

Exhibit 2

PLAN TRUST AGREEMENT

THIS PLAN TRUST AGREEMENT ("**THIS AGREEMENT**") is between The Catholic Bishop of Spokane a/k/a The Catholic Diocese of Spokane, a Washington corporation sole, (the "**Debtor**" or the "**Reorganized Debtor**"), as trustor, and the Trustees named on the signature pages hereof (the "**Trustees**"), pursuant to the Debtor's Amended and Restated Plan of Reorganization, dated as of December 30, 2005, as amended, modified, restated, or supplemented from time to time (the "**Plan**").

RECITALS

- A. The Debtor is a debtor-in-possession in a Chapter 11 Reorganization Case, Case No. 04-08822-PCW-11 (the "**Reorganization Case**"), currently pending before the United States Bankruptcy Court for the Eastern District of Washington (the "**Court**").
- B. The Plan provides, among other things, for the full discharge of all the Tort Claims and Future Tort Claims (all hereinafter referred to as "Tort Claims"), as those terms are defined in the Plan. The Plan has been confirmed by the Court.
- C. The Plan contemplates the creation of a trust under Washington Law, a principal purpose of which is to implement the Plan's liquidation and payment of Tort Claims asserted against the Debtor.
- D. The parties to this Agreement intend that the trust created under this Agreement will be a "Qualified Settlement Fund" within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

NOW, THEREFORE, this Agreement witnesseth and it is hereby declared as follows:

ARTICLE 1

INCORPORATION OF DEFINITIONS

All capitalized terms used in this Agreement, and not otherwise defined herein, shall have the meanings assigned to them in the Plan, the Trust Distribution Agreement (the "TDA") or the Bankruptcy Code, which meanings are incorporated herein by this express reference.

ARTICLE 2

DECLARATION OF TRUST

2.1 Creation and Name. There is hereby created a trust, which shall be known as the "**Plan Trust**."

2.2 Purposes. The purposes of the Plan Trust are:

2.2.1 to serve as the mechanism to implement the Plan's liquidation and payment of the Tort Claims in accordance with the criteria and evaluation process as defined in the Plan, in this Agreement and in the TDA;

2.2.2 to assume all liabilities of the Debtor, and its successors in interest, for Tort Claims;

2.2.3 to issue payments and disburse funds, only upon receipt of a written direction from the Plan Trustees, to Tort Claimants, including Future Tort Claimants, holding Allowed Tort Claims;

2.2.4 to pay administrative expenses and costs of the liquidation and payment of Tort Claims in accordance with the terms of the Plan, this Agreement, and the TDA subject to and without exceeding the available assets of the Plan Trust;

2.2.5 to receive, hold in escrow, safe-keep and invest, in accordance with the provisions hereof, the assets transferred to the Plan Trust pursuant to the Plan so as to enable the Trustees to pay all Allowed Tort Claims in accordance with the terms of the Plan, this Agreement and the TDA, such assets including but not limited to Insurance Policies, Insurance Coverage, Insurance Actions Recoveries, and the Insurance Actions, in regard to which the Plan Trust will be responsible for prosecuting and managing said Insurance Actions against the Insurers with the assistance of the Debtor's coverage counsel, the law firm of Gordon Murray Tilden LLP;

2.2.6 to pay administrative expenses and costs for the prosecution and management of said Insurance Actions against the Insurance Carriers in accordance with the terms of the Plan and this Agreement subject to and without exceeding the available assets of the Plan Trust;

2.2.7 to qualify at all times as a non-reversionary Qualified Settlement Fund pursuant to Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

To accomplish the foregoing, the Plan Trust hereby:

2.2.7.1 agrees to assume and shall be directly and exclusively liable for any and all liabilities, present or future, whether or not prior to the creation of the Plan Trust such liabilities were liquidated or non-liquidated, contingent or non-contingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, of the Debtor, and its successors in interest, for all Tort Claims held by Tort Claimants (without taking into account the discharge and channeling injunctions provided for in Article 17 of the Plan);

2.2.7.2 agrees to implement the Plan's liquidation and payment of the Tort Claims in accordance with the criteria and evaluation process as defined in the Plan, this Agreement and the TDA;

2.2.7.3 agrees to conserve and protect the Plan Trust estate so as to satisfy as fully as possible all Tort Claims assumed by the Plan Trust in accordance with the terms of the Plan, this Agreement and the TDA, including but not limited to taking all necessary action to conserve, protect, and maximize Insurance Coverage and Insurance Recoveries under applicable Insurance Policies and prosecuting and managing Insurance Actions against the Insurers with the assistance of the Debtor's coverage counsel, the law firm of Gordon Murray Tilden LLP;

2.2.7.4 agrees to collect, invest and reinvest amounts due to be transferred to the Plan Trust;

2.2.7.5 agrees to pay all costs and fees (including attorneys' fees and the fees of the Plan Trustees) of the Plan Trust incurred in the resolution and liquidation of any and all such Tort Claims, and also all costs and fees (including attorney's fees) incurred in the prosecution and management of the Insurance Actions against the Insurers in accordance with this Agreement, the Plan and the TDA;

2.2.7.6 agrees to assert and defend (and appeal to the highest appellate court willing to hear such appeal any adverse decision regarding) the enforceability of the releases and injunctions referred to in Article 17 of the Plan with respect to any Settling Tort Claims, and, to the extent applicable, the discharge referred to and described in Article 17 of the Plan; this duty shall terminate in a given jurisdiction when a Final Order of the highest appellate court of competent jurisdiction in that jurisdiction determines that the releases and injunctions or the discharge do not require dismissal of such action or proceeding or are unenforceable; *provided, however, that* this obligation shall be subject to FRCP 11 and FRBP 9011, and similar state rules or laws, as the case may be, and shall only accrue if and to the extent that the Committees or the Reorganized Debtor determine that the Plan Trust is an indispensable party to any such action or such appeal;

2.2.7.7 agrees to manage the Plan Trust and report on its status and activities in accordance with the provisions set forth herein; and

2.2.7.8 agrees to take such actions and deliver such documentation as may reasonably be required to effectuate, perfect, confirm, and evidence the transfers and assignments to the Plan Trust Fund and the validity of such transfers and assignments.

2.2.8 Notwithstanding the foregoing, or anything else contained herein to the contrary, the Plan Trust shall have no obligation with respect to, and there shall be no indemnification, contribution, subrogation, reimbursement, or similar claim assumed or paid by the Plan Trust with respect to, any criminal action or criminal proceeding brought by a governmental unit (as defined in the Code) (including grand jury proceedings or other investigations brought by a governmental unit to determine whether a crime has been committed) or with respect to any criminal fine, penalty or forfeiture.

2.3 Transfer of Assets; Beneficiaries. On or before the Effective Date (but only after entry of the Confirmation Order), and subject to the Effective Date occurring, the Debtor hereby agrees to transfer and assign to the Plan Trust, to be held in trust, for the holders of all Allowed Tort Claims, including Allowed Future Tort Claims, (each a "**Beneficiary**" and collectively, the "**Beneficiaries**"), all of the Debtor's, the Reorganized Debtor's, and the Estate's rights, title, and interest in and to the Trust Assets, as such term is defined in Section 2.81 of the Plan. All Trust Assets received by the Plan Trust shall be held, administered and distributed under the terms of this Agreement, the Plan and the TDA.

2.4 Further Assurances; Cooperation. The Debtor, the Reorganized Debtor, and the Trustees shall take all actions as are reasonably required with respect to any of the Trust Assets or otherwise in order to effectuate the purposes of this Trust.

ARTICLE 3

TRUSTEE

3.1 Number. There shall be two (2) Trustees of the Plan Trust. The Initial Trustees are the persons named on and who have executed the signature page hereof.

3.2 Qualifications. Each Trustee must be a natural person of good moral character and independent of the Debtor, the Reorganized Debtor, the Parishes, the Tort Claimants, or their successors in interest and be a person whose experience and background is appropriate to the responsibilities of a Trustee hereunder.

3.3 Terms of Service.

3.3.1 Each Trustee shall serve for the duration of the Plan Trust, subject to his or her earlier death, resignation, incapacity to serve as determined by the Court, or, with approval of the Court, removal.

3.3.2 Any Trustee may resign at any time by at least sixty (60) days prior written notice to each of the remaining Trustees, if any, and the Court, specifying the date when such resignation shall take effect. Any resigning Trustee shall attempt, where possible, to give notice of resignation not less than ninety (90) days before such resignation is to take effect.

3.3.3 A Trustee may be removed from office by the Court upon its own motion, the motion of any Trustee, the Debtor or Reorganized Debtor, the Association of Parishes (the

"AOP"), the Committees or the Future Claims Representative (the "FCR"), and a determination by the Court that such removal is appropriate upon good cause shown.

3.4 Appointment of Successor Trustees.

3.4.1 In the event of the death, resignation, incapacity to serve as determined by the Court, or removal by the Court of a Trustee prior to the expiration of his or her term in accordance herewith, a successor Trustee shall be nominated by the remaining Trustee, subject to Court approval, within twenty (20) days after such death, incapacity, resignation or removal. If the remaining Trustees fail to nominate a successor Trustee that is approved by the Court within such twenty (20) day period, or there are no remaining Trustees to nominate such successor Trustees, then a successor Trustee or Trustees, as required, shall be appointed by the Court.

3.4.2 Upon the acceptance of office by any successor Trustee, all rights, titles, duties, powers and authority of the predecessor Trustee under this Agreement shall be vested in and undertaken by the successor Trustee without any further act being required. No successor Trustee shall be liable personally for any act or omission of his or her predecessor.

3.5 Liability of Trustee. No Trustee shall be liable to the Plan Trust or to any Beneficiary except for such Trustee's own gross negligence or willful misconduct. No Trustee shall be liable for any act or omission of any Co-Trustee, or any agent or employee of the Plan Trust, unless that Trustee acted with gross negligence or willful misconduct in the selection or retention of such agent or employee. No action, suit or proceeding of any kind may be brought by the Debtor or the Committees against any Trustee, other than as a result of a material loss to the Debtor or to the Trust, due to such Trustee's removal pursuant to Section 3.3.3 hereof. All actions taken and determinations made by the Trustees, unless otherwise provided in (or unless contrary to the provisions of) this Agreement, the Plan, or a Final Order, shall be final and binding upon all Persons having any interest in the Plan Trust. The Trustees shall be entitled to rely upon the advice of counsel or other advisors to the Plan Trust or the Trustees, reports prepared by the Claims Reviewers, directions from the Claims Reviewers regarding payment of Allowed Tort Claims and directions and information provided by any other Person engaged by the Plan Trust.

3.6 Trustee's Compensation; Reimbursement of Expenses. Each Trustee shall receive compensation for his or her services at the rate of _____ Dollars (\$_____) per month. This compensation may be adjusted from time to time by the Trustees, subject to approval of the Court after notice to the Committees, the AOP, the FCR and the Reorganized Debtor and a hearing. The Reorganized Debtor or the Committees may also seek adjustment to the Trustee's compensation after notice to the Trustees and the non-moving party. In addition, each Trustee shall be reimbursed for his or her other reasonable out-of-pocket expenses incurred by such Trustee in the performance of such Trustee's duties as Trustee hereunder.

3.7 Indemnification.

3.7.1 Each Trustee or former Trustee who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit or proceeding of any kind, whether civil, administrative or arbitrative, and whether brought by or against the Plan Trust, by reason of such Trustee being or having been a Trustee of the Plan Trust, or by reason of such Trustee serving or having served in any capacity at the request of and on behalf of the Plan Trust, shall be indemnified by the Plan Trust against expenses, costs and fees (including attorneys' fees), judgments, awards, costs, amounts paid in settlement, and liabilities of all kinds incurred by such Trustee in connection with or resulting from such action, suit, or proceeding if he or she acted in good faith and in a manner such Trustee reasonably believed to be in or not opposed to the best interests of the Plan Trust.

3.7.2 Any indemnification under Section 3.7 of this Agreement shall be made by the Plan Trust upon a determination that indemnification of such Trustee is proper in the circumstances. Such determination shall be made by application to the Court, upon notice to the Committees and the Reorganized Debtor or by independent legal counsel ordered by the Court to make such determination, or at the election of the Court, by the Court.

3.7.3 Reasonable expenses, costs and fees (including attorneys' fees) incurred by or on behalf of a Trustee in connection with any such action, suit, or proceeding, whether civil, administrative or arbitrative, commenced against such Trustee regarding such Trustee's performance hereunder, may be paid by the Plan Trust in advance of the final disposition thereof upon receipt of an undertaking by or on behalf of such Trustee to repay such amount unless it shall be determined ultimately that such Trustee is not entitled to be indemnified by the Plan Trust.

3.7.4 The Trustees shall have the power, generally or in specific cases, to cause the Plan Trust to indemnify the employees and agents of the Plan Trust to the same extent as provided in this Section 3.7 with respect to the Trustees.

3.7.5 Any provision of this Agreement notwithstanding, the Trustees shall not be indemnified for any acts of gross negligence or willful misconduct.

3.8 The Trustees may purchase and maintain reasonable amounts and types of insurance on behalf of an individual who is or was a Trustee, employee, or agent of the Plan Trust against liability asserted against or incurred by such individual in that capacity or arising from his or her status as a Trustee, employee, or agent with the consent of the Committees and the Reorganized Debtor.

3.9 Reliance. Any Person dealing with the Plan Trust may rely in good faith upon any certificate or other instrument signed by the Trustees, or upon any certificate or other instrument signed by an officer or agent of the Plan Trust whose authority is evidenced by a certificate or other instrument signed by at least one Trustee, without the necessity of further inquiry by such Person into the authority of such Trustee, officer or agent to act on behalf of the Plan Trust; *provided, however*, that disbursements or expenditures from the Plan Trust made in

respect of investments in accordance with Section 4.2 hereof and the investment policies duly adopted by the Trustees shall not require the signature of any Trustee; and *provided, further*, that the Trustees may adopt by-laws concerning these matters that are more restrictive and not less restrictive than the foregoing.

3.10 Actions by Trustees. Except as otherwise provided in this Agreement or as required by applicable law, all determinations by the Trustees shall be made by the unanimous vote or consent of the Trustees then in office. In the event a dispute on any issue arises between the two Trustees which cannot be resolved, the Trustees shall immediately submit the dispute to the Court for resolution. All decisions of the Court shall be final and binding upon the Trustees and the Trust.

3.11 Bond. No Trustees shall be required to post any bond or other form of surety unless otherwise ordered by the Court.

3.12 Duration of Plan Trust. The Trustees shall not consider any Tort Claim after the Final Claims Filing Date. Thereafter, the Trustees shall complete any remaining distributions and return the Trust residuary, if any, to the Reorganized Debtor, and said residuary shall vest fully at that time in the Reorganized Debtor.

ARTICLE 4

ACCOUNTS AND INVESTMENTS

4.1 Accounts. The Trustees shall establish such funds and accounts with such Persons as they shall, in their discretion, deem necessary or advisable for carrying out the purposes of the Plan Trust.

4.2 Investments. Monies held in the Plan Trust shall be invested and reinvested in the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own financial affairs, subject to the following limitations and provisions, taking into account the purposes for which the Plan Trust was created and the duration of the existence of the Plan Trust. In determining investments to be held by the Plan Trust, due regard shall be given by the Trustees to safety of principal and to production of reasonable amounts of current income. The Trustees shall not be under any obligation to invest the Trust Assets for capital appreciation, in view of the purposes for which the Plan Trust was created.

ARTICLE 5

POWERS, TRUST ADMINISTRATION

5.1 Trust Powers.

5.1.1 Pursuant to the Confirmation Order, subject to the limitations set forth in this Agreement, and subject to the provisions and limitations of the Plan and the TDA, all of which are incorporated herein, the Trustees shall have the power to take any and all actions as, in the sole judgment and discretion of the Trustees, are necessary or advisable to effectuate the purposes of the Plan Trust, including without limitation, each power expressly granted in Section

5.1.3 of this Agreement and any power reasonably incidental thereto, and any trust power now or hereafter permitted under the laws of the State of Washington that is not inconsistent with the provisions of this Agreement or the Plan.

5.1.2 Except as expressly provided in the Plan or in this Agreement, the Trustees may, but need not, obtain the order or approval of the Court, or any other court in the exercise of any power or discretion conferred hereunder.

5.1.3 Without limiting the generality of Section 5.1.1 of this Agreement, and subject to the other provisions of this Agreement, the Trustees shall have the power:

5.1.3.1 to receive and hold the Trust Assets and other additions to the Plan Trust from any source, provided such additions are made pursuant to the Plan, the Confirmation Order or another order of the Court, and to administer and distribute the same as a part of the Plan Trust;

5.1.3.2 to invest and reinvest the funds of the Plan Trust as provided in this Agreement;

5.1.3.3 upon certification by the Claims Reviewers that a Tort Claim has been Allowed and a Liquidated Value Offer has been made by the Claims Reviewers and accepted by a Tort Claimant and the Reorganized Debtor has not objected to the Offer, to expeditiously pay the Allowed Liquidated Value Offer amount of such Tort Claim in accordance with terms of the TDA;

5.1.3.4 upon certification by the Claims Reviewers that a Tort Claim Statute of Limitation Compromise offer has been made by the Claims Reviewers and accepted by a Tort Claimant and the Reorganized Debtor has not objected to the Offer, to expeditiously pay the Tort Claim Statute of Limitations Compromise amount of such Tort Claim in accordance with the terms of the TDA;

5.1.3.5 upon certification by the Plan Trustees that a Tort Claimant has obtained a Liquidated Value Judgment which, after all appeals, is final, to expeditiously pay the Liquidated Value Judgment amount of such Tort Claim in accordance with the terms of the TDA;

5.1.3.6 to make additional distributions, if any, to the holders of Allowed Tort Claims in accordance with the terms of the Plan;

5.1.3.7 to employ and compensate, utilizing Trust Assets, legal, financial, accounting, investment, and other advisors, custodians of assets, agents, the Claims Reviewers, insurance coverage counsel Gordon Murray Tilden LLP and other parties deemed by the Trustees to be qualified as experts on such matters as may arise before them, and to delegate to such persons such powers, authority, and discretion as the Trustees, in their discretion deem advisable or necessary to carry out the terms of the Plan Trust, and the opinion of such Persons

on any matters submitted to them by the Trustees shall be full and complete protection to the Trustees with regard to any action taken by the Trustees hereunder in good faith and in accordance with such opinion;

5.1.3.8 to reimburse, utilizing Trust Assets, the Trustees, subject to Section 3.6 above, the Claims Reviewers, insurance coverage counsel Gordon Murray Tilden LLP and such employees, legal, financial, accounting, investment, and other advisors and experts, and agents, described in Section 5.1.3.5 above, for all properly documented out-of-pocket costs and expenses incurred by such Persons in connection with the performance of their duties hereunder; *provided, however, that* the Trustees shall not incur fees and expenses in excess of a total of \$ _____ without prior notice to the Committees, the FCR, the AOP and the Reorganized Debtor and an order of the Court entered prior to the incurrence of such fees and expenses.

5.1.3.9 to make such decisions as they may deem appropriate in connection with the administration of the Plan Trust on the performance of his or her duties;

5.1.3.10 to apply to the Court for instructions to the Trustees as they may deem proper or necessary in connection with the administration of the Plan Trust on the performance of their duties; *provided, however, that* any such applications shall be on notice to the Reorganized Debtor, the AOP, the Committees and the FCR, each of whom shall have standing to appear and be heard on any such applications;

5.1.3.11 to indemnify (and purchase insurance indemnifying) the Trustees, the officers, attorneys, employees, agents, and the Claims Reviewers, in accordance with Sections 3.7 and 3.8 above, to the fullest extent that a corporation organized under Washington law is entitled to indemnify its directors, officers, employees, agents, and representatives;

5.1.3.12 to delegate any or all of the discretionary powers and authority herein conferred at any time with respect to the investment of the Trust Assets to any one or more recognized individual or institutional advisors or investment managers acceptable to the Trustees, and to compensate and reimburse such advisors and managers for their services;

5.1.3.13 to establish such funds, reserves, and accounts within the Plan Trust with Trust Assets as may be deemed by the Trustees to be useful in carrying out the purposes of the Plan Trust;

5.1.3.14 to draft and amend from time to time bylaws governing the operation or the administration of the Plan Trust upon approval of the Court after notice to the Reorganized Debtor, the AOP, the Committees and the FCR, provided that any such bylaws are not inconsistent with any of the provisions contained in this Agreement or the Plan;

5.1.3.15 to enter into such other arrangements with third parties as are deemed by the Trustees to be useful in carrying out the purposes of the Plan Trust (including, without limitation, (i) engaging a financial institution to act as paying agent, depository,

custodian, or trustee with respect to funds, reserves, or accounts created hereby or established pursuant hereto, and (ii) renting or leasing such real and personal properties, as the Trustees may deem necessary or desirable for the proper operation or administration of the Plan Trust), and to compensate such third parties for their services;

5.1.3.16 to institute any action or proceeding at law or in equity for the collection of any sums due to the Plan Trust, or otherwise to advance the interests of the Plan Trust in a manner not inconsistent with the terms of the Plan, prosecute any such action or proceeding to judgment or final decree, enforce any such judgment or final decree, and collect in any manner provided by law the monies adjudged or decreed to be payable; *provided however, that* so long as the Debtor has timely and fully transferred the Trust Assets to the Plan Trust, and all assets required to be transferred to the Plan Trust pursuant to the Plan have been timely and fully transferred to the Plan Trust, regardless of any deficiency in the Plan Trust or any other reason, the Plan Trust may not institute any action or proceeding against the Debtor, the Reorganized Debtor, or against any other Person expressly released pursuant to the terms of the Plan or who is the recipient of a Channeling Injunction, for collection of any sums in respect of the Tort Claims; and

5.1.3.17 to rely upon any affidavit, certificate, letter, notice, telegram, e-mail, or other paper or electronic writing, or upon any telephone conversation or other oral communication, believed by the Trustees to be genuine and sufficient and upon any other evidence believed by the Trustees to be genuine and sufficient, and to be protected and saved harmless in respect of all payments or distributions made hereunder if made in good faith and without actual notice or knowledge of the changed condition or status of any Person receiving payments.

5.2 Administration.

5.2.1 The Trustees shall conduct the business of the Plan Trust in accordance with the provisions of this Agreement, the Plan and the TDA.

5.2.2 The Plan Trust shall use a calendar year accounting year and shall utilize the accrual method of accounting.

5.2.3 In the event that the duration of the Plan Trust exceeds one year, the Trustees shall cause to be prepared and filed with the Court as soon as available and in any event within one hundred twenty (120) days following the end of each fiscal year, an annual report containing financial statements of the Plan Trust, including without limitation, a balance sheet of the Plan Trust as of the end of such fiscal year and a statement of operations for such fiscal year.

5.2.4 Simultaneous with the earlier to occur of: (i) the Trustee' application to the Court for an order terminating the Plan Trust, (ii) the delivery of the financial statements referred to in Section 5.2.3 above, or (iii) quarterly, beginning with the first quarter after the finding of the Plan Trust, the Trustees shall cause to be prepared and filed with the Court a report and accounting containing a summary in reasonable detail of the following information with respect to the period covered by such application or such financial statements, as the case may be:

5.2.4.1 The number of Allowed Tort Claims liquidated and the Abuse Category Levels into which each Tort Claim was placed and amounts paid to Tort Claimants;

5.2.4.2 The number of Future Tort Claims that have been filed since the last reporting period;

5.2.4.3 The number of Tort Claims remaining to be liquidated pursuant to the TDA;

5.2.4.4 The investment income earned by the Plan Trust; and

5.2.4.5 The amount of expenses incurred by the Plan Trust.

5.2.5 The Trustees shall cause to be filed timely such income tax and other returns and statements as are required to comply with applicable provisions of the Internal Revenue Code and of any state law and the regulations promulgated thereunder. The Plan Trust shall be responsible for paying taxes and any other obligations or liabilities of any and all kinds whatsoever which at any time are lawfully levied, assessed upon, or become payable in respect of the Plan Trust or the Trust Assets. The Trustees shall utilize Trust Assets to pay such taxes, levies, and assessments. The Trustees shall make any election and provide any information as may be necessary to comply with the requirement of a Qualified Settlement Fund under Section 468B of the Internal Revenue Code.

ARTICLE 6

MECHANICS REGARDING CASH CALLS AND PLEDGED PARISH REAL PROPERTY

6.1 Security.

6.1.1 Pursuant to and subsequent to confirmation of the Plan, the Reorganized Debtor will, with the consent of the Spokane County Parishes, on or before the Effective Date, execute the Pledge Agreement, a copy of which is attached hereto as Exhibit A.

6.1.2 The Spokane County Parish Real Property will, as set forth herein and in the Pledge Agreement, secure the obligation of the Reorganized Debtor to the Plan Trust to maintain a certain minimum level of trust assets in the Plan Trust as set forth herein and in the Pledge Agreement (the "Pledge").

6.1.3 The Reorganized Debtor, by virtue of its execution of the Pledge Agreement, and except as set forth herein, agrees that the Plan Trust shall include, at all times, assets that have a total value of not less than \$3 million (the "Minimum Trust Level"). The Minimum Trust Level may be lowered toward the end of the Trust's term (see Section 3.12) upon motion by the Reorganized Debtor, with notice to the Committees, the FCR and the AOP, and subject to Court approval.

6.1.4 In determining the value of the Assets in the Trust, the Trustees will on a quarterly basis use their reasonable judgment to estimate the total of cash on hand, the market value of any investments held by the Trust, the projected earnings from those investments, and the estimated net cash proceeds projected from upcoming sales of real and/or other property in the Trust net of anticipated distributions over the next quarter to the holder of Allowed Tort Claims (the "Estimated Trust Value").

6.2 Cash Calls.

6.2.1 In the event the Estimated Trust Value shall fall below the Minimum Trust Level, for any reason whatsoever, the Trustees shall give notice by certified mail to the Debtor, the AOP, the Spokane County Parishes, the Committees and the FCR, in the form attached hereto as Exhibit B (the "Call Notice"). The Reorganized Debtor and the Spokane County Parishes will then have six (6) months from the date of the Call Notice (the "Default Period"), to replenish the value of the Trust Assets to the Minimum Trust Level.

6.2.2 In the event the Reorganized Debtor and the Spokane County Parishes are not able, for whatever reason, to make a sufficient cash contribution to replenish the Trust to the Minimum Trust Level prior to the end of the Default Period, the Debtor, the AOP and the Spokane County Parishes will, prior to the end of the Default Period (with appropriate consideration of Canon law) make a proposal to the Trustees for the sale of one or more of the properties of the Spokane County Parishes (the "Proposal to Sell Parish Property"). In the event the Proposal to Sell Parish Property is accepted by the Trustees, the Proposal to Sell Parish Property shall be implemented by the Trustees. In the event the Proposal to Sell Parish Property is not accepted by the Trustees, the Trustees will be authorized to go to the Court with their own plan for the liquidation of one or more of the Spokane County Parish Properties. In evaluating the Proposal to Sell Parish Property, the Trustees' analysis will focus on whether the proposal will result in net proceeds that will increase the Estimated Trust Value just above the Minimum Trust Level. The recommendation of the Trustees to the Court shall, upon approval by the Court, be final and not subject to any appeal.

6.2.3 The Pledge of the Spokane County Parish Real Property by the Reorganized Debtor is contingent upon and subject to the Appeal. In the event a Final Order is entered in the Appeal, the effect of which is to affirm the Summary Judgment Order, then the Pledge will remain and continue in full force and effect. In the event, however, that the Court's Summary Judgment Order is reversed on Appeal, such that a Final Order is entered holding that the Parish Real Property, generally, and the Spokane County Parish Real Property, specifically,

is not property of the Debtor's Estate, then in that event, the Pledge shall be void and of no further force and effect.

6.2.4 Cash Calls by the Trustees to the Diocese and the Spokane County Parishes prior to entry of a Final Order on the Appeal shall be fully enforceable, unless the Diocese and/or Parishes have, prior to the expiration date of the Call Notice, obtained a stay of any sale or liquidation of the Spokane County Parishes pending the Appeal, from the Court or another court of competent jurisdiction on appeal.

6.3 Injunctions and Discharge.

6.3.1 In the event the Parishes or any of them contribute cash or other assets to the Plan Trust, based on a Call Notice from the Trustees, or on their own accord without a Call Notice being issued by the Trustees, the Parish(es) will have the right, subject to notice to the Committees, the FCR, the AOP and the Debtor, and a hearing with and approval of the Court, to seek to obtain the benefit of a Channeling Injunction and to be a Participating Third Party under the Plan.

6.3.2 Similarly, any Insurance Carrier may seek to be a Settling Insurer under the Plan by written offer to the Trustees with notice to the Committees, the FCR, the AOP and the Debtor, and with the approval of the Court.

6.3.3 In evaluating the reasonableness of a settlement offer by an entity seeking to be a Participating Third Party or a Settling Insurer, the standards of FRBP 9019 and case law thereunder shall guide the Trustees and the Court.

ARTICLE 7 GENERAL PROVISIONS

7.1 Irrevocability. Except as otherwise provided in Section 7.6, the Plan Trust is irrevocable. Neither the Debtor, nor the Reorganized Debtor, nor its successors in interest, nor any Affiliates thereof, hold or may hold any beneficial interest in the income or corpus of the Plan Trust.

7.2 Termination.

7.2.1 At such time following the Final Claims Filing Date as all Trust Assets have been fully and finally distributed in accordance with the terms of the Plan, this Agreement and the TDA; the Trustees shall apply to the Court for an order of the Court terminating the Plan Trust; upon such notice as the Court shall order.

7.2.2 Upon the Court's order terminating the Plan Trust becoming final, except to the extent otherwise provided in such order, the Plan Trust shall be terminated, and the Trustees shall be discharged of all responsibilities with respect to the Plan Trust.

7.2.3 Upon termination of the Plan Trust, the Trustees shall remain authorized to wind up the affairs of the Plan Trust.

7.2.4 Upon termination of the Plan Trust, the Trustees shall be authorized to dispose of the balance, if any, of funds in the Plan Trust after payment of or adequate provision for any remaining Plan Trust expenses. Any such funds shall be distributed to the Reorganized Debtor, unless the Spokane County Parishes have had to respond to Cash Calls, in which case the residuary will be returned by the Trustees to the AOP, for further distribution to the Parishes as the AOP deems appropriate.

7.3 Confidentiality. Copies of all documents, notices, statements, reports, motions, or similar documents provided to the Trustees pursuant to this Agreement shall be provided on a confidential basis and shall be kept confidential by the Trustees unless such information is otherwise publicly available.

7.4 Severability. Should any provision of this Agreement be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this Agreement.

7.5 Headings. The headings used in this Agreement are inserted for convenience only and shall not affect the construction of any and all other provisions of this Agreement.

7.6 Amendment. When necessary to carry out the purposes of the Plan Trust, this Agreement may be amended only by an instrument signed by each of the Trustees then in office; provided however, that any such amendment must be consistent with the Plan; and provided further, that such amendment shall become effective only with the approval of the Court and after notice and a hearing as the Court may direct.

7.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but which counterparts together shall constitute but one and the same instrument.

7.8 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the Debtor, the Reorganized Debtor, the Plan Trust, and the Trustees, and their respective successors and assigns, except that neither the Debtor, nor the Reorganized Debtor, nor the Plan Trust nor any Trustee may assign or otherwise transfer any of his, her, or its rights or obligations under this Agreement.

7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

7.10 No Adverse Action. No Trustee shall take any action that will adversely affect the qualification of the Plan Trust as a "Qualified Settlement Fund" within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended.

7.11 No Execution. All Trust Assets and funds in the Plan Trust are deemed to be *in custodia legis* until such times as funds have actually been paid to and received by a Tort Claimant. No Tort Claimant or any other Person may execute upon, garnish or attach the Plan Trust estate in any manner whatsoever or compel payment from the Plan Trust of any Tort Claim or other Claim. Any and all payments of Tort Claims shall be controlled solely by the Plan, this Agreement, and the TDA.

7.12 Controlling Document. In the event of any conflict between the provisions of this Agreement, the TDA and the Plan, the Plan shall be the controlling document.

IN WITNESS WHEREOF, the Trustor and the Initial Trustees have caused this Agreement to be duly executed by them or their respective authorized representatives.

Dated: _____

THE CATHOLIC BISHOP OF SPOKANE
a/k/a THE CATHOLIC DIOCESE OF
SPOKANE, a Washington Corporation Sole

By: _____
Name: _____
Title: _____

Dated: _____

TRUSTEES:

Name: _____

Name: _____

EXHIBIT A TO THE PLAN TRUST AGREEMENT

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Agreement") is entered into this ____ day of _____, 2006, by and between the Plan Trust created by the Plan Trust Agreement dated _____, 2006, and the Catholic Bishop of Spokane a/k/a The Catholic Diocese of Spokane, a Washington corporation sole, ("Diocese").

WHEREAS, on December 6, 2004, the Diocese commenced a case under Chapter 11 of the United States Bankruptcy Code (the "Code") in the United States Bankruptcy Court for the Eastern District of Washington (the "Court");

WHEREAS, the Diocese has filed an Amended Plan of Reorganization under Chapter 11 of the Code (the "Plan"), which has been confirmed by the Court.

WHEREAS, all conditions necessary for the Plan to become effective pursuant to Section 16.1 of the Plan have been satisfied except for execution of this Agreement;

WHEREAS, the Plan contemplates the creation of the Plan Trust for the purpose of implementing the Plan and settling or otherwise liquidating the Tort Claims against the Diocese;

WHEREAS, under the Plan Trust Agreement, the Diocese is obligated to maintain a minimum level of trust assets in the Plan Trust (the "Minimum Trust Level") in order to secure the obligations of the Diocese to the Plan Trust;

WHEREAS, on August 26, 2005, the Bankruptcy Court entered an order declaring certain real property claimed by Parishes to be property of the Diocese (the "Summary Judgment Order"). A detailed list of that real property is attached hereto as Exhibit "A," and is referred to herein as the "Pledged Real Property";

WHEREAS, to comply with the Order, the Diocese will pledge the Pledged Real Property to the Plan Trust;

WHEREAS, to comply with Canon Law, the Bishop has requested and the Spokane County Parishes have, in consultation with the Association of Parishes, consented to the execution of the Pledge Agreement by the Diocese; and

WHEREAS, this Agreement is being executed and delivered pursuant to the terms of the Plan.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, including the Injunction, Channeling Injunction, and discharge described in the Plan, the receipt and sufficiency of which is hereby acknowledged, the Parties, hereby agree, effective as of the Effective Date of the Plan, as follows:

1. Capitalized Terms and Controlling Documents. Capitalized terms used herein without definition shall have the meanings given to such terms in the Plan and the Plan Trust Agreement. In the event of any inconsistency or conflict between the Plan and the Plan Trust Agreement, the Plan shall control.

2. Pledge. The Diocese hereby pledges to the Plan Trust all of the Diocese's right, title and interest in and to the Pledged Real Property as security for the payment when due by the Diocese of all amounts payable or to become payable to the Plan Trust pursuant to and in accordance with the terms of the Plan and Plan Trust Agreement.

3. Delivery of Pledged Real Property. The Diocese, by way of this Agreement, will deliver to the Plan Trustees, upon execution of this Agreement, all right, title, and interest in the Pledged Real Property to be held by the Plan Trust during the term of this Agreement, subject to the terms and conditions of this Agreement, the Plan and the Plan Trust Agreement.

4. Remedies. In the event that the assets of the Plan Trust fall below the Minimum Trust Level, the Trustees shall give notice to the persons and entities and in the manner provided in the Plan Trust Agreement. The Diocese and Spokane County Parishes shall have until the expiration of the Default Period to make sufficient cash contributions to replenish the Plan Trust to the Minimum Trust Level. If after expiration of the Default Period (as such term is defined in the Plan Trust Agreement), the Assets of the Plan Trust remain below the Minimum Trust Level, the Plan Trust shall be entitled to those remedies specified in Article 6.2 of the Plan Trust Agreement. The Diocese shall have no right to redeem the Pledged Real Property after any sale or assignment, but at any such sale or auction the Diocese or any parish may bid for, and become the purchaser of all or any part of the Pledged Real Property offered for sale. In case of any sale of the Pledged Real Property pursuant hereto, the proceeds thereof shall be applied first to the costs and other expenses of such sale, and then be committed to the Plan Trust to replenish the Plan Trust to the Minimum Trust Level. The balance of the proceeds of such sale, if any, remaining after the payment in full of such costs and expenses and the replenishment of the Minimum Trust Level, and any unsold Pledged Real Property, shall be paid or delivered, as applicable, to the Diocese.

5. Exclusive Right of Occupancy. Until a Proposal to Sell Parish Property (as such term is defined in the Plan Trust Agreement) is accepted by the Trustees all entities presently occupying and using the Pledged Real Property have the exclusive right to continue to occupy the premises, to the exclusion of all others.

6. Improvements. Any improvements made to the real property after December 6, 2004, by any entity shall remain as a valid claim against the sale proceeds of the Pledged Real Property and shall be claims against the proceeds of the Pledged Real Property in event any of the Pledged Real Property is sold as permitted under this Agreement and Plan Trust Agreement, just as if the property was sold through a judicial sale under applicable Washington law.

7. Release of Pledged Real Property. Upon completion of the Plan, dissolution of the Plan Trust, or upon a determination by the Court that the Plan Trust has been adequately

funded to pay all claims, the Pledged Real Property shall be released to the Diocese. Upon conveyance and release, title to said real property shall be clarified in accordance with the Plan.

8. Pledge Shall Become Void In Event the Order is Reversed. In the event the Summary Judgment Order is reversed on Appeal, this Pledge shall become null and void automatically upon entry of such an order by an appellate court.

9. No Other Liens; No Sale or Transfers. Notwithstanding the foregoing, the Diocese may create, incur, assume or suffer to exist a lien on the Pledged Real Property in favor of a third party so long as any such lien ranks junior to the rights of the Plan Trust, provided that (i) the asset level of the Plan Trust has not fallen below the Minimum Trust Level or such event would not occur if a lien is granted, (ii) the Diocese provides the Trustees with advance notice of its intention to so create, incur, assume or suffer to exist such a lien and copies of the documentation related to such lien and such other information as the Trustees may reasonably request so that the Trustees may confirm compliance with this covenant, (iii) the Diocese causes the third party to whom such lien shall be granted to acknowledge the prior interest of the Plan Trust in the Pledged Real Property, (iv) the Diocese causes the third party to whom such lien shall be granted to agree that for so long as any obligations under the Plan or Plan Trust Agreement remain outstanding and have not been paid in full in cash, such third party lienholder will not take, sue for, seek to realize upon or assert any right against such Pledged Real Property.

10. Further Assurances. The Diocese agrees that at any time and from time to time during the term of this Agreement, upon the written request of the Plan Trustee, the Diocese shall execute and deliver such further documents and do such further acts and things as the Trustees may reasonably request in order to effect the purposes of the Plan, the Plan Trust Agreement and this Agreement.

11. Severability. If any provision of this Agreement is invalid, illegal or unenforceable, that provision will, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the Parties as expressed herein, and if such a modification is not possible, that provision will be severed from this Agreement; and in either case the validity, legality and enforceability of the remaining provisions of this Agreement will not in any way be affected or impaired thereby, it being intended by each Party that all the rights and privileges of the Parties hereunder will be enforceable to the fullest extent permitted by applicable law.

12. No Waiver of Remedies; Cumulative Remedies. The Plan Trust shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and any such waiver shall not be valid unless in writing, signed by the Trustees, and then only to the extent therein set forth. A waiver by the Trustees of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Trustees would otherwise have on any future occasion. No failure to exercise nor any delay in exercising on the part of the Trustees, any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

13. Waivers, Amendment; Applicable Law. None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Parties. This Agreement and all rights, remedies and obligations of the Parties shall inure to the benefit of the Parties and their respective successors and assigns. This Agreement and the rights and obligations of the Parties shall be construed in accordance with the laws of the State of Washington, without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

14. Dispute Resolution. With respect to claims under this Agreement, each Party hereby irrevocably (i) submits to the exclusive jurisdiction of the Bankruptcy Court, provided that to the extent that the Bankruptcy Court is not permitted under applicable law to exercise jurisdiction with respect to the matter in question, then each Party hereby submits to the exclusive jurisdiction of the federal and state courts in the State of Washington and (ii) agrees that any and all claims in respect of such action, suit or proceeding may be heard and determined in any such court.

15. Enforcement Costs. In the event legal action becomes necessary to enforce or interpret the terms of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney fees and costs incurred in such action, as determined by the court.

16. Notices. Any notice, request, instruction or other document to be given hereunder to the Diocese, or the Plan Trust shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation (with a confirming copy sent by overnight courier) if sent by facsimile or like transmission and on the next business day when sent by Federal Express, United Parcel Service, Express Mail, or other reputable overnight courier, as follows or to such other persons or addresses as may be designated in writing by the party to receive such notice:

If to the Plan Trust: _____

If to the Diocese: _____

With copies to: _____

17. No Strict Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

18. Counterparts. This Agreement may be executed in separate counterparts, both of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Party.

19. Entire Agreement. This Agreement together with the Plan Trust, the Plan and the other documents related hereto contain the entire agreement and understanding with respect to the subject matter hereof and supersede all prior agreements and understandings related to such subject matter.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

DIOCESE:

The Catholic Bishop of Spokane a/k/a The Catholic
Diocese of Spokane, a Washington corporation sole

By: _____

Name: _____

Title: _____

PLAN TRUST:

By: _____

Name: _____

Title: Trustee

By: _____

Name: _____

Title: Trustee

EXHIBIT B TO PLAN TRUST AGREEMENT

CALL NOTICE

TO: Catholic Bishop of Spokane, aka Catholic Diocese of Spokane, (the "Debtor");
TO: Association of Parishes (the "AOP");
TO: Spokane County Parishes;
TO: Tort Litigants' Committee;
TO: Tort Claimants' Committee; and
TO: Gayle E. Bush, Future Claims Representative.

Pursuant to Section 6.2.1 of the Plan Trust Agreement, the undersigned Trustees of the Plan Trust hereby give notice that the Estimated Trust Value has fallen, or during the next quarter is expected to fall, below the \$3 million Minimum Trust Level required to be maintained under the Plan Trust Agreement.

Pursuant to Section 6.2.2 of the Plan Trust Agreement, the Debtor, AOP and Spokane County Parishes have six (6) months from the date set forth below to replenish the value of the Trust Assets to the Minimum Trust Level. Based on the Trustees' reasonable judgment, an estimated \$_____ is necessary to replenish the Trust Assets to the Minimum Trust Level.

In the event the Debtor, AOP or Spokane County Parishes do not contribute sufficient cash to replenish the Trust Assets to the Minimum Trust Value, the Debtor, AOP and Spokane County Parishes shall make a Proposal to Sell Parish Property to the Trustees. In the event the Proposal to Sell Parish Property is not accepted by the Trustees, the Trustees may move the Court for authorization to liquidate one or more of the Spokane County Parish Properties.

The capitalized terms used in this Call Notice shall have the meaning set forth in the Plan Trust Agreement.

Dated:_____

TRUSTEE

TRUSTEE