

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

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

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

B. Impaired Claims

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

a. Definition.

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

b. Allowance and Liquidation.

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

c. Treatment

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

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

a. Definition.

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

b. Treatment

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

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

a. Definition.

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

b. Treatment.

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

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

a. Definition.

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

b. Treatment.

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

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

a. Definition

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

b. Treatment.

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

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

a. Definition

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

b. Treatment

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

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

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

a. Definition.

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

b. Treatment

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

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

a. Definition

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

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

b. Treatment

(1) Subclassification of Tort Claims.

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

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

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

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

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

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

(3) Treatment of Convenience Tort Claims.

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

(4) Treatment of Settling Tort Claims.

(a) Allowance and Assignment to Settlement Trustee.

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

(b) Liquidation and Payment of Settling Tort Claims.

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

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

(iii) the severity of the abuse suffered,

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

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

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

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

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

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

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

(5) Treatment of Litigation Tort Claim.

(a) Allowance and Liquidation; Litigation Protocol.

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

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

(b) Payment.

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

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

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

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

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

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

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

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

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

(7) General.

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

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

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

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

(9) Treatment of Punitive Damages.

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

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

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

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

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

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

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

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

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

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

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

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

9. Class 12- Continental Claims.

a. Definition.

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

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

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

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

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

VIII.
MEANS FOR EXECUTION OF THE THIRD AMENDED JOINT PLAN

A. Pre-Effective Date Transactions

1. Amendment to the Endowment Documents.

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

2. Closing the Sale of the Pilgrim Springs Property.

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

3. Administrative Claims Bar Date.

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

B. Actions on the Effective Date

1. Creation of the Settlement Trust and the Litigation Trust

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

2. Payments on the Effective Date

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

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

b. Payment to the Fund.

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

C. Post-Effective Date Performance by the Reorganized Debtor

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

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

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

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

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

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

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

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

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

D. Post-Confirmation Management

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

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

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

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

E. Treatment of Executory Contracts

1. Assumption and Rejection of Executory Contracts

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

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

2. Claims Based on Rejection of Executory Contracts

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

IX. EFFECT OF CONFIRMATION

A. Discharge

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

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

B. Vesting

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

C. Channeled Claims

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

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

D. Exculpation and Limitation of Liability

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

E. Permanent Injunction Against Prosecution of Released and Channeled Claims

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

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

X.

FEDERAL TAX CONSEQUENCES

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

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

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

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

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

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

1. The Trust must use a calendar taxable year and the accrual method of accounting.
2. CBNA must treat the transfer of property to the Trust as a sale or exchange of property. Accordingly, any gain or loss from the deemed sale must be reported by CBNA.
3. The Trust takes a fair market value basis in property contributed to it by CBNA.
4. The Trust's gross income, less certain modifications, is taxable at the rate equal to the maximum rate in effect for such taxable year under IRC Section 1(e) (currently 35%). CBNA's funding of the Trust with Cash and other property is not reported by the Trust as taxable income. However, net earnings recognized from, for example, the short-term investment of the Trust's funds will be subject to tax.
5. The Trust may deduct from its gross income a limited number of administrative expenses; the Trust is not entitled to deduct distributions paid to its Claimants.
6. The Trust will have a separate taxpayer identification number and will be required to file annual tax returns (which are currently due on March 15 unless the Trust is granted an extension of time for filing). The Trust will be required to comply with a number of other administrative tax rules.
7. The Trust must treat distributions of property from the Trust as a sale or exchange. Accordingly, any gain or loss from these deemed sales or exchanges must be reported by the Trust.
8. The Trust's gross income will be subject to applicable state and local income taxation.

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

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

XI. ACCEPTANCE AND CONFIRMATION

A. Voting Procedures

1. Generally

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

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

2. Incomplete Ballots

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

3. Withdrawal Of Ballots; Revocation

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

4. Submission Of Ballots

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

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

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

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

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

B. Feasibility

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

C. Best Interests Of Creditors And Liquidation Analysis

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

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

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

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

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

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

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

D. Confirmation Over Dissenting Class

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

1. No Unfair Discrimination

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

2. Fair and Equitable Test

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

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

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

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

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

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

XII.
ALTERNATIVES TO THE THIRD AMENDED JOINT PLAN

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

XIII.
RECOMMENDATIONS OF THE DEBTOR AND CONCLUSION

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

DATED: December 16, 2009

CATHOLIC BISHOP OF NORTHERN ALASKA, an
Alaska religious corporation sole

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

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