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

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

12 **A. Introduction.**

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

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

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

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

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

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

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

9 **D. Limited Representations.**

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

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

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

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

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

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

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

14 **E. Voting.**

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

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

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

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

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

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

<u>Class</u>	<u>Description</u>	<u>Status</u>
16 Class 1	Non-Tax Priority Claims	Unimpaired – Deemed to Accept
17 Class 2	Umpqua Bank Secured Claim	Unimpaired – Deemed to Accept
18 Class 6	Settled Known Tort Claims	Unimpaired – Deemed to Accept
19 Class 9	Retiree Benefit Claims	Unimpaired – Deemed to Accept

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

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

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

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

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

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Class 1 Non-Tax Priority Claims	Unimpaired	\$2,920	To be paid in full with interest when such Claims become due, or if already due, on or as soon as reasonably practicable after the Effective Date, or if later, the Allowance Date.	100%
Class 2 Umpqua Bank Secured Claim	Unimpaired	\$313,700	To be paid in full on or as soon as reasonably practicable following the Effective Date.	100%
Class 3 Perpetual Endowment Fund Secured Claim	Impaired	\$4,974,348	To be paid in full in 120 consecutive equal monthly installments, including principal and interest at the non-default contract rate, commencing within 30 days following the Effective Date, or if later, the Allowance Date; the liens securing the Claim to be released on the Effective Date.	100%

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

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<u>Class/Nature of Claim</u>	<u>Treatment</u>	<u>Approximate Amount of Claims</u>	<u>Dates and Approximate Amount of Distributions</u>	<u>Estimated Distributions</u>
Class 6 Settled Known Tort Claims	Unimpaired	Approximately \$40.7 million plus accrued interest	To be paid in full, with interest as set forth in Section 6.2 of the Plan, by Reorganized Debtor on or as soon as reasonably practicable after the Effective Date.	100%
Class 7 Unresolved Known Tort Claims	Impaired	Up to \$13.715 million, plus the aggregate Estimated Amount of Claims 220, 283, 311, and 476, to be provided for payment of Unresolved Known Tort Claims	To be paid in full at such time as Claims are Allowed. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages and will be paid Pro Rata from funds, if any, that remain in the Known Tort Claims Trust after all Unresolved Known Tort Claims not for Punitive Damages have been paid in full, with interest.	100%
Class 8 Future Claims	Impaired	Unknown - estimated to be \$12 million (net present value) or less	To be paid in full at such time as Claims are Allowed. Any Claims for Punitive Damages will be subordinated to the payment of compensatory damages and will be paid after all Future Claims not for Punitive Damages have been paid in full, with interest, and after the Future Claims Bar Date has expired, to the extent the Future Claims Cap has not been exhausted.	100%
Class 9 Retiree Benefit Claims	Unimpaired	\$404,000	To be assumed and paid by the Reorganized Debtor when due in accordance with the terms of the benefit plans providing for payment of such Claims.	100%
Class 10 Donor and Beneficiary Claims	Impaired	N/A	Reorganized Debtor to restructure the Archdiocese, Parishes, and Schools into one or more charitable trusts, endowments, non-profit religious corporations, or other charitable entities and to transfer property between and among such entities and any newly created entities as may be required by such restructuring within one year after the Effective Date.	N/A

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

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

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

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

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

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

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

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 PARISHIONERS COMMITTEE**

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

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

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

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

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

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

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

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

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

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

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

24 //

25 //

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

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

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

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

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

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

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

4 **1. Assets.**

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

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

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

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

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

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

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

14 **2. Liabilities.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 **1. Claim Amounts.**

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

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

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

7 **3. Classification Generally.**

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

16 **4. Treatment of Claims.**

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

20 **B. Plan Funding.**

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

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

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

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

17 **D. Objections to Claims.**

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

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

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

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

16 **F. Discharge.**

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

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

11 **G. Vesting of Property.**

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

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

2 ***Under the Plan, none of the Released Parties¹, will have or incur any***
3 ***liability to, or be subject to any right of action by, any holder of a Claim, any other***
4 ***party in interest, or any of their respective agents, employees, representatives,***
5 ***financial advisors, attorneys, or affiliates, or any of their successors or assigns,***
6 ***for any act or omission in connection with, relating to, or arising out of the Case,***
7 ***including the exercise of their respective business judgment and the performance***
8 ***of their respective fiduciary obligations, the pursuit of confirmation of the Plan, or***
9 ***the administration of the Plan, except liability for their willful misconduct or gross***
10 ***negligence, and, in all respects, such parties will be entitled to reasonably rely***
11 ***upon the advice of counsel with respect to their duties and responsibilities under***
12 ***the Plan or in the context of the Case.***

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

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

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

1 *to Sections 363 and 105 of the Bankruptcy Code, all Persons or Entities which*
2 *have held or asserted, which hold or assert or which may in the future hold or*
3 *assert an Enjoined Claim² are hereby permanently stayed, enjoined, and*
4 *restrained from taking any action directly or indirectly for the purposes of*
5 *asserting, enforcing or attempting to assert or enforce any Enjoined Claim,*
6 *including: (i) commencing or continuing in any manner any action or other*
7 *proceeding of any kind with respect to any Enjoined Claim against any Settling*
8 *Insurance Company, its predecessors, successors, and assigns, or their*
9 *respective officers and directors, or against the property of any Settling*
10 *Insurance Company, its predecessors, successors, and assigns, or their*
11 *respective officers and directors; (ii) enforcing, attaching, collecting or*
12 *recovering, by any manner or means, from any Settling Insurance Company, its*
13 *predecessors, successors, and assigns, or their respective officers and directors,*
14 *or from the property of any Settling Insurance Company, its predecessors,*
15 *successors, and assigns, or their respective officers and directors, with respect*

16

17
18 ² “Enjoined Claim” means any Claim (as defined in §101(5) of the Bankruptcy Code)
19 relating to the Insurance Policies or related rights addressed by the Plan or the
20 Confirmation Order, including without limitation any contribution, indemnity, subrogation,
21 equitable subrogation, recoupment, quantum meruit, “other insurance clauses” rights, or
22 similar Claim or legal theory, against any Settling Insurance Company, its predecessors,
23 successors, and assigns, or their respective officers and directors, whenever and
24 wherever arising or asserted, whether sounding in tort, contract, warranty or any other
25 theory of law, equity or admiralty, including without limitation all Claims by way of direct
26 action, statutory or regulatory action, or otherwise, Claims for exemplary or punitive
damages, for attorneys’ fees and other expenses, or for any equitable remedy. For the
avoidance of doubt, an Enjoined Claim includes only those Claims asserted against a
Settling Insurance Company, its predecessors, successors, and assigns, or their
respective officers and directors, and does not include the rights of holders of Claims to
assert such Claims against any Person or Entity other than Settling Insurance
Companies.

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

14 **J. Reservation of Rights.**

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

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

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

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

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

23 **VII. FEDERAL TAX CONSEQUENCES.**

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

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

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

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

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

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

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

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

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

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

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

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

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

16 **VIII. ACCEPTANCE AND CONFIRMATION.**

17 **A. Voting Procedures.**

18 **1. Generally.**

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

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

11 **2. Incomplete Ballots.**

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

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

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

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

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

1 **4. Submission Of Ballots.**

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

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

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

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

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

22 **6. Feasibility**

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

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

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

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

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

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

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1 **1. No Unfair Discrimination.**

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

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

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

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

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

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

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

11 **X. CONCLUSION.**

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

21 **DATED:** February 26, 2007

22 **{SIGNATURES TO FOLLOW}**

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24
25

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PARISHIONERS COMMITTEE**

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

3 */s/ John G. Vlazny*

4 _____
By: John G. Vlazny
Its: Sole Director

5 **TORT CLAIMANTS COMMITTEE**

6 */s/ Donn Christiansen*

7 _____
By: Donn Christiansen, Chairperson

8
9 **PARISH AND PARISHIONERS
COMMITTEE**

10 */s/ John Rickman*

11 _____
By: John Rickman, Chairperson

12
13
14 **TONKON TORP LLP**

15 */s/ Albert N. Kennedy*

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

17
18 **PERKINS COIE LLP**

19 */s/ Douglas R. Pahl*

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

21
22 **FUTURE CLAIMANTS
REPRESENTATIVE**

23 */s/ David A. Foraker*

24 _____
By: David A. Foraker

25 **SUSSMAN SHANK LLP**

26 */s/ Thomas W. Stilley*

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

GREENE & MARKLEY PC

/s/ David A. Foraker

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

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