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Debtor-In-Possession

20 UNITED STATES BANKRUPTCY COURT
21 DISTRICT OF OREGON

22 In re

23 SOCIETY OF JESUS, OREGON
24 PROVINCE, an Oregon domestic nonprofit
25 religious corporation,

26 Debtor.

Case No. 09-30938-elp11

DISCLOSURE STATEMENT
REGARDING FIRST MODIFIED
JOINT PLAN OF REORGANIZATION
DATED MAY 27, 2011

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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 THIS DISCLOSURE STATEMENT IN CONNECTION WITH THE COURT’S HEARING TO CONSIDER APPROVAL OF THE DISCLOSURE STATEMENT, NOTHING CONTAINED HEREIN IS OR SHALL BE DEEMED A SOLICITATION OF ACCEPTANCE OF THE PLAN OF REORGANIZATION.

1 Society of Jesus, Oregon Province, an Oregon non-profit corporation (the
2 “Debtor”)¹, the Official Committee of Unsecured Creditors appointed in this Case (the
3 “Committee”), and the Future Claimants Representative appointed in this Case (the
4 “Future Claimants Representative” or “FCR”) (collectively the “Proponents”) have
5 prepared this Disclosure Statement in connection with the solicitation of acceptances of
6 the Debtor’s, Committee’s, and FCR’s First Modified Joint Plan of Reorganization Dated
7 May 27, 2011 (the “Plan”). A copy of the Plan accompanies this Disclosure Statement.

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

9 **A. Introduction.**

10 On February 17, 2009 (the “Petition Date”), the Debtor commenced this
11 Chapter 11 reorganization case (“Case”) by filing a voluntary petition under Chapter 11
12 of the United States Bankruptcy Code (“Bankruptcy Code”). Since the Petition Date, the
13 Debtor has remained a debtor-in-possession pursuant to Sections 1107 and 1108 of the
14 Bankruptcy Code.

15 **B. Definitions and Plan Supremacy.**

16 All terms defined in the Plan, the Safeco Settlement Agreement, the Travelers
17 Settlement Agreement, and the Western World Settlement Agreement will have the
18 same meanings when used in this Disclosure Statement. Terms defined in this
19 Disclosure Statement which are also defined in the Plan, the Safeco Settlement
20 Agreement, the Travelers Settlement Agreement, and the Western World Settlement
21 Agreement are solely for convenience and the Proponents do not intend to change the
22 definitions of those terms from the Plan, the Safeco Settlement Agreement, the

23 _____
24 ¹ The definition of “Debtor” under the Plan provides that the Debtor includes (a) each
25 Jesuit Community, and (b) the Province, to the extent a Jesuit Community and/or the
26 Province is/are not an entity/entities recognized under civil law that is/are separate from
the Debtor. To the extent the Province or a Jesuit Community is recognized as a
separate entity under civil law, it is not considered part of the Debtor and is included as
a Participating Party under the Plan.

1 Travelers Settlement Agreement, or the Western World Settlement Agreement.
2 Furthermore, in the event of any inconsistency between the Plan, the Safeco Settlement
3 Agreement, the Travelers Settlement Agreement, and The Western World Settlement
4 Agreement, and this Disclosure Statement, the Safeco Settlement Agreement,
5 Travelers Settlement Agreement, and Western World Settlement Agreement will control
6 over the Plan and the Disclosure Statement, and the Plan will control over the
7 Disclosure Statement. The Exhibits attached to this Disclosure Statement are
8 incorporated into and are a part of this Disclosure Statement.

9 **C. Summary of Key Features of the Plan.**

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

11 • As of June 30, 2010, approximately six hundred forty (640) unresolved
12 Abuse Claims had been filed against the Debtor. Those Claims remain Unresolved and
13 will be Allowed or Disallowed pursuant to the Claims resolution procedures set forth in
14 the Plan. After elimination of duplicate and amended Abuse Claims, the Debtor and the
15 Committee estimate that approximately five hundred thirty five (535) unresolved Current
16 Sexual Abuse Claims (including the claim of the Future Claims Representative
17 appointed in the Chapter 11 case of the Catholic Bishop of Northern Alaska) and one
18 (1) Future Abuse Claim (filed by the FCR) had been filed against the Debtor.

19 • The Debtor expects an unknown number of Future Abuse Claims will be
20 filed after confirmation of the Plan and before the Future Abuse Claims Bar Date which
21 is fifteen (15) years after the Effective Date of the Plan. The FCR estimates that this
22 number could be approximately sixty four (64) Claims.

23 • The Plan includes certain non-monetary agreements by the Reorganized
24 Debtor and certain other parties that the Committee believes will reduce the risk of the
25 future sexual abuse of minors.

26 • The Plan provides for the Reorganized Debtor and Participating Parties to

1 provide: (1) Forty Eight Million One Hundred Thousand Dollars (\$48,100,000.00) in
2 Cash, less the amounts necessary to pay the unpaid Allowed Claims of all Chapter 11
3 Professionals (estimated at approximately \$5,000,000), to the Trust to pay Current
4 Abuse Claims plus any Allowed Future Abuse Claims that are filed after confirmation of
5 the Plan and prior to the Future Abuse Claims Bar Date. This amount will be paid from
6 real and personal property: (1) owned by the Debtor and Participating Parties without
7 restrictions, and (2) held in trust by the Debtor under the names: (a) Oregon Province
8 Formation Fund Charitable Trust, (b) Oregon Province Aged & Infirm Fund Charitable
9 Trust, (c) Oregon Province Apostolic Works Fund Charitable Trust, and (d) Oregon
10 Province Foundations Fund Charitable Trust. The estimated value of all such property is
11 as follows:

12 o Debtor's and Participating Parties' Unrestricted Assets – including
13 cash, real property and investments - approximately \$4,518,000;

14 o The Formation Fund Assets - including cash, real property, and
15 investments valued at approximately \$28,701,000 which the Debtor asserts is held in
16 trust and is restricted in its use to the education, training, and spiritual growth of persons
17 studying to become Jesuits;

18 o The Aged and Infirm Fund Assets – including cash and investments
19 valued at approximately \$49,186,000 which the Debtor asserts is held in trust and is
20 restricted in its use to the care and welfare of aged, sick, and infirm Jesuits;

21 o The Apostolic Works Fund Assets – including real property and
22 other assets valued at approximately \$18,556,000 which the Debtor asserts is held in
23 trust and is restricted in its use to promote certain works, such as retreat houses,
24 especially for non-Jesuits, centers for the social apostolate or for the spread of Catholic
25 teaching through the media; for charitable works both in and outside the Society of
26 Jesus; and for other like apostolate that would otherwise lack sufficient resources;

1 o The Foundations Fund Assets – currently the Foundations Fund
2 contains no assets.

3 • The Plan further provides for the Debtor’s Insurers, Safeco Insurance
4 Company of America, American States Insurance Company, and General Insurance
5 Company (collectively “Safeco”) to pay the sum of One Hundred Eighteen Million
6 Dollars (\$118,000,000.00); Fidelity and Guaranty Insurance Company, Fidelity and
7 Guaranty Insurance Underwriters, Inc., American Equity Insurance Company, Travelers
8 Indemnity Company of Illinois, Travelers Companies, Inc., and Travelers Indemnity
9 Company of Connecticut (collectively “Travelers”) to pay the sum of One Million Four
10 Hundred Thousand Dollars (\$1,400,000); and Western World Insurance Company
11 (“Western World”) to pay the sum of Three Hundred Thousand Dollars \$(300,000); all to
12 the Trust for monetary awards to Current Abuse Claimants and Future Abuse
13 Claimants. In exchange for such payments, Safeco, Travelers, and Western World will
14 receive the benefit of injunctions in Section 11 of the Plan and more fully described in
15 Section V. of this Disclosure Statement.

16 • The Plan is intended to preserve the Debtor’s rights under insurance
17 policies issued by Non-Settling Insurers. Insurance Recoveries will be paid to the Trust.

18 • The Plan provides a mechanism by which Abuse Claimants can seek
19 judgments for Abuse Claims against the Reorganized Debtor for the purpose of
20 subsequently pursuing Insurance Recoveries with respect to such judgments from Non-
21 Settling Insurers, with any recoveries limited solely to available insurance, and not from
22 the Reorganized Debtor or any of its assets.

23 • The Reorganized Debtor will also assign to the Trust the Avoidance
24 Rights (e.g., preferential and fraudulent transfer claims) and Third Party Derivative
25 Claims (e.g., claims against any Person or Entity for disregard of the corporate form,
26

1 piercing the corporate veil, or alter ego, that would subject such Person or Entity to
2 liability for the Abuse Claims against the Debtor).

3 • The Trust assets will be used solely to pay: (a) unpaid Allowed Chapter 11
4 Professionals' administrative fees and expenses, (b) the fees and expenses of
5 administering the Trust (including determining the Allowed amount of each of the Abuse
6 Claims, professional fees, and taxes), (c) fees and expenses related to liquidation of
7 certain Abuse Claims covered by Non-Settling Insurers and pursuit of Insurance
8 Recoveries, and (d) the liquidated Abuse Claims. No other Claims against the Debtor
9 will be paid from the Trust assets.

10 • The Reorganized Debtor will pay all Priority Claims in full. The estimated
11 amount of Priority Claims is \$400.

12 • The Reorganized Debtor will assume the Debtor's obligations for all
13 Retiree Benefit Claims and will pay those Claims as they come due. The estimated
14 amount of the unfunded obligation for such Claims is approximately \$13,700,000;

15 • The Reorganized Debtor will provide \$500,000 for the payment of General
16 Unsecured Claims which are estimated to total approximately \$987,000, plus any
17 Allowed Claims filed on account of transfers avoided by the Trust. The dividend to be
18 paid to General Unsecured Creditors is not known at this time.

19 • The Trust will assume the Debtor's liability for the liquidation and payment
20 of all Abuse Claims. Until the Abuse Claims are liquidated under the Plan, no individual
21 Abuse Claimant will know how much she or he will receive on account of the Abuse
22 Claim. The Committee expects that monetary awards to Abuse Claimants using one of
23 the Allocation Plans will be distributed within thirty (30) days after the Effective Date of
24 the Plan. The Committee expects that monetary awards to Abuse Claimants using
25 litigation to liquidate their Abuse Claims will be distributed several years after the
26 Effective Date of the Plan.

1 • Sexual Abuse Claimants may elect to liquidate their Sexual Abuse Claims
2 through Allocation Plan I or II, litigate their Claims, or may be treated as a Convenience
3 Abuse Claim. Allocation Plan I is attached to the Plan as Exhibit 1.9 and Allocation Plan
4 II is attached to the Plan as Exhibit 1.10. The Ballots provided with the Plan and
5 Disclosure Statement will indicate which elections Sexual Abuse Claimants' counsel
6 recommend and the Claimants' will make their elections on the Ballots. Sexual Abuse
7 Claimants are presumed to elect to liquidate their Claims through one of the Allocation
8 Plans unless they expressly elect to litigate their Sexual Abuse Claims. Allocation Plans
9 I and II have been prepared by the Committee and counsel for Claimants holding
10 Sexual Abuse Claims.

11 • Abuse Claimants represented by counsel who liquidate their Claims by an
12 Allocation Plan will be assigned to Creditor Pools and Allocation Plans based on prior
13 designations by their counsel of record. Abuse Claimants who are not represented by
14 counsel of record will be assigned to a Creditor Pool and Allocation Plan. Each Sexual
15 Abuse Creditor Pool will be funded on a per capita basis utilizing the average amount
16 per claim based on the Trust's assets after reserves for (1) expenses of the Trust's
17 administration, (2) Abuse Claims to be liquidated through litigation, (3) Non-Sexual
18 Abuse Claims, and (4) Future Abuse Claims. At this time, the Plan Proponents
19 approximate that total funding for each Sexual Abuse Creditor Pool will average
20 approximately \$300,000 per person in the pool. This funding formula does not
21 guarantee any amount to any particular Sexual Abuse Claimant. An Award to any
22 individual depends on the outcome of the liquidation of the Sexual Abuse Claim through
23 an Allocation Plan.

24 ○ Sexual Abuse Claimants represented by Tamaki Law and Feltman,
25 Gebhardt, Greer & Zeimantz, P.S. will be in the Tamaki/Spruance Creditor Pool and
26 using Allocation Plan I administered by Hon. William Bettinelli (Retired). Mr. Bettinelli's

1 resume is attached as Exhibit “B”. Sexual Abuse Claimants in the Tamaki/Spruance
2 Creditor Pool are listed on Exhibit “D” to this Disclosure Statement.

3 o Sexual Abuse Claimants represented by Manly & Stewart and
4 Cooke Roosa LLP, and certain Sexual Abuse Claimants represented by Power &
5 Brown, LLC will be in the Roosa/Manly/Brown Creditor Pool and using Allocation Plan I
6 administered by Hon. William Bettinelli (Retired). Sexual Abuse Claimants in the
7 Roosa/Manly/Brown Creditor Pool are listed on Exhibit “E” to this Disclosure Statement.

8 o Sexual Abuse Claimants represented by James, Vernon & Weeks,
9 P.A.; Eymann Allison Hunter Jones P.S.; Pfau Cochran Vertetis Amala PLLC; Law
10 Offices of Timothy D. Kosnoff; Chasan & Walton, L.L.C.; Kosnoff PLLC; and Gordon
11 Thomas Honeywell LLP, will be in the Pfau/Kosnoff/James/Allison/Chasan/Walton/
12 Blumel Creditor Pool and using Allocation Plan II administered by Katrina C. Pflaumer.
13 Ms. Pflaumer’s resume is attached as Exhibit “C”. Sexual Abuse Claimants in the
14 Northwest Attorneys for Justice Creditor Pool are listed on Exhibit “F” to this Disclosure
15 Statement.

16 o Sexual Abuse Claimants represented by Law Offices of David
17 Henderson, Valcarce Law Office LLC, and certain Sexual Abuse Claimants represented
18 by Power & Brown, LLC will be in the Valcarce/Henderson/Brown Creditor Pool and
19 using Allocation Plan I administered by Hon. William Bettinelli (Retired). Sexual Abuse
20 Claimants in the Valcarce/Henderson/Brown Creditor Pool are listed on Exhibit “G” to
21 this Disclosure Statement.

22 o Sexual Abuse Claimants may opt out of their assigned Creditor
23 Pools and Allocation Plans and elect other Creditor Pools and Allocation Plans or may
24 elect to liquidate their Claims through litigation.

25 • Abuse Claimants who are determined to have non-Sexual Abuse Claims
26 may elect to liquidate their Abuse Claims by Allocation Plan III administered by Katrina

1 C. Pflaumer or litigate their Claims. Seventeen Thousand Five Hundred Dollars
2 (\$17,500) is the maximum per Claim liquidation amount for Claims liquidated through
3 Allocation Plan III. Allocation Plan III is attached to the Plan as Exhibit 1.11. Allocation
4 Plan III has been prepared by one of the counsel for Claimants holding Non-Sexual
5 Abuse Claims.

6 • Abuse Claimants electing to litigate their Abuse Claims will be entitled to
7 have their Claims adjudicated and the Allowed amount of their Claims determined by a
8 court of competent jurisdiction. At or before the Confirmation Hearing, the Committee
9 will ask the Bankruptcy Court to estimate the Claims of such Abuse Claimants and the
10 Trustee will create monetary reserves in those amounts. The Trustee will be
11 responsible for defending the Trust against the Abuse Claims of those Abuse Claimants
12 that elect to liquidate their Abuse Claims through litigation and the fees and expenses,
13 including attorney's fees, incurred in that defense will be deducted from the monetary
14 reserve that is based on the Bankruptcy Court's estimate. Once all of the Abuse Claims
15 payable from the reserve are Allowed or Disallowed by Final Orders, the Allowed
16 Claims will be paid pro rata by the Trust from the respective litigation reserve.

17 • Abuse Claimants electing convenience class treatment will receive
18 \$2,500.

19 • Future Abuse Claimants will be required to liquidate their Abuse Claims
20 through Allocation Plan I administered by Hon. William Bettinelli (Retired). A separate
21 monetary reserve, deducted from the total settlement fund of \$167.8 million, will be
22 established for the payment of liquidated Future Abuse Claims. The amount of the fund
23 will be no less than approximately \$6.4 million and will increase, based upon the
24 formula set forth in the Plan, if additional funds are recovered from Non-Settling Insurers
25 and certain third parties.

26 • Prior to the Effective Date, all Non-Settling Insurers providing Insurance

1 Coverage for the Abuse Claims will have the opportunity to settle their liability to the
2 Debtor, the Participating Parties, and all Abuse Claimants by reaching an agreement
3 with the Debtor that is approved by the Bankruptcy Court. After the Confirmation Date,
4 Non-Settling Insurers may settle such liability by reaching an agreement with the Trust
5 in the Trustee's sole and absolute discretion. The proceeds of such settlement will be
6 paid to the Trust. As of the date of this Disclosure Statement, Safeco, Travelers, and
7 Western World have all settled their liability for the Abuse Claims and agreed to provide
8 funding to the Trust.

9 • Insurers who do not elect to become Settling Insurers will be responsible
10 for providing Insurance Coverage for those Abuse Claims that are covered by their
11 Insurance Policies. Abuse Claims covered by an Insurance Policy issued by a Non-
12 Settling Insurer may be liquidated through litigation against the Reorganized Debtor and
13 the Reorganized Debtor may pursue coverage for such Abuse Claims and obtain
14 Insurance Recoveries on account of those Abuse Claims. Provided however, no
15 recovery shall be had against the Reorganized Debtor or any of its assets. If the Non-
16 Settling Insurer refuses to pay the Reorganized Debtor's defense costs, the Trust will
17 pay those costs. Any Insurance Recoveries on account of such Abuse Claims will be
18 paid to the Trust.

19 • All Abuse Related Contribution/Indemnity Claims held by any Person or
20 Entity against the Debtor, the Reorganized Debtor, or a Participating Party, and all
21 Abuse Related Contribution/Indemnity Claims held by the Debtor, the Reorganized
22 Debtor or a Participating Party against any Person or Entity will, on the Effective Date,
23 be cancelled and released and will be of no further force or effect. However,
24 notwithstanding such cancellation and release, each holder of an Abuse Related
25 Contribution/Indemnity Claim will retain the right to assert such Claim in any proceeding
26 to establish the respective liability of, or to allocate fault to, those Persons or Entities

1 allegedly responsible for an Abuse Claim, but there shall be no affirmative recovery
2 against any holder of an Abuse Related Contribution/Indemnity Claim on account of
3 such allocation of fault.

4 • The Abuse Claimants will retain their rights, if any, against any Person or
5 Entity other than the Debtor, the Reorganized Debtor, the Participating Parties, the
6 Released Parties, and the Settling Insurers for the Abuse Claims, including, without
7 limitation, (i) a Person or Persons having personally committed an act or acts of Abuse
8 resulting in a Claim against the Debtor or a Participating Party, (ii) the Society of Jesus;
9 (iii) the Father General of the Society of Jesus and his predecessors, (iv) the Society of
10 Jesus General Curia; (v) a successor or predecessor of the Debtor to the extent of such
11 successor's or predecessor's independent liability for an act or acts of Abuse; (vi)
12 Gonzaga University; (vii) Seattle University, and (viii) the Jesuit High Schools.

13 • All Punitive Damage Claims will be discharged and enjoined and will
14 receive no distribution under the Plan.

15 **D. Limited Representations.**

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

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

1 NO REPRESENTATIONS OR ASSURANCES CONCERNING THE
2 DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS OPERATIONS, THE
3 VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF THE
4 REORGANIZED DEBTOR ARE AUTHORIZED BY THE DEBTOR
5 OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

6 THIS IS A SOLICITATION BY THE PROPONENTS ONLY AND IT IS
7 NOT A SOLICITATION BY THE PROPONENTS' ATTORNEYS OR ANY
8 OTHER PROFESSIONALS EMPLOYED BY THE PROPONENTS. THE
9 REPRESENTATIONS MADE HEREIN ARE THOSE OF THE
10 PROPONENTS AND NOT OF THE PROPONENTS' ATTORNEYS OR
11 ANY OTHER PROFESSIONAL.

12 UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS
13 DISCLOSURE STATEMENT DESCRIBING THE DEBTOR'S FINANCIAL
14 CONDITION HAVE NOT BEEN SUBJECTED TO AN INDEPENDENT
15 AUDIT, BUT WERE PREPARED FROM INFORMATION COMPILED BY
16 THE DEBTOR FROM RECORDS MAINTAINED IN THE ORDINARY
17 COURSE OF ITS OPERATIONS. NONE OF THE INFORMATION HAS
18 BEEN COMPILED BY THE COMMITTEE OR THE FUTURE ABUSE
19 CLAIMANTS REPRESENTATIVE. THE DEBTOR ASSERTS THAT
20 REASONABLE EFFORTS HAVE BEEN MADE TO ACCURATELY
21 PREPARE ALL FINANCIAL INFORMATION WHICH MAY BE
22 CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE
23 INFORMATION AVAILABLE TO THE DEBTOR. HOWEVER, AS TO ALL
24 SUCH FINANCIAL INFORMATION, THE DEBTOR IS UNABLE TO
25 WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED
26 HEREIN IS WITHOUT ERROR.

THE COMMITTEE AND THE FUTURE CLAIMANTS REPRESENTATIVE
ARE CO-PROPONENTS OF THE PLAN. HOWEVER, NEITHER HAS
MADE ANY INDEPENDENT EFFORT TO OBTAIN FINANCIAL
INFORMATION REGARDING THE DEBTOR OR TO PREPARE THE
FINANCIAL INFORMATION SUPPLIED BY THE DEBTOR. THE
COMMITTEE AND THE FUTURE CLAIMANTS REPRESENTATIVE DO
NOT WARRANT OR REPRESENT THAT THE INFORMATION
CONTAINED HEREIN IS ACCURATE.

THE DISCLOSURE STATEMENT INCLUDES STATEMENTS
REGARDING THE DEBTOR'S AND RELATED ENTITIES'
RELATIONSHIP TO ONE ANOTHER AND OWNERSHIP OF REAL AND
PERSONAL PROPERTY AND THAT CERTAIN REAL AND PERSONAL
PROPERTY IS HELD IN TRUST FOR NON-DEBTOR THIRD PARTIES.
THE COMMITTEE DISPUTES THESE STATEMENTS AND SUCH
DISPUTES ARE SETTLED ONLY THROUGH CONFIRMATION OF THE
PLAN, SATISFACTION OF ALL CONDITIONS TO THE EFFECTIVE

1 DATE, AND PAYMENT OF ALL AMOUNTS DUE TO THE TRUST
2 UNDER THE PLAN.

3 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT
4 BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO
5 CREDITORS. CREDITORS SHOULD CONSULT THEIR OWN LEGAL
6 COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS
7 ABOUT TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON
8 CREDITORS.

9 **E. Voting.**

10 Under the Bankruptcy Code, only creditors with Claims in "impaired" classes and
11 with Claims that are Allowed, or have been Temporarily Allowed by the Bankruptcy
12 Court pursuant to an order, are entitled to vote on the Plan. In general, a Claim is
13 "Allowed," as that term is used in the Bankruptcy Code, if (i) the Claim is listed in the
14 Debtor's schedules of liabilities filed with the Bankruptcy Court as not disputed,
15 contingent, or unliquidated, or (ii) a proof of claim has been timely filed with the Claims
16 Agent by the holder of the Claim, and the Debtor has not filed an objection to the Claim,
17 or (iii) the Bankruptcy Court has entered an order allowing the Claim. If a Claim is not
18 Allowed, but the holder thereof wishes to vote on the Plan, the holder must timely file a
19 motion with the Bankruptcy Court requesting that the Claim be Temporarily Allowed.

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

<u>Class</u>	<u>Description</u>	<u>Status</u>
25 Class 3	Current Sexual Abuse Claims	Impaired – Entitled to Vote
26 Class 3A	Non-Sexual Abuse Claims	Impaired – Entitled to Vote

1	Class 4	Future Abuse Claims	Impaired – Entitled to Vote
2	Class 6	Insured Non-Abuse Claims	Impaired – Entitled to Vote
3	Class 7	General Unsecured Claims	Impaired – Entitled to Vote
4	Class 8	Penalty Claims	Will Not Receive or Retain any Property Under the Plan – Deemed to Reject
5	Class 10	Intentionally Omitted	
6	Class 11	Formation Fund Claim	Will Not Receive or Retain Any Property Under the Plan – Deemed to Reject
7	Class 13	Donor and Beneficiary Claims	
8	Class 15	Abuse Related Contribution/Indemnity Claims	Impaired – Entitled to Vote

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

12	<u>Class</u>	<u>Description</u>	<u>Status</u>
13	Class 1	Priority Claims	Unimpaired – Deemed to Accept
14	Class 2	General Unsecured Convenience Claims	Unimpaired – Deemed to Accept
15	Class 5	Omak Area Shelter Claim	Unimpaired – Deemed to Accept
16	Class 9	Student Loan Claims	Unimpaired – Deemed to Accept
17	Class 12	Charitable Gift Annuity Claims	Unimpaired – Deemed to Accept
18	Class 14	Convenience Abuse Claims	Unimpaired – Deemed to Accept

20 The specific treatment of each class under the Plan is set forth in the Plan and is
21 summarized in Articles I.F and V of this Disclosure Statement. Section 1129(b) of the
22 Bankruptcy Code provides that, if the Plan is rejected by one or more impaired classes
23 of Claims, the Plan nevertheless may be confirmed by the Court if: (i) the Court
24 determines that the Plan does not discriminate unfairly and is fair and equitable with
25 respect to the rejecting class(es) of Claims that are impaired under the Plan; and (ii) at
26

1 least one class of impaired Claims has voted to accept the Plan. These requirements
 2 are described in further detail in Section VIII.C. of this Disclosure Statement.

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

6 IN ORDER FOR A VOTE TO BE COUNTED, A BALLOT MUST BE
 7 PROPERLY FILLED OUT AND ACTUALLY RECEIVED ON OR BEFORE
 8 4:00 P.M. PACIFIC DAYLIGHT TIME ON JUNE 30, 2011, BY THE
 BALLOTING AGENT AS SET FORTH IN THE BALLOT.

9 **F. Plan Summary.** A table summarizing the classification and treatment of
 10 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 (Including Professional Fees and Expenses)	Unimpaired	\$5,000,000	To be paid in full by the Reorganized Debtor 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 1 Priority Claims	Unimpaired	\$400	To be paid in full by the Reorganized Debtor on or as soon as reasonably practicable after the Effective Date, or if later, the Allowance Date.	100%
Class 2 General Unsecured Convenience Claims	Unimpaired	\$Unknown	To be paid in full by the Reorganized Debtor 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 3 Current Sexual Abuse Claims	Impaired	\$Unknown	Each Allowed Current Sexual Abuse Claim to receive payment from the Trust, with Current Sexual Abuse Claimants electing liquidation through an Allocation Plan being paid from a designated Creditor Pool and Litigation Current Abuse Claims being paid Pro Rata from a litigation reserve established through the Trust.	Unknown
Class 3A Non-Sexual Abuse Claims	Impaired	\$Unknown	Each Allowed Non-Sexual Abuse Claim to receive payment from the Trust, with Non-Sexual Abuse Claimants electing liquidation through an Allocation Plan being paid an amount not to exceed \$17,500 per Claim and Non-Sexual Abuse Claimants electing liquidation through litigation being paid Pro Rata from a litigation reserve established through the Trust.	Unknown
Class 4 Future Abuse Claims	Impaired	\$Unknown	Each Allowed Future Abuse Claim to receive payment from the Trust's Future Abuse Claims Reserve.	Unknown
Class 5 Omak Area Shelter Claim	Unimpaired	\$200,000	The Reorganized Debtor will pay \$200,000 to a homeless shelter(s) in the Omak, WA area.	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 Insured Non-Abuse Claims	Impaired	\$Unknown	Each Allowed Insured Non-Abuse Claim will receive payment solely to the extent covered by insurance but will not be entitled to receive any payment from the Reorganized Debtor.	Unknown
Class 7 General Unsecured Claims	Impaired	\$987,000 plus any amounts recovered by the Trust through assertion of the Avoidance Rights	\$500,000 to be shared Pro Rata by all holders of Allowed General Unsecured Claims, with payment to be made within 30 days after entry of Final Orders resolving all Avoidance Rights litigation filed by the Committee or Trust, or within 30 days of the Claim being Allowed, whichever is later.	Unknown
Class 8 Penalty Claims	Disallowed	\$Unknown	None	None
Class 9 Student Loan Claims	Unimpaired	\$323,000	All student loan obligations will be assumed by the Reorganized Debtor and payments made as they come due	100%
Class 10 Intentionally Omitted				
Class 11 Formation Fund Claim	Disallowed	\$8,953,046	The Claim will be disallowed against the Debtor. The Claim will be acknowledged by the Apostolic Works Fund to be an obligation of such fund and paid according to its terms.	None

<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 12 Charitable Gift Annuity Claims	Unimpaired	\$283,000	The Reorganized Debtor will honor all obligations and payments to Charitable Gift Annuitants as they come due	100%
Class 13 Donor and Beneficiary Claims	Disallowed	\$Unknown	None	None
Class 14 Convenience Abuse Claims	Unimpaired	\$Unknown	Holders of Allowed Convenience Abuse Claims will each receive a payment of \$2,500 from the Trust on or as soon as reasonably practicable following the Effective Date	100%
Class 15 Abuse Related Contribution/Indemnity Claims	Mutual Release	\$Unknown	None	None

II. FUNDING SOURCES FOR THE PLAN.

A. Reorganized Debtor's and Participating Parties' Funding of the Plan.

a. Administrative Claims. The Reorganized Debtor will pay all Allowed Administrative Claims (including the Chapter 11 Professionals' Allowed fees and expenses) in full.

b. General Unsecured Convenience Claims. The Reorganized Debtor will pay all General Unsecured Convenience Claims in full.

c. General Unsecured Claims. The Reorganized Debtor will provide \$500,000 to be distributed Pro Rata to the holders of General Unsecured Claims.

1 d. Student Loan Claims. The Reorganized Debtor will pay, in its
2 normal course of operations, all Allowed Student Loan Claims, estimated at
3 approximately \$323,000.

4 e. Charitable Gift Annuity Claims. The Reorganized Debtor will
5 pay all Charitable Gift Annuity Claims, estimated at approximately \$282,000, in full as
6 and when they come due.

7 f. Retiree Benefit Claims. The Reorganized Debtor will assume
8 the Debtor's obligations for the Retiree Benefit Claims (estimated to total approximately
9 \$13.7 million in unfunded liabilities), and pay those claims as and when they come due.

10 g. Abuse Claims. The Reorganized Debtor and Participating
11 Parties will contribute to the Trust Forty-Three Million One Hundred Thousand Dollars
12 (\$43,100,000) Cash, plus an additional Five Million Dollars (\$5,000,000) Cash **less** the
13 Allowed amount of all unpaid Chapter 11 Professional Fees (estimated to total
14 approximately \$5,000,000 on the Effective Date), for a total contribution of
15 approximately \$43,100,000. The Trust will also receive the benefit of the Avoidance
16 Claims, including preferential and fraudulent transfer claims, Third Party Derivative
17 Claims (e.g., claims against any Person or Entity for disregard of the corporate form,
18 piercing the corporate veil, or alter ego, that would subject such Person or Entity to
19 liability for the Abuse Claims against the Debtor), and the benefit of Insurance
20 Recoveries against Non-Settling Insurers.

21 The Committee, with standing granted by the Bankruptcy Court, has commenced
22 the Avoidance Actions set forth on Exhibit "H" and the last day to file additional
23 Avoidance Actions under Bankruptcy Code § 546(a) was February 17, 2011, except as
24 such date may be extended pursuant to the Bankruptcy Rules. The Debtor contends
25 that none of the filed Avoidance Actions will result in a recovery for the Trust. The
26 Committee believes that the filed Avoidance Actions may result in a recovery for the

1 Trust; however, the Committee is unable at this time to project the amount of recoveries
2 under the Avoidance Actions.

3 B. Settling Insurers Funding of the Plan. All proceeds from settlements
4 reached with the Debtor's and Participating Parties' Insurers providing Insurance
5 Coverage for the Abuse Claims will be paid to the Trust and used to pay the Trust's
6 expenses and the Abuse Claims. Three of the Debtor's Insurers, Safeco, Travelers, and
7 Western World, have reached settlements with the Debtor pursuant to which they will
8 provide One Hundred Eighteen Million Dollars (\$118,000,000), One Million Four
9 Hundred Thousand Dollars (\$1,400,000), and Three Hundred Thousand Dollars
10 (\$300,000) respectively to the Trust. The Debtor is seeking Bankruptcy Court approval
11 of the Safeco Settlement Agreement, Travelers Settlement Agreement, and Western
12 World Settlement Agreement, including injunctions and releases benefitting Safeco,
13 Travelers, and Western World that are included in the Safeco Settlement Agreement,
14 Travelers Settlement Agreement, Western World Settlement Agreement, and the Plan.
15 The Plan contains a provision for other Insurers to become Settling Insurers with the
16 consent of the Trust, in which event those Settling Insurers would be entitled to the
17 benefit of the injunctions and releases provided for Settling Insurers under the Plan.

18 Other than as provided in Section 8 of the Plan, the rights and obligations of Non-
19 Settling Insurers will not be affected by the Plan and such Insurers will continue to
20 provide Insurance Coverage for the Abuse Claims that are covered by their Insurance
21 Policies on a claim-by-claim basis in accordance with the provisions of their Insurance
22 Policies. The Plan provides for the Trust to receive any Insurance Recoveries from the
23 Non-Settling Insurers for each Abuse Claim regardless of whether the Abuse Claim is
24 liquidated through an Allocation Plan or through litigation.

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1 **III. THE SOCIETY OF JESUS, OREGON PROVINCE.**

2 **A. The History of the Province.**

3 The Roman Catholic Church is a hierarchical religious organization. The Society
4 of Jesus (the “Society” or “SOJ”) is a religious order of priests and brothers within the
5 Roman Catholic Church commonly known as the Jesuits. The Society’s work is divided
6 geographically into provinces, with the Oregon Province currently encompassing the
7 states of Alaska, Idaho, Montana, Oregon, and Washington. Under Canon Law, a
8 province is a *juridic person*. A *juridic person* is treated as a separate legal entity under
9 Canon Law much like a corporation under civil law. Each province is presided over by a
10 Jesuit priest given the title “Provincial”.

11 In 1841 the first Jesuit missionaries arrived in the Pacific Northwest. At that time
12 the cities of Seattle, Portland, and Spokane did not exist. The closest settlement was
13 San Francisco, a small Mexican outpost and mission. These Jesuits committed
14 themselves to a mission which extended on the east from the Rocky Mountains west to
15 the Pacific Ocean and on the south from Mexico north to the Arctic Ocean (the “Rocky
16 Mountain Mission” or “Mission”). On October 25, 1889, Fr. Joseph Cataldo, Superior of
17 the Mission, and three other Jesuit missionaries formed a Montana non-profit religious
18 corporation under the name “Montana Catholic Missions, S.J.” to hold funds and
19 property in trust for the Mission, and for establishing and conducting churches, schools,
20 and libraries. On August 22, 1893, Fr. Leopold Van Gorp, the new Superior of the
21 Mission, and two of his consultors, Fr. Cataldo and Fr. Joseph Caruana formed a
22 Washington non-profit religious corporation under the name “Pioneer Educational
23 Society” to provide a civilly recognized entity for holding the Mission’s real property in
24 the State of Washington and for other purposes. This coincided with a significant
25 undertaking by the Mission to purchase land for the building of a Catholic residential
26 community in Spokane, Washington. On September 8, 1909, the Rocky Mountain

1 Mission was elevated to the status of a province. On February 18, 1918, Fr. Francis
2 Dillon, Fr. William Deeney, and Fr. Aloisius van der Velden formed an Oregon non-profit
3 religious corporation under the name "Society of Jesus". On February 2, 1932, the
4 states of Oregon, Washington, Idaho, and Montana, and the Territory of Alaska were
5 formally designated the "Oregon Province". Thereafter, the Oregon Province continued
6 to hold its property and conduct its affairs under the two corporations referred to above,
7 Pioneer Educational Society and Society of Jesus. On July 31, 1964, three Jesuit
8 missionaries working in Alaska formed an Alaska non-profit religious corporation under
9 the name "Society of Jesus, Alaska" to hold property and conduct the secular affairs of
10 the Alaska missions, which at that time were independent missions from the Oregon
11 Province. On March 31, 1997, the corporation known as Society of Jesus changed its
12 name to "Society of Jesus, Oregon Province." The Oregon Province continues to utilize
13 each of the above-stated corporations to hold property, both for itself and in trust, and to
14 conduct the Province's secular affairs. Fr. Patrick J. Lee is the current Provincial of the
15 Oregon Province, having served since in that capacity since August 2008. The Province
16 is included within the definition of "Debtor" to the extent it is not an entity recognized
17 under civil law that is separate from the Debtor. To the extent the Province may be
18 recognized as a separate civil entity from the Debtor, it has been included as a
19 Participating Party under the Plan.

20 The Jesuits working within the Oregon Province are organized into Jesuit
21 Communities. Communities are separate *juridic persons* from the Province under
22 Canon Law and pursuant to the Society's own rules and regulations. The following
23 Jesuit Communities exist within the Oregon Province: Arrupe Jesuit Community
24 (Seattle), Bellarmine Jesuit Community (Tacoma), Brother Joe Prince Jesuit Community
25 (St. Mary's, AK), Capitol Hill Jesuit Community (Seattle), Colombiere Jesuit Community
26 (Portland), Gonzaga Jesuit Community (Spokane), Jesuit High School Community

1 (Portland), Manresa Jesuit Community (Spokane), Jesuit Novitiate of St. Francis Xavier
2 (Portland), Regis Jesuit Community (Spokane), Missoula Jesuit Community (Missoula),
3 and Yakima Jesuit Community (Yakima). The Jesuit Communities are included within
4 the definition of “Debtor” to the extent they are not entities recognized under civil law
5 that are separate from the Debtor (which definition excludes Jesuit Community of
6 Gonzaga University, Inc., a Washington corporation). To the extent the Jesuit
7 Communities may be recognized as separate civil entities from the Debtor, they have
8 been included as Participating Parties under the Plan.

9 Each of the Jesuit Communities is responsible for furthering the Society’s
10 mission by providing teaching, guidance, counseling, and religious leadership at various
11 institutions known as apostolates. A specific Jesuit Community is assigned to each
12 apostolate. Examples of apostolates within the Province served by the Jesuit
13 Communities include Jesuit High School in Portland, Oregon (served by the Jesuit High
14 School Community), Seattle University in Seattle, Washington (served by the Arrupe
15 Jesuit Community), and Bellarmine Preparatory School in Tacoma, Washington (served
16 by the Bellarmine Jesuit Community). Each of the apostolates is a separately
17 incorporated non-profit corporation under civil law and has been for many years. The
18 apostolates own, possess, operate, and maintain their assets; generate their own
19 revenues from tuition, fees, donations, and other sources; manage their own finances;
20 and are managed and controlled by their officers and an independent board of trustees.
21 Despite each of the apostolates’ long-standing separate civil existence, the Committee
22 has asserted that some of these apostolates may be an asset of the Debtor’s
23 bankruptcy estate. The Debtor and the apostolates each assert they are separate civil
24 entities and their assets are not part of the Bankruptcy Estate. That dispute has not
25 been settled through the Plan, and nothing in the Plan will serve to release the following
26 Persons or Entities from liability for any of the Claims: (i) a Person or Persons having

1 personally committed an act or acts of Abuse resulting in a Claim against the Debtor or
2 a Participating Party, (ii) the Society of Jesus; (iii) the Father General of the Society of
3 Jesus and his predecessors, (iv) the Society of Jesus General Curia; (v) a successor or
4 predecessor of the Debtor to the extent of such successor's or predecessor's
5 independent liability for an act or acts of Abuse; (vi) Gonzaga University; (vii) Seattle
6 University; and (viii) the Jesuit High Schools.

7 The Committee contends that the Debtor has Third Party Derivative claims
8 against, inter alia: (i) the Society of Jesus; (ii) the Father General of the Society of Jesus
9 and his predecessors, (iii) the Society of Jesus General Curia; (iv) Gonzaga University;
10 (v) Seattle University, and/or (vi) the Jesuit High Schools. Under the Plan, Third Party
11 Derivate Claims means Claims against any Person or Entity for disregard of the
12 corporate form, piercing the corporate veil, or alter ego, that would subject such Person
13 or Entity to liability for Abuse Claims against the Debtor. Under the Plan, these claims
14 are assigned to the Trust. The Trustee will determine whether the Trust should
15 prosecute such claims of the Debtor. If the Trustee determines that the Trust should
16 pursue such claims, the Trustee will do so based on the exercise of his business
17 judgment that such litigation would benefit the Trust.

18 **B. The Debtor's and Participating Parties' Assets And Liabilities.**

19 **1. Assets.**

20 There are three main categories of property in which the Debtor and Participating
21 Parties may hold some type of interest. The first category is property the Debtor owns
22 outright without any restrictions or encumbrances and which is available to pay Claims
23 against the Debtor. The second category is property, and the earnings thereon, held in
24 the Formation Fund, Aged & Infirm Fund, Apostolic Works Fund, and Foundations Fund,
25 which the Debtor and Participating Parties assert are held in charitable trusts to be used
26 for specifically enumerated purposes. The third category is property, and the earnings

1 thereon, that the Debtor and the Participating Parties hold and invest for third parties.

2 **(a) Unrestricted Property.** The Debtor's unrestricted property
3 consists of the Debtor's operating accounts, and the Debtor's buildings and tangible
4 personal property located at the Loyola Jesuit Center in Portland, Oregon as described
5 in Section I. C. of this Disclosure Statement. Also included are the funds held by the
6 Jesuit Communities in their bank accounts. The Province does not have any assets
7 separate from the Debtor's assets.

8 **(b) Property Held Within Trusts.** The property held within
9 Trusts consists of the Formation Fund, Aged & Infirm Fund, Apostolic Works Fund, and
10 Foundations Fund property described in Section I.C. of this Disclosure Statement; and,

11 **(c) Third Party Property.** The third party property consists of:
12 (1) Omak Mission Church – Held for the Catholic Bishop
13 of Spokane. Value unknown;
14 (2) DeSmet Mission Farm Property – Held for the Coeur
15 d' Alene tribe. Value unknown; and,
16 (3) Zambia Mission investments – held for the Jesuit
17 Center for Theological Reflection, Zambia, valued at approximately \$207,000.

18 **2. Liabilities.**

19 **(a) Administrative Claims.** The Debtor anticipates that it will
20 owe approximately \$5,000,000 in unpaid Administrative Claims on the Effective Date
21 (assuming an Effective Date of July 25, 2011), consisting primarily of legal fees and
22 expenses owing to the attorneys, accountants, consultants, experts, and other advisors
23 for the Debtor, the Committee, and the FCR.

24 **(b) Priority Claims.** Priority Claims are estimated by the Debtor
25 to total approximately \$400.

26 **(c) General Unsecured Claims.** General Unsecured Claims

1 are estimated by the Debtor to total approximately \$987,000.² These Claims consist
2 primarily of trade claims against the Debtor which were unpaid as of the Petition Date.

3 **(d) Current Abuse Claims.** As of the November 30, 2009
4 Claims Bar Date, 609 Current Abuse Claims had been filed against the Debtor. After
5 elimination of duplicate and amended Abuse Claims, the Debtor and the Committee
6 estimate that approximately five hundred thirty-five (535) unresolved Current Abuse
7 Claims and one (1) Future Abuse Claim (filed by the FCR) have been filed against the
8 Debtor. Certain of the unresolved Abuse Claims may be subject to objection prior to the
9 Confirmation of the Plan. At this time, the Debtor and Committee cannot state with
10 certainty the amount that will be available in the Trust to pay Current Abuse Claims
11 because the amount that will be available in the Trust is subject to payment of certain
12 Administrative Expenses which will be unpaid as of the Effective Date and \$7.23 million,
13 plus possible additional amounts as provided in the Plan, for the reserve to pay Future
14 Abuse Claims. In addition, neither the Debtor nor the Committee can estimate the
15 administrative expenses the Trust will incur because they are subject to numerous
16 variables that cannot be identified or quantified at this time. However, based on current
17 information regarding such unpaid Administrative Expenses, the Debtor and Committee
18 estimate that the Trust, net of such unpaid Administrative Expenses and the
19 approximately \$7.23 million reserve for Future Abuse Claims, will have approximately
20 \$156 million available for the payment of Current Abuse Claims and the Trust's
21 administrative expenses. This amount may increase if the Trust receives Insurance
22 Recoveries from Non-Settling Insurers and/or recoveries from the Avoidance Rights.

23 _____
24 ² This number could increase if the Committee or Trust is successful in recovering any
25 funds through pursuit of the Avoidance Rights. That is because any Person or Entity
26 that is required to pay the Trust any funds it received as an avoidable transfer may be
entitled to file a Claim for the amount it is required to pay to the Trust. The Committee is
unable to determine at this time, however, whether any of the avoidance actions will be
successful.

1 **(e) Future Abuse Claims.** The Debtor and the Committee
2 expect an unknown number of Future Abuse Claims will be filed after confirmation of the
3 Plan and before the Future Abuse Claims Bar Date which is fifteen (15) years after the
4 Effective Date of the Plan. The FCR estimates that this number could be approximately
5 sixty four (64) Claims.

6 **(f) Insured Non-Abuse Claims.** The Debtor is unaware of any
7 such Claims; however, if any do exists they should be covered by the Debtor's liability
8 insurance policies.

9 **(g) Student Loan Claims.** Student Loan Claims are estimated
10 by the Debtor to total approximately \$323,000.

11 **(h) Charitable Gift Annuity Claims.** Charitable Gift Annuity
12 Claims are estimated by the Debtor to total approximately \$262,000.

13 **(i) Retiree Benefit Claims.** Retiree Benefit Claims are
14 estimated by the Debtor to total approximately \$13.7 million in potential unfunded
15 liability.

16 **(j) Donor and Beneficiary Claims.** These Claims consists of
17 the Claims by those Persons or Entities who have made donations to the Debtor or to a
18 Jesuit Community who may allege that their donations, or the property acquired with
19 their donations, are subject to donor imposed restrictions, or are held in trust, which
20 prevents such property from being utilized to pay Claims against the Debtor and the
21 Participating Parties. The Debtor does not believe that any such property is being used
22 to pay Claims. The Debtor does not anticipate any such Claims being asserted that
23 would prevent confirmation of the Plan. The only filed Claims that might fall into this
24 category are the Claims asserted on behalf of the beneficiaries of the Formation Fund,
25 Aged & Infirm Fund, Apostolic Works Fund, and Foundations Fund, which the Debtor
26 believes will likely support the Plan.

1 **(k) Abuse Related Contribution/Indemnity Claims.** Abuse

2 Related Contribution/Indemnity Claims were filed by Catholic Bishop of Northern Alaska,
3 as debtor-in-possession in its own Chapter 11 bankruptcy case pending in the United
4 States Bankruptcy Court for the District of Alaska (Case No. 08-00110-DMD) (“CBNA”),
5 Archdiocese of Portland in Oregon (“Archdiocese of Portland”) f/b/o the future claims
6 trust established in its own Chapter 11 bankruptcy case, and Seattle University (“Seattle
7 U”). The claims between CBNA and the Debtor were settled in early 2010 under a
8 previous bankruptcy court approved agreement that provided for a mutual release of
9 claims between them which is consistent with the treatment for Abuse Related
10 Contribution/Indemnity Claims under the Plan (the “CBNA Settlement”).

11 The Archdiocese of Portland, CBNA, and Seattle U sought to hold the Debtor
12 liable for all or a proportionate part of claims that have been, or may be asserted,
13 against the Debtor and CBNA, Seattle U, or the Archdiocese of Portland’s future claims
14 trust established under the Archdiocese of Portland’s Chapter 11 plan. The Debtor is
15 unaware whether any such claims have, or will have, any value. Nevertheless, the
16 Proponents believe the mutual release between the Debtor, on the one hand, and
17 CBNA, Seattle U, or the Archdiocese of Portland, on the other hand, is fair and
18 equitable. Otherwise, the Trustee would, following confirmation of the Plan, be entitled
19 to assert claims for contribution or indemnity against Seattle U and the future claims
20 trust in the Archdiocese of Portland and CBNA cases for those Abuse Claims in this
21 case which qualify as future claims in that case. Likewise, the Seattle U and the future
22 claims trust in the Archdiocese of Portland case would be entitled to assert contribution
23 and indemnity claims against the Trust in this Case for those same Abuse Claims. This
24 could result in protracted litigation and expense for Seattle U and the future claims trusts
25 in this Case and the Archdiocese of Portland case, which will be avoided by the mutual
26 release.

1 Although the Trust, Seattle U, and the Archdiocese of Portland future claims trust
2 would be, and the CBNA future claims trust already is under the CBNA Settlement,
3 precluded from asserting Abuse Related Contribution/Indemnity Claims against each
4 other, the Abuse Claimants in this Case will not be prohibited from seeking recovery
5 from the Trust, and also from Seattle U and/or the future claims trusts in the
6 Archdiocese of Portland and CBNA cases (if an Abuse Claimant in this Case can qualify
7 as a future claimant in those cases). In the event an Abuse Claim is allowed against
8 Seattle U and one or more trusts, or against more than one trust but not Seattle U,
9 Seattle U and the respective trusts will not be entitled seek contribution or indemnity
10 from each other to pay all or any portion of the amount for which Seattle U or a trust is
11 found liable. Subject to applicable law, Seattle U and the respective trusts may,
12 however, argue for allocation of fault in any litigation with the Abuse Claimant so as to
13 attempt to attribute all or any portion of fault for the Abuse Claim to the other in order to
14 avoid or reduce the amount Seattle U or a specific trust is required to pay to the Abuse
15 Claimant.

16 Counsel for the Creditors Committee in this Case served as counsel to the official
17 creditors committee in the CBNA case and is serving as counsel to the settlement
18 trustee in the CBNA case. Counsel for the Creditors Committee has not represented
19 the Creditors Committee, the CBNA creditors committee, or the CBNA settlement
20 trustee in connection with the treatment of this class of Claims. Counsel for the Debtor
21 in this Case served as counsel to the Archdiocese of Portland in its chapter 11 case,
22 and represents it in limited matters unrelated to this case. Counsel for the Debtor has
23 not represented the Archdiocese of Portland in connection with the treatment of this
24 class of Claims. The Debtor and counsel for the Debtor will leave it to counsel for the
25 Committee to resolve disputes, if any, that may arise regarding the Archdiocese of
26 Portland's Claims and the treatment of those Claims under the Plan.

1 **IV. DESCRIPTION OF THE PLAN.**

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

6 IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE CONTENTS
7 OF THE PLAN AND THIS DISCLOSURE STATEMENT, THE PLAN WILL
CONTROL.

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

9 **1. Claim Amounts.**

10 Until Allowed, certain Claims against the Debtor are in unliquidated
11 amounts. Accordingly, the amounts of Claims specified in this Disclosure Statement
12 reflect only the Debtor's estimates based on information available to it. Additionally, the
13 amounts of Claims specified in this Disclosure Statement do not include all Claims that
14 may arise from the rejection of certain executory contracts or other contingent or
15 unliquidated Claims against the Debtor.

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

17 The Effective Date of the Plan determines when the performance of many
18 of the obligations under the Plan is due. Unless an appeal is taken from the
19 Confirmation Order, the Effective Date is expected to occur on the fifteenth day after
20 entry of the Confirmation Order.

21 **3. Classification Generally.**

22 Under the Plan, all Claims against the Debtor, other than Administrative
23 Claims, are divided into fifteen (15) separate classes, which the Debtor believes
24 complies with the requirements of the Bankruptcy Code. Unless otherwise expressly
25 stated in the Plan, the respective treatments under the Plan of Allowed Claims are in full
26 discharge and satisfaction of those Allowed Claims. Except as provided in the Plan, all

1 Claims against the Debtor and arising prior to the Confirmation Date, except for Abuse
2 Claims arising after the Petition Date, will be discharged as of the Effective Date
3 pursuant to Section 1141(d) of the Bankruptcy Code, and as provided in the Plan.

4 **4. Treatment of Claims.**

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

8 **B. Executory Contracts and Unexpired Leases to be Assumed if not**
9 **Rejected.**

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

20 **C. Objections to Claims.**

21 Notwithstanding the occurrence of the Effective Date, and except as to any Claim
22 that has been Allowed by Court order prior to the Effective Date, the Reorganized
23 Debtor, the Committee, the FCR, any Claimant, the Insurers, or any other party in
24 interest may object to the allowance of any Claim against the Debtor or seek estimation
25 thereof on any grounds permitted by the Bankruptcy Code (except the Reorganized
26 Debtor will not object to any Abuse Claims, and no Abuse Claimant may object to the

1 Abuse Claim of any other Abuse Claimant) by filing the appropriate pleading in the
2 Bankruptcy Court at any time prior to the first Business Day which is at least 30 days
3 after the Effective Date. No payments or other distributions will be made to the holder
4 of a Claim unless and until such Claim is an Allowed Claim or, in the case of a
5 permissible objection by an Abuse Claimant to an Abuse Claim, until liquidated by the
6 Abuse Claims Reviewer. If a non-Abuse Claim is not an Allowed Claim on the Effective
7 Date, or when payment is otherwise due under the Plan, payment on the Allowed Claim
8 (plus interest, if any, as provided in the Plan) will be made as soon as practicable
9 following the Allowance Date. Abuse Claims liquidated through an Allocation Plan will
10 be paid by the Trust as soon as practicable after liquidation by the Abuse Claims
11 Reviewer and the expiration of any time period for reconsideration of the decision of the
12 Abuse Claims Reviewer under an Allocation Plan.

13 **D. Administrative Claims Bar Date.**

14 All requests for payment of Administrative Claims other than Current Obligations
15 must be served and filed with the Bankruptcy Court no later than 30 days after the
16 Effective Date. Except as otherwise allowed by the Bankruptcy Court, any
17 Administrative Claim that is not served and filed by such date will be forever barred.
18 After approval of the final fee applications of the Chapter 11 Professionals by the
19 Bankruptcy Court for services provided and costs incurred during the course of
20 administration of the Case, the Chapter 11 Professionals will not be required to submit
21 any further fee applications to the Bankruptcy Court.

22 **E. Discharge.**

23 **Sections 11.1 and 11.2 of the Plan provide the following with respect to the**
24 **Debtor's Discharge:**

25 ***11.1 Discharge. Notwithstanding anything to the contrary in the Plan, on***
26 ***the Effective Date, pursuant to Section 1141(d) of the Bankruptcy Code, the***

1 **Debtor and the Reorganized Debtor will be discharged from all liability for any**
2 **and all Claims and Debts, known or unknown, whether or not giving rise to a right**
3 **to payment or an equitable remedy, that arose, directly or indirectly, from any**
4 **action, inaction, event, conduct, circumstance, happening, occurrence,**
5 **agreement, or obligation of the Debtor, or the Debtor's Representatives before the**
6 **Confirmation Date, or that otherwise arose before the Confirmation Date,**
7 **including all interest, if any, on any such Claims and Debts, whether such interest**
8 **accrued before or after the date of commencement of this Case, and including all**
9 **Claims and Debts based upon or arising out of Abuse, and from any liability of**
10 **the kind specified in Sections 502(g), 502(h), and 502(i) of the Bankruptcy Code,**
11 **whether or not (a) a proof of claim is filed or is deemed filed under Section 501 of**
12 **the Bankruptcy Code; (b) such Claim is Allowed under this Plan; or (c) the holder**
13 **of such Claim has accepted this Plan.**

14 **11.1.1 Section 11.1 of the Plan does not apply to (a) the obligations**
15 **of any Non-Settling Insurers for any Claims; (b) the obligations arising under any**
16 **settlement agreement between the Debtor and any Settling Insurer approved by**
17 **the Bankruptcy Court, which are not and will not be discharged; (c) the**
18 **performance by the Reorganized Debtor of any and all obligations due to the Non-**
19 **Settling Insurers under their Insurance Policies with respect to any Abuse Claim,**
20 **and (d) (i) a Person or Persons having personally committed an act or acts of**
21 **Abuse resulting in a Claim against the Debtor or a Participating Party, (ii) the**
22 **Society of Jesus; (iii) the Father General of the Society of Jesus and his**
23 **predecessors, (iv) the Society of Jesus General Curia (v) a successor or**
24 **predecessor of the Debtor to the extent of such successor's or predecessor's**
25 **independent liability for an act or acts of Abuse; (vi) Gonzaga University; (vii)**
26 **Seattle University; and (viii) the Jesuit High Schools.**

1 **11.2 Post-Petition Abuse Claims. Abuse Claims, other than Future Claims,**
2 **arising or occurring after the Petition Date will not be discharged, released or**
3 **impaired, with the exception of any Abuse Claim against a Settling Insurer.**

4 **F. Vesting of Property.**

5 Except as otherwise expressly provided in the Plan or in the Confirmation Order,
6 on the Effective Date, the Reorganized Debtor will be vested with all of the property of
7 the Estate free and clear of all Claims, liens, encumbrances, charges and other interests
8 of Creditors and Claimants. As of the Effective Date, the Reorganized Debtor may hold,
9 use, dispose, and otherwise deal with such property and conduct its affairs, in each
10 case, free of any restrictions imposed by the Bankruptcy Code or by the Bankruptcy
11 Court, other than those restrictions expressly imposed by the Plan, the Confirmation
12 Order, or the Plan Documents.

13 **G. Exculpation and Limitation of Liability and Injunctions.**

14 The Plan provides the following with respect to exculpation and limitation
15 of liability and injunctions:

16 **11.4 Exculpation And Limitation Of Liability. Except as expressly**
17 **provided in this Plan, none of the Exculpated Parties will have or incur any**
18 **liability to, or be subject to any right of action by, any holder of a Claim, any other**
19 **party in interest, or any of their respective agents, employees, representatives,**
20 **financial advisors, attorneys, or affiliates, or any of their successors or assigns,**
21 **for any act or omission in connection with, relating to, or arising out of the Case,**
22 **including the exercise of their respective business judgment and the performance**
23 **of their respective fiduciary obligations, the pursuit of confirmation of the Plan, or**
24 **the administration of the Plan or the Trust, except liability for their willful**
25 **misconduct or gross negligence (provided however the Debtor and Reorganized**
26 **Debtor will be discharged from any such liability for such acts or omissions**

1 *occurring prior to the Confirmation Date), and in all respects, such parties will be*
2 *entitled to reasonably rely upon the advice of counsel with respect to their duties*
3 *and responsibilities under the Plan or in the context of the Case.*

4 **11.5 Supplemental Injunction Preventing Prosecution of Abuse Claims**
5 **Against Settling Insurers. Pursuant to sections 105(a) and 363 of the Bankruptcy**
6 **Code, any and all Persons and Entities who now hold or who may in the future**
7 **hold Claims and Interests of any kind or nature (including all debt holders, all**
8 **equity holders, governmental, tax and regulatory authorities, lenders, trade and**
9 **other creditors, Abuse Claimants, other insurers, and all others holding Claims or**
10 **Interests of any kind or nature whatsoever) against the Debtor, the Reorganized**
11 **Debtor, the Province, the Participating Parties, the Settling Insurers, the Settling**
12 **Insurer Other Releasing Parties, or the Settling Insurer Policies, arising out of,**
13 **relating to, or in connection with the Settling Insurer Policies or Abuse Claims are**
14 **hereby permanently stayed, enjoined, barred, and restrained from taking any**
15 **action, directly or indirectly, to assert, to enforce or to attempt to assert or**
16 **enforce any such Claim and Interests against the Settling Insurers, the Settling**
17 **Insurer Released Parties, and/or the Settling Insurer Policies.**

18 **11.6 Supplemental Injunctions Preventing Prosecution of Abuse Claims**
19 **Against Safeco, Travelers, and Western World.**

20 **11.6.1 In accordance with the Safeco Settlement Agreement and the**
21 **Approval Order that approved the Agreement (as defined in the Safeco Settlement**
22 **Agreement), pursuant to sections 105(a) and 363 of the Bankruptcy Code, any**
23 **and all Persons and Entities who now hold or who may in the future hold any**
24 **Claims (as defined in the Safeco Settlement Agreement) or Interests (as defined**
25 **in the Safeco Settlement Agreement) of any kind or nature (including, without**
26 **limitation, all debt holders, all equity holders, governmental, tax and regulatory**

1 *authorities, lenders, trade and other creditors, Tort Claim (as defined in the*
2 *Safeco Settlement Agreement) holders, other insurers, and all others holding*
3 *Claims (as defined in the Safeco Settlement Agreement) or Interests (as defined*
4 *in the Safeco Settlement Agreement) of any kind or nature whatsoever) against*
5 *SJOP, Safeco Other Releasing Parties, Safeco, Safeco Released Parties, or the*
6 *Safeco Policies, relating to or in connection with the Safeco Policies, Tort Claims*
7 *(as defined in the Safeco Settlement Agreement), or Abuse Claims (as defined in*
8 *the Plan), are hereby permanently stayed, enjoined, barred, and restrained from*
9 *taking any action, directly or indirectly, to assert, to enforce or to attempt to*
10 *assert or enforce any such Claim (as defined in the Safeco Settlement*
11 *Agreement) or Interest (as defined in the Safeco Settlement Agreement) against*
12 *Safeco, the Safeco Released Parties, and/or the Safeco Policies.*

13 *11.6.2 Pursuant to sections 105(a) and 363 of the Bankruptcy Code*
14 *and in consideration of the undertakings of Travelers pursuant to the Travelers*
15 *Settlement Agreement, including any of the Travelers' purchases of Travelers*
16 *Policies from the Debtor free and clear of all Claims (as defined in the Travelers*
17 *Settlement Agreement) and Interests pursuant to Section 363(f) of the Bankruptcy*
18 *Code, any and all Persons and Entities who have held, now hold or who may in*
19 *the future hold Claims (as defined in the Travelers Settlement Agreement) or*
20 *Interests of any kind or nature (including all debt holders, all equity holders,*
21 *governmental, tax and regulatory authorities, lenders, trade and other creditors,*
22 *Abuse Claimants, Future Abuse Claimants, Tort Claimants (as defined in the*
23 *Travelers Settlement Agreement), other insurers, and all others holding Claims or*
24 *Interests of any kind or nature whatsoever) against the Debtor, the Estate, the*
25 *Province, Travelers Other Releasing Parties, Travelers, Travelers Released*
26 *Parties, or the Travelers Policies, arising out of, relating to, or in connection with*

1 *the Travelers Policies, Abuse Claims, and/or Tort Claims (as defined in the*
2 *Travelers Settlement Agreement), are hereby permanently stayed, enjoined,*
3 *barred, and restrained from taking any action, directly or indirectly, to assert, to*
4 *enforce or to attempt to assert or enforce any such Claim (as defined in the*
5 *Travelers Settlement Agreement) or Interest against Travelers, Travelers*
6 *Released Parties, and/or the Travelers Policies.*

7 *11.6.3 In accordance with the Western World Settlement Agreement*
8 *and the Approval Order that approved the Agreement (as defined in the Western*
9 *World Settlement Agreement), pursuant to sections 105(a) and 363 of the*
10 *Bankruptcy Code, any and all Persons and Entities who now hold or who may in*
11 *the future hold any Claims (as defined in the Western World Settlement*
12 *Agreement) or Interests (as defined in the Western World Settlement Agreement)*
13 *of any kind or nature (including, without limitation, all debt holders, all equity*
14 *holders, governmental, tax and regulatory authorities, lenders, trade and other*
15 *creditors, Tort Claim (as defined in the Western World Settlement Agreement)*
16 *holders, other insurers, and all others holding Claims (as defined in the Western*
17 *World Settlement Agreement) or Interests (as defined in the Western World*
18 *Settlement Agreement) of any kind or nature whatsoever) against SJOP, Western*
19 *World Other Releasing Parties, Western World, Western World Released Parties,*
20 *or the Western World Policies, relating to or in connection with the Western*
21 *World Policies, Tort Claims (as defined in the Western World Settlement*
22 *Agreement), or Abuse Claims (as defined in the Plan), are hereby permanently*
23 *stayed, enjoined, barred, and restrained from taking any action, directly or*
24 *indirectly, to assert, to enforce or to attempt to assert or enforce any such Claim*
25 *(as defined in the Western World Settlement Agreement) or Interest (as defined in*

26

1 **the Western World Settlement Agreement) against Western World, the Western**
2 **World Released Parties, and/or the Western World Policies.**

3 **11.6.4 Any Insurer, other than Safeco, Travelers, and Western World,**
4 **that becomes a Settling Insurer and signs a settlement agreement substantially in**
5 **the form of the Safeco Settlement Agreement, shall be entitled to the benefits,**
6 **including all injunctions, as set forth in the form of settlement agreement signed**
7 **by such insurer.**

8 **11.7 Channeling Injunction Preventing Prosecution of Abuse Claims**
9 **Against Channeling Injunction Beneficiaries. In consideration of the**
10 **undertakings of the Channeling Injunction Beneficiaries, pursuant to their**
11 **respective settlements with the Debtor and/or a Participating Party, the funding of**
12 **the Trust, other consideration, and to further preserve and promote the**
13 **agreements between and among the Channeling Injunction Beneficiaries, and the**
14 **protections afforded the Channeling Injunction Beneficiaries, and pursuant to**
15 **section 105 of the Bankruptcy Code:**

16 **(a) any and all Channeled Claims are channeled into the Trust; and**

17 **(b) all Persons or Entities that have held or asserted, hold or assert, or may**
18 **in the future hold or assert, any Channeled Claim are hereby permanently stayed,**
19 **enjoined, barred and restrained from taking any action, directly or indirectly, for**
20 **the purposes of asserting, enforcing, or attempting to assert or enforce any**
21 **Channeled Claim, including:**

22 **(i) commencing or continuing in any manner any action or other**
23 **proceeding of any kind with respect to any Channeled Claim against any**
24 **Channeling Injunction Beneficiaries, their respective predecessors, successors,**
25 **and assigns, or their respective employees, officers, and directors, or against the**
26 **property of any Channeling Injunction Beneficiaries, their respective**

1 **predecessors, successors, and assigns, or their respective employees, officers,**
2 **and directors;**

3 **(ii) enforcing, attaching, collecting or recovering, by any manner or**
4 **means, from any Channeling Injunction Beneficiaries, their respective**
5 **predecessors, successors, and assigns, or their respective employees, officers,**
6 **and directors, or from the property of any Channeling Injunction Beneficiaries,**
7 **their respective predecessors, successors, and assigns, or their respective**
8 **employees, officers, and directors, with respect to any such Channeled Claim,**
9 **any judgment, award, decree, or order against any Channeling Injunction**
10 **Beneficiaries, or other Person or Entity;**

11 **(iii) creating, perfecting or enforcing any lien of any kind against any**
12 **Channeling Injunction Beneficiaries, their respective predecessors, successors,**
13 **and assigns, or their respective employees, officers, and directors, or the**
14 **property of any Channeling Injunction Beneficiaries, their respective**
15 **predecessors, successors, and assigns, or their respective employees, officers,**
16 **and directors, with respect to any such Channeled Claim; and**

17 **(iv) asserting, implementing or effectuating any Channeled Claim of**
18 **any kind against:**

19 **(1) any obligation due any Channeling Injunction Beneficiaries,**
20 **their respective predecessors, successors, and assigns, or their respective**
21 **employees, officers, and directors;**

22 **(2) any Channeling Injunction Beneficiaries, their respective**
23 **predecessors, successors, and assigns, or their respective employees, officers,**
24 **and directors; or**

25 **(3) the property of any Channeling Injunction Beneficiaries,**
26 **their respective predecessors, successors, and assigns, or their respective**

1 **employees, officers and directors, with respect to any such Channeled Claim.**

2 **Notwithstanding any provision of this Plan, the foregoing “Channeling**
3 **Injunction Preventing Prosecution of Abuse Claims Against Channeling**
4 **Injunction Beneficiaries” provides absolutely no protection to (i) a Person or**
5 **Persons having personally committed an act or acts of Abuse resulting in a Claim**
6 **against the Debtor or a Participating Party, (ii) the Society of Jesus; (iii) the Father**
7 **General of the Society of Jesus and his predecessors, (iv) the Society of Jesus**
8 **General Curia; (v) a successor or predecessor of the Debtor to the extent of such**
9 **successor’s or predecessor’s independent liability for an act or acts of Abuse;**
10 **(vi) Gonzaga University; (vii) Seattle University; and (viii) the Jesuit High Schools.**

11 **11.7.1 To the extent not otherwise enjoined in Section 11.6, assertion**
12 **and enforcement of Channeled Claims, and any attempt to assert or enforce such**
13 **Claims, by any Person or Entity, against Safeco, the Safeco Released Parties,**
14 **Travelers, the Travelers Released Parties, Western World, and the Western World**
15 **Released Parties is hereby permanently stayed, enjoined, barred, and restrained.**

16 **11.7.2 Pursuant to Paragraph N of the [Proposed] Order Approving**
17 **Settlement Agreement with Safeco Including Sale of Insurance Policies, and**
18 **Section 1.1.21 of the Safeco Settlement Agreement, Safeco, the Safeco Released**
19 **Parties, Travelers, the Travelers Released Parties, Western World, and the**
20 **Western World Released Parties are entitled to and hereby shall receive the**
21 **benefits and protections of the injunctions in Sections 11.5 and 11.7 of this Plan**
22 **as if Section 11.5 and 11.7 of the Plan applied specifically to Safeco, the Safeco**
23 **Released Parties, Travelers, the Travelers Released Parties, Western World, and**
24 **the Western World Released Parties.**

25 **11.8 Term of Injunctions or Stays and Confirmation of Settlements With**
26 **Settling Insurers, Released Parties, and Participating Parties. All injunctions**

1 ***and/or stays provided for in this Plan, the injunctive provisions of Sections 524***
2 ***and 1141 of the Bankruptcy Code, and all injunctions or stays protecting Safeco,***
3 ***the Safeco Released Parties, Travelers, the Travelers Released Parties, Western***
4 ***World, the Western World Released Parties, Settling Insurers, Settling Insurer***
5 ***Released Party, Released Parties, and/or Participating Parties, and their***
6 ***respective predecessors, successors, and assigns, including Safeco, Travelers,***
7 ***Western World, or any other Settling Insurer that has purchased its Insurance***
8 ***Policy or Policies in a Section 363 Sale, are permanent and will remain in full***
9 ***force and effect following the Effective Date and are not subject to being vacated***
10 ***or modified. Debtor's settlement agreements, if any, with Safeco, Travelers,***
11 ***Western World, the Settling Insurers, the Released Parties, and the Participating***
12 ***Parties previously authorized by the Bankruptcy Court are hereby affirmed and***
13 ***any obligations of Debtor with respect to such settlement agreements shall be***
14 ***assumed by the Reorganized Debtor and Trustee, as applicable, on the Effective***
15 ***Date. None of the injunctions or stays under the Plan provide any protection***
16 ***whatsoever to (i) a Person or Persons having personally committed an act or acts***
17 ***of Abuse resulting in a Claim against the Debtor or a Participating Party, (ii) the***
18 ***Society of Jesus; (iii) the Father General of the Society of Jesus and his***
19 ***predecessors or (iv) the Society of Jesus General Curia; (v) a successor or***
20 ***predecessor of the Debtor to the extent of such successor's or predecessor's***
21 ***independent liability for an act or acts of Abuse; (vi) Gonzaga University; (vii)***
22 ***Seattle University; and (viii) the Jesuit High Schools.***

23 H. Reservation of Rights.

24 Except as expressly provided in the Plan and this Disclosure Statement, the Plan
25 will have no force or effect unless the Confirmation Order is entered by the Bankruptcy
26 Court and the Effective Date has occurred. The filing of the Plan, any statement or

1 provision contained in the Plan or in this Disclosure Statement, or the taking of any
2 action by the Debtor or Proponents with respect to the Plan will not be, or be deemed to
3 be, an admission or waiver of any rights of the Debtor or Proponents.

4 **V. POST-CONFIRMATION MANAGEMENT OF REORGANIZED DEBTOR.**

5 The administration of the Reorganized Debtor will continue as before the Petition
6 Date with the Provincial being the president and sole member of the Reorganized
7 Debtor. Pursuant to the Society's vow of poverty, the Provincial will receive no
8 monetary compensation for his services to the Reorganized Debtor but his needs and
9 expenses will be taken care of by the Jesuit Community of which he is a member.

10 **VI. FEDERAL TAX CONSEQUENCES.**

11 THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF
12 THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY,
13 ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX
14 ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL
15 TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.
16 NEITHER THE PROPONENTS NOR THEIR COUNSEL MAKE ANY
17 REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF
18 CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR
19 ANY CREDITOR.

20 Under the Internal Revenue Code of 1986, as amended, there may be significant
21 federal income tax issues arising under the Plan described in this Disclosure Statement
22 that affect Creditors in the case. The Trust is structured as a "qualified settlement fund"
23 ("QSF") within the meaning of Treasury Regulations enacted under Internal Revenue
24 Code Section 486B(g). The Trust is characterized as a QSF because:

25 1. The Trust will be established pursuant to an order of, or be
26 approved by, the United States, any state or political subdivision thereof, or any agency

1 or instrumentality (including a court of law) of any of the foregoing and will be subject to
2 the continuing jurisdiction of that governmental authority;

3 2. The Trust will be established to resolve or satisfy one or more
4 contested or uncontested claims that have resulted or may result from an event that has
5 occurred and that has given rise to at least one claim asserting liability arising out of,
6 among other things, a tort, breach of contract, or violation of law (but excluding non-tort
7 obligations of the Debtor to make payments to its general trade creditors or debt holders
8 that relates to: a case under Title 11 of the United States Code, a receivership,
9 foreclosure of similar proceeding in a federal or state court, or a workout); and

10 3. The Trust will be a trust under state law.

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

13 (a) the Trust must use a calendar taxable year and the accrual
14 method of accounting;

15 (b) the Trust takes a fair market value basis in property
16 contributed to it by the Debtor and others;

17 (c) the Trust's income is taxed to the trust; and,

18 (d) the Trust will have a separate taxpayer identification number.

19 The Trust will be required to comply with a number of other administrative tax
20 rules, including filing appropriate information returns (generally IRS Form 1099 - MISC)
21 when approved payments are made to an Abuse Claimant, their attorney, or other
22 designated payee such as a "qualified assignee" within the meaning of Section 130 of
23 the Internal Revenue Code of 1986, as amended. It is not practicable to present a
24 detailed explanation of every possible federal and state income tax ramifications of the
25 Trust or the Plan.

26 4. The Trust will pay taxes (if any) relating to its income and to distributions

1 pursuant to the Plan, and/or the Trust and will retain reserves to do so. The Debtor and
2 the Reorganized Debtor will have no tax liability or reporting obligations with respect
3 related to the Trust's income or distributions pursuant to the Plan and/or the Trust.

4 **VII. ACCEPTANCE AND CONFIRMATION.**

5 **A. Voting Procedures.**

6 **1. Generally.**

7 Only the FCR and those Creditors whose Claims fall within one or more
8 classes that are impaired under the Plan are eligible to vote to accept or reject the Plan.
9 In that regard, only the FCR and holders of Allowed or Temporarily Allowed Claims in
10 Classes 3, 4, 6, 7, 10 and 15 are entitled to vote on the Plan. Classes 1, 2, 5, 9, 12, and
11 14 are not impaired under the Plan and are deemed to have accepted the Plan without
12 voting. Classes 8, 11, and 13 will not receive or retain any property under the Plan and
13 are deemed to have rejected the Plan without voting. The Debtor reserves the right to
14 supplement this Disclosure Statement (if necessary) and to solicit any of those Classes
15 which may prove to be impaired and entitled to vote.

16 Separate Ballots will be sent to the FCR and known holders of Claims whether or
17 not such Claims are Disputed. However, only the FCR and holders of Allowed or
18 Temporarily Allowed Claims in one or more impaired classes are entitled to vote on the
19 Plan. A Claim to which an objection has been filed is not an Allowed Claim unless and
20 until the Bankruptcy Court rules on the objection and enters an order allowing the Claim.
21 The holder of a Disputed Claim is not entitled to vote on the Plan unless the holder of
22 such Claim requests that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018,
23 temporarily allow the Claim in an appropriate amount solely for the purpose of enabling
24 the holder of such Disputed Claim to vote on the Plan, and the Bankruptcy Court does
25 so.

26 **2. Current Abuse Claimant and FCR Elections.** All Current Abuse

1 Claimants and the FCR must make the following elections, as applicable, on the Ballot
2 for accepting or rejecting the Plan:

3 a. Current Abuse Claims will be deemed to be Abuse
4 Claims to be liquidated through the Creditor Pools, Class 3A, and the Allocation Plans
5 indicated on the Abuse Claimant's Ballot unless: (a) an objection to the Claim is filed
6 prior to the final hearing on the Disclosure Statement, or (b) the Abuse Claimant
7 affirmatively elects on the ballot for accepting or rejecting the Plan to have the Abuse
8 Claim treated as either a Litigation Current Abuse Claim or a Convenience Abuse
9 Claim, or (c) the Abuse Claimants elects to participate in a different Creditor Pool or
10 Allocation Plan than those indicated on the Abuse Claimant's Ballot. Litigation Current
11 Abuse Claimants will be required to litigate their Abuse Claims against the Reorganized
12 Debtor with the Allowed amount of the Abuse Claim being determined by trial,
13 settlement, or dismissal; provided that the non-Insurance assets of the Reorganized
14 Debtor are not liable for Allowed Litigation Abuse Claims and the Reorganized Debtor
15 will have no personal responsibility or liability for the payment of such Claims. Current
16 Abuse Claimants may have the liquidated amount of their Claims determined by the
17 Abuse Claims Reviewer pursuant to an Allocation Plan without the need for trial.

18 b. Future Abuse Claims will be liquidated pursuant to Allocation
19 Plan I administered by Hon William Bettinelli, Ret. by the FCR's acceptance of the Plan
20 on behalf of all Future Abuse Claimants.

21 **3. Incomplete Ballots.**

22 Ballots which are signed, dated, and timely received, but on which a vote
23 to accept or reject the Plan has not been indicated, will not be counted as a vote either
24 to accept or to reject the Plan or as a vote cast with respect to the Plan.
25 Notwithstanding the foregoing, the designation of Creditor Pools and Allocation Plans
26 on the Ballot will be applicable to the Abuse Claimant identified on such Ballot.

1 //

2 **4. Withdrawal Of Ballots; Revocation.**

3 The FCR and any Creditor which has delivered a Ballot accepting or
4 rejecting the Plan may withdraw such acceptance or rejection by delivering a written
5 notice of withdrawal to the Debtor's attorneys, at any time prior to the voting deadline.

6 A notice of withdrawal, to be valid, must: (i) contain the description of the
7 Claim or Claims to which it relates and the amount of such Claim or Claims (except for
8 Future Abuse Claims); (ii) be signed by the FCR or Creditor in the same manner as the
9 Ballot; and (iii) be received by the Debtor's attorneys, Sussman Shank LLP, in a timely
10 manner at the address set forth below.

11 If an Abuse Claimant withdraws an acceptance but does not elect out of
12 the Creditor Pool and Allocation Plan indicated on the Ballot, the Claimant's Abuse
13 Claim will be treated in accordance with the indicated Creditor Pool and Allocation Plan.

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

17 **5. Submission Of Ballots.**

18 The form of Ballot for each of the Classes entitled to vote on the Plan will
19 be sent to the FCR and all Creditors along with a copy of the Court-approved Disclosure
20 Statement and a copy of the Plan. The FCR and Creditors should read the Disclosure
21 Statement, Plan, and Ballot carefully. If the FCR or any Creditor has any questions
22 concerning voting procedures, it may contact:

23 Attorneys for the Debtor:
24 Sussman Shank LLP
25 1000 SW Broadway, Suite 1400
26 Portland, OR 97205
Telephone: 503-227-1111
Facsimile: 503-248-0130
Attn: Thomas W. Stilley or Howard M. Levine

1 E-Mail: tstilley@sussmanshank.com
2 hlevine@sussmanshank.com
3 Or

4 Attorneys for the Creditors Committee:

5 Pachulski Stang Ziehl & Jones LLP
6 10100 Santa Monica Boulevard, 11th Floor
7 Los Angeles, CA 90067-4100
8 Telephone: (310) 277-6910
9 Facsimile: (310) 201-0760
10 Attn: James I. Stang
11 E-Mail: jstang@pszjlaw.com

12 Ballot(s) or withdrawals/revocations must be returned to Omni Management
13 Group, LLC (the "Balloting Agent") at the following addresses:

- 14 • If a Claimant files the ballot in person, by courier service, or by
15 overnight delivery (e.g. FedEx), the ballot should be delivered to the
16 following address, between the hours of 7:00 a.m. and 5:00 p.m.,
17 Pacific Daylight Time, on business days:

18 **Society of Jesus, Oregon Province**
19 **Balloting Agent**
20 **c/o Omni Management Group, LLC**
21 **16161 Ventura Blvd, Suite C**
22 **PMB 478**
23 **Encino, CA 91436**

- 24 • If a Claimant files the ballot by mail, the ballot should be mailed with
25 sufficient lead time so that the ballot will be received at the following
26 address between the hours of 7:00 a.m. and 4:00 p.m., Pacific Daylight
Time, on business days:

27 **Society of Jesus, Oregon Province**
28 **Balloting Agent**
29 **c/o Omni Management Group, LLC**
30 **16161 Ventura Blvd, Suite C**
31 **PMB 478**
32 **Encino, CA 91436**

33 Ballots (and withdrawals/revocations) must be received no later than 4:00 p.m.,
34 Pacific Daylight Time, on June 30, 2011.

35 **6. Confirmation Hearing and Plan Objection Deadline.**

36 The Bankruptcy Court will hold a hearing on confirmation of the Plan
commencing on July 7, 2011 at 9:30 a.m. in the Bankruptcy Courtroom No. 1, 1001 SW

1 Fifth Avenue, 7th Floor, Portland, Oregon, 97204. All objections, if any, to the
2 confirmation of the Plan must be in writing; must state with specificity the grounds for
3 any such objections; and must be filed with the Bankruptcy Court on or before June 30,
4 2011.

5 **7. Feasibility**

6 The Bankruptcy Code requires, as a condition to confirmation, that the
7 Bankruptcy Court find that liquidation of the Debtor or the need for future reorganization
8 is not likely to follow after confirmation. For the purpose of determining whether the
9 Plan meets this requirement, the Debtor has prepared projections attached hereto as
10 Exhibit "A" showing that the Reorganized Debtor will have the resources and ability to
11 pay those Claims that are due on confirmation of the Plan and all of the Reorganized
12 Debtor's future obligations as they come due, and to make the contributions that the
13 Reorganized Debtor is required to make to the Trust upon confirmation of the Plan.

14 **B. Best Interests Of Creditors.**

15 Under Section 1129(a)(7) of the Bankruptcy Code, the Plan must provide that
16 Creditors receive at least as much under the Plan as they would receive in a Chapter 7
17 liquidation of the Debtor. The Debtor has agreed to provide funding to pay
18 Administrative and Priority Claims in full (estimated to be approximately \$5,000,000),
19 and to provide \$500,000 to pay non-priority General Unsecured Claims, resulting in a
20 dividend of approximately 50% to General Unsecured Creditors. In addition, the Trust
21 will receive approximately \$43.1 million from the Debtor and Participating Parties,
22 approximately \$119.7 million in Insurance Recoveries from the Safeco, Travelers, and
23 Western World, the Avoidance Actions, and Third Party Derivative Claims. This is
24 substantially more than the Debtor believes it would be required to provide to Creditors
25 if its assets were liquidated under Chapter 7. That is because the majority of the funds
26 being used to pay Claims are from settlement of the Debtor's Insurance Claims against
Safeco, Travelers, and Western World and from assets that are held in the Formation

1 Fund, Aged and Infirm Fund, and Apostolic Works Fund, which the Debtor asserts are
2 Charitable Trusts that the Debtor contends would not be available to pay Claims, absent
3 the settlement. That issue has not been fully litigated but has been settled by the Debtor
4 and the Committee to provide funding for this Plan. Furthermore, the \$119.7 million
5 being provided by Safeco, Travelers, and Western World would not be available for
6 distribution to all Abuse Claimants in Chapter 7, but would only be available to each
7 Claimant on a claim-by-claim basis, and would require the Claimant to personally
8 pursue whatever Insurance Coverage might be available for his or her Claim. Litigation
9 over the extent of the Debtor's assets that might be available to pay Claims and the
10 extent of Insurance Coverage, would be prolonged, subject to appeals, very costly to
11 the estate, and have an uncertain outcome. As a result, the Proponents believe the Plan
12 results in significantly more to Creditors than would be available if the Debtor's assets
13 were liquidated in Chapter 7, thus satisfying the "best interest of creditors" test of
14 Section 1129(a)(7) of the Bankruptcy Code.

15 **C. Confirmation Over Dissenting Class.**

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

22 **1. No Unfair Discrimination.**

23 The Plan "does not discriminate unfairly" if: (a) the legal rights of a
24 dissenting class are treated in a manner that is consistent with the treatment of other
25 classes whose legal rights are similar to those of the dissenting class; and (b) no class
26 receives payments in excess of that which it is legally entitled to receive for its claims.

1 The Proponents believe the Plan does not discriminate unfairly as to any impaired class
2 of Claims.

3 **2. Fair and Equitable Test.**

4 The Bankruptcy Code establishes different “fair and equitable” tests for
5 Secured Claims and Unsecured Claims, as follows:

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

15 **(b) Unsecured Creditors.** To satisfy the "fair and equitable"
16 requirement, to the extent it applies in this Case, as to a class of unsecured Claims, the
17 Plan must, at a minimum, provide that (i) each impaired unsecured creditor receives or
18 retains under the Plan property of a value equal to the amount of its Allowed Claim, or
19 (ii) the holders of Claims and interests that are junior to the Claims of the non-accepting
20 class do not receive or retain any property under the Plan on account of such Claims
21 and interests.

22 **VIII. ALTERNATIVES TO THE PLAN.**

23 If the Plan is not confirmed, several different events could occur. Among the
24 alternatives to the Plan are: (1) the Debtor could propose another plan providing for
25 different treatment of Claims; (2) a creditor or other interested party could propose a
26

1 competing plan; or (3) the Bankruptcy Court (after appropriate notice and hearing) could
2 dismiss the Case if no party is able to confirm a plan in a reasonable period of time.

3 **IX. CONCLUSION.**

4 The Proponents believe the Plan provides the best alternative for paying Claims
5 as soon as possible and that the Plan is fair to and in the best interest of all Creditors
6 and other interested parties. Any alternative plan could not make available the
7 approximately \$43.1 million in Cash from the alleged charitable trust assets without
8 litigation and a court decision holding that those assets are available for payment of
9 Claims against the Debtor. The only potential assets not being utilized to provide
10 payment for Claims under the Plan are primarily those assets in the Apostolic Fund,
11 Formation Fund, and Aged & Infirm Fund that are subject to donor-imposed restrictions.
12 If the Debtor is correct in its assertion that the charitable trust assets could not be
13 involuntarily used to pay Claims, the distribution to Creditors under any alternative
14 would be severely reduced from that being offered in the Plan.

15 **DATED:** May 27, 2011.

16 **{SIGNATURES TO FOLLOW}**

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1 SOCIETY OF JESUS, OREGON PROVINCE, an Oregon
2 non-profit corporation,

3 /s/ Michael A. Tyrrell, SJ for
4 Patrick J. Lee, S.J.

By: _____
Patrick J. Lee, S.J., President

5 FUTURE CLAIMANTS REPRESENTATIVE

6 {TO BE PROVIDED}

7 _____
Stephen S. Gray

8
9 SUSSMAN SHANK LLP

10 /s/ Thomas W. Stilley

11 By: _____
12 Thomas W. Stilley, OSB No. 883167
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Attorneys for Society of Jesus, Oregon
Province, an Oregon non-profit
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14 PACHULSKI STANG ZIEHL & JONES
15 LLP

16 /s/ James I. Stang

By: _____
17 James I. Stang, Admitted Pro Hac Vice
18 Pamela Egan Singer, OSB No. 894231
Attorneys for the Official Committee of
Unsecured Creditors

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