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Counsel for COMMITTEE OF TORT LITIGANTS

**UNITED STATES BANKRUPTCY COURT**

**EASTERN DISTRICT OF WASHINGTON**

| | |
|---|---|
| In re:<br><br>**THE CATHOLIC BISHOP OF SPOKANE a/k/a THE CATHOLIC DIOCESE OF SPOKANE**<br><br>Debtor. | Case No.: 04-08822-PCW11<br><br>Chapter 11<br><br>STIPULATION BETWEEN THE DEBTOR, COMMITTEE OF TORT LITIGANTS, TORT CLAIMANTS COMMITTEE, FUTURE CLAIMS REPRESENTATIVE, PLAN TRUSTEE, CATHOLIC CEMETERIES OF SPOKANE, CATHOLIC CEMETERIES – HOLY CROSS SPOKANE, CATHOLIC CHARITIES, INC., AND MORNING STAR BOYS RANCH REGARDING DELIVERY OF SETTLEMENT CONSIDERATION; AND MOTION FOR ENTRY OF ORDER APPROVING STIPULATION |

This stipulation is by and between the Catholic Bishop of Spokane, aka The Catholic Diocese of Spokane (the "Debtor"), debtor and debtor in possession, by and through its counsel Shaun M. Cross, Esq.; the Committee of Tort Litigants ("TLC"), by and through its counsel James I. Stang, Esq., and John W. Campbell, Esq.; the Tort Claimants' Committee ("TCC") by and through its counsel George E. Frasier, Esq.; the Future Claims Representative ("FCR") by and through its counsel Gayle E. Bush,

Esq.; the Plan Trustee, Gloria Nagler ("Plan Trustee"); and Catholic Cemeteries of Spokane and Catholic Cemeteries – Holy Cross Spokane (collectively, "Cemeteries"), Catholic Charities, Inc. ("Charities"), and Morning Star Boys Ranch ("Boys Ranch"), by and through their counsel James King, Esq. The Debtor, the TLC, the TCC, the FCR, the Plan Trustee, Cemeteries, Charities, and Boys Ranch will be referred to collectively as the "Parties".

The stipulation is based on the following facts:

A. The Debtor commenced the above-captioned chapter 11 case on December 6, 2004, and is the debtor and debtor in possession. No trustee or examiner has been appointed in the case.

B. The TLC and the TCC are official committees appointed in the chapter 11 case by the Office of the United States Trustee.

C. On February 4, 2005, the TLC commenced that certain adversary proceeding captioned as *Committee of Tort Litigants v. The Catholic Diocese of Spokane, et al.*, Adv. No. 05-80038-PCW (the "Section 541 Litigation"). Cemeteries, Charities, and Boys Ranch are among the named defendants in the Section 541 Litigation, have been served with the Section 541 summons and complaint, and have filed and served answers in the Section 541 Litigation.

D. On the 13th day of April, 2007, the Plan Trustee was appointed by Order of the Court.

E. The TCC has authority to intervene as a plaintiff in the Section 541 Litigation.

F. Pursuant to Paragraph 15.7 of the Debtor's Second Amended Plan of Reorganization, dated March 7, 2007, the Plan Trustee shall be substituted as the sole party plaintiff in the Section 541 Litigation.

G. On November 6, 2006, the Debtor commenced the following, separate adversary actions against Cemeteries, Charities, and Boys Ranch, among others, alleging the avoidance of certain prepetition transfers (collectively, the "Avoidance

Actions"): (1) *The Catholic Bishop of Spokane v. All Saints School, Spokane* (Adv. No. 06-80129-PCW); and (2) *The Catholic Bishop of Spokane v. All Saints School* (Adv. No. 06-80130-PCW).

H. On March 7, 2007, the Debtor and other plan proponents filed the *Debtor's Second Amended Plan of Reorganization Jointly Proposed by Executive Committee of the Association of Parishes, the Debtor, the FCR, and the TCC* (the "Plan").

I. On the later of (i) the Effective Date, [1] or (ii) certification by the Plan Trustee or a determination by the Bankruptcy Court that, with the exception of certain payments made by Cemeteries, by Charities, and by Boys Ranch, the timing of which is governed by Paragraph 6 of this Stipulation, the transactions provided in Articles 15.7, 15.3 and 15.4 of the Plan have been closed, the following events will occur: (a) the Plan Trustee will dismiss the Section 541 Litigation, consistent with the terms set forth in Article 15.7 of the Plan, against Cemeteries, Charities, and Boys Ranch; and (b) the Debtor will dismiss the Avoidance Actions filed against Cemeteries, Charities, and Boys Ranch, and the Debtor will make the transfers provided for in Article 15.3.1 of the Plan to Cemeteries, Charities, and Boys Ranch.

J. In addition, the confirmed Plan will provide for the release of certain parties pursuant to releases to be executed by creditors.

K. The Parties enter into this Stipulation for the purpose of specifying the terms and conditions for the delivery of the consideration for the dismissal of the Section 541 Litigation and the Avoidance Actions, and the releases under the confirmed Plan.

Therefore, the Parties hereby stipulate that:

1. The foregoing recitals are material to this Stipulation and are incorporated herein by reference.

[1] All terms not defined herein shall have the meaning ascribed to them in the Plan.



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2. The Plan Confirmation Order will delete the reference to the Boys Ranch and Hecket Ranch in Article 15.3.3 of the Plan, which deals with property transfers by quit claim deed.

3. The Plan Confirmation Order will contain a provision directing the Bishop to immediately transfer, clear of any liens or claims and pursuant to the terms of the Gift Use Agreement between the Diocese and Charities, the proceeds of what is known as the Guse Trust to Charities upon receipt of such proceeds from the Guse Trust trustee on termination of the trust on January 18, 2008.

4. On or before April 16, 2007, Cemeteries, Charities, and Boys Ranch will pay to the client trust account of their counsel, James King, Esq., the amounts those Parties are due to pay to the Plan Trustee under the terms of the Plan.

5. At the confirmation hearing on the Plan, Attorney James King shall make available for viewing of the Court and of counsel for the Debtor, the TLC, the TCC, the FCR, and the Plan Trustee the check(s) drawn on Attorney King's client trust account made payable to the Debtor on behalf of Cemeteries, Charities, and Boys Ranch in the respective amounts required under the Plan (the "Checks").

6. Upon the later of the Effective Date of the Plan or the dismissal of the Avoidance Actions, the dismissal of the Section 541 Litigation, pursuant to Section 15.7 of the Plan, and the transfer by the Debtor of all of the Debtor's interest in any real or personal property used by a participating Catholic entity pursuant to Section 15.3.1 of the Plan, Attorney King shall remit the Checks to the Debtor.

The Parties further move that the Court enter the accompanying Order approving this Stipulation.



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**IT IS SO STIPULATED:**

**PAINE, HAMBLEN, COFFIN, BROOKE, & MILLER, LLP**

Dated: 4-24-07

By _____
SHAUN M. CROSS
Counsel for the Debtor and Debtor in Possession

**PACHULSKI STANG ZIEHL YOUNG JONES & WEINTRAUB LLP**

Dated: April 24, 2007

By _____
JAMES I. STANG
Counsel for the Committee of Tort Litigants

**-and-**

**ESPOSITO, GEORGE & CAMPBELL, P.L.L.C.**

Dated: April 24, 2007

By */s/ John W. Campbell*
JOHN W. CAMPBELL
Counsel for the Committee of Tort Litigants

**RIDDELL WILLIAMS P.S.**

Dated: 4/24/07

By _____
GEORGE E. FRASIER
Counsel for the Tort Claimants' Committee



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**NAGLER & ASSOCIATES**

Dated: 4/24/07

By _____
GLORIA NAGLER
Plan Trustee of Debtor's First Amended Plan of Reorganization

**KEEFE, KING & BOWMAN, P.S.**

Dated: 4/24/07

By _____
JAMES B. KING / MATTHEW W. DALEY, WSBA #36711
Counsel for Catholic Cemeteries of Spokane, Catholic Cemeteries – Holy Cross Spokane, Catholic Charities, Inc., and Morning Star Boys Ranch

**BUSH STROUT & KORNFELD**

Dated: 4/24/07

By _____
GAYLE E. BUSH
Counsel for Future Claims Representative



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