EXHIBIT “1”

Settlement Stipulation

The Roman Catholic Church (of the) Diocese of Tucson, an Arizona corporation sole aka The Diocese of Tucson, Debtor and Debtor in possession (the "Diocese" or the "Debtor") and the Catholic Foundation for the Diocese of Tucson, an Arizona non-profit corporation ("Foundation"), stipulate:

Background Information

1. The Diocese filed a voluntary Chapter 11 bankruptcy petition on September 20, 2004 in this Court (the "Reorganization Case"). The Diocese remains as Debtor in possession.

2. The Diocese was incorporated on January 20, 1961, as a corporation sole under the laws of the State of Arizona.

3. The Foundation was incorporated on June 3, 1981, as a non-profit corporation under the laws of the State of Arizona.

4. The Foundation is operated exclusively for religious, charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. No part of the net earnings of the Foundation inures to the benefit of any private shareholder or individual.

5. The mission of the Catholic Foundation is to promote the Roman Catholic religion, education, and charity through the institutions and programs within the Diocese of Tucson.

6. Throughout its twenty-four year history, the Foundation has been a corporation separate and apart from the Diocese.

7. The Foundation is governed by a board of directors, which currently has 18 members. The Foundation employs a full time executive director, who manages the day to day operations of the Foundations.

8. In 1993, the Foundation made an unsecured loan of $1,500,000 to the Diocese. The Diocese assured the Foundation that the Diocese expected to pay the obligation from proceeds of the sale or lease of the Regina Cleri Center, or alternatively from the sale of other property owned by the Diocese or from any surplus funds.

9. Over the succeeding decade, the Diocese paid interest regularly on the obligation, but it did not reduce the principal balance of the loan.

10. In 2002, the Diocese encumbered the Regina Cleri Center with a trust deed in favor of those persons who settled their claims against the Diocese in 2001. The trust deed secured a promissory note for the principal sum of $3,000,000 and was recorded at Docket 11805, Page 519 on May 22, 2002 in the official records of Pima County.

11. After learning that the Diocese had encumbered the Regina Cleri Center, eliminating it as a possible source for the repayment of the loan, the Foundation requested that the Diocese provide the Foundation with a plan for repayment of the loan. The Diocese subsequently proposed to satisfy the debt in connection with the Foundation's purchase of real property from the Diocese.

12. On June 26, 2003, the Foundation purchased a building now known as the Bishop Moreno Pastoral Center (the "Pastoral Center") from the Diocese for $1,635,000, with the price based upon a contemporaneous appraisal of the Pastoral Center. The Diocese conveyed the Pastoral Center to the Foundation by a special Warranty Deed, which was recorded in the office of the Recorder of Pima County on August 12, 2003.

13. In connection with the sale of the Pastoral Center, the Foundation executed a promissory note to the Diocese for the principal sum of $369,490 (the "Foundation Debt"). The Foundation Debt bears interest until the obligation is paid in full.

14. The Foundation agreed to lease the Pastoral Center back to the Diocese on a long-term basis, with the Foundation subleasing space back from the Diocese as long as space was available. The parties entered into a written lease (the "Lease"), with a term of 50 years, through June 30, 2053. The Diocese is obligated to pay monthly rent to the Foundation. The Diocesan obligation to pay rent will be reduced by credits based on the Diocese maintaining and managing the Pastoral Center for the Foundation and based on the Foundation's obligation to pay rent under its sublease. In addition, the Diocesan obligation to pay rent to the Foundation is reduced by monthly credits, which represent the Foundation's payments on the Foundation Debt.

15. On August 19, 2004, Thomas Groom and certain other plaintiffs filed an action against the Diocese, the Foundation and certain other defendants in Case No. C2004-4539 in the Superior Court of Arizona in Pima County (the "Action").

16. The Action was a suit against the Foundation, the Diocese and others concerning certain transactions, including the sale of the Pastoral Center, generally under fraudulent transfer theories. The Action has been stayed by the filing of the Reorganization Case. The Diocese and the Foundation dispute the allegations made in the Action concerning the transfer of the Pastoral Center.

17. As a result of being a debtor in possession, the Diocese has the right to avoid certain types of transfers, including fraudulent transfers, pursuant to 11 U.S.C. §§ 544, 545, 547, 548, 549 and 550. The Diocese's Third Amended and Restated Plan of Reorganization dated May 25, 2005 (the "Plan") further provides that upon confirmation, the Diocese, as the Reorganized Debtor, will retain Avoidance Actions for the benefit of its creditors. The Avoidance Actions held by the Diocese include any and all potential actions related to the transfer of the Pastoral Center.

18. Since the sale of the Pastoral Center to the Foundation, the Foundation has engaged in litigation with the Pima County Assessor over the Assessor's decision to deny the Foundation a tax exemption for the Pastoral Center. The Foundation and the Assessor are in the process of settling that litigation. The Foundation incurred significant expense in that litigation.

19. On June 16, 2005, the Diocese filed its Motion to Assume Lease Under Rule 6006 Fed. R. Bankr. P. and 11 U.S.C. Section 365 for Order (I) Assuming Lease; and (II) Granting Related Relief in the Bankruptcy Court, docket 599, seeking to assume the Lease with the Foundation under 11 U.S.C. § 365(a). No party in interest has objected to the relief requested in the motion and the Order allowing assumption of the Lease was entered on July 25, 2005.

20. On July 11, 2005, the Court heard testimony and argument and indicated its intention to confirm the Plan under 11 U.S.C. § 1129.

21. Although the Diocese and the Foundation are confident that none of the elements of a fraudulent transfer are applicable to the Foundation's purchase of the Pastoral Center, the Foundation desires to be treated as a Participating Third Party so that it will have the benefit of being a Released Party, as those terms are used in the Plan.

22. Certain parishes in the Diocese are indebted to the Diocese for services and advances (the "Parishes") which were provided prior to the filing of the Reorganization Case. The Diocese has informed the Foundation that the Parishes are unlikely to be able to repay their obligations to the Diocese in the foreseeable future. In connection with the

settlement discussions among the Diocese and its creditors, including particularly the alleged victims of abuse, the Foundation has indicated a willingness to provide financial support for the benefit of some of the Parishes which will allow for satisfaction of some or all of their obligations to the Diocese.

23. The Foundation and the Diocese are aware that in certain other jurisdictions the foundations of other dioceses and archdiocese have been named as defendants suits alleging Tort Claims as that term has been defined in the Plan. Were any such claim to be brought against the Foundation, the Foundation would seek contribution and indemnity against the Diocese.

Agreement

24. **Contributions.** In consideration of being treated as a Participating Third Party and a Released Party, as those terms are used in the Diocese's Plan, the Foundation agrees to provide $300,000.00 of financial assistance over a three year period to or for the benefit of some of the Parishes, with the Foundation's contributions to be paid to the Diocese and to be made as follows:

24.1. $100,000.00 upon the Effective Date of the Diocese's Plan of Reorganization;

24.2. $100,000.00 on the first anniversary of the Effective Date; and

24.3. $100,000.00 on the second anniversary of the Effective Date.

The Foundation's obligation to make these payments shall not bear interest unless the Foundation fails to timely make a payment required by this **Paragraph 24** and, in that event, the delinquent obligation shall bear interest at the Arizona statutory rate of 10% per annum.

25. **Payment of Parish Debts.** The Foundation will condition its contributions to, or for the benefit of, the Parishes on the grants being used to satisfy obligations of the Parishes to the Diocese. But for the provisions of this Stipulation, the Foundation has no obligation whatsoever to make the foregoing contributions to, or for the benefit of, the Parishes.

26. **Default.** The Foundation will not be in default under this Stipulation for failing to make any payment required under **Paragraph 24** of this Stipulation unless the Foundation fails to make a required payment within ten business days after receiving

written notice of non-payment from the Diocese. If the Foundation defaults under this Stipulation, the Diocese may, at its option, accelerate any future payments due under **Paragraph 24** and may exercise all the rights and remedies provided under Arizona law to creditors.

27. **Injunction**. In consideration of the Foundation's contribution described in **Paragraph 24**, after (i) the Court confirms the Diocese's Plan, (ii) the Effective Date of the Plan, and (iii) the Court approves this Stipulation, the Foundation shall be treated as a Participating Third Party and a Released Party within the meaning of the Diocese's Plan.[1]

28. **Process For Approval**. The Diocese shall be responsible for providing notice of its intent to seek entry of an order approving the Stipulation to all known claimants, persons who have filed notices of appearance in the Diocese's bankruptcy case, and interested parties.

29. **Approval Order**. The Diocese shall use its best efforts to promptly obtain an Order of the Bankruptcy Court confirming the Plan (the "Approval Order"), which incorporates this Stipulation.

30. **Release**. Subject to entry of the Approval Order as a final order, and without any further action by the parties, the Diocese, on the one hand, and the Foundation, on the other hand, each hereby fully, finally, and completely releases the other, as of the Effective Date of the Plan, from any and all past, present, or future claims, alleged or actual, known or unknown, accrued or unaccrued, suspected or unsuspected of any kind or nature, except that this release shall not apply to any claims arising out of the Lease or to any current accounts payable owed by the Foundation to the Diocese or by the Diocese to the Foundation. If, contrary to the parties' specific intent, any claims released herein include claims that are deemed for any reason to survive this Agreement and the Effective Date, even though they are encompassed by the terms of this release, the parties hereby forever, expressly, and irrevocably waive entitlement to and agree not to assert any and all such claims. Nothing in the release is intended to, nor shall be construed to, release, waive, or otherwise affect the parties' rights and obligations under this Agreement.

31. **Authority**. Each of the parties separately represents and warrants that it has the requisite corporate power and authority to enter into this Stipulation and to perform the

[1] All terms used in this paragraph that are not otherwise defined in this Stipulation shall have the meaning provided in the Plan.

obligations contemplated by this Stipulation, subject only to approval of the Bankruptcy Court.

32. **Internal Approval**. Subject to entry of the Approval Order as a final order, the execution and delivery of, and of the performance of the obligations contemplated by this Stipulation, have been approved by duly authorized representatives of the party, and by all other necessary actions of the party.

33. **Authorized Signers**. Each party has expressly authorized its undersigned representative to execute this Stipulation on the party's behalf as its duly authorized agent.

34. **Good Faith**. This Stipulation has been thoroughly negotiated and analyzed by its counsel for the Diocese and counsel for the Foundation, and has been executed and delivered in good faith, pursuant to arms-length negotiations, and for valuable and fair consideration.

35. **Miscellaneous**

35.1. Each party agrees to take such and to execute any documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Stipulation and to preserve its validity and enforceability. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any person not a party hereto to invalidate, interpret, or prevent the validation, enforcement, or carrying out of all or any of the provisions of this Stipulation, the parties mutually agree, represent, warrant, and covenant to cooperate fully in opposing such action or proceeding.

35.2. This Stipulation constitutes a single integrated written contract that expresses the entire agreement and understanding between the parties. Except as otherwise expressly provided herein, this Stipulation supersedes all prior communications, settlements, and understandings between the parties and their representatives regarding the matters addressed by this Stipulation. Except as expressly set forth in this Stipulation, there are no representations, warranties, promises, or inducements, whether oral, written, express, or implied, that in any way affects or condition the validity of this Stipulation or alter or supplement its terms. Any statements, promises, or inducements, whether made by any party or any agents of any party, that are not contained in this Agreement shall not be valid or binding. Any changes to this Stipulation must be in writing and with the consent of all parties.

36. **This Is a Settlement**. This Stipulation represents a compromise of disputed claims and shall not be deemed an admission or concession by any party of liability, culpability, or wrongdoing.

37. **No Assignment**. Neither this Stipulation nor the rights and obligations set forth herein shall be assigned without the prior written consent of the other parties.

38. **Notices**. All notices, demands, or other communication to be provided pursuant to this Stipulation shall be writing and sent by facsimile, hand or overnight delivery service, costs prepaid, to the parties at the addresses set forth below, or to such other person or address as any of them may designate in writing from time to time:

If to the Diocese:

Rev. Al Schifano
Moderator of the Curia
Roman Catholic Church of the
Diocese of Tucson
111 S. Church Avenue
Tucson, Arizona 85702-0031
Tel: (520)
Fax: (520)

With a copy to:

Susan G. Boswell Esq.
Quarles & Brady Streich Lang LLP
1 S. Church Ave., #1700
Tucson, Arizona 85701-1621
Tel: (520) 770-8713
Fax: (520) 770-2222

If to the Foundation:

Mr. Martin Camacho
Executive Director
Catholic Foundation for the Diocese of Tucson
111 South Church Avenue
P.O. Box 31
Tucson, Arizona 85702
Tel: (520) 838-2508
Fax: (520) 838-2585

With a copy to:

Rob Charles, Esq.
Lewis and Roca LLP
One S. Church Ave., #700
Tucson, Arizona 8701-1611
Tel: (520) 629-4427
Fax: (520 879-4705

39. **Third Parties**. The parties agree that, there are no third-party beneficiaries of this Stipulation.

40. **Fees In Negotiation**. Each party shall be responsible for their own fees and costs incurred in conjunction with the Diocese's bankruptcy case and this Stipulation.

41. **Counterparts**. This Stipulation may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Stipulation may be executed and delivered by facsimile, which facsimile counterparts shall be deemed to be originals.

Dated:

ROMAN CATHOLIC CHURCH OF DIOCESE OF TUCSON aka THE DIOCESE OF TUCSON

By: ________________________________
Gerald F. Kicanas, D.D.
Title: Bishop of the Diocese of Tucson

Dated:

CATHOLIC FOUNDATION FOR THE DIOCESE OF TUCSON

By: ________________________________
Its: ________________________________