

1 SHAUN M. CROSS
2 MICHAEL J. PAUKERT
3 GREGORY R. ARPIN
4 PAINE, HAMBLLEN, COFFIN,
5 BROOKE & MILLER LLP
6 717 West Sprague Avenue, Suite 1200
7 Spokane, WA 99201
8 Tele: (509) 455-6000
9 Attorneys for Debtor
10
11
12

13 UNITED STATES BANKRUPTCY COURT
14 EASTERN DISTRICT OF WASHINGTON

15 In re:)
16 THE CATHOLIC BISHOP OF SPOKANE a/k/a) Case No. 04-08822-PCW-11
17 THE CATHOLIC DIOCESE OF SPOKANE, a)
18 Washington corporation sole,) **DEBTOR'S FIRST**
19 Debtor.) **AMENDED AND**
20) **RESTATED PLAN OF**
21) **REORGANIZATION**
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ARTICLE 1
INTRODUCTION

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The Catholic Bishop of Spokane *aka* the Catholic Diocese of Spokane, a Washington corporation sole ("Debtor" or "Diocese"), the Debtor in the above-captioned Chapter 11 reorganization case (the "Reorganization Case"), proposes the following Plan of Reorganization (the "Plan") pursuant to the provisions of Chapter 11 of the Bankruptcy Code. For purposes hereof, any term used in a capitalized form in the Plan will have the defined meaning ascribed to it in either Bankruptcy Code §101 or Article 2 hereof unless the context otherwise requires.

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ALL CREDITORS ARE ENCOURAGED TO CONSULT THE DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. AMONG OTHER INFORMATION, THE DISCLOSURE STATEMENT CONTAINS DISCUSSIONS OF THE DEBTOR, THE HISTORICAL BACKGROUND OF THE REORGANIZATION CASE AND THE PREPETITION PERIOD, THE PROJECTIONS GERMANE TO THE PLAN AND THE POST-CONFIRMATION OPERATIONS OF THE DEBTOR AND THE REORGANIZED DEBTOR, AND A SUMMARY AND ANALYSIS OF THE PLAN. NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH, HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN.

The Court has scheduled the Confirmation Hearing on _____, 200__.

ARTICLE 2
DEFINITIONS

2.1 Scope Of Definitions. For purposes of the Plan, and except as expressly provided otherwise herein or unless the context otherwise requires, all of the defined terms stated in Article 2 will have the meanings hereinafter stated. For purposes of the Plan and

1 such defined terms, the singular and plural uses of such defined terms will be
2 interchangeable; and the defined terms will include masculine, feminine, and neuter
3 genders. The words "hereof," "hereto," "herein," and "hereunder" and words of similar
4 import, when used in the Plan, will refer to the Plan as a whole. The defined terms stated in
5 Article 2 also are substantive terms of the Plan, and Article 2 will be deemed incorporated
6 throughout the rest of the Plan to convey the substantive provisions included in the defined
7 terms. Any term used in the Plan that is not defined herein but that is used in the
8 Bankruptcy Code or the Bankruptcy Rules will have the meaning assigned to that term in
9 the Bankruptcy Code or the Bankruptcy Rules. Unless otherwise specified, all section,
10 article, and exhibit references in the Plan are to the respective section in, article of, or
11 exhibit to the Plan, as the same may be amended, waived, or modified from time to time.
12 The headings and captions of the Plan (including the headings of the defined terms) are for
13 convenience of reference only and will not limit or otherwise affect the provisions hereof.
14 Accordingly, the defined terms are as follows:

15 2.2 Account. This term will mean and refer to the general operating/checking
16 account of the Diocese at U.S. Bank, Account No. X XXX XXXX 7486, PO Box 1800, St.
17 Paul, MN 55101-0800.

18 2.3 Administrative Claim. This term will refer to and mean: (a) every cost or
19 expense of administration of the Reorganization Case which is allowable pursuant to
20 Bankruptcy Code §503, including any actual and necessary post-petition expenses of
21 preserving the Estate; (b) any actual and necessary post-petition expenses of operating the
22 Diocese; (c) all Professional Charges approved by the Bankruptcy Court pursuant to interim
23 and final allowances in accordance with Bankruptcy Code §§330, 331, and 503(b); (d)
24 every Property Tax Administrative Claim; and (e) all fees and charges assessed against the
25 Estate under Chapter 123 of Title 28, United States Code.

26 2.4 Administrative Reserves. Subsequent to entry of the Confirmation Order,
27 but prior to the Effective Date, the Debtor will, subject to Bankruptcy Court approval, set
28 aside a reserve for the payment of pre- and post-confirmation Administrative Claims the

1 Debtor estimates has been and will be incurred by the Chapter 11 Professionals post-
2 confirmation. In addition, a separate reserve of _____ shall be set aside for
3 Diocesan operations. The remaining Unrestricted Cash will be transferred to the Plan
4 Trust.

5 2.5 Allowed Claim. This term will refer to and mean every Claim against the
6 Debtor: (a)(i) as to which a Proof of such Claim has been filed within the time fixed by the
7 Bankruptcy Court or, if such Claim arises from the rejection of an Executory Contract
8 pursuant to the Plan, on or before the first Business Day which is thirty (30) days after the
9 Confirmation Date, or (ii) which the Debtor has scheduled as liquidated in amount and
10 undisputed; and in either event: (b)(i) as to which no objection to the allowance of such
11 Claim has been filed within any applicable time period fixed by the Bankruptcy Court or
12 the Plan, or (ii) as to which the order allowing such Claim has become final and non-
13 appealable without any appeal, review, or other challenge of any kind to that order having
14 been taken or being still timely, or (iii) if an appeal has been timely taken, as to which a
15 mandate of the appellate court has issued allowing such Claim and as to which no further
16 appeal is allowed pursuant to the Bankruptcy Code, the United States Code, or applicable
17 federal or Bankruptcy Rules. If any Claim, or the Creditor holding such Claim, is subject to
18 any defense, set off, counterclaim, recoupment, or other adverse claim of any kind of the
19 Debtor or the Reorganized Debtor, that Claim will be deemed a Disputed Claim, unless
20 such adverse claim is acknowledged by the Debtor in the Plan or in accordance with the
21 terms of the Plan; and it will not become an Allowed Claim unless and until all such
22 matters are resolved or adjudicated fully and finally, with all appellate rights and remedies
23 having been exhausted except as provided in the Plan Trust Agreement. Unless any earlier
24 time is fixed by order of the Bankruptcy Court, and except with respect to the Claims
25 governed by the Plan Trust Agreement, and subject to amendment rights and the relation
26 back of amendments under applicable federal or state procedural rules, any objection to the
27 allowance of any Claim and the assertion of any defense, set off, counterclaim, recoupment,
28 or other adverse claim of any kind of the Debtor or the Reorganized Debtor must be filed

1 on or before the first Business Day which is one hundred eighty (180) days after the
2 Effective Date.

3 2.6 Appeal. This term will refer to and mean the appeals filed by the Debtor and
4 the Association of Parishes with the U.S. District Court on September 6, 2005, currently
5 pending before the Honorable Justin L. Quackenbush under Cause No. 05-274-JLQ and
6 related consolidated Cause Nos. 05-272-JLQ, 05-273-JLQ, 05-275-JLQ and 05-276-JLQ
7 and any and all proceedings related thereto, including any subsequent appeals from any
8 order of the District Court.

9 2.7 Appraiser. This term will refer to and mean any professional firm or
10 individual appointed by the Court, including the firm of GVA Kidder Mathews whose plan
11 for the valuation of forty (40) Debtor/Parish properties was approved by the Court on
12 December 22, 2005.

13 2.8 Association of Parishes or AOP. This term will refer to and mean that
14 certain association that was formed prior to the Petition Date to collectively speak for and
15 represent the legal interests of the Parishes in the Reorganization Case and all matters
16 related thereto.

17 2.9 Avoidance Actions. This term will refer to and mean any right of the Debtor
18 under Code §§544, 545, 547 or 548 to recover preferential and/or fraudulent transfers made
19 by the Diocese to other entities.

20 2.10 Ballot. This term will refer to and mean the ballot accompanying the Plan
21 and Disclosure Statement which will be sent to all Creditors entitled to vote on the Plan, on
22 which such Creditors will indicate their vote to accept or reject the Plan. The Ballot, to the
23 extent necessary, will be approved by the Bankruptcy Court.

24 2.11 Bankruptcy Code. This term will refer to and mean Title 11 of the United
25 States Code, 11 U.S.C. §§101, et seq., including any amendments thereto which were
26 effective as of the Petition Date.

1 2.12 Bankruptcy Court or Court. This term will refer to and mean the United
2 States Bankruptcy Court for the Eastern District of Washington, the Honorable Patricia C.
3 Williams, presiding.

4 2.13 Bankruptcy Rules. This term will refer to and mean the Federal Rules of
5 Bankruptcy Procedure promulgated under Title 28, United States Code, §2075, including
6 any amendments thereto which were effective as of the Petition Date.

7 2.14 Bar Date. This term will refer to and mean the dates established by Order of
8 the Court pursuant to the Order Fixing Time For Filing Proofs Of Claim Or Interest, which
9 set March 10, 2006 as the date by which a Claim must be evidenced by the filing of a Proof
10 of Claim with the Bankruptcy Court.

11 2.15 Barred Tort Claims. This term will refer to and mean every Tort Claim that
12 was timely filed in the Reorganization Case but is otherwise barred by an applicable state
13 statute of limitations (RCW 4.16.340).

14 2.16 Bishop. This term will refer to and mean William S. Skylstad, Bishop of the
15 Catholic Diocese of Spokane.

16 2.17 Business Day. This term will refer to and mean every day except Saturdays,
17 Sundays, federal holidays, Catholic holidays recognized and observed by the Diocese, and
18 Washington State and federal holidays observed by the Bankruptcy Court.

19 2.18 Canon Law. This term will refer to and mean the Code of Canon Law
20 applicable to the Roman Catholic Church.

21 2.19 Cash. This term will refer to and mean unrestricted cash, including the
22 Remaining Unrestricted Cash, cash equivalents, bank deposits, and negotiable instruments
23 payable on demand, and includes the net proceeds of the sale of Diocese Real Property.

24 2.20 Cash Management Order. This term will refer to and mean the Order of the
25 Court entered February 24, 2005, as extended from time to time, which Order maintained
26 the Debtor's bank accounts and set the parameters for use by the Parishes and the Debtor of
27 the Deposit and Loan Fund.

1 2.21 Catholic Entities. This term will refer to and mean the Parishes, including
2 schools, the Other Entities, and the additional organizations identified on Exhibit 14 of the
3 Disclosure Statement.

4 2.22 Channeled Claims. This term will refer to and mean the Claims of the Tort
5 Claimants against the Participating Third Parties and the Settling Insurers which are
6 channeled to and satisfied pursuant to the Plan Trust.

7 2.23 Chapter 11 Professionals. This term will refer to and mean those
8 professionals whose employment has been approved by the Court and who represent either
9 the Debtor, the Tort Claimants' Committee, the Tort Litigants' Committee or the Future
10 Claims Representatives.

11 2.24 Claim. This term will refer to and mean "claim" as defined in Bankruptcy
12 Code §101(5).

13 2.25 Claim Payment Date. This term will refer to and mean every Claim which is
14 not an Allowed Claim as of the Effective Date (so payment is not made on the Effective
15 Date), but which later becomes an Allowed Claim by a Final Order.

16 2.26 Claimant. This term will refer to and mean any Person who asserts a Tort
17 Claim against the Debtor.

18 2.27 Claims Reviewers. This term will refer to and have the meeting set forth in
19 the Trust Distribution Agreement.

20 2.28 Class. This term will refer to and mean each of the classifications of Claims
21 and Interests described in Article 3. of the Plan.

22 2.29 Committees. This term will refer to the Tort Claimants' Committee and the
23 Tort Litigants' Committee, collectively.

24 2.30 Committee Professionals. This term will mean any professionals employed
25 by the Tort Claimants' Committee and the Tort Litigants' Committee in accordance with
26 Bankruptcy Code §1103(a).

1 2.31 Compensable Abuse Matrix. This term will refer to and mean the matrix set
2 forth in Section 3.1(d) of the Trust Distribution Agreement, which matrix will be used by
3 the Trustees to value the Tort Claims and to make settlement offers based thereon.

4 2.32 Consortium Tort Claim. This term will refer to and mean the claim of a
5 parent, spouse, offspring or other relative of a Tort Claimant, arising as a result of a Tort
6 Claim and derivative of the claim of the Tort Claimant, to the extent such claims are
7 recognized by applicable Washington state law. The treatment of a Tort Claim hereunder
8 shall be cumulative of the Consortium Claims of any parent, spouse, offspring or other
9 individuals related to the Tort Claimant.

10 2.33 Co-Defendants. This term will refer to and mean the entities and individuals
11 who are co-defendants with the Diocese in the Sex Abuse Litigation or the Section 541
12 Litigation.

13 2.34 Confirmation Date. This term will refer to and mean the date on which the
14 Bankruptcy Court enters the Confirmation Order on the Court's docket.

15 2.35 Confirmation Hearing. This term will refer to and mean the hearing held by
16 the Bankruptcy Court regarding confirmation of the Plan, as such may be continued from
17 time to time.

18 2.36 Confirmation Order. This term will refer to and mean the order of the
19 Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code §1129.

20 2.37 Contingent. This term will refer to and mean, with reference to a Claim, a
21 Claim that has not accrued or is not otherwise payable and the accrual of which or the
22 obligation to make payment on which is dependent upon a future event that may or may not
23 occur.

24 2.38 Creditor. This term will refer to and mean "creditor" as defined in
25 Bankruptcy Code §101(10).

26 2.39 Date of Finality. This term will refer to and mean the date upon which the
27 extent and nature of the Debtor's Estate has been determined with total and complete
28 finality after all appeals have been exhausted (i.e., is subject to a Final Order).

1 2.40 Debtor or Diocese. These terms will refer to and mean The Catholic Bishop
2 of Spokane, a/k/a The Catholic Diocese of Spokane, a Washington corporation sole.

3 2.41 Deposit and Loan Fund. This term will mean and refer to the pooled fund
4 that was administered by the Diocese for the Parishes and associated entities before the
5 Petition Date.

6 2.42 Debtor's Professionals. This term will refer to and mean:

7 The law firm of Paine, Hamblen, Coffin, Brooke & Miller LLP;

8 The law firm of Turner, Stoeve & Gagliardi, P.S.;

9 The law firm of Gordon Murray Tilden, LLP;

10 The accounting firm of Langenhorst, Norwood & Hopkins, P.S.; and any and all
11 other similar professionals which the Debtor or the Reorganized Debtor retains to assist in
12 the conduct of the Reorganization Case or to provide professional services for a specified
13 purpose, all in accordance with Bankruptcy Code §§327(a) and 327(e).

14 2.43 Declaratory Relief Action. This term will mean Cause No.
15 05-CV-00075-JLQ pending before the Honorable Justin L. Quackenbush in District Court.

16 2.44 Diocese Personal Property. This term will refer to and mean the personal
17 property owned by the Debtor and identified on Schedule B filed by the Debtor on the
18 Petition Date, which property is not affected by the Appeal and which the Diocese will sell
19 or encumber in order to contribute to the Fund but, excluding, any Parish Personal Property
20 and personal property owned by the Other Entities.

21 2.45 Diocese Real Property. This term will refer to and mean the real property
22 owned by the Diocese and identified on Schedule A filed by the Debtor on the Petition
23 Date, as amended, which property is not affected by the Appeal and which the Diocese will
24 sell or encumber in order to contribute to the Fund but, excluding, any Parish Real Property
25 and real property owned by the Other Entities.

26 2.46 Disallowed. This term, when referring to a Claim, will refer to and mean a
27 Claim or any portion of a Claim which has been disallowed or expunged by a Final Order,
28

1 including, but not limited to, a Tort Claim for which a Proof of Claim was untimely filed
2 after the Bar Date.

3 2.47 Disclosure Statement. This term will refer to and mean the First Amended
4 Disclosure Statement Regarding Plan of Reorganization dated December 30, 2005,
5 presented by the Diocese with respect to the Plan, including, but not limited to, any
6 restatements, amendments, modifications, and additional disclosures (if any) provided by
7 the Diocese to comply with Bankruptcy Code §1127 or orders of the Bankruptcy Court and
8 which has been approved by the Bankruptcy Court.

9 2.48 Disputed Claim. This term will refer to and mean every Claim, or portion
10 thereof, which is not an Allowed Claim, to which an objection (formal or informal) has
11 been made and which has not yet been Disallowed.

12 2.49 District Court. This term will refer to and mean the United States District
13 Court for the Eastern District of Washington.

14 2.50 Effective Date. This term will refer to and mean the first Business Day on
15 which the conditions specified in Section 16.1 of the Plan have been satisfied or waived.

16 2.51 Estate. This term will refer to and mean the bankruptcy estate of the
17 Diocese created under Bankruptcy Code §541 as determined by the Final Order of the
18 Bankruptcy Court.

19 2.52 Estimated Amount. This term will refer to and mean the maximum amount
20 at which the Court, pursuant to Bankruptcy Code §502(c), at the request of the Diocese
21 estimates any Claim or class of Claims against the Debtor that is contingent, unliquidated or
22 disputed, including, without limitation, any Tort Claim or Other Tort Claims or class,
23 including (if necessary) those claimants who are represented by the Future Claims
24 Representative, for the purpose of (a) allowance, (b) distribution, (c) confirming the Plan
25 pursuant to Bankruptcy Code §1129, (d) voting to accept or reject the Plan pursuant to
26 Bankruptcy Code §1126 and Bankruptcy Rule 3018(a), or (e) any other proper purpose.

1 2.53 Executory Contract. This term will refer to and mean every unexpired lease
2 and other contract which is subject to being assumed or rejected by the Debtor under
3 Bankruptcy Code §365, pursuant to the Plan or pursuant to separate motion.

4 2.54 Expedited Claims Review Process. This term will refer to and mean the
5 process all Tort Claimants will initially participate in before proceeding with the liquidation
6 of their Claims in Superior Court, defined in Section 3.1 of the Trust Distribution
7 Agreement.

8 2.55 Final Order. This term will refer to and mean any order of the Bankruptcy
9 Court as to which (a) the time for appeal has expired and no appeal has been timely taken;
10 or (b) any appeal that has been timely taken has been finally determined or dismissed.

11 2.56 Future Claims Representative or FCR. This term will refer to and mean
12 Gayle E. Bush, the representative appointed by order of the Court on June 17, 2005 (the
13 "FCR Order") or his successor, to represent the interests of persons who might assert a Tort
14 Claim but who (1) will not reach the age of eighteen (18) prior to the Bar Date; (2) suffer
15 from repressed memory or other condition which, under applicable law, would toll any
16 applicable statute of limitations; or (3) are Causal Link Claimants, as defined in the FCR
17 Order.

18 2.57 Future Tort Claimants. This term will refer to and mean those individuals
19 who are represented in the Reorganization Case by the Future Claims Representative.

20 2.58 General Unsecured Convenience Claim. This term will refer to and mean an
21 Unsecured Claim in an amount of \$500 or less, inclusive of interest accrued thereon after
22 the Petition Date through the later to occur of the Effective Date or the Claim Payment
23 Date; provided, that, if the holder of an Unsecured Claim in an amount greater than \$500
24 makes an election to reduce such Claim to \$500, such Claim will be treated as a General
25 Unsecured Convenience Claim for all purposes. Such election will be made on the Ballot,
26 completed and returned within the time fixed by order of the Court. Making this election
27 will be deemed to be a waiver by such electing holder of any right to participate in Class 5
28 as to any and all Claims held by such holder.

1 2.59 General Unsecured Claim. This term will refer to and mean every
2 Unsecured Claim against the Diocese (including, but not limited to, every such Claim
3 arising from the rejection of an Executory Contract and every Claim which is the
4 undersecured portion of any Secured Claim), which is not an Administrative Claim, a
5 Priority Unsecured Claim, a Priority Tax Claim, a General Unsecured Convenience Claim,
6 a Parish Unsecured Claim or a Tort Claim, and which is classified and treated as the Plan
7 provides for Class 5 Claims.

8 2.60 Insurance Actions. This term will refer to and mean all claims, causes of
9 action and enforceable rights of the Debtor against any Insurer, including, but not limited
10 to, those arising from or related to: (a) any such Insurer's failure to provide Insurance
11 Coverage under any Insurance Policy; (b) the refusal of any Insurer to compromise and
12 settle any claim pursuant to any such Insurance Policy; (c) the interpretation or enforcement
13 of the terms of any such Insurance Policy and Insurance Coverage; or (d) any claim, cause
14 of action or rights asserted by the Diocese against any Insurer in the Declaratory Relief
15 Action.

16 2.61 Insurance Action Recoveries. This term will refer to and mean the rights of
17 the Debtor to any and all proceeds, including any interest or income earned thereon, and
18 other relief from: (a) any award, judgment, relief, or other determination entered or made as
19 to any Insurance Actions; (b) any and all amounts payable by a settling Insurer under any
20 insurance settlement agreement; and (c) any and all proceeds of any Insurance Policy paid
21 or payable with respect to Tort Claims.

22 2.62 Insurance Coverage. This term will refer to and mean the insurance
23 coverage, not reduced to settlement proceeds, available to the Debtor with respect to Tort
24 Claims under any Insurance Policy, including, without limitation, coverage for defense
25 costs and attorneys' fees relating to the defense of Tort Claims and the validity of which are
26 determined in the Plan Trust and indemnification.

27 2.63 Insurance Policy. This term will refer to and mean any general liability
28 insurance or sexual misconduct policy naming the Diocese as an insured in effect on or

1 before the Confirmation Date upon which any Claim has been or may be made with respect
2 to any Tort Claim.

3 2.64 Insurers. This term will refer to and mean any insurance company providing
4 Insurance Coverage to the Debtor for liability arising from or related to Tort Claims,
5 including, but not limited to Safeco (General Insurance Company of America), Oregon
6 Auto Insurance Company, CNA (Continental), Indiana Insurance Company, Aetna (ACE
7 USA) and Washington Insurance Guaranty Association (WIGA).

8 2.65 Insurer Claim. This term will refer to and mean any claim against the
9 Diocese (or any Parish) or any additional insured, contingent or otherwise, under an
10 Insurance Policy, for reimbursement of any claim paid prior to the Petition Date and/or for
11 the reimbursement of defense costs paid by any Insurer for and on behalf of the Diocese
12 prior to the Petition Date.

13 2.66 Non-Settling Tort Claimants. This term will refer to and mean every Tort
14 Claimant who does not accept the disallowance determination of their Tort Claim or the
15 Liquidation Value Offer of their Tort Claim through the Expedited Review Process and
16 who chooses to proceed with the determination of their Tort Claim in Superior Court or in
17 arbitration.

18 2.67 Other Entities. This term will refer to and mean Catholic Charities of the
19 Diocese of Spokane, Catholic Cemeteries of Spokane, Catholic Foundation of the Spokane
20 Diocese, The Spokane Catholic Investment Trust, Morning Star Boys' Ranch, and
21 Immaculate Heart Retreat Foundation.

22 2.68 Parish. This term will refer to and mean that certain community of church
23 members whose pastoral care is entrusted to a pastor under authority of the Bishop of the
24 Diocese and which is within the territorial jurisdiction of the Diocese, including any school
25 operated by such community.

26 2.69 Parish Building Loans. This term will refer to and mean loans made to a
27 parish by the Diocese for construction purposes, for which a balance remained as of the
28 Date of Filing.

1 2.70 Parish Personal Property. This term will refer to and mean all of the
2 property interests held by or related to the Parishes, excluding Parish Real Property.

3 2.71 Parish Real Property. This term will refer to and mean any and all real
4 property in the Diocese maintained and occupied by a Parish community where the
5 ownership of the beneficial interest is one of the issues in the Appeal.

6 2.72 Parish Subordinated Payment. This term will refer to and mean the
7 provision made by the Debtor under the Plan for the payment of the Parish Unsecured
8 Claims.

9 2.73 Parish Unsecured Claims. This term will refer to and mean every Unsecured
10 Claim against the Diocese now held by a Parish, including, but not limited to, all Claims of
11 a Parish for any funds that were on deposit with the Diocese as of the Date of Filing and
12 which were managed by the Diocese under what is commonly known as the Deposit and
13 Loan Fund.

14 2.74 Participating Third Parties. This term will refer to and mean any Co-
15 Defendant or any other Person, including any Parish or Other Entity, which contributes any
16 monies/assets to the Plan Trust and will be a party participating in the channeling injunction
17 provided for in Section 17.3 of the Plan.

18 2.75 Person. This term will refer to and mean "person" as defined in Bankruptcy
19 Code §101(41).

20 2.76 Petition Date or Date of Filing. These terms will refer to and mean
21 December 6, 2004, which is the date the Debtor filed a voluntary Chapter 11 petition
22 commencing the Reorganization Case.

23 2.77 Plan. This term will refer to and mean the Debtor's Amended and Restated
24 Plan Of Reorganization dated December 30,, 2005, and every restatement, amendment, or
25 modification thereof, if any, filed by the Debtor.

26 2.78 Plan Documents. This term will refer to and mean the Plan Trust
27 Agreement, the Trust Distribution Agreement, the Pledge Agreement, and all other
28

1 documents and exhibits as the same may be amended, modified, supplemented, or restated
2 from time to time, that aid in effectuating the Plan.

3 2.79 Plan Trust. This term will refer to and mean the trust that will be created
4 under Washington law and, pursuant to the Plan, for the purposes of holding the Trust
5 Assets for the payment of Allowed Tort Claims assigned by the Debtor to the Plan Trust
6 and which will be liquidated through either the Expedited Review Process or by trial in
7 Superior Court or arbitration.

8 2.80 Plan Trust Agreement. This term will refer to and mean the agreement that
9 will create the Plan Trust and which is attached to the Disclosure Statement as Exhibit 2.

10 2.81 Plan Trust Assets or Trust Assets. This term will refer to and mean each and
11 every item of property and interest of the Debtor therein (subject to any restrictions under
12 applicable law), as of the Effective Date, and includes without limitation: (a) all Cash; (b)
13 the Diocese Real Property; (c) any and all amounts owed to the Debtor, including the Parish
14 Building Loans and any other accounts receivable and contract rights, whether due prior or
15 subsequent to the Petition Date; (d) any other right, claim, cause of action, or defense,
16 whether arising by statute or common law, and whether arising under the laws of the United
17 States, other countries, or applicable state or local law, including, but not limited to, all
18 Insurance Actions, all rights under the Insurance Coverage and all Avoidance Actions; (e)
19 the Pledged Parish Real Property; (f) any and all property interests of the Debtor, which
20 will be contributed to the Plan Trust pursuant to the conditions set forth in Section IV.E.4 of
21 the Disclosure Statement; and (g) any additional property determined by a court of
22 competent jurisdiction and after entry of a Final Order to be property of the Debtor's Estate.

23 2.82 Pledge Agreement. This term will refer to and mean Exhibit A to the Plan
24 Trust Agreement, whereby the Spokane County Parish Real Property will, on the Effective
25 Date, be pledged as security for the payment of Allowed Tort Claims pursuant to the Plan,
26 the Plan Trust and the Trust Distribution Agreement.

27 2.83 Pledged Parish Real Property. This term will refer to and mean the Parish
28 Real Property occupied by or associated with the Spokane County Parishes identified on

1 Exhibit 10 to the Disclosure Statement, which properties have a combined assessed value of
2 \$40,485,114. These properties will also occasionally be referred to as the Spokane County
3 Parish Real Property.

4 2.84 Post-Effective Date Secured Tax Claims. This term will refer to and mean
5 every whole or prorated portion of a Secured Tax Claim which arises on or after the
6 Effective Date, and which will be paid in the ordinary course of business of the
7 Reorganized Debtor.

8 2.85 Prepetition Date Secured Tax Claims. This term will refer to and mean
9 every whole or prorated portion of a Secured Tax Claim which arises before and up to the
10 Petition Date, and which will be classified and paid under the Plan as the Plan provides for
11 Class 2 Claims.

12 2.86 Priest Retirement Claims. This term will refer to and mean the legal,
13 equitable and contractual rights of the Priests pursuant to the Priest Retirement Plan
14 maintained by the Diocese.

15 2.87 Priests. This term will refer to and mean those individuals who either are or
16 have in the past been responsible for the pastoral care of one or more Parish communities
17 within the Diocese and have been incardinated in the Diocese.

18 2.88 Priest Retirement Obligation. This term will refer to and mean the
19 contractual obligation of the Diocese to provide retirement income to the Priests, subject to
20 the policies of the Diocese, specifically the Priest Retirement Plan, as amended from time to
21 time.

22 2.89 Priest Retirement Plan. This term will refer to and mean the Retirement Plan
23 Agreement for the Priests of the Diocese of Spokane, as it may be amended from time to
24 time, a copy of which is attached hereto as Exhibit A.

25 2.90 Priority Employee Unsecured Claim. This term will refer to and mean every
26 Unsecured Claim of an employee of the Diocese for vacation or sick leave pay which is
27 otherwise entitled to priority pursuant to Bankruptcy Code §507(a)(3)(A).

1 2.91 Priority Tax Claim. This term will refer to and mean every Unsecured
2 Claim or portion thereof which is entitled to priority pursuant to Bankruptcy Code
3 §507(a)(8).

4 2.92 Priority Unsecured Claim. This term will refer to and mean every
5 Unsecured Claim or portion thereof which is not an Administrative Claim, a Priority Tax
6 Claim or a Priority Employee Unsecured Claim and which is entitled to priority under any
7 applicable provision of Bankruptcy Code §507.

8 2.93 Pro Rata. This term will refer to and mean proportionate, and when applied
9 to a Claim means that the ratio of the consideration distributed on account of an Allowed
10 Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the
11 amount of the consideration distributed on account of all Allowed Claims in such Class to
12 the amount of all Allowed Claims in such Class.

13 2.94 Professional Charges. This term will refer to and mean the allowed interim
14 and final professional fees and expenses charged by the Debtor's Professionals and the
15 Court approved Professionals retained by the Tort Claimants' Committee, the Tort Litigants'
16 Committee and the Future Claims Representative.

17 2.95 Property Tax Administrative Claim. This term will refer to and mean every
18 Claim of any state or local governmental unit which is an Administrative Claim for unpaid
19 real property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing taxes,
20 and every prorated portion thereof arising on and after the Petition Date until the Effective
21 Date. Property Tax Administrative Claims will be classified and paid under the Plan as the
22 Plan provides for Administrative Claims.

23 2.96 Property Tax Claims. This term will refer to and mean collectively: (a)
24 every Property Tax Administrative Claim; (b) every Prepetition Date Secured Tax Claim;
25 and (c) every Post-Effective Date Secured Tax Claim.

26 2.97 Property Tax Claims Proration. This term will refer to and mean the
27 proration of Property Tax Claims as of the Effective Date, so that: (a) Post-Effective Date
28 Secured Tax Claims will be paid by the Reorganized Debtor in the ordinary course of its

1 business; (b) Prepetition Date Secured Tax Claims will be paid by the Debtor or the
2 Reorganized Debtor as provided for Class 3 Claims under the Plan; and (c) Property Tax
3 Administrative Claims will be paid by the Debtor or the Reorganized Debtor as provided
4 for Administrative Claims under the Plan.

5 2.98 Remaining Unrestricted Cash. This term will refer to and mean the balance
6 in the Diocese's general operating account at U.S. Bank as of the Effective Date, net of the
7 Administrative Reserves.

8 2.99 Reorganization Case. This term will refer to and mean the case under
9 Chapter 11 of the Bankruptcy Code which was commenced by the filing of a voluntary
10 Chapter 11 petition by the Diocese on the Petition Date.

11 2.100 Reorganized Debtor. This term will refer to and mean the Diocese, from and
12 after the Effective Date. Unless otherwise expressly stated or the context otherwise
13 requires, references to "the Debtor and the Reorganized Debtor" and references to "the
14 Debtor or the Reorganized Debtor" throughout various provisions of the Plan are an effort
15 to anticipate whether an event may occur before or after the Effective Date. In this regard,
16 and generally for purposes of the Plan, any written agreement made by the Debtor as part of
17 the Plan before the Effective Date will survive the Confirmation Date and the Effective
18 Date and will bind both the Reorganized Debtor and every other party to such agreement
19 (including, but not limited to, the provisions of the Plan as confirmed).

20 2.101 Section 541 Litigation. This term will mean Adversary Proceeding No. 05-
21 80038 filed by the Tort Litigants' Committee against the Debtor, the Parishes and other
22 parties on February 4, 2005, and Adversary Proceeding No. 04-00291 filed by Michael
23 Shea on December 22, 2004, and any appeal, interlocutory or other, relating thereto,
24 including the Appeal filed by the Debtor and the AOP with the U.S. District Court on
25 September 6, 2005.

26 2.102 Secured Claim. This term will refer to and mean every Claim or portion
27 thereof which is asserted by the Creditor holding such Claim to be secured by a lien,
28 security interest, or assignment encumbering property in which the Debtor has an interest

1 and including any right to setoff asserted by a Creditor that is treated as a Secured Claim
2 under the Bankruptcy Code, but only to the extent of the validity, perfection, and
3 enforceability of the claimed lien, security interest, or assignment, and the value of the
4 interest of the Creditor holding such Claim against such property of the Debtor.

5 2.103 Secured Creditor. This term will refer to and mean every Creditor which
6 holds a Secured Claim in the Reorganization Case.

7 2.104 Secured Tax Claim. This term will refer to and mean every Claim of any
8 federal, state, or local governmental unit, which is asserted by such governmental unit
9 holding such Claim which is secured by property of the Estate by operation of applicable
10 non-bankruptcy laws, including, but not limited to, every such Claim for unpaid real
11 property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing taxes, and
12 further including, but not limited to, both the Prepetition Date Secured Tax Claims and the
13 Post-Effective Date Secured Tax Claims, but only to the extent of the validity, perfection,
14 and enforceability of the claimed lien, security interest, or assignment, and the value of the
15 interest of the governmental unit holding such Claim against the Debtor and only to the
16 extent that such Secured Tax Claim does not relate to Parish Real Property. Any Claims for
17 unpaid real property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing
18 taxes pertaining to a Parish or Parish Real Property will be paid by the Parish owning such
19 Parish Real Property or other property pertaining to such tax.

20 2.105 Settling Insurers. This term will refer to and mean those Insurance
21 Companies that have reached settlements with the Diocese, and any Insurance Companies
22 that may reach a settlement with the Diocese with respect to any Insurance Actions. Any
23 Settling Insurer, in exchange for the Settling Insurer's contribution to the Fund as agreed
24 upon between the Diocese and such Settling Insurer and approved by the Bankruptcy Court,
25 will obtain the benefit of an injunction against prosecution of claims against the Insurance
26 Company by any Creditor or other party in interest, including a Tort Claimant. The terms
27 of any settlement with a Settling Insurer, if not previously approved by the Bankruptcy
28 Court, pursuant to Bankruptcy Rule 9019, will be approved at the Confirmation Hearing

1 and pursuant to the Confirmation Order. If an agreement is reached with a Settling Insurer
2 after the Effective Date, it will be approved by the Bankruptcy Court pursuant to its
3 retained jurisdiction.

4 2.106 Settling Tort Claimants. This term will refer to and mean those Tort
5 Claimants who accept the Liquidated Value Offer of the Claims Reviewers, pursuant to
6 Section 3.1(g) of the Trust Distribution Agreement.

7 2.107 Sex Abuse Litigation or Lawsuits. This term will mean the nineteen (19)
8 lawsuits pending against the Diocese, as of the Date of Filing, in Superior Court.

9 2.108 Spokane County Parish Real Property. The term will refer to and mean the
10 Parish Real Property directly impacted by the Summary Judgment Order and occasionally
11 referred to herein as the Pledged Parish Real Property.

12 2.109 Summary Judgment Order. This term will mean and refer to the Order
13 entered by the Court on August 26, 2005, which, inter alia, granted the Tort Litigants'
14 Committee's Motion for Summary Judgment regarding twenty-two (22) of the Parishes.

15 2.110 Superior Court. This term will refer to and mean the Superior Court for
16 Spokane County, Washington.

17 2.111 Tort Claim. This term will refer to and mean all Claims, demands, suits,
18 causes of action, proceedings or any other rights or asserted rights to payment, including,
19 but not limited to: (i) any Claims, demands, suits, or causes of action for personal injuries,
20 including emotional distress, (ii) for damages, including punitive damages, (iii) for
21 attorneys' fees and other expenses, fees or costs, and for any equitable remedy, heretofore,
22 now or hereafter asserted against the Debtor, any Participating Third Parties, any Settling
23 Insurers or the Plan Trust, whether or not reduced to judgment, including Claims held by
24 Future Tort Claimants, based upon or in any manner arising from or related to: (a) acts of
25 sexual abuse committed by any clergy or other person associated with the Diocese or any
26 Parish, including but not limited to all employees and volunteers; (b) the failure of the
27 Diocese or Parish or other person associated with the Diocese or Parish to properly
28 supervise any clergy or any other employee of or person associated with the Diocese or a

1 Parish, including, but not limited to volunteers; (c) the processing, adjustment, defense,
2 settlement, payment, negotiation or handling of any claims, demands, suits, proceedings or
3 causes of action based upon or relating in any way to the Claims made as a result of any
4 alleged abuse or other Tort Claim asserted by a Tort Claimant; or (d) the failure to warn,
5 disclose or provide information concerning, the alleged sexual abuse and other misconduct
6 of clergy or other employees of or persons associated with the Diocese or the Parishes,
7 including, without limitation, volunteers. The term Tort Claim will include Consortium
8 Tort Claims.

9 2.112 Tort Claimant. This term will refer to and mean a Person who asserts a Tort
10 Claim, including Future Tort Claimants.

11 2.113 Tort Claimants' Committee or TCC. This term will mean the Official
12 Committee of Tort Claimants appointed by the U.S. Trustee on December 23, 2004, as
13 reconstituted on February 2, 2005, to represent the interests of Tort Claimants who, as of
14 the Date of Filing, had not filed a lawsuit against the Diocese, excluding Future Tort
15 Claimants.

16 2.114 Tort Litigant. This term will mean a person who has asserted a Tort Claim
17 against the Diocese and who had filed a lawsuit against the Diocese, as of the Date of
18 Filing.

19 2.115 Tort Litigants' Committee or TLC. This term will mean the Official
20 Committee of Tort Litigants appointed by the U.S. Trustee on February 2, 2005, to
21 represent the interests of all Tort Litigants.

22 2.116 Trust Distribution Agreement. This term will refer to and mean the
23 document attached as Exhibit 3 to the Disclosure Statement. The Trust Distribution
24 Agreement sets forth the procedures and processes that will be utilized by the Trustees to
25 determine the allowance of all Tort Claims and, if allowed, the liquidated claim amount.

26 2.117 Trustees. This term will refer to and mean the trustees appointed by the
27 Court pursuant to the Plan and the Plan Trust Agreement.

1 §1129(a)(9)(C): (a) in deferred Cash payments over a period of six (6) years from the date
2 of assessment, to be paid in equal quarterly installments of principal and interest; (b) the
3 first payment to be made on the first Business Day after the day which is ninety (90) days
4 after the later of the Effective Date or the Claim Payment Date; and each payment thereafter
5 to be paid on the first Business Day of each succeeding quarter until paid in full; provided,
6 however, that, the entire unpaid amount of the Allowed Priority Tax Claim, together with
7 any interest accrued thereon, will be paid in full on the date which is six (6) years after the
8 date of assessment of such Allowed Priority Tax Claim; or (c) as otherwise agreed in
9 writing by the holder of the Allowed Claim or ordered by the Bankruptcy Court.

10 3.4 Prepetition Secured Tax Claims. The holder of every Prepetition Secured
11 Tax Claim will be paid, in full satisfaction of such Claim, (a) a single Cash payment in the
12 Allowed amount of the Claim on the Effective Date (or the applicable Claim Payment
13 Date); or (b) as otherwise agreed in writing by the holder of the Allowed Claim or ordered
14 by the Bankruptcy Court.

15 3.5 Elimination of Claim. To the extent there are no amounts owing on the
16 Effective Date for any Priority Unsecured Claims and/or any Priority Tax Claims, such
17 treatment as set forth above will be deemed automatically eliminated from the Plan.

18
19 **ARTICLE 4**

20 **CLASSIFICATION OF CLAIMS**

21 4.1 Classification. All Claims are classified under the Plan as hereafter stated in
22 this Article 4; provided, however, that, a Claim will be deemed classified in a particular
23 Class only to the extent that the Claim qualifies within the description of that Class and will
24 be deemed classified in a different Class to the extent that any remainder of the Claim
25 qualifies within the description of such different Class. As of the Confirmation Hearing,
26 any Class of Claims which does not contain any Creditor's Claims will be deemed deleted
27 automatically from the Plan, and any Class of Claims which does not contain an Allowed
28 Claim (or a Claim temporarily or provisionally allowed by the Bankruptcy Court for voting

1 purposes) will be deemed automatically deleted from the Plan with respect to voting on
2 confirmation of the Plan.

3 4.2 Classes. For purposes of the Plan, Claims against the Debtor are hereby
4 classified in the following classes in accordance with Bankruptcy Code §1122(a) as
5 follows:

6 Class 1 – Priority Employee Unsecured Claims

7 Class 2 – Prepetition Property Tax Secured Claims

8 Class 3 – General Unsecured Convenience Claims

9 Class 4 – Parish and Catholic Entity Unsecured Claims

10 Class 5 – General Unsecured Claims

11 Class 6 – Tort Claims

12 Class 7 – Priest Retirement Claims

13 Class 8 – Parish Indemnification or Third Party Claims

14 Class 9 – Insurers' Reimbursement Claims

15
16 **ARTICLE 5**

17 **TREATMENT OF CLASS 1 CLAIMS**

18 **(PRIORITY EMPLOYEE UNSECURED CLAIMS)**

19 5.1 Distribution. No holder of an Allowed Priority Employee Unsecured Claim
20 will receive any Cash on account of such Claim. All Allowed Priority Employee
21 Unsecured Claims will be satisfied, in full, in accordance with the policies and procedures
22 regarding vacation and sick leave pay in effect at the Diocese at the time such Priority
23 Employee Unsecured Claim becomes matured and liquidated.

24 5.2 Impairment. The Class 1 Claims are impaired under the Plan.
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28

1 **ARTICLE 6**

2 **TREATMENT OF CLASS 2 CLAIMS**
3 **(PREPETITION DATE SECURED TAX CLAIMS)**

4 6.1 Distribution. All Class 2 Claims, as and when they are Allowed Claims, will
5 be treated as fully Secured Claims and will be paid fully and in Cash thirty (30) days after
6 the Effective Date.

7 6.2 Disputed Claims. Notwithstanding the pendency of any appeal to any state
8 or local taxing authorities of a determination of property taxes or assessment on the Petition
9 Date, nothing contained herein will prohibit the Debtor from exercising its rights pursuant
10 to Bankruptcy Code §505 and having the Class 2 Claim(s) determined by the Bankruptcy
11 Court to the extent that any Class 2 Claims are Disputed Claims.

12 6.3 Retention of Liens. Each Creditor holding a Class 2 Allowed Claim will
13 retain its lien(s) on its collateral to the extent of its Class 2 Allowed Secured Claim.

14 6.4 Other Claims. The Reorganized Debtor will pay the Post-Effective Date
15 Secured Tax Claims in the ordinary course of its business operations after the Effective
16 Date. All Property Tax Administrative Claims will be paid as Administrative Claims
17 pursuant to the Plan.

18 6.5 Impairment. All Class 2 Allowed Claims are unimpaired under the Plan.

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20 **ARTICLE 7**

21 **TREATMENT OF CLASS 3 CLAIMS**
22 **(GENERAL UNSECURED CONVENIENCE CLAIMS)**

23 7.1 Distribution. Every Creditor holding a Class 3 Claim, as and when such
24 Class 3 Claim is an Allowed Administrative Convenience Unsecured Claim will be paid in
25 Cash within thirty (30) days of the Effective Date or the Claim Payment Date.

26 7.2 Impairment. The Class 3 Claims are unimpaired pursuant to the Plan.
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1 **ARTICLE 8**

2 **TREATMENT OF CLASS 4 CLAIMS**
3 **(PARISH AND CATHOLIC ENTITY UNSECURED CLAIMS)**

4 8.1 Distribution. Each Allowed Parish and Catholic Entity Unsecured Claim
5 that is not otherwise contributed or becomes part of the consideration for a Parish or
6 Catholic Entity to participate as a Participating Third Party will be treated as follows:
7 subsequent to the time all payments to members of Class 6 have been paid in full in
8 accordance with the terms of this Plan, the remaining Allowed Parish and Catholic Entity
9 Unsecured Claims shall be repaid without interest in sixty equal monthly installments.

10 8.2 Impairment. The Class 4 Parish and Catholic Entity Unsecured Claims are
11 impaired under the Plan.

12 **ARTICLE 9**

13 **TREATMENT OF CLASS 5 CLAIMS**
14 **(GENERAL UNSECURED CLAIMS)**

15 9.1 Distribution. Each holder of a Class 5 General Unsecured Claim, as and
16 when such General Unsecured Claim is or becomes an Allowed Claim, will be paid fully
17 and in Cash as follows:

18 (a) Each Allowed General Unsecured Claim will bear interest from and
19 after the Effective Date at the rate of four and one-half percent (4.5%) per annum or such
20 other rate as set by the Bankruptcy Court in the Confirmation Order.

21 (b) Each holder of an Allowed General Unsecured Claim will be paid the
22 Allowed amount of such General Unsecured Claim in sixty (60) monthly installments,
23 including interest, with the first installment to be paid on the first Business Day that is thirty
24 (30) days after the Effective Date (or the Claim Payment Date) and fifty-nine (59)
25 succeeding monthly installments to be paid on the same day of each month thereafter until
26 paid in full.

27 9.2 Impairment. The Class 5 General Unsecured Claims are impaired under the
28 Plan.

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ARTICLE 10

**TREATMENT OF CLASS 6 CLAIMS
(TORT CLAIMS)**

10.1 Definition of Class 6 Tort Claims.

The Class 6 Tort Claims are all Claims, demands, suits, causes of action, proceedings or any other rights or asserted rights to payment, including, but not limited to: (i) any Claims, demands, suits, or causes of action for personal injuries, including loss of consortium and emotional distress claims; (ii) for damages; (iii) for attorneys' fees and other expenses, fees or costs, and for any equitable remedy, heretofore, now or hereafter asserted against the Debtor, any Participating Third Parties, any Settling Insurers or the Trusts, whether or not reduced to judgment, including Claims held by Future Tort Claimants, based upon or in any manner arising from or related to: (a) acts of sexual abuse committed by any clergy or other person associated with the Diocese or any Parish, including but not limited to all employees and volunteers; (b) the failure of the Diocese or any Parish to properly supervise any clergy or any other employee of or person associated with the Diocese, including, but not limited to volunteers; (c) the processing, adjustment, defense, settlement, payment, negotiation or handling of any claims, demands, suits, proceedings or causes of action based upon or relating in any way to the Claims made as a result of any alleged abuse or other Tort Claim asserted by a Tort Claimant; or (d) the failure to warn, disclose or provide information concerning, the alleged sexual abuse and other misconduct of clergy or other employees of or persons associated with the Diocese or the Parishes, including, without limitation, volunteers. An identification and status summary of the nineteen (19) known sexual abuse lawsuits is attached to the Disclosure Statement as Exhibit 17.

10.2 Treatment.

The Claim of each Tort Claimant will automatically be determined and treated pursuant to the terms of the Plan Trust. The Diocese will, on or before the Effective Date, deliver to the Trustees of the Plan Trust the Trust Assets. In addition, the Diocese will also

1 deliver such commitments and assignments to fulfill its obligations under the Plan, the Plan
2 Trust Agreement and the Trust Distribution Agreement.

3 The Tort Claims will be determined and satisfied as follows:

4 (a) Determination and Treatment Pursuant to Plan Trust.

5 The Plan Trust will be established on or after the Confirmation Date, but before the
6 Effective Date, and will be funded by the Diocese no later than the Effective Date. The
7 Tort Claimants will receive payment of Allowed Claims in accordance with the terms,
8 provisions and procedures set forth in the Plan Trust. The following contains a brief
9 description of the Plan Trust and the procedure for allowing and treating Claims. For a full
10 description and understanding of the Plan Trust, any reader of this Amended and Restated
11 Plan should refer to the Plan Trust Agreement, attached to the Disclosure Statement as
12 Exhibit 2, and the Trust Distribution Agreement, attached to the Disclosure Statement as
13 Exhibit 3. If there is any inconsistency between the Plan Trust Agreement and the Trust
14 Distribution Agreement, on the one hand, and the Disclosure Statement and the Amended
15 and Restated Plan, on the other hand, the Amended and Restated Plan will control.

16 The Court will, with significant input from the Committees, the FCR, the AOP and
17 the Debtor, appoint two Trustees to oversee all aspects of the Plan Trust. The Plan Trustees
18 will designate Claims Reviewers, comprised of three (3) independent, disinterested persons,
19 one each from the legal, medical and mental healthcare professionals, and who are
20 nominated by the Debtor, the AOP, the TLC, the TCC and/or the FCR, and approved by the
21 Court.

22 Each holder of a Tort Claim shall have his or her Tort Claim reviewed by the
23 Claims Reviewers in an Expedited Review Process. The Tort Claims will be reviewed in a
24 certain order based on the date the Tort Claim was filed in Superior Court or the date that a
25 proof of claim was subsequently filed in the Reorganization Case. The Plan Trustees shall
26 provide to each Tort Claimant who has filed a proof of claim a packet of Claims Reviews
27 Materials for completion and submission back to the Claims Reviewers by the Tort
28 Claimant. The Tort Claimant shall provide to the Claims Reviewers the completed Claims

1 Reviews Materials with any additional evidence the Tort Claimant desires. In response to
2 each Tort Claim, the Debtor, with input from its Insurers, shall have the opportunity to
3 provide evidence in has regarding the Tort Claim, if any, including evidence pertaining to
4 statute of limitations defenses.

5 The Claims Reviewers will determine whether there is Credible and Competent
6 Evidence that the abuse claimed more likely than not occurred and the Tort Claim should
7 be allowed. The Claims Reviewers shall use the Compensable Abuse Matrix set forth in
8 Section 3.1(d) of the Trust Distribution Agreement to determine the value of Allowed Tort
9 Claims as expeditiously as possible. Based on the Exposure Evidence and Abuse Criteria
10 presented by each Tort Claimant, along with any evidence concerning the Claim submitted
11 by the Reorganized Debtor, the Claims Reviewers will place an Allowed Tort Claim in the
12 most serious applicable Abuse Category Level warranted by the Exposure Evidence and the
13 Abuse Criteria. The Compensable Abuse Matrix includes five (5) levels of abuse. The
14 Claims Reviewers will place each Allowed Claim in one of the five (5) abuse levels in
15 accordance with the criteria set forth in the Trust Distribution Agreement. The range for
16 each level will be as set forth in the Compensable Abuse Matrix.

17 If the Exposure Evidence is sufficient to allow a Tort Claim and if an Abuse
18 Category Level is determined by Credible and Competent Evidence, based on the proof of
19 claim and any additional Claims Review Materials provided to the Claims Reviewers, the
20 Claims Reviewers shall tender to the Tort Claimant a Liquidated Value Offer for the
21 relevant Abuse Category Level based upon the Compensable Abuse Matrix, together with
22 the form of release approved by the Plan Trustees. This determination can be accepted or
23 rejected by the Tort Claimant. This determination can also be accepted or objected to by
24 the Reorganized Debtor. If the Liquidated Value Offer is accepted by both the Tort
25 Claimant and the Reorganized Debtor and the Tort Claimant returns the release properly
26 executed, the Tort Claim shall be placed in the FIFO Payment Queue, following which the
27 Plan Trustees shall disburse payment subject to the terms of the Trust Distribution
28 Agreement and the Plan Trust Agreement. If a Tort Claim is not Allowed, or the Tort

1 Claimant or the Reorganized Debtor rejects a Liquidated Value Offer, the Tort Claimant
2 may proceed with the processing of his or her Tort Claim by proceeding with the trial or
3 arbitration of his or her Tort Claim. Tort Claimants who proceed with the trial or
4 arbitration of their Tort Claim retain the right to a trial (including the right to a trial by jury)
5 or arbitration to determine their Tort Claim against the Plan Trust. All other Tort Claimants
6 shall have and shall be deemed to have irrevocably waived any right to a trial (including the
7 right to a trial by jury).

8 All claims and defenses (including, with respect to the Plan Trust, claims and
9 defenses which could have been asserted by the Debtor) that exist under applicable law
10 shall be available to both sides at trial. The offer of the Claims Reviewers and/or the
11 positions and admissions of the parties during any of the Expedited Claims Review Process
12 which occurred prior to any trial or arbitration, shall not be admissible for any purpose at
13 trial or arbitration by any party or third party.

14 The Plan Trust shall provide for and fund the defense of a Tort Claim either from
15 the Plan Trust Assets or through tender of the defense to the Insurer or Insurers which
16 insured the Debtor for the time period or periods in which the events of each Claim
17 occurred.

18 If, and when, the holder of a Tort Claim obtains a Liquidated Value Judgment in the
19 tort system in accordance with the Trust Distribution Agreement, such Liquidated Value
20 Judgment shall be placed in the FIFO Payment Queue based on the date on which the
21 Liquidated Value Judgment became final.

22 (b) Treatment of Attorneys' Fees of Settling and Non-Settling Tort
23 Claimants. The fees and expenses of attorneys representing any of the Settling Tort
24 Claimants or the Non-Settling Tort Claimants who receive payment from the Plan Trust
25 will be borne by such Claimants based on applicable state law and whatever individual
26 arrangements have been made between them and their attorneys. In no event will the
27 Diocese, the Reorganized Debtor or the Plan Trust or Trustees have any liability for any
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1 fees and expenses of attorneys representing any of the Settling Tort Claimants or any of the
2 Non-Settling Tort Claimants.

3 10.3 Impairment. The Class 6 Claims are impaired under the Plan.
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5 **ARTICLE 11**

6 **TREATMENT OF CLASS 7 CLAIMS (PRIEST RETIREMENT)**

7 11.1 Distribution. The holders of Class 7 claims, as and when the are Allowed
8 Claims, will be paid in full in accordance with the Priest Retirement Plan, as it may be
9 amended from time to time or as it may be replaced by another retirement plan with the
10 approval of the Priests and the Parishes.

11 11.2 Impairment. The Class 7 claims are not impaired under the Plan.
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13 **ARTICLE 12**

14 **TREATMENT OF CLASS 8 CLAIMS (PARISH INDEMNIFICATION)**

15 12.1 Distribution. The holders of Class 8 Claims will not receive or retain any
16 property under the Plan on account of such Claim or interest.

17 12.2 Impairment. The Class 8 Claims are impaired under the Plan and pursuant
18 to Code §1126(g) are deemed not to have accepted the Plan.
19

20 **ARTICLE 13**

21 **TREATMENT OF CLASS 9 CLAIMS (INSURER REIMBURSEMENT)**

22 13.1 Distribution. The holders of Class 9 Claims will not receive or retain any
23 property under the Plan on account of such Claim or interest.

24 13.2 Impairment. The Class 9 Claims are impaired under the Plan and pursuant
25 to Code §1126(g) are deemed not to have accepted the Plan.
26

1 **ARTICLE 14**

2 **MEANS OF IMPLEMENTATION OF THE PLAN**

3 14.1 Procedure for Determination of Claims Other Than Tort Claims.

4 (a) Objections to Claims. Notwithstanding the occurrence of the
5 Effective Date, and except as to any Claim that has been Allowed prior to the Effective
6 Date, the Reorganized Debtor may object to the allowance of any Claim against the Debtor
7 or seek estimation thereof on any grounds permitted by the Bankruptcy Code by filing the
8 appropriate pleading in the Bankruptcy Court at any time prior to the first Business Day
9 which is one hundred eighty (180) days after the Effective Date; provided, however, that
10 any Disputed Tort Claims held by Settling Tort Claimants will be determined by the
11 Trustees in accordance with the Plan Trust and any Disputed Tort Claims held by Non-
12 Settling Tort Claimants will be determined in Superior Court pursuant to the Trust
13 Distribution Agreement.

14 (b) Disputed Claims. No payments or other distributions will be made to
15 holders of Claims unless and until such Claims are Allowed Claims pursuant to a Final
16 Order of the Trustees or this Court. If a Claim is not an Allowed Claim by the Effective
17 Date or when payment is otherwise due under the Plan, payment on the Allowed Claim
18 (plus interest, if any, as provided herein) will commence on the Claim Payment Date.

19 (c) Treatment of Contingent Claims. Until such time as a Contingent
20 Claim or a Contingent portion of an Allowed Claim becomes fixed or absolute or is
21 Disallowed, such Claim will be treated as a Disputed Claim for all purposes related to
22 distributions under the Plan. The holder of a Contingent Claim will only be entitled to a
23 distribution under the Plan when and if such Contingent Claim becomes an Allowed Claim.

24 14.2 Payments Effective Upon Tender. Whenever the Plan requires payment to
25 be made, such payment will be deemed made and effective upon tender thereof by the
26 Debtor or the Reorganized Debtor to the Creditor to whom payment is due. If any Creditor
27 refuses a tender, the amount tendered and refused will be held by the Debtor or the
28 Reorganized Debtor for the benefit of that Creditor pending final adjudication of the

1 dispute. However, when and if the dispute is finally adjudicated and the Creditor receives
2 the funds previously tendered and refused, the Creditor will be obliged to apply the funds in
3 accordance with the Plan as of the date of the tender; and while the dispute is pending and
4 after adjudication thereof, the Creditor will not have the right to claim interest or other
5 charges or to exercise any other rights which would be enforceable by the Creditor if the
6 Debtor or the Reorganized Debtor failed to pay the tendered payment.

7 14.3 Preservation of Debtor's Claims, Demands, And Causes of Action. Except
8 as otherwise provided in the Plan or in the Plan Trust, all claims, demands, and causes of
9 action of any kind or nature whatsoever held by, through, or on behalf of the Debtor and/or
10 the Estate against any other Person, including but not limited to, all Avoidance Actions
11 arising before the Effective Date which have not been resolved or disposed of prior to the
12 Effective Date, are hereby preserved in full for the benefit of the Reorganized Debtor,
13 except for such claims or causes of action, cross-claims, and counterclaims which have
14 been released hereunder or pursuant to a Final Order prior to the Effective Date and except
15 those that are transferred to the Trustees of the Plan Trust. To the extent necessary, the
16 Reorganized Debtor is hereby designated as the estate representative pursuant to and in
17 accordance with Bankruptcy Code §1123(b)(3)(B). Furthermore, in accordance with
18 Bankruptcy Code §1123(b)(3), after the Effective Date, the Reorganized Debtor will own
19 and retain, and may prosecute, enforce, compromise, settle, release, or otherwise dispose of,
20 any and all claims, defenses, counterclaims, set offs, and recoupments belonging to the
21 Debtor or its Estate. The Debtor and the Reorganized Debtor will also be entitled to assign
22 their rights under the Plan. On the Effective Date, the Trustees of the Plan Trust are hereby
23 designated as the estate representative pursuant to and in accordance with Bankruptcy Code
24 §1123(b)(3)(B) with respect to all Trust Assets including, but not limited to, the Insurance
25 Actions.

26 14.4 Special Provisions Governing Unimpaired Claims. Except as otherwise
27 provided in the Plan, nothing will affect the Debtor's or the Reorganized Debtor's rights and
28 defenses with respect to any Unimpaired Claims, including, but not limited to, all rights

1 with respect to legal and equitable defenses to or setoffs or recoupments against such
2 Unimpaired Claims.

3 14.5 Investigation/Prosecution of Avoidance Actions. Because the Diocese
4 believes the likely value of the Trust Assets exceeds the estimated total of Allowed Tort
5 Claims, particularly given the combined value of the Insurance Coverage and the Pledged
6 Parish Real Property, the Diocese does not believe it will be necessary or cost effective for
7 it (or anyone else) to pursue potential avoidance actions. Under the Plan, the Debtor will
8 not pursue any avoidance actions. In the event the total of Allowed Tort Claims exceeds
9 the value of Trust Assets, the provisions of Section IV.E.4 of the Disclosure Statement will
10 apply.

11 14.6 Operative Documents. The Debtor will prepare any documents which the
12 Debtor and the Reorganized Debtor deem are necessary or appropriate to execute the Plan
13 or provided for under the Plan. If there is any dispute regarding the reasonableness or
14 propriety of any such documents after reasonable and good faith efforts by the Debtor to
15 negotiate and obtain approval of the documents by the other affected Person(s), any such
16 dispute will be presented to the Bankruptcy Court for determination at or in conjunction
17 with the Confirmation Hearing.

18 14.7 Return of Deposits. To the extent that the Debtor was required to and did
19 pay deposits to any Creditors after the Petition Date as a condition of or as security for
20 continued service after the Petition Date, including, but not limited to, deposits paid to
21 utility companies for adequate assurance of payment pursuant to Bankruptcy Code §366,
22 then, upon satisfaction of the Claims of such Creditor(s) pursuant to the Plan, any such
23 deposits, together with any interest or other income earned thereon, if any, will be refunded
24 to the Reorganized Debtor within fifteen (15) days of demand by the Reorganized Debtor
25 for return of such deposit(s).

26 14.8 Administrative Claims Bar Date. All requests for payment of administrative
27 costs and expenses incurred prior to the Effective Date pursuant to Bankruptcy Code
28 §§507(a)(1) and 503(b) will be served and filed with the Bankruptcy Court no later than

1 thirty (30) days after the Effective Date. Any such Claim which is not served and filed
2 within this time period will be forever barred. Any Claims for fees, costs, and expenses
3 incurred by any Chapter 11 Professionals after the Effective Date will be treated as part of
4 the fees and expenses of the Reorganized Debtor and need not be submitted to the
5 Bankruptcy Court for approval. After approval by the Bankruptcy Court of the final fee
6 applications of the Chapter 11 Professionals for services provided and costs incurred
7 during the course of administration of the Reorganization Case and prior to the Effective
8 Date, the Chapter 11 Professionals will not be required to submit any further fee
9 applications to the Bankruptcy Court in accordance with Bankruptcy Code §330.

10 14.9 Delivery Of Distributions. Distributions will be made by the Trustees or the
11 Reorganized Debtor as follows:

12 (a) At the addresses set forth in the Proofs of Claim filed by holders of
13 Claims (or the last known addresses of such holders if no Proof of Claim is filed or if the
14 Debtor or the Reorganized Debtor has not been notified of a change of address);

15 (b) At the addresses set forth in written notices of address change
16 delivered to the Debtor or the Reorganized Debtor after the date of any related Proof of
17 Claim; or

18 (c) At the addresses reflected in the Schedules if no Proof of Claim has
19 been filed and the Debtor or the Reorganized Debtor has not received a written notice of
20 change of address.

21 (d) If any distribution to a holder of an Allowed Claim is returned as
22 undeliverable, no further distributions to such holder will be made unless and until the
23 Debtor or the Reorganized Debtor is notified of such holder's then-current address, at which
24 time all missed distributions will be made to the holder without interest. All claims for
25 undeliverable or unclaimed distributions must be made on or before the first (1st)
26 anniversary of the date applicable to such distribution, or with respect to the a final
27 distribution to a Creditor holding an Allowed Claim, within ninety (90) days thereof. After
28 such date, all such unclaimed property will revert to the Reorganized Debtor for further

1 distribution in accordance with the Plan, and the Claim of any holder or successor to such
2 holder with respect to such property will be discharged and forever barred, notwithstanding
3 any federal or state escheat law to the contrary.

4 14.10 Limitation on De Minimis Payments. The Debtor or the Reorganized Debtor
5 will make no distributions of less than \$50 to any Creditor holding an Allowed Claim. If a
6 Creditor holding an Allowed Claim does not receive a distribution due to the provisions of
7 this Section on any date on which is a distribution is to be made to Creditors in the same
8 Class as the Creditor being entitled to such de minimis payment, then the Claim (so long as
9 it is an Allowed Claim) will remain eligible for distributions on any subsequent distribution
10 date, subject to the provisions of this Section. In all events, the Creditor holding an
11 Allowed Claim which has not received a distribution on any previous distribution dates
12 because of this provision, will receive such distribution on the date that final distribution is
13 made to Creditors in the same Class as the Creditor being entitled to such de minimis
14 payment.

15 **ARTICLE 15**

16 **TREATMENT OF EXECUTORY CONTRACTS**

17 15.1 Assumption and Rejection of Executory Contracts. On the Confirmation
18 Date, except as otherwise provided herein, including the Priest Retirement Plan which, to
19 the extent it is treated as executory in nature the Diocese will assume under the Plan (see
20 Class 7), all Executory Contracts of the Debtor will be deemed rejected in accordance with
21 the provisions and requirements of Bankruptcy Code §§365 and 1123 other than those
22 Executory Contracts that: (a) have already been assumed by order of the Bankruptcy Court;
23 (b) are subject to a motion to assume Executory Contracts that is pending on the
24 Confirmation Date; or (c) are subject to a motion to reject an Executory Contract pursuant
25 to which the requested effective date of such rejection is after the Confirmation Date.
26 Approval of any motions to assume Executory Contracts pending on the Confirmation Date
27 will be approved by the Bankruptcy Court on or after the Confirmation Date by a Final
28 Order. Each Executory Contract assumed pursuant to this Article 15 will revest in and be

1 fully enforceable by the Reorganized Debtor in accordance with its terms, except as such
2 terms are modified by the provisions of the Plan or any order of the Bankruptcy Court
3 authorizing and providing for its assumption or applicable law.

4 15.2 Claims Based on Rejection of Executory Contracts. Every Claim asserted
5 by a Creditor arising from the rejection of an Executory Contract pursuant to the Plan must
6 be filed with the Bankruptcy Court no later than the first Business Day which is thirty (30)
7 days after the Confirmation Date or the first Business Day that is thirty (30) days after entry
8 of the Final Order of the Bankruptcy Court approving rejection if such Final Order is
9 entered after the Confirmation Date. Every such Claim which is timely filed, as and when
10 it becomes an Allowed Claim, will be treated under Class 5 of the Plan. Every such Claim
11 which is not timely filed by the deadline stated above will be forever barred, unenforceable,
12 and discharged, and the Creditor holding the Claim will not receive or be entitled to any
13 distribution under the Plan on account of such Claim.

14 15.3 Indemnification of Members, Managers, Officers, and Employees. The
15 obligation of the Debtor to indemnify any Person serving at any time on or prior to the
16 Effective Date as one of its officers, employees or volunteers by reason of such Person's
17 service in such capacity to the extent provided in any of the Debtor's constituent documents,
18 by a written agreement with the Debtor or under the laws of State of Washington pertaining
19 to the Debtor, will be deemed and treated as Executory Contracts that are assumed by the
20 Reorganized Debtor pursuant to the Plan and Bankruptcy Code §365 as of the Effective
21 Date. Accordingly, such indemnification obligations of the Debtor to indemnify any Person
22 will survive unimpaired and unaffected by entry of the Confirmation Order, irrespective of
23 whether such indemnification is owed for an act or event occurring before or after the
24 Petition Date.

1 **ARTICLE 16**

2 **CONDITIONS TO EFFECTIVE DATE**

3 16.1 Conditions To Occurrence Of Effective Date. Each of the following are
4 conditions to the Effective Date, which conditions must be satisfied or waived by the
5 Debtor:

6 (a) The Confirmation Order has been entered by the Bankruptcy Court
7 and the Confirmation Order has become a Final Order.

8 (b) The Confirmation Order is in form and substance satisfactory to the
9 Debtor.

10 (c) All actions, documents, and agreements necessary to implement the
11 Plan will have been effected or executed.

12 16.2 Debtor's Obligations to Cause Effective Date to Occur. Upon satisfaction of
13 the conditions to the Effective Date, the following will occur:

14 (a) Payment, Cure and Reinstatement or Setoff of Allowed Claims Other
15 Than Tort Claims. The Reorganized Debtor will pay or make provision for the prompt
16 payment to holders of Allowed Claims to whom payments, pursuant to the Plan, are to be
17 made on the Effective Date by the Debtor.

18 (b) Satisfaction of Tort Claims. Unless the Plan Trust will have been
19 earlier established, the Reorganized Debtor will cause the Plan Trust to be established. The
20 Reorganized Debtor will deliver any initial Cash payments provided for thereunder and any
21 other assignments or pledges to the Trustees in full release and complete satisfaction and
22 discharge of the Tort Claims.

23 16.3 Waiver Of Conditions. The Debtor, in its sole discretion, may waive any of
24 the conditions to the occurrence of the Effective Date including waiver of the Final Order
25 condition in subpart (a) of Section 16.1 above any time from and after the Confirmation
26 Date. In that event, the Debtor will be entitled to render any or all of its performance under
27 the Plan prior to what otherwise would be the Effective Date if the above-referenced
28 conditions were not waived, including, but not limited to, the right to perform under any

1 circumstances which would moot any appeal, review, or other challenge of any kind to the
2 Confirmation Order if the Confirmation Order is not stayed pending such appeal, review, or
3 other challenge.

4 16.4 Effect of Non-occurrence of Conditions. If the consummation of the Plan
5 does not occur, the Plan will be null and void in all respects and nothing contained in the
6 Plan or the Disclosure Statement will: (a) constitute a waiver or release of any Claims by
7 or against the Debtor; (b) prejudice in any manner the rights of the Debtor; or (c) constitute
8 an admission, acknowledgement, offer, or undertaking by the Debtor in any respect.

9 16.5 Merger; Choice of Law. All obligations of the Debtor to all Creditors will
10 be merged into the Plan and the documents executed by the Reorganized Debtor at Closing
11 and delivered to the respective affected Creditors. In the event that such documents, or any
12 portion thereof, conflict with the provisions of the Plan, the Plan shall supersede such
13 documents or portions thereof. All such obligations of the Reorganized Debtor will be
14 evidenced by the Plan and such executed and delivered documents. Unless otherwise
15 provided therein, such documents will be governed by and construed in accordance with
16 Washington law.

17 16.6 Other Obligations of the Reorganized Debtor. The Reorganized Debtor will:

18 (a) Review all Claims other than Tort Claims filed against the estate and,
19 if warranted, object to Claims within the time period provided in Section 14.1(a) of the
20 Plan; and

21 (b) Perform all of its obligations under the Plan Documents, including,
22 without limitation, those obligations provided in the Plan Trust Agreement and the Trust
23 Distribution Agreement.

1 **ARTICLE 17**

2 **EFFECTS OF CONFIRMATION**

3 17.1 Discharge. Except as otherwise expressly provided in the Plan or in the
4 Confirmation Order, on the Effective Date the Debtor will be discharged from and its
5 liability will be extinguished completely in respect of any Claim, including, without
6 limitation, Tort Claims and Claims held by Future Tort Claimants and any debt, whether
7 reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent,
8 asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or
9 equitable, known or unknown, that arose from any agreement of the Debtor entered into or
10 obligation of the Debtor incurred before the Confirmation Date, or from any conduct of the
11 Debtor prior to the Confirmation Date, or that otherwise arose before the Confirmation
12 Date, including, without limitation, all interest, if any, on any such Claims and debts,
13 whether such interest accrued before or after the date of commencement of the
14 Reorganization Case, and including, without limitation, all Claims and debts based upon or
15 arising out of Tort Claims or Claims held by Future Tort Claimants, and from any liability
16 of the kind specified in Bankruptcy Code §§502(g), 502(h), and 502(i), whether or not a
17 Proof of Claim is filed or is deemed filed under Bankruptcy Code §501, such Claim is
18 Allowed under Bankruptcy Code §502, or the holder of such Claim has accepted the Plan.

19 17.2 Vesting. Except as otherwise expressly provided in the Plan or in the
20 Confirmation Order, on the Effective Date (or as soon thereafter as it is formed) the Plan
21 Trust will be vested with all of the Trust Assets free and clear of all Claims, Liens,
22 encumbrances, charges and other interests of Creditors, and will thereafter hold, use,
23 dispose or otherwise deal with such property in accordance with the Plan Trust and the
24 Trust Distribution Agreement.

25 17.3 Channeled Claims. Except as otherwise expressly provided in the Plan and
26 in this Article 17, in consideration of: (a) the promises and obligations of the Participating
27 Third Parties under the Plan, including the funding of the Plan Trust; and (b) the
28 undertakings of the Settling Insurers pursuant to their respective settlements with the

1 Debtor on the Effective Date or on such date as an Insurer becomes a Settling Insurer after
2 the Effective Date, (i) all Persons who have held, hold, or may hold Tort Claims, including
3 all Future Tort Claimants, will be forever barred from pursuing such Tort Claims, whether
4 such Claims are based upon tort or contract or otherwise, that they heretofore, now or
5 hereafter possess or may possess against the Participating Third Parties and the Settling
6 Insurers, the respective predecessors, successors, officials, shareholders, subsidiaries,
7 divisions, affiliates, representatives, attorneys, merged or acquired companies or operations
8 or assigns of the Settling Insurers and the Participating Third Parties, (all such parties
9 referenced in this Section 17.3 being collectively called the "Settling Parties"), in each case
10 based upon or in any manner arising from or related to any acts or omissions of the Diocese
11 or any of the other Settling Parties related to any sexual misconduct or other acts committed
12 by any clergy, employee or other Person associated with the Diocese, including, but not
13 limited to, any volunteers and, further, including, without limitation: (a) personal injuries,
14 including emotional distress; (b) those of any Person against whom any Claim, demand,
15 proceeding, suit or cause of action based upon or in any manner arising from or relating to
16 any of the matters enumerated or described herein has been or may be asserted (including,
17 without limitation, rights of indemnity, whether contractual or otherwise, contribution
18 Claims and subrogation Claims); (c) those for damages, including punitive damages; (d)
19 those for attorneys' fees and other expenses, fees or costs; (e) those for any possible
20 economic loss or loss of consortium; (f) those for damages to reputation; and (g) those for
21 any equitable remedy. Except as otherwise expressly provided in the Plan and the Plan
22 Documents, the provisions of this Section 17.3 shall further operate, as between all Settling
23 Parties, as a mutual release of all Claims. The foregoing channeling provisions are an
24 integral part of the Plan and are essential to its implementation.

25 17.4 Exculpation and Limitation of Liability. Neither the Debtor, the
26 Reorganized Debtor, the Committees, the Future Claims Representative, the Trustees, nor
27 any of their respective present or former members, managers, officers, directors,
28 employees, advisors, attorneys, or agents acting in such capacity will have or incur any

1 liability to, or be subject to any right of action by, any holder of a claim or any other party-
2 in-interest or any of their respective agents, employees, representatives, financial advisors,
3 attorneys, affiliates, or any of their successors or assigns, for any act or omission in
4 connection with, relating to, or arising out of the Reorganization Case, the pursuit of
5 confirmation of the Plan, or the administration of the Plan, or the property to be distributed
6 under the Plan, except for their willful misconduct; and in all respects such parties will be
7 entitled to reasonably rely upon the advice of counsel with respect to their duties and
8 responsibilities under the Plan or in the context of the Reorganization Case.

9 17.5 Permanent Injunction Against Prosecution of Released Claims. Except as
10 otherwise expressly provided in the Plan, for the consideration described in Section 17.3
11 above or any agreement by which a Person becomes a Participating Third Party or a
12 Settling Insurer, either before or after the Effective Date, all Persons who have held, hold,
13 or may hold Channeled Claims or Claims against the Diocese, any Participating Third Party
14 or Settling Insurer, whether known or unknown, and their respective agents, attorneys, and
15 all others acting for or on their behalf, shall be permanently enjoined on and after the
16 Effective Date (or later date if applicable) from: (a) commencing or continuing in any
17 manner, any action or any other proceeding of any kind with respect to any Claim,
18 including Claims held by Future Tort Claimants, against the Settling Insurers, the Third
19 Party Participants, the Diocese, the Reorganized Debtor, the Plan Trust, the Trustees, and
20 their respective predecessors, successors, officials, subsidiaries, divisions, affiliates,
21 representatives, attorneys, or accountants (collectively, the "Parties") or the property of the
22 Parties; (b) seeking the enforcement, attachment, collection or recovery by any manner or
23 means of any judgment, award, decree, or order against the Parties or the property of the
24 Parties, with respect to any discharged Claim or Channeled Claim; (c) creating, perfecting,
25 or enforcing any encumbrance of any kind against the Parties or the property of the Parties
26 with respect to any discharged Claim or Channeled Claim; (d) asserting any setoff, right of
27 subrogation, or recoupment of any kind against any obligation due to the Parties with
28 respect to any discharged Claim or Channeled Claim; and (e) taking any act, in any manner

1 and in any place whatsoever, that does not conform to or comply with provisions of the
2 Plan, the Plan Trust Agreement or the Trust Distribution Agreement. Notwithstanding this
3 Section 17.5, each Non-Settling Tort Claimant will be entitled to continue or commence an
4 action against the Trustees of the Plan Trust (in their capacity as Trustees only and not in
5 their individual capacity) in which the Non-Settling Tort Claimant will be entitled to a jury
6 trial for the sole purpose of obtaining a judgment as permitted by the Trust Distribution
7 Agreement, thereby liquidating such Non-Settling Tort Claimant's Claim so that it may be
8 paid with other Allowed Tort Claims in the ordinary course of the operations of the Plan
9 Trust, consistent with the provisions of the Trust Distribution Agreement. The holder of any
10 such judgment will be enjoined from executing against the Plan Trust or its assets. In the
11 event any Person takes any action that is prohibited by, or is otherwise inconsistent with the
12 provisions of Article 17 of the Plan, then, upon notice to the Court by an affected Party, the
13 action or proceeding in which the Claim of such Person is asserted will automatically be
14 transferred to the Court (or, as applicable, the District Court) for enforcement of the
15 provisions of Article 17 of the Plan. The foregoing injunctive provisions are an integral
16 part of the Plan and are essential to its implementation.

17 17.6 Insurance Actions. There is currently pending in District Court a
18 Declaratory Relief Action to which Insurers, the Debtor, and certain Tort Litigants or Tort
19 Claimants are parties. The Debtor's positions regarding Insurance Coverage, including but
20 not limited to, the Debtor's coverage positions that underlie Exhibit 12 to its Amended
21 Disclosure Statement and the Debtor's belief regarding the range of potentially available
22 Insurance Coverage or Insurance Action Recoveries for the Tort Claims, are disputed by
23 one or more Insurers in the Declaratory Relief Action. Any and all disputes or issues
24 regarding an Insurer's obligation to defend or indemnify the Diocese with respect to the
25 Tort Claims will be decided exclusively in the Declaratory Relief Action. The Plan, the
26 Disclosure Statement, the Plan Trust Agreement and the Trust Distribution Agreement for
27 the Plan Trust and any Court order approving one or more of such documents, any
28 determination made in any claims review proceeding or Expedited Review Process and any

1 Tort Claim Statute of Limitations Compromise Offer are not binding upon any Insurer
2 unless the Insurer agrees in writing to participate in the Plan or becomes a Settling Insurer.

3
4 **ARTICLE 18**

5 **MODIFICATION OF PLAN**

6 The Plan may be modified by the Debtor or the Reorganized Debtor (as applicable)
7 from time to time in accordance with, and pursuant to, Bankruptcy Code §1127. The Plan
8 may be modified by the Debtor at any time before the Confirmation Date, provided that the
9 Plan, as modified, meets the requirements of Bankruptcy Code §§1122 and 1123, and the
10 Debtor has complied with Bankruptcy Code §1125.

11
12 **ARTICLE 19**

13 **RETENTION OF JURISDICTION**

14 Notwithstanding confirmation of the Plan and the occurrence of the Effective Date,
15 the Bankruptcy Court will retain jurisdiction for the following purposes:

16 19.1 In General. The Bankruptcy Court will retain jurisdiction to determine the
17 allowance of Administrative Claims and any request for payment thereof, including
18 Administrative Claims for Professional Charges. The Bankruptcy Court will not retain or
19 obtain jurisdiction to determine any internal disputes between the Diocese, a Parish or any
20 other related Person that, under applicable Canon Law, would be determined in a
21 specialized religious court.

22 19.2 Plan and Plan Trust Disputes And Enforcement. Subject to the limitations
23 set forth in Section 19.1 above, the Bankruptcy Court will retain jurisdiction to determine
24 any dispute which may arise regarding the interpretation of any provision of the Plan, the
25 Plan Trust and the Trust Distribution Agreement. The Bankruptcy Court also will retain
26 jurisdiction to enforce any provisions of the Plan and any and all documents relating to the
27 Plan, including, but not limited to, any actions to enforce the releases and injunctions
28 provided for in Article 17 of the Plan. The Bankruptcy Court will also retain jurisdiction

1 over any matter relating to the implementation, effectuation, and/or consummation of the
2 Plan as expressly provided in any provision of the Plan.

3 19.3 Further Orders. The Bankruptcy Court will retain jurisdiction to facilitate
4 the performance of the Plan by entering, consistent with the provisions of the Plan, any
5 further necessary or appropriate order regarding enforcement of the Plan, the Plan
6 Documents and any provisions thereof, and to protect the Debtor, the Reorganized Debtor
7 and the Settling Parties from actions prohibited under the Plan. Subject to the limitations
8 provided in Section 19.1 above, in addition, the Bankruptcy Court will retain jurisdiction to
9 facilitate or implement the allowance, disallowance, treatment, or satisfaction of any Claim,
10 or any portion thereof, pursuant to the Plan.

11 19.4 Governmental Units Or Regulatory Agencies. The Bankruptcy Court will
12 retain jurisdiction to adjudicate any dispute or to hear and determine any action taken,
13 proposed, or threatened by any state, federal, or local governmental regulatory agency or
14 unit having or asserting jurisdiction or power over the conduct of the business of the Debtor
15 and/or the Reorganized Debtor.

16 19.5 Final Decree. The Bankruptcy Court will retain jurisdiction to enter an
17 appropriate final decree in the Bankruptcy Case.

18 19.6 Appeals. In the event of an appeal of the Confirmation Order or any other
19 kind of review or challenge to the Confirmation Order, and provided that no stay of the
20 effectiveness of the Confirmation Order has been entered, the Bankruptcy Court will retain
21 jurisdiction to implement and enforce the Confirmation Order and the Plan according to
22 their terms, including, but not limited to, jurisdiction to enter such orders regarding the Plan
23 or the performance thereof as may be necessary to effectuate the reorganization of the
24 Debtor.

25 19.7 Executory Contracts. The Bankruptcy Court will retain jurisdiction to
26 determine any and all motions regarding assumption or rejection of Executory Contracts
27 and any and all Claims arising therefrom.

1 and its mission and may use, acquire, or dispose of property, without supervision or
2 approval of the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or
3 Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the
4 Confirmation Order.

5 20.2 Management of Reorganized Debtor. From and after the Effective Date, the
6 Reorganized Debtor will continue to be managed in accordance with the principles of
7 Canon Law and applicable state law, and the Bishop will be the sole director of the
8 Reorganized Debtor.

9 20.3 Reorganization of Parishes or Reformation of Deeds. Prior to the Effective
10 Date, but after the Confirmation Date, each Parish will be separately incorporated as a
11 Washington non-profit corporation and/or all of the deeds to Parish Real Property will be
12 reformed and a trust agreement will be executed by the Diocese and Parishes to clarify that
13 (1) the Debtor holds legal title only to the Parish Real Property; and (2) each Parish holds
14 the beneficial interest in its own Parish Real Property. The reorganization alternatives will
15 be subject to the approval of both the Debtor and the AOP and will, subject to applicable
16 canon law, be reviewed in a collaborative spirit.

17 In regard to the Section 541 Litigation, the Summary Judgment Order and the
18 Appeal, the post-confirmation reorganization of the Parishes and/or reformation of the
19 deeds relating to Parish Real Property, as set forth herein, shall have no effect whatsoever
20 on, and shall not in any way prejudice or benefit any party to, the Section 541 Litigation,
21 the Summary Judgment Order and/or the Appeal.

22 If the Parish incorporation alternative is chosen, upon completion of the
23 incorporation and establishment of the corporate existence of each such Parish, the Diocese,
24 as part of the Plan, will convey legal title to the Parish Real Property to each Parish that is
25 the owner of such Parish Property. The Confirmation Order will specifically approve the
26 transfer and direct the Diocese or the Reorganized Debtor to execute such documents as are
27 necessary and appropriate to carry out such transfers. Each Parish that is separately
28 incorporated will be operated and governed in accordance with Canon Law. Any disputes

1 21.6 Confirmation By Nonacceptance Method. The Debtor hereby requests, if
2 necessary, confirmation of the Plan pursuant to Bankruptcy Code §1129(b) with respect to
3 any impaired Class of Claims which does not vote to accept the Plan.

4 21.7 Withdrawal Of Plan. The Plan may be withdrawn or revoked by the Debtor
5 for any reason prior to entry of the Confirmation Order.

6 21.8 Severability And Reformation. It is the Debtor's intention to comply fully
7 with the Bankruptcy Code and applicable nonbankruptcy law in proposing the Plan.
8 Therefore, if any provision of the Plan is determined by the Bankruptcy Court to be
9 contrary to the Bankruptcy Code or applicable nonbankruptcy law, that provision will be
10 deemed severed and automatically deleted from the Plan, if it cannot be reformed or the
11 provision or its interpretation will be deemed reformed to ensure compliance; provided,
12 however, that nothing contained in this Section will prevent the Debtor from modifying the
13 Plan in any manner whatsoever in accordance with and as set forth in the Plan. Pursuant to
14 any ruling by the Bankruptcy Court regarding the subject matter of this Section, any such
15 severance or reformation will be stated specifically in the Confirmation Order, which then
16 will control notwithstanding any contrary or inconsistent provisions of the Plan.

17 21.9 Prohibition Against Prepayment Penalties. If the Debtor or the Reorganized
18 Debtor chooses, in its sole and absolute discretion, to prepay any obligation on which
19 deferred payments are provided for under the Plan, the Debtor or the Reorganized Debtor
20 will not be liable or subject to the assessment of any prepayment penalty thereon unless
21 otherwise ordered by the Bankruptcy Court.

22 21.10 Fractional Dollars. Notwithstanding any other provision of the Plan, no
23 payments or distributions under the Plan of or on account of fractions of dollars will be
24 made. When any payment or distribution of or on account of a fraction of a dollar to any
25 holder of an Allowed Claim would otherwise be required, the actual payment or distribution
26 made will reflect a rounding of such fraction to the nearest whole number (up or down).

27 21.11 Payment Of Statutory Fees And Filing of Quarterly Reports. All fees
28 payable pursuant to Section 1980 of Title 28 of the United States Code, 28 U.S.C. §1980, as

1 determined by the Bankruptcy Court at or in conjunction with the Confirmation Hearing,
2 will be paid on or before the Effective Date and, thereafter, in accordance with applicable
3 bankruptcy law. All quarterly reports of disbursements required to be filed by applicable
4 bankruptcy law will be filed in accordance with applicable bankruptcy law.

5 21.12 Reservation of Rights. Except as expressly provided herein, the Plan will
6 have no force or effect unless the Confirmation Order is entered by the Bankruptcy Court
7 and the Effective Date has occurred. None of the filing of the Plan, any statement or
8 provision contained herein, or the taking of any action by the Debtor with respect to the
9 Plan will be or will be deemed to be an admission or waiver of any rights of the Debtor
10 with respect to the holders of Claims prior to the Effective Date.

11 21.13 No Professional Fees or Expenses. No professional fees or expenses will be
12 paid by the Debtor or the Reorganized Debtor with respect to any Claim except as specified
13 in the Plan or is Allowed by Final Order of the Court.

14 21.14 Dissolution of Committees. Subsequent to the Effective Date, the Tort
15 Litigants' Committee and the Tort Claimants' Committee and the Committee Professionals
16 will remain in place until dissolved by further order of the Court.

17 21.15 Headings. The headings of the articles, paragraphs, and section of the Plan
18 are inserted for convenience only and will not affect the interpretation hereof.

19 21.16 Section 1146 Exemption. Pursuant to Bankruptcy Code §1146(c), any
20 transfers of property pursuant hereto will not be subject to any document, recording tax,
21 stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate
22 transfer tax, mortgage recording tax or other similar tax or governmental assessment in the
23 United States, and the confirmation Order will direct the appropriate state or local
24 governmental officials or agents to forgo the collection of any such tax or governmental
25 assessment and to accept for filing and recordation any of the foregoing instruments or
26 other documents without the payment of any such tax or governmental assessment.

