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UNITED STATES BANKRUPTCY COURT  
DISTRICT OF OREGON

In re:

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

Debtor.

)  
)  
) Case No. 04-37154-elp11  
)  
) DISCLOSURE STATEMENT  
) REGARDING SECOND AMENDED AND  
) RESTATED JOINT PLAN OF  
) REORGANIZATION OF DEBTOR, TORT  
) CLAIMANTS COMMITTEE, FUTURE  
) CLAIMANTS REPRESENTATIVE, AND  
) PARISH AND PARISHIONERS  
) COMMITTEE (Dated February 26, 2007)  
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1 Roman Catholic Archbishop of Portland in Oregon, and successors, a  
2 corporation sole, *dba* the Archdiocese of Portland in Oregon (the “Debtor”), the Tort  
3 Claimants Committee appointed to represent the interests of Known Tort Claimants,  
4 David A. Foraker, in his capacity as the Future Claimants Representative, and the  
5 Parish and Parishioners Committee (collectively the “Proponents”) have prepared this  
6 Disclosure Statement in connection with the solicitation of acceptances of the First  
7 Amended and Restated Joint Plan of Reorganization of the Debtor, Tort Claimants  
8 Committee, Future Claimants Representative, and Parish and Parishioners Committee  
9 (Dated February 15, 2007) (the “Plan”). A copy of the Plan accompanies this Disclosure  
10 Statement.

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

12 **A. Introduction.**

13 On July 6, 2004 (the “Petition Date”), the Debtor commenced this Chapter 11  
14 reorganization case (“Case”) by filing a voluntary petition under Chapter 11 of the  
15 United States Bankruptcy Code (“Bankruptcy Code”). Since the Petition Date the  
16 Debtor has remained a debtor-in-possession pursuant to Sections 1107 and 1108 of the  
17 Bankruptcy Code.

18 **B. Summary of Key Features of the Plan.**

19 The following is a brief summary of the key features of the Plan:

- 20 • The insurance litigation between the Debtor and its Insurance Companies  
21 regarding insurance coverage to pay Tort Claims has been resolved. Nine  
22 Settling Insurance Companies have paid or agreed to pay the aggregate amount  
23 of \$52 million. The Debtor will dismiss its claims against the remaining defendant  
24 Insurance Company (an excess carrier) without prejudice.

- 1 • As of February 15, 2007, approximately 146 of the Known Tort Claims against  
2 the Debtor have been settled for approximately \$40.7 million. These Claims will  
3 be paid in full, with agreed interest, upon confirmation of the Plan.
- 4 • Twenty-seven Known Tort Claims remain to be resolved by settlement or further  
5 litigation. The Reorganized Debtor will provide up to \$13.715 million, plus the  
6 aggregate Estimated Amount of Claims 220, 283, 311, and 476, as determined  
7 by the District Court, to pay these Claims as and to the extent they are Allowed.
- 8 • The Reorganized Debtor will provide up to \$20 million to pay Future Claims (i.e.,  
9 currently unknown Claims for Child Abuse that are asserted by a Future Claimant  
10 on or before April 30, 2030) as they are Allowed.
- 11 • Claims will be paid from Insurance Recoveries, Archdiocesan assets, and loans  
12 secured by Archdiocesan assets. It is anticipated that no Parish or School  
13 property will be used to pay Claims or serve as collateral for any loans, and that  
14 the Reorganized Debtor will be able to provide the necessary funding to pay  
15 Claims without increasing the Parish assessments.
- 16 • The Estate Property Litigation between the Debtor and the Tort Claimants  
17 Committee regarding the availability of Parish and School property to pay Claims  
18 will be settled and all appeals resulting from that litigation will be dismissed.
- 19 • The Reorganized Debtor will, not later than one year following the Effective Date,  
20 restructure under civil law the Archdiocese, the Parishes, and the Schools into  
21 one or more charitable trusts, endowments, non-profit religious corporations, or  
22 other charitable entities that are, under Oregon law, legally separate and distinct  
23 from the Reorganized Debtor. As part of, and as required by such restructuring,  
24 the Reorganized Debtor will transfer property between and among any existing  
25 and newly created entities.

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RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS  
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PARISHIONERS COMMITTEE**

1           **C.    Definitions and Plan Supremacy.**

2           All terms defined in the Plan will have the same meanings when used in this  
3 Disclosure Statement. Terms defined in this Disclosure Statement which are also  
4 defined in the Plan are solely for convenience and the Proponents do not intend to  
5 change the definitions of those terms from the Plan. Furthermore, in the event of any  
6 inconsistency between the Plan and this Disclosure Statement, the Plan will control.  
7 The Exhibits attached to this Disclosure Statement are incorporated into and are a part  
8 of this Disclosure Statement.

9           **D.    Limited Representations.**

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

15           THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS  
16 DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN WHICH  
17 ACCOMPANIES THIS DISCLOSURE STATEMENT, SHOULD BE READ  
18 COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN  
19 IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL  
20 SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN  
21 ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH  
22 IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

23           NO REPRESENTATIONS OR ASSURANCES CONCERNING THE  
24 DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS OPERATIONS, THE  
25 VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF THE  
REORGANIZED DEBTOR ARE AUTHORIZED BY THE PROPONENTS  
OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS IS A SOLICITATION BY THE PROPONENTS ONLY AND IT IS  
NOT A SOLICITATION BY THE PROPONENTS' ATTORNEYS OR ANY  
OTHER PROFESSIONALS EMPLOYED BY THE PROPONENTS. THE  
REPRESENTATIONS MADE HEREIN ARE THOSE OF THE

1 PROPONENTS AND NOT OF THE PROPONENTS' ATTORNEYS OR  
2 ANY OTHER PROFESSIONAL.

3 UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS  
4 DISCLOSURE STATEMENT DESCRIBING THE DEBTOR'S FINANCIAL  
5 CONDITION HAVE NOT BEEN SUBJECTED TO AN INDEPENDENT  
6 AUDIT, BUT PREPARED FROM INFORMATION COMPILED BY THE  
7 DEBTOR FROM RECORDS MAINTAINED IN THE ORDINARY COURSE  
8 OF ITS OPERATIONS. REASONABLE EFFORTS HAVE BEEN MADE  
9 TO ACCURATELY PREPARE ALL FINANCIAL INFORMATION WHICH  
MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE  
INFORMATION AVAILABLE TO THE PROPONENTS. HOWEVER, AS  
TO ALL SUCH FINANCIAL INFORMATION, THE PROPONENTS ARE  
UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION  
CONTAINED HEREIN IS WITHOUT ERROR.

10 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT  
11 BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO  
12 CREDITORS. CREDITORS SHOULD CONSULT THEIR OWN LEGAL  
13 COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS  
ABOUT TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON  
CREDITORS.

14 **E. Voting.**

15 Under the Bankruptcy Code, only creditors with Claims in "impaired" classes and  
16 with Claims that are Allowed, or have been Temporarily Allowed by the Bankruptcy  
17 Court pursuant to an order, are entitled to vote on the Plan. Under the Plan, all classes  
18 of Claims, other than the classes of Non-Tax Priority Claims, Umpqua Bank Secured  
19 Claim, Settled Known Tort Claims, and Retiree Benefit Claims, are "impaired." In  
20 general, a Claim is "allowed," as that term is used in the Bankruptcy Code, if (i) the  
21 Claim is listed in the Debtor's schedules of liabilities filed with the Bankruptcy Court as  
22 not disputed, contingent, or unliquidated, or (ii) a proof of claim has been timely filed  
23 with the Bankruptcy Court or the Claims Agent by the holder of the Claim, and the  
24 Debtor has not filed an objection to the Claim, or (iii) the Bankruptcy Court has entered  
25 an order allowing the Claim. If a Claim is not Allowed, but the holder thereof wishes to

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RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS  
COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND  
PARISHIONERS COMMITTEE**



1 vote on the Plan, the holder must timely file a motion with the Bankruptcy Court  
2 requesting that the Claim be Temporarily Allowed.

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

9	<u>Class</u>	<u>Description</u>	<u>Status</u>
10	Class 3	Perpetual Endowment Fund Secured Claim	Impaired – Entitled to Vote
11			
12	Class 4	Key Bank Guaranty Claim	Impaired – Entitled to Vote
13	Class 5	General Unsecured Claims	Impaired – Entitled to Vote
14	Class 7	Unresolved Known Tort Claims	Impaired – Entitled to Vote
15	Class 8	Future Claims	Impaired – Entitled to Vote
16	Class 10	Donor and Beneficiary Claims	Impaired – Entitled to Vote

17 The following classes of Claims are not impaired under the Plan:

19	<u>Class</u>	<u>Description</u>	<u>Status</u>
20	Class 1	Non-Tax Priority Claims	Unimpaired – Deemed to Accept
21			
22	Class 2	Umpqua Bank Secured Claim	Unimpaired – Deemed to Accept
23	Class 6	Settled Known Tort Claims	Unimpaired – Deemed to Accept
24			
25	Class 9	Retiree Benefit Claims	Unimpaired – Deemed to Accept

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

A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS IMPORTANT. THE PROPONENTS RECOMMEND THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

IN ORDER FOR A VOTE TO BE COUNTED, A BALLOT MUST BE PROPERLY FILLED OUT AND ACTUALLY RECEIVED ON OR BEFORE 5:00 P.M. PACIFIC TIME ON MARCH 29, 2007, BY THE VOTING AGENT AS SET FORTH IN THE BALLOT.

**F. Plan Summary.** A table summarizing the classification and treatment of Claims under the Plan is set forth below.

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Administrative Claims	Unimpaired	\$6,000,000	To be paid in full when such Claims become due, or if already due, on or as soon as reasonably practicable after the Effective Date or if later, the Allowance Date.	100%
Priority Tax Claims	Unimpaired	\$5,935	To be paid in full with interest on or as soon as reasonably practicable after the Effective Date or if later, the Allowance Date.	100%

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Class 1 Non-Tax Priority Claims	Unimpaired	\$2,920	To be paid in full with interest when such Claims become due, or if already due, on or as soon as reasonably practicable after the Effective Date, or if later, the Allowance Date.	100%
Class 2 Umpqua Bank Secured Claim	Unimpaired	\$313,700	To be paid in full on or as soon as reasonably practicable following the Effective Date.	100%
Class 3 Perpetual Endowment Fund Secured Claim	Impaired	\$4,974,348	To be paid in full in 120 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; the liens securing the Claim to be released on the Effective Date.	100%

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Class 4 Key Bank Guaranty Claims	Impaired	\$4,000,000	Reorganized Debtor will assume the Key Bank guaranty obligations regarding Assumption Village and Villa St. Margaret and pay according to their terms, subject to revisions to the guaranty agreements and financial covenants that will cure any defaults and permit the Reorganized Debtor to cure any subsequent default of the principal obligor and continue making any payments required of the principal obligor on the underlying obligations secured by the guaranty before the guaranty obligation would become due and payable. It is anticipated that the Trinity Court property will be sold within two years of the Effective Date and the net proceeds used to pay Key Bank; however, that property is currently involved in litigation and it is possible that the sale may not occur. Prior to any sale of the property, Key Bank's approximately \$2.647 million claim on the Trinity Court project will be paid in equal monthly installments of \$50,000, including interest at the Plan Interest Rate, commencing approximately 30 days following the Effective Date, with the remaining balance to be paid upon the earlier to occur of (1) the sale of the property, or (2) the two year anniversary of the Effective Date.	100%
Class 5 General Unsecured Claims	Impaired	\$525,000	To be paid in full with interest within 60 days after the Effective Date or if later, the Allowance Date.	100%

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Class 6 Settled Known Tort Claims	Unimpaired	Approximately \$40.7 million plus accrued interest	To be paid in full, with interest as set forth in Section 6.2 of the Plan, by Reorganized Debtor on or as soon as reasonably practicable after the Effective Date.	100%
Class 7 Unresolved Known Tort Claims	Impaired	Up to \$13.715 million, plus the aggregate Estimated Amount of Claims 220, 283, 311, and 476, to be provided for payment of Unresolved Known Tort Claims	To be paid in full at such time as Claims are Allowed. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages and will be paid Pro Rata from funds, if any, that remain in the Known Tort Claims Trust after all Unresolved Known Tort Claims not for Punitive Damages have been paid in full, with interest.	100%
Class 8 Future Claims	Impaired	Unknown - estimated to be \$12 million (net present value) or less	To be paid in full at such time as Claims are Allowed. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages and will be paid after all Future Claims not for Punitive Damages have been paid in full, with interest, and after the Future Claims Bar Date has expired, to the extent the Future Claims Cap has not been exhausted.	100%
Class 9 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 10 Donor and Beneficiary Claims	Impaired	N/A	Reorganized Debtor to restructure the Archdiocese, Parishes, and Schools into one or more charitable trusts, endowments, non-profit religious corporations, or other charitable entities and to transfer property between and among such entities and any newly created entities as may be required by such restructuring within one year after the Effective Date.	N/A

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1 **II. SIGNIFICANT EVENTS IN CHAPTER 11.**

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

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

8 • A Tort Claimants Committee (the "TCC") was appointed to represent the  
9 collective interest of all Known Tort Claimants.

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

17 • The Court approved an Accelerated Claims Resolution Procedure  
18 pursuant to which approximately 60 early filed Tort Claims alleging Child Abuse were  
19 mediated in an effort to settle such Claims. These mediations took place in August and  
20 September 2005.

21 • The Debtor filed Schedules in which the Debtor asserted that most of the  
22 property held in its name is held in trust for the benefit of schools, Parishes and others.  
23 The TCC instituted the Estate Property Litigation to determine whether such property is  
24 property of the Debtor's Estate and, therefore, available to pay Claims. The Parish and  
25 Parishioners Committee intervened in the Estate Property Litigation. In addition, the

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PARISHIONERS COMMITTEE**

1 Court certified a defendant class comprised of Parishes, parishioners, donors, and  
2 beneficiaries of trusts asserted in the Parish assets.

3 • On December 30, 2005, the Court issued its decision on the TCC's  
4 Second and Third Motions for Partial Summary Judgment in the Estate Property  
5 Litigation. In the Second Motion, the TCC asked the Court to rule that the Parishes and  
6 Schools had no separate legal existence from the Debtor and that the Parishes and  
7 Schools had no power to sue or be sued. The Court ruled that the Parishes and  
8 Schools were part of the Debtor and did not have the power to sue or be sued or to be  
9 beneficiaries of trusts. In the Third Motion, the TCC asked the Court to avoid any  
10 interest asserted by the Parishes, the parishioners, and any donors or other parties in  
11 the real property of nine Parishes and Regis High School. The Court ruled that such  
12 interests were avoidable under Section 544(a)(3) of the Bankruptcy Code, but also that  
13 a trial would be necessary to determine whether the Religious Freedom Restoration Act  
14 placed some constraint on whether those properties, or possibly others in place of those  
15 properties, could be liquidated to pay Claims against the Debtor. The Debtor and the  
16 other defendants appealed those rulings to the District Court. Those appeals are still  
17 pending.

18 • The TCC filed a Fourth Motion for Partial Summary Judgment asking the  
19 Court to find either (a) that the Perpetual Endowment Fund (further described herein),  
20 which presently contains approximately \$37.4 million in cash and liquid investments, is  
21 property of the Debtor's Estate and is available to pay claims, or (b) that the Debtor's  
22 beneficial interest in and trustee's power to control the income from the trust assets are  
23 property of the Estate. The Court concluded that the Perpetual Endowment Fund is not  
24 property of the Estate but is a valid charitable trust whose assets can be used only in a  
25 manner consistent with the provisions of the trust document governing the operation of

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1 the trust. The Court further concluded that the Debtor's beneficial interest in and  
2 trustee's power to control the income from the trust are property of the Estate.

3 • The Court appointed Hamilton Rabinovitz & Alschuler ("HR&A"), a firm  
4 with extensive experience in estimating future tort claims in mass tort cases such as  
5 those involving asbestos exposure, to assist in determining the estimated number and  
6 amount of Tort Claims which can be expected to be asserted by the Future Claimants.

7 • The Debtor instituted litigation against ten of its insurers to recover  
8 amounts previously paid by Debtor in settling Tort Claims and for amounts due for  
9 unpaid Tort Claims for which the insurers denied coverage, to require the insurers to  
10 fulfill their obligations to provide coverage for the those Claims, and for other relief  
11 relating to the Insurance Policies. The insurance litigation has been resolved with all  
12 insurers except for one excess carrier. Eight of the settling insurers have paid or agreed  
13 to pay the Debtor the aggregate amount of \$52 million to settle the insurance litigation  
14 pursuant to which they will each purchase their policies from the Debtor pursuant to  
15 Section 363 of the Bankruptcy Code.

16 • In August 2006, the Proponents, the Known Tort Claimants, the Insurance  
17 Companies, and representatives of the Archdiocesan High Schools, and their respective  
18 attorneys, commenced intensive mediation sessions with United States District Court  
19 Judge Michael R. Hogan and Oregon Circuit Court Judge Lyle C. Velure, as mediators,  
20 in an effort to resolve all pending issues necessary to achieve confirmation of a  
21 consensual plan. These mediation sessions were largely completed in December 2006.  
22 Thanks to the extraordinary efforts and commitment of Judges Hogan and Velure, and  
23 the cooperation of all parties involved in the mediation, the Debtor, the majority of the  
24 Known Tort Claimants, the Tort Claimants Committee, the Future Claimants  
25 Representative, the Parish and Parishioners Committee, and representatives of the

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1 Archdiocesan High Schools were able to resolve the majority of the pending disputes  
2 and reached agreement on a joint plan that had broad support.

3 • As of February 15, 2007, 221 of the Known Tort Claims have been settled,  
4 disallowed, or withdrawn, leaving only 27 Unresolved Known Tort Claims (not including  
5 any Future Claims, i.e., child abuse Claims which are currently unknown to the Debtor  
6 but may be asserted after confirmation of the Plan). The Debtor continues to attempt to  
7 settle the remaining 27 Known Tort Claims, and the parties have agreed to a procedure  
8 pursuant to which Judges Hogan and Velure will remain involved in an effort to resolve  
9 those Claims prior to confirmation of the Plan.

10 **III. OVERVIEW OF THE PLAN.**

11 The Plan provides for the reorganized Debtor (the “Reorganized Debtor”) to pay  
12 in full all Claims which are Allowed. All Settled Tort Claims will be paid within 10 days  
13 after the Effective Date of the Plan. In addition, the Reorganized Debtor will provide up  
14 to \$13.715 million, plus the aggregate Estimated Amount of Claims 220, 283, 311, and  
15 476 as determined by the District Court, in funding to pay the 27 Unresolved Known Tort  
16 Claims at such times as they are resolved and to the extent they become Allowed  
17 Claims. The Reorganized Debtor will also provide funding of up to \$20 million as  
18 necessary to pay Future Claims which are asserted by April 30, 2030. In the event the  
19 Bankruptcy Court determines that it will be necessary to estimate any or all of the  
20 Unresolved Known Tort Claims in order to confirm the Plan, the District Court will make  
21 the estimation. The Plan provides for the establishment of both a Known Tort Claims  
22 Trust and a Future Claims Trust to hold funds and make payment on Unresolved Known  
23 Tort Claims and Future Claims as they are resolved.

24 //

25 //

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1 **IV. THE ARCHDIOCESE OF PORTLAND IN OREGON.**

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

3 The Roman Catholic Church is a hierarchical religious organization. The  
4 Archdiocese of Portland in Oregon (the “Archdiocese”) was initially created as a  
5 Vicariate–Apostolic on December 1, 1843. It became an archdiocese in 1846 under the  
6 name “Archdiocese of Oregon City.” The Archdiocese is the second oldest archdiocese  
7 in the United States, the oldest being Baltimore. The Archdiocese is presided over by  
8 an archbishop. The first archbishop was Francis Norbert Blanchet, who served in that  
9 capacity from 1846 until 1880. John G. Vlazny is the current archbishop, having served  
10 since 1997. The Archbishop provides ecclesiastical guidance to all Catholics within the  
11 geographical area extending from the crest of the Cascade Mountains on the east to the  
12 Pacific Ocean on the West, and from the southern Washington border on the north to  
13 the northern California border on the south.

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

22 In addition to the Archdiocese itself, many other Catholic entities exist within  
23 western Oregon, including Parishes, universities, hospitals, monasteries, and various  
24 other religious, teaching, and charitable organizations and institutions. There are an  
25

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1 estimated to be more than 380,000 Roman Catholics who are served by 124 Parishes  
2 and 24 missions in western Oregon.

3 **B. The Debtor's Assets And Liabilities.**

4 **1. Assets.**

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

15 **(a) Unrestricted Archdiocesan Property.** The Unrestricted  
16 Archdiocesan Property is described on Exhibit 1, and includes the Pastoral Center  
17 Building and associated real property, the Casa Del Rey Apartments, certain houses  
18 and vacant land, and certain assets held in the General Operating Fund, the Insurance  
19 Fund, and the Property Fund. The Debtor estimates that the current fair market value of  
20 the Unrestricted Archdiocesan Property is approximately \$21,259,879 as of October 31,  
21 2006.

22 **(b) Restricted Archdiocesan Property.** The Restricted  
23 Archdiocesan Property is described on Exhibit 2, and includes the Annual Catholic  
24 Appeal Fund, the Priest Retirement Fund, the Archdiocese Catholic Education  
25 Endowment Fund, the Perpetual Endowment Fund, the Archdiocesan Cemeteries and

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1 all associated operating funds, the Restricted Fund, and the Charitable Gift Annuity  
2 Fund. The Debtor estimates the current fair market value of the Restricted  
3 Archdiocesan Property is approximately \$103,626,679 as of October 31, 2006. The  
4 Tort Claimants Committee has asserted that these funds are property of the estate and  
5 are available to pay claims against the Debtor; however, upon confirmation of the Plan  
6 that issue will be settled and any further litigation unnecessary.

7 **(c) Parish and School Property.** The Parish and School  
8 Property is described on Exhibit 3, and includes all Parish churches, schools, and  
9 cemeteries, Central Catholic High School, Regis High School, Marist High School, and  
10 all Parish and School bank and investment accounts, including funds and investments in  
11 the Archdiocesan Loan and Investment Program and the Catholic Education  
12 Endowment Fund. The value of the cash and investments in these accounts totaled  
13 approximately \$76.5 million as of June 30, 2006. Approximately \$29 million of this  
14 amount is held in Parish bank accounts and is constantly being used and replenished to  
15 support Parish and School operations, approximately \$15.5 million is held in Parish  
16 Catholic Education Endowment Fund accounts, and approximately \$22.5 million is held  
17 in Parish Archdiocesan Loan and Investment Program accounts. The Debtor receives  
18 Parish financial reports annually in the fall of each year for the preceding fiscal year.  
19 The Debtor believes it unlikely that the stated amounts have changed significantly since  
20 June 30, 2006. Few current appraisals exist for the Parish and School real property and  
21 it would be very difficult to provide a reliable estimate of the value of such property. This  
22 is because much of the property can likely be used only for churches and schools  
23 without significant cost to the purchaser to demolish or convert the buildings on the  
24 property. There is only a limited market for church and school property. In addition,  
25 many of the churches and schools are in residential neighborhoods with restricted

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1 zoning which could prevent the property from being used for any other purpose. The  
2 current tax appraised value of the real property likely exceeds \$400 million.

3 **(d) Insurance Recoveries.** The Debtor, the Parishes, the  
4 Schools, and other entities are insured under certain Insurance Policies that the Debtor  
5 asserts provides coverage for the Tort Claims. The Insurance Companies were  
6 defendants or plaintiffs in adversary proceedings pending in the Court to determine the  
7 insurers' liability for and the amount of coverage available to the Debtor for the Tort  
8 Claims. Those adversary proceedings have now been resolved. The Debtor reached  
9 settlements with nine of the Insurance Companies, who have paid or agreed to pay the  
10 aggregate amount of \$52 million in settlement pursuant to which they will each purchase  
11 their policies from the Debtor pursuant to Section 363 of the Bankruptcy Code. The  
12 Debtor will dismiss its claims against the remaining defendant Insurance Company (an  
13 excess carrier) without prejudice.

14 **2. Liabilities.**

15 **(a) Administrative Claims.** The Debtor anticipates that it will  
16 owe approximately \$6 million in unpaid administrative expenses on the Effective Date  
17 (assuming an Effective Date of May 1, 2007), consisting primarily of legal fees and  
18 expenses owing to the Debtor's, the Tort Claimants Committee's, the Future Claimants  
19 Representative's, and the Parish and Parishioners' Committee's attorneys, accountants,  
20 consultants, experts, and other advisors.

21 **(b) Priority Tax Claims.** Priority Tax Claims are estimated to  
22 total approximately \$5,935.

23 **(c) Non-Tax Priority Claims.** Non-Tax Priority Claims are  
24 estimated to total approximately \$2,920, consisting of unfunded liabilities associated  
25 with tenant deposits at the Casa Del Rey Apartments.

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1                   **(d) Umpqua Bank Secured Claim.** Umpqua Bank's Secured  
2 Claim, which is secured by liens on the real property located at 1610 N.E. Couch Street  
3 and 1623 W. Burnside in Portland, Oregon, is estimated to total approximately  
4 \$313,700. The Debtor estimates that the fair market value of the property securing this  
5 Claim is approximately \$2.1 million.

6                   **(e) Perpetual Endowment Fund Secured Claim.** The  
7 Perpetual Endowment Fund's Secured Claim, which is secured by liens on the Pastoral  
8 Center and the Casa Del Rey Apartments, is estimated to total approximately  
9 \$4,974,348 in April, 2007. The current tax appraised real market value of the property  
10 securing this Claim is \$7,585,000. This Claim is the result of a loan made by the  
11 Perpetual Endowment Fund to the Debtor in July of 2003 to replenish funds in the  
12 Debtor's Insurance Fund that had been used to pay Tort Claims. The loan is a form of  
13 investment for the Perpetual Endowment Fund in that it provides a market rate of  
14 interest, with the Debtor's principal obligation secured by adequate collateral to protect  
15 the Fund in the event the Debtor should fail to make the required payments. This loan  
16 is not in default.

17                   **(f) Key Bank Guaranty Claims.** Key Bank's Claim results from  
18 the Debtor's guaranty of loans made to Assumption Village, LLC (senior  
19 housing/assisted living project), Trinity Court, LLC (OSU Newman Center and student  
20 housing project), and Village Enterprises, LLC (Villa St. Margaret) (senior apartment  
21 project) for construction loans to build those projects. The loans are secured in part by  
22 letters of credit and trust deeds on real property not owned by the Debtor. The unpaid  
23 balance on these loans currently totals approximately \$19,746,991. The estimated  
24 value of the real property securing these loans, based on recent appraisals, is  
25 approximately \$15,683,000. The Trinity Court obligation is currently in default and Key

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1 Bank has paid the bond holders approximately \$2.4 million pursuant to a letter of credit  
2 securing the borrower's obligation on the bonds. Based on the appraisal information,  
3 Key Bank's Claims could be undersecured by as much as \$4 million. The Debtor has  
4 been informed by Village Enterprises LLC that it believes the appraisals on some of the  
5 property is below the true fair market value. Furthermore, Village Enterprises LLC has  
6 obtained additional guaranties that provide additional security for the Key Bank  
7 obligation. Thus, even if the appraisal values are correct, the Debtor's exposure may be  
8 less than \$4 million.

9 **(g) General Unsecured Claims.** General Unsecured Claims  
10 are estimated to total approximately \$525,000. These Claims consist primarily of trade  
11 claims against the Debtor which were unpaid as of the Petition Date.

12 **(h) Allowed Known Tort Claims.** There are 146 Allowed  
13 Known Tort Claims totaling approximately \$40.7 million, plus agreed interest.

14 **(i) Unresolved Known Tort Claims.** There are 27 Unresolved  
15 Known Tort Claims. The Debtor believes that its total liability on these Claims is less  
16 than \$5 million. The Debtor has agreed to provide funding of up to \$13,715,000, plus  
17 the aggregate Estimated Amount of Claims 220, 283, 311, and 476, to pay these Claims  
18 once they are Allowed.

19 **(j) Future Claims.** Future Claims are those Tort Claims for  
20 child abuse meeting certain criteria which have not been asserted as of the Effective  
21 Date. HR&A, which was appointed by the Court as an independent expert, filed its first  
22 report on May 23, 2006, initially concluding, subject to considerable uncertainty, that  
23 over a period of years there likely would be asserted against the Debtor between 89 and  
24 168 Future Claims which could be expected to result in an aggregate liability in the  
25 range of \$16.7 million (net present value) to \$41.7 million (net present value). Since

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1 then, HR&A updated its analysis to consider how the assumptions used in its first report  
2 compare to what has actually happened over the past 18 months and prepared a  
3 revised forecast in which it indexed its earlier projections to incorporate this data.  
4 HR&A's revised forecast of Future Claims, which will be summarized in a second report  
5 to be filed with the Bankruptcy Court, projects that there likely will be asserted against  
6 the Debtor approximately 37 Future Claims, which are expected to result in an  
7 aggregate liability in the range of \$5.2 million (net present value) to \$7.4 million (net  
8 present value). However, under a variation of this revised forecast, HR&A estimates  
9 that the number of Future Claims could be as low as 11 and as high as 63, which could  
10 be expected to result in an aggregate liability in the range of \$1.6 million (net present  
11 value) to \$12.1 million (net present value). The Debtor has agreed to provide funding of  
12 up to \$20 million (net present value) to pay Future Claims which may be asserted on or  
13 before April 30, 2030.

14 **(k) Retiree Benefit Claims.** Retiree Benefit Claims are  
15 estimated by the Debtor to total approximately \$404,000.

16 **(l) Donor and Beneficiary Claims.** These Claims consists of  
17 the Claims filed by Parishes, parishioners, donors, and others who (i) have made  
18 donations to the Debtor, the Parishes, or the Schools, claiming their donations or the  
19 property purchased with their donations are subject to donor imposed restrictions;  
20 and/or (ii) claim some beneficial interest or rights in Parish, School, or other property  
21 that is asserted to be held by the Debtor in charitable trust; which would prevent such  
22 property from being utilized to pay Claims against the Debtor. It is anticipated that all  
23 these Claims can be dealt with under the Plan without utilizing any of the Parish or  
24 School property to do so. Under the Plan, the Reorganized Debtor will restructure the  
25 Archdiocese, the Parishes, and the Schools into one or more charitable trusts,

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1 endowments, non-profit religious corporations, or other charitable entities that are,  
2 under Oregon law, legally separate and distinct from the Reorganized Debtor.  
3 Furthermore, the Reorganized Debtor will, as part of and as required by such  
4 restructuring, transfer property between and among any existing or newly created  
5 entities. The Parish and Parishioners Committee will remain in existence following the  
6 Effective Date for the sole purpose of ensuring that the restructuring transactions  
7 contemplated by the Plan, as they affect Parishes, are reasonably implemented. The  
8 Archbishop will consult the Parish and Parishioners Committee; provided, however, that  
9 nothing in the Plan is intended to diminish the rights or alter the obligations of the  
10 Archbishop under ecclesiastical law with respect to the restructuring.

11 **V. DESCRIPTION OF THE PLAN.**

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

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

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

19 **1. Claim Amounts.**

20 Until Allowed by the Court, certain Claims against the Debtor are in  
21 unliquidated amounts. Accordingly, the amounts of Claims specified in this Disclosure  
22 Statement reflect only the Debtor's estimates based on information available to it.  
23 Additionally, the amounts of Claims specified in this Disclosure Statement do not  
24 include all Claims that may arise from the rejection of certain executory contracts or  
25 other contingent or unliquidated Claims against the Debtor.

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

2                   The Effective Date of the Plan determines when the performance of many  
3 of the obligations under the Plan is due. Unless an appeal is taken from the  
4 Confirmation Order and a stay of that order remains in effect, the Effective Date  
5 presently is expected to occur on the first business day after the 10th day after entry of  
6 the Confirmation Order.

7                   **3.     Classification Generally.**

8                   Under the Plan, all Claims against the Debtor, other than Administrative  
9 Claims and Priority Tax Claims, are divided into ten separate classes, which the  
10 Proponents believe complies with the requirements of the Bankruptcy Code. Unless  
11 otherwise expressly stated in the Plan, the respective treatments under the Plan of  
12 Allowed Claims are in full discharge and satisfaction of those Allowed Claims. Except  
13 as provided in the Plan, all Claims against the Debtor arising prior to the Effective Date  
14 will be discharged as of the Effective Date pursuant to Section 1141(d) of the  
15 Bankruptcy Code, and as provided in the Plan.

16                   **4.     Treatment of Claims.**

17                   A table that briefly summarizes the classification and treatment of Claims  
18 under the Plan is set forth in Section I.F. above. Reference is made to the Plan itself for  
19 the specific terms and provisions.

20                   **B.     Plan Funding.**

21                   The Reorganized Debtor will utilize the \$52 million in Insurance Recoveries,  
22 other available cash, and borrowings on a line of credit to fund its obligations under the  
23 Plan. The Debtor has obtained a commitment from Allied Irish Bank to provide funding  
24 of up to \$40 million under a combined line of credit and letters of credit which will be  
25 used as necessary to satisfy the Reorganized Debtor's obligations under the Plan.

1 Borrowings on the line of credit and letters of credit will be secured by a security interest  
2 and lien on the cash and investments held in the Perpetual Endowment Fund (currently  
3 valued at approximately \$38.4 million) and certain real property owned by the Debtor  
4 (currently valued at approximately \$10 million).

5 **C. Executory Contracts and Unexpired Leases to be Assumed if not**  
6 **Rejected.**

7 On the Effective Date, all executory contracts and unexpired leases of the Debtor  
8 that have not been assumed or rejected, or are not subject to a pending motion to  
9 reject, will be assumed by the Reorganized Debtor in accordance with the provisions  
10 and requirements of Sections 365 and 1123 of the Bankruptcy Code. In general,  
11 Claims arising from the rejection of an executory contract or unexpired lease must be  
12 filed within thirty (30) days after the Effective Date. Every such Claim which is timely  
13 filed, if and when Allowed, will be treated as a General Unsecured Claim under the  
14 Plan. Every such Claim which is not timely filed by the deadline fixed in the Plan will be  
15 forever barred, unenforceable, and discharged, and the Creditor holding the Claim will  
16 not receive or be entitled to any distribution under the Plan on account of such Claim.

17 **D. Objections to Claims.**

18 Notwithstanding the occurrence of the Effective Date, and except as to any Claim  
19 that has been Allowed by Court order prior to the Effective Date, the Reorganized  
20 Debtor, any Claimant, the Insurance Companies, or any other party in interest may  
21 object to the allowance of any Claim against the Debtor or seek estimation thereof on  
22 any grounds permitted by the Bankruptcy Code by filing the appropriate pleading in the  
23 Bankruptcy Court at any time prior to the first Business Day which is at least 60 days  
24 after the Effective Date. No payments or other distributions will be made to holders of  
25 Claims unless and until such Claims are Allowed Claims. If a Claim is not an Allowed

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1 Claim on the Effective Date, or when payment is otherwise due under the Plan,  
2 payment on the Allowed Claim (plus interest, if any, as provided in the Plan) will be  
3 made as soon as practicable following the Allowance Date.

4 **E. Administrative Claims Bar Date.**

5 All requests for payment of Administrative Claims other than Current Obligations  
6 must be served and filed with the Bankruptcy Court no later than 30 days after the  
7 Effective Date. Any such Claim that is not served and filed within this time period will be  
8 forever barred. Any Claims for fees, costs, and expenses incurred by the FCR or any  
9 Chapter 11 professional after the Effective Date will be treated as part of the fees and  
10 expenses of the Reorganized Debtor and need not be submitted to the Bankruptcy  
11 Court for approval. After approval of the final fee applications of the Chapter 11  
12 professionals by the Bankruptcy Court for services provided and costs incurred during  
13 the course of administration of the Case prior to the Effective Date, the Chapter 11  
14 professionals will not be required to submit any further fee applications to the  
15 Bankruptcy Court.

16 **F. Discharge.**

17 Except as otherwise expressly provided in the Plan, in the Plan Documents, or in  
18 the Confirmation Order, on the Effective Date, the Debtor (including the Archdiocese,  
19 the Parishes, and the Schools) and the Reorganized Debtor will be discharged from all  
20 liability on any and all Claims and Debts, known or unknown, whether or not giving rise  
21 to a right to payment or an equitable remedy, that arose, directly or indirectly, from any  
22 action, inaction, event, conduct, circumstance, happening, occurrence, agreement, or  
23 obligation of the Debtor (including the Archdiocese, the Parishes, and the Schools), or  
24 their Representatives before the Effective Date, or that otherwise arose before the  
25 Effective Date, including, without limitation, all interest, if any, on any such Claims and

1 Debts, whether such interest accrued before or after the date of commencement of this  
2 Case, and including, without limitation, all Claims and Debts based upon or arising out  
3 of Child Abuse or Sexual Misconduct, and from any liability of the kind specified in  
4 Sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not a proof of  
5 claim is filed or is deemed filed under Section 501 of the Bankruptcy Code, such Claim  
6 is Allowed under this Plan, or the holder of such Claim has accepted this Plan.  
7 Notwithstanding this discharge, (i) the Debtor's discharge will not impair or release the  
8 obligations of any Non-Settling Insurance Company with respect to the Claims, and (ii)  
9 obligations arising under any settlement agreement between the Debtor and any  
10 Settling Insurance Company approved by the Bankruptcy Court will not be discharged.

11 **G. 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 will 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 Claimants. As of the Effective Date, the Reorganized Debtor may hold,  
16 use, dispose, and otherwise deal with such property and conduct its affairs, in each  
17 case, free of any restrictions imposed by the Bankruptcy Code or by the Bankruptcy  
18 Court, other than those restrictions expressly imposed by the Plan, the Confirmation  
19 Order, or the Plan Documents.

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1           **H.     Exculpation And Limitation Of Liability.**

2           ***Under the Plan, none of the Released Parties<sup>1</sup>, will have or incur any***  
3 ***liability to, or be subject to any right of action by, any holder of a Claim, any other***  
4 ***party in interest, or any of their respective agents, employees, representatives,***  
5 ***financial advisors, attorneys, or affiliates, or any of their successors or assigns,***  
6 ***for any act or omission in connection with, relating to, or arising out of the Case,***  
7 ***including the exercise of their respective business judgment and the performance***  
8 ***of their respective fiduciary obligations, the pursuit of confirmation of the Plan, or***  
9 ***the administration of the Plan, except liability for their willful misconduct or gross***  
10 ***negligence, and, in all respects, such parties will be entitled to reasonably rely***  
11 ***upon the advice of counsel with respect to their duties and responsibilities under***  
12 ***the Plan or in the context of the Case.***

13           **I.     Injunction Against Prosecution of Tort Claims Against Settling**  
14 **Insurance Companies.**

15           ***Under the Plan, in consideration of the undertakings of the Settling***  
16 ***Insurance Companies pursuant to their respective settlements with the Debtor,***  
17 ***including any of the Settling Insurance Companies' purchases of their Insurance***  
18 ***Policies from the Debtor free and clear of Claims and interests pursuant to***  
19 ***Section 363(f) of the Bankruptcy Code, and to further preserve and promote the***  
20 ***agreements between the Debtor and the Settling Insurance Companies and the***  
21 ***protections afforded the Settling Insurance Companies thereunder, and pursuant***  
22

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23           <sup>1</sup> "Released Parties" means the Debtor (including the Archdiocese, the Parishes, and  
24 the Schools), the Tort Claimants Committee, the Parish and Parishioners Committee,  
25 the Future Claimants Representative, Hamilton Rabinovitz & Alschuler, and all of their  
26 respective present or former members, managers, officers, directors, employees, or  
agents acting in such capacity.

1 *to Sections 363 and 105 of the Bankruptcy Code, all Persons or Entities which*  
2 *have held or asserted, which hold or assert or which may in the future hold or*  
3 *assert an Enjoined Claim<sup>2</sup> are hereby permanently stayed, enjoined, and*  
4 *restrained from taking any action directly or indirectly for the purposes of*  
5 *asserting, enforcing or attempting to assert or enforce any Enjoined Claim,*  
6 *including: (i) commencing or continuing in any manner any action or other*  
7 *proceeding of any kind with respect to any Enjoined Claim against any Settling*  
8 *Insurance Company, its predecessors, successors, and assigns, or their*  
9 *respective officers and directors, or against the property of any Settling*  
10 *Insurance Company, its predecessors, successors, and assigns, or their*  
11 *respective officers and directors; (ii) enforcing, attaching, collecting or*  
12 *recovering, by any manner or means, from any Settling Insurance Company, its*  
13 *predecessors, successors, and assigns, or their respective officers and directors,*  
14 *or from the property of any Settling Insurance Company, its predecessors,*  
15 *successors, and assigns, or their respective officers and directors, with respect*

16

17

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18 <sup>2</sup> “Enjoined Claim” means any Claim (as defined in §101(5) of the Bankruptcy Code)  
19 relating to the Insurance Policies or related rights addressed by the Plan or the  
20 Confirmation Order, including without limitation any contribution, indemnity, subrogation,  
21 equitable subrogation, recoupment, quantum meruit, “other insurance clauses” rights, or  
22 similar Claim or legal theory, against any Settling Insurance Company, its predecessors,  
23 successors, and assigns, or their respective officers and directors, whenever and  
24 wherever arising or asserted, whether sounding in tort, contract, warranty or any other  
25 theory of law, equity or admiralty, including without limitation all Claims by way of direct  
26 action, statutory or regulatory action, or otherwise, Claims for exemplary or punitive  
damages, for attorneys’ fees and other expenses, or for any equitable remedy. For the  
avoidance of doubt, an Enjoined Claim includes only those Claims asserted against a  
Settling Insurance Company, its predecessors, successors, and assigns, or their  
respective officers and directors, and does not include the rights of holders of Claims to  
assert such Claims against any Person or Entity other than Settling Insurance  
Companies.

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1 *to any such Enjoined Claim, any judgment, award, decree or order against the*  
2 *Debtor or other Person or Entity; (iii) creating, perfecting or enforcing any lien of*  
3 *any kind against any Settling Insurance Company, its predecessors, successors,*  
4 *and assigns, or their respective officers and directors, or the property of any*  
5 *Settling Insurance Company, its predecessors, successors, and assigns, or their*  
6 *respective officers and directors, with respect to any such Enjoined Claim; and*  
7 *(iv) asserting, implementing or effectuating any Enjoined Claim of any kind*  
8 *against (1) any obligation due any Settling Insurance Company, its predecessors,*  
9 *successors, and assigns, or their respective officers and directors, (2) any*  
10 *Settling Insurance Company, its predecessors, successors, and assigns, or their*  
11 *respective officers and directors, or (3) the property of any Settling Insurance*  
12 *Company, its predecessors, successors, and assigns, or their respective officers*  
13 *and directors, with respect to any such Enjoined Claim.*

14 **J. Reservation of Rights.**

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

21 **VI. POST-CONFIRMATION MANAGEMENT OF REORGANIZED DEBTOR.**

22 The administration of the Reorganized Debtor will continue as before  
23 confirmation with the Archbishop being the sole director of the Reorganized Debtor.  
24 The Archbishop's compensation will include an annual salary (currently \$24,573), health  
25

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1 insurance, retiree benefits, the use of a car, the use of a home, and reimbursement of  
2 expenses incurred while performing his duties as Archbishop.

3         However, the Reorganized Debtor will, not later than one-year following the  
4 Effective Date, restructure under civil law the Archdiocese, the Parishes, and the  
5 Schools into one or more charitable trusts, endowments, non-profit religious  
6 corporations, or other charitable entities that are, under Oregon law, legally separate  
7 and distinct from the Reorganized Debtor. Furthermore, the Reorganized Debtor will, as  
8 part of and as required by such restructuring, transfer property between and among any  
9 existing or newly created entities, so long as any such actions do not diminish the  
10 Reorganized Debtor's ability or obligation to make the payments required under the  
11 Plan or to otherwise fulfill its obligations under the Plan Documents, nor diminish the  
12 Known Tort Claims Trust's or Future Claims Trust's rights, or ability to enforce the  
13 Reorganized Debtor's obligations, under the Plan and Plan Documents. The Parish and  
14 Parishioners Committee will remain in existence following the Effective Date for the sole  
15 purpose of ensuring that the restructuring transactions contemplated by the Plan, as  
16 they affect Parishes, are reasonably implemented. The Archbishop will consult the  
17 Parish and Parishioners Committee in this regard; provided that nothing in the Plan is  
18 intended to diminish the rights or alter the obligations of the Archbishop under  
19 ecclesiastical law with respect to the restructuring. The Parish and Parishioners  
20 Committee will be entitled to retain attorneys to represent it in regard thereto, and the  
21 Reorganized Debtor will pay the reasonable fees and expenses of such attorneys as  
22 and when due.

23 **VII. FEDERAL TAX CONSEQUENCES.**

24         THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF  
25 THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY,

26 **Page 29 of 37 - DISCLOSURE STATEMENT REGARDING SECOND AMENDED AND  
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1 ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX  
2 ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL  
3 TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.  
4 NEITHER THE PROPONENTS NOR THEIR COUNSEL MAKE ANY  
5 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF  
6 CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR  
7 ANY CREDITOR.

8 Under the Internal Revenue Code of 1986, as amended, there may be significant  
9 federal income tax issues arising under the Plan described in this Disclosure Statement  
10 that affect Creditors in the case. The Known Tort Claims Trust and Future Claims Trust  
11 are each structured as a “qualified settlement fund” (“QSF”) within the meaning of  
12 Treasury Regulations enacted under Internal Revenue Code Section 486B(g). Each  
13 trust is characterized as a QSF because:

14 1. Each trust will be established pursuant to an order of, or be  
15 approved by, the United States, any state or political subdivision thereof, or any agency  
16 or instrumentality (including a court of law) of any of the foregoing and will be subject to  
17 the continuing jurisdiction of that governmental authority;

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

25 3. Each trust will be a trust under state law.

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1 The primary tax consequences of each trust being characterized as a QSF are  
2 the following:

3 (a) each trust must use a calendar taxable year and the accrual  
4 method of accounting;

5 (b) each trust takes a fair market value basis in property  
6 contributed to it by the Debtor;

7 (c) each trust's income is not taxed to the trust because it is a  
8 grantor trust; and,

9 (e) each trust will have a separate taxpayer identification  
10 number.

11 Each trust will be required to comply with a number of other administrative tax  
12 rules including filing information returns (generally IRS Form 1099) when approved  
13 payments are made to Claimants.

14 It is not practicable to present a detailed explanation of every possible federal  
15 and state income tax ramification of the trusts or the Plan.

16 **VIII. ACCEPTANCE AND CONFIRMATION.**

17 **A. Voting Procedures.**

18 **1. Generally.**

19 Only those Creditors whose Claims fall within one or more classes that  
20 are impaired under the Plan are eligible to vote to accept or reject the Plan. In that  
21 regard, only the holders of Allowed Claims in Classes 3, 4, 5, 7, 8 and 10 are entitled to  
22 vote on the Plan. Classes 1, 2, 6, and 9 are not impaired under the Plan and are  
23 deemed to have accepted the Plan without voting. The Proponents reserve the right to  
24 supplement this Disclosure Statement (if necessary) and to solicit any of those Classes  
25 which may prove to be impaired and entitled to vote.

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1 Separate Ballots will be sent to the known holders of Claims whether or not such  
2 Claims are Disputed. However, only the holders of Allowed Claims (or Claims that have  
3 been Temporarily Allowed or have been estimated by the Bankruptcy Court) in one or  
4 more impaired classes are entitled to vote on the Plan. A Claim to which an objection  
5 has been filed is not an Allowed Claim unless and until the Bankruptcy Court rules on  
6 the objection and enters an order allowing the Claim. The holder of a Disputed Claim is  
7 not entitled to vote on the Plan unless the holder of such Claim requests that the  
8 Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allow the Claim in an  
9 appropriate amount solely for the purpose of enabling the holder of such Disputed Claim  
10 to vote on the Plan, and the Bankruptcy Court does so.

11 **2. Incomplete Ballots.**

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

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

16 Any Creditor which has delivered a Ballot accepting or rejecting the Plan  
17 may withdraw such acceptance or rejection by delivering a written notice of withdrawal  
18 to the balloting agent, BMC Group, Inc., at any time prior to the voting deadline.

19 A notice of withdrawal, to be valid, must: (i) contain the description of the  
20 Claim to which it relates and the amount of such Claim; (ii) be signed by the voting  
21 Creditor in the same manner as the Ballot; and (iii) be received by BMC in a timely  
22 manner at the address set forth below.

23 Unless otherwise directed by the Bankruptcy Court, a purported notice of  
24 withdrawal of Ballots or change in the vote which is not received in a timely manner will  
25 not be effective to withdraw or change a previously furnished Ballot.

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1                   **4.     Submission Of Ballots.**

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

7                   BMC GROUP, INC.  
8                   1330 E. Franklin Avenue  
9                   El Segundo, CA 90245  
                  Toll Free: 888-909-0100  
                  Main: 310-321-5555  
                  Fax: 310-640-8071

10                  Ballot(s) or withdrawals/revocations must be returned to BMC. Ballots (and  
11 withdrawals/revocations) must be received by BMC no later than 5:00 p.m. Pacific Time  
12 on March 29, 2007. In addition, Ballots may be faxed to BMC at 310-640-8071. To be  
13 effective, transmission of the facsimile must begin no later than 5:00 P.M. Pacific Time  
14 on March 29, 2007.

15                   **5.     Confirmation Hearing and Plan Objection Deadline.**

16                  The Bankruptcy Court will hold a hearing on confirmation of the Plan  
17 commencing on April 10, 2007 at 9:00 a.m. Pacific Time in the Bankruptcy Courtroom  
18 No. 1, 1001 SW Fifth Avenue, 7<sup>th</sup> Floor, Portland, Oregon, 97204. All objections, if any,  
19 to the confirmation of the Plan must be in writing; must state with specificity the grounds  
20 for any such objections; and must be filed with the Bankruptcy Court on or before  
21 March 29, 2007.

22                   **6.     Feasibility**

23                  The Bankruptcy Code requires, as a condition to confirmation, that the  
24 Bankruptcy Court find that liquidation of the Debtor or the need for future reorganization  
25 is not likely to follow after confirmation. For the purpose of determining whether the

1 Plan meets this requirement, the Debtor has prepared projections attached hereto as  
2 Exhibit "4" showing that the Reorganized Debtor will have the resources and ability to  
3 pay those Claims that are due on confirmation of the Plan and all future obligations as  
4 they come due.

5 **B. Best Interests Of Creditors.**

6 Under Section 1129(a)(7) of the Bankruptcy Code, the Plan must provide that  
7 Creditors receive at least as much under the Plan as they would receive in a Chapter 7  
8 liquidation of the Debtor. The Debtor has agreed to provide funding to pay Claims  
9 which the Proponents believe is more than sufficient in amount to enable the  
10 Reorganized Debtor to pay all Claims in full with interest. Because in Chapter 7  
11 creditors can be paid no more than the full amount of their Claims, as allowed with  
12 interest at the federal judgment rate, and because the Debtor is committing under the  
13 Plan to provide funding which the Proponents believe will be more than sufficient to pay  
14 all Claims in full with interest at a rate greater than the federal judgment rate, the  
15 Proponents believe that the Plan satisfies the "best interest of creditors" test of Section  
16 1129(a)(7) of the Bankruptcy Code.

17 **C. Confirmation Over Dissenting Class.**

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

24 //

25 //

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1                   **1.     No Unfair Discrimination.**

2                   The Plan “does not discriminate unfairly” if: (a) the legal rights of a  
3                   dissenting class are treated in a manner that is consistent with the treatment of other  
4                   classes whose legal rights are similar to those of the dissenting class; and (b) no class  
5                   receives payments in excess of that which it is legally entitled to receive for its claims.  
6                   The Proponents believe that the Plan does not discriminate unfairly as to any impaired  
7                   class of Claims.

8                   **2.     Fair and Equitable Test.**

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

11                  **(a)     Secured Creditors.** To satisfy the "fair and equitable"  
12                  requirement as to a class of Secured Claims, the Plan must, at a minimum, provide that  
13                  (i) each impaired secured creditor retains its liens securing a Secured Claim and  
14                  receives on account of its secured claim deferred cash payments having a present  
15                  value equal to the amount of its Allowed Secured Claim, (ii) each impaired secured  
16                  creditor realizes the “indubitable equivalent” of its Allowed Secured Claim, or (iii) the  
17                  property securing the Claim is sold free and clear of liens with such liens to attach to the  
18                  proceeds, and the liens against such proceeds are treated in accordance with clause (i)  
19                  or (ii) of this subparagraph (a).

20                  **(b)     Unsecured Creditors.** To satisfy the "fair and equitable"  
21                  requirement as to a class of unsecured Claims, the Plan must, at a minimum, provide  
22                  that (i) each impaired unsecured creditor receives or retains under the Plan property of  
23                  a value equal to the amount of its Allowed Claim, or (ii) the holders of Claims and  
24                  interests that are junior to the Claims of the non-accepting class do not receive any  
25                  property under the Plan on account of such Claims and interests.

1 **IX. ALTERNATIVES TO THE PLAN.**

2 If the Plan is not confirmed, several different events could occur. Among the  
3 alternatives to the Plan are: (1) the Debtor or others could propose another plan  
4 providing for different treatment of Claims; (2) the Debtor and the Tort Claimants  
5 Committee could continue to litigate over the availability of Parish and School property  
6 and funds to pay Claims, and either could propose another plan under which payments  
7 to creditors would be dependent upon resolution of that litigation, including all appeals;  
8 (3) a creditor or other interested party could propose a competing plan; or (4) the  
9 Bankruptcy Court (after appropriate notice and hearing) could dismiss the Case if no  
10 party is able to confirm a plan in a reasonable period of time.

11 **X. CONCLUSION.**

12 The Proponents believe that the Plan provides the best alternative for paying  
13 Claims as soon as possible and that the Plan is fair to and in the best interest of all  
14 Creditors and other interested parties. Any alternative plan requiring resolution of the  
15 dispute over the availability of Parish and School property to pay Claims will result in  
16 significant delay in the payment of Claims. In fact, the Proponents anticipate that  
17 regardless of who were to prevail in that litigation, the losing side would appeal that  
18 decision and it could be years before the issue is ultimately resolved in the appellate  
19 courts. Therefore, the Proponents urge those Creditors who are entitled to vote to  
20 accept the Plan and return their ballots to BMC on or before the voting deadline.

21 **DATED:** February 26, 2007

22 **{SIGNATURES TO FOLLOW}**

23  
24  
25

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PARISHIONERS COMMITTEE**



**ROMAN CATHOLIC ARCHBISHOP OF PORTLAND IN OREGON,  
and successors, a corporation sole,**

*/s/ John G. Vlazny*

By: John G. Vlazny  
Its: Sole Director

**TORT CLAIMANTS COMMITTEE**

*/s/ Donn Christiansen*

By: Donn Christiansen, Chairperson

**PARISH AND PARISHIONERS  
COMMITTEE**

*/s/ John Rickman*

By: John Rickman, Chairperson

**TONKON TORP LLP**

*/s/ Albert N. Kennedy*

By: Albert N. Kennedy, OSB No. 82142  
Attorneys for Tort Claimants  
Committee

**PERKINS COIE LLP**

*/s/ Douglas R. Pahl*

By: Douglas R. Pahl, OSB No. 95047  
Attorneys for Parish and Parishioners  
Committee

**FUTURE CLAIMANTS  
REPRESENTATIVE**

*/s/ David A. Foraker*

By: David A. Foraker

**SUSSMAN SHANK LLP**

*/s/ Thomas W. Stilley*

By: Thomas W. Stilley, OSB No. 88316  
Attorneys for Roman Catholic  
Archbishop of Portland in Oregon,  
and successors, a corporation sole

**GREENE & MARKLEY PC**

*/s/ David A. Foraker*

By: David A. Foraker, OSB No. 81228  
Attorneys for Future Claimants  
Representative

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**PASTORAL CENTER  
ARCHDIOCESE OF PORTLAND IN OREGON  
AS OF OCTOBER 31, 2006  
UNRESTRICTED ARCHDIOCESAN PROPERTY**

	General Operating Fund	Insurance Fund	Property Fund	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ (2,278,238)	\$ 6,709,785	\$ 297,172	\$ 4,726,719
Accounts receivable, net	80,443	3,887,437	-	3,967,880
Notes, estates and other receivables	5,923,825	-	394,876	6,318,701
Loans receivable from Archdiocesan entities, net	-	-	-	-
Loans receivable from Archdiocesan housing entities, net	542,967	-	-	542,967
Interfund receivable/payable	1,607,802	-	(31,393)	1,576,409
Interest receivable and other assets	-	97,656	7,870	105,526
Inventories	-	-	-	-
Real property	-	-	226,689	226,689
Deposits and prepaid expenses	16,066	10,570	-	26,636
Investments	7,081,128	-	615,197	7,696,325
Advances to housing entities	1,531,500	-	-	1,531,500
Land, building and equipment, net	2,854,213	-	2,374,318	5,228,531
<b>Total Assets</b>	<b>17,359,706</b>	<b>10,705,448</b>	<b>3,884,729</b>	<b>31,949,883</b>
<b>Less Restricted Assets:</b>				
Blue Cross Stabilization Reserve	(1,324,040)	-	-	(1,324,040)
Seminarian Education	(1,587,493)	-	-	(1,587,493)
Sarnich Unitrust	(1,274,244)	-	-	(1,274,244)
Stehno Trust	(1,104,467)	-	-	(1,104,467)
McCoy Trust	(60,266)	-	-	(60,266)
St. Francis Dining Hall	(10,760)	-	-	(10,760)
DeJardin Trust	(1,377,130)	-	-	(1,377,130)
Permanent Diaconate	(45,671)	-	-	(45,671)
Mt. Calvary-Eugene	(412,388)	-	-	(412,388)
Second Collections	(169,671)	-	-	(169,671)
Missionaries of the Holy Spirit	(305,049)	-	-	(305,049)
Griffin Center, Net of Depreciation	(558,263)	-	-	(558,263)
Land- St. Marys, Marist, Archcape	(27,540)	-	-	(27,540)
Griffin Center, Maintenance Fund	(18,210)	-	-	(18,210)
Archbishops Titling	(38,886)	-	-	(38,886)
Employee Benefits	(353,139)	-	-	(353,139)
Computer Reserve	(29,895)	-	-	(29,895)
Perpetual Endowment Fund Loan	(5,028,060)	-	-	(5,028,060)
Reserves for Insurance Claims	-	(2,804,594)	-	(2,804,594)
St. Juan Diego House, Net of Depreciation	-	-	(231,250)	(231,250)
NPCC Real Estate Contract--Pass Thru	-	-	(234,530)	(234,530)
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)
	(13,725,172)	(2,804,594)	(1,737,055)	(18,266,821)
<b>Exchange of Cost for Fair Market Value:</b>				
PC Land and Building, Net of Depreciation	(466,471)	-	-	(466,471)
FMV of Pastoral Center	5,843,980	-	-	5,843,980
Boones Ferry/Damascus Property at Cost	(141,852)	-	-	(141,852)
FMV of Boones Ferry/Damas	418,490	-	-	418,490
Priest Houses-Net of Depreciation	-	-	(368,829)	(368,829)
FMV of Priest Houses	-	-	650,420	650,420
Aumsville Real Estate	-	-	(55,414)	(55,414)
FMV of Aumsville Property	-	-	261,130	261,130
Casa Del Rey, Net of Depreciation	-	-	(351,662)	(351,662)
FMV of Casa Del Rey	-	-	1,741,040	1,741,040
Fisher Property, Net of Depreciation	-	-	(319,408)	(319,408)
FMV of Fisher Property--1623 W Burnside	-	-	951,350	951,350
Couch Street, Net of Depreciation	-	-	(416,030)	(416,030)
FMV of Couch Street Property--1610 W Couch	-	-	1,482,540	1,482,540
	5,654,147	-	3,575,637	9,229,784
<b>Chapter 11 Housing Writeoffs:</b>				
Trinity Court Newman Center	(850,000)	-	-	(850,000)
Village Enterprises Loan	(532,967)	-	-	(532,967)
	(1,382,967)	-	-	(1,382,967)
<b>Claims Against Co-defendants for Indemnity</b>				
	-	-	-	-
<b>Total Assets</b>	<b>\$ 7,905,714</b>	<b>\$ 7,900,854</b>	<b>\$ 5,723,311</b>	<b>\$ 21,529,879</b>

PASTORAL CENTER  
 ARCHDIOCESE OF PORTLAND IN OREGON  
 AS OF OCTOBER 31, 2006  
 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
Assets:								
Cash and cash equivalents	\$ 3,224,040	\$ 266,468	\$ -	\$ -	\$ 173,669	\$ 35,167	\$ 49,866	\$ 3,741,180
Accounts receivable, net	-	121,317	-	-	-	323,726	-	445,042
Notes, estates and other receivables	-	-	-	5,428,059	-	-	-	5,428,059
Loans receivable from Archdiocesan entities, net	-	-	-	-	-	-	-	-
Loans receivable from Archdiocesan housing entities, net	(1,419,789)	-	-	-	(167,664)	-	11,074	(1,576,409)
Interfund receivable/payable	-	-	-	-	-	1,666,042	-	1,666,042
Interest receivable and other assets	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Real property	-	-	-	-	-	1,100	-	1,100
Deposits and prepaid expenses	-	9,079,565	12,422,911	37,464,253	2,032,251	11,209,219	1,398,557	73,546,776
Investments	-	-	-	-	-	-	-	-
Advances to Archdiocesan housing entities	-	920,975	-	-	-	1,167,083	-	2,108,058
Land, building and equipment, net	1,804,241	10,380,335	12,422,911	42,892,312	2,038,136	14,422,326	1,389,597	86,365,856
Restricted Assets from General Operating Fund	-	-	-	-	13,725,172	-	-	13,725,172
Restricted Assets from Insurance Fund	-	-	-	-	2,804,684	-	-	2,804,684
Restricted Assets from the Property Fund	-	-	-	-	1,737,055	-	-	1,737,055
	\$ 1,804,241	\$ 10,380,335	\$ 12,422,911	\$ 42,892,312	\$ 20,304,957	\$ 14,422,326	\$ 1,389,597	\$ 103,628,679

PARISHES/SCHOOLS  
 ARCHDIOCESE OF PORTLAND IN OREGON  
 AS OF JUNE 30, 2006  
 PARISH AND SCHOOL PROPERTY

	Parish and School Checking and Investments June 30, 2006	Schools CEEFF June 30, 2006	Archdiocesan Loan and Investment Fund June 30 2006	Property (Tax Appraisals) 2003-2004	Total
	\$ 29,083,251	\$ -	\$ -	\$ -	\$ 29,083,251
	47,392,102	(15,509,366)	(22,526,649)	-	9,358,087
	<u>\$ 76,475,353</u>	<u>\$ (15,509,366)</u>	<u>\$ (22,526,649)</u>	<u>\$ 389,820,856</u>	<u>\$ 389,820,856</u>
					<u>\$ 425,260,194</u>

Assets:  
 Cash and cash equivalents  
 Investments  
 Land and Building  
 Total Assets

PROJECTION FOR FUNDING THE PLAN OF REORGANIZATION														
FEASIBILITY	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 December 15, 2006														
Line of Credit Debit - \$25 Million		5,351,643	8,351,643	10,351,643	9,680,723	8,946,249	8,140,880	7,257,774	6,289,427	5,227,811	4,063,304	2,786,613	1,366,692	(148,357)
Beginning Balance														
Drawdowns:														
Pre-Petition Accounts Payable	522,300													
Sell-off Claims	41,533,099													
Unresolved Tort Claims (\$13.75M Cap)	5,000,000													
Future Claims (\$20M Cap)	2,000,000	3,385,000	2,385,000	1,385,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000	885,000
Trial Fees and Legal Expenses (\$5M)	49,255,389	4,485,000	3,385,000	1,685,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
General Operating Fund:														
Unique Bank Loan	313,700													
Perpetual Employment Fund Loan	172,746													
Cash Flow for Operations	6,000,000													
Administrative Claims	152,798													
Trinity Court - Key Bank Guaranty	8,139,244	1,302,174	2,849,378	660,992	690,992	690,992	690,992	690,992	690,992	690,992	690,992	690,992	690,992	690,992
Repayment of Drawdowns:														
Available Debt Service Budget	(63,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)	(385,000)
Available Bankruptcy Expense Budget	(200,000)	(2,402,174)	(2,149,378)	(1,890,992)	(1,490,992)	(1,490,992)	(1,490,992)	(1,490,992)	(1,490,992)	(1,490,992)	(1,318,244)	(800,000)	(800,000)	(800,000)
Real Property Sales - Trinity Court	(51,750,000)													
Insurance Recovery	(62,043,000)	(2,787,174)	(4,234,378)	(2,375,992)	(1,875,992)	(1,875,992)	(1,875,992)	(1,875,992)	(1,875,992)	(1,875,992)	(1,703,244)	(1,185,000)	(1,185,000)	(1,185,000)
Outstanding Line of Credit	5,351,643	8,351,643	10,351,643	10,351,643	9,680,723	8,946,249	8,140,880	7,257,774	6,289,427	5,227,811	4,063,304	2,786,613	1,366,692	(148,357)
Debt Service Payment:														
Interest Only @ 6.40%	85,628													
Interest Only @ 6.40%		634,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505
Interest Only @ 6.40%														
Ten Year Amortization @ 6.25%	85,628	834,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505	662,505
Sinking Fund Debt Service:														
Balance Forward		414,374	877,695	865,812	361,777	357,742	353,707	349,872	345,637	341,802	337,667	333,280	328,600	323,619
Available Debt Service	500,000	687,828	950,622	1,109,008	1,608,068	1,608,068	1,608,068	1,608,068	1,608,068	1,608,068	1,608,068	1,608,068	1,608,068	1,608,068
Bankruptcy Expense Budget	500,000	1,112,200	1,628,317	1,974,820	1,970,765	1,958,740	1,952,716	1,948,680	1,944,645	1,940,610	1,936,575	1,932,540	1,928,505	1,924,470

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UNITED STATES BANKRUPTCY COURT  
DISTRICT OF OREGON

In re:

ROMAN CATHOLIC ARCHBISHOP OF  
PORTLAND IN OREGON, AND  
SUCCESSORS, A CORPORATION SOLE,  
dba ARCHDIOCESE OF PORTLAND IN  
OREGON,

Debtor.

)  
) Case No. 04-37154-elp11  
)  
) DISCLOSURE STATEMENT  
) REGARDING ~~FIRST~~SECOND AMENDED  
) AND RESTATED JOINT PLAN OF  
) REORGANIZATION OF DEBTOR, TORT  
) CLAIMANTS COMMITTEE, FUTURE  
) CLAIMANTS REPRESENTATIVE, AND  
) PARISH AND PARISHIONERS  
) COMMITTEE (Dated February ~~15~~,26,  
) 2007)

~~THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. IF YOU HAVE REQUESTED AND RECEIVED A COPY OF THE DISCLOSURE STATEMENT IN CONNECTION WITH THE COURT'S HEARING TO CONSIDER APPROVAL OF THE DISCLOSURE STATEMENT, NOTHING CONTAINED HEREIN IS OR WILL BE DEEMED A SOLICITATION OF ACCEPTANCE OF THE JOINT PLAN OF REORGANIZATION.~~

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1 Roman Catholic Archbishop of Portland in Oregon, and successors, a  
2 corporation sole, *dba* the Archdiocese of Portland in Oregon (the “Debtor”), the Tort  
3 Claimants Committee appointed to represent the interests of Known Tort Claimants,  
4 David A. Foraker, in his capacity as the Future Claimants Representative, and the  
5 Parish and Parishioners Committee (collectively the “Proponents”) have prepared this  
6 Disclosure Statement in connection with the solicitation of acceptances of the First  
7 Amended and Restated Joint Plan of Reorganization of the Debtor, Tort Claimants  
8 Committee, Future Claimants Representative, and Parish and Parishioners Committee  
9 (Dated February 15, 2007) (the “Plan”). A copy of the Plan accompanies this Disclosure  
10 Statement.

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

12 **A. Introduction.**

13 On July 6, 2004 (the “Petition Date”), the Debtor commenced this Chapter 11  
14 reorganization case (“Case”) by filing a voluntary petition under Chapter 11 of the  
15 United States Bankruptcy Code (“Bankruptcy Code”). Since the Petition Date the  
16 Debtor has remained a debtor-in-possession pursuant to Sections 1107 and 1108 of the  
17 Bankruptcy Code.

18 **B. Summary of Key Features of the Plan.**

19 The following is a brief summary of the key features of the Plan:

- 20 • The insurance litigation between the Debtor and its Insurance Companies  
21 regarding insurance coverage to pay Tort Claims has been resolved. Nine  
22 Settling Insurance Companies have paid or agreed to pay the aggregate amount  
23 of \$52 million. The Debtor will dismiss its claims against the remaining defendant  
24 Insurance Company (an excess carrier) without prejudice.

- 1 • As of February 15, 2007, approximately 146 of the Known Tort Claims against  
2 the Debtor have been settled for approximately \$40.7 million. These Claims will  
3 be paid in full, with agreed interest, upon confirmation of the Plan.
- 4 • Twenty-seven Known Tort Claims remain to be resolved by settlement or further  
5 litigation. The Reorganized Debtor will provide up to \$13.715 million, plus the  
6 aggregate Estimated Amount of Claims 220, 283, 311, and 476, as determined  
7 by the District Court, to pay these Claims as and to the extent they are Allowed.
- 8 • The Reorganized Debtor will provide up to \$20 million to pay Future Claims (i.e.,  
9 currently unknown Claims for Child Abuse that are asserted by a Future Claimant  
10 on or before April 30, 2030) as they are Allowed.
- 11 • Claims will be paid from Insurance Recoveries, Archdiocesan assets, and loans  
12 secured by Archdiocesan assets. It is anticipated that no Parish or School  
13 property will be used to pay Claims or serve as collateral for any loans, and that  
14 the Reorganized Debtor will be able to provide the necessary funding to pay  
15 Claims without increasing the Parish assessments.
- 16 • The Estate Property Litigation between the Debtor and the Tort Claimants  
17 Committee regarding the availability of Parish and School property to pay Claims  
18 will be settled and all appeals resulting from that litigation will be dismissed.
- 19 • The Reorganized Debtor will, not later than one year following the Effective Date,  
20 restructure under civil law the Archdiocese, the Parishes, and the Schools into  
21 one or more charitable trusts, endowments, non-profit religious corporations, or  
22 other charitable entities that are, under Oregon law, legally separate and distinct  
23 from the Reorganized Debtor. As part of, and as required by such restructuring,  
24 the Reorganized Debtor will transfer property between and among any existing  
25 and newly created entities.

1           **C.     Definitions and Plan Supremacy.**

2           All terms defined in the Plan will have the same meanings when used in this  
3 Disclosure Statement. Terms defined in this Disclosure Statement which are also  
4 defined in the Plan are solely for convenience and the Proponents do not intend to  
5 change the definitions of those terms from the Plan. Furthermore, in the event of any  
6 inconsistency between the Plan and this Disclosure Statement, the Plan will control.  
7 The Exhibits attached to this Disclosure Statement are incorporated into and are a part  
8 of this Disclosure Statement.

9           **D.     Limited Representations.**

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

15           THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS  
16 DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN WHICH  
17 ACCOMPANIES THIS DISCLOSURE STATEMENT, SHOULD BE READ  
18 COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN  
19 IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL  
20 SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN  
21 ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH  
22 IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

23           NO REPRESENTATIONS OR ASSURANCES CONCERNING THE  
24 DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS OPERATIONS, THE  
25 VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF THE  
REORGANIZED DEBTOR ARE AUTHORIZED BY THE PROPONENTS  
OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS IS A SOLICITATION BY THE PROPONENTS ONLY AND IT IS  
NOT A SOLICITATION BY THE PROPONENTS' ATTORNEYS OR ANY  
OTHER PROFESSIONALS EMPLOYED BY THE PROPONENTS. THE  
REPRESENTATIONS MADE HEREIN ARE THOSE OF THE

1 PROPONENTS AND NOT OF THE PROPONENTS' ATTORNEYS OR  
2 ANY OTHER PROFESSIONAL.

3 UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS  
4 DISCLOSURE STATEMENT DESCRIBING THE DEBTOR'S FINANCIAL  
5 CONDITION HAVE NOT BEEN SUBJECTED TO AN INDEPENDENT  
6 AUDIT, BUT PREPARED FROM INFORMATION COMPILED BY THE  
7 DEBTOR FROM RECORDS MAINTAINED IN THE ORDINARY COURSE  
8 OF ITS OPERATIONS. REASONABLE EFFORTS HAVE BEEN MADE  
9 TO ACCURATELY PREPARE ALL FINANCIAL INFORMATION WHICH  
MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE  
INFORMATION AVAILABLE TO THE PROPONENTS. HOWEVER, AS  
TO ALL SUCH FINANCIAL INFORMATION, THE PROPONENTS ARE  
UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION  
CONTAINED HEREIN IS WITHOUT ERROR.

10 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT  
11 BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO  
12 CREDITORS. CREDITORS SHOULD CONSULT THEIR OWN LEGAL  
13 COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS  
ABOUT TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON  
CREDITORS.

14 **E. Voting.**

15 Under the Bankruptcy Code, only creditors with Claims in "impaired" classes and  
16 with Claims that are Allowed, or have been Temporarily Allowed by the Bankruptcy  
17 Court pursuant to an order, are entitled to vote on the Plan. Under the Plan, all classes  
18 of Claims, other than the classes of Non-Tax Priority Claims, Umpqua Bank Secured  
19 Claim, Settled Known Tort Claims, and Retiree Benefit Claims, are "impaired." In  
20 general, a Claim is "allowed," as that term is used in the Bankruptcy Code, if (i) the  
21 Claim is listed in the Debtor's schedules of liabilities filed with the Bankruptcy Court as  
22 not disputed, contingent, or unliquidated, or (ii) a proof of claim has been timely filed  
23 with the Bankruptcy Court or the Claims Agent by the holder of the Claim, and the  
24 Debtor has not filed an objection to the Claim, or (iii) the Bankruptcy Court has entered  
25 an order allowing the Claim. If a Claim is not Allowed, but the holder thereof wishes to

26 **Page 4 of 37 - DISCLOSURE STATEMENT REGARDING ~~FIRST~~SECOND AMENDED AND  
RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS  
COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND  
PARISHIONERS COMMITTEE**

1 vote on the Plan, the holder must timely file a motion with the Bankruptcy Court  
2 requesting that the Claim be Temporarily Allowed.

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

<u>Class</u>	<u>Description</u>	<u>Status</u>
10 Class 3	Perpetual Endowment Fund Secured Claim	Impaired – Entitled to Vote
12 Class 4	Key Bank Guaranty Claim	Impaired – Entitled to Vote
13 Class 5	General Unsecured Claims	Impaired – Entitled to Vote
14 Class 7	Unresolved Known Tort Claims	Impaired – Entitled to Vote
15 Class 8	Future Claims	Impaired – Entitled to Vote
16 Class 10	Donor and Beneficiary Claims	Impaired – Entitled to Vote

17 The following classes of Claims are not impaired under the Plan:

<u>Class</u>	<u>Description</u>	<u>Status</u>
20 Class 1	Non-Tax Priority Claims	Unimpaired – Deemed to Accept
22 Class 2	Umpqua Bank Secured Claim	Unimpaired – Deemed to Accept
23 Class 6	Settled Known Tort Claims	Unimpaired – Deemed to Accept
25 Class 9	Retiree Benefit Claims	Unimpaired – Deemed to Accept

26 **Page 5 of 37** - DISCLOSURE STATEMENT REGARDING ~~FIRST~~SECOND AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND PARISHIONERS COMMITTEE

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

A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS IMPORTANT. THE PROPONENTS RECOMMEND THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

IN ORDER FOR A VOTE TO BE COUNTED, A BALLOT MUST BE PROPERLY FILLED OUT AND ACTUALLY RECEIVED ON OR BEFORE 5:00 P.M. PACIFIC TIME ON MARCH 29, 2007, BY THE VOTING AGENT AS SET FORTH IN THE BALLOT.

**F. Plan Summary.** A table summarizing the classification and treatment of Claims under the Plan is set forth below.

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Administrative Claims	Unimpaired	\$6,000,000	To be paid in full when such Claims become due, or if already due, on or as soon as reasonably practicable after the Effective Date or if later, the Allowance Date.	100%
Priority Tax Claims	Unimpaired	\$5,935	To be paid in full with interest on or as soon as reasonably practicable after the Effective Date or if later, the Allowance Date.	100%
Class 1	Unimpaired	\$2,920	To be paid in full with interest when such Claims become due,	100%

**Page 6 of 37 - DISCLOSURE STATEMENT REGARDING ~~FIRST~~ SECOND AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND PARISHIONERS COMMITTEE**

<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Non-Tax Priority Claims			or if already due, on or as soon as reasonably practicable after the Effective Date, or if later, the Allowance Date.	
Class 2 Umpqua Bank Secured Claim	Unimpaired	\$313,700	To be paid in full on or as soon as reasonably practicable following the Effective Date.	100%
Class 3 Perpetual Endowment Fund Secured Claim	Impaired	\$4,974,348	To be paid in full in 120 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; the liens securing the Claim to be released on the Effective Date.	100%
Class 4 Key Bank Guaranty Claims	Impaired	\$4,000,000	Reorganized Debtor will assume the Key Bank guaranty obligations regarding Assumption Village and Villa St. Margaret and pay according their terms, subject to revisions to the guaranty agreements and financial covenants that will cure any defaults and permit the Reorganized Debtor to cure any subsequent default of the principal obligor and continue making any payments required of the principal obligor on the underlying obligations secured by the guaranty before the guaranty obligation would become due and payable. <del>The</del> <a href="#">it is anticipated that the</a> Trinity Court property will be sold within two years of the Effective Date. <del>and the net proceeds used to pay Key Bank; however, that property is currently involved in litigation and it is possible that the sale may not occur. Prior to any sale of the property.</del> Key	100%

**Page 7 of 37 - DISCLOSURE STATEMENT REGARDING ~~FIRST~~ SECOND AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND PARISHIONERS COMMITTEE**



<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
			Bank's approximately \$2.647 million claim on the Trinity Court project will be paid in equal monthly installments of \$50,000, including interest at the Plan Interest Rate, commencing approximately 30 days following the Effective Date, with the remaining balance to be paid <del>at upon the time</del> <u>earlier to occur of (1) the sale of the property is sold, or (2) the two year anniversary of the Effective Date.</u>	
Class 5 General Unsecured Claims	Impaired	\$525,000	To be paid in full with interest within 60 days after the Effective Date or if later, the Allowance Date.	100%
Class 6 Settled Known Tort Claims	Unimpaired	Approximately \$40.7 million plus accrued interest	To be paid in full, with interest as set forth in Section 6.2 of the Plan, by Reorganized Debtor on or as soon as reasonably practicable after the Effective Date.	100%
Class 7 Unresolved Known Tort Claims	Impaired	Up to \$13.715 million, plus the aggregate Estimated Amount of Claims 220, 283, 311, and 476, to be provided for payment of Unresolved Known Tort Claims	To be paid in full at such time as Claims are Allowed. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages and will be paid Pro Rata from funds, if any, that remain in the Known Tort Claims Trust after all Unresolved Known Tort Claims not for Punitive Damages have been paid in full, with interest.	100%
Class 8 Future Claims	Impaired	Unknown - estimated to be \$12 million (net present value) or less	To be paid in full at such time as Claims are Allowed. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages and will be paid after all Future Claims not for Punitive Damages have been paid in full, with interest, and after the Future Claims Bar Date has expired, to the extent the Future Claims Cap has not	100%

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
			been exhausted.	
Class 9 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 10 Donor and Beneficiary Claims	Impaired	N/A	Reorganized Debtor to restructure the Archdiocese, Parishes, and Schools into one or more charitable trusts, endowments, non-profit religious corporations, or other charitable entities and to transfer property between and among such entities and any newly created entities as may be required by such restructuring within one year after the Effective Date.	N/A

1 **II. SIGNIFICANT EVENTS IN CHAPTER 11.**

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

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

8 • A Tort Claimants Committee (the "TCC") was appointed to represent the  
9 collective interest of all Known Tort Claimants.

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

17 • The Court approved an Accelerated Claims Resolution Procedure  
18 pursuant to which approximately 60 early filed Tort Claims alleging Child Abuse were  
19 mediated in an effort to settle such Claims. These mediations took place in August and  
20 September 2005.

21 • The Debtor filed Schedules in which the Debtor asserted that most of the  
22 property held in its name is held in trust for the benefit of schools, Parishes and others.  
23 The TCC instituted the Estate Property Litigation to determine whether such property is  
24 property of the Debtor's Estate and, therefore, available to pay Claims. The Parish and  
25 Parishioners Committee intervened in the Estate Property Litigation. In addition, the

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1 Court certified a defendant class comprised of Parishes, parishioners, donors, and  
2 beneficiaries of trusts asserted in the Parish assets.

3 • On December 30, 2005, the Court issued its decision on the TCC's  
4 Second and Third Motions for Partial Summary Judgment in the Estate Property  
5 Litigation. In the Second Motion, the TCC asked the Court to rule that the Parishes and  
6 Schools had no separate legal existence from the Debtor and that the Parishes and  
7 Schools had no power to sue or be sued. The Court ruled that the Parishes and  
8 Schools were part of the Debtor and did not have the power to sue or be sued or to be  
9 beneficiaries of trusts. In the Third Motion, the TCC asked the Court to avoid any  
10 interest asserted by the Parishes, the parishioners, and any donors or other parties in  
11 the real property of nine Parishes and Regis High School. The Court ruled that such  
12 interests were avoidable under Section 544(a)(3) of the Bankruptcy Code, but also that  
13 a trial would be necessary to determine whether the Religious Freedom Restoration Act  
14 placed some constraint on whether those properties, or possibly others in place of those  
15 properties, could be liquidated to pay Claims against the Debtor. The Debtor and the  
16 other defendants appealed those rulings to the District Court. Those appeals are still  
17 pending.

18 • The TCC filed a Fourth Motion for Partial Summary Judgment asking the  
19 Court to find either (a) that the Perpetual Endowment Fund (further described herein),  
20 which presently contains approximately \$37.4 million in cash and liquid investments, is  
21 property of the Debtor's Estate and is available to pay claims, or (b) that the Debtor's  
22 beneficial interest in and trustee's power to control the income from the trust assets are  
23 property of the Estate. The Court concluded that the Perpetual Endowment Fund is not  
24 property of the Estate but is a valid charitable trust whose assets can be used only in a  
25 manner consistent with the provisions of the trust document governing the operation of

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1 the trust. The Court further concluded that the Debtor's beneficial interest in and  
2 trustee's power to control the income from the trust are property of the Estate.

3 • The Court appointed Hamilton Rabinovitz & Alschuler ("HR&A"), a firm  
4 with extensive experience in estimating future tort claims in mass tort cases such as  
5 those involving asbestos exposure, to assist in determining the estimated number and  
6 amount of Tort Claims which can be expected to be asserted by the Future Claimants.

7 • The Debtor instituted litigation against ten of its insurers to recover  
8 amounts previously paid by Debtor in settling Tort Claims and for amounts due for  
9 unpaid Tort Claims for which the insurers denied coverage, to require the insurers to  
10 fulfill their obligations to provide coverage for the those Claims, and for other relief  
11 relating to the Insurance Policies. The insurance litigation has been resolved with all  
12 insurers except for one excess carrier. Eight of the settling insurers have paid or agreed  
13 to pay the Debtor the aggregate amount of \$52 million to settle the insurance litigation  
14 pursuant to which they will each purchase their policies from the Debtor pursuant to  
15 Section 363 of the Bankruptcy Code.

16 • In August 2006, the Proponents, the Known Tort Claimants, the Insurance  
17 Companies, and representatives of the Archdiocesan High Schools, and their respective  
18 attorneys, commenced intensive mediation sessions with United States District Court  
19 Judge Michael R. Hogan and Oregon Circuit Court Judge Lyle C. Velure, as mediators,  
20 in an effort to resolve all pending issues necessary to achieve confirmation of a  
21 consensual plan. These mediation sessions were largely completed in December 2006.  
22 Thanks to the extraordinary efforts and commitment of Judges Hogan and Velure, and  
23 the cooperation of all parties involved in the mediation, the Debtor, the majority of the  
24 Known Tort Claimants, the Tort Claimants Committee, the Future Claimants  
25 Representative, the Parish and Parishioners Committee, and representatives of the

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1 Archdiocesan High Schools were able to resolve the majority of the pending disputes  
2 and reached agreement on a joint plan that had broad support.

3 • As of February 15, 2007, 221 of the Known Tort Claims have been settled,  
4 disallowed, or withdrawn, leaving only 27 Unresolved Known Tort Claims (not including  
5 any Future Claims, i.e., child abuse Claims which are currently unknown to the Debtor  
6 but may be asserted after confirmation of the Plan). The Debtor continues to attempt to  
7 settle the remaining 27 Known Tort Claims, and the parties have agreed to a procedure  
8 pursuant to which Judges Hogan and Velure will remain involved in an effort to resolve  
9 those Claims prior to confirmation of the Plan.

10 **III. OVERVIEW OF THE PLAN.**

11 The Plan provides for the reorganized Debtor (the “Reorganized Debtor”) to pay  
12 in full all Claims which are Allowed. All Settled Tort Claims will be paid within 10 days  
13 after the Effective Date of the Plan. In addition, the Reorganized Debtor will provide up  
14 to \$13.715 million, plus the aggregate Estimated Amount of Claims 220, 283, 311, and  
15 476 as determined by the District Court, in funding to pay the 27 Unresolved Known Tort  
16 Claims at such times as they are resolved and to the extent they become Allowed  
17 Claims. The Reorganized Debtor will also provide funding of up to \$20 million as  
18 necessary to pay Future Claims which are asserted by April 30, 2030. In the event the  
19 Bankruptcy Court determines that it will be necessary to estimate any or all of the  
20 Unresolved Known Tort Claims in order to confirm the Plan, the District Court will make  
21 the estimation. The Plan provides for the establishment of both a Known Tort Claims  
22 Trust and a Future Claims Trust to hold funds and make payment on Unresolved Known  
23 Tort Claims and Future Claims as they are resolved.

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1 **IV. THE ARCHDIOCESE OF PORTLAND IN OREGON.**

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

3 The Roman Catholic Church is a hierarchical religious organization. The  
4 Archdiocese of Portland in Oregon (the “Archdiocese”) was initially created as a  
5 Vicariate–Apostolic on December 1, 1843. It became an archdiocese in 1846 under the  
6 name “Archdiocese of Oregon City.” The Archdiocese is the second oldest archdiocese  
7 in the United States, the oldest being Baltimore. The Archdiocese is presided over by  
8 an archbishop. The first archbishop was Francis Norbert Blanchet, who served in that  
9 capacity from 1846 until 1880. John G. Vlazny is the current archbishop, having served  
10 since 1997. The Archbishop provides ecclesiastical guidance to all Catholics within the  
11 geographical area extending from the crest of the Cascade Mountains on the east to the  
12 Pacific Ocean on the West, and from the southern Washington border on the north to  
13 the northern California border on the south.

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

22 In addition to the Archdiocese itself, many other Catholic entities exist within  
23 western Oregon, including Parishes, universities, hospitals, monasteries, and various  
24 other religious, teaching, and charitable organizations and institutions. There are an  
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1 estimated to be more than 380,000 Roman Catholics who are served by 124 Parishes  
2 and 24 missions in western Oregon.

3 **B. The Debtor's Assets And Liabilities.**

4 **1. Assets.**

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

15 **(a) Unrestricted Archdiocesan Property.** The Unrestricted  
16 Archdiocesan Property is described on Exhibit 1, and includes the Pastoral Center  
17 Building and associated real property, the Casa Del Rey Apartments, certain houses  
18 and vacant land, and certain assets held in the General Operating Fund, the Insurance  
19 Fund, and the Property Fund. The Debtor estimates that the current fair market value of  
20 the Unrestricted Archdiocesan Property is approximately \$21,259,879 as of October 31,  
21 2006.

22 **(b) Restricted Archdiocesan Property.** The Restricted  
23 Archdiocesan Property is described on Exhibit 2, and includes the Annual Catholic  
24 Appeal Fund, the Priest Retirement Fund, the Archdiocese Catholic Education  
25 Endowment Fund, the Perpetual Endowment Fund, the Archdiocesan Cemeteries and

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1 all associated operating funds, the Restricted Fund, and the Charitable Gift Annuity  
2 Fund. The Debtor estimates the current fair market value of the Restricted  
3 Archdiocesan Property is approximately \$103,626,679 as of October 31, 2006. The  
4 Tort Claimants Committee has asserted that these funds are property of the estate and  
5 are available to pay claims against the Debtor; however, upon confirmation of the Plan  
6 that issue will be settled and any further litigation unnecessary.

7 **(c) Parish and School Property.** The Parish and School  
8 Property is described on Exhibit 3, and includes all Parish churches, schools, and  
9 cemeteries, Central Catholic High School, Regis High School, Marist High School, and  
10 all Parish and School bank and investment accounts, including funds and investments in  
11 the Archdiocesan Loan and Investment Program and the Catholic Education  
12 Endowment Fund. The value of the cash and investments in these accounts totaled  
13 approximately \$76.5 million as of June 30, 2006. Approximately \$29 million of this  
14 amount is held in Parish bank accounts and is constantly being used and replenished to  
15 support Parish and School operations, approximately \$15.5 million is held in Parish  
16 Catholic Education Endowment Fund accounts, and approximately \$22.5 million is held  
17 in Parish Archdiocesan Loan and Investment Program accounts. The Debtor receives  
18 Parish financial reports annually in the fall of each year for the preceding fiscal year.  
19 The Debtor believes it unlikely that the stated amounts have changed significantly since  
20 June 30, 2006. Few current appraisals exist for the Parish and School real property and  
21 it would be very difficult to provide a reliable estimate of the value of such property. This  
22 is because much of the property can likely be used only for churches and schools  
23 without significant cost to the purchaser to demolish or convert the buildings on the  
24 property. There is only a limited market for church and school property. In addition,  
25 many of the churches and schools are in residential neighborhoods with restricted

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1 zoning which could prevent the property from being used for any other purpose. The  
2 current tax appraised value of the real property likely exceeds \$400 million.

3 **(d) Insurance Recoveries.** The Debtor, the Parishes, the  
4 Schools, and other entities are insured under certain Insurance Policies that the Debtor  
5 asserts provides coverage for the Tort Claims. The Insurance Companies were  
6 defendants or plaintiffs in adversary proceedings pending in the Court to determine the  
7 insurers' liability for and the amount of coverage available to the Debtor for the Tort  
8 Claims. Those adversary proceedings have now been resolved. The Debtor reached  
9 settlements with nine of the Insurance Companies, who have paid or agreed to pay the  
10 aggregate amount of \$52 million in settlement pursuant to which they will each purchase  
11 their policies from the Debtor pursuant to Section 363 of the Bankruptcy Code. The  
12 Debtor will dismiss its claims against the remaining defendant Insurance Company (an  
13 excess carrier) without prejudice.

14 **2. Liabilities.**

15 **(a) Administrative Claims.** The Debtor anticipates that it will  
16 owe approximately \$6 million in unpaid administrative expenses on the Effective Date  
17 (assuming an Effective Date of May 1, 2007), consisting primarily of legal fees and  
18 expenses owing to the Debtor's, the Tort Claimants Committee's, the Future Claimants  
19 Representative's, and the Parish and Parishioners' Committee's attorneys, accountants,  
20 consultants, experts, and other advisors.

21 **(b) Priority Tax Claims.** Priority Tax Claims are estimated to  
22 total approximately \$5,935.

23 **(c) Non-Tax Priority Claims.** Non-Tax Priority Claims are  
24 estimated to total approximately \$2,920, consisting of unfunded liabilities associated  
25 with tenant deposits at the Casa Del Rey Apartments.

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1                   **(d) Umpqua Bank Secured Claim.** Umpqua Bank's Secured  
2 Claim, which is secured by liens on the real property located at 1610 N.E. Couch Street  
3 and 1623 W. Burnside in Portland, Oregon, is estimated to total approximately  
4 \$313,700. The Debtor estimates that the fair market value of the property securing this  
5 Claim is approximately \$2.1 million.

6                   **(e) Perpetual Endowment Fund Secured Claim.** The  
7 Perpetual Endowment Fund's Secured Claim, which is secured by liens on the Pastoral  
8 Center and the Casa Del Rey Apartments, is estimated to total approximately  
9 \$4,974,348 in April, 2007. The current tax appraised real market value of the property  
10 securing this Claim is \$7,585,000. This Claim is the result of a loan made by the  
11 Perpetual Endowment Fund to the Debtor in July of 2003 to replenish funds in the  
12 Debtor's Insurance Fund that had been used to pay Tort Claims. The loan is a form of  
13 investment for the Perpetual Endowment Fund in that it provides a market rate of  
14 interest, with the Debtor's principal obligation secured by adequate collateral to protect  
15 the Fund in the event the Debtor should fail to make the required payments. This loan  
16 is not in default.

17                   **(f) Key Bank Guaranty Claims.** Key Bank's Claim results from  
18 the Debtor's guaranty of loans made to Assumption Village, LLC (senior  
19 housing/assisted living project), Trinity Court, LLC (OSU Newman Center and student  
20 housing project), and Village Enterprises, LLC (Villa St. Margaret) (senior apartment  
21 project) for construction loans to build those projects. The loans are secured in part by  
22 letters of credit and trust deeds on real property [not owned by the Debtor](#). The unpaid  
23 balance on these loans currently totals approximately \$19,746,991. The estimated  
24 value of the real property securing these loans, based on recent appraisals, is  
25 approximately \$15,683,000. The Trinity Court obligation is currently in default and Key

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1 Bank has paid the bond holders approximately \$2.4 million pursuant to a letter of credit  
2 securing the borrower's obligation on the bonds. Based on the appraisal information,  
3 Key Bank's Claims could be undersecured by as much as \$4 million. The Debtor has  
4 been informed by Village Enterprises [LLC](#) that it believes the appraisals on some of the  
5 property is below the true fair market value. Furthermore, Village Enterprises [LLC](#) has  
6 obtained additional guaranties that provide additional security for the Key Bank  
7 obligation. Thus, even if the appraisal values are correct, the Debtor's exposure may be  
8 less than \$4 million.

9 **(g) General Unsecured Claims.** General Unsecured Claims  
10 are estimated to total approximately \$525,000. These Claims consist primarily of trade  
11 claims against the Debtor which were unpaid as of the Petition Date.

12 **(h) Allowed Known Tort Claims.** There are 146 Allowed  
13 Known Tort Claims totaling approximately \$40.7 million, plus agreed interest.

14 **(i) Unresolved Known Tort Claims.** There are 27 Unresolved  
15 Known Tort Claims. The Debtor believes that its total liability on these Claims is less  
16 than \$5 million. The Debtor has agreed to provide funding of up to \$13,715,000, plus  
17 the aggregate Estimated Amount of Claims 220, 283, 311, and 476, to pay these Claims  
18 once they are Allowed.

19 **(j) Future Claims.** Future Claims are those Tort Claims for  
20 child abuse meeting certain criteria which have not been asserted as of the Effective  
21 Date. HR&A, which was appointed by the Court as an independent expert, filed its first  
22 report on May 23, 2006, initially concluding, subject to considerable uncertainty, that  
23 over a period of years there likely would be asserted against the Debtor between 89 and  
24 168 Future Claims which could be expected to result in an aggregate liability in the  
25 range of \$16.7 million (net present value) to \$41.7 million (net present value). Since

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1 then, HR&A updated its analysis to consider how the assumptions used in its first report  
2 compare to what has actually happened over the past 18 months and prepared a  
3 revised forecast in which it indexed its earlier projections to incorporate this data.  
4 HR&A's revised forecast of Future Claims, which will be summarized in a second report  
5 to be filed with the Bankruptcy Court, projects that there likely will be asserted against  
6 the Debtor approximately 37 Future Claims, which are expected to result in an  
7 aggregate liability in the range of \$5.2 million (net present value) to \$7.4 million (net  
8 present value). However, under a variation of this revised forecast, HR&A estimates  
9 that the number of Future Claims could be as low as 11 and as high as 63, which could  
10 be expected to result in an aggregate liability in the range of \$1.6 million (net present  
11 value) to \$12.1 million (net present value). The Debtor has agreed to provide funding of  
12 up to \$20 million (net present value) to pay Future Claims which may be asserted on or  
13 before April 30, 2030.

14 **(k) Retiree Benefit Claims.** Retiree Benefit Claims are  
15 estimated by the Debtor to total approximately \$404,000.

16 **(l) Donor and Beneficiary Claims.** These Claims consists of  
17 the Claims filed by Parishes, parishioners, donors, and others who (i) have made  
18 donations to the Debtor, the Parishes, or the Schools, claiming their donations or the  
19 property purchased with their donations are subject to donor imposed restrictions;  
20 and/or (ii) claim some beneficial interest or rights in Parish, School, or other property  
21 that is asserted to be held by the Debtor in charitable trust; which would prevent such  
22 property from being utilized to pay Claims against the Debtor. It is anticipated that all  
23 these Claims can be dealt with under the Plan without utilizing any of the Parish or  
24 School property to do so. Under the Plan, the Reorganized Debtor will restructure the  
25 Archdiocese, the Parishes, and the Schools into one or more charitable trusts,

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1 endowments, non-profit religious corporations, or other charitable entities that are,  
2 under Oregon law, legally separate and distinct from the Reorganized Debtor.  
3 Furthermore, the Reorganized Debtor will, as part of and as required by such  
4 restructuring, transfer property between and among any existing or newly created  
5 entities. The Parish and Parishioners Committee will remain in existence following the  
6 Effective Date for the sole purpose of ensuring that the restructuring transactions  
7 contemplated by the Plan, as they affect Parishes, are reasonably implemented. The  
8 Archbishop will consult the Parish and Parishioners Committee; provided, however, that  
9 nothing in the Plan is intended to diminish the rights or alter the obligations of the  
10 Archbishop under ecclesiastical law with respect to the restructuring.

11 **V. DESCRIPTION OF THE PLAN.**

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

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

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

19 **1. Claim Amounts.**

20 Until Allowed by the Court, certain Claims against the Debtor are in  
21 unliquidated amounts. Accordingly, the amounts of Claims specified in this Disclosure  
22 Statement reflect only the Debtor's estimates based on information available to it.  
23 Additionally, the amounts of Claims specified in this Disclosure Statement do not  
24 include all Claims that may arise from the rejection of certain executory contracts or  
25 other contingent or unliquidated Claims against the Debtor.

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1 #

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

3 The Effective Date of the Plan determines when the performance of many  
4 of the obligations under the Plan is due. Unless an appeal is taken from the  
5 Confirmation Order and a stay of that order remains in effect, the Effective Date  
6 presently is expected to occur on the first business day after the 10th day after entry of  
7 the Confirmation Order.

8 **3. Classification Generally.**

9 Under the Plan, all Claims against the Debtor, other than Administrative  
10 Claims and Priority Tax Claims, are divided into ten separate classes, which the  
11 Proponents believe complies with the requirements of the Bankruptcy Code. Unless  
12 otherwise expressly stated in the Plan, the respective treatments under the Plan of  
13 Allowed Claims are in full discharge and satisfaction of those Allowed Claims. Except  
14 as provided in the Plan, all Claims against the Debtor arising prior to the Effective Date  
15 will be discharged as of the Effective Date pursuant to Section 1141(d) of the  
16 Bankruptcy Code, and as provided in the Plan.

17 **4. Treatment of Claims.**

18 A table that briefly summarizes the classification and treatment of Claims  
19 under the Plan is set forth in Section I.F. above. Reference is made to the Plan itself for  
20 the specific terms and provisions.

21 **B. Plan Funding.**

22 The Reorganized Debtor will utilize the \$52 million in Insurance Recoveries,  
23 other available cash, and borrowings on a line of credit to fund its obligations under the  
24 Plan. The Debtor has obtained a commitment from Allied Irish Bank to provide funding  
25 of up to \$40 million under a combined line of credit and letters of credit which will be

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1 used as necessary to satisfy the Reorganized Debtor's obligations under the Plan.  
2 Borrowings on the line of credit and letters of credit will be secured by a security interest  
3 and lien on the cash and investments held in the Perpetual Endowment Fund (currently  
4 valued at approximately \$38.4 million) and certain real property owned by the Debtor  
5 (currently valued at approximately \$10 million).

6 **C. Executory Contracts and Unexpired Leases to be Assumed if not**  
7 **Rejected.**

8 On the Effective Date, all executory contracts and unexpired leases of the Debtor  
9 that have not been assumed or rejected, or are not subject to a pending motion to  
10 reject, will be assumed by the Reorganized Debtor in accordance with the provisions  
11 and requirements of Sections 365 and 1123 of the Bankruptcy Code. In general,  
12 Claims arising from the rejection of an executory contract or unexpired lease must be  
13 filed within thirty (30) days after the Effective Date. Every such Claim which is timely  
14 filed, if and when Allowed, will be treated as a General Unsecured Claim under the  
15 Plan. Every such Claim which is not timely filed by the deadline fixed in the Plan will be  
16 forever barred, unenforceable, and discharged, and the Creditor holding the Claim will  
17 not receive or be entitled to any distribution under the Plan on account of such Claim.

18 **D. Objections to Claims.**

19 Notwithstanding the occurrence of the Effective Date, and except as to any Claim  
20 that has been Allowed by Court order prior to the Effective Date, the Reorganized  
21 Debtor, any Claimant, the Insurance Companies, or any other party in interest may  
22 object to the allowance of any Claim against the Debtor or seek estimation thereof on  
23 any grounds permitted by the Bankruptcy Code by filing the appropriate pleading in the  
24 Bankruptcy Court at any time prior to the first Business Day which is at least 60 days  
25 after the Effective Date. No payments or other distributions will be made to holders of

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1 Claims unless and until such Claims are Allowed Claims. If a Claim is not an Allowed  
2 Claim on the Effective Date, or when payment is otherwise due under the Plan,  
3 payment on the Allowed Claim (plus interest, if any, as provided in the Plan) will be  
4 made as soon as practicable following the Allowance Date.

5 **E. Administrative Claims Bar Date.**

6 All requests for payment of Administrative Claims other than Current Obligations  
7 must be served and filed with the Bankruptcy Court no later than 30 days after the  
8 Effective Date. Any such Claim that is not served and filed within this time period will be  
9 forever barred. Any Claims for fees, costs, and expenses incurred by the FCR or any  
10 Chapter 11 professional after the Effective Date will be treated as part of the fees and  
11 expenses of the Reorganized Debtor and need not be submitted to the Bankruptcy  
12 Court for approval. After approval of the final fee applications of the Chapter 11  
13 professionals by the Bankruptcy Court for services provided and costs incurred during  
14 the course of administration of the Case prior to the Effective Date, the Chapter 11  
15 professionals will not be required to submit any further fee applications to the  
16 Bankruptcy Court.

17 **F. Discharge.**

18 Except as otherwise expressly provided in the Plan, in the Plan Documents, or in  
19 the Confirmation Order, on the Effective Date, the Debtor (including the Archdiocese,  
20 the Parishes, and the Schools) and the Reorganized Debtor will be discharged from all  
21 liability on any and all Claims and Debts, known or unknown, whether or not giving rise  
22 to a right to payment or an equitable remedy, that arose, directly or indirectly, from any  
23 action, inaction, event, conduct, circumstance, happening, occurrence, agreement, or  
24 obligation of the Debtor (including the Archdiocese, the Parishes, and the Schools), or  
25 their Representatives before the Effective Date, or that otherwise arose before the

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1 Effective Date, including, without limitation, all interest, if any, on any such Claims and  
2 Debts, whether such interest accrued before or after the date of commencement of this  
3 Case, and including, without limitation, all Claims and Debts based upon or arising out  
4 of Child Abuse or Sexual Misconduct, and from any liability of the kind specified in  
5 Sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not a proof of  
6 claim is filed or is deemed filed under Section 501 of the Bankruptcy Code, such Claim  
7 is Allowed under this Plan, or the holder of such Claim has accepted this Plan.  
8 Notwithstanding this discharge, (i) the Debtor's discharge will not impair or release the  
9 obligations of any Non-Settling Insurance Company with respect to the Claims, and (ii)  
10 obligations arising under any settlement agreement between the Debtor and any  
11 Settling Insurance Company approved by the Bankruptcy Court will not be discharged.

12 **G. Vesting of Property.**

13 Except as otherwise expressly provided in the Plan or in the Confirmation Order,  
14 on the Effective Date, the Reorganized Debtor will be vested with all of the property of  
15 the Estate free and clear of all Claims, liens, encumbrances, charges and other interests  
16 of Creditors and Claimants. As of the Effective Date, the Reorganized Debtor may hold,  
17 use, dispose, and otherwise deal with such property and conduct its affairs, in each  
18 case, free of any restrictions imposed by the Bankruptcy Code or by the Bankruptcy  
19 Court, other than those restrictions expressly imposed by the Plan, the Confirmation  
20 Order, or the Plan Documents.

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**H. Exculpation And Limitation Of Liability.**

*Under the Plan, none of the Released Parties<sup>1</sup>, will have or incur any liability to, or be subject to any right of action by, any holder of a Claim, any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Case, including the exercise of their respective business judgment and the performance of their respective fiduciary obligations, the pursuit of confirmation of the Plan, or the administration of the Plan, except liability for their willful misconduct or gross negligence, and, in all respects, such parties will be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan or in the context of the Case.*

**I. Injunction Against Prosecution of Tort Claims Against Settling Insurance Companies.**

*Under the Plan, in consideration of the undertakings of the Settling Insurance Companies pursuant to their respective settlements with the Debtor, including any of the Settling Insurance Companies' purchases of their Insurance Policies from the Debtor free and clear of Claims and interests pursuant to Section 363(f) of the Bankruptcy Code, and to further preserve and promote the agreements between the Debtor and the Settling Insurance Companies and the*

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<sup>1</sup> "Released Parties" means the Debtor (including the Archdiocese, the Parishes, and the Schools), the Tort Claimants Committee, the Parish and Parishioners Committee, the Future Claimants Representative, Hamilton Rabinovitz & Alschuler, and all of their respective present or former members, managers, officers, directors, employees, or agents acting in such capacity.

1 **protections afforded the Settling Insurance Companies thereunder, and pursuant**  
2 **to Sections 363 and 105 of the Bankruptcy Code, all Persons or Entities which**  
3 **have held or asserted, which hold or assert or which may in the future hold or**  
4 **assert an Enjoined Claim<sup>2</sup> are hereby permanently stayed, enjoined, and**  
5 **restrained from taking any action directly or indirectly for the purposes of**  
6 **asserting, enforcing or attempting to assert or enforce any Enjoined Claim,**  
7 **including: (i) commencing or continuing in any manner any action or other**  
8 **proceeding of any kind with respect to any Enjoined Claim against any Settling**  
9 **Insurance Company, its predecessors, successors, and assigns, or their**  
10 **respective officers and directors, or against the property of any Settling**  
11 **Insurance Company, its predecessors, successors, and assigns, or their**  
12 **respective officers and directors; (ii) enforcing, attaching, collecting or**  
13 **recovering, by any manner or means, from any Settling Insurance Company, its**  
14 **predecessors, successors, and assigns, or their respective officers and directors,**  
15 **or from the property of any Settling Insurance Company, its predecessors,**

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18 <sup>2</sup> “Enjoined Claim” means any Claim (as defined in §101(5) of the Bankruptcy Code)  
19 relating to the Insurance Policies or related rights addressed by the Plan or the  
20 Confirmation Order, including without limitation any contribution, indemnity, subrogation,  
21 equitable subrogation, recoupment, quantum meruit, “other insurance clauses” rights, or  
22 similar Claim or legal theory, against any Settling Insurance Company, its predecessors,  
23 successors, and assigns, or their respective officers and directors, whenever and  
24 wherever arising or asserted, whether sounding in tort, contract, warranty or any other  
25 theory of law, equity or admiralty, including without limitation all Claims by way of direct  
26 action, statutory or regulatory action, or otherwise, Claims for exemplary or punitive  
damages, for attorneys’ fees and other expenses, or for any equitable remedy. For the  
avoidance of doubt, an Enjoined Claim includes only those Claims asserted against a  
Settling Insurance Company, its predecessors, successors, and assigns, or their  
respective officers and directors, and does not include the rights of holders of Claims to  
assert such Claims against any Person or Entity other than Settling Insurance  
Companies.

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1 *successors, and assigns, or their respective officers and directors, with respect*  
2 *to any such Enjoined Claim, any judgment, award, decree or order against the*  
3 *Debtor or other Person or Entity; (iii) creating, perfecting or enforcing any lien of*  
4 *any kind against any Settling Insurance Company, its predecessors, successors,*  
5 *and assigns, or their respective officers and directors, or the property of any*  
6 *Settling Insurance Company, its predecessors, successors, and assigns, or their*  
7 *respective officers and directors, with respect to any such Enjoined Claim; and*  
8 *(iv) asserting, implementing or effectuating any Enjoined Claim of any kind*  
9 *against (1) any obligation due any Settling Insurance Company, its predecessors,*  
10 *successors, and assigns, or their respective officers and directors, (2) any*  
11 *Settling Insurance Company, its predecessors, successors, and assigns, or their*  
12 *respective officers and directors, or (3) the property of any Settling Insurance*  
13 *Company, its predecessors, successors, and assigns, or their respective officers*  
14 *and directors, with respect to any such Enjoined Claim.*

15 **J. Reservation of Rights.**

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

22 **VI. POST-CONFIRMATION MANAGEMENT OF REORGANIZED DEBTOR.**

23 The administration of the Reorganized Debtor will continue as before  
24 confirmation with the Archbishop being the sole director of the Reorganized Debtor.  
25 The Archbishop's compensation will include an annual salary (currently \$24,573), health

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1 insurance, retiree benefits, the use of a car, the use of a home, and reimbursement of  
2 expenses incurred while performing his duties as Archbishop.

3 However, the Reorganized Debtor will, not later than one-year following the  
4 Effective Date, restructure under civil law the Archdiocese, the Parishes, and the  
5 Schools into one or more charitable trusts, endowments, non-profit religious  
6 corporations, or other charitable entities that are, under Oregon law, legally separate  
7 and distinct from the Reorganized Debtor. Furthermore, the Reorganized Debtor will, as  
8 part of and as required by such restructuring, transfer property between and among any  
9 existing or newly created entities, so long as any such actions do not diminish the  
10 Reorganized Debtor's ability or obligation to make the payments required under the  
11 Plan or to otherwise fulfill its obligations under the Plan Documents, nor diminish the  
12 Known Tort Claims Trust's or Future Claims Trust's rights, or ability to enforce the  
13 Reorganized Debtor's obligations, under the Plan and Plan Documents. The Parish and  
14 Parishioners Committee will remain in existence following the Effective Date for the sole  
15 purpose of ensuring that the restructuring transactions contemplated by the Plan, as  
16 they affect Parishes, are reasonably implemented. The Archbishop will consult the  
17 Parish and Parishioners Committee in this regard; provided that nothing in the Plan is  
18 intended to diminish the rights or alter the obligations of the Archbishop under  
19 ecclesiastical law with respect to the restructuring. The Parish and Parishioners  
20 Committee will be entitled to retain attorneys to represent it in regard thereto, and the  
21 Reorganized Debtor will pay the reasonable fees and expenses of such attorneys as  
22 and when due.

23 **VII. FEDERAL TAX CONSEQUENCES.**

24 THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF  
25 THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY,

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1 ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX  
2 ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL  
3 TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.  
4 NEITHER THE PROPONENTS NOR THEIR COUNSEL MAKE ANY  
5 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF  
6 CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR  
7 ANY CREDITOR.

8 Under the Internal Revenue Code of 1986, as amended, there may be significant  
9 federal income tax issues arising under the Plan described in this Disclosure Statement  
10 that affect Creditors in the case. The Known Tort Claims Trust and Future Claims Trust  
11 are each structured as a “qualified settlement fund” (“QSF”) within the meaning of  
12 Treasury Regulations enacted under Internal Revenue Code Section 486B(g). Each  
13 trust is characterized as a QSF because:

14 1. Each trust will be established pursuant to an order of, or be  
15 approved by, the United States, any state or political subdivision thereof, or any agency  
16 or instrumentality (including a court of law) of any of the foregoing and will be subject to  
17 the continuing jurisdiction of that governmental authority;

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

25 3. Each trust will be a trust under state law.

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1 The primary tax consequences of each trust being characterized as a QSF are  
2 the following:

3 (a) each trust must use a calendar taxable year and the accrual  
4 method of accounting;

5 (b) each trust takes a fair market value basis in property  
6 contributed to it by the Debtor;

7 (c) each trust's income is not taxed to the trust because it is a  
8 grantor trust; and,

9 (e) each trust will have a separate taxpayer identification  
10 number.

11 Each trust will be required to comply with a number of other administrative tax  
12 rules including filing information returns (generally IRS Form 1099) when approved  
13 payments are made to Claimants.

14 It is not practicable to present a detailed explanation of every possible federal  
15 and state income tax ramification of the trusts or the Plan.

16 **VIII. ACCEPTANCE AND CONFIRMATION.**

17 **A. Voting Procedures.**

18 **1. Generally.**

19 Only those Creditors whose Claims fall within one or more classes that  
20 are impaired under the Plan are eligible to vote to accept or reject the Plan. In that  
21 regard, only the holders of Allowed Claims in Classes 3, 4, 5, 7, 8 and 10 are entitled to  
22 vote on the Plan. Classes 1, 2, 6, and 9 are not impaired under the Plan and are  
23 deemed to have accepted the Plan without voting. The Proponents reserve the right to  
24 supplement this Disclosure Statement (if necessary) and to solicit any of those Classes  
25 which may prove to be impaired and entitled to vote.

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1 Separate Ballots will be sent to the known holders of Claims whether or not such  
2 Claims are Disputed. However, only the holders of Allowed Claims (or Claims that have  
3 been Temporarily Allowed or have been estimated by the Bankruptcy Court) in one or  
4 more impaired classes are entitled to vote on the Plan. A Claim to which an objection  
5 has been filed is not an Allowed Claim unless and until the Bankruptcy Court rules on  
6 the objection and enters an order allowing the Claim. The holder of a Disputed Claim is  
7 not entitled to vote on the Plan unless the holder of such Claim requests that the  
8 Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allow the Claim in an  
9 appropriate amount solely for the purpose of enabling the holder of such Disputed Claim  
10 to vote on the Plan, and the Bankruptcy Court does so.

11 **2. Incomplete Ballots.**

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

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

16 Any Creditor which has delivered a Ballot accepting or rejecting the Plan  
17 may withdraw such acceptance or rejection by delivering a written notice of withdrawal  
18 to the balloting agent, BMC Group, Inc., at any time prior to the voting deadline.

19 A notice of withdrawal, to be valid, must: (i) contain the description of the  
20 Claim to which it relates and the amount of such Claim; (ii) be signed by the voting  
21 Creditor in the same manner as the Ballot; and (iii) be received by BMC in a timely  
22 manner at the address set forth below.

23 Unless otherwise directed by the Bankruptcy Court, a purported notice of  
24 withdrawal of Ballots or change in the vote which is not received in a timely manner will  
25 not be effective to withdraw or change a previously furnished Ballot.

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1                   **4.     Submission Of Ballots.**

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

7                   BMC GROUP, INC.  
8                   1330 E. Franklin Avenue  
9                   El Segundo, CA 90245  
                  Toll Free: 888-909-0100  
                  Main: 310-321-5555  
                  Fax: 310-640-8071

10                  Ballot(s) or withdrawals/revocations must be returned to BMC. Ballots (and  
11 withdrawals/revocations) must be ~~postmarked~~received by BMC no later than  
12 ~~\_\_\_\_\_~~,5:00 p.m. Pacific Time on March 29, 2007. In addition, Ballots may  
13 be faxed to BMC at 310-640-8071. To be effective, transmission of the facsimile must  
14 begin no later than 5:00 P.M. ~~on \_\_\_\_\_~~,Pacific Time on March 29, 2007.

15                   **5.     Confirmation Hearing and Plan Objection Deadline.**

16                  The Bankruptcy Court will hold a hearing on confirmation of the Plan  
17 commencing on ~~\_\_\_\_\_~~,April 10, 2007 at ~~\_\_\_\_\_~~9:00 a.m.~~.p.m.~~Pacific  
18 Time in the Bankruptcy Courtroom No. 1, ~~1100~~1001 SW Fifth Avenue, 7<sup>th</sup> Floor,  
19 Portland, Oregon, 97204. All objections, if any, to the confirmation of the Plan must be  
20 in writing; must state with specificity the grounds for any such objections; and must be  
21 filed with the Bankruptcy Court on or before ~~\_\_\_\_\_~~,~~2007~~:March 29, 2007.

22                   **6.     Feasibility**

23                  The Bankruptcy Code requires, as a condition to confirmation, that the  
24 Bankruptcy Court find that liquidation of the Debtor or the need for future reorganization  
25 is not likely to follow after confirmation. For the purpose of determining whether the

1 Plan meets this requirement, the Debtor has prepared projections attached hereto as  
2 Exhibit "4" showing that the Reorganized Debtor will have the resources and ability to  
3 pay those Claims that are due on confirmation of the Plan and all future obligations as  
4 they come due.

5 **B. Best Interests Of Creditors.**

6 Under Section 1129(a)(7) of the Bankruptcy Code, the Plan must provide that  
7 Creditors receive at least as much under the Plan as they would receive in a Chapter 7  
8 liquidation of the Debtor. The Debtor has agreed to provide funding to pay Claims  
9 which the Proponents believe is more than sufficient in amount to enable the  
10 Reorganized Debtor to pay all Claims in full with interest. Because in Chapter 7  
11 creditors can be paid no more than the full amount of their Claims, as allowed with  
12 interest at the federal judgment rate, and because the Debtor is committing under the  
13 Plan to provide funding which the Proponents believe will be more than sufficient to pay  
14 all Claims in full with interest at a rate greater than the federal judgment rate, the  
15 Proponents believe that the Plan satisfies the "best interest of creditors" test of Section  
16 1129(a)(7) of the Bankruptcy Code.

17 **C. Confirmation Over Dissenting Class.**

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

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1                   **1.     No Unfair Discrimination.**

2                   The Plan “does not discriminate unfairly” if: (a) the legal rights of a  
3                   dissenting class are treated in a manner that is consistent with the treatment of other  
4                   classes whose legal rights are similar to those of the dissenting class; and (b) no class  
5                   receives payments in excess of that which it is legally entitled to receive for its claims.  
6                   The Proponents believe that the Plan does not discriminate unfairly as to any impaired  
7                   class of Claims.

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9                   #

10                   **2.     Fair and Equitable Test.**

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

13                   **(a)     Secured Creditors.** To satisfy the "fair and equitable"  
14                   requirement as to a class of Secured Claims, the Plan must, at a minimum, provide that  
15                   (i) each impaired secured creditor retains its liens securing a Secured Claim and  
16                   receives on account of its secured claim deferred cash payments having a present  
17                   value equal to the amount of its Allowed Secured Claim, (ii) each impaired secured  
18                   creditor realizes the “indubitable equivalent” of its Allowed Secured Claim, or (iii) the  
19                   property securing the Claim is sold free and clear of liens with such liens to attach to the  
20                   proceeds, and the liens against such proceeds are treated in accordance with clause (i)  
21                   or (ii) of this subparagraph (a).

22                   **(b)     Unsecured Creditors.** To satisfy the "fair and equitable"  
23                   requirement as to a class of unsecured Claims, the Plan must, at a minimum, provide  
24                   that (i) each impaired unsecured creditor receives or retains under the Plan property of  
25                   a value equal to the amount of its Allowed Claim, or (ii) the holders of Claims and

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1 interests that are junior to the Claims of the non-accepting class do not receive any  
2 property under the Plan on account of such Claims and interests.

3 **IX. ALTERNATIVES TO THE PLAN.**

4 If the Plan is not confirmed, several different events could occur. Among the  
5 alternatives to the Plan are: (1) the Debtor or others could propose another plan  
6 providing for different treatment of Claims; (2) the Debtor and the Tort Claimants  
7 Committee could continue to litigate over the availability of Parish and School property  
8 and funds to pay Claims, and either could propose another plan under which payments  
9 to creditors would be dependent upon resolution of that litigation, including all appeals;  
10 (3) a creditor or other interested party could propose a competing plan; or (4) the  
11 Bankruptcy Court (after appropriate notice and hearing) could dismiss the Case if no  
12 party is able to confirm a plan in a reasonable period of time.

13 **X. CONCLUSION.**

14 The Proponents believe that the Plan provides the best alternative for paying  
15 Claims as soon as possible and that the Plan is fair to and in the best interest of all  
16 Creditors and other interested parties. Any alternative plan requiring resolution of the  
17 dispute over the availability of Parish and School property to pay Claims will result in  
18 significant delay in the payment of Claims. In fact, the Proponents anticipate that  
19 regardless of who were to prevail in that litigation, the losing side would appeal that  
20 decision and it could be years before the issue is ultimately resolved in the appellate  
21 courts. Therefore, the Proponents urge those Creditors who are entitled to vote to  
22 accept the Plan and return their ballots to BMC on or before the voting deadline.

23 **DATED:** February ~~15~~26, 2007

24 **{SIGNATURES TO FOLLOW}**

25

26 **Page 36 of 37 - DISCLOSURE STATEMENT REGARDING ~~FIRST~~SECOND AMENDED AND  
RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS  
COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND  
PARISHIONERS COMMITTEE**

1 **ROMAN CATHOLIC ARCHBISHOP OF PORTLAND IN OREGON,**  
2 **and successors, a corporation sole,**

3 */s/ John G. Vlazny*

4 \_\_\_\_\_  
By: John G. Vlazny  
Its: Sole Director

5 **TORT CLAIMANTS COMMITTEE**

6 */s/ Donn Christiansen*

7 \_\_\_\_\_  
By: Donn Christiansen, Chairperson

8 **PARISH AND PARISHIONERS**  
9 **COMMITTEE**

10 */s/ ~~Johnston A. Mitchell~~ for John Rickman*

11 \_\_\_\_\_  
By: John Rickman, Chairperson

12 **TONKON TORP LLP**

13 */s/ Albert N. Kennedy*

14 \_\_\_\_\_  
By: Albert N. Kennedy, OSB No. 82142  
Attorneys for Tort Claimants  
Committee

15 **PERKINS COIE LLP**

16 */s/ Douglas R. Pahl*

17 \_\_\_\_\_  
By: Douglas R. Pahl, OSB No. 95047  
Attorneys for Parish and Parishioners  
Committee

**FUTURE CLAIMANTS**  
**REPRESENTATIVE**

*/s/ David A. Foraker*

\_\_\_\_\_   
By: David A. Foraker

**SUSSMAN SHANK LLP**

*/s/ Thomas W. Stilley*

\_\_\_\_\_   
By: Thomas W. Stilley, OSB No. 88316  
Attorneys for Roman Catholic  
Archbishop of Portland in Oregon,  
and successors, a corporation sole

**GREENE & MARKLEY PC**

*/s/ David A. Foraker*

\_\_\_\_\_   
By: David A. Foraker, OSB No. 81228  
Attorneys for Future Claimants  
Representative

23 F:\CLIENTS\149611004\PLAN & DISCLOSURE STATEMENTP-~~FIRST-AMENDED~~SECOND\_AMD JOINT DISCLOSURE STATEMENT (FINAL  
FORM 2-~~4526~~-07).DOC

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26 **Page 37 of 37 - DISCLOSURE STATEMENT REGARDING ~~FIRST~~SECOND AMENDED AND  
RESTATED JOINT PLAN OF REORGANIZATION OF DEBTOR, TORT CLAIMANTS  
COMMITTEE, FUTURE CLAIMANTS REPRESENTATIVE, AND PARISH AND  
PARISHIONERS COMMITTEE**

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