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13 UNITED STATES BANKRUPTCY COURT
14 EASTERN DISTRICT OF WASHINGTON

15 In re:

16 THE CATHOLIC BISHOP OF SPOKANE a/k/a
17 THE CATHOLIC DIOCESE OF SPOKANE, a
18 Washington corporation sole,

19 Debtor.
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)
) Case No. 04-08822-PCW-11

)
) **DEBTOR'S PLAN OF**
) **REORGANIZATION**
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30 DEBTOR'S PLAN OF
REORGANIZATION - 1

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ARTICLE 1

INTRODUCTION

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.

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 Additional Estate Assets. This term will mean and refer to any assets that
19 are determined by a Final Order of the Court to be property of the Estate of the Debtor,
20 excluding assets that were listed as property of the Estate by the Debtor in the Schedules
21 filed on the Petition Date.

22 2.4 Administrative Claim. This term will refer to and mean: (a) every cost or
23 expense of administration of the Reorganization Case which is allowable pursuant to
24 Bankruptcy Code §503, including any actual and necessary post-petition expenses of
25 preserving the Estate; (b) any actual and necessary post-petition expenses of operating the
26 Diocese; (c) all Professional Charges approved by the Bankruptcy Court pursuant to interim
27 and final allowances in accordance with Bankruptcy Code §§330, 331, and 503(b); (d)

1 every Property Tax Administrative Claim; and (e) all fees and charges assessed against the
2 Estate under Chapter 123 of Title 28, United States Code.

3 2.5 Administrative Reserves. Subsequent to entry of the Confirmation Order,
4 but prior to the Effective Date, the Debtor will, subject to Bankruptcy Court approval, set
5 aside a reserve for the payment of post-confirmation Administrative Claims the Debtor
6 estimates will be incurred by the Chapter 11 Professionals post-confirmation. In addition, a
7 separate reserve of _____ shall be set aside for Diocesan operations.

8 2.6 Allowed Claim. This term will refer to and mean every Claim against the
9 Debtor: (a)(i) as to which a Proof of such Claim has been filed within the time fixed by the
10 Bankruptcy Court or, if such Claim arises from the rejection of an Executory Contract
11 pursuant to the Plan, on or before the first Business Day which is thirty (30) days after the
12 Confirmation Date, or (ii) which the Debtor has scheduled as liquidated in amount and
13 undisputed; and in either event: (b)(i) as to which no objection to the allowance of such
14 Claim has been filed within any applicable time period fixed by the Bankruptcy Court or
15 the Plan, or (ii) as to which the order allowing such Claim has become final and non-
16 appealable without any appeal, review, or other challenge of any kind to that order having
17 been taken or being still timely, or (iii) if an appeal has been timely taken, as to which a
18 mandate of the appellate court has issued allowing such Claim and as to which no further
19 appeal is allowed pursuant to the Bankruptcy Code, the United States Code, or applicable
20 federal or Bankruptcy Rules. If any Claim, or the Creditor holding such Claim, is subject to
21 any defense, set off, counterclaim, recoupment, or other adverse claim of any kind of the
22 Debtor or the Reorganized Debtor, that Claim will be deemed a Disputed Claim, unless
23 such adverse claim is acknowledged by the Debtor in the Plan or in accordance with the
24 terms of the Plan; and it will not become an Allowed Claim unless and until all such
25 matters are resolved or adjudicated fully and finally, with all appellate rights and remedies
26 having been exhausted except as provided in the Settlement Trust Agreement or the
27 Litigation Trust Agreement. Unless any earlier time is fixed by order of the Bankruptcy
28 Court, and except with respect to the Claims governed by the Litigation Trust Agreement,

1 and subject to amendment rights and the relation back of amendments under applicable
2 federal or state procedural rules, any objection to the allowance of any Claim and the
3 assertion of any defense, set off, counterclaim, recoupment, or other adverse claim of any
4 kind of the Debtor or the Reorganized Debtor must be filed on or before the first Business
5 Day which is one hundred eighty (180) days after the Effective Date.

6 2.7 Appeal. This term will refer to and mean the appeals filed by the Debtor and
7 the Association of Parishes with the U.S. District Court on September 6, 2005, currently
8 pending before the Honorable Justin L. Quackenbush under Cause Nos. 05-272-JLQ,
9 05-273-JLQ, 05-274-JLQ, 05-274-JLQ, 05-275-JLQ and 05-276-JLQ and any and all
10 proceedings related thereto, including any subsequent appeals from any order of the District
11 Court.

12 2.8 Appraiser. This term will refer to and mean any professional firm or
13 individual appointed by the Court to determine the liquidation value of any Assets of the
14 Estate including, but not necessarily limited to, Parish Real Property.

15 2.9 Assets. This term will refer to and mean each and every item of property
16 and interest of the Debtor therein (subject to any restrictions under applicable law), as of the
17 Effective Date, and includes without limitation: (a) all Cash; (b) the Diocese Real Property;
18 (c) any and all amounts owed to the Debtor, including the Parish Building Loans and any
19 other accounts receivable and contract rights, whether due prior or subsequent to the
20 Petition Date; (d) any other right, claim, cause of action, or defense, whether arising by
21 statute or common law, and whether arising under the laws of the United States, other
22 countries, or applicable state or local law, including, but not limited to, all Insurance
23 Actions; (e) all of the Debtor's books, records, and privileges; (f) all contracts, agreements,
24 licenses, and leases; and (g) any additional property determined by a court of competent
25 jurisdiction and after entry of a Final Order to be property of the Debtor's Estate.

26 2.10 Association of Parishes or AOP. This term will refer to and mean that
27 certain association that was formed prior to the Petition Date to collectively speak for and
28
29

1 represent the legal interests of the Parishes in the Reorganization Case and all matters
2 related thereto.

3 2.11 Avoidance Actions. This term will refer to and mean any right of the Debtor
4 under Code §§544, 545, 547 or 548 to recover preferential and/or fraudulent transfers made
5 by the Diocese to other entities.

6 2.12 Avoidance Action Fund. This term will refer to and mean Twenty-Five
7 Thousand Dollars (\$25,000.00) to be paid or reserved from the initial contribution to the
8 Fund by the Debtor, which sum shall be paid within thirty (30) days of the Effective Date to
9 be used by an independent party approved by the Court ("Independent Party") to investigate
10 and prosecute any avoidance action(s) assigned to the Independent Party pursuant to the
11 Plan.

12 2.13 Ballot. This term will refer to and mean the ballot accompanying the Plan
13 and Disclosure Statement which will be sent to all Creditors entitled to vote on the Plan, on
14 which such Creditors will indicate their vote to accept or reject the Plan and pursuant to
15 which any Tort Claimants will make the election to opt out of the Settlement Trust and into
16 the Litigation Trust. The Ballot, to the extent necessary, will be approved by the
17 Bankruptcy Court.

18 2.14 Bankruptcy Code. This term will refer to and mean Title 11 of the United
19 States Code, 11 U.S.C. §§101, et seq., including any amendments thereto which were
20 effective as of the Petition Date.

21 2.15 Bankruptcy Court or Court. This term will refer to and mean the United
22 States Bankruptcy Court for the Eastern District of Washington, the Honorable Patricia C.
23 Williams, presiding.

24 2.16 Bankruptcy Rules. This term will refer to and mean the Federal Rules of
25 Bankruptcy Procedure promulgated under Title 28, United States Code, §2075, including
26 any amendments thereto which were effective as of the Petition Date.

27 2.17 Bar Date. This term will refer to and mean the dates established by Order of
28 the Court pursuant to the Order Fixing Time For Filing Proofs Of Claim Or Interest, which
29

1 set _____, 200_ as the date by which a Claim must be evidenced by the filing of a
2 Proof of Claim with the Bankruptcy Court.

3 2.18 Barred Tort Claims. This term will refer to and mean every Tort Claim that
4 was timely filed in the Reorganization Case but is otherwise barred by an applicable state
5 statute of limitations (RCW 4.16.340).

6 2.19 Bishop. This term will refer to and mean William S. Skylstad, Bishop of the
7 Catholic Diocese of Spokane.

8 2.20 Business Day. This term will refer to and mean every day except Saturdays,
9 Sundays, federal holidays, Catholic holidays recognized and observed by the Diocese, and
10 Washington State and federal holidays observed by the Bankruptcy Court.

11 2.21 Canon Law. This term will refer to and mean the Code of Canon Law
12 applicable to the Roman Catholic Church.

13 2.22 Cash. This term will refer to and mean unrestricted cash, cash equivalents,
14 bank deposits, and negotiable instruments payable on demand.

15 2.23 Cash Management Order. This term will refer to and mean the Order of the
16 Court entered February 24, 2005, as extended from time to time, which Order maintained
17 the Debtor's bank accounts and set the parameters for use by the Parishes and the Debtor of
18 the Deposit and Loan Fund.

19 2.24 Catholic Entity or Entities. This term will refer to and mean the Parishes,
20 including schools, the Other Entities, and the additional organizations identified on Exhibit
21 10 of the Disclosure Statement.

22 2.25 Channeled Claims. This term will refer to and mean the Claims of the Tort
23 Claimants against the Participating Third Parties and the Settling Insurers which are
24 channeled to and satisfied pursuant to the Settlement Trust or the Litigation Trust.

25 2.26 Chapter 11 Professionals. This term will refer to and mean those
26 professionals whose employment has been approved by the Court and who represent either
27 the Debtor, the Tort Claimants' Committee, the Tort Litigants' Committee or the Future
28 Claims Representatives.

1 2.27 Claim. This term will refer to and mean "claim" as defined in Bankruptcy
2 Code §101(5).

3 2.28 Claim Payment Date. This term will refer to and mean every Claim which is
4 not an Allowed Claim as of the Effective Date (so payment is not made on the Effective
5 Date), but which later becomes an Allowed Claim by a Final Order.

6 2.29 Class. This term will refer to and mean each of the classifications of Claims
7 and Interests described in Article 3. of the Plan.

8 2.30 Committees. This term will refer to the Tort Claimants' Committee and the
9 Tort Litigants' Committee, collectively.

10 2.31 Committee Professionals. This term will mean any professionals employed
11 by the Tort Claimants' Committee and the Tort Litigants' Committee in accordance with
12 Bankruptcy Code §1103(a).

13 2.32 Co-Defendants. This term will refer to and mean the entities and individuals
14 who are co-defendants with the Diocese in the Sex Abuse Litigation or the Section 541
15 Litigation.

16 2.33 Confirmation Date. This term will refer to and mean the date on which the
17 Bankruptcy Court enters the Confirmation Order on the Court's docket.

18 2.34 Confirmation Hearing. This term will refer to and mean the hearing held by
19 the Bankruptcy Court regarding confirmation of the Plan, as such may be continued from
20 time to time.

21 2.35 Confirmation Order. This term will refer to and mean the order of the
22 Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code §1129.

23 2.36 Contingent. This term will refer to and mean, with reference to a Claim, a
24 Claim that has not accrued or is not otherwise payable and the accrual of which or the
25 obligation to make payment on which is dependent upon a future event that may or may not
26 occur.

27 2.37 Creditor. This term will refer to and mean "creditor" as defined in
28 Bankruptcy Code §101(10).

1 2.38 Date of Finality. This term will refer to and mean the date upon which the
2 extent and nature of the Debtor's Estate has been determined with total and complete
3 finality (i.e., is subject to a Final Order).

4 2.39 Debtor or Diocese. These terms will refer to and mean The Catholic Bishop
5 of Spokane, a/k/a The Catholic Diocese of Spokane, a Washington corporation sole.

6 2.40 Deposit and Loan Fund. This term will mean and refer to the pooled fund
7 that was administered by the Diocese for the Parishes and associated entities before the
8 Petition Date.

9 2.41 Debtor's Professionals. This term will refer to and mean:

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

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

12 The law firm of Gordon, Murray, Tilden, LLP;

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

17 2.42 Declaratory Relief Action. This term will mean Cause No.
18 05-CV-00075-JLQ pending before the Honorable Justin L. Quackenbush in District Court.

19 2.43 Diocese Personal Property. This term will refer to and mean the personal
20 property owned by the Debtor and identified on Schedule B filed by the Debtor on the
21 Petition Date, which property is not affected by the Appeal and which the Diocese will sell
22 or encumber in order to contribute to the Fund but, excluding, any Parish Personal Property
23 and personal property owned by the Other Entities.

24 2.44 Diocese Real Property. This term will refer to and mean the real property
25 owned by the Diocese and identified on Schedule A filed by the Debtor on the Petition
26 Date, which property is not affected by the Appeal and which the Diocese will sell or
27 encumber in order to contribute to the Fund but, excluding, any Parish Real Property and
28 real property owned by the Other Entities.

1 2.45 Disallowed. This term, when referring to a Claim, will refer to and mean a
2 Claim or any portion of a Claim which has been disallowed or expunged by a Final Order,
3 including, but not limited to, a Tort Claim for which a Proof of Claim was untimely filed
4 after the Bar Date.

5 2.46 Disclosure Statement. This term will refer to and mean the Disclosure
6 Statement, dated October 10, 2005, presented by the Diocese with respect to the Plan,
7 including, but not limited to, any restatements, amendments, modifications, and additional
8 disclosures (if any) provided by the Diocese to comply with Bankruptcy Code §1127 or
9 orders of the Bankruptcy Court and which has been approved by the Bankruptcy Court.

10 2.47 Disputed Claim. This term will refer to and mean every Claim, or portion
11 thereof, which is not an Allowed Claim, to which an objection (formal or informal) has
12 been made and which has not yet been Disallowed.

13 2.48 Disputed Claims Reserve. This term will refer to and mean the reserve to be
14 established on the Effective Date (and, thereafter, to be maintained as necessary) to hold in
15 one or more segregated accounts Cash or other Assets equal to the aggregate amounts
16 thereof that would have been distributed on an applicable Claim Payment Date on account
17 of a Disputed Claim. In establishing the Disputed Claims Reserve on the Effective Date, all
18 Disputed Claims may be estimated by the Reorganized Debtor at an amount equal to (a)
19 such lesser amount that is agreed to by the holder of such Claim, (b) the amount claimed if
20 the Court has not made an estimation of such Claim or the holder of such Claim has not
21 agreed to a lesser amount, or (c) the amount, if any, determined by the Court by Final Order
22 pursuant to Bankruptcy Code §502 (c) as an estimate for distribution purposes. In any
23 event, the Estimated Amount will be the maximum amount of the Claim for distribution
24 purposes under the Plan. The Disputed Claims Reserve may be adjusted from time to time
25 after the Effective Date by the Reorganized Debtor after taking into account the anticipated
26 recovery fraction which has been or is anticipated to be paid to the holders of Allowed
27 Claims, after giving effect to the amount of the Disputed Claims as determined pursuant to
28 this provision. With the exception of the Future Claims Reserve and/or any claim filed by
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1 the FCR, the Disputed Claim Reserve will not apply to the Settlement Trust or the
2 Litigation Trust, each of which will be governed by the terms of the Settlement Trust
3 Agreement and the Litigation Trust Agreement, respectively.

4 2.49 District Court. This term will refer to and mean the United States District
5 Court for the Eastern District of Washington.

6 2.50 Effective Date. This term will refer to and mean the first Business Day on
7 which the conditions specified in Section 17.1 of the Plan have been satisfied or waived.

8 2.51 Estate. This term will refer to and mean the bankruptcy estate of the
9 Diocese created under Bankruptcy Code §541 as determined by the Final Order of the
10 Bankruptcy Court.

11 2.52 Estimated Amount. This term will refer to and mean the maximum amount
12 at which the Court, pursuant to Bankruptcy Code §502(c), at the request of the Diocese
13 estimates any Claim or class of Claims against the Debtor that is contingent, unliquidated or
14 disputed, including, without limitation, any Tort Claim or Other Tort Claims or class,
15 including (if necessary) those claimants who are represented by the Future Claims
16 Representative, for the purpose of (a) allowance, (b) distribution, (c) confirming the Plan
17 pursuant to Bankruptcy Code §1129, (d) voting to accept or reject the Plan pursuant to
18 Bankruptcy Code §1126 and Bankruptcy Rule 3018(a), or (e) any other proper purpose.

19 2.53 Executory Contract. This term will refer to and mean every unexpired lease
20 and other contract which is subject to being assumed or rejected by the Debtor under
21 Bankruptcy Code §365, pursuant to the Plan or pursuant to separate motion.

22 2.54 Final Order. This term will refer to and mean any order of the Bankruptcy
23 Court as to which (a) the time for appeal has expired and no appeal has been timely taken;
24 or (b) any appeal that has been timely taken has been finally determined or dismissed.

25 2.55 Fund. This term will refer to and mean the fund to be established by the
26 Diocese which will be allocated by the Bankruptcy Court, net of the Administrative
27 Reserves and the Disputed Claims Reserve, as part of the confirmation process between the
28 Settlement Trust, the Litigation Trust and the Future Claims Reserve in the amounts and

1 percentages as determined by the Bankruptcy Court as part of the confirmation process.

2 The Fund will consist of all of the following:

3 (a) The Remaining Unrestricted Cash;

4 (b) The net proceeds from the sale or encumbering of Diocese Real
5 Property sold prior to the Effective Date;

6 (c) After the Effective Date, the net proceeds from the sale or
7 encumbering of the Diocese Real Property still owned by the Diocese on the Effective
8 Date;

9 (d) The net proceeds of sale or assignment of the Parish Building Loans
10 (or the assignment of the Parish Building Loans directly to the Trusts);

11 (e) Payments (and/or promissory notes) from the Participating Third
12 Parties;

13 (f) Payments and commitments to pay from the Settling Insurers;

14 (g) Insurance Action Recoveries allocated to the Fund or an assignment
15 of all or part of the Insurance Actions;

16 (h) Any recovery of monies as a result of Avoidance Actions pursuant to
17 Section 15.8 herein; and

18 (i) Any additional contributions required pursuant to Section 11.2
19 herein.

20 2.56 Future Claims Representative or FCR. This term will refer to and mean
21 Gayle E. Bush, the representative appointed by order of the Court on June 17, 2005 (the
22 "FCR Order") or his successor, to represent the interests of persons who might assert a Tort
23 Claim but who (1) will not reach the age of eighteen (18) prior to the Bar Date; (2) suffer
24 from repressed memory or other condition which, under applicable law, would toll any
25 applicable statute of limitations; or (3) are Causal Link Claimants, as defined in the FCR
26 Order.

27 2.57 Future Claims Reserve. This term will refer to and mean the reserve to be
28 established on the Effective Date or such later date in an amount to be determined by the
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1 Bankruptcy Court as part of the confirmation process. The reserve will be held by the
2 Trustee of the Settlement Trust in a segregated account. Future Tort Claimants whose
3 claims are determined to be Allowed Claims by the Special Arbitrator will be paid out of
4 the Future Claims Reserve.

5 2.58 Future Tort Claimants. This term will refer to and mean those individuals
6 who are represented in the Reorganization Case by the Future Claims Representative.

7 2.59 General Unsecured Convenience Claim. This term will refer to and mean an
8 Unsecured Claim in an amount of \$500 or less, inclusive of interest accrued thereon after
9 the Petition Date through the later to occur of the Effective Date or the Claim Payment
10 Date; provided, that, if the holder of an Unsecured Claim in an amount greater than \$500
11 makes an election to reduce such Claim to \$500, such Claim will be treated as a General
12 Unsecured Convenience Claim for all purposes. Such election will be made on the Ballot,
13 completed and returned within the time fixed by order of the Court. Making this election
14 will be deemed to be a waiver by such electing holder of any right to participate in Class 5
15 as to any and all Claims held by such holder.

16 2.60 General Unsecured Claim. This term will refer to and mean every
17 Unsecured Claim against the Diocese (including, but not limited to, every such Claim
18 arising from the rejection of an Executory Contract and every Claim which is the
19 undersecured portion of any Secured Claim), which is not an Administrative Claim, a
20 Priority Unsecured Claim, a Priority Tax Claim, a General Unsecured Convenience Claim,
21 a Parish Unsecured Claim or a Tort Claim, and which is classified and treated as the Plan
22 provides for Class 5 Claims.

23 2.61 Insurance Actions. This term will refer to and mean all claims, causes of
24 action and enforceable rights of the Debtor against any Insurer, including, but not limited
25 to, those arising from or related to: (a) any such Insurer's failure to provide Insurance
26 Coverage under any Insurance Policy; (b) the refusal of any Insurer to compromise and
27 settle any claim pursuant to any such Insurance Policy; (c) the interpretation or enforcement
28 of the terms of any such Insurance Policy and Insurance Coverage; or (d) any claim, cause
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1 of action or rights asserted by the Diocese against any Insurer in the Declaratory Relief
2 Action.

3 2.62 Insurance Action Recoveries. This term will refer to and mean the rights of
4 the Debtor to any and all proceeds, including any interest or income earned thereon, and
5 other relief from: (a) any award, judgment, relief, or other determination entered or made as
6 to any Insurance Actions; (b) any and all amounts payable by a settling Insurer under any
7 insurance settlement agreement; and (c) any and all proceeds of any Insurance Policy paid
8 or payable with respect to Tort Claims.

9 2.63 Insurance Coverage. This term will refer to and mean the insurance
10 coverage, not reduced to settlement proceeds, available to the Debtor with respect to Tort
11 Claims under any Insurance Policy, including, without limitation, coverage for defense
12 costs and attorneys' fees relating to the defense of Tort Claims and the validity of which are
13 determined in the Litigation Trust and indemnification.

14 2.64 Insurance Policy. This term will refer to and mean any general liability
15 insurance or sexual misconduct policy naming the Diocese as an insured in effect on or
16 before the Confirmation Date upon which any Claim has been or may be made with respect
17 to any Tort Claim.

18 2.65 Insurers. This term will refer to and mean any insurance company providing
19 Insurance Coverage to the Debtor for liability arising from or related to Tort Claims,
20 including, but not limited to Safeco (General Insurance Company of America), Oregon
21 Auto Insurance Company, CNA (Continental), Indiana Insurance Company, Aetna (ACE
22 USA) and Washington Insurance Guaranty Association (WIGA).

23 2.66 Insurer Claim. This term will refer to and mean any claim against the
24 Diocese (or any Parish) or any additional insured, contingent or otherwise, under an
25 Insurance Policy, for reimbursement of any claim paid prior to the Petition Date and/or for
26 the reimbursement of defense costs paid by any Insurer for and on behalf of the Diocese
27 prior to the Petition Date.

1 2.67 Litigation Trust. This term will refer to and mean the trust established
2 pursuant to the Litigation Trust Agreement for:

3 (a) paying the defense costs of the Debtor for the defense of such
4 litigation from the funds of the Litigation Trust, but only to the extent any available
5 Insurance Coverage is insufficient, in whole or in part, to cover such defense costs. The
6 Litigation Trust will qualify to be a "Qualified Settlement Fund" pursuant to applicable
7 provisions of the Internal Revenue Code;

8 (b) receiving, holding and investing funds provided pursuant to the
9 Litigation Trust Agreement; and

10 (c) issuing payments and disbursing funds as provided in the Litigation
11 Trust Agreement.

12 2.68 Litigation Trust Agreement. This term will refer to and mean that agreement
13 between the Reorganized Debtor and the Trustee of the Litigation Trust to be established
14 pursuant to Section 11.1 of the Plan and pursuant to which the Litigation Trust will be
15 established and governed.

16 2.69 Litigation Protocol. This term will refer to and mean the litigation
17 procedures described in Article 11 of the Plan and in the Litigation Trust Agreement.

18 2.70 Non-Settling Tort Claimants. This term will refer to and mean every Tort
19 Claimant who affirmatively elects, on the Ballot, to opt out of the Settlement Trust and to
20 have his or her Tort Claim liquidated by a jury in a trial to be held in Superior Court with
21 any such judgment entered to be treated and paid pursuant to the terms of the Litigation
22 Trust Agreement.

23 2.71 Other Entities. This term will refer to and mean Catholic Charities of the
24 Diocese of Spokane, Catholic Cemeteries of Spokane, Catholic Foundation of the Spokane
25 Diocese, The Spokane Catholic Investment Trust, Morning Star Boys' Ranch, and
26 Immaculate Heart Retreat Center Foundation.

27 2.72 Other Tort Claims. This term will refer to and mean any and all Claims,
28 demands, suits, causes of action, proceedings or any other rights or asserted right to
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1 payment heretofore, now or hereafter asserted against the Debtor, whether or not reduced to
2 judgment, based upon or in any manner arising from acts or failure to act by the Debtor
3 which has allegedly resulted in injury asserted by a Person pursuant to applicable state or
4 federal law, but excluding Tort Claims and any Claims of employees entitled to priority
5 pursuant to Bankruptcy Code §507.

6 2.73 Parish. This term will refer to and mean that certain community of church
7 members whose pastoral care is entrusted to a pastor under authority of the Bishop of the
8 Diocese and which is within the territorial jurisdiction of the Diocese, including any school
9 operated by such community.

10 2.74 Parish Building Loans. This term will refer to and mean loans made to a
11 parish by the Diocese for construction purposes, for which a balance remained as of the
12 Date of Filing.

13 2.75 Parish Personal Property. This term will refer to and mean all of the
14 property interests held by or related to the Parishes, excluding Parish Real Property.

15 2.76 Parish Real Property. This term will refer to and mean any and all real
16 property in the Diocese maintained and occupied by a Parish community where the
17 ownership of the beneficial interest is one of the issues in the Appeal.

18 2.77 Parish Subordinated Payment. This term will refer to and mean the
19 provision made by the Debtor under the Plan for the payment of the Parish Unsecured
20 Claims.

21 2.78 Parish Unsecured Claims. This term will refer to and mean every Unsecured
22 Claim against the Diocese now held by a Parish, including, but not limited to, all Claims of
23 a Parish for any funds that were on deposit with the Diocese as of the Date of Filing and
24 which were managed by the Diocese under what is commonly known as the Deposit and
25 Loan Fund.

26 2.79 Participating Third Parties. This term will refer to and mean any Co-
27 Defendant or any other Person, including any Parish(es), who/which contributes any
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monies/assets to the Fund and will be a party participating in the channeling injunction provided for in Section 18.3 of the Plan.

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

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

2.82 Plan. This term will refer to and mean the Debtor's Plan Of Reorganization dated October 10, 2005, and every restatement, amendment, or modification thereof, if any, filed by the Debtor.

2.83 Plan Documents. This term will refer to and mean the Settlement Trust Agreement, the Litigation Trust Agreement, and all other documents and exhibits as the same may be amended, modified, supplemented, or restated from time to time, that aid in effectuating the Plan, which documents and exhibits will be filed by the Debtor with the Court on or before a date that is thirty (30) days prior to the Confirmation Hearing or such other date as determined by the Court.

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

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

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

1 2.87 Priests. This term will refer to and mean those individuals who either are or
2 have in the past been responsible for the pastoral care of one or more Parish communities
3 within the Diocese and have been incardinated in the Diocese.

4 2.88 Priest Retirement Obligation. This term will refer to and mean the
5 contractual obligation of the Diocese to provide retirement income to the Priests, subject to
6 the policies of the Diocese, specifically the Priest Retirement Plan, as amended from time to
7 time.

8 2.89 Priest Retirement Plan. This term will refer to and mean the Retirement Plan
9 Agreement for the Priests of the Diocese of Spokane, as it may be amended from time to
10 time, a copy of which is attached as Exhibit A.

11 2.90 Priority Employee Unsecured Claim. This term will refer to and mean every
12 Unsecured Claim of an employee of the Diocese for vacation or sick leave pay which is
13 otherwise entitled to priority pursuant to Bankruptcy Code §507(a)(3)(A).

14 2.91 Priority Tax Claim. This term will refer to and mean every Unsecured
15 Claim or portion thereof which is entitled to priority pursuant to Bankruptcy Code
16 §507(a)(8).

17 2.92 Priority Unsecured Claim. This term will refer to and mean every
18 Unsecured Claim or portion thereof which is not an Administrative Claim, a Priority Tax
19 Claim or a Priority Employee Unsecured Claim and which is entitled to priority under any
20 applicable provision of Bankruptcy Code §507.

21 2.93 Pro Rata. This term will refer to and mean proportionate, and when applied
22 to a Claim means that the ratio of the consideration distributed on account of an Allowed
23 Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the
24 amount of the consideration distributed on account of all Allowed Claims in such Class to
25 the amount of all Allowed Claims in such Class.

26 2.94 Professional Charges. This term will refer to and mean the allowed interim
27 and final professional fees and expenses charged by the Debtor's Professionals and the
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1 Court approved Professionals retained by the Tort Claimants' Committee, the Tort Litigants'
2 Committee and the Future Claims Representative.

3 2.95 Property Tax Administrative Claim. This term will refer to and mean every
4 Claim of any state or local governmental unit which is an Administrative Claim for unpaid
5 real property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing taxes,
6 and every prorated portion thereof arising on and after the Petition Date until the Effective
7 Date. Property Tax Administrative Claims will be classified and paid under the Plan as the
8 Plan provides for Administrative Claims.

9 2.96 Property Tax Claims. This term will refer to and mean collectively: (a)
10 every Property Tax Administrative Claim; (b) every Prepetition Date Secured Tax Claim;
11 and (c) every Post-Effective Date Secured Tax Claim.

12 2.97 Property Tax Claims Proration. This term will refer to and mean the
13 proration of Property Tax Claims as of the Effective Date, so that: (a) Post-Effective Date
14 Secured Tax Claims will be paid by the Reorganized Debtor in the ordinary course of its
15 business; (b) Prepetition Date Secured Tax Claims will be paid by the Debtor or the
16 Reorganized Debtor as provided for Class 3 Claims under the Plan; and (c) Property Tax
17 Administrative Claims will be paid by the Debtor or the Reorganized Debtor as provided
18 for Administrative Claims under the Plan.

19 2.98 Remaining Unrestricted Cash. This term will refer to and mean the balance
20 in the Diocese's general operating account at U.S. Bank as of the Effective Date, net of the
21 Administrative Reserve.

22 2.99 Reorganization Case. This term will refer to and mean the case under
23 Chapter 11 of the Bankruptcy Code which was commenced by the filing of a voluntary
24 Chapter 11 petition by the Diocese on the Petition Date.

25 2.100 Reorganized Debtor. This term will refer to and mean the Diocese, from and
26 after the Effective Date. Unless otherwise expressly stated or the context otherwise
27 requires, references to "the Debtor and the Reorganized Debtor" and references to "the
28 Debtor or the Reorganized Debtor" throughout various provisions of the Plan are an effort

1 to anticipate whether an event may occur before or after the Effective Date. In this regard,
2 and generally for purposes of the Plan, any written agreement made by the Debtor as part of
3 the Plan before the Effective Date will survive the Confirmation Date and the Effective
4 Date and will bind both the Reorganized Debtor and every other party to such agreement
5 (including, but not limited to, the provisions of the Plan as confirmed).

6 2.101 Section 541 Litigation. This term will mean Adversary Proceeding No. 05-
7 80038 filed by the Tort Litigants' Committee against the Debtor, the Parishes and other
8 parties on February 4, 2005, and Adversary Proceeding No. 04-00291 filed by Michael
9 Shea on December 22, 2004, and any appeal, interlocutory or other, relating thereto,
10 including the Appeal filed by the Debtor and the AOP with the U.S. District Court on
11 September 6, 2005.

12 2.102 Secured Claim. This term will refer to and mean every Claim or portion
13 thereof which is asserted by the Creditor holding such Claim to be secured by a lien,
14 security interest, or assignment encumbering property in which the Debtor has an interest
15 and including any right to setoff asserted by a Creditor that is treated as a Secured Claim
16 under the Bankruptcy Code, but only to the extent of the validity, perfection, and
17 enforceability of the claimed lien, security interest, or assignment, and the value of the
18 interest of the Creditor holding such Claim against such property of the Debtor.

19 2.103 Secured Creditor. This term will refer to and mean every Creditor which
20 holds a Secured Claim in the Reorganization Case.

21 2.104 Secured Tax Claim. This term will refer to and mean every Claim of any
22 federal, state, or local governmental unit, which is asserted by such governmental unit
23 holding such Claim which is secured by property of the Estate by operation of applicable
24 non-bankruptcy laws, including, but not limited to, every such Claim for unpaid real
25 property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing taxes, and
26 further including, but not limited to, both the Prepetition Date Secured Tax Claims and the
27 Post-Effective Date Secured Tax Claims, but only to the extent of the validity, perfection,
28 and enforceability of the claimed lien, security interest, or assignment, and the value of the
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1 interest of the governmental unit holding such Claim against the Debtor and only to the
2 extent that such Secured Tax Claim does not relate to Parish Real Property. Any Claims for
3 unpaid real property taxes, unpaid personal property taxes, or unpaid sales taxes or leasing
4 taxes pertaining to a Parish or Parish Real Property will be paid by the Parish owning such
5 Parish Real Property or other property pertaining to such tax.

6 2.105 Settlement Trust. This term will refer to and mean the trust established
7 pursuant to the Settlement Trust Agreement for:

8 (a) receiving, holding and investing funds provided pursuant to the
9 Settlement Trust Agreement;

10 (b) determining and Allowing (or Disallowing) Tort Claims,

11 (c) issuing payments and disbursing funds as provided in the Settlement
12 Trust Agreement;

13 (d) paying the costs, fees and expenses of the Trustee and the Settlement
14 Master from the funds of the Settlement Trust; and

15 (e) The Settlement Trust will qualify to be a "Qualified Settlement
16 Fund" pursuant to applicable provisions of the Internal Revenue Code.

17 2.106 Settlement Trust Agreement. This term will refer to and mean the trust to be
18 established in accordance with Section 11.1 of the Plan pursuant to which the Tort Claims
19 of Settling Tort Claimants will be satisfied.

20 2.107 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
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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 2.108 Settling Tort Claimants. This term will refer to and mean those Tort
5 Claimants who do not affirmatively elect to opt out of the Settlement Trust and will have
6 their Tort Claims determined, allowed (or disallowed) and treated in accordance with the
7 terms of the Settlement Trust.

8 2.109 Sex Abuse Litigation or Lawsuits. This term will mean the nineteen (19)
9 lawsuits pending against the Diocese, as of the Date of Filing, in Superior Court.

10 2.110 Summary Judgment Order. This term will mean and refer to the Order
11 entered by the Court on August 26, 2005, which, inter alia, granted the Tort Litigants'
12 Committee's Motion for Summary Judgment regarding twenty-one (21) of the Parishes.

13 2.111 Special Arbitrator. This term will refer to and mean the individual who is
14 selected by the Court as part of the confirmation process to evaluate, liquidate and Allow
15 (or Disallow) the Claims of the Settling Tort Claimants. The Special Arbitrator will also:

16 (a) evaluate each such Tort Claim for Allowance or Disallowance;
17 (b) determine the appropriate Tier into which a Tort Claim will be
18 placed;

19 (c) determine whether such Tort Claim is entitled to any different
20 consideration because of mitigating or aggravating factors; and

21 (d) instruct the Trustee to pay any Allowed Tort Claims of Settling Tort
22 Claimants in accordance with the terms of the Settlement Trust.

23 2.112 Superior Court. This term will refer to and mean the Superior Court for
24 Spokane County, Washington.

25 2.113 Tier. This term will refer to and mean the level into which the Claim of each
26 Settling Tort Claimant will be placed for purposes of payment.

27 2.114 Tier One Tort Claims. This term will refer to and mean the Claims of Tort
28 Claimants which consist of alleged harm involving the least egregious acts of abuse.

1 Regardless of the number of times the alleged harm occurred, if the acts involved only Tier
2 One acts, then the Claimant will only have a Tier One Claim. In addition, a Claimant who
3 has suffered acts that would fit in more than one tier, will only have a recovery in the tier in
4 which the most serious act occurred. For example, if a Tort Claimant was the victim of a
5 Tier Two act and a Tier Three act, such Claimant will only be Allowed one Claim in Tier
6 Three. The parameters by which a Tier One Tort Claim will be considered by the Special
7 Arbitrator will be jointly proposed by the Diocese, the Tort Claimants' Committee, the Tort
8 Litigants' Committee and the Future Claims Representative, and finally determined by the
9 Bankruptcy Court at or prior to approval of the Confirmation Hearing. The presumptive
10 amount to be paid to a Settling Tort Claimant whose Claim is a Tier One Claim (subject to
11 increase or decrease based upon aggravating or mitigating factors) will be proposed by the
12 Diocese within thirty (30) days of the Date of Finality. In the event of any dispute
13 regarding the presumptive amount to be paid to a Settling Tort Claimant who holds a Tier
14 One Claim, the Bankruptcy Court will determine such amount.

15 2.115 Tier Two Tort Claims. This term will refer to and mean the Claims of Tort
16 Claimants which consist of alleged harm involved more serious acts of abuse than those
17 contained in Tier One. Regardless of the number times the alleged harm occurred, if the
18 acts involved only Tier Two acts, then the Claimant will only have a Tier Two Claim. In
19 addition, a Claimant who has suffered acts that would fit in more than one tier, will only
20 have a recovery in the tier in which the most serious act occurred. For example, if a Tort
21 Claimant was the victim of a Tier Two act and a Tier Three act, such Claimant will only be
22 Allowed one Claim in Tier Three. The parameters by which a Tier Two Tort Claim will be
23 considered by the Special Arbitrator will be proposed by the Diocese and finally
24 determined by the Bankruptcy Court at or prior to approval of the Disclosure Statement.
25 The presumptive amount to be paid to a Settling Tort Claimant whose Claim is a Tier Two
26 Claim (subject to increase or decrease based upon aggravating or mitigating factors) will be
27 proposed by the Diocese within thirty (30) days of the Date of Finality. In the event of any
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1 dispute regarding the presumptive amount to be paid to a Settling Tort Claimant who holds
2 a Tier Two Claim, the Bankruptcy Court will determine such amount.

3 2.116 Tier Three Tort Claims. This term will refer to and mean the Claims of Tort
4 Claimants where the alleged harm involved the most serious types of abuse and which are
5 not classified in Tier One or Tier Two. Regardless of the number of times the alleged harm
6 occurred, if the acts involved only Tier Three acts, then the Claimant will only have a Tier
7 Three Claim. In addition, a Claimant who has suffered acts that would fit in more than one
8 tier, will only have a recovery in the tier in which the most serious act occurred. For
9 example, if a Tort Claimant was the victim of an Tier Two act and a Tier Three act, such
10 Claimant will only be Allowed one Claim in Tier Three. The parameters by which a Tier
11 Three Tort Claim will be considered by the Special Arbitrator will be proposed by the
12 Diocese and finally determined by the Bankruptcy Court at or prior to approval of the
13 Disclosure Statement. The presumptive amount to be paid to a Settling Tort Claimant
14 whose Claim is a Tier Three Claim (subject to increase or decrease based upon aggravating
15 or mitigating factors) will be proposed by the Diocese within thirty (30) days of the Date of
16 Finality. In the event of any dispute regarding the presumptive amount to be paid to a
17 Settling Tort Claimant who holds a Tier Three Claim, the Bankruptcy Court will determine
18 such amount.

19 2.117 Tier One Recovery Amount. This term will refer to and mean the amount to
20 be awarded and paid to a Tort Claimant whose Claim is categorized in Tier One by the
21 Special Arbitrator and Allowed within the range allowed in Tier One.

22 2.118 Tier Two Recovery Amount. This term will refer to and mean the amount to
23 be awarded and paid to a Tort Claimant whose Claim is categorized in Tier Two by the
24 Special Arbitrator and Allowed within the range allowed in Tier Two.

25 2.119 Tier Three Recovery Amount. This term will refer to and mean the amount
26 to be awarded and paid to a Tort Claimant whose Claim is categorized in Tier Three by the
27 Special Arbitrator and Allowed within the range allowed in Tier Three.

1 2.120 Tort Claim. This term will refer to and mean all Claims, demands, suits,
2 causes of action, proceedings or any other rights or asserted rights to payment, including,
3 but not limited to: (i) any Claims, demands, suits, or causes of action for personal injuries,
4 including emotional distress, (ii) for damages, including punitive damages, (iii) for
5 attorneys' fees and other expenses, fees or costs, and for any equitable remedy, heretofore,
6 now or hereafter asserted against the Debtor, any Participating Third Parties, any Settling
7 Insurers or the Litigation Trust, whether or not reduced to judgment, including Claims held
8 by Future Tort Claimants, based upon or in any manner arising from or related to: (a) acts
9 of sexual abuse committed by any clergy or other person associated with the Diocese or any
10 Parish, including but not limited to all employees and volunteers; (b) the failure of the
11 Diocese or Parish or other person associated with the Diocese or Parish to properly
12 supervise any clergy or any other employee of or person associated with the Diocese or a
13 Parish, including, but not limited to volunteers; (c) the processing, adjustment, defense,
14 settlement, payment, negotiation or handling of any claims, demands, suits, proceedings or
15 causes of action based upon or relating in any way to the Claims made as a result of any
16 alleged abuse or other Tort Claim asserted by a Tort Claimant; or (d) the failure to warn,
17 disclose or provide information concerning, the alleged sexual abuse and other misconduct
18 of clergy or other employees of or persons associated with the Diocese or the Parishes,
19 including, without limitation, volunteers.

20 2.121 Tort Claimant. This term will refer to and mean a Person who asserts a Tort
21 Claim, including Future Tort Claimants.

22 2.122 Tort Claimants' Committee or TCC. This term will mean the Official
23 Committee of Tort Claimants appointed by the U.S. Trustee on December 23, 2004, as
24 reconstituted on February 2, 2005, to represent the interests of Tort Claimants who, as of
25 the Date of Filing, had not filed a lawsuit against the Diocese, excluding Future Tort
26 Claimants.

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

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

2.125 Trustee(s). This term will refer to and mean the trustee(s) under the Settlement Trust Agreement and the Litigation Trust Agreement.

2.126 Trusts. This term will refer to and mean the Settlement Trust and the Litigation Trust.

2.127 Unsecured Claim. This term will refer to and mean every Claim or portion thereof, regardless of the priority of such Claim, which is not a Secured Claim.

2.128 Unsecured Creditor. This term will refer to and mean every Creditor which holds an Unsecured Claim in the Reorganization Case.

2.129 VAP. This term will refer to and mean the Victim Assistance Program which was established by the Diocese in 2002 in conjunction with Lutheran Social Services and the Spokane County Attorney's Office that, among other things, reports allegations of abuse to the proper authorities, may initiate counseling services through Lutheran Social Services or, if the individual prefers, through an independent licensed or certified professional, and may provide other services to a person who alleges he or she was abused.

ARTICLE 3

UNCLASSIFIED CLAIMS

3.1 Administrative Claims. The holder of an Allowed Administrative Claim will receive, in full satisfaction of such Claim, (a) a single Cash payment in the Allowed amount of the Claim on the Effective Date (or the applicable Claim Payment Date); or (b) as otherwise agreed in writing by the holder of the Allowed Claim or ordered by the Bankruptcy Court. Every Allowed Administrative Claim for an expense of operation of the

Debtor incurred in the ordinary course of such operations will be paid fully and in Cash in the ordinary course of business (including any payment terms applicable to any such expense).

3.2 Priority Unsecured Claims. The holder of every Allowed Priority Unsecured Claim will be paid, in full satisfaction of such Claim, (a) a single Cash payment in the Allowed amount of the Claim on the Effective Date (or the applicable Claim Payment Date); or (b) as otherwise agreed in writing by the holder of the Allowed Claim or ordered by the Bankruptcy Court.

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

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

ARTICLE 4

CLASSIFICATION OF CLAIMS

4.1 Classification. All Claims are classified under the Plan as hereafter stated in this Article 4; provided, however, that, a Claim will be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and will

1 be deemed classified in a different Class to the extent that any remainder of the Claim
2 qualifies within the description of such different Class. As of the Confirmation Hearing,
3 any Class of Claims which does not contain any Creditor's Claims will be deemed deleted
4 automatically from the Plan, and any Class of Claims which does not contain an Allowed
5 Claim (or a Claim temporarily or provisionally allowed by the Bankruptcy Court for voting
6 purposes) will be deemed automatically deleted from the Plan with respect to voting on
7 confirmation of the Plan.

8 4.2 Classes. For purposes of the Plan, Claims against the Debtor are hereby
9 classified in the following classes in accordance with Bankruptcy Code §1122(a) as
10 follows:

11 Class 1 – Priority Employee Unsecured Claims

12 Class 2 – Prepetition Property Tax Secured Claims

13 Class 3 – General Unsecured Convenience Claims

14 Class 4 – Parish and Catholic Entity Unsecured Claims

15 Class 5 – General Unsecured Claims

16 Class 6 – Other Tort Claims

17 Class 7 – Tort Claims

18 Class 8 – Priest Retirement Claims

19 Class 9 – Parish Indemnification or Third Party Claims

20 Class 10 – Insurers' Reimbursement Claims

21 **ARTICLE 5**

22 **TREATMENT OF CLASS 1 CLAIMS**

23 **(PRIORITY EMPLOYEE UNSECURED CLAIMS)**

24
25 5.1 Distribution. No holder of an Allowed Priority Employee Unsecured Claim
26 will receive any Cash on account of such Claim. All Allowed Priority Employee
27 Unsecured Claims will be satisfied, in full, in accordance with the policies and procedures
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1 regarding vacation and sick leave pay in effect at the Diocese at the time such Priority
2 Employee Unsecured Claim becomes matured and liquidated.

3 5.2 Impairment. The Class 1 Claims are impaired under the Plan.

4 5 **ARTICLE 6**

6 **TREATMENT OF CLASS 2 CLAIMS** 7 **(PREPETITION DATE SECURED TAX CLAIMS)**

8 6.1 Distribution. All Class 2 Claims, as and when they are Allowed Claims, will
9 be treated as fully Secured Claims and will be paid fully and in Cash as follows:

10 (a) In order to compute the Prepetition Date Secured Tax Claims which
11 are the Class 2 Claims, the Property Tax Claims Proration will be conducted as of the
12 Effective Date, if necessary. The Prepetition Date Secured Tax Claims which are Allowed
13 Claims will bear interest from and after the Effective Date until they are paid in full at the
14 rate of three percent (3%) per annum or such other rate as ordered by the Bankruptcy Court.

15 (b) The Allowed Class 2 Claims, including interest thereon from and
16 after the Effective Date, will be paid in two equal installments. The first installment will be
17 paid on the first Business Day which is (30) days after the Effective Date or the Claim
18 Payment Date. The second installment will be paid on the first Business Day of the sixth
19 (6th) month after the Effective Date or the applicable Claim Payment Date.

20 (c) No penalties will be paid on any of the Allowed Class 2 Claims.

21 6.2 Disputed Claims. Notwithstanding the pendency of any appeal to any state
22 or local taxing authorities of a determination of property taxes or assessment on the Petition
23 Date, nothing contained herein will prohibit the Debtor from exercising its rights pursuant
24 to Bankruptcy Code §505 and having the Class 2 Claim(s) determined by the Bankruptcy
25 Court to the extent that any Class 2 Claims are Disputed Claims.

26 6.3 Retention of Liens. Each Creditor holding a Class 2 Allowed Claim will
27 retain its lien(s) on its collateral to the extent of its Class 2 Allowed Secured Claim.

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

ARTICLE 7

TREATMENT OF CLASS 3 CLAIMS (GENERAL UNSECURED CONVENIENCE CLAIMS)

7.1 Distribution. Every Creditor holding a Class 3 Claim, as and when such Class 3 Claim is an Allowed Administrative Convenience Unsecured Claim will be paid in Cash on the Effective Date or the Claim Payment Date. The Allowed Class 3 Claims will be paid from the Assets.

7.2 Impairment. The Class 3 Claims are impaired pursuant to the Plan.

ARTICLE 8

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

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

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

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ARTICLE 9

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

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

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

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

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

ARTICLE 10

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

10.1 Distribution. Each holder of a Class 6 Other Tort Claim, as and when such Claim becomes an Allowed Claim, will be paid solely from the proceeds of any insurance policies applicable to such Other Tort Claim. To the extent that such Claims may not be satisfied in full by the foregoing, then such Other Tort Claims, to the extent not so satisfied, will be Disallowed.

10.2 Impairment. The Class 6 Other Tort Claims are impaired under the Plan.

ARTICLE 11
TREATMENT OF CLASS 7 CLAIMS
(TORT CLAIMS)

11.1 General Terms. On or before the Effective Date (but after entry of the Confirmation Order), the Reorganized Debtor will, in full release, satisfaction and discharge of all Claims in Class 7, cause the following to occur: (a) the execution and delivery of the Settlement Trust Agreement and the Litigation Trust Agreement, which will establish the Settlement Trust and the Litigation Trust which provide for liquidation and payment of all Class 7 Claims as and when they become Allowed Claims; (b) delivery to the Trustee(s) under the Settlement Trust and the Litigation Trust of the net assets in the Fund, as of the Date of Delivery, allocated as ordered by the Bankruptcy Court as part of the Confirmation Order; and (c) delivery of such commitments and assignments from the Reorganized Debtor to give effect to the right of the Trustee(s) to receive all of the remaining net assets of the Fund.

Any funds received from the Settling Insurers, the Participating Third Parties or any Insurance Action Recoveries, as of the Effective Date, which are to be paid to the Tort Claimants pursuant to the Plan or any agreements between the Diocese and any Participating Third Parties or any Settling Insurers will also be paid or distributed by the Debtor to the Trustee(s) in accordance with the terms of the Plan, the Settlement Trust Agreement and the Litigation Trust Agreement. Any such funds will be held and distributed by the Trustee(s) in accordance with the Settlement Trust Agreement and the Litigation Trust Agreement. If the Diocese assigns the Insurance Actions to the Trusts, the Trustee(s) will substitute in any Insurance Actions as the real party in interest after the Effective Date to the extent that the Insurance Actions are assigned by the Diocese.

The Settlement Trust and the Litigation Trust will assume full responsibility for resolving all Tort Claims pursuant to the Settlement Trust Agreement and the Litigation Trust Agreement, as applicable; for making payments to the holders of Allowed Tort Claims that become Allowed under the conditions set forth in the Settlement Trust

1 Agreement or the Litigation Trust Agreement; for collecting, investing and distributing
2 funds for the benefit of the holders of Allowed Tort Claims; for fulfilling all other
3 obligations under the Settlement Trust Agreement and Litigation Trust Agreement; and for
4 paying the fees, costs and expenses of the Settlement Trust and the Litigation Trust, all set
5 forth more fully in the Settlement Trust Agreement and the Litigation Trust Agreement.

6 11.2 Additional Funding, Impact of Appeal. As of October 10, 2005, the extent
7 and nature of the Debtor's Estate under Bankruptcy Code §541 remained unclear. The issue
8 of whether Parish Real Property is property of the Debtor's Estate is the principal subject of
9 the Appeal. Moreover, the Court's Summary Judgment Order was not determinative, in and
10 of itself, in establishing the ownership of the real estate held by fifty-nine (59) of the
11 Parishes, nor did the decision determine the legal status of the Parishes or the ownership of
12 either Parish Personal Property or assets held by the Other Entities.

13 The AOP and Debtor have filed motions to stay all or a portion of the
14 Section 541 Litigation pending the Appeal. As of October 10, 2005, which is the date the
15 Disclosure Statement and Plan were filed, the stay motions had not yet been heard by the
16 Court. THEREFORE, SIGNIFICANT ISSUES EXIST REGARDING THE NATURE
17 AND EXTENT OF THE ESTATE CREATED BY THE DEBTOR'S FILING ON
18 DECEMBER 6, 2004.

19 To the extent there is, in the future, a final determination that the Estate
20 includes any Additional Estate Assets, the Debtor will seek to reach an agreement with the
21 TLC, TCC, FCR, and other parties-in-interest regarding any additional contribution of
22 value that should be made by the Debtor to the Fund, as a part of the Plan, for purposes of
23 compliance with the applicable provisions of Code §1129. In the absence of such an
24 agreement, the Court will be asked by the Debtor to determine the appropriate standard for
25 confirmation and, specifically, whether §1129(a)(7) applies or whether the standard utilized
26 in the Chapter 9 context is applicable.¹

27 ¹ See discussion in Disclosure Statement, Article XV.C.
28

1 The Debtor will have six (6) months from the Date of Finality to secure
2 sufficient supplemental funding, either through asset sales, partial sales or otherwise, or
3 financing(s) involving all or a portion of the Additional Estate Assets, in order to provide
4 additional monies to the Fund to meet the applicable confirmation requirements of Code
5 §1129 as determined by the Court.

6 11.3 Timing of Funding. The Fund will receive payments from the Debtor at (1)
7 the time the Assets have been converted to cash, through sales, financings or otherwise; or
8 (2) the Effective Date, whichever is later. The Debtor may also assign certain of the Assets
9 to the Fund, including, for example, the Parish Building Loans, the Insurance Recoveries or
10 a lessor's interest in a lease.

11 11.4 Allocation of Funding.

12 (a) Between the Trusts. The Bankruptcy Court will determine the
13 allocation of the funding as between the Litigation Trust and the Settlement Trust as part of
14 the confirmation process and such allocation will be incorporated into the Confirmation
15 Order.

16 (b) Within the Trusts. In the event the Debtor reaches a settlement with
17 a subclass of the Tort Litigants and/or the Tort Claimants, either through a separate pre-
18 confirmation, court-approved process, or through an amendment of this Plan, the Debtor,
19 provided it complies with all of the confirmation requirements of Code §1129, may create
20 subtrusts within the Settlement Trust and the Litigation Trust, which subtrusts will receive a
21 designated settlement amount for those Tort Claimants or Litigants who are covered by the
22 Court approved settlement. In addition, a subtrust will be created within the Settlement
23 Trust which subtrust will be funded by the Future Claims Reserve. The allocation of the
24 Future Claims Reserve, as between the Trusts (and subtrusts) shall be made by the
25 Bankruptcy Court as part of the confirmation process.

26 11.5 Treatment. Each Tort Claimant will automatically be included in the
27 Settlement Trust; provided, however, that each Tort Claimant will have the right to elect to
28 opt out of the Settlement Trust and become a part of the Litigation Trust. Such election will
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1 be made on the Ballot. In the event that any Tort Claimant elects to opt out of the
2 Settlement Trust and become part of the Litigation Trust, such election shall be final, and
3 such Tort Claimant shall immediately be deemed a Non-Settling Tort Claimant. In no
4 event shall any Non-Settling Tort Claimant be eligible to participate in the Settlement Trust
5 after being deemed a Non-Settling Tort Claimant. Likewise, in the event that a Tort
6 Claimant does not opt out of the Settlement Trust, such Tort Claimant shall immediately be
7 deemed a Settling Tort Claimant. In no event shall any Settling Tort Claimant be eligible to
8 participate in the Litigation Trust after being deemed a Settling Tort Claimant. Depending
9 upon the election made, those Claimants will be treated as follows:

10 (a) Treatment of Settling Tort Claimants. Settling Tort Claimants will
11 receive payment of their Allowed Claims in accordance with the terms, provisions and
12 procedures contained in the Settlement Trust Agreement. The Special Arbitrator will
13 consider each Claim of a Settling Tort Claimant in accordance with the provisions of the
14 Settlement Trust Agreement. Based upon the Proof of Claim filed by a Tort Claimant and
15 the parameters which govern determination of the Tier into which a Tort Claim should be
16 placed (and any other factors the Bankruptcy Court may determine as part of the
17 confirmation process), the Special Arbitrator will place each Claim in Tier One, Tier Two
18 or Tier Three. The Special Arbitrator will consider any mitigating or aggravating factors
19 which could result in the Special Arbitrator increasing or decreasing the recovery amount
20 within a Tier for a Tort Claimant with an Allowed Claim in a Tier. In addition, the Special
21 Arbitrator will have the power to move a Tort Claim into a different Tier to increase the
22 recovery based on the circumstances. A Tort Claimant with an Allowed Tier One Tort
23 Claim will receive the Tier One Recovery Amount; and a Tort Claimant with an Allowed
24 Tier Two Tort Claim will receive the Tier Two Recovery Amount; a Tort Claimant with an
25 Allowed Tier Three Tort Claim will receive the Tier Three Recovery Amount. All
26 distributions to the holders of Allowed Tort Claims will be in full satisfaction of such
27 Claims. A Settling Tort Claimant whose Claim is Disallowed pursuant to the claim
28 determination procedures set forth in the Settlement Trust Agreement will receive no
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1 distribution under the Plan and will have no further Claim against the Diocese, the
2 Reorganized Debtor, a Participating Third Party or a Settling Insurer; provided, however, if
3 the Tort Claim would be allowed but for the fact it is a Barred Tort Claim, the Tort
4 Claimant will be placed in a convenience tier to be established by the Court.

5 (b) Treatment of Non-Settling Tort Claimants. Non-settling Tort
6 Claimants will be: (a) subject to the Litigation Protocol; and (b) not receive any payment if
7 (and to the extent) the Claim is Disallowed pursuant to the litigation procedures constituting
8 the Litigation Protocol. All Non-Settling Tort Claimants will retain the right to adjudicate
9 their Claims through litigation (including trial by jury in Superior Court), subject however,
10 to the provisions of the Plan and the Litigation Trust Agreement. To the extent the amount
11 allocated to the Litigation Trust is not sufficient to pay all Allowed Tort Claims of Non-
12 Settling Tort Claimants in full, each holder of an Allowed Tort Claim who is a Non-Settling
13 Tort Claimant will receive a Pro Rata share of the proceeds of the Litigation Trust after
14 deduction of all costs, expenses, fees and other charges which are to be paid by the
15 Trustee(s).

16 (c) Treatment of Attorneys' Fees of Settling and Non-Settling Tort
17 Claimants. The fees and expenses of attorneys representing any of the Settling Tort
18 Claimants or the Non-Settling Tort Claimants who receive payment from the Settlement
19 Trust or the Litigation Trust will be borne by such Claimants based on applicable state law
20 and individual arrangements made between them and their attorneys. In no event will the
21 Diocese, the Reorganized Debtor or the Trustees of the Settlement Trust or the Litigation
22 Trust have any liability for any fees and expenses of attorneys representing any of the
23 Settling Tort Claimants or any of the Non-Settling Tort Claimants and any such Claims, if
24 any, will be Disallowed.

25 11.6 Impairment. The Class 7 Claims are impaired under the Plan.

1 **ARTICLE 12**

2 **TREATMENT OF CLASS 8 CLAIMS (PRIEST RETIREMENT)**

3 12.1 Distribution. The holders of Class 8 claims, as and when the are Allowed
4 Claims, will be paid in full in accordance with the Priest Retirement Plan, as it may be
5 amended from time to time.

6 12.2 Impairment. The Class 8 claims are not impaired under the Plan.

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8 **ARTICLE 13**

9 **TREATMENT OF CLASS 9 CLAIMS (PARISH INDEMNIFICATION)**

10 13.1 Distribution. The holders of Class 9 Claims will not receive or retain any
11 property under the Plan on account of such Claim or interest.

12 13.2 Impairment. The Class 9 Claims are impaired under the Plan and pursuant
13 to Code §1126(g) deemed not to have accepted the Plan.

14
15 **ARTICLE 14**

16 **TREATMENT OF CLASS 10 CLAIMS (INSURER REIMBURSEMENT)**

17 14.1 Distribution. The holders of Class 10 Claims will not receive or retain any
18 property under the Plan on account of such Claim or interest.

19 14.2 Impairment. The Class 10 Claims are impaired under the Plan and pursuant
20 to Code §1126(g) deemed not to have accepted the Plan.

21
22 **ARTICLE 15**

23 **MEANS OF IMPLEMENTATION OF THE PLAN**

24 15.1 Litigation Protocol. The procedures for resolving Claims of Non-Settling
25 Tort Claimants and other Claims that are settled under the Plan are described in the
26 Litigation Trust Agreement. Pursuant to the terms of the Litigation Trust Agreement,
27 attempts will be made to resolve Claims of Non-Settling Tort Claimants and other Claims
28 that are not settled under the Plan. If such attempts are not successful within the time

1 frames provided in the Litigation Trust Agreement, individual Non-Settling Tort Claimants
2 will have the right to proceed to jury trial in the Superior Court in accordance with
3 applicable law. After the Effective Date, the Trustee of the Litigation Trust will succeed to
4 and all claims, defenses, counterclaims, set offs, and recoupments belonging to the Debtor
5 or its Estate with respect to the Tort Claims only. There will be no distributions on account
6 of the Allowed Claims of the Non-Settling Tort Claimants until the Claims of all Non-
7 Settling Tort Claimants have been determined by a Final Order unless the Trustees, acting
8 within their powers, determine in their prudent business judgment that a Disputed Claims
9 Reserve can be established so that any Non-Settling Tort Claimants whose Tort Claims
10 have been Allowed can receive a distribution.

11 15.2 Funding on the Effective Date. All payments under the Plan which are due
12 on the Effective Date will be funded from the Cash on hand, from the proceeds from the
13 sale of any Diocese Real Property, from the proceeds of any debtor in possession financing
14 received by the Debtor during the course of the case, if any, and from the proceeds of any
15 exit financing obtained by the Debtor prior to the Confirmation Hearing.

16 15.3 Funding After the Effective Date. The funds necessary to ensure continuing
17 performance under the Plan after the Effective Date will be (or may be) obtained from:

18 (a) any and all remaining Cash retained by the Reorganized Debtor after
19 the Effective Date;

20 (b) Cash generated from the post-Effective Date operations of the
21 Reorganized Debtor;

22 (c) any reserves established by the Debtor or the Reorganized Debtor;
23 and

24 (d) any other contributions, fundraising or financing (if any) which the
25 Reorganized Debtor may obtain on or after the Effective Date.

26 15.4 Procedure for Determination of Claims Other Than Tort Claims.

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

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

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

19 15.5 Payments Effective Upon Tender. Whenever the Plan requires payment to
20 be made, such payment will be deemed made and effective upon tender thereof by the
21 Debtor or the Reorganized Debtor to the Creditor to whom payment is due. If any Creditor
22 refuses a tender, the amount tendered and refused will be held by the Debtor or the
23 Reorganized Debtor for the benefit of that Creditor pending final adjudication of the
24 dispute. However, when and if the dispute is finally adjudicated and the Creditor receives
25 the funds previously tendered and refused, the Creditor will be obliged to apply the funds in
26 accordance with the Plan as of the date of the tender; and while the dispute is pending and
27 after adjudication thereof, the Creditor will not have the right to claim interest or other
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1 charges or to exercise any other rights which would be enforceable by the Creditor if the
2 Debtor or the Reorganized Debtor failed to pay the tendered payment.

3 15.6 Preservation of Debtor's Claims, Demands, And Causes of Action. Except
4 as otherwise provided in the Plan, all claims, demands, and causes of action of any kind or
5 nature whatsoever held by, through, or on behalf of the Debtor and/or the Estate against any
6 other Person, including but not limited to, all Avoidance Actions arising before the
7 Effective Date and all Insurance Actions, which have not been resolved or disposed of prior
8 to the Effective Date, are hereby preserved in full for the benefit of the Reorganized Debtor,
9 except for such claims or causes of action, cross-claims, and counterclaims which have
10 been released hereunder or pursuant to a Final Order prior to the Effective Date and except
11 those that are transferred to the Trustees of the Settlement Trust and the Litigation Trust.
12 To the extent necessary, the Reorganized Debtor is hereby designated as the estate
13 representative pursuant to and in accordance with Bankruptcy Code §1123(b)(3)(B).
14 Furthermore, in accordance with Bankruptcy Code §1123(b)(3), after the Effective Date,
15 the Reorganized Debtor will own and retain, and may prosecute, enforce, compromise,
16 settle, release, or otherwise dispose of, any and all claims, defenses, counterclaims, set offs,
17 and recoupments belonging to the Debtor or its Estate. The Debtor and the Reorganized
18 Debtor will also be entitled to assign their rights under the Plan. On the Effective Date, the
19 Trustees of the Litigation Trust and the Settlement Trust are hereby designated as the estate
20 representative pursuant to and in accordance with Bankruptcy Code §1123(b)(3)(B) with
21 respect to the Insurance Actions to the extent that the Insurance Actions are assigned to the
22 Trustees.

23 15.7 Special Provisions Governing Unimpaired Claims. Except as otherwise
24 provided in the Plan, nothing will affect the Debtor's or the Reorganized Debtor's rights and
25 defenses with respect to any Unimpaired Claims, including, but not limited to, all rights
26 with respect to legal and equitable defenses to or setoffs or recoupments against such
27 Unimpaired Claims.

1 15.8 Investigation/Prosecution of Avoidance Actions. Within thirty (30) days of
2 the Effective Date, the Debtor will fund the Avoidance Actions Fund and the Debtor or
3 Reorganized Debtor will assign to the Independent Party the Avoidance Actions. The
4 Independent Party will have the right, after the Effective Date, without the necessity of
5 seeking Court approval, to hire such professionals as he deems necessary to assist him in
6 investigating and, if necessary, prosecuting the assigned Avoidance Actions. Under no
7 circumstances will the Debtor be obligated to fund more than the Avoidance Actions Fund
8 to assist the Independent Party, nor will the Estate, the Settlement Trust, the Reorganized
9 Debtor or the Litigation Trust be liable for any such costs, expenses or actions of the
10 Independent Party or any professionals retained by them. Neither the Independent Party
11 nor any professionals hired by them to investigate or prosecute the assigned Avoidance
12 Actions will have to seek Court approval for payment of any fees and costs incurred. All
13 fees and costs of the Independent Party related to investigation or prosecution of the
14 assigned Avoidance Actions will be paid from the Avoidance Actions Fund and not from
15 any other source. Any recoveries from the assigned Avoidance Actions, if any, will be
16 assigned to the Fund.

17 15.9 Operative Documents. The Debtor will prepare any documents which the
18 Debtor and the Reorganized Debtor deem are necessary or appropriate to execute the Plan
19 or provided for under the Plan. If there is any dispute regarding the reasonableness or
20 propriety of any such documents after reasonable and good faith efforts by the Debtor to
21 negotiate and obtain approval of the documents by the other affected Person(s), any such
22 dispute will be presented to the Bankruptcy Court for determination at or in conjunction
23 with the Confirmation Hearing.

24 15.10 Return of Deposits. To the extent that the Debtor was required to and did
25 pay deposits to any Creditors after the Petition Date as a condition of or as security for
26 continued service after the Petition Date, including, but not limited to, deposits paid to
27 utility companies for adequate assurance of payment pursuant to Bankruptcy Code §366,
28 then, upon satisfaction of the Claims of such Creditor(s) pursuant to the Plan, any such
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1 deposits, together with any interest or other income earned thereon, if any, will be refunded
2 to the Reorganized Debtor within fifteen (15) days of demand by the Reorganized Debtor
3 for return of such deposit(s).

4 15.11 Administrative Claims Bar Date. All requests for payment of administrative
5 costs and expenses incurred prior to the Effective Date pursuant to Bankruptcy Code
6 §§507(a)(1) and 503(b) will be served and filed with the Bankruptcy Court no later than
7 thirty (30) days after the Effective Date. Any such Claim which is not served and filed
8 within this time period will be forever barred. Any Claims for fees, costs, and expenses
9 incurred by any Chapter 11 Professionals after the Effective Date will be treated as part of
10 the fees and expenses of the Reorganized Debtor and need not be submitted to the
11 Bankruptcy Court for approval. After approval by the Bankruptcy Court of the final fee
12 applications of the Chapter 11 Professionals for services provided and costs incurred
13 during the course of administration of the Reorganization Case and prior to the Effective
14 Date, the Chapter 11 Professionals will not be required to submit any further fee
15 applications to the Bankruptcy Court in accordance with Bankruptcy Code §330.

16 15.12 Delivery Of Distributions. Distributions will be made by the Debtor or the
17 Reorganized Debtor as follows:

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

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

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

27 (d) If any distribution to a holder of an Allowed Claim is returned as
28 undeliverable, no further distributions to such holder will be made unless and until the

1 Debtor or the Reorganized Debtor is notified of such holder's then-current address, at which
2 time all missed distributions will be made to the holder without interest. All claims for
3 undeliverable or unclaimed distributions must be made on or before the first (1st)
4 anniversary of the date applicable to such distribution, or with respect to the a final
5 distribution to a Creditor holding an Allowed Claim, within ninety (90) days thereof. After
6 such date, all such unclaimed property will revert to the Reorganized Debtor for further
7 distribution in accordance with the Plan, and the Claim of any holder or successor to such
8 holder with respect to such property will be discharged and forever barred, notwithstanding
9 any federal or state escheat law to the contrary.

10 15.13 Limitation on De Minimis Payments. The Debtor or the Reorganized Debtor
11 will make no distributions of less than \$50 to any Creditor holding an Allowed Claim. If a
12 Creditor holding an Allowed Claim does not receive a distribution due to the provisions of
13 this Section on any date on which is a distribution is to be made to Creditors in the same
14 Class as the Creditor being entitled to such de minimis payment, then the Claim (so long as
15 it is an Allowed Claim) will remain eligible for distributions on any subsequent distribution
16 date, subject to the provisions of this Section. In all events, the Creditor holding an
17 Allowed Claim which has not received a distribution on any previous distribution dates
18 because of this provision, will receive such distribution on the date that final distribution is
19 made to Creditors in the same Class as the Creditor being entitled to such de minimis
20 payment.

21 **ARTICLE 16**

22 **TREATMENT OF EXECUTORY CONTRACTS**

23 16.1 Assumption and Rejection of Executory Contracts. On the Confirmation
24 Date, except as otherwise provided herein, including the Priest Retirement Plan which, to
25 the extent it is treated as executory in nature the Diocese will assume under the Plan (see
26 Class 8), all Executory Contracts of the Debtor will be deemed rejected in accordance with
27 the provisions and requirements of Bankruptcy Code §§365 and 1123 other than those
28 Executory Contracts that: (a) have already been assumed by order of the Bankruptcy Court;

1 (b) are subject to a motion to assume Executory Contracts that is pending on the
2 Confirmation Date; or (c) are subject to a motion to reject an Executory Contract pursuant
3 to which the requested effective date of such rejection is after the Confirmation Date.
4 Approval of any motions to assume Executory Contracts pending on the Confirmation Date
5 will be approved by the Bankruptcy Court on or after the Confirmation Date by a Final
6 Order. Each Executory Contract assumed pursuant to this Article 15 will revert in and be
7 fully enforceable by the Reorganized Debtor in accordance with its terms, except as such
8 terms are modified by the provisions of the Plan or any order of the Bankruptcy Court
9 authorizing and providing for its assumption or applicable law.

10 16.2 Claims Based on Rejection of Executory Contracts. Every Claim asserted
11 by a Creditor arising from the rejection of an Executory Contract pursuant to the Plan must
12 be filed with the Bankruptcy Court no later than the first Business Day which is thirty (30)
13 days after the Confirmation Date or the first Business Day that is thirty (30) days after entry
14 of the Final Order of the Bankruptcy Court approving rejection if such Final Order is
15 entered after the Confirmation Date. Every such Claim which is timely filed, as and when
16 it becomes an Allowed Claim, will be treated under Class 7 of the Plan. Every such Claim
17 which is not timely filed by the deadline stated above will be forever barred, unenforceable,
18 and discharged, and the Creditor holding the Claim will not receive or be entitled to any
19 distribution under the Plan on account of such Claim.

20 16.3 Indemnification of Members, Managers, Officers, and Employees. The
21 obligation of the Debtor to indemnify any Person serving at any time on or prior to the
22 Effective Date as one of its officers, employees or volunteers by reason of such Person's
23 service in such capacity to the extent provided in any of the Debtor's constituent documents,
24 by a written agreement with the Debtor or under the laws of State of Washington pertaining
25 to the Debtor, will be deemed and treated as Executory Contracts that are assumed by the
26 Reorganized Debtor pursuant to the Plan and Bankruptcy Code §365 as of the Effective
27 Date. Accordingly, such indemnification obligations of the Debtor to indemnify any Person
28 will survive unimpaired and unaffected by entry of the Confirmation Order, irrespective of
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1 whether such indemnification is owed for an act or event occurring before or after the
2 Petition Date.

3 4 **ARTICLE 17**

5 **CONDITIONS TO EFFECTIVE DATE**

6 17.1 Conditions To Occurrence Of Effective Date. Each of the following are
7 conditions to the Effective Date, which conditions must be satisfied or waived by the
8 Debtor:

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

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

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

15 17.2 Debtor's Obligations to Cause Effective Date to Occur. Upon satisfaction of
16 the conditions to the Effective Date, the following will occur:

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

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

27 17.3 Waiver Of Conditions. The Debtor, in its sole discretion, may waive any of
28 the conditions to the occurrence of the Effective Date including waiver of the Final Order

1 condition in subpart (a) of Section 17.1 above any time from and after the Confirmation
2 Date. In that event, the Debtor will be entitled to render any or all of its performance under
3 the Plan prior to what otherwise would be the Effective Date if the above-referenced
4 conditions were not waived, including, but not limited to, the right to perform under any
5 circumstances which would moot any appeal, review, or other challenge of any kind to the
6 Confirmation Order if the Confirmation Order is not stayed pending such appeal, review, or
7 other challenge.

8 17.4 Effect of Non-occurrence of Conditions. If the consummation of the Plan
9 does not occur, the Plan will be null and void in all respects and nothing contained in the
10 Plan or the Disclosure Statement will: (a) constitute a waiver or release of any Claims by
11 or against the Debtor; (b) prejudice in any manner the rights of the Debtor; or (c) constitute
12 an admission, acknowledgement, offer, or undertaking by the Debtor in any respect.

13 17.5 Merger; Choice of Law. All obligations of the Debtor to all Creditors will
14 be merged into the Plan and the documents executed by the Reorganized Debtor at Closing
15 and delivered to the respective affected Creditors. In the event that such documents, or any
16 portion thereof, conflict with the provisions of the Plan, the Plan shall supersede such
17 documents or portions thereof. All such obligations of the Reorganized Debtor will be
18 evidenced by the Plan and such executed and delivered documents. Unless otherwise
19 provided therein, such documents will be governed by and construed in accordance with
20 Washington law.

21 17.6 Other Obligations of the Reorganized Debtor. The Reorganized Debtor will:

22 (a) Review all Claims other than Tort Claims filed against the estate and,
23 if warranted, object to Claims within the time period provided in Section 15.4(a) of the
24 Plan; and

25 (b) Perform all of its obligations under the Plan Documents, including,
26 without limitation, those obligations provided in the Settlement Trust Agreement and the
27 Litigation Trust Agreement.

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ARTICLE 18

EFFECTS OF CONFIRMATION

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

18.2 Vesting. Except as otherwise expressly provided in the Plan or in the Confirmation Order, on the Effective Date the Reorganized Debtor will be vested with all of the property of the Estate free and clear of all Claims, Liens, encumbrances, charges and other interests of Creditors, and will thereafter hold, use, dispose or otherwise deal with such property and operate its business free of any restrictions imposed by the Bankruptcy Code or by the Court. All Insurance Actions, except to the extent they are transferred to the Settlement Trust or the Litigation Trust, are hereby preserved for the benefit of the Reorganized Debtor. The proceeds of any Avoidance Actions or any Insurance Action Recoveries will be used, as necessary, for funding obligations under the Plan. Unless assigned by the Debtor to the Trusts, the prosecution and settlement of any Insurance

1 Actions will be the exclusive responsibility of the Reorganized Debtor. The Reorganized
2 Debtor will have sole and absolute discretion over whether to prosecute or settle such
3 causes of action.

4 18.3 Channeled Claims. Except as otherwise expressly provided in the Plan and
5 in this Article 18, in consideration of: (a) the promises and obligations of the Participating
6 Third Parties under the Plan, including the establishment and funding of the Settlement
7 Trust, the Litigation Trust and the Future Claims Reserve; and (b) the undertakings of the
8 Settling Insurers pursuant to their respective settlements with the Debtor on the Effective
9 Date or on such date as an Insurer becomes a Settling Insurer after the Effective Date, (i) all
10 Persons who have held, hold, or may hold Tort Claims, including all Future Tort Claimants,
11 whether known or unknown, will be forever barred from pursuing such Tort Claims,
12 whether such Claims are based upon tort or contract or otherwise, that they heretofore, now
13 or hereafter possess or may possess against the Participating Third Parties and the Settling
14 Insurers, the respective predecessors, successors, officials, shareholders, subsidiaries,
15 divisions, affiliates, representatives, attorneys, merged or acquired companies or operations
16 or assigns of the Settling Insurers and the Participating Third Parties, (all such parties
17 referenced in this Section 18.3 being collectively called the "Settling Parties"), in each case
18 based upon or in any manner arising from or related to any acts or omissions of the Diocese
19 or any of the other Settling Parties related to any sexual misconduct or other acts committed
20 by any clergy, employee or other Person associated with the Diocese, including, but not
21 limited to, any volunteers and, further, including, without limitation: (a) personal injuries,
22 including emotional distress; (b) those of any Person against whom any Claim, demand,
23 proceeding, suit or cause of action based upon or in any manner arising from or relating to
24 any of the matters enumerated or described herein has been or may be asserted (including,
25 without limitation, rights of indemnity, whether contractual or otherwise, contribution
26 Claims and subrogation Claims); (c) those for damages, including punitive damages; (d)
27 those for attorneys' fees and other expenses, fees or costs; (e) those for any possible
28 economic loss or loss of consortium; (f) those for damages to reputation; and (g) those for

1 any equitable remedy. Except as otherwise expressly provided in the Plan and the Plan
2 Documents, the provisions of this Section 18.3 shall further operate, as between all Settling
3 Parties, as a mutual release of all Claims. The foregoing channeling provisions are an
4 integral part of the Plan and are essential to its implementation.

5 18.4 Exculpation and Limitation of Liability. Neither the Debtor, the
6 Reorganized Debtor, the Committees, the Future Claims Representative nor any of their
7 respective present or former members, managers, officers, directors, employees, advisors,
8 attorneys, or agents acting in such capacity will have or incur any liability to, or be subject
9 to any right of action by, any holder of a claim or any other party-in-interest or any of their
10 respective agents, employees, representatives, financial advisors, attorneys, affiliates, or
11 any of their successors or assigns, for any act or omission in connection with, relating to, or
12 arising out of the Reorganization Case, the pursuit of confirmation of the Plan, or the
13 administration of the Plan, or the property to be distributed under the Plan, except for their
14 willful misconduct; and in all respects such parties will be entitled to reasonably rely upon
15 the advice of counsel with respect to their duties and responsibilities under the Plan or in
16 the context of the Reorganization Case.

17 18.5 Permanent Injunction Against Prosecution of Released Claims. Except as
18 otherwise expressly provided in the Plan, for the consideration described in Section 18.3
19 above or any agreement by which a Person becomes a Participating Third Party or a
20 Settling Insurer, either before or after the Effective Date, all Persons who have held, hold,
21 or may hold Channeled Claims or Claims against the Diocese, any Participating Third Party
22 or Settling Insurer, whether known or unknown, and their respective agents, attorneys, and
23 all others acting for or on their behalf, shall be permanently enjoined on and after the
24 Effective Date (or later date if applicable) from: (a) commencing or continuing in any
25 manner, any action or any other proceeding of any kind with respect to any Claim,
26 including Claims held by Future Tort Claimants, against the Settling Insurers, the Third
27 Party Participants, the Diocese, the Reorganized Debtor, the Settlement Trust, the Litigation
28 Trust, the Trustees, and their respective predecessors, successors, officials, shareholders

1 subsidiaries, divisions, affiliates, representatives, attorneys, merged or acquired companies
2 or operations or assigns (collectively, the "Parties") or the property of the Parties; (b)
3 seeking the enforcement, attachment, collection or recovery by any manner or means of any
4 judgment, award, decree, or order against the Parties or the property of the Parties, with
5 respect to any discharged Claim or Channeled Claim; (c) creating, perfecting, or enforcing
6 any encumbrance of any kind against the Parties or the property of the Parties with respect
7 to any discharged Claim or Channeled Claim; (d) asserting any setoff, right of subrogation,
8 or recoupment of any kind against any obligation due to the Parties with respect to any
9 discharged Claim or Channeled Claim; and (e) taking any act, in any manner and in any
10 place whatsoever, that does not conform to or comply with provisions of the Plan, the
11 Settlement Trust Agreement or the Litigation Trust Agreement. Notwithstanding this
12 Section 18.5, each Non-Settling Tort Claimant will be entitled to continue or commence an
13 action against the Trustees of the Litigation Trust (in their capacity as Trustees only and not
14 in their individual capacity) in which the Non-Settling Tort Claimant will be entitled to a
15 jury trial for the sole purpose of obtaining a judgment as permitted by the Litigation Trust
16 Agreement, thereby liquidating such Non-Settling Tort Claimant's Claim so that it may be
17 paid with other Allowed Tort Claims in the ordinary course of the operations of the
18 Litigation Trust, consistent with the provisions of the Litigation Trust Agreement. The
19 holder of any such judgment will be enjoined from executing against the Litigation Trust or
20 its assets. In the event any Person takes any action that is prohibited by, or is otherwise
21 inconsistent with the provisions of Article 18 of the Plan, then, upon notice to the Court by
22 an affected Party, the action or proceeding in which the Claim of such Person is asserted
23 will automatically be transferred to the Court (or, as applicable, the District Court) for
24 enforcement of the provisions of Article 18 of the Plan. The foregoing injunctive
25 provisions are an integral part of the Plan and are essential to its implementation.
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1 **ARTICLE 19**

2 **MODIFICATION OF PLAN**

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

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9 **ARTICLE 20**

10 **RETENTION OF JURISDICTION**

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

13 20.1 In General. The Bankruptcy Court will retain jurisdiction to determine the
14 allowance and payment of any Claims upon any objections thereto (or other appropriate
15 proceedings) by the Debtor, by the Reorganized Debtor, or by any other party in interest
16 entitled to proceed in that manner. As part of such retained jurisdiction, the Bankruptcy
17 Court will continue to determine the allowance of Administrative Claims and any request
18 for payment thereof, including Administrative Claims for Professional Charges. The
19 Bankruptcy Court will not retain or obtain jurisdiction to determine any internal disputes
20 between the Diocese, a Parish or any other related Person that, under applicable Canon
21 Law, would be determined in a specialized religious court.

22 20.2 Plan Disputes And Enforcement. Subject to the limitations set forth in
23 Section 20.1 above, the Bankruptcy Court will retain jurisdiction to determine any dispute
24 which may arise regarding the interpretation of any provision of the Plan. The Bankruptcy
25 Court also will retain jurisdiction to enforce any provisions of the Plan and any and all
26 documents relating to the Plan, including, but not limited to, any actions to enforce the
27 releases and injunctions provided for in Article 18 of the Plan. The Bankruptcy Court will

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

3 20.3 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 20.1 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 20.4 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 20.5 Final Decree. The Bankruptcy Court will retain jurisdiction to enter an
17 appropriate final decree in the Bankruptcy Case.

18 20.6 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 20.7 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 20.8 Claims. Subject to the limitations set forth in Section 20.1 above, the
2 Bankruptcy Court will retain jurisdiction: (a) to hear and determine any claim or cause of
3 action by or against the Debtor, the Debtor's officers and employees, the Chapter 11
4 Professionals, and the Reorganized Debtor; and (b) to adjudicate any causes of action or
5 other proceeding currently pending or otherwise referenced here or elsewhere in the Plan,
6 including, but not limited to, the adjudication of the Avoidance Actions and any and all
7 "core proceedings" under 28 U.S.C. §157(b) which may be pertinent to the Reorganization
8 Case and which the Debtor or the Reorganized Debtor may deem appropriate to initiate and
9 prosecute before the Court in aid of the implementation of the Plan.

10 20.9 Modification of the Plan. The Bankruptcy Court will retain jurisdiction to
11 modify the Plan pursuant to the provisions of the Plan.

12 20.10 Failure of Court to Exercise Jurisdiction. If the Bankruptcy Court abstains
13 from exercising or declines to exercise jurisdiction or is otherwise without jurisdiction over
14 any matter arising out of the Reorganization Case, including matters set forth in this Article
15 20, this Article 20 will not diminish, control, prohibit or limit the exercise of jurisdiction by
16 any other court having competent jurisdiction with respect to such matter.

17 18 **ARTICLE 21**

19 **REORGANIZATION OF DIOCESE**

20 21.1 Continued Corporate Existence and Vesting of Assets in the Reorganized
21 Debtor. The Debtor will, as a Reorganized Debtor, continue to exist after the Effective
22 Date as a separate legal entity, with all powers of a corporation sole under the laws of the
23 State of Washington and without prejudice to any right to alter or terminate such existence
24 under applicable state law. Except as otherwise provided in the Plan or any documents
25 executed in conjunction with the Plan, on and after the Effective Date, all property of the
26 Estate and any property acquired by the Debtor or the Reorganized Debtor under the Plan
27 will vest in the Reorganized Debtor free and clear of all Claims, liens, charges, or other
28 encumbrances. On and after the Effective Date, the Reorganized Debtor may operate its

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

5 21.2 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 21.3 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 reviewed by the Debtor with the AOP and will, subject to applicable canon law, be
16 reviewed in a collaborative spirit with the AOP.

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 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
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1 regarding the interpretation and governance of the legal structure and operation of a Parish
2 will be referred to the appropriate Church agency for determination.

3 4 **ARTICLE 22**

5 **GENERAL PROVISIONS**

6 22.1 Extension Of Payment Dates. If any payment date falls due on any day
7 which is not a Business Day, then such due date will be extended to the next Business Day.

8 22.2 Notices. Any notice required or permitted to be provided under the Plan will
9 be in writing and served by regular first class mail, overnight delivery, or hand-delivery.

10 22.3 Closing of the Case. At such time as the Plan has been fully administered
11 and/or the Plan has been substantially consummated, the Reorganized Debtor will file an
12 application for Final Order showing that the Plan has been substantially consummated. The
13 Reorganized Debtor will file an application for Final Order upon notice to only those
14 Creditors, holders of Interests, and parties that, after the Effective Date, have specifically
15 requested, after which an order approving the Reorganized Debtor's final report and closing
16 the Reorganization Case may be entered.

17 22.4 Interest. Whenever interest is to be computed under the Plan, interest will be
18 simple interest and not compounded.

19 22.5 Additional Assurances. The Debtor, the Reorganized Debtor, and the
20 Creditors holding Claims herein will execute such other further documents as are necessary
21 to implement any of the provisions of the Plan.

22 22.6 Confirmation By Nonacceptance Method. The Debtor hereby requests, if
23 necessary, confirmation of the Plan pursuant to Bankruptcy Code §1129(b) with respect to
24 any impaired Class of Claims which does not vote to accept the Plan.

25 22.7 Withdrawal Of Plan. The Plan may be withdrawn or revoked by the Debtor
26 for any reason prior to entry of the Confirmation Order.

27 22.8 Severability And Reformation. It is the Debtor's intention to comply fully
28 with the Bankruptcy Code and applicable nonbankruptcy law in proposing the Plan.

1 Therefore, if any provision of the Plan is determined by the Bankruptcy Court to be
2 contrary to the Bankruptcy Code or applicable nonbankruptcy law, that provision will be
3 deemed severed and automatically deleted from the Plan, if it cannot be reformed or the
4 provision or its interpretation will be deemed reformed to ensure compliance; provided,
5 however, that nothing contained in this Section will prevent the Debtor from modifying the
6 Plan in any manner whatsoever in accordance with and as set forth in the Plan. Pursuant to
7 any ruling by the Bankruptcy Court regarding the subject matter of this Section, any such
8 severance or reformation will be stated specifically in the Confirmation Order, which then
9 will control notwithstanding any contrary or inconsistent provisions of the Plan.

10 22.9 Prohibition Against Prepayment Penalties. If the Debtor or the Reorganized
11 Debtor chooses, in its sole and absolute discretion, to prepay any obligation on which
12 deferred payments are provided for under the Plan, the Debtor or the Reorganized Debtor
13 will not be liable or subject to the assessment of any prepayment penalty thereon unless
14 otherwise ordered by the Bankruptcy Court.

15 22.10 Fractional Dollars. Notwithstanding any other provision of the Plan, no
16 payments or distributions under the Plan of or on account of fractions of dollars will be
17 made. When any payment or distribution of or on account of a fraction of a dollar to any
18 holder of an Allowed Claim would otherwise be required, the actual payment or distribution
19 made will reflect a rounding of such fraction to the nearest whole number (up or down).

20 22.11 Payment Of Statutory Fees And Filing of Quarterly Reports. All fees
21 payable pursuant to Section 1980 of Title 28 of the United States Code, 28 U.S.C. §1980, as
22 determined by the Bankruptcy Court at or in conjunction with the Confirmation Hearing,
23 will be paid on or before the Effective Date and, thereafter, in accordance with applicable
24 bankruptcy law. All quarterly reports of disbursements required to be filed by applicable
25 bankruptcy law will be filed in accordance with applicable bankruptcy law.

26 22.12 Reservation of Rights. Except as expressly provided herein, the Plan will
27 have no force or effect unless the Confirmation Order is entered by the Bankruptcy Court
28 and the Effective Date has occurred. None of the filing of the Plan, any statement or
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1 provision contained herein, or the taking of any action by the Debtor with respect to the
2 Plan will be or will be deemed to be an admission or waiver of any rights of the Debtor
3 with respect to the holders of Claims prior to the Effective Date.

4 22.13 No Professional Fees or Expenses. No professional fees or expenses will be
5 paid by the Debtor or the Reorganized Debtor with respect to any Claim except as specified
6 in the Plan or is Allowed by Final Order of the Court.

7 22.14 Dissolution of Committees. Upon the occurrence of the Effective Date,
8 unless the Court orders otherwise for cause, the Tort Litigants' Committee and the Tort
9 Claimants' Committee will dissolve and the members of the Committees will be released
10 from all rights and duties arising from or related to the Reorganization Case.

11 22.15 Headings. The headings of the articles, paragraphs, and section of the Plan
12 are inserted for convenience only and will not affect the interpretation hereof.

13 22.16 Section 1146 Exemption. Pursuant to Bankruptcy Code §1146(c), any
14 transfers of property pursuant hereto will not be subject to any document, recording tax,
15 stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate
16 transfer tax, mortgage recording tax or other similar tax or governmental assessment in the
17 United States, and the confirmation Order will direct the appropriate state or local
18 governmental officials or agents to forgo the collection of any such tax or governmental
19 assessment and to accept for filing and recordation any of the foregoing instruments or
20 other documents without the payment of any such tax or governmental assessment.

21 22.17 Successors and Assigns. The rights, benefits and obligations of any Person
22 named or referred to in the Plan will be binding upon, and will inure to the benefit of, the
23 heirs, executors, administrators, successors or assigns of such Person.

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27 //

1 DATED this 10th day of October 2005.

2 PAINE, HAMBLIN, COFFIN,
3 BROOKE & MILLER LLP

4
5 By: 

6 Shaun M. Cross

7 Michael J. Paukert

8 Gregory R. Arpin

9 Attorneys for the Catholic Bishop of Spokane
a/k/a the Catholic Diocese of Spokane

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Exhibit A PRIEST RETIREMENT PLAN

RETIREMENT PLAN AGREEMENT

FOR THE PRIESTS OF THE DIOCESE OF SPOKANE

This agreement is made and entered into by and between the CATHOLIC BISHOP OF SPOKANE, a corporation sole, and the priests of the Diocese of Spokane, by and through the Presbyteral Council of the Diocese of Spokane.

RECITALS

A. Parties: The Catholic Bishop of Spokane is a corporation sole, duly organized and qualified under the laws of the State of Washington, Bishop William S. Skylstad, incumbent ("Bishop"). He is the duly appointed Ordinary for the Diocese of Spokane ("Diocese"). The priests of the Diocese are represented by and through the duly appointed and/or elected officers of the Presbyteral Council of the Diocese, who have the authority to enter into this agreement on behalf of the priests of the Diocese.

B. Effective Date: This agreement, which restates and amends the Retirement and Disability Agreement between the parties entered into in 1981, is effective March 8, 1991.

C. Purpose: This agreement is intended to create a legally binding agreement to provide retirement and other related benefits for priests of the Diocese in accordance with the Retirement Policy of the Diocese as approved by the Bishop on October 22, 1990, a copy which is attached and made a part of this agreement as if fully set forth herein.

NOW THEREFORE, for and in consideration of the priests' service in the Diocese and the mutual covenants herein, the parties agree as follows:

ARTICLE I. Eligibility

1.1 Participation by incardination: Every priest incardinated in the Diocese shall be eligible to participate in the priests' retirement program of the Diocese, according to the terms of this agreement and the Retirement Policy.

1.2 Non-Incardinated Priests: Any priest who is not incardinated in the Diocese, or who is not seeking incardination, regardless of service in the Diocese, is not a participant in the retirement program. However, in the event a priest seeks incardination and is subsequently incardinated, all service in the Diocese prior to incardination shall be credited to him as if he were incardinated as of the initial date of service.

ARTICLE II. Retirement

2.1 Ordinary Retirement: Ordinary retirement is defined as a termination of pastoral responsibility and assignment, officially declared by the Bishop at any time after a priest reaches age sixty-five (65). The actual date of retirement for purposes of this agreement shall be as determined by mutual agreement between the Bishop and the retiring priest.

ARTICLE III. Vesting

3.1 Vesting Rights: Vesting is the right to earn a non-forfeitable accrued benefit. Vesting begins after a priest has completed two years of service in the Diocese. Commencing with the third year of service, vesting is earned at the rate of 20% per year of service. Thus, after seven (7) years of service, a priest is fully vested in his accrued benefit. (For example, at the end of seven (7) years of service, a priest would be fully vested in 23.1% of the defined annual benefit and would then continue to accrue vested benefits as set forth in Article IV below.)

ARTICLE IV. Benefit Accrual and Payment

4.1 Benefit: The benefit in the retirement program is a defined benefit, calculated on an annual basis, but paid monthly. (The currently payable defined benefit, calculated as of June 30, 1989, is \$11,100, payable in monthly installments of \$925.00) The benefit may be adjusted from time to time by the Bishop in consultation with the Presbyteral Council of the Diocese on the recommendation of the Temporalities Committee of the Presbyteral Council. The benefit cannot be changed without the consent of two-thirds of the members of the Presbyteral Council.

4.2 Accrual of Benefits: A priest working in the Diocese accrues the benefit at the rate of 3.3% of the defined annual benefit per year of service (including years of service as a transitional deacon).

4.3 Maximum Accrued Benefit for Ordinary Retirement: The maximum accrued benefit is 100% of the defined annual benefit. The benefit will not continue to accrue after a priest begins to receive a benefit under this program. Extra seniority from teaching or missionary service, or unused sabbatical time, will not be used to determine accrued benefit.

4.4 Additional Accrual Between Ages 65 and 75: Any priest, who has accrued 100% of the defined annual benefit by age sixty-five (65), and who continues to serve in assigned ministry after age sixty-five (65) and up to age seventy-five (75) (mandatory retirement), shall accrue additional benefit at 3.3% of the defined annual benefit for each year of service after age sixty-five (65). Such additional accrued benefit shall be added to the defined annual benefit in determining such priest's benefit at his date of actual retirement.

4.5 Age Seventy (70) Rule: Any priest who has been incardinated in the Diocese by the Bishop after service in another diocese or religious community, or any priest who has not completed thirty (30) years of service in the Diocese of Spokane and who serves in assigned ministry to age seventy (70), will at age seventy (70) be eligible for 100% of the defined annual benefit, except that in the case of incardination of a priest after service in another diocese, or at the time of ordination where a priest cannot complete thirty (30) years of service before age seventy (70), the Bishop at that time may negotiate and agree upon other terms for benefit accrual with the individual.

4.6 Present Value Benefit: If a priest vested in the retirement program of the Diocese leaves active ministry or incardicates in another diocese, any benefits vested and accrued as of the date of separation shall be calculated and reduced to present value according to the actuarial formula set forth in section 4.7 below. Such amount shall then be paid to the priest, or to his new diocese of incardination, either in a lump sum, or in monthly payments over a period of up to eighteen (18) months as determined in the sole discretion of the Bishop. Notwithstanding the foregoing, if a priest is over fifty-five (55) years of age and leaves active ministry, his vested and accrued benefit will be paid beginning at age sixty-five (65) in accordance with section 4.9.

4.7 Present Value Benefit Formula: The formula used to calculate a present value benefit under section 4.6 or 4.8 shall consist of a two-step calculation:

Step 1: The value of the future benefit at age 65 is determined by taking the accrued benefit $\times ((1 - (1 + i) - 14.04)^{-i})$. "i" is the Pension Benefit Guarantee Corp. annuity interest rate as published in the Federal Register for the quarter preceding the date of calculation. 14.04 years is the life expectancy of a male at age 65 according to the State of Washington mortality table.

Step 2: The present value of the benefit is then determined by taking the number arrived at in Step 1 $\times (1 + i)^{-n}$. "n" is the number of years from the current age of the priest to age 65.

Example: A priest, age 45, leaves active ministry with 20 years of service. His accrued annual benefit is \$7,326.00 (20 years \times 3.3% \times 11,100.00). Under Step 1, assuming the applicable PBGC interest rate is 7.25%, the value of the future benefit at age 65 is \$63,225.73. ($\$7,326.00 \times ((1 - (1 + .0725) - 14.04) - .0725)$). Under Step 2, the present value of the benefit to be paid the priest under section 4.6 is \$15,593.65 (the amount under Step 1, i.e., \$63,225.73 $\times (1 + .0725)^{-20}$).

4.8 Life Transition Payment: Notwithstanding the provision in section 4.6, if a priest is vested, leaves active ministry, and the actuarially reduced present value of his accrued benefit, as determined at date of separation under Section 4.7 is \$5,000. or less, a life transition payment of \$5,000. shall be paid to the priest to assist him in moving from priestly ministry to lay life.

4.9 Payment of Retirement Benefits; Except as otherwise provided herein, the benefit at retirement is paid as calculated by the Fiscal Services Office of the Diocese and as approved by the Bishop as of the date of retirement and monthly thereafter on the first day of each month for the life of the priest.

ARTICLE V. Determination of Service

5.1 Definition of Service: Actual calendar days in assigned ministry shall be used to determine dates of service and length of service in calculating each "year of service" for vesting and accrual purposes. It takes an actual 365 days in assigned ministry to earn a year of service. A partial year of service will not count toward either vesting or benefit accrual.

ARTICLE VI. Funding

6.1 Diocesan Funding: The Bishop shall have responsibility for and agrees to pay the benefits required under and pursuant to this agreement. It is expressly understood that, for taxation purposes, this retirement plan is unfunded.

6.2 Endowment Retirement Fund: The Bishop shall require every institution of the Diocese (e.g., parish, school, Catholic Pastoral Center, etc.) which is served by a priest incardinated in the Diocese to pay \$150.00 per month per priest in service to the Diocese for retirement purposes. If a priest incardinated in the Diocese serves in active ministry in a position outside of the corporate institutions of the Diocese and with the approval of the Bishop, such priest can accrue years of service by contributing \$300.00 a month to the retirement program. Funds received in accordance with this section will be placed either in the Endowed Retirement Fund for Priests, as established by the Catholic Foundation of the Diocese, or be used to fund retirement benefits for currently retired priests.

6.3 Catholic Foundation Endowment: An Endowed Retirement Fund for priests has been established by the Catholic Foundation of the Diocese to support the retirement program of the Diocese.

It is the intent of the parties that all monies received from whatever source for support of the retirement of priests be placed in this endowed fund. Income from this endowment will be received quarterly by the Diocese for payment of retirement benefits as required under this agreement. Should income (and

principle) from this fund not be sufficient to pay for the benefits required under this agreement, the Bishop agrees to provide funding from other sources in his sole discretion.

ARTICLE VII. Special Benefits for Priests

7.1 Semi-Retirement: When a priest has reached an age where, in his judgment and in the judgment of the Bishop, full responsibility for a ministerial assignment is not in his or the Diocese's best interest, the Bishop may arrange with the priest an assignment of semi-retirement. In such an assignment, the Diocese, by direction and calculation of the Bishop, will assist the parish or institution in question in providing for normal compensation for the priest according to the Diocese Salary Policy. After age sixty-five (65), a priest who is still serving in a semi-retirement assignment can choose to receive his vested and accrued retirement benefit as well as semi-retirement compensation by mutual agreement with the Bishop.

7.2 Disability Benefit: An incardinated priest, regardless of age, who is judged fully disabled by the Bishop is eligible for full retirement and payment of the maximum defined annual benefit as of a date determined by the Bishop. The status and entitlement to retirement benefits for a priest partially disabled will be as determined by the Bishop. Disability status may be reviewed year-to-year by the Bishop and the Personnel Board of the Diocese and professional assessment may be sought to assist the Bishop in such a determination.

7.3 Medical Insurance Benefit: Any priest receiving a benefit under the retirement program of the Diocese shall also be eligible, at Diocesan expense, for coverage under the medical and dental insurance provided for priests of the Diocese. Priests who are receiving retirement benefits and who reside outside of the United States, e.g., in Europe, shall have the option to have the above-stated coverage or to receive, in lieu of coverage, an amount equal to that which would have been paid for coverage. This amount will be added to and paid along with the monthly retirement benefit.

7.4 Special Care or Nursing Home Benefit: In the event that a priest, who is participating in the retirement program of the Diocese, requires specialized residential care which costs more than the Diocesan monthly retirement benefit, the Diocese will discontinue payment of the retirement benefit direct to the priest and instead pay the higher residential cost directly to the provider. Additionally, the Diocese will pay for additional medications and specialized therapy not covered by either the residential fee or by insurance. This provision applies both to retired and disabled priests. The priest is required to pay other personal needs from his Social Security Benefit. At any time that the benefit covered under this section 7.4 is put in effect, the priest agrees to give a durable power of attorney to the Diocese, or to a designated person, or the Diocese will have the right to seek guardianship over the affairs of any priest confined to a nursing facility.

7.5 Review of Special Benefits: Depending on the individual circumstances of a given priest, the special benefits provided under this Article VII are subject to review and modification in the sole direction of the Bishop.

ARTICLE VIII. Miscellaneous Provisions

8.1 Existing Retirees: Those priests who have officially retired and are receiving benefits from the Diocese as of the effective date of this agreement will continue to receive those benefits, subject only to any change in the defined annual benefit under Section 4.1 and to the provisions of Article VII above.

8.2 Priests Covered by Other Retirement Programs: Any priest who receives a retirement benefit from someone other than the Diocese on account of approved priestly ministry, and while incardinated in the Diocese, may receive a benefit from this program in accordance with Article IV above; provided, however,

the benefit to be paid under Section 4.5 will not be paid unless the benefit from the other source or sources and the accrued benefit under this retirement program are less than 100% of the defined annual benefit. If such amount is less than 100%, the difference will be paid from this retirement program beginning at age seventy (70) as set forth in Section 4.5.

8.3 Retroactive Application of this Agreement: No part of this agreement will apply to priests who have left ministry or left the service of the Diocese or who have retired without permission of the Bishop prior to the effective date of this agreement. Except as otherwise provided in this agreement, benefits are not retroactive.

8.4 Amendment: The parties to this agreement may amend the Retirement Policy and this agreement from time to time by an instrument in writing signed by the parties to this agreement; provided, however, that no such amendment shall reduce or deprive any priest of a benefit vested and accrued under the terms of this agreement.

8.5 Resolution of Ambiguities: All questions regarding the meaning and terms of either the Retirement Policy or this Agreement will be resolved by decision of the Bishop.

CATHOLIC BISHOP OF SPOKANE

By: _____
WILLIAM S. SKYLSTAD

PRESBYTERAL COUNCIL OF THE DIOCESE OF SPOKANE

By: _____
Chairman

By: _____
Vice Chairman

I hereby testify to the authenticity of the foregoing instrument in accord with canon 483.1.

Rev. Mark F. Pautler, Chancellor, Diocese of Spokane
on this 8th day of March, 1991.

RETIREMENT POLICY

PRESBYTERATE OF THE DIOCESE OF SPOKANE

Retirement Policy-Endorsed by Presbyteral Council 10/3/89

- Approved "Juxta Modum" by Presbyteral Assembly 9/26/90
- Revision recommended by Bishop to Presbyteral Council 10/19/90
- Approved by Bishop Skylstad 10/22/90
- Medical Benefit Approved by Bishop Skylstad 2/25/91
- Effective by signed Contract 3/8/91

PREAMBLE

The Presbyterate of the Diocese is an integral part of the community of faith. Its welfare and life must be the concern of all people. Faithful to the teaching of the Second Vatican Council, the Diocese recognizes that right and necessity that after many years of service priests retire with dignity and security. The program based on the policies given below is not simply a business contract. It is the manifestation of a familial concern for the person of priests who have served the mission of this Diocese. It is important to know that it is not a previously funded program; it is not a program to which the priest as an employee has contributed. Such relationships are secondary to the familial relationship that exists between a Bishop and the Presbyterate of the Diocese and among the priests as brothers. The Presbyterate of this Diocese commits itself to the care of our retired brothers. Our concern is not simply about the economic security that they should enjoy, but about their total well being as men of faith and service

This policy attempts to spell out the ordinary circumstances of priestly retirement. It is difficult to spell out all the possible situations that might exist. For example, those who have earned other benefits or experience extraordinary situations, must be dealt with in some adjusted way through dialogue and fraternal concern.

Incardination is the covenant relationship which exists between a priest, the Bishop of the Diocese, and the people of the Diocese. It is the strategic relationship in which the shared responsibility for the care and dignity of a priest is defined. If a priest is not incardinated in the Diocese or is not seeking incardination, this policy does not apply to his ministry in the Diocese of Spokane. If a priest is seeking incardination, all service in the Diocese before canonical incardination is credited to him. It is the mind of the Church that any priest desiring incardination and so applying to the Diocese be incardinated within a period of five years. In the meantime, the Diocese must attempt to negotiate clear responsibility for medical and disability for any priest seeking incardination with his former jurisdiction.

NCCB NORMS FOR THE RETIREMENT OF PRIESTS: The Diocese accepts for implementation the Vatican approved NCCB Priestly Retirement norms:

1. 75 is the normal retirement age, but for pastoral or personal reasons it may occur earlier. Pastors are to submit letters of resignation by the age of 75.
2. Diocesan policies should specify the age when a priest will enter a process of discernment regarding when and how retirement will be effected. Also dioceses should provide for earlier disability retirement.

3. Retirement committees may be named to help bishops with the process, but bishops retain the right of final decision in these matters.
4. Dioceses are to keep lists of senior priests noting the kinds of ministry for which they are available so that pastors may easily call upon them.
5. Bishops should develop plans and programs to assist priests in preparing for third age ministry.
6. Bishops should appoint a priest whose duties include assisting senior priests with their third age and being their advocate. Diocese should provide options for third age ministry.
7. Bishops should strongly promote programs encouraging the physical, emotional, and spiritual health of all priests, including senior priests; and sufficient medical insurance for senior priests is essential.
8. Diocese should provide housing options for third age priests, so that retiring priests may be given choices in regard to retirement housing.
9. Bishops should provide special arrangements for those physically or emotionally in need of care.
10. Adequate support should be guaranteed priests through long-range, financially independent and professionally managed pension funds. Priests should pursue personally responsible stewardship via Social Security, IRA's and other forms of saving; and they should remember needs of the local church in their estate planning.
11. Bishops should insure that diocesan programs (conferences, retreats, etc.) give specific consideration to the spiritual growth of senior priests.
12. Bishops and priests should be sensitive to the needs and inclusion of senior priests in diocesan life.
13. In providing effective retirement policies and procedures, dioceses should be aware of resources and expertise provided by national organizations with the Church and outside it.

SPECIAL CARE OF PRIESTS

1. **SEMI-RETIREMENT:** When a priest has reached an age where in his judgment and in the judgment of the Bishop full responsibility for a ministerial assignment is not in his or the Church's best interest, the Bishop may arrange with the priest an assignment of semi-retirement. In such an assignment the Diocese by direction and calculation of the Bishop will assist the parish or institution in question in providing for normal compensation for the priest according to the Diocesan Salary Policy.

After age 65, a priest who still functions in his assignment can choose to receive retirement benefit as well as semi-retirement compensation as per agreement with the Bishop.

2. **DISABILITY BENEFIT:** A priest incardinated in the Diocese of Spokane who is judged fully disabled by the Bishop is eligible for full retirement and the full defined benefit. The status of a priest partially disabled will be determined by the Bishop. Disability status may be reviewed year to year by the Bishop and the Personnel Board and professional assessment may be sought to assist the Bishop in such a determination.

3. **MEDICAL INSURANCE BENEFIT:** All priests receiving benefit under this policy will as part of the retirement benefit be provided medical and dental insurance under the group policy for the priests of the Diocese. Only priests who reside outside of the United States will have the option to receive this benefit by way of an increase in benefit payment.

4. **SPECIAL CARE OR NURSING HOME BENEFIT:** In the event that a priest incardinated in the Diocese of Spokane requires specialized residential care which costs more than the diocesan monthly retirement benefit, the Diocese will discontinue the benefit and pay the higher residential cost directly to the provider. Additionally the Diocese will pay for additional medications and specialized therapy not covered by the residential fee or by insurance. This policy applies to retired and disabled priests. The priest is required to pay other personal needs from his Social Security Benefit. At the time that this benefit is required by the priest, the priest will give durable power of attorney to the Diocese or a designated person or the Diocese will seek guardianship over the affairs of the priest who is confined to the nursing facility.

5. **RETIREMENT HOUSING:** Six units are available for retired priests at Rockwood Lane Apartments. These units belong to the Diocese and have been purchased for the benefit of retired priests. Officially retired priests are eligible for residence in these apartment units. They are required to personally pay the maintenance fee associated with the unit they occupy. This fee at 6/30/89 is \$275.00 or \$285.00 depending upon the unit rented. Meal Service is an additional \$100. Garage space rental is additional.

FUNDING OF THE RETIREMENT PROGRAM

1. **INSTITUTIONAL CONTRIBUTION:** Every institution of the Diocese of Spokane (Parish, School, Catholic Pastoral Center, etc.) which is served by a priest incardinated in the Diocese of Spokane will pay to the retirement fund of the Diocese of Spokane \$150.00 a month per priest in service. If a priest incardinated in the Diocese of Spokane serves in active ministry in a position outside of the corporate institutions of the Diocese of Spokane, with the approval of the Bishop that priest can accrue years of service by contributing \$300.00 a month to the retirement program.

Funds received through these contributions will be either placed in the Endowed Retirement Fund for priests or be used to fund retirement benefits for currently retired priests.

2. **SUPPORT BY THE CATHOLIC FOUNDATION:** The Endowed Retirement Fund for Priests of the Catholic Foundation supports the retirement program of the Diocese. It is the policy of the Diocese that all monies received for support of the retirement of priests will be placed in the Endowed Retirement Fund for Priests in the Catholic Foundation for this purpose. Income from the Endowed Retirement Fund for Priests will be received quarterly by the Diocese for payment of retirement benefits.

3. **SUPPORT OF THE RETIREMENT ENDOWMENT:** Priests are asked in a special way to support the endowment for priests' retirement in their wills and in the allocation of their charity. The Foundation has established a special "Pooled Income Fund" in which priests may irrevocably place their savings in the endowment program and yet receive income during their lifetime from the income of the Fund. Support of the endowment by all the people of God is encouraged.

ORDINARY RETIREMENT

1. **RETIREMENT:** Retirement is defined as an official termination of pastoral responsibility and assignment. At the time of retirement, benefits accrued under this program will begin to be paid.

Benefits are paid as calculated by the Fiscal Services Office of the Diocese and approved by the Bishop at the date of retirement and monthly thereafter on the first day of the month. A priest of the Diocese is required to offer a request for retirement at age 75 regardless of benefits earned.

At age 65 a priest upon his request will receive retirement. The date of this retirement will be determined by mutual agreement of the Bishop and the priest, but will be within six months of the priest's 65th birthday.

2. **BENEFITS:** The Benefit in the retirement program is a defined yearly benefit paid monthly. (The present defined benefit (6-30-89) is \$ 11,100 paid in monthly allocations of \$925.) This benefit is determined by the Bishop in consultation with the Presbyteral Council of the Diocese on the recommendation of the Temporalities Committee of the Presbyteral Council. The benefit cannot be changed without the consent of 2/3 of the members of the presbyteral council.

3. **ACCRUAL OF BENEFIT:** A priest working in the Diocese of Spokane accrues benefit at the rate of 3.3% of the defined benefit per year of service (including years of service as a transitional deacon). The ordinary maximum accrued benefit is 100% of the defined benefit. Benefit cannot be accrued after a priest begins to receive benefits under the program. Extra seniority from teaching or missionary service or unused sabbatical time cannot be used to determine accrued benefit.

Additional benefit can continue to be accrued at the rate of 3.3% of the defined benefit for each year of service after age 65, if the priest is not receiving the retirement benefit.

4. **BENEFIT BY INCARDINATION:** Any priest who has been incardinated in the Diocese by the Bishop after service in another diocese or religious community and/or who has not completed 30 years of service in the Diocese of Spokane will at age 70 be eligible for 100 percent of the retirement benefit. Aware of this policy, the Bishop may at the time of acceptance of a priest or at the time of ordination negotiate other terms with the individual. Lacking such an agreement, the age 70 benefit will apply.

5. **VESTING:** A priest is eligible to become vested (the right to earn accrued benefit) in the retirement program of the Diocese of Spokane at the end of two years of service. Vesting is earned at the rate calculated at 20% per year. Thus after 7 years of service a priest is fully vested in the retirement program.

6. **PRESENT VALUE PAYMENT:** If a priest vested in the retirement program of the Diocese of Spokane, leaves active ministry or incardicates in another diocese, the present value of the benefits accrued and vested as determined by commonly accepted actuarial tables will be transmitted to the priest or to the diocese of incardination either in monthly payments over a period of 18 months or in a lump sum. If a priest is over 55 years of age and leaves ministry, retirement benefit will be paid at age 65. If the priest is vested and the present value of the accrued benefit is less than \$5,000, a life transition payment of \$5000 shall be made to the priest to assist him in moving from priestly ministry to lay life.

REVIEW OF PROGRAM

1. **REVIEW:** It is the responsibility of the Presbyteral Council to review this policy and to make recommendations about the policy to the Bishop.

2. **REVIEW OF THE ENDOWED RETIREMENT FUND:** Every five years a joint committee shall be established between the Presbyteral Council and the Foundation Board of Directors to oversee the preparation of an actuarial study to determine the sufficiency of the endowment.

3. **REVIEW OF SPECIAL BENEFITS:** Special benefits such as special care and retirement housing are subject to review and the changing circumstances around the provision of such benefits.

APPLICATION TO SPECIAL CASES

1. **APPLICATION TO RETIREMENT PRIOR TO AGREEMENT:** Those priests who have officially retired and are receiving benefits from the Diocese of Spokane will continue to receive benefits in accord with this policy.

2. **APPLICATION TO THOSE PRIESTS WHO ARE COVERED BY OTHER RETIREMENT PROGRAMS BASED ON THEIR MINISTRY AS PRIESTS:** Any priest who receives a retirement benefit from approved priestly ministry while incardinated in the Diocese of Spokane will receive benefit from this program according to the benefit which he has accrued from years of service in the Diocese and contributions made from outside service (see supra, Institutional contribution). Benefit from incardination will not apply unless the benefit from another source and accrued benefit from this program are less than the full defined benefit. If that is the case the difference will be made up from this program at retirement age 70.

3. **RETROACTIVE APPLICATION OF THIS POLICY:** Except for those priests now officially retired and receiving benefits, no part of this policy will apply to priests who have left ministry or left the service of the Diocese of Spokane, or have retired without permission of the Bishop of Spokane. The benefits of this policy are not retroactive except for retired priests.

4. **RESOLUTION OF AMBIGUITIES:** All questions of the meaning and terms of the policy will be resolved by decision of the Bishop.

*** PRIEST RETIREMENT POLICY**

SUMMARY OF BENEFITS FOR POLICY ACCEPTED BY THE PRESBYTERAL COUNCIL ON OCTOBER 19, 1990 AND PRESENTED TO BISHOP SKYLSTAD

I. Retirement under normal circumstances: Normal circumstances include the following:

- A. A priest is incardinated in the Diocese of Spokane
- B. He has served in the Diocese for at least 30 years
- C. He has reached the age of 65

If these conditions are fulfilled, the following options are available to the priest upon reaching age 65:

- 1. He may retire and will receive 100% of the defined monthly benefit. (presently \$925)
- 2. The priest may continue to serve full time or part time in ministry, receive compensation for his service and receive the full retirement benefit.
- 3. The priest may remain in a full time assignment, receive regular compensation but not receive the retirement benefit. In this instance he will continue to accrue additional retirement benefit at the rate 3.3% of the defined benefit for each year of service after age 65.

II. Retirement benefits for priests who have served less than 30 years:

- 1. At age 65, the priest may retire and receive the benefit he has accrued. (3.3% of defined benefit for each year of service).
- 2. The priest may continue to work, not draw retirement benefits and continue to accrue benefit.
- 3. The priest may retire at 70 and will receive 100% of the defined benefit unless other arrangements were made with the Bishop at the time of ordination/incardination in the Diocese of Spokane.

III. Retirement benefits for those who leave priestly ministry:

- 1. A priest earns no right to retirement benefit (vesting) for his first 2 years of service. From years 3 - 7 the priest becomes vested at the rate of 20% per year. Thus, at the end of 3 years of service the priest is entitled to 20% of the accrued benefit for 3 years of service. At the end of 7 years, he is entitled to 100% of the benefit for 7 years of service. Benefit is accrued at the rate of 3.3% per year of the defined benefit. If a priest leaves ministry, the present value of the benefits accrued and vested will be determined by actuarial tables and transmitted to him over a period of 18 months or in a lump sum. If the present value payment is less than \$5,000, the priest will receive a life transition payment of \$5,000 in lieu of the present value payment. If the priest leaves ministry after age 55, retirement benefit will begin to be paid at age 65.

* This summary is not the policy, which must be consulted for complete details and situations not covered by the summary.

ADDENDUM TO RETIREMENT POLICY

1. The following paragraph will replace "FUNDING OF THE RETIREMENT PROGRAM, INSTITUTIONAL CONTRIBUTION":

1. INSTITUTIONAL CONTRIBUTION: every institution of the Diocese of Spokane (Parish, School, Catholic Pastoral Center, etc.) which is served by a priest incardinated in the Diocese of Spokane will pay to the retirement fund of the Diocese of Spokane \$250 a month per priest in service. If a priest incardinated in the Diocese of Spokane serves in active ministry in a position outside of the corporate institutions of the Diocese of Spokane with the approval of the Bishop that priest can accrue years of service by contributing that same amount (\$250) a month to the retirement program. Funds received through these contributions will be either placed in the Endowed Retirement Fund for priests to be used to fund retirement benefits for currently retired priests.

2. The content of this policy change will be understood as replacing the content of paragraph 6.2 in the Retirement Agreement.

3. This change in terms of the required contribution to accrue benefit while working outside of the Diocesan Structure is retroactive to the approval of the Agreement March 9, 1991. All contributions received since that date will be credited for accrual according to this new policy.

Recommended by the Priests' Council March 10, 1995

Approved by Bishop Skylstad March 22, 1995.

Chronology of the Defined Institutional Contribution to the Funding of the Priests' Retirement Program

1. The original Retirement Policy stipulated \$150 per month as the institutional contribution for the Priests' Retirement Fund. (Adopted March 8, 1991)
2. This amount was increased to \$250 per month (cf. supra,) effective July 1, 1995 .
3. A letter dated July 1, 1994 from Rev. John Steiner, the Moderator of the Curia, notified diocesan entities that the Bishop had authorized a \$25 increase in the retirement contribution effective July 1, 1996 (\$275 total).
4. A letter from Bishop Skylstad dated June 28, 1997 "approved the policy of increasing the monthly retirement contribution every other year by \$25 beginning July 1, 1997 ." Effective July 1, 1997, the retirement contribution became \$300.
5. Effective July 1, 1999, the retirement contribution became \$325.00
6. Effective July 1, 2001, the retirement contribution became \$350.00
7. Effective July 1, 2003 the retirement contribution became \$375.00
8. Effective August 1, 2005 the retirement contribution became \$675.00 (Decision of Bishop Skylstad to increase the institutional contribution to this level after consultation with the Presbyteral council and Presbyterate.)