vlazny  
15 Its: Director

16 **SUSSMAN SHANK LLP**

17 */s/ Thomas W. Stilley*

18 By: Thomas W. Stilley  
19 Attorneys for Roman Catholic Archbishop of Portland in Oregon,  
20 and successors, a corporation sole

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PASTORAL CENTER  
 ARCHDIOCESE OF PORTLAND IN OREGON  
 AS OF SEPTEMBER 30, 2005  
 UNRESTRICTED ARCHDIOCESAN PROPERTY

	General Operating Fund	Insurance Fund	Property Fund	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ (1,926,163)	\$ 4,599,405	\$ 1,466	\$ 2,674,707
Accounts receivable, net	114,587	4,249,002	-	4,363,589
Notes, estates and other receivables	6,744,301	18,860	418,376	7,181,539
Loans receivable from Archdiocesan entities, net	-	-	-	-
Loans receivable from Archdiocesan housing entities, net	525,501	-	-	525,501
Interfund receivable/payable	1,153,715	-	(6,057)	-
Interest receivable and other assets	-	97,656	8,215	105,871
Inventories	-	-	-	-
Real property	-	-	226,688	226,688
Deposits and prepaid expenses	19,156	10,570	-	29,725
Investments	6,492,396	-	643,123	7,135,518
Advances to Archdiocesan housing entities	1,640,000	-	-	1,640,000
Land, building and equipment, net	3,068,321	-	2,425,647	5,493,968
<b>Total Assets</b>	<b>17,831,814</b>	<b>8,975,493</b>	<b>3,717,458</b>	<b>29,377,105</b>
<b>Less Restricted Assets:</b>				
Blue Cross Stabilization Reserve	(1,037,345)	-	-	(1,037,345)
Seminarian Education	(1,416,946)	-	-	(1,416,946)
Sumich Unitrust	(1,216,078)	-	-	(1,216,078)
Stehno Trust	(976,743)	-	-	(976,743)
McCoy Trust	(56,179)	-	-	(56,179)
St. Francis Dining Hall	(10,022)	-	-	(10,022)
DeJardin Trust	(1,297,375)	-	-	(1,297,375)
Permanent Diaconate	(84,265)	-	-	(84,265)
Mt. Calvary-Eugene	(371,370)	-	-	(371,370)
Second Collections	(300,925)	-	-	(300,925)
Missionaries of the Holy Spirit	(305,049)	-	-	(305,049)
Griffin Center, Net of Depreciation	(677,891)	-	-	(677,891)
Land- St. Marys, Marist, Archcape	(27,540)	-	-	(27,540)
Griffin Center, Maintenance Fund	(22,749)	-	-	(22,749)
Archbishops Tithing	(68,886)	-	-	(68,886)
Employee Benefits	(378,985)	-	-	(378,985)
St. Juan Diego House, Net of Depreciation	-	-	(240,143)	(240,143)
NPCC Real Estate Contract--Pass Thru	-	-	(242,160)	(242,160)
SE Asian Vicariate Land	-	-	(700,000)	(700,000)
Irvington Life Estate	-	-	(75,000)	(75,000)
Monmouth Property	-	-	(96,275)	(96,275)
Gethsemani Property Sale	-	-	(400,000)	(400,000)
	(8,248,348)	-	(1,753,578)	(10,001,926)
<b>Exchange of Cost for Fair Market Value:</b>				
PC Land and Building, Net of Depreciation	(484,186)	-	-	(484,186)
FMV of Pastoral Center	5,243,680	-	-	5,243,680
Boones Ferry/Damascus Property at Cost	(141,852)	-	-	(141,852)
FMV of Boones Ferry/Damas	500,508	-	-	500,508
Priest Houses--Net of Depreciation	-	-	(384,380)	(384,380)
FMV of Priests Houses	-	-	568,260	568,260
Aumsville Real Estate	-	-	(55,414)	(55,414)
FMV of Aumsville Property	-	-	150,600	150,600
Casa Del Ray, Net of Depreciation	-	-	(370,199)	(370,199)
FMV of Casa Del Ray	-	-	1,475,450	1,475,450
Fisher Property, Net of Depreciation	-	-	(321,908)	(321,908)
FMV of Fisher Property--1623 W Burnside	-	-	945,980	945,980
Couch Street, Net of Depreciation	-	-	(421,876)	(421,876)
FMV of Couch Street Property--1610 W Couch	-	-	1,164,330	1,164,330
	5,118,150	-	2,750,843	7,868,993
<b>Claims Against Co-defendants for Indemnity</b>				
	-	-	-	-
<b>Total Assets</b>	<b>\$ 14,701,616</b>	<b>\$ 8,975,493</b>	<b>\$ 4,714,723</b>	<b>\$ 27,244,172</b>

PASTORAL CENTER  
 ARCHDIOCESE OF PORTLAND IN OREGON  
 AS OF SEPTEMBER 30, 2005  
 RESTRICTED ARCHDIOCESAN PROPERTY

	Annual Catholic Appeal Fund	Priests Retirement Fund	CEEF (Pastoral Center)	Perpetual Endowment Fund	Restricted Fund	Archdiocesan Cemeteries Fund	Charitable Gift Annuity Fund	Total
<b>Assets:</b>								
Cash and cash equivalents	\$ 3,132,024	\$ (9,586)	\$ -	\$ -	\$ 166,155	\$ 23,157	\$ 53,822	\$ 3,365,571
Accounts receivable, net	-	35,611	-	-	-	301,317	-	336,928
Notes, estates and other receivables	-	-	-	5,694,239	-	11,668	-	5,705,929
Loans receivable from Archdiocesan entities, net	-	-	-	-	-	-	-	-
Loans receivable from Archdiocesan housing entities, net	-	-	-	-	-	-	-	-
Interfund receivable/payable	(953,710)	-	-	-	(180,460)	-	(13,488)	-
Interest receivable and other assets	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	1,538,840	-	1,538,840
Real property	-	-	-	-	-	-	-	-
Deposits and prepaid expenses	-	-	-	-	-	1,100	-	1,099
Investments	-	7,801,853	9,724,013	34,757,926	2,467,624	10,286,803	1,338,061	66,376,279
Advances to Archdiocesan housing entities	-	974,365	-	-	-	-	-	-
Land, building and equipment, net	2,178,314	8,802,243	9,724,013	40,452,165	2,453,318	13,428,565	1,378,395	79,564,672
Restricted Assets from General Operating Fund	-	-	-	-	8,246,348	-	-	8,246,348
Restricted Assets from the Property Fund	-	-	-	-	1,753,578	-	-	1,753,578
	\$ 2,178,314	\$ 8,802,243	\$ 9,724,013	\$ 40,452,165	\$ 12,455,244	\$ 13,428,565	\$ 1,378,395	\$ 89,566,598

PARISHES/SCHOOLS  
 ARCHDIOCESE OF PORTLAND IN OREGON  
 AS OF JUNE 30 and SEPTEMBER 30, 2005  
 PARISH AND SCHOOL PROPERTY

	Checking and Investments June 30, 2005	Schools CEEF September 30, 2005	Archdiocesan Loan and Investment Fund September 30, 2005	Property (Tax Appraisals) 2003-2004	Total
Assets:					
Cash and cash equivalents	\$ 23,794,970	\$ -	\$ -	\$ -	\$ 23,794,970
Investments	47,502,371	(14,913,849)	(23,639,680)	-	8,948,842
Land and Building	-	-	-	389,820,856	389,820,856
Total Assets	\$ 71,297,341	\$ (14,913,849)	\$ (23,639,680)	\$ 389,820,856	\$ 422,564,668



ARCHDIOCESE OF PORTLAND IN OREGON  
PROJECTION FOR FUNDING THE PLAN OF REORGANIZATION

Feasibility	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020
As of November 14, 2005															
Line of Credit Debt--\$52 Million															
Beginning Balance		35,101,556	50,006,231	35,160,000	30,060,000	28,088,986	25,941,673	23,598,749	21,042,395	18,253,167	15,209,852	11,889,304	9,266,288	4,313,189	-
Drawdowns:															
Pre-Petition Accounts Payable	217,625	304,675	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled Pre-Petition Tort Claims	(1,967,944)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled Tort Claims--Stage 1	6,882,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unsettled Tort Claims:															
Stage 1/2--\$33,153,769	20,000,000	10,000,000	3,153,769	-	-	-	-	-	-	-	-	-	-	-	-
Future Tort Claims (\$8M)	600,000	2,500,000	1,500,000	3,400,000	-	-	-	-	-	-	-	-	-	-	-
Legal Defense Fund (\$5M)	900,000	2,100,000	500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-
	30,567,569	14,904,675	5,153,769	4,900,000	-	-	-	-	-	-	-	-	-	-	-
General Operating Fund Operations	(4,533,987)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Tort Claims:															
Unresolved Present Tort Claims not based on child sex abuse	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Fund Retention	(500,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Drawdowns:															
Insurance Indemnity Payments	-	(20,000,000)	-	(10,000,000)	-	-	-	-	-	-	-	-	-	-	-
Archdiocesan Campaign/Estate	-	(20,000,000)	-	(10,000,000)	-	-	-	-	-	-	-	-	-	-	-
Outstanding Line of Credit	35,101,556	50,006,231	35,160,000	30,060,000	30,060,000	28,088,986	25,941,673	23,598,749	21,042,395	18,253,167	15,209,852	11,889,304	9,266,288	4,313,189	-
Debt Service Payment:															
Interest Only @ 7.5%	859,375	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Only @ 7.75%	-	3,375,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Only @ 8.00%	-	4,160,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Only @ 8.00%	-	-	-	3,000,000	-	-	-	-	-	-	-	-	-	-	-
Ten Year Amortization @ 8.75%	859,375	3,375,000	4,160,000	3,000,000	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338	4,520,338
Sinking Fund Debt Service:															
Balance Forward	-	774,400	1,833,977	1,630,137	2,618,718	2,120,279	1,606,121	1,127,276	664,852	481,240	346,946	232,652	138,358	64,064	-
Available Debt Service	1,633,775	1,644,577	2,956,160	2,968,581	2,991,899	2,996,180	3,011,493	3,027,914	3,246,726	3,296,044	3,296,044	3,296,044	3,296,044	3,296,044	-
Pastoral Center Downsize	(1,300,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ACA Support	200,000	200,000	200,000	200,000	200,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	-
Parish Assessment	380,000	400,000	400,000	420,000	440,000	460,000	480,000	500,000	520,000	540,000	560,000	580,000	600,000	620,000	-
BC/BS Rebate	310,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	-
Bequests and Estates	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	-
Insurance Fund	1,633,775	5,208,977	5,790,137	5,618,718	6,840,617	6,126,459	5,647,614	5,205,190	5,001,578	4,867,284	4,752,990	4,658,686	4,584,402	4,530,108	-

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CERTIFICATE OF SERVICE

I certify that on November 15, 2005, I served **by first class mail**, a full and correct copy of the foregoing **DISCLOSURE STATEMENT REGARDING DEBTOR'S PLAN OF REORGANIZATION** to the interested parties of record, addressed as follows:

**PLEASE SEE ATTACHED LIST OF INTERESTED PARTIES**

Dated: November 15, 2005

*/s/ Thomas W. Stilley*

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Thomas W. Stilley, OSB No. 88316  
Howard M. Levine, OSB No. 80073  
Susan S. Ford, OSB No. 84220  
William N. Stiles, OSB No. 65123

Pamela Griffith  
U.S. Trustee's Office  
620 SW Main Street, Rm. 213  
Portland, OR 97205

Tort Claimants Committee  
Albert N. Kennedy  
Tonkon Torp LLP  
Suite 1600, 888 SW 5<sup>th</sup> Ave.  
Portland, OR 97204

Mr. Donn Christiansen  
c/o Michael Morey P.C.  
8 N. State Street, Suite 301  
Lake Oswego, OR 97034

Catherine Travis  
Lane Powell Spears Lubersky LLP  
Suite 2100, 601 SW Second Ave  
Portland, OR 97204-3158

Steven M. Hedberg  
Douglas R. Pahl  
Perkins Coie  
1120 NW Couch Street, 10<sup>th</sup> Floor  
Portland, OR 97209

Thomas W. Stillely  
Sussman Shank LLP  
1000 SW Broadway, Suite 1400  
Portland, OR 97205

Holy Family Catholic Church  
3732 SE Knapp  
Portland, OR 97202

Cameo Garrett  
4875 Harnden Road  
Cashmere, WA 98815

Oregon Education Technology  
Consortium  
8995 SW Miley Rd., #101  
Wilsonville, OR 97070

Thomas Sand  
Jerry B. Hodson  
Miller Nash LLP  
Suite 3500, 111 SW 5<sup>th</sup> Ave.  
Portland, OR 97204

Tom Dulcich  
Margaret Hoffman  
Schwabe Williamson & Wyatt PC  
1211 SW 5<sup>th</sup> Ave.  
Portland, OR 97204

Jeffrey Werstler  
IRS1220 SW Third Avenue  
MS-0240  
Portland, OR 97204

Phoebe Joan O'Neill  
1500 SW Fifth Avenue  
Unit 703  
Portland, OR 97201

ACE Property & Casualty Insurance Company  
c/o Joseph A. Field  
Field & Associates  
610 SW Alder St, Suite 910  
Portland, OR 97205

Michael S. Morey  
8 N. State Street  
Suite 301  
Lake Oswego, OR 97034

Peter C. McKittrick  
Farleigh Wada & Witt PC  
Suite 600  
121 SW Morrison St.  
Portland, OR 97204

Linda Boyle  
Time Warner Telecom, Inc.  
10475 Park Meadows Drive, #400  
Littleton, CO 80124

Jonathan E. Cohen  
PMB 315  
6663 SW Beaverton Hillsdale Highway  
Portland, OR 97225-1403

Steven C. Berman  
Stoll Stoll Berne Lokting & Shlachter  
209 SW Oak Street, Suite 500  
Portland, OR 97204

Robert J. Vanden Bos  
Vanden Bos & Chapman  
Suite 520  
319 SW Washington St.  
Portland, OR 97204

Jame A. Hayes Jr.  
Cummins & White LLP  
2424 SE Bristol Street, Suite 300  
Newport Beach, CA 92660

General Insurance Company  
John A. Bennett  
Bullivant Houser Bailey, A Professional  
Corporation  
Suite 300, 888 SW 5<sup>th</sup> Ave.  
Portland, OR 97204

Robert Millner  
Kevin P. Kamraczewski  
Sonnenschein, Nath & Rosenthal  
8000 Sears Tower  
Chicago, IL 60606

Paul E. DuFresne  
5135 SW 85<sup>th</sup> Avenue  
Portland, OR 97225

David A Foraker, Future Claimants  
Representative  
Greene & Markley, PC  
Suite 600, 1515 SW 5<sup>th</sup> Ave.  
Portland, OR 97201

L. Martin Nussbaum  
Rothgerber Johnson & Lyons LLP  
Wells Fargo Tower, Suite 1100  
90 South Cascade Avenue  
Colorado Springs, CO 80903

Kelly W.G. Clark  
Attorney at Law  
1706 NW Glisan, Suite 6  
Portland, OR 97209

Neil T. Jorgenson  
Attorney at Law  
520 SW Sixth Avenue, Suite 820  
Portland, OR 97204

Karl Mullen  
Mullen Law Firm, P.C.  
8225 SW Fairway Drive, Suite 100  
Portland, OR 97225

Eric J. Neiman  
Heather J. Van Meter  
Williams Kastner & Gibbs, PLLC  
888 SW Fifth Avenue, Suite 600  
Portland, OR 97204

Margaret M. Anderson  
Patrick M. Jones  
Lord, Bissell & Brook LLP  
115 South LaSalle Street  
Chicago, IL 60603

Thomas W. Brown  
Cosgrave Vergeer Kester LLP  
805 SW Broadway, 8<sup>th</sup> Floor  
Portland, OR 97205

Scott L. Jensen  
Brownstein Rask et al.  
1200 SW Main Building  
Portland, OR 97205

Marilyn Podemski  
2477 SW Arden Road  
Portland, OR 97201

Richard C. Josephson  
Stephen A. Redshaw  
Stoel Rives LLP  
Suite 2600, 900 SW 5<sup>th</sup> Ave.  
Portland, OR 97204

David B. Levant  
Stoel Rives, LLP  
600 University Street, Suite 3600  
Seattle, WA 98101

Gary Bisaccio  
2125 SW 4<sup>th</sup> Avenue  
Portland, OR 97201

Richard Anderson  
Anderson & Monson  
Park Plaza West, Suite 460  
10700 SW Beaverton-Hillsdale Hwy.  
Beaverton, OR 97005

Karen Belair  
Law Department  
Union Pacific Railroad  
1400 Douglas Street, MC 1580  
Omaha, NE 68179-1580

Dana Shelton, Recovery Specialist  
Recovery Department  
NOVA Information Systems, Inc.  
7300 Chapman Highway  
Knoxville, TN 37920

Fred C. Ruby  
Department of Justice  
1162 Court Street NE  
Salem, OR 97301

Erin K. Olson  
2905 NE Broadway St.  
Portland, OR 97232-1760

David Slader  
David Slader Trial Lawyers P.C.  
806 SW Broadway, Suite 400  
Portland, OR 97205

Brad T. Summers  
Daniel R. Webert  
Ball Janik LLP  
Suite 1100, 101 SW Main St.  
Portland, OR 97204

James B. Davidson  
Daniel P. Larsen  
Ater Wynne LLP  
Suite 1800, 222 SW Columbia St.  
Portland, OR 97201

Timothy J. McNamara  
Craig A. Ryan  
OneBane Law Firm  
PO Box 3507  
Lafayette, LA 70502-3507

James M. Altieri, William T. Corbett Jr.  
Robert K. Malone, Michael P. Pompeo  
Drinker Biddle & Reath LLP  
500 Campus Drive  
Florham Park, NJ 07932-1047

Michael J. Farrell  
Martin Bischoff, et al.  
888 SW Fifth Avenue, Suite 900  
Portland, OR 97204

Wilson C. Muhlheim  
Muhlheim Boyd & Carroll  
88 East Broadway  
Eugene, OR 97401

Bradley S. Copeland  
Loren S. Scott  
Arnold Gallagher, et al.  
PO Box 1758  
Eugene, OR 97440-1758

David Paul  
Paul & Sugerman, PC  
520 SW Sixth Avenue, Suite 920  
Portland, OR 97204

Daniel J. Gatti  
1781 Liberty Street SE  
Salem, OR 97302

William C. Tharp  
Greener Banducci Shoemaker P.A.  
815 West Washington  
Boise, ID 83702

Paulette Furness  
Director of Business Affairs  
Archdiocese of Portland in Oregon  
2838 East Burnside  
Portland, OR 97214