

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA**

In re:

Diocese of Duluth,

Debtor-in-Possession.

Case No.: 15-50792

Chapter 11

**FIRST MODIFIED JOINT DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN OF
REORGANIZATION PROPOSED BY THE DIOCESE OF DULUTH
AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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EXHIBITS

Exhibit A:	Chapter 11 Joint Plan of Reorganization Proposed by the Diocese of Duluth (Filed as a Separate Document)
Exhibit B:	Order Approving the Disclosure Statement (Proposed)
Exhibit C:	Liquidation Analysis
Exhibits D – H:	Insurer Settlement Agreements

DISCLOSURE STATEMENT¹

On December 7, 2015 (the “**Petition Date**”), the Diocese of Duluth (the “**Debtor**”) filed a voluntary Chapter 11 petition with the United States Bankruptcy Court for the District of Minnesota (the “**Bankruptcy Court**”). Since the Petition Date, the Debtor has remained in possession of its assets and has continued to own, operate and manage its affairs pending the approval of a plan of reorganization in accordance with the provisions of Title 11 of the United States Code (as amended, the “**Bankruptcy Code**”). The Debtor seeks confirmation of its *Joint Chapter 11 Plan of Reorganization* (as it may hereafter be amended or modified, the “**Plan**”).

Pursuant to §1125 of the Bankruptcy Code, the Debtor and the Official Committee of Unsecured Creditors (the “**Committee**”) now submit this Disclosure Statement (the “**Disclosure Statement**”) in connection with the Plan.

I.

INTRODUCTION

The Debtor and the Committee provide this Disclosure Statement to all of the Debtor’s known creditors and other parties in interest in order to provide adequate information to enable them to make an informed decision on whether to accept or reject the Plan. All holders of Claims are hereby advised and encouraged to read this Disclosure Statement and the Plan in its entirety before voting to accept or reject the Plan.

The Plan summary and statements made in this Disclosure Statement are qualified in its entirety by reference to the Plan (a copy of which accompanies this Disclosure Statement as **Exhibit A**).

BY ORDER DATED _____, 2019 (THE “**DISCLOSURE STATEMENT ORDER**”), THE BANKRUPTCY COURT APPROVED THIS DISCLOSURE STATEMENT, WHICH INCLUDES AND DESCRIBES THE PLAN, AS CONTAINING ADEQUATE INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE CREDITORS OF THE DEBTOR TO MAKE AN INFORMED DECISION ABOUT THE PLAN. A COPY OF THE DISCLOSURE STATEMENT ORDER IS ATTACHED HERETO AS **EXHIBIT B**. ONLY HOLDERS OF ALLOWED CLAIMS IN CLASS 3 (TORT CLAIMS OTHER THAN UNKNOWN TORT CLAIMS), CLASS 4 (UNKNOWN TORT CLAIMS), CLASS 5 (GENERAL UNSECURED CLAIMS) AND CLASSES 6A AND 6B (ABUSE RELATED CONTINGENT CLAIMS), ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ACCORDINGLY, EXCEPT FOR THE DEEMED ACCEPTING CLASS 1 AND CLASS 2 CLAIMS, THE DEBTOR IS SOLICITING ACCEPTANCES OF THE PLAN FROM ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR.

THE DEBTOR AND THE COMMITTEE BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF ALL CLAIMS AGAINST THE DEBTOR. ALL HOLDERS

¹ Capitalized terms not otherwise defined in this Disclosure Statement have the meanings and definitions assigned to them in the Plan.

OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN ARE URGED TO VOTE IN FAVOR OF THE PLAN.

VOTING INSTRUCTIONS ARE CONTAINED IN THE ATTACHED DISCLOSURE STATEMENT ORDER. IN ADDITION, THE SOLICITATION PACKAGE ACCOMPANYING EACH OF THE BALLOTS CONTAINS APPLICABLE VOTING INSTRUCTIONS. **TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED, EXECUTED AND ACTUALLY RECEIVED BY THE DEBTOR BY 5:00 P.M. (PREVAILING CENTRAL TIME), ON _____, 2019 (THE “VOTING DEADLINE”).**

The Bankruptcy Court’s approval of the Disclosure Statement does not constitute a recommendation by the Court either for or against the Plan. No statements or information concerning the Plan and the transactions contemplated thereby have been authorized, other than the statements and information set forth in this Disclosure Statement. All other statements regarding the Plan and the transactions contemplated, whether written or oral, are unauthorized.

The Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan for _____, 2019 at 9:30 A.M. (Prevailing Central Time) (the “Confirmation Hearing”) at the United States Bankruptcy Court, 300 South Fourth Street, Minneapolis, MN. This hearing may be adjourned from time to time, including without further notice other than by announcement in the Bankruptcy Court on the scheduled date of such hearing. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code. The Bankruptcy Court will then also receive and consider a ballot report prepared by the Debtor concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote.

II.

NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR ON YOUR DECISION TO VOTE TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT AND ALL EXHIBITS THERETO WITH CARE.

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN OR ANY OTHER APPLICABLE DOCUMENT, THE TERMS OF THE PLAN OR ANY SUCH APPLICABLE DOCUMENT SHALL GOVERN. UNLESS OTHERWISE SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER

THE DATE HEREOF. THIS DISCLOSURE STATEMENT DOES NOT REFLECT EVENTS THAT MAY OCCUR AFTER THAT DATE AND MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

NO REPRESENTATIONS CONCERNING THE DEBTOR, THE ESTIMATED VALUE OF THE DEBTOR'S PROPERTY AND/OR THE ESTIMATED ASSETS TO BE GENERATED FROM THE LIQUIDATION OF THE DEBTOR'S ASSETS, ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE THAT ARE NOT CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN CASTING YOUR VOTE WITH RESPECT TO THE PROPOSED PLAN.

THIS DOCUMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTOR'S KNOWLEDGE, INFORMATION AND BELIEF. HOWEVER, THE DEBTOR AND ITS ADVISORS DO NOT REPRESENT OR WARRANT THAT THIS DISCLOSURE STATEMENT IS COMPLETE OR THAT THE INFORMATION CONTAINED HEREIN IS FREE FROM ANY INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE, AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES") AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW.

NOTHING IN THIS DISCLOSURE STATEMENT IS OR SHALL BE DEEMED TO BE AN ADMISSION OR A DECLARATION AGAINST INTEREST BY THE DEBTOR FOR PURPOSES OF ANY EXISTING OR FUTURE LITIGATION. AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTOR AND DEBTOR IN POSSESSION IN THIS CASE.

ALTHOUGH THE DEBTOR'S PROFESSIONALS AND THE COMMITTEE'S PROFESSIONALS HAVE ASSISTED IN THE PREPARATION OF THIS DISCLOSURE STATEMENT BASED ON THE FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING THE FINANCIAL, BUSINESS AND ACCOUNTING DATA PROVIDED BY THE DEBTOR, THE DEBTOR'S PROFESSIONALS AND THE COMMITTEE'S PROFESSIONALS HAVE NOT INDEPENDENTLY VERIFIED THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND MAKE NO

REPRESENTATIONS OR WARRANTIES AS TO SUCH INFORMATION. SUCH PROFESSIONALS DO NOT REPRESENT OR WARRANT THAT THIS DISCLOSURE STATEMENT IS COMPLETE OR IS FREE FROM ANY INACCURACY OR OMISSION.

Each holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan (including all Exhibits and Schedules to the Plan and Disclosure Statement) in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. Except for the Debtor and certain of the Professionals it has retained, no person has been authorized to use or promulgate any information concerning the Debtor, its business, or the Plan other than the information contained in this Disclosure Statement and if given or made, such information may not be relied upon as having been authorized by the Debtor. You should not rely on any information relating to the Debtor, its business or the Plan other than that contained in this Disclosure Statement and the Exhibits hereto.

After carefully reviewing this Disclosure Statement, including the attached Exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan pursuant to the procedures set forth in the Solicitation Package, which will be sent under separate cover.

You will be bound by the Plan if it is confirmed by the Bankruptcy Court, even if you do not vote to accept the Plan, or if you are the holder of an unimpaired Claim.

**THE DEBTOR AND COMMITTEE URGE ALL HOLDERS OF
IMPAIRED CLAIMS TO ACCEPT THE PLAN.**

III.

EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal chapter of the Bankruptcy Code pursuant to which a debtor may reorganize its operations in an orderly fashion for the benefit of its creditors, stockholders, and other parties in interest.

The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of the Debtor as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate and remain in possession of its property as a “Debtor-in-Possession” unless the Bankruptcy Court orders the appointment of a trustee. In the Debtor’s Case, the Debtor remains as the Debtor-in-Possession.

The filing of a petition under the Bankruptcy Code triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts by creditors or other third parties to collect on prepetition claims against a debtor or otherwise interfere with its property or operations. Exempted from the automatic stay are governmental authorities seeking to exercise regulatory or policing powers. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the effective date of a confirmed Chapter 11 plan.

B. Chapter 11 Plan

The formulation of a Chapter 11 plan is the principal purpose of a Chapter 11 case. A Chapter 11 plan sets forth the means for satisfying the holders of claims against and interests in a debtor's estate. A Chapter 11 plan may provide anything from a complex restructuring of a debtor's operations and its related obligations to a simple liquidation of a debtor's assets. In either event, upon confirmation of a plan, it becomes binding on a debtor and all of its creditors, and the prior obligations owed by a debtor to such parties are compromised and exchanged for the obligations specified in the plan. The Plan incorporates a compromise reached among the Debtor and the Committee that the Debtor and the Committee believe provides a fair and equitable allocation of the Debtor's assets that will be distributed to creditors and treatment of all Claims against the Debtor.

After a Chapter 11 plan has been filed, the holders of impaired claims against and equity interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of a proposed plan, Section 1125 of the Bankruptcy Code requires the Debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the Plan. **This Disclosure Statement is presented to holders of Claims against the Debtor to satisfy the requirements of Section 1125 of the Bankruptcy Code in connection with the Debtor's solicitation of votes on the Plan.**

C. Confirmation of a Chapter 11 Plan

If all classes of Claims accept the Plan, the Bankruptcy Court may confirm the Plan if the Bankruptcy Court independently determines that the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied. **The Debtor and the Committee believe that the Plan satisfies all the applicable requirements of Section 1129(a) of the Bankruptcy Code.**

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim or, where applicable, interest in a particular class vote in favor of a plan for the Bankruptcy Court to determine that such class has accepted the plan. Rather, a class of claims or interests will be deemed to have accepted a plan if the Bankruptcy Court determines that the plan has been accepted by more than a majority in number and at least two-thirds in amount of those claims actually voting in such class. **Only the holders of allowed Claims and Tort Claims who actually vote will be counted as either accepting or rejecting the Plan.**

Furthermore, classes that are to receive no distribution under a plan are conclusively deemed to have rejected such plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class.

Classes 3 (Tort Claims other than Unknown Tort Claims), 4 (Unknown Tort Claims), 5 (General Unsecured Claims), and 6A and 6B (Abuse Related Contingent Claims) are impaired under the Plan and entitled to vote on the Plan.

Classes 1 (Priority Claims), 2 (Governmental Unit Claims) are deemed unimpaired under the Plan and are deemed to accept the Plan.

In general, a Bankruptcy Court also may confirm a Chapter 11 plan even though fewer than all the classes of impaired claims against and equity interests in a debtor accept such plan. For a Chapter 11 plan to be confirmed, despite its rejection by a class of impaired claims or equity interests, a plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims or equity interests that have not accepted the plan.

Under Section 1129(b) of the Bankruptcy Code, a plan is “fair and equitable” as to a rejecting class of claims or equity interests if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, in an amount equal to the allowed amount of such claim or such other treatment as accepted by the holder of such claim; and (b) with respect to unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not “discriminate unfairly” against a rejecting class of claims or equity interests if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims or equity interests, and (b) no senior class of claims or equity interests is to receive more than 100% of the amount of the claims or equity interests in such class. **The Debtor and the Committee believe that the Plan will satisfy the foregoing requirements as to any rejecting Class of Claims, and can therefore be confirmed despite any such rejection by any Class.**

D. Summary of Classification and Treatment of Claims

Detailed elsewhere in this Disclosure Statement is a description of the technical aspects of the classification of Claims, the relative allocations of property to holders of such Claims, the methodology as to how such property is to be distributed, the risks inherent in the proposed Plan, and the applicable bankruptcy and tax consequences of the Plan. However, the Debtor believes that a broad overview of what, in their opinion, the Debtor and creditors are likely to receive under the Plan, will be helpful for your consideration of whether you wish to accept or reject the Plan.

The following is a summary of the classification of all Claims under the Plan and the proposed treatment of each such Class under the Plan. This summary is qualified in its entirety by reference to the Plan:

CLASS	DESCRIPTION	IMPAIRMENT	VOTING
1	Priority Claim	Unimpaired	No
2	Governmental Unit Claims	Unimpaired	No
3	Tort Claims Other Than Unknown Tort Claims	Impaired	Yes
4	Unknown Tort Claims	Impaired	Yes
5	General Unsecured Claims	Impaired	Yes

CLASS	DESCRIPTION	IMPAIRMENT	VOTING
6A	Abuse Related Contingent Claims	Impaired	Yes
6B	Abuse Related Contingent Claims	Impaired	Yes

As discussed in the Liquidation Analysis attached hereto as **Exhibit C**, the Debtor estimates that recoveries for holders of Classes 3, 4, 5, 6A, and 6B will be greater than in liquidation under Chapter 7 of the Bankruptcy Code because the total amount of property available for distribution is greater under the Plan than in liquidation under Chapter 7. In addition, the Debtor believes that theoretical distributions under a Chapter 7 case would likely be delayed due to the time it will take a Chapter 7 trustee to assess the Debtor's assets, review and analyze claims, and evaluate and litigate claims against third parties. Holders of allowed Claims entitled to vote to accept or reject the Plan should review the Liquidation Analysis (including all footnotes thereto and documents referenced therein) in assessing whether to vote to accept or reject the Plan.

IV.

QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

Why is the Debtor sending me this Disclosure Statement?

The Debtor and the Committee are seeking to obtain Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of the Plan, Section 1125 of the Bankruptcy Code requires the preparation and approval of a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with such requirements.

The Plan is based on two groups of settlements. One group of settlements is among the Diocese, the Diocese Parties, and the Settling Insurer Entities and amounts to \$30,700,000.00. This settlement is evidenced by Insurance Settlement Agreements that have previously received Bankruptcy Court approval. In general terms, the Insurance Settlement Agreements provide for (a) the Settling Insurers' buy back of their policies from the Diocese Parties and (b) injunctions which prohibit, amongst others, Tort Claimants from suing the Settling Insurer Entities.

The other settlement is among the Diocese, the Diocese Parties, and the Committee and amounts to \$8,500,000.00. All settlements together provide that the Tort Claimants will receive the grand total sum of \$39,200,000.00, which will be payable to the Trust set up through the Plan and Disclosure Statement process. The funds will be allocated pursuant to the Trust Distribution Protocols attached as Exhibit D to the Plan. In addition, a fund in the amount to be determined will be established to pay Unknown Tort Claimants pursuant to the Plan, the Trust Distribution Protocols, and other Plan documents.

What happens to my recovery if the Plan is not confirmed, or does not go effective?

If the Plan is not confirmed, the Debtor believes it is unlikely that the Debtor will be able to reorganize. The Plan memorializes a comprehensive settlement between the Debtor and the Committee, which allocates a substantial portion of the Debtor's assets to the Trust that will be established for the benefit of Tort Claimants and Unknown Tort Claimants. In addition, confirmation of the Plan is necessary to effectuate the settlement with the Debtor's insurance carriers that will be used to fund the Plan and the Trust created pursuant to the Plan for the benefit of holders of Tort Claims and Unknown Tort Claims. If the Plan is not confirmed in a timely manner, it is unclear whether the transactions contemplated in the Plan could be implemented and what holders of Claims would ultimately receive on account of their Claims. It is possible that any alternative may provide holders of Claims with less than they would have received pursuant to the Plan on account of, among other things, the cost of negotiating, drafting and potentially litigating an alternative Plan, as well as complex litigation regarding Tort Claims and the potential loss of funds from insurance carriers pursuant to settlements. Moreover, non-confirmation of the Plan may result in dismissal of this case in its entirety. For a more detailed description of the consequences of this scenario, see "Best Interests of Creditors Test," which begins on page 47 hereof, and the Liquidation Analysis attached as **Exhibit C** to this Disclosure Statement.

If the Plan provides that I get a distribution, do I get it upon confirmation or when the Plan goes effective, and what do you mean when you refer to "Confirmation," "Effective Date" and "Consummation?"²

"Confirmation" of the Plan refers to the approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution contemplated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can be consummated and become effective. References to the "Effective Date" means the later of 30 days or the date that all conditions to the Plan have been satisfied or waived and the Plan has been fully consummated. Distributions will only be made on the Effective Date or as soon as practicable thereafter, based on, among other things, the amount of cash available to satisfy Claims, the time that the Abuse Claims Reviewer requires to complete his analysis of certain Tort Claims, the amount of Claims outstanding against the Debtor, and the Trustee's business judgment. The Tort Claims Reviewer analyzes the Tort Claims pursuant to the Trust Distribution Protocols. The Trust will distribute the funds after review of the Tort Claims is complete pursuant to the terms of the Plan, the Confirmation Order, the Trust Distribution Protocols, the Trust Agreement, the applicable releases, and any other applicable Plan documents.

Where is the cash required to fund the Plan coming from?

The cash required to fund the Trust that will pay holders of Class 3 and 4 Claims, will come from (i) \$8.5 million or more of cash from the Debtor, and (ii) \$30,700,000.00 of cash from the Settling Insurers. The cost to fund payments to holder of Class 4 Claims will come from cash from the Debtor. The cash required to fund payments for Professional Claims and costs of the Trust

² The descriptions' capitalized terms in response to this question are qualified in their entirety by reference to the definitions in the Plan.

will come from the Debtor and/or the Reorganized Debtor. To fund its requirement to pay the \$8,500,000.00, the Debtor anticipates selling certain real property, using available cash savings, taking out a substantial loan, and the balance coming from the Catholic faithful, via contributions from the various Catholic Entities, including parishes, missions and programs within the Diocese.

In consideration for these contributions the Settling Insurer Entities and the Protected Parties (including the foregoing Catholic Entities) will be protected from litigation under the Plan and be beneficiaries of the Channeling Injunction, Permanent Injunction, and Supplemental Settling Insurer Injunction contained in the Plan. In addition, Tort Claimants must sign a general release of the Protected Parties and Settling Insurer Entities as a prerequisite to receiving settlement amounts through the Plan and from the Trust.

Will there be any releases granted to parties other than the Debtor as part of the Plan?

Yes. See “Exculpation and Limitation of Liability,” which begins on page 39. A Tort Claimant’s distribution is conditioned upon the Tort Claimant delivering a general release to Protected Parties and Settling Insurer Entities. The Ballots for the Tort Claimants contain the releases.

Will there be any injunctions entered pursuant to the Plan?

Yes. The Settling Insurer Entities and Protected Parties obtain the “Discharge and Injunction,” which is quoted in section X.A below, the “Channeling Injunction,” which is quoted in section X.C below, the “Supplemental Settling Insurer Injunction,” which is quoted in section X.D below, and the “Permanent Injunction Against Prosecution of Released and Channeled Claims,” which is quoted in section X.E below. These injunctions will require holders of Tort Claims and Related Insurance Claims to seek an exclusive remedy provided in the Plan and preclude claimants from pursuing Claims against the parties protected by such injunctions whether or not such claimants receive a distribution under the Plan.

How do I vote for or against the Plan?

This Disclosure Statement, accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the holders of Claims entitled to vote on the Plan. If you are a holder of a Claim in Classes 3, 4, 5, 6A, and 6B (collectively, the “**Voting Classes**”), you may vote for or against the Plan by completing the Ballot and returning it as set forth in the Solicitation Packages which will be mailed out. See “Voting Instructions,” which begins on page 10.

What is the deadline to vote on the Plan?

All Ballots must be actually received by the Debtor no later than 5:00 p.m. (Prevailing Central Time) on [●], 2019 (the “**Voting Deadline**”).

Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

When is the Confirmation Hearing scheduled to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for [●], 2019 to take place at 9:30 a.m. (Prevailing Central Time) before the Honorable Judge Robert J. Kressel, United States Bankruptcy Judge, in the United States Bankruptcy Court, Courtroom [●], 300 South Fourth Street, Minneapolis, MN. The Confirmation Hearing may be adjourned from time to time, including without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof. Objections to Confirmation of the Plan must be filed and served on the Debtor and certain other parties, by no later than [●], 2019 at 5:00 p.m. (Prevailing Central Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement. Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Disclosure Statement Order, which is attached to this Disclosure Statement as **Exhibit A**, it might not be considered by the Bankruptcy Court.

What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization is the principal objective of a Chapter 11 case. The confirmation of a plan of reorganization by the Bankruptcy Court binds a debtor, any person acquiring property under the plan of reorganization, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code.

What role does the Bankruptcy Court play after the Confirmation Hearing?

After the Plan is confirmed, the Bankruptcy Court will still have exclusive jurisdiction over all matters arising out of, or related to, the case and the Plan. A detailed description of the Bankruptcy Court's post-confirmation jurisdiction is provided in Section 16.1 of the Plan.

Do the Debtor and the Committee recommend voting in favor of the Plan?

Yes. The Debtor and the Committee recommend voting for the Plan because the Plan provides for a larger distribution, at the estimated Effective Date of the Plan, to the Debtor's unsecured creditors, including holders of Tort Claims and Unknown Tort Claims, than would otherwise result from liquidation or any other reasonably available alternative. Accordingly, the Debtor and the Committee recommend that holders of Claims in Voting Classes support Confirmation of the Plan and vote to accept the Plan.

V.

VOTING INSTRUCTIONS AND CONFIRMATION OF PLAN

A. Manner of Voting on Plan

Before voting, this Disclosure Statement, as well as the Plan, should be read in its entirety. You should only use the Ballot sent to you in the Solicitation Package to cast your vote for or against the Plan.

Ballots must be completed, dated, signed and returned pursuant to the procedures set forth in the Solicitation Package.

B. Claim Holders Entitled to Vote

Under the Bankruptcy Code, any holder of a claim in a class that is “impaired” under a plan is entitled to vote to accept or reject the plan, unless such class of claims neither receives nor retains any property under the plan (in which case such class is deemed to have rejected the plan). Bankruptcy Code §1124 provides generally that a Claim is impaired if the legal, equitable or contractual rights of the claim are altered.

Subject to the exceptions provided below, any holder whose Claim is impaired under the Plan is entitled to vote if either (i) its Claim has been scheduled by the Debtor and such Claim is not scheduled as disputed, contingent or unliquidated, or (ii) such Claim holder has filed a Proof of Claim with respect to a Disputed Claim. Pursuant to Bankruptcy Rule 3018(a), Class 3 Tort Claims shall be estimated at \$1.00 for voting purposes only. The actual amount payable on account of Class 3 Tort Claims will be determined pursuant to the Allocation Plan.

A holder of a Disputed Claim is not entitled to vote on the Plan unless such Claim is temporarily allowed by the Debtor or by an order of the Bankruptcy Court in an estimated amount that it deems proper for the purpose of voting to accept or reject the Plan. In other words, only holders of allowed Claims, Class 3 Claims (Tort Claims other than Unknown Tort Claims which are estimated for voting purposes only at \$1.00 for each Claim), Class 4 Unknown Tort Claims (estimated for purposes only at \$1.00 for each Claim), Class 5 General Unsecured Claims, and Classes 6A and 6B Abuse Related Claims, may vote to accept or reject the Plan. A Claim to which an objection has been filed by the Debtor or any other party-in-interest no later than _____, 2019, or a Claim (i) that is listed on the Debtor’s schedules as disputed, unliquidated or contingent, and (ii) with respect to which a superseding Proof of Claim has not been filed is not an allowed Claim for voting purposes, unless the Claim is settled by agreement or the Bankruptcy Court allows the Claim (in whole or in part) by Final Decree. Upon request of a party-in-interest, the Bankruptcy Court may temporarily allow or estimate a Disputed Claim for purpose of voting on the Plan. Ballots cast in respect of Claims other than allowed Claims, and Tort Claims will not be counted. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the claimant is not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. Classes Impaired and Entitled to Vote on the Plan

Claim holders in Classes 3, 4, 5 6A, and 6B are impaired under the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan. Any controversy as to whether any Claim or class of Claims is impaired under the Plan shall, after notice of any hearing, be determined by the Bankruptcy Court.

D. Vote Required for Class Acceptance

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired Claims as acceptance by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in

number of holders of allowed claims in that class who cast ballots.³ Class 3 Claims shall be estimated at \$1.00 each for voting purposes only. As such, if more than half of the number of Class 3 Claimants who vote cast Ballots in favor of the Plan, will be deemed to have accepted the Plan. The vote for Class 4 will be cast by the Unknown Claims Representative.

VI.

THE DEBTOR AND ITS OPERATIONS

A. Pre-Petition

Every Catholic entity, including the Debtor, is subject to church law also called Canon Law. The Debtor is structured and operates in accordance with Canon Law and is a juridic person under Canon Law. The Debtor is also a legal civil entity organized as a religious Diocesan Corporation under Minnesota Statutes Section 315.16.

The Roman Catholic Church is comprised of territories, known as Dioceses, each of which is subject to the authority of a Bishop who is responsible for the spiritual and pastoral well-being of the people who live within that Diocese. The Diocese of Duluth was established by the Vatican in 1889.

The Diocese is the ecclesiastical entity subject to the authority of the Bishop of the Diocese, currently Bishop Paul D. Sirba, who was appointed as Bishop, effective December 14, 2009. Bishop Sirba is responsible to govern the Diocese, following the precepts of Canon Law, the ecclesiastical law for the Roman Catholic Church.

The Diocese serves a geographical area consisting of 10 northern Minnesota counties, including Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Koochiching, Lake, Pine and St. Louis counties (the “Region”). There are 75 parishes and approximately 53,000 Catholic individuals in the Region. These individuals and parishes are served by approximately 75 priests and 58 deacons. The Diocese currently employs approximately 34 individuals, which includes clergy and laity. Each parish is expected to help fund the Diocese. Beginning July 1, 2019, the assessment that each parish pays to fund the general operations of the Diocese is set at 18.75% of the parish’s envelope and plate collections taken at Mass. Each parish promotes an annual appeal to the parishioners to assist in meeting its annual assessment obligation. As a religious organization, the Diocese has no significant, ongoing for-profit business activities or business income. The Diocese’s revenue primarily derives from donations and parish assessments.

In addition to the 75 parishes, there are 11 Catholic schools in the Region, educating Pre-K to 8 graders (collectively, the “Schools”), with a total enrollment of over 1,498 students. Various other Catholic-based social and community service organizations operate in the Region, including four Catholic nursing homes and two Catholic hospitals. Parishes, the Schools, and other separately incorporated Catholic entities within the Diocese’s Region are not under the fiscal or operating control of the Diocese. These other entities created to promote the mission of the Church in the Region include the Seminarian Endowment Fund, Human Life and Development Fund, and

³ In the case of Tort Claims based on Sexual Abuse Proof of Claim Forms and Future Tort Claims, such claims will be deemed allowed in the amount of \$1.00 claims for voting purposes only.

the Catholic Religious Education Endowment Fund. Each of these entities is incorporated as a separate non-profit corporation under Chapter 317(A) or § 315.16 of the Minnesota Statutes.

The Debtor maintains a number of departments, including Finance and Facilities (responsibilities include financial and related functions, including budgeting, accounting, investments, risk management, real estate and facilities, and employee and other benefits), Catholic Schools (responsibilities include leadership development and ensuring Catholic identity in schools), Development and Stewardship (responsibilities include parish development efforts and programs to support a culture of stewardship), Marriage and Family Life (responsibilities include marriage preparation, family programs, and efforts to promote the dignity of life from conception to death), Continuing Formation of Clergy (responsibilities include clergy formation, planning and leadership development support), Communications (responsibilities include publication of the Northern Cross diocesan newspaper, diocesan websites, social media and other communications), the departments of Youth and Young Adult Ministry as well as Evangelization and Catechesis (responsibilities include out-reach in teaching and forming young disciples in the faith), Social Apostolate (responsibilities include leadership in the areas of social concern and providing support to those in desperate situations), Indian Ministry (directors responsibilities include representing the diocese at various church, civic and tribal functions and serves as the voice that brings Indian concerns to the attention of the Bishop), Vocations (responsibilities include recruitment, education and formation of seminarians and candidates for permanent diaconate), Safe Environment (responsibilities include establishing 'safe environment' programs, working with parents, civil authorities, clergy, parish staffs, educators, and community organizations to provide education and training for children, youth, parents, ministers, educators and others about ways to make and maintain a safe environment for children). More specific information is available on the Diocese's website at <http://www.dioceseduluth.org>.

The Debtor contends that each ecclesiastical entity (a Parish, for example) within the Diocese is a juridic person in Canon (ecclesiastical) law. The Pastor for each Parish is appointed by the Bishop, but in Canon law, the Pastor of each Parish is the steward of the property of the parish to which he is appointed.

The Diocese does not operate under the corporation sole model. Parish property located in the Region is held by 75 separate parish corporations, each of which has been civilly organized and exists under Section 315.15 of the Minnesota Statutes. Each Parish Corporation in the Region owns the separate property used in the operation of the parish, normally including the church itself, administrative offices, and, in most cases, a rectory that serves as the pastor's (priest's) residence.

B. Need for Reorganization

Over the last several decades, some clergy members in the Church have violated the sacred trust placed in them by children and their families and the Church by committing acts of sexual abuse. This conduct runs contrary to the teaching and traditions of the Church. The Diocese has worked for more than two decades to meet the needs of survivors without filing for Chapter 11 reorganization. Since the 1990s, the Diocese has directed substantial resources towards providing financial, psychological, pastoral, and spiritual support to survivors. In February, 2014, plaintiff Doe 30 filed a lawsuit in Ramsey County District Court against the Diocese of Duluth, the Oblates of Mary Immaculate (OMI), and the Diocese of New Ulm. The suit alleged that the three entities

should be held liable under various theories of negligence and nuisance, for the actions of OMI priest Vincent Fitzgerald. The plaintiff's claim was based on Fitzgerald's sexual abuse of him in 1978, while plaintiff was a parishioner of a New Ulm parish.

OMI reached a settlement with Doe 30, and the Diocese of New Ulm's motion for summary judgment was granted in August, 2015, dismissing all claims made against them.

On October 19, 2015, trial commenced on Doe 30's remaining claims against the Diocese of Duluth. The Diocese did not dispute that Doe 30 had been sexually abused by Fitzgerald, but maintained that it had no knowledge that Fitzgerald had or would abuse children.

The jury returned a verdict in Doe 30's favor in the amount of \$8,166,000. It found that the Diocese of Duluth had negligently supervised and negligently retained Fitzgerald, and attributed 60% of Doe 30's damages to that negligence.

Judgment was accordingly entered on November 5, 2015, against the Diocese in the amount of \$4,899,600. That judgment was stayed for thirty days, pursuant to court rule, until Saturday, December 5, 2015. During the stay the Diocese unsuccessfully attempted to reach a negotiated settlement with Doe 30's attorneys.

In addition to the Doe 30 judgment, the Diocese, was also a party to 18 pending civil actions (six (6) lawsuits and twelve (12) notices of claim).

The Diocese was concerned that with the very large judgment in the Doe 30 case, the Diocese would be left with insufficient assets to fairly compensate other claimants and creditors and would result in a disproportionate allocation of the limited funds available to the Diocese.

In addition, although the Diocese was current on its vendor obligations, it faced other financial issues in addition to claims involving allegations of clergy sexual abuse, including, for example, an underfunding obligation under its pension plans and potential claims of parishes.

Faced with the likely prospect of adverse judgments being entered in the other six (6) pending cases, and the ongoing prospect of additional adverse judgments against the Diocese by the remaining claimants which collectively would jeopardize the financial viability of the Diocese and its ability to carry on its mission, a Chapter 11 Bankruptcy Petition was filed on December 7, 2015.

Since the Petition Date, 125 Proofs of Claim have been filed in the Bankruptcy Case by alleged clergy abuse survivors against the bankruptcy estate of the Debtor. As a result of the commencement of litigation by the Debtor against its five (5) liability insurers and following a series of mediation efforts, the Debtor has reached agreement with each of its five (5) liability insurers concerning the payment of claims, all of which settlements have been approved by the Bankruptcy Court. The Debtor and the Committee through mediation have now successfully negotiated both the monetary compensation to be provided to the sexual abuse Tort Claimants and the non-monetary undertakings by the Diocese which will assist with the healing of sexual abuse Tort Claimants and mitigating the risk of any such abuse in the future for inclusion in the reorganization plan.

C. Response to Sexual Abuse

In 1992, the Diocese issued a written Sexual Misconduct Policy to protect minors from clergy abuse, and in that same year held workshops for priests and Church personnel on ministry-related sexual misconduct. Included in the implementation of the policy was the establishment of the Sexual Misconduct Investigation Committee (SMIC), a panel of primarily laypersons to advise the bishop on matters related to clergy misconduct.

In 2003, the Sexual Misconduct Policy was updated to be in compliance with the publication of the Charter for the Protection of Children and Young People (the “Charter”) from the United States Conference of Catholic Bishops (USCCB). At that time, the name of SMIC was changed to the Diocesan Review Board (DRB). Victim Advocates were also named and their contact information placed in the *Northern Cross* and on the Diocesan website.

Also in 2003, background checks were required for clergy, employees and volunteers in the Diocese. In 2005, an online training program provided through the Boy Scouts of America was implemented. The program could be described as “an awareness session which better equips adults to protect children in the world around them. Online training has evolved with the adoption of a program from Catholic Mutual called *Safe Haven – IT’S UP TO YOU* and continues to be required of all clergy, Catholic school and parish employees, as well as all volunteers who have regular or unsupervised interaction with children under the age of 18.

In 2005, the Diocese established the Department of Safe Environment whose primary job is the implementation of the Charter and to ensure the completion of background checks, safe environment training for clergy, Diocesan and parish employees and volunteers working with minor children, and an age-appropriate, Church-approved personal safety instruction for minors in Schools, Faith Formation Programs and Youth Ministry Programs called Circle of Grace. The department also completes annual compliance audits under the terms of the Charter.

In furtherance of the goal of preventing sexual abuse of minors in the Church, the Diocese has voluntarily released the names, assignment histories, and current status of clergy members against whom “credible claims” of sexual abuse of a minor have been made. To date, the Diocese has publicly disclosed thirty-six (36) priests with credible claims of sexual abuse of a minor. Of these men, seventeen (17) are priests of the Diocese of Duluth, thirteen (13) are order priests and six (6) are from other dioceses. In regard to each individual against whom a credible claim has been made, including priests from other dioceses and religious orders, the Diocese has disclosed background and biographical information, on its Diocesan website.

These disclosures are ongoing. If a claim is determined to be credible, whether from the review of clergy files by outside experts or otherwise, the Diocese will share this information with the public by adding the name of the clergy member to the disclosure section of its website. The Diocese believes that disclosure is critically important if it is to do all that it can to keep children safe, help survivors of abuse heal, and regain the trust and confidence of our communities.

In December 2012, the Diocese implemented diocesan-wide processes to ensure that any report of sexual abuse of a minor by clergy is promptly reported to law enforcement. In the event any such claim is not manifestly false or frivolous, the accused clergy member will also be placed

on a leave of absence pending an investigation of the claim by police and then the Diocese. During the leave of absence, the accused clergy will not be permitted to engage in any public ministry.

VII.

THE CHAPTER 11 CASE

A. The Chapter 11 Filing

The Debtor commenced its Case on December 7, 2015 (the “**Petition Date**”). The Debtor’s Case was assigned to the Honorable Robert Kressel, United States Bankruptcy Judge. The Bankruptcy Court has entered several orders in this Chapter 11 case, each of which is available from the clerk of the Bankruptcy Court or may be viewed at the Bankruptcy Court’s website: www.mnb.uscourts.gov.

B. Retention of Counsel

Subsequent to the Petition Date, the Debtor remained in possession of its assets and property and continued to operate its businesses as the Debtor-in-Possession pursuant to §§1107 and 1108 of the Bankruptcy Code. By order of the Court, Elsaesser Anderson, Chtd. was authorized to act as bankruptcy counsel and Gray Plant Mooty as local counsel for the Debtor for this case.

C. Appointment of Creditors’ Committee

Pursuant to §§1102(a) and 1102(b) of the Bankruptcy Code, the United States Trustee appointed the Committee to serve in the Debtor’s case. The Committee consists of three (3) individuals who hold Tort Claims against the Debtor.

The Committee retained the law firm of Stinson Leonard Street LLP (now “Stinson, LLP”) to represent it throughout this case. Since its appointment, the Committee has taken an active role in the Debtor’s case and been involved in virtually every major event that transpired during the Chapter 11 process, including taking an active role in an asset sale, acting as party to 4 of the 5 of the Insurance Settlement Agreements, and jointly assisting in the terms of the Plan with the Debtor and its Settling Insurers, and negotiating with other similarly situated claimants over the terms of the Plan and the procedures for allocating funds to Tort Claimants.

The Committee has also performed its investigatory function by reviewing information supplied by the Debtor and third parties, as well as conducting its investigation to determine if any other assets could be made available to pay Claims of Tort Claimants or other creditors. The Committee also commenced certain litigation to enhance creditor recoveries as discussed below.

D. Unknown Claims Representative

On November 21, 2017, the Debtor moved for the appointment of U.S. District Judge Michael R. Hogan, retired, as Unknown Claims Representative for the Debtor-in-Possession, and on January 4, 2018 an Order was entered approving Judge Hogan’s appointment. The Unknown Claims Representative is the legal representative for those claimants filing Tort Claims as defined

in Section 83 of the Plan, for which a Claim was not timely filed on the Bar Date. The Unknown Claims Representative's responsibilities and duties include: (i) undertaking an investigation and analysis to assist the Bankruptcy Court in determining the estimated number of Unknown Tort Claims and Claim amounts held by the Unknown Tort Claimants; (ii) filing Proofs of Claim on behalf of all Unknown Tort Claimants by the Bar Date or any Bankruptcy Court ordered extension thereof; (iii) negotiating with the Debtor and other appropriate parties the Plan provisions for the evaluation, determination, and amounts of Unknown Tort Claims and number of Unknown Tort Claimants; (iv) advocating the legal position of the Unknown Tort Claimants before the Bankruptcy Court, and if necessary, filing pleadings and presenting evidence on any issue affecting the claims of the Unknown Tort Claimants; (v) taking all other legal actions reasonably necessary to represent the interests of the Unknown Tort Claimants; and (vi) serving as an independent fiduciary acting on behalf of all Unknown Tort Claimants.

Once the Unknown Claims Representative has completed his analysis, he will issue his report and recommendation. The number of Unknown Tort Claimants will be estimated for purposes of Plan confirmation. The treatment of Unknown Tort Claims is set forth below in the discussion of the treatment of Class 4 Claims.

E. Asset Sales and Other Dispositions; Planned Dispositions

As detailed on Schedule A of the Debtor's Schedules, as of the Petition Date, the Debtor owned approximately 5 parcels of real property. The Debtor has sold, or intends to sell or encumber the following property:

1. **Bishop's Residence:** Physical address of 303 Ridgewood Road, Duluth, MN. The Debtor plans to sell the Bishop's residence, which value is set forth on the Schedules at \$548,400.00, for roughly net \$500,000.00. The net proceeds will be used to fund the Debtor's portion of the contribution of \$8,500,000.00 into the Trust on behalf of the Tort Claimants.
2. **Undeveloped Land:** Physical address is 16898 Carlson Lake Road, Brainerd, MN. On or about June 23, 2016, the Debtor sold the undeveloped land for gross price of \$120,000.00. The net proceeds were used to continue the Debtor's ministry, and such proceeds were transferred to the General Operating Account.

F. Bar Dates and Objections to Claims

By Order dated January 7, 2016 (the "**Bar Order**"), the Bankruptcy Court set May 25, 2016 (the "**Bar Date**") as the last day for creditors, including Tort Claimants, to file a proof of claim. A notice of the Bar Date was sent to in excess of 150 parties. In addition, publication notice of the Bar Date was made in approximately 22 regional and local newspapers on two (2) separate occasions, and was made available for posting at various radio and TV stations, and at Catholic and governmental agencies.

The Debtor and the Committee's Professionals have reviewed the Claims filed by creditors. A total of 125 Class 3 Claims have been timely filed in the Debtor's Chapter 11 Case. Various Parishes, missions or programs also filed 29 contingent indemnification claims, as they were sued

as co-defendant along with the Debtor on various abuse allegations. The Debtor also filed 56 additional proofs of claim as unsecured claims, for Parishes, missions and programs, which may have a claim of contingent indemnification against the Debtor.

In addition, 3 non-Tort Claims were scheduled, and 2 Proofs of Claim have been timely filed.

To the extent the Debtor has the right to object to Claims (only the Trust has the right to object to Tort Claims) and deems it prudent and/or cost effective to object to Claims, the Plan provides that the Debtor has sixty (60) days from the Effective Date to file objections to filed Claims. If the Debtor fails to object to a properly filed Claim on or before sixty (60) days from the Effective Date, then such Claim will be deemed allowed if such Claim is a non-Tort Claim and will be entitled to the Distribution under the Plan applicable to the particular class in which such Claim is classified. The Plan provides that Tort Claims will not be allowed Claims, but treated as provided in the Plan.

G. Plan Exclusivity

Pursuant to §1121 of the Bankruptcy Code, a debtor-in-possession is granted a 120-day exclusive period from the Chapter 11 filing date to file a plan of reorganization. During such time, only the Debtor can file a plan of reorganization. However, the Bankruptcy Code provides that the court can increase a debtor's exclusive period to file and confirm a plan of reorganization for cause shown up to eighteen (18) months after commencement of the case. As of August 7, 2017, the Debtor's exclusive right to file a Plan terminated.

H. Post-Petition Operations and Select Financial Information

Since the Petition Date, the Debtor has continued to operate its business. During a typical month, the Debtor spends approximately \$293,056.00.

Set forth below is a summary of the Debtor's remaining assets as of April 30, 2019:

1. **Funds in Investment Account.** As of April 30, 2019, the Debtor had \$752,230.00 on deposit and investments of \$137,541.00. Such investments are not all liquid.
2. **Operating Cash.** As of April 2019, the Debtor maintained approximately \$829,919.00 in cash in its operating account.
3. **Real Estate.** The Debtor currently owns four parcels of real property with a value of approximately \$614,900.00, as follows:
 - Bishop's Residence, located in Duluth, MN, valued at \$548,400.00, pursuant to tax records;
 - Baroga Cross Land, located in St. Louis County, valued at \$1,100.00, pursuant to tax records;

- Crow Wing Chapel, located in Crow Wing County, valued at \$65,400.00, pursuant to tax records;
 - Pastoral Center, located in Duluth, MN, fractional interest, unknown value.
4. The Debtor currently owns personal property (accounts receivable, prepaid expenses including insurance, workman's compensation, furniture and fixtures), with a scheduled value of \$1,344,400.00. It is believed these assets are worth substantially less than as scheduled due to receivables that are not collectible. The true asset value is believed to be roughly in the range of \$300,000.00.

I. Post-Petition Litigation – Adversary Proceeding 16-05012 Regarding Insurance Coverage:

A complaint was filed by Debtor against Liberty Mutual Group, Catholic Mutual Relief Society of America, Fireman's Fund Insurance Company, Church Mutual Insurance Company and the Continental Insurance Company, seeking declaratory judgment to determine the extent of the rights of the Debtor in insurance policies and certificates and to the extent which that interest may be property of the estate under 11 U.S.C. § 541. In a nutshell, the Debtor sought to determine the extent of coverage as to the sexual abuse claims raised against the Debtor.

On February 6, 2017, Liberty Mutual Group, Fireman's Fund Insurance Company, and Continental Insurance Company filed in the Adversary Proceeding a Motion to Withdraw Reference, and on February 22, 2017 the Bankruptcy Court forwarded to the District Court the Motion to Withdraw Reference and Plaintiffs' Objection thereto. On July 24, 2017 the Adversary Proceeding was transferred to the U.S. District Court, District of Minnesota, and was assigned Case No. 17-CV-3254.

The Debtor reached a settlement with the Fireman's Fund Insurance Company in the amount of \$975,000.00, which was approved by the Bankruptcy Court on January 4, 2018, and with the Catholic Mutual Relief Society of America in the amount of \$8,950,000.00, which was approved by the Bankruptcy Court on January 14, 2018. On June 28, 2018 the Debtor reached agreement with Church Mutual Insurance Company in the amount of \$250,000.00, which was approved by the Bankruptcy Court on June 28, 2018.

Also on June 28, 2018, the Debtor reached agreement via settlement with the Continental Insurance Company for settlement in the amount of \$15,000,000.00, again made payable on behalf of the Tort Claimants of the Debtor.

Cross motions between the Debtor and Liberty Mutual Group were pending, the Debtor and Liberty Mutual Group reached a settlement by which Liberty Mutual Group agreed to pay the sum of \$6,500,000.00 to the Debtor for the benefit of the Tort Claimants. This settlement, which is the final settlement, has been approved by the Bankruptcy Court on March 7, 2019. The settlement amounts, with the exception of the Fireman's Fund portion, are available to fund the amounts due the Tort Claimants.

With the exception of the Liberty Mutual settlement, the Committee has been a party to each and every Insurance Settlement Agreement.

All settlements are set forth in the summary chart below.

Insurer	Settlement Amount
Catholic Mutual	\$8,950,000
CNA	\$15,000,000
Fireman's Fund	\$975,000 ⁴
Church Mutual	\$250,000
Liberty Mutual	\$6,500,000

Copies of the Insurance Settlement Agreements, as approved by the Bankruptcy Court, are attached as Exhibits D through H.

J. Settlement Negotiations and Mediations.

The parties engaged in four mediated settlement negotiations under the supervision of the Honorable Gregg W. Zive and the Honorable Jan M. Symchych (Ret.) between March 2016 and 2019. Extensive negotiations took place among the Debtor, its counsel, state-court counsel representing claimants, including those on the Committee, and the Settling Insurers' representatives and their counsel. The negotiations and mediation were extensive and intensive. As a result of the mediations and further negotiations, the Debtor and Settling Insurers, with the support of the Plaintiffs, agreed on essential terms of a settlement and have negotiated the terms and details of the Insurance Settlement Agreements.

In February of 2016, the Debtor moved for appointment of the mediator, in this case the Honorable Gregg W. Zive, to mediate all issues between the Debtor, the Committee and Plaintiffs, and insurance carriers. The Debtor, the Committee and insurance carriers participated in mediation before the Honorable Gregg W. Zive commencing on July 19, 2016. At that time the Parties participated in a productive two-day mediation session. Under the direction of Judge Zive, an additional mediation session was held the week of November 14, 2016. While progress was made, the Parties did not come to terms on an agreement since there were very many insurance issues pending. A third mediation was held in the spring of 2018, where settlement with CNA was reached.

Finally, on February 26, 2019, mediation was commenced with the Honorable Judge Jan M. Symchych (Ret.). This time it was known that all settlements were made with insurance carriers, and that the Liberty Mutual settlement was pending Court approval. Thus, the issues set

⁴ Unlike the other settlements, the Fireman's Fund settlement resulted in an immediate payment to the Diocese. The Fireman's Fund settlement proceeds have been used by the Diocese to fund the ongoing coverage litigation with the remaining insurers, per Court Order.

for mediation were as to the contributions of the Debtor towards the ultimate settlement to be made with the Committee and Tort Claimants. This final mediation was successful and resulted in the Debtor agreeing to contribute \$8,500,000.00 to the fund for the benefit of the Tort Claimants.

K. The Insurance Settlements.

Principal terms of the Insurance Settlement Agreements include:

Settlement Amount/Purchase Price. Each Diocesan Settling Insurer has, or shall pay to the Trust a portion of the \$30,700,000.00 in total insurance settlement proceeds as set forth in and in accordance with the terms of its respective Insurance Settlement Agreement. Under the Insurance Settlement Agreements, the Trust is the entity to which all Tort Claims (excluding Unknown Tort Claims) are channeled as the sole and exclusive source of payment of Tort Claims against the Debtor, the Diocese Parties or the Settling Insurers.

The Insurance Settlement Agreement with Fireman's Fund in the amount of \$975,000.00 provided that the \$975,000.00 shall be used by the Debtor to pay Bankruptcy Court approved administrative expenses, including Professional fees and expenses.

Releases. The Debtor and other releasing Diocese Parties, on the one hand, and the Settling Insurers, on the other, will grant complete mutual releases as to, among other things, any and all past, present, or future Claims in connection with, relating to, or arising out of, in any manner or fashion, the Tort Claims, the policies or certificates of insurance issued by the Settling Insurers, and the reorganization case, as set forth in the Insurance Settlement Agreements and the Plan. All Tort Claimants will be required to sign a release of the Protected Parties and the Settling Insurer Entities as to their claims, except for the right of Tort Claimants to collect from the Trust and the rights of the Unknown Tort Claimants to collect from the Reorganized Debtor, in each case pursuant to the terms of the Plan.

Sale and Buyback of Policies and Certificates. The Debtor and other releasing Diocese Parties will sell all of their Interests in the policies of insurance, free and clear of all liens, claims, encumbrances and other Interests pursuant to 11 U.S.C. § 363.

Channeling Injunction. The Settling Insurers will be entitled to receive the benefit of a Channeling Injunction under the Plan and Final Decree confirming the Plan. Any and all Channeled Claims are channeled to the Trust and shall be treated, administered, determined, and resolved under the procedures and protocols and in the amounts as established under the Plan and Trust Agreement as their sole and exclusive remedy for all holders of Channeled Claims.

Supplemental Settling Insurer Injunction. The Settling Insurers will be entitled to receive the benefit of a Supplemental Settling Insurer Injunction under the Plan and Final Decree confirming such Plan pursuant to 11 U.S.C. §§ 105(a) and 363. With the exception of the rights retained by Class 4 Claimants against the Reorganized Debtor, any and all Persons who have held, now hold or who may in the future hold any Interests (including all debt holders, all equity holders, governmental, tax and regulatory authorities, lenders, trade and other creditors, Tort Claimants (including Unknown Tort Claimants), perpetrators, and all others holding Interests of any kind or nature whatsoever, including those Claims released or to be released pursuant to the Insurance Settlement Agreements) against any of the Protected Parties or Settling Insurer Entities, which,

directly or indirectly, relate to, any of the policies or certificates, any Tort Claims or any Related Insurance Claims, are hereby permanently stayed, enjoined, barred, and restrained from taking any action, directly or indirectly, to assert, enforce or attempt to assert or enforce any such Interest against the Settling Insurers, the policies or certificates, and the Protected Parties to the extent such Interest arise from the same injury or damages asserted in connection with a Tort Claim. Notwithstanding any of the foregoing, the Unknown Tort Claimants are not releasing their claims against the Reorganized Debtor, and the Reorganized Debtor assumes the Protected Parties and Settling Insurers' liability for an obligation to pay, if any, Unknown Tort Claims.

Permanent Injunction Against Prosecution of Released and Channeled Claims.

Except as otherwise expressly provided in the Plan, for the consideration described in the Insurance Settlement Agreements, all Persons who have held, hold, or may hold Channeled Claims or Claims against the Diocese Parties, the Protected Parties, or the Settling Insurance Entities, whether known or unknown, will be permanently enjoined on and after the Effective Date from: (a) commencing or continuing in any manner, any action or any other proceeding of any kind, including, but not limited to, any Tort Claim or any Unknown Tort Claim against the Settling Insurance Entities or the property of the Settling Insurance Entities with respect to any Claim or Channeled Claim; (b) seeking the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against the Settling Insurance Entities or the property of the Settling Insurance Entities, with respect to any Claim or Channeled Claim; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Settling Insurance Entities or the property of the Settling Insurance Entities with respect to any Claim or Channeled Claim; (d) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due to the Settling Insurance Entities with respect to any Claim or Channeled Claim; and (e) taking any act, in any manner and in any place whatsoever, that does not conform to or comply with provisions of the Plan or any documents relating to the Plan, including, the Trust Agreement.

Indemnification of Settling Insurer Entities. The Trust indemnifies the Settling Insurer Entities against Tort Claims (other than Unknown Tort Claims) and the Reorganized Debtor indemnifies the Settling Insurer Entities against Tort Claims, including reasonable attorneys' fees, costs and expenses in defense and in enforcement of the injunctions provided in the Plan.

Conditions to Settling Insurers' Payments. The Settling Insurers' payments are conditioned on, among other things entry of the Confirmation Order, and such Order becoming a Final Order. The Plan must be in all aspects consistent with the Insurance Settlement Agreements and contain no provisions that diminish or impair the benefits to which the Settling Insurers are entitled under the Insurance Settlement Agreements. The Insurance Settlement Agreements have previously been approved by the Bankruptcy Court, have been incorporated into the Plan, and will survive the confirmation and Effective Date of the Plan, subject to the limitations set forth in the Plan.

VIII.

SUMMARY OF THE PLAN

The Debtor and the Committee submit that the treatment of creditors under the Plan is more favorable than the treatment creditors would receive if the case were converted to Chapter 7.

Therefore, the Debtor and the Committee submit that the Plan is in the best interests of the creditors and the Debtor and the Committee recommend acceptance of the Plan by holders of Claims in Classes 3, 4, 5, 6A, and 6B.

THE SUMMARY OF THE PLAN SET FORTH BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PROVISIONS SET FORTH IN THE PLAN, THE TERMS OF WHICH CONTROL.

A. General

A. Brief Explanation of Chapter 11

Chapter 11 is the principal business or operations reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business or operations for the benefit of itself and its creditors. Upon the filing of a petition for reorganization under Chapter 11 and during the pendency of the case, the Bankruptcy Code imposes an automatic stay of all attempts to collect claims or enforce liens against the Debtor, including the commencement of any sexual abuse litigation.

Confirmation and consummation of a plan of reorganization is the principal objective of a Chapter 11 case. In general, a plan divides the claims against a debtor into separate classes and allocates plan distributions among those classes. If the legal, equitable and contractual rights of a class are unaffected by a plan, such class is considered “unimpaired”. All unimpaired classes are deemed to have accepted a plan and therefore are not entitled to vote thereon. Bankruptcy Code §1126(g), on the other hand, provides that all classes of claims that do not receive or retain any property under a plan on account of such claims are deemed to have rejected such plan. All classes of claims that are considered “impaired” are entitled to vote on a plan.

Under the Bankruptcy Code, acceptance of a plan is determined by class; therefore, it is not required that each holder of a claim in an impaired class vote in favor of a plan in order for the Bankruptcy Court to confirm a plan. Generally, each impaired class must vote to accept a plan; however, the Bankruptcy Court may confirm a plan in certain circumstances without the acceptance of all impaired classes if at least one (1) impaired class votes to accept a plan and certain other statutory tests are satisfied. Many of these tests are designed to protect the interests of creditors who either do not vote or vote to reject such plan but who will nonetheless be bound by such plan if it is confirmed by the Bankruptcy Court.

B. Acceptance of the Plan

As a condition to confirmation, Bankruptcy Code §1129(a) requires that: (a) each impaired class of claims votes to accept the plan; and (b) the plan meets the other requirements of §1129(a). As explained above, classes that are unimpaired are deemed to have accepted the plan and therefore are not entitled to vote thereon, and classes that do not receive or retain any property under the plan are deemed to have rejected the Plan and likewise are not entitled to vote thereon. Accordingly, acceptances of the Plan are being solicited only from those parties who hold Claims classified in impaired Classes that are to receive distributions under the Plan.

An impaired class of claims will be deemed to have accepted a plan if holders of at least two-thirds in dollar amount and a majority in number of claims in such class who cast timely ballots vote to accept the plan.

C. Classification of Claims Generally

Bankruptcy Code Section 101(5) defines a claim as: (a) a “right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured”; or (b) a “right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.”

Bankruptcy Code Section 1123 provides that a plan of reorganization shall designate classes of claims against a debtor. Bankruptcy Code Section 1122 further requires that each class of claims contain only claims that are “substantially similar” to each other. The Debtor believes that they have classified all Claims in compliance with the requirements of Sections 1122 and 1123. However, it is possible that a holder of a Claim may challenge such classification and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, the Debtor would, to the extent permitted by the Bankruptcy Court, modify the classifications in the Plan as required and use the acceptances received in this solicitation for the purpose of obtaining the approval of a Class or Classes of which the accepting holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class of which such holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. Furthermore, a reclassification of Claims may necessitate a re-solicitation.

B. Classification and Treatment of Claims Under the Plan

The following describes the classification of Claims under the Plan and the treatment that holders of Claims, whether Tort Claims or otherwise, are to receive if the Plan is confirmed and becomes effective. A Claim is classified in a particular Class only to the extent that the Claim fits within the description of that Class and is classified in a different Class to the extent that any remainder of the Claim fits within the description of such different Class.

A. Unclassified Claims

The Plan does not classify Administrative Claims, statutory fees due to the United States Trustee, or Priority Tax Claims, but does provide for the following treatment of such Claims.

1. **United States Trustee Fees.** All fees payable by the Debtor under Section 1930 of Title 28 of the United States Code that have not been paid prior to the Effective Date shall be paid by the Debtor or the Reorganized Debtor on or before the Effective Date. In addition, the Debtor, or any successor thereto by merger, consolidation or otherwise, on or after the Effective Date, shall be liable for and shall pay such fees until the entry of a Final Decree in this case or until the case is converted or dismissed. The Reorganized

Debtor shall file post-confirmation operating reports with the Bankruptcy Court and the United States Trustee until a final decree is entered.

2. **Administrative Claims.** An “Administrative Claim” is a Claim for payment of an administrative expense of a kind specified in Bankruptcy Code Section 503(b) and referred to in Bankruptcy Code Section 507(a)(2), including the actual and necessary costs and expenses of preserving the Estate or operating the Debtor’s businesses after the commencement of a Chapter 11 case, loans and advances made to the Debtor after the Petition Date, compensation for legal and other services and reimbursement of expenses awarded or allowed under Bankruptcy Code Sections 330(a), 331 or 503, certain retiree benefits, certain reclamation Claims, and all fees and charges against the Estate pursuant to Chapter 123 of Title 28 of the United States Code.

The Plan provides that each holder of an Allowed Administrative Claim (including, without limitation, the professionals’ fees and expenses incurred by the Professionals and allowed in a Final Order of the Bankruptcy Court) shall be paid in full, in Cash, by the Reorganized Debtor (i) within seven (7) days after the later to occur on the Effective Date or the date the Order allowing such Administrative Claim becomes a Final Order; or (ii) upon such terms as may exist pursuant to Order of the Bankruptcy Court or an agreement between such holder of an Allowed Administrative Claim and the Debtor.

The Debtor estimates that the aggregate final amounts due to professionals shall total approximately \$1,300,000. This includes the professional fees of Elsaesser Anderson, Chtd., bankruptcy counsel for the Debtor, and Stinson, LLP, counsel for the Creditors’ Committee. It also includes the fees of Blank Rome, insurance counsel; Gray Plant Mooty, counsel to the Debtor and Johnson, Killen and Seiler, PA, corporate counsel to the Debtor. The \$1,300,000 in professional fees represents the Debtor’s best estimate of the unpaid fees due through the Effective Date.

With respect to the trade Claims arising after the Petition Date representing obligations incurred by the Debtor in the ordinary course of its businesses consistent with past practice, such trade Claims shall be paid in the ordinary course of business. The Debtor estimates that post-petition ordinary course payables as of the Effective Date will be approximately \$83,131.00. As to other Allowed Administrative Claims, except as otherwise provided in the Plan, the Plan provides that each holder of an Allowed Administrative Claim: (i) shall be paid by the Reorganized Debtor on the Effective Date or the date the Order allowing such Administrative Claim becomes a Final Order; and (ii) shall receive, on account of and in full satisfaction of such Allowed Administrative Claim, cash equal to the amount thereof, unless the holder agrees to less favorable treatment of such Allowed Administrative Claim.

The Plan further provides that Professional Persons with Claims for services rendered during this Chapter 11 Case, must file requests for payment within forty-five (45) days after notice of the Effective Date is filed with the Bankruptcy Court.

Administrative Claims representing obligations incurred by the Debtor after the date and time of the entry of the Confirmation Order (including, without limitation, Claims for professionals' fees and expenses) shall not be subject to application to the Bankruptcy Court and may be paid by the Reorganized Debtor in the ordinary course of business and without Bankruptcy Court approval. After the Confirmation Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval by the Court, pay the reasonable fees and expenses of the Professional Persons employed by the Debtor in connection with the implementation and consummation of the Plan, the claims reconciliation process and any other matters as to which such Professionals may be engaged.

Administrative Claims representing fees and expenses of Professionals that are employed by the Committee, which are incurred prior to the Effective Date of the Plan in connection with the implementation and consummation of the Plan may be paid by the Debtor or the Reorganized Debtor, after notice and a hearing, or by the Trust from contributions by the Debtor or the Reorganized Debtor in addition to the amounts payable to Tort Claimants under the Plan.

Administrative Claims representing fees and expenses of Professionals that are employed by the Debtor prior to the Effective Date of the Plan shall not be paid by the Trust.

B. Priority Tax Claims

A "Priority Tax Claim" is an Unsecured Claim of a governmental unit entitled to priority in payment pursuant to any provision of the Bankruptcy Code §507(a)(8). The Debtor has no pre-petition tax claims entitled to priority.

C. Class 1 – Priority Claims

1. Definition. A Class 1 Claim means an allowed claim described in, and entitled to priority under Sections 507(a) and 503(b)(9) of the Bankruptcy Code other than an Administrative Claim or a Priority Tax Claim.
2. Treatment. Unless the holder of an allowed Class 1 Claim and the Diocese or the Reorganized Debtor (as applicable) agree to a different treatment, the Reorganized Debtor shall pay each such allowed Class 1 Claim in full, in cash, without interest, from ongoing operations on the later of the Effective Date (or as soon thereafter as is practicable) and the date a Class 1 Claim becomes an allowed claim (or as soon thereafter as is practicable).

D. Class 2 – Governmental Unit Claims

1. Definition. A "Class 2 Claim" means an allowed claim of Governmental Units not otherwise a Priority Claim.
2. Treatment. Unless the holder of an allowed Class 2 Claim and the Diocese or the Reorganized Debtor (as applicable) agree to a different treatment, the Reorganized Debtor shall pay each such allowed Class 2 Claim in full, in cash, without interest, from ongoing operations on the later of the Effective

Date (or as soon thereafter as is practicable) and the date a Class 2 Claim becomes an allowed claim (or as soon thereafter as is practicable).

E. Class 3 – Tort Claims Other Than Unknown Tort Claims

1. Definition. A Class 3 Claim means a Tort Claim other than an Unknown Tort Claim (“Class 3 Claim”). A “Class 3 Claimant” shall mean a holder of a Class 3 Claim.
2. Summary. The Plan creates a Trust to fund payments to Class 3 Claimants entitled to such payments under the Plan, Trust Agreement and Trust Distribution Plan. Class 3 Claimants’ share of the Trust Assets as provided by the Trust Distribution Plan is the only amount, if any, they will be entitled to receive from the Protected Parties and Settling Insurer Entities. Distribution from the Trust does not preclude Claims or recoveries by Tort Claimants against Persons who are not Protected Parties or Settling Insurer Entities for the liability of such Persons not attributable to the causal fault or share of liability of Protected Parties or Settling Insurer Entities under the Settling Insurer Entity Policies. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of a Tort Claim shall not be liable for any Protected Party’s share of causal liability or fault.
3. Reservation. Except with respect to the Protected Parties and the Settling Insurer Entities, nothing in the Plan is intended to affect, diminish, or impair the rights of any Tort Claimant against any Person named or that could be named as a defendant in a lawsuit based on the Abuse that forms the basis for his or her Tort Claim except that the rights of Tort Claimants against third-parties, including joint tortfeasors, does not include the right of Tort Claimants to collect or to obtain a reallocation of the share of any judgment initially allocated to a Protected Party to any third-party based on the causal fault or share of liability of Protected Parties. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with a Tort Claim shall not be liable for any Protected Party’s share of liability or fault. Under no circumstances will the reservation of such Tort Claimant’s rights against any other Person impair the discharge, Channeling Injunction, Permanent Injunction, or Supplemental Settling Insurer Injunction with respect to any Protected Party, the Reorganized Debtor or Settling Insurer Entities.
4. Treatment. The Protected Parties’ and Settling Insurer Entities’ liability for and obligation to pay, if any, Class 3 Claims shall be assigned to and assumed by the Trust. Each Class 3 Claim will be estimated solely for purposes of voting. The Protected Parties and the Settling Insurer Entities shall have no further liability in connection with Class 3 Claims.

5. Release and Certification. No Class 3 Claimant shall receive any payment on any award unless and until such Class 3 Claimant has executed the Release of the Protected Parties and Settling Insurer Entities attached as Exhibit E to the Plan. Notwithstanding the foregoing, nothing in this Article requires any Tort Claimant to release any Claims against any joint tortfeasor who is not a Protected Party or Settling Insurer Entity, and such Claims are reserved. But in no event may a Tort Claimant collect on that portion of any judgment or obtain any reallocation of any judgment based on the causal fault or share of liability of any Protected Parties. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of a Tort Claim shall be provided by the Trustee with a copy of the executed Release upon reasonable request and provision of an appropriate, executed confidentiality agreement and shall not be liable for any Protected Parties' share of liability or fault. The release of these Class 3 Claims is pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978). The Trust shall be obligated to provide copies of the Tort Claimants' releases and certifications to any of the Protected Parties or Settling Insurer Entities upon request.

F. Class 4 - Unknown Tort Claims

1. Definition. A Class 4 Claim means a Unknown Tort Claim ("Class 4 Claim"). A "Class 4 Claimant" shall mean a holder of a Class 4 Claim.
2. Summary. Plan requires that the Reorganized Debtor fund payments to Class 4 Claimants entitled to such payments under the Plan and Trust Distribution Plan. Class 4 Claimants will not receive any distributions from the Trust or from any Trust Assets. Payment by the Reorganized Debtor and/or distribution from the Trust does not preclude Claims or recoveries by Tort Claimants against Persons other than the Protected Parties and Settling Insurer Entities for the liability of such other Persons not attributable to the causal fault or share of liability of Protected Parties or Settling Insurer Entities under the Settling Insurer Entity Policies. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of a Tort Claim shall not be liable for any Protected Party's share of liability or fault.
3. Reservation. Except with respect to the Protected Parties (other than the Reorganized Debtor) and the Settling Insurer Entities, nothing in the Plan is intended to affect, diminish, or impair the rights of any Unknown Tort Claimant against any Person named or that could be named as a defendant in a lawsuit based on the Abuse that forms the basis of his or her Unknown Tort Claim except that the rights of Unknown Tort Claimants against third-parties, including joint tortfeasors, does not include the right of Unknown Tort Claimants to collect or to obtain a reallocation of the share of any judgment initially allocated to a Protected Party to any third-party based on

the causal fault or share of liability of Protected Parties. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of an Unknown Tort Claim shall not be liable for any Protected Party's share of liability or fault. Under no circumstances will the reservation of such Unknown Tort Claimant's rights against any other Person (including the Reorganized Debtor) impair the Channeling Injunction, Permanent Injunction, Supplemental Settling Insurer Injunction with respect to any Protected Party, Settling Insurer Entities or the Reorganized Debtor (except for the Reorganized Debtor's obligations to pay such claims under the Plan of Reorganization).

4. Treatment. The Protected Parties' and Settling Insurer Entities' liability for and obligation to pay, if any, Class 4 Claims shall be assumed by the Reorganized Debtor. The maximum amount of the Reorganized Debtor's obligation to pay Class 4 Claimants shall be determined by the Unknown Claims Representative in his report and recommendation which is incorporated by reference and attached to the Plan as Exhibit A. With the exception of the Reorganized Debtor, the Protected Parties and the Settling Insurer Entities shall have no further liability therefor. The Diocese will submit all potential Class 4 Claimants' information to the Unknown Tort Claim Representative for determination of the potential claimant's inclusion as a Class 4 Claimant. Individuals determined to hold a Class 4 Claim shall provide sufficient information to allow the Tort Claims Reviewer to make an evaluation of the Class 4 Claim pursuant to the factors in the Trust Distribution Plan, before any payment shall be made on a Class 4 Claim by the Reorganized Debtor.
5. Determination of Class 4 Claims. Class 4 Claims will not be channeled to the Trust. Class 4 Claims will be determined by the Tort Claims Reviewer in accordance with the Tort Claims Trust Distribution Protocols and shall be paid solely by the Reorganized Debtor.
6. Release and Certification. No Class 4 Claimant shall receive any payment on any award unless and until such Class 4 Claimant has executed the Release of Protected Parties and Settling Insurer Entities attached as Exhibit F to the Plan. Notwithstanding the foregoing, nothing in this Article requires any Unknown Tort Claimant to release any Claims against any joint tortfeasor who is not a Protected Party (excluding the Reorganized Debtor) or a Settling Insurer Entity and such Claims are reserved. But in no event may a Class 4 Claimant collect on that portion of any judgment or obtain reallocation of any judgment based on the causal fault or share of liability of any Protected Party. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with an Unknown Tort Claim shall be provided by the Reorganized Debtor with a copy of the executed Release upon reasonable request and provision of an appropriate, executed confidentiality agreement and shall not be liable for any Protected Parties' share of liability or fault. The release of these Class 4 Claims

against Protected Parties (excluding the Reorganized Debtor) and Settling Insurer Entities is pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978). The Reorganized Debtor shall be obligated to provide copies of the Tort Claimants' releases and certifications to any of the Protected Parties or Settling Insurer Entities upon request.

G. Class 5 – General Unsecured Claims

1. Definition. A Class 5 Claim means (1) any claim arising out of the rejection of any executory contract, or (2) any Unsecured Claim that is not included in another class under the Plan and is not listed as disputed, contingent or unliquidated on the Debtor's schedules filed in connection with this Chapter 11 case ("Debtor's Schedules") or as to which the holder of such claim timely filed a claim.
2. Treatment. The holders of Class 5 Claims shall receive, directly from the Reorganized Debtor, payment in full of such allowed Class 5 Claim, without interest, in two equal installments. The first installment shall be due within 90 days following the Effective Date. The second installment shall be due and payable within 180 days following the Effective Date.

H. Classes 6A and 6B – Abuse Related Contingent Claims

1. Class 6A Definition. A Class 6A Claim means (i) any Claim for contribution, indemnity or reimbursement arising out of or related to the Diocese's liability to pay or defend any Class 3, and (ii) the Claim of any insurers or other Persons who are subrogated to the Claims identified in Section 4.7(a)(i).
2. Class 6A Treatment. Claims in Class 6A shall be allowed or disallowed in accordance with Section 502(e)(1) of the Bankruptcy Code, and Class 6A Claims will receive no distribution under the Plan and will be channeled to the Trust. The treatment of Class 6A Claims shall include the release and certification procedures contemplated under Sections 4.3 and 4.4 above. The Plan does not allow Tort Claimants to collect that portion of any judgment or obtain reallocation of any judgment based on the causal fault or share of liability of any Protected Party. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with a Tort Claim shall not be liable for any Protected Party's share of liability or fault.
3. Class 6B Definition. A Class 6B Claim means (i) any Claim for contribution, indemnity or reimbursement arising out of or related to the Diocese's liability to pay or defend any Class 4 Claim, and (ii) the Claim of any insurers or other Persons who are subrogated to the Claims identified in Section 4.7(b)(i).

4. Class 6B Treatment. Claims in Class 6B shall be allowed or disallowed in accordance with Section 502(e)(1) of the Bankruptcy Code, and Class 6B Claims will receive no distribution under the Plan and will be assumed by the Reorganized Debtor. The treatment of Class 6B Claims shall include the release and certification procedures contemplated under Sections 4.3 and 4.4 above. The Plan does not allow Tort Claimants to collect that portion of any judgment or obtain reallocation of any judgment based on the causal fault or share of liability of any Protected Party. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with a Tort Claim shall not be liable for any Protected Party's share of liability or fault

C. Means for Execution of the Plan

A. Establishment of Trust

On the Confirmation Date, the Trust will be established in accordance with the Trust Documents. The Debtor shall qualify as a Qualified Settlement Fund pursuant to Section 468B of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. DW Harrow & Assoc., LLC will be the Trustee.

B. Funding of Trust

- (a) Within two (2) business days after the order confirming the Plan becomes a non-appealable order, Debtor will fund the trust in the amount of \$8,500,000.00.
- (b) Each Diocesan Settling Insurer has, or shall pay to the Trust a portion of the \$30,700,000.00 in total insurance settlement proceeds as set forth in and in accordance with the terms of its respective Insurance Settlement Agreement.

C. Establishment of Reserve Accounts

As set forth in the Trust Agreement and Article VI of the Plan, the Trustee shall establish Reserves for various purposes, including the payment of the Tort Claims. The Reorganized Debtor shall establish the Unknown Tort Claim Reserve Fund in the amount provided for in the Unknown Tort Claims Representative's Report and Recommendation, which is attached as Exhibit A to the Plan. The Reorganized Debtor shall maintain the Unknown Tort Claim Reserve Fund until the later of (i) fifteen days after the Reorganized Debtor provides written notice to the Trustee that the Unknown Tort Claim Reserve Fund has been exhausted or (ii) the occurrence of the sixth (6th) anniversary of the Effective Date.

D. Liquidation and Payment of Tort Claims

1. The Trust shall pay Tort Claims in accordance with the terms of the Plan, Confirmation Order and Trust Documents.

2. Nothing in the Trust Documents shall (i) impose any costs, directly or indirectly, upon the Estate or any Settling Insurer or relating to the treatment of Tort Claims, except that the Reorganized Debtor shall be liable for all fees and expenses of the Trust and for payment of Unknown Tort Claims; or (ii) otherwise modify the rights or obligations of the Estate as otherwise set forth in the Plan.
3. Effect of No Award On Tort Claims. If a Tort Claimant is denied payment pursuant to the Trust Distribution Protocols, the holder of such Tort Claim will have no further rights against the Trust, Trustee or the Protected Parties.
4. Treatment of Attorneys' Fees and Costs of Tort Claimants. Subject to the treatment of Qualified Counsel Fees and Qualified Counsel Costs pursuant to the Plan, the fees and expenses of attorneys representing Tort Claimants who receive payment from the Trust will be borne by such Tort Claimants based on applicable state law and individual arrangements made between such Tort Claimants and their respective attorneys. The Protected Parties will not have any liability for any fees and expenses of attorneys representing any of the Tort Claimants. The Trust and the Trustee will not have any liability for any fees and expenses of attorneys representing any of the Tort Claimants, except to the extent that the Trust or the Trustee is required to make payments pursuant to the provisions relating to Qualified Counsel Fees and Qualified Counsel Costs.
5. Treatment of Punitive Damages. Claims for punitive or exemplary damages in connection with any of the Tort Claims will be treated as penalty Claims and will receive no distribution under the Plan.
6. Withdrawal of Tort Claims. A Class 3 Claimant may withdraw the Claim at any time on written notice to the Trustee. If withdrawn, the Claim will be withdrawn with prejudice and may not be reasserted.
7. Before the Trustee will pay a Tort Claim to any Class 3 Claimant, the Trust and the Class 3 Claimant must comply with Article VI and Section 6.12(e) of the Plan and its subsections.
8. The failure by one or more Medicare Beneficiaries or other Class 3 Claimants to comply with Section 6.12(e) of the Plan and its subsections shall not delay or impair the payment by the Trustee to any other Medicare Beneficiary or other Class 3 Claimant complying with these provisions.
9. If the Class 3 Claimant is an estate of a Class 3 Claimant, then the letters or documentation required pursuant to Section 6.12(e) of the Plan need not be dated within 90 days of the date of payment by the Trustee to such claimant.

E. Treatment of Executory Contracts and Unexpired Leases

Subject to the requirements of Section 365, all executory contracts and unexpired leases of the Debtor that have not been rejected by Order of the Bankruptcy Court or are not the subject of a motion to reject pending on the Confirmation Date will be deemed assumed by the Reorganized Debtor on the Effective Date. If any party to an executory contract or unexpired lease that is being assumed objects to such assumption, the Bankruptcy Court may conduct a hearing on such objection on any date that is either mutually agreeable to the parties or fixed by the Bankruptcy Court. All payments to cure defaults that may be required under Section 365(b)(1) of the Bankruptcy Code will be made by the Reorganized Debtor. In the event of a dispute regarding the amount of any such payments, or the ability of the Debtor to provide adequate assurance of future performance, the Reorganized Debtor will make any payments required by Section 365(b)(1) of the Bankruptcy Code after the entry of the Final Order resolving such dispute. The contracts which will be assumed by the Debtor, shown in their total amount, are as follows: None, all equipment leases have expired.

D. Procedure for Determination of Claims Other than Tort Claims Based on the Sexual Abuse Proof of Claim Form.

A. Objection to Claims.

Notwithstanding the occurrence of the Effective Date and except as to any Claim that has been Allowed prior to the Effective Date or any Tort Claim, the Reorganized Debtor may object to the Allowance of any Claim against the Debtor or seek estimation thereof on any grounds permitted by the Bankruptcy Code by filing an objection within sixty (60) days after the Effective Date.

B. Disputed Claims.

Except as to any Tort Claim, no payments or other distributions will be made to holders of Disputed Claims until such Claims are allowed Claims pursuant to Final Order.

C. Treatment of Contingent Claims.

Until such time as a Contingent Claim or a Contingent portion of an Allowed Claim becomes fixed or absolute or is Disallowed, such Claim will be treated as a Disputed Claim for all purposes related to distributions under the Plan.

E. Provisions Governing Distributions

A. Distribution Only to Holders of Allowed Claims.

Except as otherwise provided in the Plan, distributions under the Plan and the Plan documents will be made only to the holders of allowed Claims and in the case of Tort Claims, only pursuant to the Plan and the Trust documents and only after delivery of appropriate releases. Until a Disputed Claim becomes an Allowed Claim, the holder of that Disputed Claim will not receive any distribution otherwise provided to the claimants under the Plan or the Plan documents. If necessary in determining the amount of a *pro rata* distribution due to the holders of Allowed

Claims in any Class, the Reorganized Debtor or the Trustee, as applicable, will make the *pro rata* calculation as if all Unresolved Claims were Allowed Claims in the full amount Claimed or in the Estimated Amount. When an Unresolved Claim in any Class becomes an Allowed Claim, the Reorganized Debtor or the Trustee, as applicable, will make full or partial distributions, as applicable, with respect to such Allowed Claim, net of any setoff contemplated by the Order, if any, allowing such Claim and/or any required withholding of applicable federal and state taxes.

B. Transmittal of Distributions.

Except as otherwise provided in the Plan, in the Plan documents, or in an Order of the Bankruptcy Court, distributions to be made under the Plan, Confirmation Order or Trust Documents to Class 3 Claimants will be made by the Trustee and Distributions to all other claimants will be made by the Reorganized Debtor. Distributions to Class 3 Claimants will be made (a) to the client trust account for attorneys of record of Class 3 Claimants, (b) if the Class 3 Claimant does not have an attorney of record, to the latest mailing address set forth in a Proof of Claim filed with the Claims Agent or the Bankruptcy Court by or on behalf of such claimant, or to such other address as may be provided to the Reorganized Debtor or Trustee, as applicable, by such claimant in writing, or (c) if no such proof of claim has been filed and no written notice setting forth a mailing address is provided by or on behalf of such claimant to the Reorganized Debtor or Trustee, as applicable, to the mailing address set forth in the Schedules filed by the Debtor in this Case. Distributions to other claimants will be made by wire or first class United States mail, postage prepaid, (a) to the client trust account for attorneys of record of the claimant, (b) if the claimant does not have an attorney of record, to the latest mailing address set forth in a proof of claim filed with the Claims Agent or the Bankruptcy Court by or on behalf of such claimant, or to such other address as may be provided to the Reorganized Debtor, as applicable, by such claimant in writing, or (c) if no such proof of claim has been filed and no written notice setting forth a mailing address is provided by or on behalf of such claimant to the Reorganized Debtor, to the mailing address set forth in the Schedules filed by the Debtor in this Case. If a claimant's Distribution is not mailed or is returned to the Reorganized Debtor or Trustee because of the absence of a proper mailing address, the Reorganized Debtor or Trustee, as the case may be, shall make a reasonable effort to locate or ascertain the correct mailing address for such claimant from information generally available to the public and from such party's own records, but shall not be liable to such claimant for having failed to find a correct mailing address. The Trustee shall have no liability to a Class 3 Claimant on account of Distributions made to the client trust account of a Class 3 Claimant's attorney.

C. Timing of Distributions.

Unless otherwise agreed by the Reorganized Debtor or Trustee, as applicable, and the recipient of a Distribution under the Plan or the Plan documents, whenever any payment to be made is due on a day other than a business day, such payment will instead be made on the next business day, with interest to the extent expressly contemplated by the Plan or any applicable agreement or instrument. Any claimant that is otherwise entitled to an undeliverable Distribution and that does not, within thirty (30) days after a Distribution is returned to the Reorganized Debtor or Trustee, as applicable, as undeliverable or is deemed to be an undeliverable Distribution, provide the Reorganized Debtor or Trustee, as applicable with a written notice asserting its claim to that undeliverable Distribution and setting forth a current, deliverable address will be deemed

to waive any claim to such undeliverable Distribution and will be forever barred from receiving such undeliverable Distribution or asserting any Claim against the Reorganized Debtor, the Trust, the Trustee or its property. Any undeliverable Distributions that are not claimed under this Section will become available to distribute to other claimants or be retained by the Reorganized Debtor in accordance with the Plan. Nothing in the Plan requires the Reorganized Debtor, the Trust or the Trustee to attempt to locate any claimant whose Distribution is undeliverable. If an instrument delivered as a Distribution to a claimant is not negotiated within one hundred and twenty (120) days after such instrument was sent to the claimant, then the instrument shall be null and void, the claimant shall be deemed to have waived such Distribution, and it shall become available cash.

D. Form of Distributions.

Unless otherwise agreed by the Reorganized Debtor or Trustee, as applicable, and the recipient of a Distribution under the Plan or the Plan documents, all Distributions will be made, at the option of the Reorganized Debtor or Trustee, by a check by first class mail, postage prepaid, or by wire transfer.

E. No Professional Fees or Expenses.

No professional fees or expenses incurred by a claimant will be paid by the Debtor, the Reorganized Debtor or the Trustee with respect to any Claim except as specified in the Plan or the Trust Documents.

F. Claim Estimation.

In order to effectuate Distributions pursuant to the Plan and avoid undue delay in the administration of the Chapter 11 Case, the Debtor (if prior to the Effective Date) and the Reorganized Debtor (on and after the Effective Date), after notice and a hearing (which notice may be limited to the holder of such Disputed Claim), shall have the right to seek an Order of the Bankruptcy Court or the District Court, pursuant to § 502(c) of the Bankruptcy Code, estimating or limiting, on account of a Disputed Claim, the amount of (i) property that must be withheld from or reserved for distribution purposes on account of such Disputed Claim(s), (ii) such Claim for allowance or disallowance purposes, or (iii) such Claim for any other purpose permitted under the Bankruptcy Code; provided, however, that the Bankruptcy Court or the District Court, as applicable, shall determine (i) whether such Claims are subject to estimation pursuant to § 502(c) of the Bankruptcy Code, and (ii) the timing and procedures for such estimation proceedings, if any, such matters being beyond the scope of the Plan. Notwithstanding the foregoing, no party in interest except the Trustee may seek to estimate a Class 3 Claim.

G. No Interest on Claims.

Unless otherwise specifically provided for in the Plan, the Confirmation Order, or a postpetition agreement in writing between the Debtor and a holder of a Claim and approved by an Order of the Bankruptcy Court, postpetition interest shall not accrue or be paid on any Claim, and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. In addition, and without limiting the foregoing or any other provision of the Plan, Confirmation Order or Plan Trust Agreement, interest shall not accrue on or be paid on any

Disputed Claim in respect of the period from the Effective Date to the date a final Distribution is made when and if such Disputed Claim becomes an Allowed Claim.

H. Withholding Taxes.

The Reorganized Debtor shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. As a condition to making any distribution under the Plan, the Reorganized Debtor may require that the holder of an Allowed Claim provide such holder's taxpayer identification number and such other information and certification as may be deemed necessary to comply with applicable tax reporting and withholding laws.

I. No *De Minimis* Distributions.

Except as to Class 5 Claims, no cash payment of less than \$100 will be made by the Reorganized Debtor or the Trustee to any holder of an Allowed Claim. No consideration will be provided in lieu of the *de minimis* distribution that is not made under this Article. Allowed Claims that are entitled to a *pro rata* distribution of less than \$100 shall continue to accrue until such time as the *pro rata* distribution on account of such Claim will be \$100 or more.

J. Manner of Cash Payments.

Cash payments to domestic claimants will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Trustee or, at the Trustee's option, by wire transfer from a domestic bank. Cash payments to foreign claimants may be paid, at the Trustee's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction.

IX.

CONDITIONS TO EFFECTIVE DATE

A. Conditions to Occurrence of Effective Date

The Plan shall not become effective unless and until each of the following conditions shall have been satisfied in full in accordance with the provisions specified below:

1. Entry of Confirmation Order. The Confirmation Order has become a Non-Appealable Order;
2. The Trust. The Trust shall have been formed; and
3. Debtor Payments. The payments and assignments discussed in Section 5.1(b)(2)(i) and (iii) of the Plan shall have been received by the Trust.

B. Notice of Effective Date

The Plan Proponents shall file a Notice of Effective Date with the Bankruptcy Court within three (3) days after the occurrence of the Effective Date. Such notice will include all relevant deadlines put into effect by the occurrence of the Effective Date.

C. Effect of Non-Occurrence of Conditions

If substantial consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (i) constitute a waiver or release of any claims by or against the Protected Parties or the Settling Insurer Entities; (ii) prejudice in any manner the rights of the Protected Parties, the Trust or the Settling Insurer Entities; or (iii) constitute an admission, acknowledgement, offer, or undertaking by the Protected Parties or the Settling Insurer Entities in any respect, including but not limited to, in any proceeding or case against the Debtor; or (iv) be admissible in any action, proceeding or case against the Protected Parties or Settling Insurer Entities in any court or other forum.

X.

EFFECT OF PLAN CONFIRMATION

THE DISCHARGE AND INJUNCTIONS CONTAINED IN THE PLAN AND THE RELEASES PROVIDED UNDER THE PLAN AND THE DIOCESE INSURANCE SETTLEMENT AGREEMENTS DO NOT RELEASE OR IMPAIR A TORT CLAIMANT'S RIGHT TO RECOVER ON ANY TORT CLAIM AGAINST ANY PERPETRATOR OF SEXUAL ABUSE OR ANY SUCCESSOR OF THE DEBTOR AFTER THE EFFECTIVE DATE OF THE PLAN FOR ACTS OF ABUSE THAT ARE INDEPENDENT OF THE LIABILITY OF THE DEBTOR OR ANY PROTECTED PARTY.

A. Dissolution of Committee

On the Effective Date, the Committee shall dissolve automatically, whereupon their members, Professionals and agents shall be released from any further duties and responsibilities in this Chapter 11 case and under the Bankruptcy Code, except that such parties shall continue to be bound by any obligations arising under confidentiality agreements, joint defense/common interest agreements (whether formal or informal), and protective orders entered during this Chapter 11 case, including any orders regarding confidentiality issued by the Bankruptcy Court or mediator, which shall remain in full force and effect according to their terms, provided that such parties shall continue to have a right to be heard with respect to any and all applications for Professional Claims.

B. Discharge and Injunction

Except as otherwise expressly provided in the Plan or in the Confirmation Order, on the Effective Date, pursuant to Section 1141(d) of the Bankruptcy Code, the Debtor shall be discharged from any and all Claims that arose prior to the Effective Date, including all Tort Claims and Related Insurance Claims, and including interest, if any, on any of the foregoing, regardless

of whether it is alleged to have accrued before or after the Petition Date (each a “**Discharged Claim**”). For the avoidance of doubt, Discharged Claim includes any disallowed Claim. All Persons who have held or asserted, hold or assert, or may in the future hold or assert a Discharged Claim shall be permanently stayed, enjoined, and restrained from taking any action, directly or indirectly, for the purposes of asserting, enforcing, or attempting to assert or enforce any Discharged Claim, including: (i) commencing or continuing in any manner, any action or any other proceeding of any kind with respect to any Discharged Claim against the Debtor, the Reorganized Debtor, or property of the Reorganized Debtor; (ii) seeking the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtor, the Reorganized Debtor, or property of the Reorganized Debtor, with respect to any Discharged Claim; (iii) creating, perfecting, or enforcing any encumbrance or lien of any kind against the Debtor, the Reorganized Debtor, or property of the Reorganized Debtor with respect to any Discharged Claim; (iv) asserting any setoff right of contribution, indemnity, subrogation, or recoupment of any kind against any obligation due to the Reorganized Debtor with respect to any Discharged Claim; and (v) taking any action, in any manner and in any place whatsoever, that does not conform to or comply with provisions of the Plan. In the event any Person takes any action that is prohibited by, or is otherwise inconsistent with the provisions of this injunction, the Plan or confirmation order, then, upon notice to the Bankruptcy Court by an affected party, the action or proceeding in which the Claim of such Person is asserted will automatically be transferred to the Bankruptcy Court or the District Court for enforcement of the Plan. In a successful action to enforce the injunctive provisions of this Section in response to a willful violation thereof the moving party may seek an award of costs (including reasonable attorneys’ fees) against the non-moving party, and such other legal or equitable remedies as are just and proper, after notice and a hearing. For the avoidance of doubt, nothing in Plan Section 13.2 relieves the Reorganized Debtor of its obligations to Class 4 claimants contained in Plan Section 4.4 (which obligations are post-petition obligations and obligations of the Reorganized Debtor under the terms of the Plan) until the later of (i) thirty days after the Reorganized Debtor provides written notice to the Trustee that the Unknown Tort Claim Reserve Fund has been exhausted or (ii) the occurrence of the sixth (6th) anniversary of the Effective Date.

C. Channeling Injunction

Channeling Injunction Preventing Prosecution of Channeled Claims Against Protected Parties and Settling Insurer Entities:

A. In consideration of the undertakings of the Protected Parties and Settling Insurer Entities under the Plan, their contributions to the Trust, and other consideration, and pursuant to their respective Insurance Settlement Agreements with the Debtor and to further preserve and promote the agreements between and among the Protected Parties and any Settling Insurer Entities, and pursuant to Section 105 of the Bankruptcy Code:

1. any and all Channeled Claims are channeled into the Trust and shall be treated, administered, determined, and resolved under the procedures and protocols and in the amounts as established under the Plan and the Trust Agreement as the sole and exclusive remedy for all holders of Channeled Claims; and

2. all Persons who have held or asserted, hold or assert, or may in the future hold or assert any Channeled Claims are hereby permanently stayed, enjoined, barred and restrained from taking any action, directly or indirectly, for the purposes of asserting, enforcing, or attempting to assert or enforce any Channeled Claim against the Protected Parties or Settling Insurer Entities, including:

a. commencing or continuing in any manner any action or other proceeding of any kind with respect to any Channeled Claim against any of the Protected Parties or Settling Insurer Entities or against the property of any of the Protected Parties or Settling Insurer Entities;

b. enforcing, attaching, collecting or recovering, by any manner or means, from any of the Protected Parties or Settling Insurer Entities, or the property of any of the Protected Parties or Settling Insurer Entities, any judgment, award, decree, or order with respect to any Channeled Claim against any of the Protected Parties, Settling Insurer Entities;

c. creating, perfecting or enforcing any lien of any kind relating to any Channeled Claim against any of the Protected Parties or the Settling Insurer Entities, or the property of the Protected Parties or the Settling Insurer Entities;

d. asserting, implementing or effectuating any Channeled Claim of any kind against:

(i) any obligation due any of the Protected Parties or Settling Insurer Entities;

(ii) any of the Protected Parties or Settling Insurer Entities; or

(iii) the property of any of the Protected Parties or Settling Insurer Entities.

e. taking any act, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan; and

f. asserting or accomplishing any setoff, right of indemnity, subrogation, contribution, or recoupment of any kind against an obligation due to any of the Protected Parties, the Settling Insurer Entities, or the property of the Settling Insurer Entities.

The Channeling Injunction is an integral part of the Plan and is essential to the Plan's consummation and implementation. It is intended that the channeling of the Channeled Claims as provided in Section 13.3 of the Plan shall inure to the benefit of the Protected Parties and Settling Insurer Entities. In a successful action to enforce the injunctive provisions of this Section in

response to a willful violation thereof, the moving party may seek an award of costs (including reasonable attorneys' fees) against the non-moving party, and such other legal or equitable remedies as are just and proper, after notice and a hearing.

“Channeled Claim(s)” means any Tort Claim, Related Insurance Claim, Medicare Claim, Extra-Contractual Claim, or other Claim against any of the Protected Parties, the Settling Insurer Entities or any Person qualifying as an insured under any Settling Insurer Entity Policy to the extent such Claim arises from the same injury or damages asserted as a Tort Claim against the Protected Parties or Settling Insurer Entities, that directly or indirectly arises out of, relates to, or is in connection with such Tort Claim, Related Insurance Claim, Medicare Claim, Extra-Contractual Claim, or other Claim covered by the Channeling Injunction and Supplemental Settling Insurer Injunction in Articles VII and XIII of the Plan; provided, however, that Channeled Claims shall not include any rights of a holder of a Class 4 Claim or Class 6B Claim against the Reorganized Debtor, nor any Claim against (i) an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim with respect to that Tort Claim; or (ii) any religious order, diocese or archdiocese (other than the Diocese itself).

“Protected Party” generally means any of the Diocese Parties, the Reorganized Debtor, the Parish Parties and the Other Insured Entities and their respective predecessors and successors, assigns and associated Persons. But an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Protected Party for that Tort Claim and any religious order, archdiocese or diocese, other than the Diocese itself, is not a Protected Party.

“Settling Insurer Entities” generally means the Settling Insurers that entered into Insurance Settlement Agreements relating to the Settling Insurer Entity Policies issued to the Debtor or the Parishes and their respective predecessors and successors, assigns and associated Persons.

D. Supplemental Settling Insurer Injunction

On the Effective Date of the Plan, the Supplemental Settling Insurer Injunction shall take effect. It provides in pertinent part:

- A. Supplemental Injunction Preventing Prosecution of Claims Against Settling Insurer Entities.** Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and in consideration of the undertakings of the Settling Insurers pursuant to the Insurance Settlement Agreements, including the Settling Insurers' purchases of insurance policies or Interests in insurance policies from the Diocese, Other Insured Entities, and Catholic Entities pursuant to Section 363(f) of the Bankruptcy Code:
- B.** With the exception of the rights against the Reorganized Debtor retained by the holders of the Unknown Tort Claims, any and all Persons who have held, now hold or who may in the future hold any Interests (including all debt holders, all equity holders, governmental, tax and regulatory authorities, lenders, trade and other creditors, Tort Claimants, perpetrators, other insurers, and all others holding Interests of any kind or nature whatsoever, including those Claims released or to be released pursuant to the Insurance Settlement Agreements) against any of the Protected Parties, the Settling Insurer Entities, or any other Person covered or

allegedly covered under the Settling Insurer Entity Policies, which directly or indirectly arise from, relate to, or are in connection with any Tort Claims that are covered or alleged to be covered under the Settling Insurer Entity Policies, or any Related Insurance Claims related to such Tort Claims are hereby permanently stayed, enjoined, barred, and restrained from taking any action, directly or indirectly, to assert, enforce or attempt to assert or enforce any such Interest against the Settling Insurer Entities, the Settling Insurer Entity Policies, or Protected Parties to the extent such Interests arise from the same injury or damages asserted in connection with a Tort Claim including:

1. Commencing or continuing in any manner any action or other proceeding against the Settling Insurer Entities or the Protected Parties or the property of the Settling Insurer Entities or Protected Parties;
2. Enforcing, attaching, collecting, or recovering, by any manner or means, any judgment, award, decree or order against the Settling Insurer Entities or Protected Parties or the property of the Settling Insurer Entities or Protected Parties;
3. Creating, perfecting, or enforcing any lien of any kind against the Settling Insurer Entities or Protected Parties or the property of the Settling Insurer Entities or Protected Parties;
4. Asserting or accomplishing any setoff, right of indemnity, subrogation, contribution, or recoupment of any kind against any obligation due the Settling Insurer Entities or Protected Parties or the property of the Settling Insurer Entities or Protected Parties; and
5. Taking any action, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan.

- C. All Claims described in this Section 7.9, except for the rights of holders of Class 4 Claims, Class 5 Claims, and Class 6B Claims against the Reorganized Debtor, shall be channeled to the Trust. This injunction shall not apply to any reinsurance Claim.

E. Permanent Injunction Against Prosecution of Released and Channeled Claims

On the Effective Date of the Plan, the Permanent Injunction Against Prosecution of Released and Channeled Claims shall take effect. It provides in pertinent part:

Except as otherwise expressly provided in the Plan, for the consideration described in the Insurance Settlement Agreements, all Persons who have held, hold, or may hold Channeled Claims or Claims against the Diocese Parties, the Protected Parties, or the Settling Insurance Entities, whether known or unknown, will be permanently enjoined on and after the Effective Date from: (a) commencing or continuing in any manner, any action or any other proceeding of any kind, including, but not limited to, any Tort Claim or any Unknown Tort Claim against the Settling Insurance Entities or the property of the Settling Insurance Entities with respect to any Claim or Channeled Claim; (b) seeking the enforcement, attachment, collection or recovery by any manner

or means of any judgment, award, decree, or order against the Settling Insurance Entities or the property of the Settling Insurance Entities, with respect to any Claim or Channeled Claim; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Settling Insurance Entities or the property of the Settling Insurance Entities with respect to any Claim or Channeled Claim; (d) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due to the Settling Insurance Entities with respect to any Claim or Channeled Claim; and (e) taking any act, in any manner and in any place whatsoever, that does not conform to or comply with provisions of the Plan or any documents relating to the Plan, including, the Trust Agreement. The foregoing injunctive provisions are an integral part of the Plan and are essential to its implementation.

F. Exculpation and Limitation of Liability of Exculpated Parties

From and after the Effective Date, none of the Exculpated Parties shall have or incur any liability for, and each Exculpated Party shall be released from, any claim, Cause of Action or liability to any other Exculpated Party, to any holder of a claim, or to any other party in interest, for any act or omission that occurred during and in connection with this Chapter 11 case or in connection with the preparation and Filing of this Chapter 11 case, the formulation, negotiation, or pursuit of confirmation of the Plan, the consummation of the Plan, and the administration of the Plan or the property to be distributed under the Plan, except for claims, Causes of Action or liabilities arising from the gross negligence, willful misconduct, fraud, or breach of the fiduciary duty of loyalty of any Exculpated Party, in each case subject to determination of such by Non-Appealable Order of a court of competent jurisdiction and provided that any Exculpated Party shall be entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities (if any) under the Plan. Without limiting the generality of the foregoing, the Committee and the Diocese and their respective officers, board and committee members, employees, attorneys, financial advisors, and other Professionals shall be entitled to and granted the benefits of Section 1125(e) of the Bankruptcy Code and the Channeling Injunction.

Under the Plan, “Exculpated Parties” means collectively, (i) the Diocese Parties, the Estate, and the Committee; (ii) the respective officers, directors, employees, members, attorneys, financial advisors, members of subcommittees of the board of directors, volunteers, and members of consultative bodies and councils formed under Canon Law of the persons identified in the preceding clause including with respect to their service or participation in an outside board on which they serve at the request of the Diocese or the Bishop, in their capacity as such; (iii) the Settling Insurer Entities with respect to their Settling Insurer Entity Policies; and (iv) professionals of a Person identified in the preceding clause (i) through (iii)

G. Timing

The injunctions, releases, and discharges to which any Settling Insurer Entity is entitled pursuant to such Insurance Settlement Agreement, the Plan, the Confirmation Order, the Approval Orders, and the Bankruptcy Code shall only become effective when the Trust receives payment in full from the corresponding Settling Insurer(s) pursuant to the terms of such Settling Insurer’s Insurance Settlement Agreement, and the other provisions set forth in Article VII of the Plan are fully met.

H. No Bar on Certain Claims

Notwithstanding the foregoing, nothing in this shall be construed to bar either (a) a Claim based on Abuse against a Person who is not a Protected Party or a Settling Insurer Entity or (b) a Claim by such Person for insurance coverage in connection with a Claim described in the foregoing subsection (a) under an insurance policy other than the Settling Insurer Entity Policies.

XI.

CHILD PROTECTION PROTOCOLS

The Child Protection Protocols are incorporated into the Plan.

XII.

THE REORGANIZED DEBTOR

A. Continued Corporate Existence

The Diocese will, as the Reorganized Debtor, continue to exist after the Effective Date as a separate entity in accordance with Minn. Stat. Section 315.16 having tax-exempt status under 26 U.S.C. § 501(c)(3) under applicable law and without prejudice to any right to alter or terminate such existence under applicable state law, except as such rights may be limited and conditioned by the Plan and the documents and instruments executed and delivered in connection therewith.

B. Vesting of Assets

In accordance with Sections 1141 and 1123(a)(5) of the Bankruptcy Code, and except as otherwise provided in the Plan or the Confirmation Order, the Reorganization Assets shall vest in the Reorganized Debtor (or such other entity or entities specified by the Debtor in a Supplemental Plan Document, and subject to approval by the Bankruptcy Court at the confirmation hearing) on the Effective Date free and clear of all liens, claims, and interests of creditors, including successor liability claims. On and after the Effective Date, the Reorganized Debtor may operate and manage its affairs and may use, acquire, and dispose of property without notice to any Person, and without supervision or approval by the Bankruptcy Court and free of any restrictions imposed by the Bankruptcy Code, Bankruptcy Rules, or the Bankruptcy Court, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

C. Identify of Officers of Reorganized Debtor

In accordance with § 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of the Persons proposed to serve as the corporate Members of the Reorganized Debtor and the persons proposed to serve as directors and officers of the Reorganized Debtor on and after the Effective Date are set forth on Exhibit J of the Plan.

D. Further Authorization

The Reorganized Debtor shall be entitled to seek such orders, judgments, injunctions, rulings, and other assistance as it deems necessary to carry out the intentions and purposes, and to give full effect to the provisions, of the Plan.

XIII.

CERTAIN OTHER GENERAL PROVISIONS OF THE PLAN

The Plan contains other provisions consistent with the requirements of Chapter 11 of the Bankruptcy Code as set forth below:

A. Causes of Action/Avoidance Actions

Except as otherwise provided in the Plan, the Reorganized Debtor shall retain and exclusively enforce the Debtor's Causes of Action, whether arising before or after the Petition Date, in any Court or other tribunal, including without limitation, an adversary proceeding filed in this case.

B. Retention of Jurisdiction

1. **By the Bankruptcy Court.** Pursuant to Sections 105, 1123(a)(5), and 1142(b) of the Bankruptcy Code, and 28 U.S.C. Sections 1334 and 157, on and after the Effective Date, the Bankruptcy Court shall retain: (i) original and exclusive jurisdiction over this Chapter 11 case, (ii) original, but not exclusive, jurisdiction to hear and determine all core proceedings arising under the Bankruptcy Code or arising in this Chapter 11 case, and (iii) original, but not exclusive, jurisdiction to hear and make proposed findings of fact and conclusions of law in any non-core proceedings related to this Chapter 11 case and the Plan, including matters concerning the interpretation, implementation, consummation, execution, or administration of the Plan. Subject to, but without limiting the generality of the foregoing, the Bankruptcy Court's post-Effective Date jurisdiction shall include jurisdiction:

- a. over disputes concerning the ownership of claims;
- b. over disputes concerning the distribution or retention of assets under the Plan;
- c. over objections to claims, motions to allow late-filed claims, and motions to estimate claims;
- d. over proceedings to determine the extent, validity, or priority of any Lien asserted against property of the Diocese, the Estate, or Trust, or property abandoned or transferred by the Diocese, the Estate, or the Trust;

- e. over motions to approve Insurance Settlement Agreements entered into after the Effective Date by the Trustee;
- f. over matters related to the assets of the Estate or of the Trust, including the terms of the Trust, or the recovery, liquidation, or abandonment of Trust Assets;
- g. the removal of the Trustee and the appointment of a successor Trustee;
- h. over matters relating to the subordination of claims;
- i. to enter and implement such orders as may be necessary or appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
- j. to consider and approve modifications of or amendments to the Plan, to cure any defects or omissions or to reconcile any inconsistencies in any order of the Bankruptcy Court, including the Confirmation Order;
- k. to issue orders in aid of execution, implementation, or consummation of the Plan, including the issuance of orders enforcing any and all releases and injunctions issued under or pursuant to the Plan and any Diocesan Insurance Settlement Agreement;
- l. over disputes arising from or relating to the Plan, the Confirmation Order, or any agreements, documents, or instruments executed in connection therewith;
- m. over requests for allowance of payment of claims entitled to priority under Sections 507(a)(2) and 503(b)(9) of the Bankruptcy Code and any objections thereto;
- n. over all Fee Applications;
- o. over matters concerning state, local, or federal taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code;
- p. over conflicts and disputes among the Trust, the Reorganized Debtor, and holders of claims, including holders of Class 3 or Class 4 Claims;
- q. over disputes concerning the existence, nature, or scope of the Diocese's discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of

any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

- r. to issue injunctions, provide declaratory relief, or grant such other legal or equitable relief as may be necessary or appropriate to restrain interference with the Plan, the Diocese or its property, the Reorganized Debtor or its property, the Estate or its property, the Trust or its property, Trustee, the Professionals, or the Confirmation Order;
 - s. to enter a Final Decree closing the Chapter 11 case;
 - t. to enforce all orders previously entered by the Bankruptcy Court; and
 - u. over any and all other suits, adversary proceedings, motions, applications, and contested matters that may be commenced or maintained pursuant to this Chapter 11 case or the Plan.
2. **By the District Court.** Pursuant to Sections 105, 1123(a)(5), and 1142(b) of the Bankruptcy Code, and 28 U.S.C. Section 1334, on and after the Effective Date, the District Court shall retain original, but not exclusive, jurisdiction to hear and determine all matters arising under the Bankruptcy Code or arising in or related to this Chapter 11 case.
3. **Actions to Collect Amounts Owed Pursuant to the Plan.** Notwithstanding anything to the contrary in this Section, the Diocese, the Reorganized Debtor and the Trustee may, but are not required to, commence an adversary proceeding to collect amounts owed pursuant to the Plan for any settlements embodied in the Plan or later approved by the Bankruptcy Court, which are not paid in accordance with the Plan. Any such action may be commenced by filing a motion in aid of confirmation with the Bankruptcy Court.
4. **Case Closure.** The existence and continued operation of the Trust shall not prevent the Bankruptcy Court from closing this Chapter 11 case. In an action involving the Trust, any costs incurred in reopening the Chapter 11 case, including any statutory fees will be paid by the Trustee from the Trust Assets in accordance with an order of the Bankruptcy Court.

C. Modification of the Plan

The Debtor reserves the right, in accordance with the Bankruptcy Code, to amend, modify or withdraw the Plan prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtor may, upon order, amend or modify the Plan in accordance with Section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

D. Severability

If, before confirmation, the Bankruptcy Court holds that any Plan term or provision is invalid, void, or unenforceable, the Bankruptcy Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted, except if such term or provision is inconsistent with the intent of the Debtor, in which case the term or provision may be unilaterally withdrawn by the Debtor. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Article, is valid and enforceable under its terms. In the event of a successful collateral attack on any provision of the Plan (i.e., an attack other than through a direct appeal of the Confirmation Order), the remaining provisions of the Plan will remain binding on the Debtor, the Reorganized Debtor, the Settling Insurer, the Trustee, the Committee, all claimants, all Creditors, and all other parties in interest.

E. Section 1146 Exemption

Pursuant to Bankruptcy Code Section 1146(c) any transfer of property pursuant to the Plan will not be subject to any document, recording tax, stamp tax, or similar tax, mortgage tax, real estate transfer tax, or other governmental assessment in the United States, and the Confirmation Order will direct the appropriate state or local governmental officials and/or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

F. Management of the Reorganized Debtor

The Reorganized Debtor shall continue to be managed by current management. Most of these individuals have been involved in the Debtor's affairs for many years and are well suited to continue the Debtor's mission. Those managers, their titles and salaries consist of:

Bishop Paul D. Sirba, salary \$30,816.00
Vicar General James Bissonette, salary \$-0-
Franz Hoefflerle - Financial Officer, salary \$75,949.00

XIV.

CONFIRMATION PROCEDURES

In order for the Plan to be confirmed by the Bankruptcy Court, all of the applicable requirements of Bankruptcy Code §1129 must be met. This includes, among others, requirements that the Plan: (i) is accepted by all impaired Classes or, if rejected by an impaired Class, "does not discriminate unfairly" and is "fair and equitable" as to each rejecting Class; (ii) is feasible; and (iii) is in the best interests of holders of Claims in each impaired Class.

A. Solicitation of Votes; Acceptance

The Debtor is soliciting the acceptance of the Plan from all holders of Claims in Classes that are impaired under the Plan and receiving Distributions thereunder. Using this criteria, holders of only Claims in Classes 3, 4 and 5 are entitled to vote on the Plan. In addition, a vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured or made in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

Classes 3, 4, 6A, and 6B will be deemed to have accepted the Plan if the Plan is accepted by holders of at least two-thirds in dollar amount and more than one-half in number of the Claims in that Class that has cast Ballots on the Plan and that are eligible to vote for or against the Plan. The Debtor may file a motion to estimate each Class 3 Claim at \$1.00 each for voting purposes only. The actual amount payable to holders of Allowed Class 3 Claims will exceed \$1.00. This is consistent with the procedure followed in other mass tort bankruptcy cases and the Tort Proof of Claim forms intentionally did not provide for a dollar amount for the Claims as the Claims are unliquidated tort claims.

B. Confirmation Hearing

Bankruptcy Code §1128(a) requires the Bankruptcy Court, after notice, to hold the **Confirmation Hearing** after the period for submission of Ballots has expired. The Confirmation Hearing may be postponed from time to time by the Bankruptcy Court without further notice except for an announcement of the postponement made at the Confirmation Hearing. Bankruptcy Code § 1128(b) provides that any party in interest may object to confirmation of the Plan. Objections must be made in writing, specifying in detail the name and address of the person or entity objecting, the grounds for the objection and the nature and amount of the Claim held by the objector, and must otherwise comply with the requirements of the Bankruptcy Rules and the Local Bankruptcy Rules. Objections must be filed with the Clerk of the Bankruptcy Court, with a courtesy copy delivered to the chambers of the Honorable Robert J. Kressel, and served upon the parties so designated in the Order and Notice accompanying this Disclosure Statement on or before the time and date designated in such Order and Notice. **FAILURE TO TIMELY FILE AND SERVE AN OBJECTION TO CONFIRMATION MAY BE DEEMED BY THE BANKRUPTCY COURT TO BE CONSENT TO CONFIRMATION OF THE PLAN.**

At the Confirmation Hearing, the Bankruptcy Court will determine, among other things, whether the following confirmation requirements specified in Bankruptcy Code Section 1129 have been satisfied:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The Debtor has complied with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means proscribed by law.
4. Any payment made or promised by the Debtor for services or for costs and expenses in, or in connection with, this Chapter 11 Case, or in connection with the Plan and incident to the

Chapter 11 Case, has been approved by, or is subject to approval of, the Bankruptcy Court as reasonable.

5. The Debtor has disclosed the identity and affiliations of all individuals proposed to serve, after confirmation, as directors or officers of the Debtor and the appointment to or continuance in such positions by those individuals is consistent with the interests of creditors and with public policy; and (b) the Debtor has disclosed the identities of any insider(s) that will be employed or retained by the Reorganized Debtor and the nature of any proposed compensation for such insider(s).

6. Each holder of a Claim in an impaired Class either has accepted the Plan or will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code. See “Best Interests of Creditors Test” below.

7. Unless the Debtor is required to seek nonconsensual confirmation of the Plan, each Class of Claims has either accepted the Plan or is not impaired under the Plan.

8. Except to the extent that the holder of a Claim has agreed to different treatment, the Plan provides that: (a) Allowed Administrative Claims will be paid in full on the later of the Effective Date, or the date the Claim is Allowed; (b) other Priority Claims will be paid in full on the Effective Date; and (c) Priority Tax Claims will receive payment in full plus interest over five (5) years.

9. At least one impaired Class has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such Class.

10. Confirmation of the Plan is not likely to be followed by the liquidation of or the need for further financial reorganization by the Debtor or the Reorganized Debtor.

11. The Debtor believes that the Plan has been submitted in good faith and that, upon acceptance of the Plan by the voting Class, the Plan will satisfy all of the foregoing statutory requirements.

C. Best Interests of Creditors Test

As mentioned above, confirmation of the Plan requires that each holder of a Claim in an impaired Class must either: (i) accept the Plan; or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

The Debtor believes that in a hypothetical liquidation all creditors will receive less than they will likely receive under the Plan. Chapter 7 liquidation carries potential costs and risks that are resolved through the Plan, as follows:

1. The Plan incorporates the Trust Distribution Protocols, which were negotiated by counsel representing in excess of 75% of Tort Claimants. There is likelihood that a Chapter 7 Trustee will be unable to implement the Trust Distribution Protocols or a similar Plan in the

absence of a confirmed Chapter 11 Plan. As such, substantial estate resources would likely be expended adjudicating or analyzing Tort Claims in a Chapter 7 case.

2. A Chapter 7 Trustee would be entitled to compensation of a percentage of all funds distributed to parties in interest, excluding the Debtor, pursuant to 11 U.S.C. § 326. Any such payment would dilute the amount of funds available to pay creditors.

3. The Settling Insurers would not get the Channeling Injunction and/or releases provided in the Plan, nor would they make the substantial contributions they are making under the Plan without such injunctions and/or releases.

In addition, it is unlikely that the Settling Insurers would voluntarily contribute without the corresponding benefit of final resolution of Tort Claims. Annexed hereto as **Exhibit C** is a Liquidation Analysis. The Liquidation Analysis indicates that in a liquidation, holders of Unsecured Claims would receive a lesser distribution than provided under the Plan.

D. Feasibility

The Bankruptcy Code requires that confirmation of a Plan is not likely to be followed by liquidation or the need for further financial reorganization. Because (i) all the Tort Claims will be resolved pursuant to the Plan, (ii) the Reorganized Debtor will not be financially liable on account of any Tort Claims that occurred prior to the Petition Date except as provided in the Plan, and (iii) distributions will be made only to the extent of existing assets or future recoveries, the Reorganized Debtor and the Debtor believes the Plan is feasible.

E. Cram Down

The Bankruptcy Code provides a mechanism by which a Plan may be confirmed even if it has been rejected by an impaired Class of Claims. Under the “cram down” provisions of the Bankruptcy Code (§1129(b)), the proponent of the Plan (in this case the Debtor) may request that it be confirmed despite its rejection by an impaired Class, and the Bankruptcy Court will confirm the Plan if it (i) does not discriminate unfairly against a dissenting impaired Class and (ii) is fair and equitable with respect to such Class.

The Bankruptcy Code sets forth specific guidelines for determining whether a Plan is fair and equitable with respect to a particular Class of Claims. For unsecured Claims, as are those in all Classes, a Plan must provide that equity interest holders do not receive or retain any property on account of their interest. The Debtor submits that this test which is applied to traditional corporations is inapplicable to not-for-profit corporations as there are no equity interests or junior creditors or the holders of Claims that are junior to Claims of a non-accepting Class are not receiving any property under the Plan.

In the event the Bankruptcy Court refuses to impose a “cram down” on the rights of a non-consenting Class unless certain modifications are made to the terms and conditions of such non-consenting Class’ treatment under the Plan, the Debtor reserves the right, without re-solicitation, to propose such modification to such non-consenting Class’ treatment and to confirm the Plan.

XV.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor has evaluated numerous alternatives to the Plan, including, without limitation, proposing competing Plans by the Debtor and the Committee, and the conversion of the case to case under Chapter 7 of the Bankruptcy Code and subsequent liquidation of the Debtor by a Chapter 7 Trustee. After studying these alternatives, the Debtor has concluded that the Plan is the best alternative and will maximize recoveries of holders of Claims. The following discussion provides a summary of the analysis of the Debtor supporting its conclusion that a Chapter 7 liquidation of the Debtor or an alternative Chapter 11 Plan for the Debtor will not provide higher value to holders of Claims.

A. Liquidation Under Chapter 7 of the Bankruptcy Code

If no Chapter 11 Plan can be confirmed, Debtor's case may be converted to a case under Chapter 7 (assuming the Debtor consents), in which event a Trustee would be elected or appointed to liquidate the Debtor's assets for distribution to its creditors in accordance with the priorities established by the Bankruptcy Code. In addition to the factors discussed above, the Debtor believes that liquidation under Chapter 7 would result in smaller distributions being made to creditors than those provided for under the Plan because of (1) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a Trustee for bankruptcy and professional advisors to such Trustee and (2) the erosion in value of assets in the context of the expeditious liquidation required under Chapter 7 and the "forced sale" environment in which such a liquidation would likely occur. Accordingly, the Debtor has determined that confirmation of the Plan will provide each holder of a Claim or equity interest with a greater recovery than it would receive pursuant to liquidation of the Debtor under Chapter 7.

A discussion of the effects that a Chapter 7 liquidation would have on the holders of Claims is set out in the Liquidation Analysis, attached as **Exhibit C** hereto.

B. Alternative Chapter 11 Plans

If the Plan is not confirmed, any other party in interest could undertake to formulate a different Chapter 11 Plan. Such a Chapter 11 Plan might involve either a reorganization and continuation of the business of the Debtor or an orderly liquidation of the properties and interests in property of the Debtor. With respect to an alternative Chapter 11 Plan, the Debtor has examined various other alternatives in connection with the process involved in the formulation and development of the Plan. The Debtor believes that the Plan, as described herein, enables holders of Claims to realize the best recoveries under the present circumstances.

XVI.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL TAX

CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER. NEITHER THE DEBTOR NOR THE DEBTOR'S COUNSEL MAKE ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR ANY CREDITOR.

Under the Internal Revenue Code of 1986, as amended (the “Code”), there may be significant federal income tax issues arising under the Plan described in this Disclosure Statement that affect Creditors in this Case.

A. The Trust

The Trust is a “qualified settlement fund” (“QSF”) within the meaning Treasury Regulations enacted under the Internal Revenue Code at 26 U.S.C. § 468B(g). The Trust is characterized as a QSF because:

1. The Trust is established pursuant to an Order of, or is approved by, the United States, any state or political subdivision thereof, or any agency or instrumentality (including a court of law) of any of the foregoing and is subject to the continuing jurisdiction of that governmental authority;

2. The Trust is established to resolve or satisfy one or more contested or uncontested claims that has resulted or may result from an event that has occurred and that has given rise to at least one claim asserting liability arising out of, among other things, a tort, breach of contract, or violation of law related to sexual abuse (but excluding non-tort obligations of the Debtor to make payments to its general trade creditors or debt holders that relate to: a case under Title 11 of the United States Code, a receivership, foreclosure of similar proceeding in a Federal or State court, or a workout); and,

3. The Trust is a trust under state law.

The primary tax consequences of the Trust being characterized as a QSF are the following:

- 1 The Trust must use a calendar taxable year and the accrual method of accounting.
- 2 If the Debtor funds the Trust with appreciated property, the Debtor is deemed to sell the property to the Trust. Accordingly, any gain or loss from the deemed sale must be reported by the Debtor.
- 3 The Trust takes a fair market value basis in property contributed to it by the Debtor.
- 4 The Trust's gross income less certain modifications is taxable at the highest federal tax rate applicable to trusts and Estate (currently 35%). The Debtor's funding of the Trust with cash and other property is not reported by the Trust as taxable income. However, earnings recognized from, for example, the short-term investment of the Trust's funds will be subject to tax.

- 5 The Trust may deduct from its gross income a limited number of administrative expenses; the Trust is not entitled to deduct distributions paid to its beneficiaries.
- 6 The Trust will have a separate taxpayer identification number and will be required to file annual tax returns (which are due on March 15). The Trust will also be required to comply with a number of other administrative tax rules including filing information returns (generally IRS Form 1099) when approved payments are made to claimants.

B. Federal Income Tax Consequences to Holders of Claims

The federal income tax consequences to a holder of a Claim receiving, or entitled to receive, a Distribution in partial or total satisfaction of a Claim may depend on a number of factors, including the nature of the Claim, the claimants' method of accounting, and their own particular tax situation. Because each claimant's tax situation differs, claimants should consult their own tax advisors to determine how the Plan affects them for federal, state and local tax purposes, based on its particular tax situations.

Among other things, the federal income tax consequences of a distribution to a claimant may depend initially on the nature of the original transaction pursuant to which the Claim arose. For example, a distribution in repayment of the principal amount of a loan is generally not included in the claimant's gross income. Distributions to Tort Claimants may not be taxable as it may be considered compensation for personal injuries.

The federal income tax consequences of a distribution to a claimant may also depend on whether the item to which the distribution relates has previously been included in the claimant's gross income or has previously been subject to a loss or bad debt deduction. For example, if a distribution is made in satisfaction of a receivable acquired in the ordinary course of the claimant's trade or business, and the claimant had previously included the amount of such receivable distribution in his or her gross income under his or her method of accounting, and had not previously claimed a loss or bad debt deduction for that amount, the receipt of the distribution should not result in additional income to the claimant but may, as discussed below, result in a loss. Conversely, if the claimant had previously claimed a loss or bad debt deduction with respect to the item previously included in income, the claimant generally would be required to include the amount of the distribution in income when received.

A claimant receiving a distribution in satisfaction of his or her claim generally may recognize taxable income or loss measured by the difference between (i) the cash and the fair market value (if any) of the property received and (ii) its adjusted tax basis in the Claim. For this purpose, the adjusted tax basis may include amounts previously included in income (less any bad debt or loss deduction) with respect to that item. This income or loss may be ordinary income or loss if the distribution is in satisfaction of accounts or notes receivable acquired in the ordinary course of the claimant's trade or business for the performance of services or for the sale of goods or merchandise. In addition, if a claimant had claimed an ordinary bad debt deduction for the worthlessness of his or her Claim in whole or in part in a prior taxable year, any income realized by the claimant as a result of receiving a distribution may be taxed as ordinary income to the extent

of the ordinary deduction previously claimed. Generally, the income or loss will be capital gain or loss if the Claim is a capital asset in the claimant's hands.

XVII.

VOTING INSTRUCTIONS

Solicitation Packages which will include copies of (i) the Disclosure Statement Approval Order, (ii) the Notice of Disclosure Statement Approval and Confirmation Hearing, (iii) the approved Form of Disclosure Statement (together with the Plan annexed thereto), and (iv) the form of Ballot shall be sent to creditors. Procedures and deadlines for submitting the Ballot shall be included in such Solicitation Package.

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XVIII.

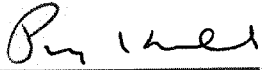
CONCLUSION

The Debtor and Committee believe that confirmation and implementation of the Plan is preferable to any other alternative. Accordingly, the Debtor and Committee urge holders of Claims to vote to accept the Plan by so indicating on its Ballots and returning them as specified in the instructions set forth in the Solicitation Packages.

Dated: July 3, 2019

THE DIOCESE OF DULUTH

Most Rev. Paul D. Sirba, Bishop



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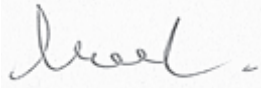
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AND

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS



By: William Weis
Its: Chairperson

STINSON, LLP

/s/ Robert T. Kugler

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EXHIBIT B

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

In re:

Case No.: 15-50792

Diocese of Duluth,

Chapter 11

Debtor-in-Possession.

**ORDER (A) APPROVING DISCLOSURE STATEMENT IN SUPPORT
OF A JOINT PLAN OF REORGANIZATION, (B) ESTABLISHING PROCEDURES
FOR SOLICITATION AND TABULATION OF VOTES TO
ACCEPT OR REJECT THE PLAN**

A hearing having been held on _____, 2019 (the "Hearing"), to consider the Joint Chapter 11 Plan of the Diocese of Duluth, filed by Plan Proponents dated _____ (as such Plan may be modified from time to time, the "Plan") and (ii) establishing the procedures for solicitation and tabulation of votes to accept or reject the Plan pursuant to Sections 1125 and 1126 of the Bankruptcy Code and Rules 3017, 3018 and 3020 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and it appearing from the affidavit of service on file with this Court that proper and timely notice of the Hearing has been given; and it appearing that such notice was adequate and appropriate with respect to all affected parties; and the appearances of all interested parties having been noted in the record of the Hearing; and the Court having considered the adequacy of the Joint Disclosure Statement for Chapter 11 Plan of Reorganization Proposed by the Diocese of Duluth and the Official Committee of Unsecured Creditors ("Disclosure Statement") and the materials to be transmitted therewith; and after due deliberation and good and sufficient cause appearing therefor, it is hereby

ORDERED, FOUND AND DETERMINED THAT:

1. The Disclosure Statement, as the same may be amended and modified to reflect any modifications that the Debtor determines to be appropriate, which do not materially change the Disclosure Statement or materially affect any rights of a party in interest, be, and it hereby is, approved as containing adequate information within the meaning of Section 1125 of the Bankruptcy Code.

2. A proposed summary timeline for the deadlines and hearings approved in this Order are as follows:

- a. Confirmation Hearing – _____, 2019, _____.m.;
- b. Deadline to object to Plan of Reorganization – _____, 2019;
- c. Commencement of Plan Solicitation period/completion of service of Solicitation Packages – 15 days after Order Approving Disclosure Statement;
- d. Deadline for Rule 3018(a) motions – 21 days before Confirmation Hearing; and,
- e. Voting Deadline – 7 days before Confirmation Hearing.

3. The Debtor shall mail solicitation packages (the "Solicitation Packages") containing copies of (i) this Disclosure Statement Approval Order, (ii) the Notice of Disclosure Statement Approval and Confirmation Hearing and (iii) the approved form of the Disclosure Statement (together with the Plan annexed thereto as "EXHIBIT A," which will be filed with the Court following approval and upon the mailing). The Solicitation Packages will be mailed no later than _____, 2019 (the "Solicitation Date") to (i) the attorneys for the Debtor; (ii) attorneys for the Committee and (iii) the Office of the U. S. Trustee (collectively, the "Notice

Parties”), (iv) all persons or entities that filed proofs of claim on or before the date of the Notice of Disclosure Statement Approval and Confirmation Hearing, except to the extent that a claim was paid pursuant to, or expunged by, prior order of the Bankruptcy Court, (v) all persons or entities listed in the Debtor’s Schedules of assets and liabilities or any amendment(s) thereof (the “Schedules”), as holding liquidated, noncontingent, and undisputed claims, in an amount greater than zero¹, (vi) all parties to executory contracts listed in the Schedules, (vii) the IRS, (viii) any entity that has filed with the Court a notice of transfer of a claim under Bankruptcy Rule 3001(e) prior to the date of the Notice of Disclosure Statement Approval, (ix) any other known holders of claims against the Debtor, (x) state and local taxing authorities, and (xi) the Attorney General for Minnesota, with the exception that the Debtor is excused from mailing to entities from which Notices of the Disclosure Statement Hearing were returned as undeliverable by the United States Postal Service, unless the Debtor is provided with accurate addresses for such entities on or before _____, 2019.

4. In the case of Class 3 Claimants, the Debtor may serve one (1) Solicitation Package to counsel of record for all of such counsel’s clients, provided that each counsel will receive a separate Ballot for each client. On request, the Debtor will provide counsel with additional Solicitation Packages.

5. In addition, pursuant to Bankruptcy Rule 3017(c), the form ballots (the “Ballots,” and individually, a “Ballot”) (substantially in the forms annexed to the Motion as “**Exhibit B**”)

¹ Bankruptcy Rule 3003(c)(2) provides in relevant part that “any creditor . . . whose claim or interest is not scheduled or scheduled as disputed, contingent, or unliquidated . . . who fails to [timely file a proof of claim] shall not be treated as a creditor with respect to such claim for the purposes of voting and distribution.” Fed. R. Bankr. P. 3003(c)(2).

be, and they hereby are, approved and shall be distributed, along with a postage prepaid return envelope addressed to Debtor, if used, to the known holders of claims in those classes which are entitled to accept or reject the Plan.

6. In order to be counted as a vote to accept or reject the Plan, a Ballot must be properly executed, completed and delivered to the Debtor (i) by mail in a return envelope provided with each Ballot, (ii) by overnight courier or (iii) by personal delivery so that they are actually received by the Debtor no later than 5:00 p.m. on _____, 2019 (the “Voting Deadline”).

7. Solely for the purpose of voting to accept or reject the Plan and not for the purpose of allowance of or distribution on account of a claim, and without prejudice to the rights of the Debtor in any other context, each claim within a class of claims entitled to vote to accept or reject the Plan be, and it hereby is, temporarily allowed in an amount equal to the amount of such claim as set forth in a timely filed proof of claim or, if no proof of claim was filed, the amount of such claim as set forth in the Schedules; provided, however, that:

- (a) If a claim is deemed allowed in accordance with the Plan, such claim is allowed for voting purposes in the deemed allowed amount set forth in the Plan;
- (b) If a claim has been estimated or otherwise allowed for voting purposes by order of the Court, such claim is temporarily allowed in the amount so estimated or allowed by the Court for voting purposes only, and not for purposes of allowance or distribution;
- (c) If a claim is listed in the Schedules at zero or as contingent, unliquidated, or disputed and/or a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claim established by the Court or (ii) deemed timely filed by an Order of the Court prior to the Voting Deadline, unless the Debtor has consented in writing, such claim shall be disallowed for voting purposes and for purposes of allowance and distribution pursuant to Bankruptcy Rule 3003(c);

- (d) If the Debtor has served an objection to a claim at least ten (10) days before the Voting Deadline, the creditor whose claim is the subject of the objection shall receive a Ballot pre-printed with the amount sought by the Debtor in such objection, and;
- (e) As to Class 3 Claims, each Claim will be temporarily allowed for voting purposes only in the amount of one dollar (\$1.00).

In accordance with paragraph 7(e), this temporary allowance is solely for purposes of voting to accept or reject the Plan and not for the purpose of the allowance of, or distribution on account of, a claim, and without prejudice to the rights of the Debtor in any other context. This temporary allowance is not intended to affect, impair or diminish the Tort Claimants' rights against the Reorganized Debtor or Co-defendants.

Any creditor that challenges the allowance of its claim for voting purposes pursuant to the foregoing paragraph of this Order be, and hereby is, directed to serve upon (a) attorneys for the Debtor, Elsaesser Anderson, Chtd., Ford Elsaesser, Esq. and Bruce A. Anderson, Esq., 320 East Neider Avenue, Suite 102, Coeur d'Alene, ID 83815 and; (b) attorneys for the Committee, Stinson LLP, Robert T. Kugler and Edwin H. Caldie, 50 South Sixth Street, Suite 2600, Minneapolis, MN 55402, (collectively, the "Notice Parties"), and file with the Court (with a copy to Chambers) a motion for an Order pursuant to Bankruptcy Rule 3018(a) temporarily allowing such claim for purposes of voting to accept or reject the Plan on or before the twenty first day before the date set for the hearing on the confirmation of Debtor's Plan. In respect of any such motion timely filed with the Court, the Ballot in question shall not be counted unless temporarily allowed by the Court for voting purposes, after notice and a hearing.

8. The Debtor is not required to provide Ballots to the holders of claims in Class 1 and Class 2. The members of the foregoing Classes shall receive a Notice of Non-Voting Status

(substantially in the forms annexed to the Motion as “**Exhibit C**”), along with copies of this Order and the Notice of Disclosure Statement Approval and Confirmation Hearing (to be provided).

9. The Debtor shall utilize the following procedures in mailing Solicitation Packages:

- (a) Creditors in any given class who hold multiple or duplicate claims against the Debtor in a single class shall receive only one (1) Solicitation Package and one (1) Ballot;
- (b) Creditors who hold multiple or duplicate claims against the Debtor in multiple classes shall receive only one (1) Solicitation Package and one (1) Ballot;
- (c) Creditors who have filed proofs of claim on or before Claims Bar Date and who are also listed in the Schedules shall receive only one (1) Solicitation Package and one (1) Ballot;
- (d) Creditors who have provided more than one address shall receive one (1) Solicitation Package and one (1) Ballot for each address provided, and;
- (e) In the case of Class 3 Claimants, the Debtor shall send that Ballot to counsel of record for all of such counsel’s clients. Counsel of record will be ascertained based on the creditor’s proof of claim or a notice of appearance filed in the Cases.

10. In tabulating the Ballots, the following additional procedures shall be utilized: (a) any Ballot that is properly completed, executed and timely returned to the Debtor but does not indicate an acceptance or rejection of the Plan, or that indicates both an acceptance and rejection of the Plan, shall be deemed a vote to accept the Plan; (b) if no votes to accept or reject the Plan are received with respect to a particular class, such class shall be deemed to have voted to accept the Plan; (c) if a creditor or interest holder manually changes the amount of its claim on the Ballot he or she receives, the Ballot shall be counted, for voting purposes only, in the pre-printed number or amount; (d) if a creditor or interest holder, or any person acting on behalf of a creditor

or interest holder under applicable law, casts more than one Ballot voting the same claim or interest before the Voting Deadline, the latest dated Ballot received before the Voting Deadline shall be deemed to reflect the voter's intent and thus to supersede any prior Ballots; (e) creditors and interest holders must vote all of their claims or interests within a particular class, either to accept or reject the Plan and may not split their votes within a particular class; thus, a Ballot (or a group of Ballots) within a particular class received from a single creditor that partially rejects and partially accepts the Plan shall be deemed to have voted to accept the Plan; and (f) the person signing the creditor's proof of claim may complete and sign the creditor's Ballot.

11. The following Ballots shall not be counted or considered for any purpose in determining whether the Plan has been accepted or rejected:

- (a) any Ballot received after the Voting Deadline unless the Debtor shall have granted in writing an extension of the Voting Deadline with respect to such Ballot;
- (b) any Ballot that is illegible or contains insufficient information to permit the identification of the creditor or interest holder;
- (c) any Ballot cast by a person or entity that does not hold a claim in a class that is entitled to vote to accept or reject the Plan;
- (d) any Ballot cast for a claim scheduled in the amount of \$0, or as unliquidated, contingent, or disputed for which no proof of claim was timely filed;
- (e) any unsigned Ballot, and;
- (f) any Ballot transmitted to the Debtor by facsimile, email or other electronic means.

12. In addition to the Debtor's right to solicit acceptance of the Plan, the Debtor shall be permitted to contact creditors and interest holders in an attempt to cure the deficiencies specified herein.

13. For purposes of determining whether the numerosity and claim or interest amount requirements of Sections 1126(c) and 1126(d) of the Bankruptcy Code have been satisfied, the Debtor shall tabulate only those Ballots cast by the Voting Deadline.

14. Mailing the Solicitation Packages in accordance with this Order constitutes adequate notice of the Confirmation Hearing and the Voting Deadline under Bankruptcy Rule 3017(d).

15. The Debtor is authorized and empowered to take such steps and perform such acts as may be necessary to implement and effectuate this Order.

Dated: _____, 2019

UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT A
TO DISCLOSURE STATEMENT
APPROVAL ORDER**

[PLAN OF REORGANIZATION]

EXHIBIT B
TO DISCLOSURE STATEMENT APPROVAL ORDER

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

**IF THIS BALLOT IS NOT
RECEIVED BY THE
DEBTOR'S COUNSEL BY
5:00 P.M. ON _____ 2019
YOUR VOTE WILL NOT
BE COUNTED.**

In re:

Case No.: 15-50792

Diocese of Duluth,

Chapter 11

Debtor-in-Possession.

**CLASS 3
TORT CLAIMS**

**BALLOT FOR ACCEPTING OR REJECTING
JOINT PLAN OF REORGANIZATION DATED _____, 2019**

PLEASE READ THIS ENTIRE BALLOT BEFORE COMPLETING THIS BALLOT.

The undersigned, a holder of a Tort Claim, votes (check one box only):

to **ACCEPT** the Plan

to **REJECT** the Plan

Amount of Your Claim for Voting Purposes Only: \$1.00

By signing this Ballot, the undersigned makes the
certifications set forth below.

Name of Claimant:

Street Address: _____

(Print or Type)

City, State, and Zip Code

By: _____

Telephone Number: (____) _____

Print Name of
Signatory: _____

Social Security or Federal Tax I.D. No.

Title: _____
(if Appropriate)

Date Completed: _____

PLEASE READ THE FOLLOWING BEFORE COMPLETING YOUR BALLOT

Please complete, sign, and date this Ballot. Return this Ballot to **ELSAESSER ANDERSON, 320 EAST NEIDER AVENUE, SUITE 102, COEUR D'ALENE, IDAHO 83815**. If your Ballot is NOT RECEIVED by 5:00 p.m., prevailing Central Time on _____, 2019, it will not be counted.

On _____, 2019, the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court") signed an Order, which establishes certain procedures for the solicitation and tabulation of votes to accept or reject the Plan.

By signing this Ballot, you make the following certifications under penalty of perjury pursuant to 28 U.S.C. § 1746:

- "I have been provided with a copy of the Disclosure Statement, dated _____, 2019, and the exhibits thereto."
- "I have the full power and authority to vote to accept or reject the Plan on behalf of the creditor listed on the reverse side."
- "I have reviewed and accept the following exculpation provisions in the Plan.
- **FROM AND AFTER THE EFFECTIVE DATE, NONE OF THE EXCULPATED PARTIES SHALL HAVE OR INCUR ANY LIABILITY FOR, AND EACH EXCULPATED PARTY SHALL BE RELEASED FROM, ANY CLAIM, CAUSE OF ACTION OR LIABILITY TO ANY OTHER EXCULPATED PARTY, TO ANY HOLDER OF A CLAIM, OR TO ANY OTHER PARTY IN INTEREST, FOR ANY ACT OR OMISSION THAT OCCURRED DURING AND IN CONNECTION WITH THIS CHAPTER 11 CASE OR IN CONNECTION WITH THE PREPARATION AND FILING OF THIS CHAPTER 11 CASE, THE FORMULATION, NEGOTIATION, OR PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, AND THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR CLAIMS, CAUSES OF ACTION OR LIABILITIES ARISING FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OR BREACH OF THE FIDUCIARY DUTY OF LOYALTY OF ANY EXCULPATED PARTY, IN EACH CASE SUBJECT TO DETERMINATION OF SUCH BY NON-APPEALABLE ORDER OF A COURT OF COMPETENT JURISDICTION AND PROVIDED THAT ANY EXCULPATED PARTY SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO ITS DUTIES AND RESPONSIBILITIES (IF ANY) UNDER THE PLAN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMMITTEE AND THE DIOCESE AND THEIR RESPECTIVE OFFICERS, BOARD AND COMMITTEE MEMBERS, EMPLOYEES, ATTORNEYS, FINANCIAL ADVISORS, AND OTHER PROFESSIONALS SHALL BE ENTITLED TO AND GRANTED THE BENEFITS OF SECTION 1125(E) OF THE BANKRUPTCY CODE AND THE CHANNELING INJUNCTION.**

To have your vote count you must complete and return this Ballot by 5:00 p.m., prevailing Central Time on _____, 2019.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission of the validity of a claim or interest.

Exhibit I to Class 3 Ballot

RELEASE

TO BE ENTITLED TO RECEIVE ANY COMPENSATION UNDER THE PLAN, YOU MUST EXECUTE AND DELIVER THIS RELEASE.

1. All capitalized terms in this Release are defined in the Joint Plan and have the meanings stated in the Joint Plan.
2. In consideration of the Trust's promise to make me a distribution, the amount payable to me under the Trust Distribution Plan, and other valuable consideration, I, for myself and my heirs, successors, assigns, agents, and representatives:
 - a. Hereby fully, finally, and completely release, remise, acquit, and forever discharge the Settling Insurer Entities with respect to the Settling Insurer Entity Policies from any and all past, present, and future Claims that, directly or indirectly, arise out of, relate to, or are connected with the i) Tort Claims; ii) Related Insurance Claims; iii) the Settling Insurer Entity Policies; and iv) all Claims that, directly or indirectly, arise from, relate to, or are connected with the Reorganization Case.
 - b. Hereby covenant (i) not to sue or seek recovery or relief of any kind from the Protected Parties or Settling Insurer Entities in connection with any and all past, present, and future Claims that, directly or indirectly, arise out of, relate to, or are connected with the Tort Claims, Related Insurance Claims, the Settling Insurer Entity Policies, or the Reorganization Case; (ii) to forever and irrevocably discharge that fraction, portion or percentage of damages I claim to have suffered in connection with any Abuse which is by trial or other disposition determined to be the causal fault or responsibility, if any, of any Protected Party; (iii) to voluntarily reduce any judgment that I may ever obtain against any Person relating to the same Abuse at issue in the Tort Claims or other claims of abuse or neglect in an amount reflecting that fraction, portion or percentage of damage or injury that I suffered due to the causal fault or responsibility, if any, of any Protected Party; (iv) that filing of this Release with any court by any Protected Party shall satisfy that fraction, portion or percentage of any judgment that may be rendered in my favor attributable to any Protected Party's causal fault or responsibility relating to the Abuse at issue in the Tort Claims; (v) that I will not seek a reallocation of the causal fault or causal responsibility of any Protected Party to any other Person, whether assessed by reason of judgment or settlement relating to the Abuse at issue in the Tort Claims; and (vi) this Release extinguishes any potential liability of any Protected Party or Settling Insurer Entity for contribution or indemnity to any Person who has been or may be held liable to me for any Tort Claim.
3. I have been provided with copies of the Disclosure Statement, the Joint Plan, and the exhibits thereto and have been given an opportunity to review such documents and to consult with counsel of my choice regarding those documents and this Release.

4. I expressly reserve and retain my rights to recover from any Person for liability for any Abuse except as provided in this Release and do not intend that payment by the Trust constitutes full compensation for the damage alleged in my Tort Claim(s).
5. I intend the foregoing undertakings comply with the principles set forth in *Pierringer v. Hoyer*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978).
6. I understand and agree that any payment by the Trust to me does not constitute an admission of liability of any kind or nature by the Diocese, the Reorganized Debtor, the Trust, any Settling Insurer Entity or any Protected Party.
7. I consent to, and agree to be bound by, the injunctions set forth in the Joint Plan, including those injunctions contained in Articles VII and XIII for the benefit of the Settling Insurer Entities and Protected Parties. I also approve of the Insurance Settlement Agreements referenced in and incorporated into the Joint Plan.
8. I understand that payment from the Trust constitutes damages on account of personal physical injuries or sickness arising from an occurrence within the meaning of Section 104(a)(2) of the Internal Revenue Code of 1986, as amended.
9. I represent and warrant that I have not assigned or otherwise transferred any interest in my Tort Claim(s).
10. I hereby authorize the CMS, its agents and/or contractors to release, upon request, information related to my injury/illness and/or settlement since my date of birth to the Trust and/or its agents. I understand that I may revoke this "consent to release information" at any time, in writing. I consent to the release of information relating to my lifetime Medicare entitlement from the Social Security Administration and CMS to the Trustee and all other professionals retained by the Trust, and further authorize the Trustee and other Trust professionals to execute on my behalf any requests, including consents for release of information, for information relating to my Medicare entitlement and any obligations owing or potentially owing under the Medicare Secondary Payer Statute relating to my Tort Claim(s), from the Social Security Administration and CMS. I affirm that I am the individual to whom the requested information or record applies or the authorized representative of the individual's estate. I declare under penalty of perjury (28 CFR § 16.41(d)(2004)) that I have examined all the information on this form and it is true and correct to the best of my knowledge. I understand that anyone who knowingly or willfully seeks or obtains access to records about another person under false pretenses is punishable by a fine of up to \$5,000.
11. This Release shall be binding upon my successors, heirs, assigns, agents, and representatives.

TO BE COMPLETED BY TORT CLAIMANT OR AUTHORIZED REPRESENTATIVE OF TORT CLAIMANT'S ESTATE:

Name of Tort Claimant: _____

By: _____

Signature: _____

Dated: _____

Claim Number(s): _____

Social Security Number: _____

Date of Birth: _____

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

**IF THIS BALLOT IS NOT
RECEIVED BY THE
DEBTOR'S COUNSEL BY
5:00 P.M. ON _____,
2019 YOUR VOTE WILL
NOT BE COUNTED.**

In re:

Case No.: 15-50792

Diocese of Duluth,

Chapter 11

Debtor-in-Possession.

**CLASS 4 UNKNOWN
TORT CLAIMS**

**BALLOT FOR ACCEPTING OR REJECTING
JOINT PLAN OF REORGANIZATION DATED _____, __, 2019**

PLEASE READ THIS ENTIRE BALLOT BEFORE COMPLETING THIS BALLOT.

The undersigned, a holder of an Unknown Tort Claim, votes (check one box only):

to **ACCEPT** the Plan

to **REJECT** the Plan

Amount of Your Claim for Voting Purposes Only: \$1.00

By signing this Ballot, the undersigned makes the
certifications set forth below.

Name of Claimant:

Street Address: _____

(Print or Type)

City, State, and Zip Code

By: _____

Telephone Number: (____) _____

Print Name of
Signatory: _____

Social Security or Federal Tax I.D. No.

Title: _____
(if Appropriate)

Date Completed: _____

PLEASE READ THE FOLLOWING BEFORE COMPLETING YOUR BALLOT

Please complete, sign, and date this Ballot. Return this Ballot to **ELSAESSER ANDERSON, 320 EAST NEIDER AVENUE, SUITE 102, COEUR D'ALENE, IDAHO 83815**. If your Ballot is NOT RECEIVED by 5:00 p.m., prevailing Central Time on _____, 2019, it will not be counted.

On _____, 2019, the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court") signed an Order, which establishes certain procedures for the solicitation and tabulation of votes to accept or reject the Plan.

By signing this Ballot, you make the following certifications under penalty of perjury pursuant to 28 U.S.C. § 1746:

- "I have been provided with a copy of the Disclosure Statement, dated _____, 2019, and the exhibits thereto."
- "I have the full power and authority to vote to accept or reject the Plan on behalf of the creditor listed on the reverse side."
- "I have reviewed and accept the following exculpation provisions in the Plan.
- **FROM AND AFTER THE EFFECTIVE DATE, NONE OF THE EXCULPATED PARTIES SHALL HAVE OR INCUR ANY LIABILITY FOR, AND EACH EXCULPATED PARTY SHALL BE RELEASED FROM, ANY CLAIM, CAUSE OF ACTION OR LIABILITY TO ANY OTHER EXCULPATED PARTY, TO ANY HOLDER OF A CLAIM, OR TO ANY OTHER PARTY IN INTEREST, FOR ANY ACT OR OMISSION THAT OCCURRED DURING AND IN CONNECTION WITH THIS CHAPTER 11 CASE OR IN CONNECTION WITH THE PREPARATION AND FILING OF THIS CHAPTER 11 CASE, THE FORMULATION, NEGOTIATION, OR PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, AND THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR CLAIMS, CAUSES OF ACTION OR LIABILITIES ARISING FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OR BREACH OF THE FIDUCIARY DUTY OF LOYALTY OF ANY EXCULPATED PARTY, IN EACH CASE SUBJECT TO DETERMINATION OF SUCH BY NON-APPEALABLE ORDER OF A COURT OF COMPETENT JURISDICTION AND PROVIDED THAT ANY EXCULPATED PARTY SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO ITS DUTIES AND RESPONSIBILITIES (IF ANY) UNDER THE PLAN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMMITTEE AND THE DIOCESE AND THEIR RESPECTIVE OFFICERS, BOARD AND COMMITTEE MEMBERS, EMPLOYEES, ATTORNEYS, FINANCIAL ADVISORS, AND OTHER PROFESSIONALS SHALL BE ENTITLED TO AND GRANTED THE BENEFITS OF SECTION 1125(E) OF THE BANKRUPTCY CODE AND THE CHANNELING INJUNCTION.**

To have your vote count you must complete and return this Ballot by 5:00 p.m., prevailing Central Time on _____, 2019.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission of the validity of a claim or interest.

IF THIS BALLOT IS NOT RECEIVED BY THE DEBTOR'S COUNSEL BY 5:00 P.M. ON _____, 2019 YOUR VOTE WILL NOT BE COUNTED.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

In re:

Case No.: 15-50792

Diocese of Duluth,

Chapter 11

Debtor-in-Possession.

**CLASS 5 GENERAL
UNSECURED CLAIMS**

**BALLOT FOR ACCEPTING OR REJECTING
JOINT PLAN OF REORGANIZATION DATED _____, 2019**

PLEASE READ THIS ENTIRE BALLOT BEFORE COMPLETING THIS BALLOT.

The undersigned, a holder of a General Unsecured Claim, votes (check one box only):

to **ACCEPT** the Plan

to **REJECT** the Plan

Amount of Your Claim for Voting Purposes Only: \$1.00

By signing this Ballot, the undersigned makes the certifications set forth below.

Name of Creditor:

Street Address: _____

(Print or Type)

City, State, and Zip Code

By: _____

Telephone Number: (____) _____

Print Name of
Signatory: _____

Social Security or Federal Tax I.D. No.

Title: _____
(if Appropriate)

Date Completed: _____

PLEASE READ THE FOLLOWING BEFORE COMPLETING YOUR BALLOT

Please complete, sign, and date this Ballot. Return this Ballot to **ELSAESSER ANDERSON, 320 EAST NEIDER AVENUE, SUITE 102, COEUR D'ALENE, IDAHO 83815**. If your Ballot is NOT RECEIVED by 5:00 p.m., prevailing Central Time on _____, 2019, it will not be counted.

On _____, 2019, the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court") signed an Order, which establishes certain procedures for the solicitation and tabulation of votes to accept or reject the Plan.

By signing this Ballot, you make the following certifications under penalty of perjury pursuant to 28 U.S.C. § 1746:

- "I have been provided with a copy of the Disclosure Statement, dated _____, 2019, and the exhibits thereto."
- "I have the full power and authority to vote to accept or reject the Plan on behalf of the creditor listed on the reverse side."
- "I have reviewed and accept the following exculpation provisions in the Plan.
- **FROM AND AFTER THE EFFECTIVE DATE, NONE OF THE EXCULPATED PARTIES SHALL HAVE OR INCUR ANY LIABILITY FOR, AND EACH EXCULPATED PARTY SHALL BE RELEASED FROM, ANY CLAIM, CAUSE OF ACTION OR LIABILITY TO ANY OTHER EXCULPATED PARTY, TO ANY HOLDER OF A CLAIM, OR TO ANY OTHER PARTY IN INTEREST, FOR ANY ACT OR OMISSION THAT OCCURRED DURING AND IN CONNECTION WITH THIS CHAPTER 11 CASE OR IN CONNECTION WITH THE PREPARATION AND FILING OF THIS CHAPTER 11 CASE, THE FORMULATION, NEGOTIATION, OR PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, AND THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR CLAIMS, CAUSES OF ACTION OR LIABILITIES ARISING FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OR BREACH OF THE FIDUCIARY DUTY OF LOYALTY OF ANY EXCULPATED PARTY, IN EACH CASE SUBJECT TO DETERMINATION OF SUCH BY NON-APPEALABLE ORDER OF A COURT OF COMPETENT JURISDICTION AND PROVIDED THAT ANY EXCULPATED PARTY SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO ITS DUTIES AND RESPONSIBILITIES (IF ANY) UNDER THE PLAN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMMITTEE AND THE DIOCESE AND THEIR RESPECTIVE OFFICERS, BOARD AND COMMITTEE MEMBERS, EMPLOYEES, ATTORNEYS, FINANCIAL ADVISORS, AND OTHER PROFESSIONALS SHALL BE ENTITLED TO AND GRANTED THE BENEFITS OF SECTION 1125(E) OF THE BANKRUPTCY CODE AND THE CHANNELING INJUNCTION.**

To have your vote count you must complete and return this Ballot by 5:00 p.m., prevailing Central Time on _____, 2019.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission of the validity of a claim or interest.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

**IF THIS BALLOT IS NOT
RECEIVED BY THE
DEBTOR'S COUNSEL BY
5:00 P.M. ON _____ 2019
YOUR VOTE WILL NOT
BE COUNTED.**

In re:

Case No.: 15-50792

Diocese of Duluth,

Chapter 11

Debtor-in-Possession.

**CLASS 6A ABUSE RELATED
CONTINGENT CLAIMS**

**BALLOT FOR ACCEPTING OR REJECTING
JOINT PLAN OF REORGANIZATION DATED _____, 2019**

PLEASE READ THIS ENTIRE BALLOT BEFORE COMPLETING THIS BALLOT.

The undersigned, a holder of a Abuse Related Contingent Claim, votes (check one box only):

to **ACCEPT** the Plan

to **REJECT** the Plan

Amount of Your Claim for Voting Purposes Only: \$1.00

By signing this Ballot, the undersigned makes the
certifications set forth below.

Name of Claimant:

Street Address: _____

(Print or Type)

City, State, and Zip Code

By: _____

Telephone Number: (____) _____

Print Name of
Signatory: _____

Social Security or Federal Tax I.D. No.

Title: _____
(if Appropriate)

Date Completed: _____

PLEASE READ THE FOLLOWING BEFORE COMPLETING YOUR BALLOT

Please complete, sign, and date this Ballot. Return this Ballot to **ELSAESSER ANDERSON, 320 EAST NEIDER AVENUE, SUITE 102, COEUR D'ALENE, IDAHO 83815**. If your Ballot is NOT RECEIVED by 5:00 p.m., prevailing Central Time on _____, 2019, it will not be counted.

On _____, 2019, the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court") signed an Order, which establishes certain procedures for the solicitation and tabulation of votes to accept or reject the Plan.

By signing this Ballot, you make the following certifications under penalty of perjury pursuant to 28 U.S.C. § 1746:

- "I have been provided with a copy of the Disclosure Statement, dated _____, 2019, and the exhibits thereto."
- "I have the full power and authority to vote to accept or reject the Plan on behalf of the creditor listed on the reverse side."
- "I have reviewed and accept the following exculpation provisions in the Plan.
- **FROM AND AFTER THE EFFECTIVE DATE, NONE OF THE EXCULPATED PARTIES SHALL HAVE OR INCUR ANY LIABILITY FOR, AND EACH EXCULPATED PARTY SHALL BE RELEASED FROM, ANY CLAIM, CAUSE OF ACTION OR LIABILITY TO ANY OTHER EXCULPATED PARTY, TO ANY HOLDER OF A CLAIM, OR TO ANY OTHER PARTY IN INTEREST, FOR ANY ACT OR OMISSION THAT OCCURRED DURING AND IN CONNECTION WITH THIS CHAPTER 11 CASE OR IN CONNECTION WITH THE PREPARATION AND FILING OF THIS CHAPTER 11 CASE, THE FORMULATION, NEGOTIATION, OR PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, AND THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR CLAIMS, CAUSES OF ACTION OR LIABILITIES ARISING FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OR BREACH OF THE FIDUCIARY DUTY OF LOYALTY OF ANY EXCULPATED PARTY, IN EACH CASE SUBJECT TO DETERMINATION OF SUCH BY NON-APPEALABLE ORDER OF A COURT OF COMPETENT JURISDICTION AND PROVIDED THAT ANY EXCULPATED PARTY SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO ITS DUTIES AND RESPONSIBILITIES (IF ANY) UNDER THE PLAN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMMITTEE AND THE DIOCESE AND THEIR RESPECTIVE OFFICERS, BOARD AND COMMITTEE MEMBERS, EMPLOYEES, ATTORNEYS, FINANCIAL ADVISORS, AND OTHER PROFESSIONALS SHALL BE ENTITLED TO AND GRANTED THE BENEFITS OF SECTION 1125(E) OF THE BANKRUPTCY CODE AND THE CHANNELING INJUNCTION.**

To have your vote count you must complete and return this Ballot by 5:00 p.m., prevailing Central Time on _____, 2019.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission of the validity of a claim or interest.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

**IF THIS BALLOT IS NOT
RECEIVED BY THE
DEBTOR'S COUNSEL BY
5:00 P.M. ON _____ 2019
YOUR VOTE WILL NOT
BE COUNTED.**

In re:

Diocese of Duluth,

Debtor-in-Possession.

Case No.: 15-50792

Chapter 11

**CLASS 6B ABUSE RELATED
CONTINGENT CLAIMS**

**BALLOT FOR ACCEPTING OR REJECTING
JOINT PLAN OF REORGANIZATION DATED _____, 2019**

PLEASE READ THIS ENTIRE BALLOT BEFORE COMPLETING THIS BALLOT.

The undersigned, a holder of a Abuse Related Contingent Claim, votes (check one box only):

to **ACCEPT** the Plan

to **REJECT** the Plan

Amount of Your Claim for Voting Purposes Only: \$1.00

By signing this Ballot, the undersigned makes the
certifications set forth below.

Name of Claimant:

(Print or Type)

By: _____

Print Name of
Signatory: _____

Title: _____
(if Appropriate)

Street Address: _____

City, State, and Zip Code

Telephone Number: (____) _____

Social Security or Federal Tax I.D. No.

Date Completed: _____

PLEASE READ THE FOLLOWING BEFORE COMPLETING YOUR BALLOT

Please complete, sign, and date this Ballot. Return this Ballot to **ELSAESSER ANDERSON, 320 EAST NEIDER AVENUE, SUITE 102, COEUR D'ALENE, IDAHO 83815**. If your Ballot is NOT RECEIVED by 5:00 p.m., prevailing Central Time on _____, 2019, it will not be counted.

On _____, 2019, the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court") signed an Order, which establishes certain procedures for the solicitation and tabulation of votes to accept or reject the Plan.

By signing this Ballot, you make the following certifications under penalty of perjury pursuant to 28 U.S.C. § 1746:

- "I have been provided with a copy of the Disclosure Statement, dated _____, 2019, and the exhibits thereto."
- "I have the full power and authority to vote to accept or reject the Plan on behalf of the creditor listed on the reverse side."
- "I have reviewed and accept the following exculpation provisions in the Plan.
- **FROM AND AFTER THE EFFECTIVE DATE, NONE OF THE EXCULPATED PARTIES SHALL HAVE OR INCUR ANY LIABILITY FOR, AND EACH EXCULPATED PARTY SHALL BE RELEASED FROM, ANY CLAIM, CAUSE OF ACTION OR LIABILITY TO ANY OTHER EXCULPATED PARTY, TO ANY HOLDER OF A CLAIM, OR TO ANY OTHER PARTY IN INTEREST, FOR ANY ACT OR OMISSION THAT OCCURRED DURING AND IN CONNECTION WITH THIS CHAPTER 11 CASE OR IN CONNECTION WITH THE PREPARATION AND FILING OF THIS CHAPTER 11 CASE, THE FORMULATION, NEGOTIATION, OR PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, AND THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR CLAIMS, CAUSES OF ACTION OR LIABILITIES ARISING FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OR BREACH OF THE FIDUCIARY DUTY OF LOYALTY OF ANY EXCULPATED PARTY, IN EACH CASE SUBJECT TO DETERMINATION OF SUCH BY NON-APPEALABLE ORDER OF A COURT OF COMPETENT JURISDICTION AND PROVIDED THAT ANY EXCULPATED PARTY SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO ITS DUTIES AND RESPONSIBILITIES (IF ANY) UNDER THE PLAN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMMITTEE AND THE DIOCESE AND THEIR RESPECTIVE OFFICERS, BOARD AND COMMITTEE MEMBERS, EMPLOYEES, ATTORNEYS, FINANCIAL ADVISORS, AND OTHER PROFESSIONALS SHALL BE ENTITLED TO AND GRANTED THE BENEFITS OF SECTION 1125(E) OF THE BANKRUPTCY CODE AND THE CHANNELING INJUNCTION.**

To have your vote count you must complete and return this Ballot by 5:00 p.m., prevailing Central Time on _____, 2019.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission of the validity of a claim or interest.

EXHIBIT C
TO DISCLOSURE STATEMENT APPROVAL ORDER

(Notice of Non-Voting Status)

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

In re:

Case No.: 15-50792

Diocese of Duluth,

Chapter 11

Debtor-in-Possession.

**NOTICE OF NON-VOTING STATUS WITH RESPECT
TO CLASSES 1 AND 2**

PLEASE TAKE NOTICE THAT on _____, 2019, the United States Bankruptcy Court for the District of Minnesota (the “Court”) entered an Order approving the Joint Disclosure Statement for the Plan of Reorganization (the “Plan”), dated as of _____, 2019, filed by the Diocese of Duluth (the “Debtor”) (the “Disclosure Statement”) filed by the Debtor for use in soliciting acceptances or rejections of the Plan.

UNDER THE TERMS OF THE PLAN, YOUR CLAIM IN CLASSES 1 AND 2 AGAINST THE DIOCESE OF DULUTH. IS/ARE NOT IMPAIRED AND, THEREFORE, PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE, YOU ARE (I) DEEMED TO HAVE ACCEPTED THE PLAN, AND (II) ARE NOT ENTITLED TO VOTE ON THE PLAN. ACCORDINGLY, THE ENCLOSED DOCUMENTS ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE ANY QUESTIONS ABOUT THE STATUS OF YOUR INTEREST(S), YOU MAY CONTACT THE DEBTOR'S COUNSEL, ELSAESSER ANDERSON, CHTD., 320 EAST NEIDER AVENUE, SUITE 102, COEUR D'ALENE, IDAHO 83815.

EXHIBIT C

EXHIBIT C

LIQUIDATION ANALYSIS¹ Diocese of Duluth (Debtor-in-Possession) Estimated Realizable Value Upon Liquidation As of May 31, 2019

<u>Current Assets</u>	<u>Book Value</u>	<u>Estimated Liquidation Value</u>
Cash in Bank (From May 31, 2019 MOR)	\$ 2,060,583.00	\$ 2,060,583.00
Investments (From May 31, 2019 MOR)	137,551.00	137,551.00
Accounts Receivable (From May 31, 2019 MOR)	499,113.00	199,113.00
Other Current Assets (From May 31, 2019 MOR)	157,315.00	100,000.00
Long Term Assets –		
Personal Property (From Schedules)	86,975.00	25,000.00
Real Property (From Schedules Less Sold)	<u>614,900.00</u>	<u>614,900.00</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,556,437.00</u>	<u>\$ 3,137,147.00</u>
<u>LIABILITIES</u>		
<u>Post Petition Liabilities</u>		
Trade Payables (Post-Petition - Estimated)		83,131.00
Professional Fees (Includes Debtor Attorneys and UCC Counsel)		1,750,000.00
Trustee and Other Chapter 11 Administrative Costs (Includes Unknown Claims Representative, Trust Set Up and Associated Expenses)		<u>500,000.00</u>
Total Claims to be Paid Before Payments to Unsecured Creditors		<u>\$ 2,333,131.00</u>

¹ Many amounts are estimates based on Debtor's business judgment and historical experience.

EXHIBIT C

General Unsecured Claims	\$ 40,237.00
Doe 30	4,899,000.00
ESTIMATED SEXUAL ABUSE CLAIMS²	<u>\$12,500,000.00</u>
Total Unsecured Claims	<u>\$17,539,237.00</u>
Total Proceeds Available to Pay Unsecured Claims	<u>\$ 804,016.00</u>

² Estimated at \$100,000 each for payment purposes of this calculation only.

EXHIBIT D

SETTLEMENT AGREEMENT, RELEASE, AND CERTIFICATE BUYBACK

This Settlement Agreement, Release, and Certificate Buyback (“Settlement Agreement”) is hereby made by, between and among the Diocese Parties (as defined in Section 1.1.10), the Parish Parties (as defined in Section 1.1.19), the Committee (as defined in Section 1.1.7), and the Catholic Mutual Parties (as defined in Section 1.1.4).

RECITALS

WHEREAS, numerous individuals have asserted certain Tort Claims (as defined in Section 1.1.27) against the Diocese (as defined in Section 1.1.8) and Parishes (as defined in Section 1.1.17);

WHEREAS, the Catholic Mutual Parties or their predecessors issued, allegedly issued or may have issued the Diocese Certificates (as defined in Section 1.1.9) providing certain coverage to the Diocese Parties;

WHEREAS, certain disputes between the Diocese Parties and the Catholic Mutual Parties have arisen and/or may arise in the future concerning Catholic Mutual Parties’ position regarding the nature and scope of their responsibilities, if any, to provide coverage to the Diocese Parties under the Diocese Certificates in connection with Tort Claims (the “Coverage Disputes”);

WHEREAS, the Diocese filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Minnesota (Case No. 15-50792) (the “Reorganization Case”) on December 7, 2015 (the “Petition Date”);

WHEREAS, the Diocese Parties and the Catholic Mutual Parties, without any admission of liability or concession of the validity of the positions or arguments advanced by each other, now wish to compromise and resolve fully and finally any and all Coverage Disputes and all other disputes between and among them;

WHEREAS, through this Settlement Agreement, the Diocese Parties, Parish Parties and Committee intend to provide the Catholic Mutual Parties with the broadest possible release of all Tort Claims, including all Future Tort Claims, that occurred or may have arisen prior to the effective date of the Plan (as defined in Section 1.1.22);

WHEREAS, through this Settlement Agreement, the Diocese Parties, Parish Parties and the Catholic Mutual Parties also wish to effect a sale of the Parish Certificates (as defined in Section 1.1.18) pursuant to 11 U.S.C. § 363 and to provide the Catholic Mutual Parties with the broadest possible release and buyback with respect to the Parish Certificates, resulting in Catholic Mutual Parties having no obligations now, or in the future, under the Parish Certificates; and

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants contained in this Settlement Agreement, the sufficiency of which is hereby acknowledged, and intending to be legally bound, subject to the approval of the United States Bankruptcy Court for the District of Minnesota and any other court in which the Reorganization

Case may be pending or that has jurisdiction over the Reorganization Case (the “Bankruptcy Court”), the Parties hereby agree as follows:

1. DEFINITIONS

1.1 As used in this Agreement, the following terms shall have the meanings set forth below. Capitalized terms not defined below or herein shall have the meanings given to them in the Bankruptcy Code.

1.1.1 “Abuse” means (i) any actual or alleged sexual conduct, misconduct, abuse, or molestation, including actual or alleged “sexual abuse” as that phrase is defined in Minnesota Statutes § 541.073(1); (ii) indecent assault or battery, rape, lascivious behavior, undue familiarity, pedophilia, ephebophilia, or sexually-related physical, psychological, or emotional harm; (iii) contacts or interactions of a sexual nature; or (iv) assault, battery, corporal punishment, or other act of physical, psychological, or emotional abuse, humiliation, intimidation, or misconduct.

1.1.2 “Bankruptcy Orders” means collectively, the FCR Order, the Approval Order and the Plan Confirmation Order.

1.1.3 “Catholic Mutual” means Catholic Mutual Relief Society of America.

1.1.4 “Catholic Mutual Parties” means Catholic Mutual and each of their past, present and future parents, subsidiaries, affiliates, and divisions, each of their respective past, present, present and future parents, subsidiaries, affiliates, holding companies, merged companies, related companies, divisions and acquired companies, each of their respective past, present and future, directors, officers, shareholders, employees, subrogees, partners, principals, agents, attorneys, joint ventures, joint venturers, representatives, and claims handling administrators, and each of their respective predecessors, successors, assignors, and assigns, whether known or unknown, and all Persons acting on behalf of, by, through or in concert with them.

1.1.5 “Channeled Claim” means any Tort Claim against any of the Protected Parties, Catholic Mutual Parties, or any Person covered by any certificate issued by the Catholic Mutual Parties to the extent such Tort Claim arises from the same injury or damages asserted as a Tort Claim against the Protected Parties or Catholic Mutual Parties. No Claim against a religious order is a channeled claim.

1.1.6 “Claim” means any past, present or future claim, demand, action, request, cause of action, suit, proceeding or liability of any kind or nature whatsoever, whether at law or equity, known or unknown, actual or alleged, asserted or not asserted, suspected or not suspected, anticipated or unanticipated, accrued or not accrued, fixed or contingent, including Tort Claims, which has been or may be asserted by or on behalf of any Person, whether seeking damages (including compensatory, punitive or exemplary damages) or equitable, mandatory, injunctive, or any other type of relief, including cross-claims, counterclaims, third-party claims, suits, lawsuits, administrative proceedings, notices of liability or potential liability, arbitrations, actions, rights, causes

of action or orders, and any other claim within the definition of “claim” in section 101(5) of the Bankruptcy Code.

1.1.7 “Committee” means the Official Committee of Unsecured Creditors appointed in the Reorganization Case, pursuant to an Order of the Bankruptcy Court entered on December 28, 2015.

1.1.8 “Diocese” means the Diocese of Duluth and its estate (pursuant to section 541 of the Bankruptcy Code).

1.1.9 “Diocese Certificates” mean all known and unknown binders, certificates issued or allegedly issued by the Catholic Mutual Parties to the Diocese Parties.

1.1.10 “Diocese Parties” means collectively the Diocese and: (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the Diocese; (ii) any and all named covered party, covered party and additional covered party under the Diocese Certificates, including any and all past and present parishes of or in the Diocese (as applicable) and every Protected Person (as defined in the Diocese Certificates); (iii) each of the foregoing Persons’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv) each of the foregoing Persons’ respective predecessors, successors and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Persons identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such Persons are “employees” or agents of the Diocese or subject to its control. An individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Diocese Party with respect to that Tort Claim. No religious order is a Diocese Party.

1.1.11 “Effective Date” means the date on which all conditions precedent to this Settlement Agreement are satisfied.

1.1.12 “Extra-Contractual Claim” means any Claim against any of the Catholic Mutual Parties based, in whole or in part, on allegations that any of the Catholic Mutual Parties acted in bad faith or in breach of any express or implied duty, obligation or covenant, contractual, statutory or otherwise, including any Claim on account of alleged bad faith; failure to act in good faith; violation of any express or implied duty of good faith and fair dealing; violation of any unfair claims practices act or similar statute, regulation, or code; any type of alleged misconduct; or any other act or omission of any of the Catholic Mutual Parties of any type for which the claimant seeks relief other than coverage or benefits under a policy of insurance. Extra-Contractual Claims include: (i) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with any of the Catholic Mutual Parties’ handling of any Claim or any request for insurance coverage, including any request for coverage for any Claim, including any Tort Claim; (ii) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with the Diocese Certificates and Parish Certificates and any contractual duties arising

therefrom, including any contractual duty to defend the Diocese Parties or Parish Parties against any Tort Claims; and (iii) the conduct of the Parties with respect to the negotiation of this Settlement Agreement.

1.1.13 “FCR” means any Person appointed by the Bankruptcy Court or District Court, as applicable, as the future claims representative.

1.1.14 “Final Order” means an order, judgment, or other decree (including any modification or amendment thereof) that remains in effect and has not been reversed, withdrawn, vacated, or stayed, and as to which the time to appeal or seek review, rehearing, or writ of certiorari has expired or, if such an appeal or review has been taken, (i) it has been resolved and no longer remains pending, or (ii) an appeal or review has been taken timely but such order has not been stayed and the Parties have mutually agreed in writing that the order from which such appeal or review is taken should be deemed to be a Final Order within the meaning of this Settlement Agreement.

1.1.15 “Future Tort Claim” means any Tort Claim that is neither filed, nor deemed filed, by the proof of claim bar date in the Diocese’s bankruptcy case (“Claim Filing Date”) and is held by an individual who (i) was continuously between the Claim Filing Date and the Plan’s effective date under a disability recognized by Minn. Stat. § 541.15, subs. 1, 2 and 3 (or other applicable law suspending the running of the limitation period, if any, other than Minn. Stat. § 541.15, subd. 4); (ii) has a Tort Claim that was barred by the statute of limitations as of the Claim Filing Date but is no longer barred by the applicable statute of limitations for any reason, including the enactment of legislation that revises previously time-barred Tort Claims; or (iii) claims he or she was incapable of knowing of the existence of his or her Tort Claim as of the Claim Filing Date for any reason, including alleged memory repression or suppression; or as otherwise defined by subsequent order of the Bankruptcy Court.

1.1.16 “Interests” means all liens, Claims, encumbrances, interests, and other rights of any nature, whether at law or in equity, including any rights of contribution, indemnity, defense, subrogation, or similar relief.

1.1.17 “Parishes” means all parishes listed on Exhibit B.

1.1.18 “Parish Certificates” means any and all known and unknown binders or certificates issued or allegedly issued by the Catholic Mutual Parties to the Parish Parties in existence before the Effective Date of this Settlement Agreement, including any and all alleged certificates, whether in existence or not, for which Catholic Mutual has acknowledged coverage.

1.1.19 “Parish Parties” means the Parishes and (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the Parishes; (ii) any and all named covered party, covered party and additional covered party under the Parish Certificates, including every Protected Person (as defined in the Parish Certificates); (iii) each of the foregoing Persons’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv)

each of the foregoing Persons' respective predecessors, successors and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Persons identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such Persons are "employees" or agents of the Parishes or subject to their control. An individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Parish Party with respect to that Tort Claim.

1.1.20 "Parties" means the Diocese Parties, Catholic Mutual Parties, Parish Parties and Creditors' Committee, and "Party" refers to them individually.

1.1.21 "Person" shall have the meaning ascribed in 11 U.S.C. § 101(41) and shall also include the term "Entity" as defined in 11 U.S.C. § 101(15).

1.1.22 "Plan" refers to the Diocese's chapter 11 plan of reorganization and any amendment thereto, as approved and confirmed by a Final Order of the Bankruptcy Court, and that is consistent with the Settlement Agreement, and containing such language and provisions as are acceptable to Catholic Mutual in its sole discretion.

1.1.23 "Protected Parties" means any of the Diocese Parties, the Reorganized Debtor (as shall be defined in the Plan), and the Parish Parties and, in their capacity as such, their respective predecessors and successors, and all of the foregoing Person's, past, present, and future members, shareholders, trustees, officers, directors, officials, employees, agents, representatives, servants, contractors, consultants, volunteers, attorneys, professionals, insiders, subsidiaries, merged or acquired companies or operations, and their successors and assigns; but an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Protected Party with respect to that Tort Claim. Protected Party also includes the other insured entities, and, in their capacity as such, their respective predecessors and successors, and all of the foregoing Person's, past, present, and future members, shareholders, trustees, officers, directors, officials, employees, agents, representatives, servants, contractors, consultants, volunteers, attorneys, professionals, insiders, subsidiaries, merged or acquired companies or operations, and their successors and assigns. No religious order is a Protected Party.

1.1.24 "Reorganized Debtor" shall have the meaning ascribed in the Plan, but for purposes hereof, shall mean the Diocese after confirmation of the Plan.

1.1.25 "Related Insurance Claim" means (i) any Claim by any Person against any of the Catholic Mutual Parties for defense, indemnity, contribution, subrogation, or similar relief that, directly or indirectly, arises from, relates to, or is in connection with a Tort Claim; and (ii) any Extra Contractual Claim that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Claim that, directly or indirectly, arises out of, relates to or is in connection with any of the Catholic Mutual Parties' handling of any Tort Claim.

1.1.26 “Settlement Amount” means the sum of \$8,950,000 to be paid to the Diocese for the benefit of Tort Claimants (but excluding Future Tort Claims) by Catholic Mutual after satisfaction of all Conditions Precedent, and pursuant to the confirmed Plan.

1.1.27 “Tort Claim” means any Claim against any of the Protected Parties or Catholic Mutual Parties that arises out of, relates to, results from, or is in connection with, in whole or in part, directly or indirectly, Abuse that took place in whole or in part prior to the effective date of the Plan, including any such Claim that seeks monetary damages or any other relief, under any theory of liability, including vicarious liability; respondeat superior; any fraud-based theory, including fraud in the inducement; any negligence-based or employment-based theory, including negligent hiring, supervision, retention or misrepresentation; any other theory based on misrepresentation, concealment, or unfair practice; contribution; indemnity; public or private nuisance; or any other theory, including any theory based on public policy or any acts or failures to act by any of the Protected Parties, Catholic Mutual Parties or any other Person for whom any of the Protected Parties or Catholic Mutual Parties are allegedly responsible, including any such Claim asserted against any of the Parties in connection with the Diocese’s reorganization case. “Tort Claim” includes any Future Tort Claim.

1.1.28 “Tort Claimant” means any Person holding a Tort Claim, including those Tort Claims listed on Schedules 3 and 4 affixed hereto.

2. THE REORGANIZATION CASE AND PLAN FOR REORGANIZATION

2.1 Not later than five (5) days after the last Party signs this Settlement Agreement, the Diocese shall file a motion in the Bankruptcy Court (the “Approval Motion”) in form and substance acceptable to the Catholic Mutual Parties and the Diocese, approving this Settlement Agreement and authorizing the Parties to undertake the settlement and the transactions contemplated by this Settlement Agreement (the “Approval Order”).

2.1.1 The Diocese shall provide written notice of the Approval Motion to (i) all Tort Claimants to the extent they are known by the Diocese, (ii) counsel, if any, for the Committee, (iii) the FCR, (iv) all Persons who have filed notices of appearance in the Reorganization Case, and (v) all Persons known to have provided general or professional liability insurance to the Diocese Parties. The Diocese shall serve all claimants identified above at the address shown on their proofs of claim or to their counsel of record or, if no proof of claim was filed, then at the address on the Diocese’s schedules. The Diocese shall also serve the attorney for each Tort Claimant. The Diocese shall serve known Tort Claimants even if not scheduled or the subject of a proof of claim, to the extent known to the Diocese. The Diocese shall also serve any and all co-defendants and their

counsel (to the extent of record) in any pre-petition litigation brought by Tort Claimants at the last address shown on any filed appearance or, if such co-defendant is proceeding *pro se*, then to the last address of record for such *pro se* co-defendant. The Diocese shall provide notice of the Approval Motion in a form and substance acceptable to Catholic Mutual.

2.2 The Diocese shall file a motion for the appointment of the FCR, which shall be in form and substance acceptable to the Parties (the “FCR Motion”).

2.3 If any Person files an objection to the Approval Motion, the Diocese shall file a written response, in a form acceptable to the Catholic Mutual Parties, and shall take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court’s entry of the Approval Order. The Parties will cooperate with the Diocese, including making all appropriate submissions.

2.4 The Diocese shall file a Plan, including all exhibits, schedules and related documents, which shall be in all respects consistent with this Settlement Agreement and shall not deprive the Catholic Mutual Parties of any right or benefit under this Settlement Agreement or otherwise adversely affect the Interests of the Catholic Mutual Parties under this Settlement Agreement. Notwithstanding any language in any other section of this Settlement Agreement, the Committee reserves all rights to object to any provision of the Plan (including any provision of the Plan required by this Settlement Agreement) unless and until such time as all conditions precedent to this Settlement Agreement have been met, and this Settlement Agreement is fully binding on all the Parties. To avoid doubt, the Committee’s reservation of rights under the preceding sentence shall include, but not be limited to, the ability to seek recovery from any other insurers with respect to any claims not satisfied in full by this Settlement Agreement.

2.4.1 The Plan shall include an injunction (the “Channeling Injunction”) in substantially the form attached as Schedule 1 to this Settlement Agreement, with only such modifications as are acceptable to the Catholic Mutual Parties, the Diocese, the Parishes and the Committee, pursuant to section 105 of the Bankruptcy Code, barring and permanently enjoining all Persons who have held or asserted, or may in the future hold or assert Claims from taking any action, directly or indirectly for purposes of asserting, enforcing or attempting to assert or enforce any Channeled Claim and channeling such Channeled Claims to a trust or trusts established pursuant to the Plan (“Trust”), to which all Channeled Claims are channeled as the sole and exclusive source of payment of any such Channeled Claims.

2.4.2 The Plan shall also include an injunction (the “Supplemental Injunction”) in substantially the form attached as Schedule 2 to this Settlement Agreement, with only

such modifications as are acceptable to the Catholic Mutual Parties, the Diocese, the Parishes and the Committee, pursuant to sections 105(a) and 363 of the Bankruptcy Code.

2.5 In the Reorganization Case, the Diocese shall seek and obtain entry of an order in form and substance acceptable to the Catholic Mutual Parties that: (i) approves the Plan pursuant to section 1129 of the Bankruptcy Code and any other applicable provision of the Bankruptcy Code; (ii) contains the Channeling Injunction; (iii) contains the Supplemental Injunction; (iv) provides that this Settlement Agreement is binding on the Trust, the reorganized Diocese, and any successors of the Trust or reorganized Diocese; and (v) provides all protections to the Catholic Mutual Parties against Tort Claims that are afforded to settling insurers under the Plan (the "Plan Confirmation Order").

2.5.1 The Plan and Plan Confirmation Order must be in all respects consistent with this Settlement Agreement and contain no provisions that diminish or impair the benefit of this Settlement Agreement to Catholic Mutual.

2.5.2 In seeking to obtain the Plan Confirmation Order, the Diocese must: (i) seek a confirmation hearing on an appropriately timely basis; (ii) urge the Bankruptcy Court to overrule any objections and confirm the Plan; and (iii) take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the Plan Confirmation Order.

2.5.3 The form and manner of notice of the hearing to confirm the Plan and the form and manner of notice of the hearing as to the adequacy of the disclosure statement pertaining thereto are subject to advance approval by the Catholic Mutual Parties, which approval cannot be unreasonably withheld. The Diocese shall publish notice of the Plan, ballots and disclosure statement relating to the Plan, twice in a national publication and such other publications, to be agreed to by the Parties, and at times and in substance agreed to by the Parties. Catholic Mutual shall reimburse the Diocese for the publication costs associated with the national publication of the Plan, ballots and disclosure statement relating to the Plan, provided that the Plan is acceptable to Catholic Mutual and the costs were approved of in advance by Catholic Mutual in writing. The Diocese shall use its best efforts to require, as part of any settlement or resolution with any other settling insurer or other settling party, that such settling insurer or party contributes to the costs associated with the national publication of the Plan, ballots, and disclosure statement relating to the Plan, such that each settling insurer or party, along with Catholic Mutual, share equally in the costs associated with national publication.

2.5.4 Prior to entry of the Plan Confirmation Order, the Diocese shall oppose any motion to lift any stay pursuant to section 362 of the Bankruptcy Code as to any Tort Claim. If the Bankruptcy Court lifts the stay as to any Tort Claim prior to the Plan Confirmation Order, the Diocese shall defend itself against that Tort Claim and comply with the terms of the stay relief order. If the Diocese fails to defend that Tort Claim, then the Catholic Mutual Parties shall have the right, but not the duty, to defend and/or indemnify the Diocese against that Tort Claim and any costs incurred by the Catholic Mutual Parties in defending and/or indemnifying the Diocese shall be deducted from the Settlement Amount. In such event, the Diocese will cooperate with the Catholic Mutual Parties in the defense and/or indemnification of such Tort Claim.

2.6 The Diocese agrees that the Trust and Plan shall provide that the assets in the Trust shall be used solely for payment of indemnity and expenses relating to reimbursing the United States government for reimbursement obligations for any payments (“Conditional Payments”) made pursuant to Section 1395y(b)(2)(B) of the Medicare Secondary Payer Act, codified at 42 U.S.C. § 1395y, and the regulations promulgated thereunder, found at 42 C.F.R. § 4.11.1 *et seq.* (“MSPA”) applicable to any Tort Claimant who claims he or she is eligible to receive, is receiving, or has received Medicare benefits (“Medicare Beneficiary”) and, after satisfaction thereof, to such Medicare Beneficiaries and Tort Claimants. Except for the payment of the Settlement Amount, the Catholic Mutual Parties shall not be obligated to make any other payments, including any payments to the Trust.

2.7 The Diocese Parties will undertake all reasonable actions and cooperate with the Catholic Mutual Parties in connection with their reinsurers.

2.8 The Parties shall cease all litigation activities against each other in the Coverage Suits; provided, however, that each Party may take whatever steps that, in its sole judgment, are necessary to defend its interests as long as it remains a party in the Coverage Suits.

2.9 The Diocese shall use its reasonable efforts to obtain the dismissal of other Claims, if any, against the Catholic Mutual Parties by any other insurer in the Coverage Suits.

2.10 The Parties covenant not to sue each other until (a) the Bankruptcy Orders become Final Orders, at which time this covenant is superseded by the releases provided in Section 4, or (b) the date on which this Settlement Agreement is terminated. As of the Effective Date, the Diocese Parties:

2.10.1 will withdraw all outstanding tenders of Claims to the Catholic Mutual Parties for defense and indemnity;

2.10.2 will not tender any Claims to the Catholic Mutual Parties; and

2.10.3 will not request the Catholic Mutual Parties to fund any judgments, settlements, or defense costs.

2.11 The Catholic Mutual Parties shall have no obligation to pay, handle, object, or otherwise respond to any Claim, unless this Settlement Agreement is terminated.

3. PAYMENT OF THE SETTLEMENT AMOUNTS AND DISMISSAL OF COVERAGE SUITS

3.1 Conditions Precedent. The Settlement Agreement shall become effective and shall be binding on the Parties and Catholic Mutual will pay the Settlement Amount only after the following conditions have first been satisfied: (a) the appointment of a FCR prior to the entry of an Order approving the disclosure statement relating to the Plan; (b) entry of a Final Order (i) approving the Approval Motion, with the form and content of notice of the motion acceptable to Catholic Mutual; and (ii) approving the form and content of notice of the Plan, ballots and disclosure statement relating to the Plan, including publishing twice in a national publication and such other publications to be determined by the Parties and consistent with the terms of this Settlement Agreement; (c) entry of a Final Order approving the form and content of the Tort Claimants' ballot, each to be satisfactory to Catholic Mutual; (d) entry of a Final Order confirming a Plan agreed to by the Diocese and Committee in accordance with the Settlement Agreement, containing such terms and conditions as are acceptable to Catholic Mutual; (e) execution of the Settlement Agreement by all Parties in form and substance acceptable to the Parties; (f) entry of a Final Order approving of the Channeling Injunction and the Supplemental Injunction in favor of the Catholic Mutual Parties and the Protected Parties in form and substance acceptable to the Parties; and (g) entry of a Final Order approving of the releases in favor of the Catholic Mutual Parties and the Protected Parties, as are acceptable to the Parties.

3.2 In full and final settlement of (i) all responsibilities for any and all Tort Claims that occurred or may have arisen prior to the effective date of the Plan and any and all Future Tort Claims; and (ii) in consideration of the sale of the Parish Certificates free and clear of all Claims and Interests of any Person, Catholic Mutual shall pay the Settlement Amount within ten (10) days after Catholic Mutual receives written notice from the Diocese that the Bankruptcy Orders are Final Orders and directions as to transmission of the payment.

3.3 The Parties agree that the Settlement Amount is the total amount the Catholic Mutual Parties are obligated to pay on account of (i) any and all Tort Claims, including all Future Tort Claims through the effective date of the Plan, that arise under, arising out of, relating to, or in connection with the Diocese Certificates (including Channeled Claims, any reimbursement obligations for Conditional Payments under the MSPA, and any Extra-Contractual Claims); and (ii) any and all Claims and Interests, whether known or unknown, past, present or future, that arise under, arising out of, relating to, or in connection with the Parish Certificates.

3.4 The Parties further agree that (i) under no circumstance will the Catholic Mutual Parties ever be obligated to make any additional payments in excess of the Settlement Amount to or on behalf of anyone in connection with the Parish Certificates or in connection with any

Claims, including any Channeled Claims and any Extra Contractual Claims; (ii) under no circumstance will the Catholic Mutual Parties ever be obligated to make any additional payments to or on behalf of the Diocese Parties or any Tort Claimants in connection with any certificates or coverage under any Diocese Certificates issued by the Catholic Mutual Parties, including the Diocese Certificates, with respect to any Claims that, directly or indirectly, arise out of, relate to, or are in connection with any Tort Claims, including any Channeled Claims and any Extra Contractual Claims; and (iii) all limits of liability of the Diocese Certificates and Parish Certificates, regardless of how these Certificates identify or describe those limits, including all per person, per occurrence, per claim, "each professional incident," and aggregate limits, shall be deemed fully and properly exhausted. The Parties further agree that the Settlement Amount is the full purchase price of the Parish Certificates.

3.4.1 The Parties agree and jointly represent that (i) the consideration to be provided by the Catholic Mutual Parties pursuant to this Settlement Agreement (including the Settlement Amount) constitutes fair and reasonable exchanges for the consideration granted to the Catholic Mutual Parties in this Settlement Agreement (including the releases set forth below), and (ii) the consideration to be provided by the Diocese Parties and Parish Parties to the Catholic Mutual Parties pursuant to this Settlement Agreement (including the releases set forth below) constitutes a fair and reasonable exchange for the consideration granted to the Diocese Parties and Parish Parties in this Settlement Agreement (including the Settlement Amount). The Catholic Mutual Parties are not acting as volunteers in paying the Settlement Amount, and the Catholic Mutual Parties' payment of the Settlement Amount reflects potential liabilities and obligations to the Diocese and Parishes of amounts the Catholic Mutual Parties allegedly are obligated to pay on account of any and all Claims.

3.5 Within ten (10) days after the Catholic Mutual Parties pay the Settlement Amount, the Diocese shall sign and file any necessary papers to have dismissed any action pending in connection with the Coverage Disputes, and the Diocese shall file a stipulation, that is signed by all Parties that are parties to the Coverage Dispute action(s), that dismisses with prejudice any and all claims asserted by any of the Parties against any of the other Parties.

4. RELEASES AND SALE FREE AND CLEAR

4.1 Diocese Parties Release of Catholic Mutual Parties. Upon payment by the Catholic Mutual Parties of the Settlement Amount, the Diocese Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Catholic Mutual Parties and any of their reinsurers or retrocessionaires from any and all past, present, and future Claims that, occurred or may have arisen prior to the effective date of the Plan and that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties.

4.2 Catholic Mutual Release of Diocese Parties. Upon payment by the Catholic Mutual Parties of the Settlement Amount, the Catholic Mutual Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Diocese Parties from any and all past, present, and future Claims that, occurred or may have arisen prior to the effective date of the Plan that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties.

4.3 Parish Parties Release of Catholic Mutual Parties. Upon payment by the Catholic Mutual Parties of the Settlement Amount, the Parish Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Catholic Mutual Parties and any of their reinsurers or retrocessionaires from any and all past, present, and future Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties.

4.4 Catholic Mutual Release of Parish Parties. Upon payment by the Catholic Mutual Parties of the Settlement Amount, the Catholic Mutual Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Parish Parties from any and all past, present, and future Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties.

4.5 Unless otherwise provided in the Plan, the releases contained in this Section shall be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978), and all Tort Claimants reserve their rights against religious orders and any Persons not covered under the Diocese Certificates and Parish Certificates, who will remain severally liable on any Claims.

4.6 From and after the first day on which the Bankruptcy Orders are Final Orders, the Diocese Parties shall not assert against the Catholic Mutual Parties for any Claim with

respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Future Tort Claim, that occurred or may have arisen prior to the effective date of the Plan (including any Tort Claim that arises under or relates to the Diocese Certificates or any other binder, certificate, or policy of insurance issued by any of the Catholic Mutual Parties, any Channeled Claim, any Extra Contractual Claim, and/or any other matter released pursuant to Section 4).

4.7 From and after the first day on which the Bankruptcy Orders are Final Orders, the Parish Parties shall not assert against the Catholic Mutual Parties for any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Claim, including any Tort Claim, and any other Claim that arises under or relates to the Parish Certificates or any other binder, certificate, or policy of insurance issued by any of the Catholic Mutual Parties, any Channeled Claim, any Extra Contractual Claim, and/or any other matter released pursuant to Section 4.

4.8 As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Catholic Mutual Parties shall buy back the Parish Certificates free and clear of all Interests of all Persons, including all Interests of the Parish Parties, any other Person claiming coverage by, through, or on behalf of any of the Parish Parties, any other insurer, and any Tort Claimant. This sale is pursuant to sections 363(b) and 363(f) of the Bankruptcy Code. The Parties acknowledge and agree that (i) the Catholic Mutual Parties are good faith purchasers of the Parish Certificates within the meaning of section 363(m) of the Bankruptcy Code, (ii) the consideration exchanged constitutes a fair and reasonable settlement of the Parties' disputes and of their respective rights and obligations relating to the Diocese Certificates and Parish Certificates and constitutes reasonably equivalent value, and (iii) the releases in this Settlement Agreement and the policy buyback comply with the Bankruptcy Code and applicable non-bankruptcy laws. As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Parish Certificates shall be terminated and of no further force and effect. The Catholic Mutual Parties' payment of the Settlement Amount shall constitute the Catholic Mutual Parties' full and complete performance of any and all obligations under the Parish Certificates, including any performance owed to the Parish Parties, and exhausts all limits of liability of the Parish Certificates. All Interests the Parish Parties may have had, may presently have, or in the future may have in the Parish Certificates or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties shall be released. The Parish Parties accept the Settlement Amount in full and complete satisfaction of all the Catholic Mutual Parties' past, present, and future obligations, including any obligations to any of the Parish Parties under the Parish Certificates or arising therefrom, as to any and all Claims for insurance coverage or policy benefits of any nature whatsoever, whether legal or equitable, known or unknown, suspected or unsuspected, fixed or contingent, and regardless of whether or not such claims arise from, relate to, or are in connection with the Channeled Claims, the Reorganization Case, or otherwise under the Parish Certificates.

4.9 If, contrary to the intent of the Parties, any Claims released pursuant to this Section 4 of the Settlement Agreement, including any past, present or future Claim for insurance coverage under the Diocese Certificates or Parish Certificates or any other Claim by the Diocese Parties against any of the Catholic Mutual Parties, are deemed to survive this Settlement Agreement, even though they are encompassed by the terms of the releases set forth in this Section 4 of this Settlement Agreement, the Parties hereby forever, expressly, and irrevocably waive entitlement to and agree not to assert any and all such Claims.

4.10 All of the releases and other benefits provided in this Settlement Agreement by the Diocese Parties to the Catholic Mutual Parties are at least as favorable as the releases and other benefits that the Diocese has provided to any other one of the Diocese's insurers in the Reorganization Case. If the Diocese enters into any agreement with any other one of its insurers in the Reorganization Case that provides that insurer with releases or other benefits that are more favorable than those contained in this Settlement Agreement, then this Settlement Agreement shall be deemed to be modified to provide the Catholic Mutual Parties with those more favorable releases and/or benefits. However, the provision at Section 7.2 that the duty to defend, indemnify and hold harmless the Catholic Mutual Parties not extending to nor including claims that are or may be made against Catholic Mutual by other insurers shall not be modified. The Diocese Parties shall notify the Catholic Mutual Parties promptly of the existence of such more favorable releases or benefits.

4.11 Neither the releases set forth in this Section 4 nor any other provisions in this Settlement Agreement are intended to apply to or have any effect on the Catholic Mutual Parties' right to reinsurance recoveries under any reinsurance treaties, certificates, or contracts that cover losses arising under or in connection with the Diocese Certificates and Parish Certificates or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties.

4.12 This Section 4 is not intended to, and shall not be construed to, release, waive, relinquish, or otherwise affect the Parties' rights and obligations under this Settlement Agreement.

5. TERMINATION OF SETTLEMENT AGREEMENT

5.1 In the event i) the Bankruptcy Orders do not become Final Orders of the Bankruptcy Court within one year from the date on which the Settlement Agreement is executed by all the Parties, or ii) a Plan is filed or confirmed that is inconsistent with the terms of the Settlement Agreement or is otherwise unacceptable to Catholic Mutual, or iii) the Reorganization Case is dismissed or converted, then Catholic Mutual may terminate the Settlement Agreement upon fifteen (15) days' notice to the Diocese, immediately following which the Settlement Agreement shall be null and void and of no force or effect.

6. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

6.1 The Parties separately represent and warrant as follows:

6.1.1 To the extent it is a corporation, including a non-profit corporation, or other legal entity, it has the requisite power and authority to enter into this Settlement Agreement and to perform the obligations contemplated by this Settlement Agreement, subject only to approval of the Bankruptcy Court;

6.1.2 This Settlement Agreement has been thoroughly negotiated and analyzed by counsel to the Parties and executed and delivered in good faith, pursuant to arm's length negotiations and for value and valuable consideration.

6.2 The Diocese Parties and Parish Parties represent and warrant that they have not and will not assign any Interests in the Diocese Certificates or Parish Certificates or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties.

6.3 The Diocese Parties represent and warrant that they are the owners of the Diocese Certificates and that no other Person has legal title to the Diocese Certificates.

6.4. The Parish Parties represent and warrant that they are the owners of the Parish Certificates and that no other person has legal title to the Parish Certificates.

6.5 The Diocese Parties and Parish Parties each represent and warrant that they have not in any way assisted, and shall not in any way assist, any Person in the establishment of any Claim against the Catholic Mutual Parties.

6.6 The person(s) executing this Settlement Agreement on behalf of the parties in Sections 1.1.10(i), (ii), and (iii) and Sections 1.1.19(i), (ii) and (iii) (collectively, the "Other Diocese/Parish Parties") represents and warrants that he/she has received authority from such Other Diocese/Parish Parties, as the case may be, to execute this Settlement Agreement on their behalf and to provide the releases identified in Section 4 above on behalf of such Other Diocese/Parish Parties. Notwithstanding the foregoing, nothing in the definition of Other Diocese/Parish Parties is intended to suggest or should be construed to mean that any Person included in this definition is owned, directed, supervised or controlled by the Diocese or Parishes.

6.7 The Parties have completed a reasonable search for evidence of any certificates of insurance issued by the Catholic Mutual Parties to the Diocese Parties and Parish Parties that would afford coverage with respect to any Tort Claim. Other than the alleged policies or certificates and acknowledgments of coverage identified in Exhibits A and B, no such policies or certificates and acknowledgments of coverage have been identified. Notwithstanding the foregoing, nothing in this Settlement Agreement, including the Schedules or Exhibits thereto, shall be construed as or deemed to be an admission or evidence that any binder, certificate, or policy of insurance was in fact issued and/or affords coverage in connection with the Tort Claims.

7. ACTIONS INVOLVING THIRD PARTIES

7.1 For purposes of supporting the releases granted in Section 4 and the extinguishment of any and all rights under the Diocese Certificates or Parish Certificates, the Diocese Parties and Parish Parties hereby agree as follows:

7.1.1 If any other insurer of the Diocese Parties or Parish Parties obtains a judicial determination or binding arbitration award that it is entitled to obtain a sum certain from any of the Catholic Mutual Parties as a result of a claim for contribution, subrogation, indemnification, or other similar Claim for any of the Catholic Mutual Parties' alleged share or equitable share, or to enforce subrogation rights, if any, with respect to the defense and/or indemnity obligation of any of the Catholic Mutual Parties for any Claims or reimbursement obligations for Conditional Payments released or resolved pursuant to this Settlement Agreement, the Diocese Party(ies) or Parish Party(ies), as applicable, shall voluntarily reduce its judgment or Claim against, or settlement with, such other insurer(s) to the extent necessary to satisfy such contribution, subrogation, indemnification, or other claims against the Catholic Mutual Parties. To ensure that such a reduction is accomplished, the Catholic Mutual Parties shall be entitled to assert this Section 7 as a defense to any action against them brought by any other insurer for any such portion of the judgment or Claim and shall be entitled to request that the court or appropriate tribunal issue such orders as are necessary to effectuate the reduction to protect the Catholic Mutual Parties from any liability for the judgment or Claim. Moreover, if a non-settling insurer asserts that it has a Claim for contribution, indemnity, subrogation, or similar relief against any of the Catholic Mutual Parties, such Claim may be asserted as a defense against the Trust (under the Plan contemplated by the Settlement Agreement) in any coverage litigation (and the Trust may assert the legal and equitable rights of the Catholic Mutual Parties in response thereto); and to the extent such a Claim is determined to be valid by the court presiding over such action, the liability of such non-settling insurer to the Trust (or Diocese Parties or Parish Parties) shall be reduced dollar for dollar by the amount so determined.

7.1.2 The Catholic Mutual Parties shall not seek reimbursement for any payments they are obligated to make under this Settlement Agreement under theories of contribution, subrogation, indemnification, or similar relief from any other insurer of the Diocese or Parishes unless that other insurer first seeks contribution, subrogation, indemnification, or similar relief from any of the Catholic Mutual Parties. The Diocese and Parishes shall use their respective reasonable best efforts to obtain from all insurers with which it settles agreements similar to those contained in this Section 7.

7.2 The Diocese and Parishes shall defend, indemnify, and hold harmless the Catholic Mutual Parties with respect to any and all released claims pursuant to Section 4 above, including all Tort Claims made by (i) any Person claiming to be insured (as a named insured, additional insured, or otherwise) under its respective Diocese Certificates or Parish Certificates; (ii) any Person who has made, will make, or can make a Tort Claim; and (iii) any Person who has actually or allegedly acquired or been assigned the right to make a Tort Claim under the Diocese Certificates or Parish Certificates; (iv) provided, however, this indemnification does not extend to nor does it include claims that may be made against Catholic Mutual by other insurers. This indemnification includes Tort Claims made by Persons over whom the Diocese or Parishes do not have control, including any other Person who asserts Claims against or rights to coverage under the Diocese Certificates or Parish Certificates. The Diocese's and Parishes' obligation to indemnify the Catholic Mutual

Parties under this Section 7.2 shall not exceed the Settlement Amount. The Catholic Mutual Parties may undertake the defense of any Claim upon receipt of such Claim. The Catholic Mutual Parties agree to notify the Diocese or Parishes, as applicable, as soon as practicable of any Claims identified in this Section 7.2 and of their choice of counsel. The Catholic Mutual Parties' defense of any Claims shall have no effect on the Diocese's or Parishes' obligation to indemnify the Catholic Mutual Parties for such Claims, as set forth in this Section 7.2. The Diocese or Parishes, as applicable, subject to the limitations above regarding the maximum amounts the Diocese and Parishes must pay, shall reimburse all reasonable and necessary attorneys' fees, expenses, costs, and amounts incurred by the Catholic Mutual Parties in defending such Claims. In defense of any such Claims, the Catholic Mutual Parties may settle or otherwise resolve a Claim only with the prior consent of the Diocese and Parishes, which consent shall not be unreasonably withheld. To the extent this Section 7.2 may give rise to pre-Effective Date administrative claims which have not been provided for in the Plan, such claims shall pass through the Plan unimpaired.

7.3 If any Person attempts to prosecute a Channeled Claim against any of the Catholic Mutual Parties following the Petition Date, then promptly following notice to do so from the Catholic Mutual Parties, the Diocese will file a motion and supporting papers, supported by the Committee and the Parishes, to obtain an order from the Court, pursuant to Bankruptcy Code §§ 362 and 105(a), protecting the Catholic Mutual Parties from any such Claims until the Bankruptcy Orders become Final Orders, or, alternatively, this Settlement Agreement is terminated under Section 5.

8. MISCELLANEOUS

8.1 If any proceedings are commenced to invalidate or prevent the enforcement or implementation of any of the provisions of this Settlement Agreement, the Parties agree to cooperate fully to oppose such proceedings. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any Person not a Party to this Settlement Agreement to invalidate, interpret, or prevent the validation or enforcement, or carrying out, of all or any of the provisions of this Settlement Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate fully in opposing such action or proceeding.

8.2 The Parties will take such steps and execute any documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Settlement Agreement and to preserve its validity and enforceability.

8.3 The Parties shall cooperate with each other in connection with the Approval Motion, the Approval Order, the Plan, the Plan Confirmation Order, and the Reorganization Case. Such cooperation shall include consulting with each other upon reasonable request concerning the status of proceedings and providing each other with copies of reasonably requested pleadings, notices, proposed orders, and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court.

8.4 This Settlement Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between and among the Parties.

8.5 This Settlement Agreement may be modified only by a written amendment signed by the Parties, and no waiver of any provision of this Settlement Agreement or of a breach thereof shall be effective unless expressed in a writing signed by the waiving Party. The waiver by any Party of any of the provisions of this Settlement Agreement or of the breach thereof shall not operate or be construed as a waiver of any other provision or breach.

8.6 By entering into this Settlement Agreement, none of the Parties has waived or shall be deemed to have waived any rights, obligations, or positions they have asserted or may in the future assert in connection with any matter outside the scope of this Settlement Agreement. No part of this Settlement Agreement, its negotiation, or its performance may be used in any manner in any action, suit, or proceeding as evidence of the rights, duties, or obligations of the Parties with respect to matters outside the scope of this Settlement Agreement. All actions taken and statements made by the Parties or by their representatives, relating to this Settlement Agreement or participation in this Settlement Agreement, including its development and implementation, shall be without prejudice or value as precedent and shall not be used as a standard by which other matters may be judged.

8.7 This Settlement Agreement represents a compromise of disputed Claims and shall not be deemed an admission or concession of liability, culpability, wrongdoing, or insurance coverage. All related discussions, negotiations, and all prior drafts of this Settlement Agreement shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any parallel state law provisions. Any evidence of the negotiations or discussions associated with this Settlement Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except that they shall be admissible to the extent they would have otherwise been admissible, absent this Section 8.7, in (i) an action or proceeding to enforce the terms of this Settlement Agreement, including any use as set forth in Section 7 or (ii) any possible action or proceeding between any of the Catholic Mutual Parties and any of their reinsurers. This Settlement Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Catholic Mutual Parties' obligations under any of Diocese Certificates and Parish Certificates or any other binder, certificate, policy of insurance or any acknowledgment of coverage issued by the Catholic Mutual Parties, with respect to any Claims against any of the Catholic Mutual Parties.

8.8 None of the Parties shall make any public statements or disclosures (i) regarding each other's rationale or motivation for negotiating or entering into this Settlement Agreement, or (ii) asserting or implying in any way that the Parties acted improperly or in violation of any duty or obligation, express or implied, in connection with any matter arising out of, relating to, or in connection with the Diocese Certificates or Parish Certificates or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties, including handling of or involvement in connection with the Tort Claims or the resolution of the Tort Claims.

8.9 The Parties have received the advice of counsel in the preparation, drafting, and execution of this Settlement Agreement, which was negotiated at arm's length.

8.10 Section titles and/or headings contained in this Settlement Agreement are included only for ease of reference and shall have no substantive effect.

8.11 All notices, demands, or other communication to be provided pursuant to this Settlement Agreement shall be in writing and sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to the Parties at the addresses set forth below, or to such other person or address as any of them may designate in writing from time to time:

If to the Diocese Parties:

Rev. James Bissonette
Diocese of Duluth
2830 East 4th Street
Duluth, MN 55812

and

With a copy to:

Ford Elsaesser
Bruce A. Anderson
Elsaesser Anderson, Chtd.
320 East Neider Avenue, Suite 102
Coeur d'Alene, ID 83815
Email: ford@eaidaho.com
Email: brucea@eaidaho.com

and

Phillip Kunkel
Gray Plant Mooty
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Email: Phillip.kunkel@gpmlaw.com

If to Catholic Mutual:

Michael Lee
Catholic Mutual Group
Specialty Claims/Compliance Director
10843 Old Mill Road
Omaha, NE 68154
Email: mlee@catholicmutual.org

With a copy to:

David M. Spector
Everett J. Cygal
Schiff Hardin LLP
233 S. Wacker Drive
Suite 6600
Chicago, IL 60606
Fax: 312-258-5600
Email: dspector@schiffhardin.com
Email: ecygal@schiffhardin.com

and

Louis T. DeLucia
Alyson M. Fiedler
Schiff Hardin LLP
666 Fifth Avenue
17th Floor
New York, NY 10103
Fax: 212-753-5044
Email: ldelucia@schiffhardin.com
Email: afiedler@schiffhardin.com

If to the Parish Parties:

John D. Kelly
1000 U.S. Bank Place
130 W Superior Street
Duluth, MN 55802-2094
Email: jdk@hanftlaw.com

8.12 All notices, demands, or other communication to be provided pursuant to this Settlement Agreement prior to entry of the Plan Confirmation Order shall also be sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to Robert T. Kugler, Stinson Leonard Street, 150 South Fifth Street, Suite 2300, Minneapolis, MN 55402, Email: Robert.kugler@stinson.com.

8.13 This Settlement Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Settlement Agreement may be executed and delivered by facsimile or other electronic image, which facsimile or other electronic image counterparts shall be deemed to be originals.

8.14 Nothing contained in this Settlement Agreement shall be deemed or construed to constitute (i) an admission by any of the Catholic Mutual Parties that the Diocese Parties, Parish Parties, or any other Person was or is entitled to any insurance coverage under the Diocese Certificates, Parish Certificates or any other binder, certificate, or policy of insurance issued by the Catholic Mutual Parties or as to the validity of any of the positions that have been or could have been asserted by the Diocese Parties or Parish Parties, (ii) an admission by the Diocese Parties as to the validity of any of the positions or defenses to coverage that have been or could have been asserted by the Catholic Mutual Parties or any Claims that have been or could have been asserted by the Diocese Parties or Parish Parties against the Catholic Mutual Parties, or (iii) an admission by the Diocese Parties, Parish Parties or the Catholic Mutual Parties of any liability whatsoever with respect to any of the Tort Claims.

8.15 All of the Persons included in the definition of Catholic Mutual Parties are intended beneficiaries of this Settlement Agreement. Except as set forth in the preceding sentence or otherwise set forth in this Settlement Agreement, there are no third-party beneficiaries of this Settlement Agreement.

8.16 The Diocese Parties, Parish Parties and the Catholic Mutual Parties shall be responsible for their own fees and costs incurred in connection with the Reorganization Case, this Settlement Agreement, and the implementation of this Settlement Agreement.

8.17 The following rules of construction shall apply to this Settlement Agreement:

8.17.1 Unless the context of this Settlement Agreement otherwise requires: (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby,” and derivative or similar words refer to this entire Agreement; and (iv) the words “include,” “includes,” or “including” shall be deemed to be followed by the words “without limitation.”

8.17.2 References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions regardless of whether specifically referenced in this Settlement Agreement.

8.17.3 The wording of this Settlement Agreement was reviewed by legal counsel for each of the Parties, and each of them had sufficient opportunity to propose and negotiate changes prior to its execution. The wording of this Settlement Agreement shall not be construed in favor of or against any Person.

8.17.4 The use of the terms “intend,” “intended,” or “intent,” when describing the intention of the Parties, as the case may be, shall not be construed to create a breach of this Settlement Agreement when the stated intent is not achieved.

8.18 The Bankruptcy Court in the Reorganization Case shall retain exclusive jurisdiction to interpret and enforce the provisions of this Settlement Agreement, which shall be construed in accordance with Minnesota law.

8.19 This Settlement Agreement and the obligations under this Settlement Agreement shall be binding on the Parties and shall survive the entry of the Plan Confirmation Order.

8.20 This Settlement Agreement shall be effective on the Effective Date.

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EXHIBIT E

SETTLEMENT AGREEMENT, RELEASE, AND POLICY BUYBACK

This Settlement Agreement, Release, and Policy Buyback (“Agreement”) is hereby made by, between, and among the “**Diocese Parties**” (as defined in Section 1.1.9 below), the **Parish Parties** (as defined in Section 1.1.19), the **Committee** (as defined in Section 1.1.5), and the “**Fireman’s Fund Parties**” (as defined in Section 1.1.14 below).

RECITALS

WHEREAS, numerous individuals have asserted certain “**Tort Claims**” (as defined in Section 1.1.28 below) against the “**Diocese**” (as defined in Section 1.1.7 below) and the **Parish Parties**;

WHEREAS, **Fireman’s Fund** issued, allegedly issued, or may have issued certain insurance policies that insured, or allegedly provided insurance coverage to, the **Diocese Parties** (the “**Fireman’s Fund Policies**”).

WHEREAS, certain disputes between the **Diocese Parties** and the **Fireman’s Fund Parties** have arisen and/or may arise in the future concerning **Fireman’s Fund’s** position regarding the nature and scope of its responsibilities, if any, to provide coverage to the **Diocese Parties** under the **Fireman’s Fund Policies** including in connection with **Tort Claims** (the “Coverage Disputes”), including those disputes at issue in the lawsuit captioned *Diocese of Duluth v. Liberty Mutual Insurance Company, et al.*, Case No. 17-cv-03254-DWF-LIB pending in the United States District Court for the District of Minnesota (the “Coverage Suit”);

WHEREAS, on December 7, 2015 (the “Petition Date”), the **Diocese** filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Minnesota, Case No. 15-50792 (the “Reorganization Case”);

WHEREAS, through this Agreement, the **Diocese Parties** and **Fireman’s Fund**, without any admission of liability or concession of the validity of the positions or arguments advanced by each other, now wish to compromise and resolve fully and finally any and all Coverage Disputes and all other disputes between and among them relating to the **Diocese**, the Coverage Disputes, the Coverage Suit, the **Fireman’s Fund Policies**, and/or the **Tort Claims**;

WHEREAS, through this Agreement, the **Diocese Parties** intend to provide **Fireman’s Fund** and the **Fireman’s Fund Parties** with the broadest possible release and the broadest possible buyback with respect to the **Fireman’s Fund Policies** and to provide that the **Fireman’s Fund Parties** shall have no further obligations now or in the future to the “**Protected Parties**” (as defined in Section 1.1.22 below) and no further obligations now or in the future under or related to the **Fireman’s Fund Policies**;

WHEREAS, as part of the compromise and resolution of the Coverage Disputes, the **Diocese Parties** and **Fireman’s Fund** wish to effect a sale of the **Fireman’s Fund Policies**, pursuant to 11 U.S.C. § 363(b), (f), and (m); and

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants contained in this Agreement, the sufficiency of which is hereby acknowledged, and

intending to be legally bound, subject to the approval of the United States Bankruptcy Court for the District of Minnesota (the “Bankruptcy Court”), the **Diocese Parties** and **Fireman's Fund** hereby agree as follows:

1. DEFINITIONS

1.1 As used in this Agreement, the following terms shall have the meanings set forth below or in the recitals. Capitalized terms not defined below, herein, or in the recitals shall have the meanings given to them in the Bankruptcy Code.

1.1.1 “**Abuse**” means (i) any actual or alleged sexual conduct, misconduct, abuse, or molestation, including actual or alleged “sexual abuse” as that phrase is defined in Minnesota Statutes § 541.073(1); (ii) indecent assault or battery, rape, lascivious behavior, undue familiarity, pedophilia, ephebophilia, or sexually-related physical, psychological, or emotional harm; (iii) contacts or interactions of a sexual nature; or (iv) assault, battery, corporal punishment, or other act of physical, psychological, or emotional abuse, humiliation, intimidation, or misconduct.

1.1.2 “**Bankruptcy Plan Effective Date**” means the date upon which a **Plan** approved by the **Bankruptcy Court** that contains terms and conditions consistent with those required by this **Agreement** becomes effective.

1.1.3 ““**Channeled Claim**” means any **Tort Claim** that is covered or alleged to be covered under the **Fireman’s Fund Policies**, or any other **Claim** that is covered or alleged to be covered under the **Fireman’s Fund Policies** against any of the **Protected Parties** or the **Fireman’s Fund Parties** that, directly or indirectly, arises out of, relates to, or is in connection with any **Tort Claim** and any **Related Insurance Claim**.

1.1.4 “**Claim**” means any past, present or future claim, demand, action, request, cause of action, suit, proceeding or liability of any kind or nature whatsoever, whether at law or equity, known or unknown, actual or alleged, asserted or not asserted, suspected or not suspected, anticipated or unanticipated, accrued or not accrued, fixed or contingent, which has been or may be asserted by or on behalf of any **Person**, whether seeking damages (including compensatory, punitive or exemplary damages) or equitable, mandatory, injunctive, or any other type of relief, including cross-claims, counterclaims, third-party claims, suits, lawsuits, administrative proceedings, notices of liability or potential liability, arbitrations, actions, rights, causes of action or orders, and any other claim within the definition of “claim” in section 101(5) of the Bankruptcy Code.

1.1.5 “**Claim Filing Date**” means May 25, 2016.

1.1.6 “**Committee**” means the Official Committee of Unsecured Creditors appointed in the Reorganization Case, pursuant to the Appointment of Official Committee of Unsecured Creditors in Chapter 11 Case of the Bankruptcy Court entered on December 28, 2015, at Docket No. 30.

1.1.7 “**Diocese**” means the Diocese of Duluth, which is the diocesan corporation formed pursuant to Minnesota Statutes § 315.16 that is the public juridic person of the

Roman Catholic Diocese of Duluth, as now constituted or as it may have been constituted, and the Estate pursuant to section 541 of the Bankruptcy Code.

1.1.8 “**Diocesan Insurance Policy**” means any and all known and unknown contracts, binders, certificates, or policies of insurance, in effect on or before the **Effective Date**, that were issued or allegedly issued to, or for the benefit of, or that otherwise actually, allegedly, or might insure, the **Diocese** or any of its predecessors in interest, successors or assigns, and that actually, allegedly, or might afford coverage with respect to any **Tort Claim**; provided, however, that if an insurance policy that was not issued to the **Diocese** and under which the **Diocese** is not a named insured insures both the **Diocese** and any other **Person** who is not a **Parish Party**, such policy is a “**Diocesan Insurance Policy**” to the extent it insures the **Diocese** or a **Parish Party**, but not to the extent it insures any other **Person** who is not the **Diocese** or a **Parish Party**. **Diocesan Insurance Policy** does not include any insurance policy on which the Archdiocese of St. Paul and Minneapolis is a “named insured” and that also provides coverage to any of the **Diocese Parties** or **Parish Parties**.

1.1.9 “**Diocese Parties**” means collectively the **Diocese** and: (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the **Diocese**; (ii) any and all named insureds, insureds, and additional insureds under the **Fireman’s Fund Policies**; (iii) each of the foregoing **Persons**’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv) each of the foregoing **Persons**’ respective predecessors, successors and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the **Persons** identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such **Persons** are “employees” or agents of the **Diocese** or subject to its control. An individual who perpetrated an act of **Abuse** that forms the basis of a **Tort Claim** is not an **Diocese Party** with respect to that **Tort Claim**. No religious order other than the **Diocese** itself is a **Diocese Party**.

1.1.10 “**Effective Date**” means the date on which the Agreement is executed by all of the **Parties**.

1.1.11 “**Extra-Contractual Claim**” means any **Claim** against any of the **Fireman’s Fund Parties** based, in whole or in part, on allegations that any of the **Fireman’s Fund Parties** acted in bad faith or in breach of any express or implied duty, obligation or covenant, contractual, statutory or otherwise, including any **Claim** on account of alleged bad faith; failure to act in good faith; violation of any express or implied duty of good faith and fair dealing; violation of any unfair claims practices act or similar statute, regulation, or code; any type of alleged misconduct; or any other act or omission of any of the **Fireman’s Fund Parties** of any type for which the claimant seeks relief other than coverage or benefits under a policy of insurance. **Extra-Contractual Claims** include: (i) any **Claim** that, directly or indirectly, arises out of, relates to, or is in connection with any of the **Fireman’s Fund Parties**’ handling of any **Claim** or any request for insurance coverage, including any request for coverage for any **Claim**, including any **Tort Claim**; (ii) any **Claim** that, directly or indirectly, arises

out of, relates to, or is in connection with any of the **Fireman's Fund Policies** or any contractual duties arising therefrom, including any contractual duty to defend any of the **Protected Parties** against any **Claim**, including any **Tort Claims**; and (iii) the conduct of the **Fireman's Fund Parties** with respect to the negotiation of this Agreement.

1.1.12 "**Final Order**" means an order, judgment, or other decree (including any modification or amendment thereof) that remains in effect and has not been reversed, withdrawn, vacated, or stayed, and as to which the time to appeal or seek review, rehearing, or writ of certiorari has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which, if such an appeal, writ of certiorari, review, reargument, or rehearing has been sought, (a) appeal, certiorari, review, reargument, or rehearing has been denied or dismissed and the time to take any further appeal or petition for certiorari, review, reargument, or rehearing has expired; or (b) such order has been affirmed by the highest court to or in which such order was appealed, reviewed, reargued, or reheard or that granted certiorari and the time to take any further appeal or petition for certiorari, review, reargument, or rehearing has expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or any analogous rule under the Bankruptcy Rules may be filed with respect to such order shall not cause such order not to be a "**Final Order**."

1.1.13 "**Fireman's Fund**" means Fireman's Fund Insurance Company.

1.1.14 "**Fireman's Fund Parties**" means **Fireman's Fund**; each of its past, present and future parents, subsidiaries, affiliates, and divisions; each of the foregoing **Person's** respective past, present, and future parents, subsidiaries, affiliates, holding companies, merged companies, related companies, divisions and acquired companies; each of the foregoing **Person's** respective past, present, and future directors, officers, shareholders, employees, partners, principals, agents, attorneys, joint ventures, joint venturers, representatives, and claims handling administrators, and each of the foregoing **Person's** respective predecessors, successors, assignors, and assigns, whether known or unknown, and all **Persons** acting on behalf of, by, through or in concert with them.

1.1.15 "**Fireman's Fund Policies**" means any and all **Diocesan Insurance Policies** that were issued or allegedly issued by a **Fireman's Fund Party**, including, without limitation, the alleged insurance policies identified on Exhibit 1 of this Agreement.

1.1.16 "**Interests**" means all liens, **Claims**, encumbrances, interests, and other rights of any nature, whether at law or in equity, including any rights of contribution, indemnity, defense, subrogation, or similar relief.

1.1.17 "**Parishes**" means all past and present parishes of or in the **Diocese**.

1.1.18 "**Parish Policies**" means any and all known and unknown binders or policies of insurance issued or allegedly issued by the **Fireman's Fund Parties** to the **Parish Parties** or as which any **Parish Party** claims it is a "named insured," "additional insured," or otherwise entitled or allegedly entitled to coverage, in existence or allegedly in existence on or before the **Effective Date**, regardless of whether **Fireman's Fund Party** has acknowledged coverage under such policies. **Parish Policies** does not

include any insurance policy on which the Archdiocese of St. Paul and Minneapolis is a “named insured” and that also provides coverage to any of the **Parish Parties**.

1.1.19 “**Parish Parties**” means the **Parishes** and (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the **Parishes**; (ii) any and all named covered party, covered party and additional covered party under the **Parish Policies**; (iii) each of the foregoing **Persons**’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv) each of the foregoing **Persons**’ respective predecessors, successors and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the **Persons** identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such **Persons** are “employees” or agents of the **Parishes** or subject to their control. An individual who perpetrated an act of **Abuse** that forms the basis of a **Tort Claim** is not a **Parish Party** with respect to that **Tort Claim**.

1.1.20 “**Parties**” means the **Diocese Parties**, **Parish Parties**, the **Committee** and the **Fireman’s Fund Parties**.

1.1.21 “**Person**” shall have the meaning ascribed in 11 U.S.C. § 101(41) and shall also include the term “Entity” as defined in 11 U.S.C. § 101(15).

1.1.22 “**Protected Parties**” means any of the **Diocese Parties**, the **Reorganized Debtor**, and the **Parish Parties** and, in their capacity as such, their respective predecessors and successors, and all of the foregoing **Person**’s, past, present, and future members, shareholders, trustees, officers, directors, officials, employees, agents, representatives, servants, contractors, consultants, volunteers, attorneys, professionals, insiders, subsidiaries, merged or acquired companies or operations, and their successors and assigns; but an individual who perpetrated an act of **Abuse** that forms the basis of a **Tort Claim** is not a **Protected Party** with respect to that **Tort Claim**. **Protected Party** also includes all of the foregoing **Person**’s past, present, and future members, shareholders, trustees, officers, directors, officials, employees, agents, representatives, servants, contractors, consultants, volunteers, attorneys, professionals, insiders, subsidiaries, merged or acquired companies or operations, and their predecessors, successors, and assigns. No religious order other than the **Diocese** itself is a **Protected Party**.

1.1.23 “**Related Insurance Claim**” means (i) any **Claim** by any **Person** against any **Fireman’s Fund Parties** that, directly or indirectly, arises from, relates to, or is in connection with a **Tort Claim** that is covered or alleged to be covered under the **Fireman’s Fund Policies**, including any such **Claim** for defense, indemnity, contribution, subrogation, or similar relief or any direct action or claim under Minn. Stat. § 60A.08, subd. 8; and (ii) any **Extra-Contractual Claim** that, directly or indirectly, arises out of, relates to, or is in connection with any **Tort Claim** that is covered or alleged to be covered under the **Fireman’s Fund Policies**, including any such **Claim** that, directly or indirectly, arises out of, relates to or is in connection with any of the **Fireman’s Fund Parties**’ handling of any **Tort Claim**..

1.1.24 “**Reorganized Debtor**” means the **Diocese**, on and after the **Bankruptcy Plan Effective Date**.

1.1.25 “**Settlement Amount**” means the sum of \$975,000 (Nine Hundred Seventy-Five Thousand Dollars) to be paid to the **Diocese** by or on behalf of **Fireman’s Fund**.

1.1.26 “**Tort Claim**” means any **Claim** against any of the **Protected Parties** that arises out of, relates to, results from, or is in connection with, in whole or in part, directly or indirectly, **Abuse** that took place in whole or in part prior to the **Bankruptcy Plan Effective Date**, including any such **Claim** that seeks monetary damages or any other relief, under any theory of liability, including vicarious liability; respondeat superior; any fraud-based theory, including fraud in the inducement; any negligence-based or employment-based theory, including negligent hiring, supervision, retention or misrepresentation; any other theory based on misrepresentation, concealment, or unfair practice; contribution; indemnity; public or private nuisance; or any other theory, including any theory based on public policy or any acts or failures to act by any of the **Protected Parties** or any other **Person** for whom any of the **Protected Parties** are allegedly responsible, including any such **Claim** asserted against any of the **Protected Parties** in connection with the Reorganization Case. “**Tort Claim**” includes any **Unknown Tort Claim**.

1.1.27 “**Tort Claimant**” means any **Person** holding a **Tort Claim**, including but not limited to any **Claims** articulated or set forth in proofs of claim filed with the Bankruptcy Court in the Reorganization Case.

1.1.28 “**UCR**” means any **Person** appointed by the Bankruptcy Court or District Court, as applicable, as the unknown claims representative.

1.1.29 “**Unknown Tort Claim**” means any **Tort Claim** that is neither filed, nor deemed filed, by the **Claim Filing Date** and is held by a **Person** who (i) was continuously between the **Claim Filing Date** and the **Bankruptcy Plan Effective Date** under a disability recognized by Minn. Stat. § 541.15, subds. 1, 2 and 3 (or other applicable law suspending the running of the limitation period, if any, other than Minn. Stat. § 541.15, subd. 4); (ii) has a **Tort Claim** that was barred by the statute of limitations as of the **Claim Filing Date** but is no longer barred by the applicable statute of limitations for any reason, including the enactment of legislation that revises previously time-barred **Tort Claims**; or (iii) claims he or she was incapable of knowing of the existence of his or her **Tort Claim** as of the **Claim Filing Date** for any reason, including alleged memory repression or suppression; or as otherwise defined by subsequent order of the Bankruptcy Court.

2. THE REORGANIZATION CASE AND PLAN FOR REORGANIZATION

2.1 Not later than five (5) days after the last **Party** signs this Agreement, the **Diocese** shall file a motion in the Bankruptcy Court (the “Approval Motion”) that seeks the entry of an order in substantially the form attached as Exhibit 2 to this Agreement, approving this Agreement and authorizing the **Parties** to undertake the settlement and the transactions contemplated by this Agreement (the “Approval Order”).

2.1.1 The **Diocese** shall provide written notice of the Approval Motion to all **Tort Claimants** to the extent they are known by the **Diocese**, counsel, if any, for the **Committee**, the **UCR**, all **Persons** who have filed notices of appearance in the Reorganization Case, all **Persons** known or believed by any of the **Diocese Parties** or **Parish Parties** to have provided general or professional liability insurance to the **Diocese Parties** or the **Parish Parties**. The **Diocese** shall serve all **Tort Claimants** identified above at the address shown on their proofs of claim or to their counsel of record or, if no proof of claim was filed, then at the address on the **Diocese's** schedules. The **Diocese** shall also serve the attorney for each **Tort Claimant**. The **Diocese** shall serve known **Tort Claimants** even if not scheduled or the subject of a proof of claim, to the extent known to the **Diocese**. The **Diocese** shall also serve any and all co-defendants and their counsel (to the extent of record) in any pre-petition litigation brought by **Tort Claimants** at the last address shown on any filed appearance or, if such co-defendant is proceeding *pro se*, then to the last address of record for such *pro se* co-defendant. The **Diocese** shall provide notice of the Approval Motion in a form and substance acceptable to **Fireman's Fund**.

2.1.2 The **Fireman's Fund Parties** may, at their own expense, publish notice of the Approval Motion at least once in the Duluth News-Tribune, the St. Paul Pioneer Press, and/or the Star Tribune.

2.3 If any **Person** files an objection to the Approval Motion, the **Diocese** shall file a written response, in a form acceptable to the **Fireman's Fund Parties**, and shall take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the Approval Order. The **Fireman's Fund Parties** will cooperate with the **Diocese**, including making all reasonably appropriate submissions.

2.4 The **Diocese** shall file a Plan of Reorganization ("Plan"), including all exhibits, schedules and related documents, which shall be in all respects consistent with this Agreement and shall not deprive the **Fireman's Fund Parties** of any right or benefit under this Agreement or otherwise adversely affect the **Interests** of the **Fireman's Fund Parties** under this Agreement. The **Committee** reserves all rights it has or may have in the future to seek recovery from any other insurers with respect to any claims not satisfied in full by this Settlement Agreement.

2.4.1 The Plan shall include an injunction (the "Channeling Injunction") in substantially the form attached as Schedule A to this Agreement, with only such modifications as are acceptable to the **Fireman's Fund Parties**, the **Diocese**, the **Parishes** and the **Committee**, pursuant to section 105 of the Bankruptcy Code, barring and permanently enjoining all **Persons** who have held or asserted, or may in the future hold or assert Claims from taking any action, directly or indirectly for purposes of asserting, enforcing or attempting to assert or enforce any **Channeled Claim** and channeling such **Channeled Claims** to a trust or trusts established pursuant to the Plan ("Trust"), to which all **Channeled Claims** are channeled as the sole and exclusive source of payment of any such **Channeled Claims**.

2.4.2 The Plan shall also include an injunction (the "Supplemental Injunction") in substantially the form attached as Schedule B to this Agreement, with only such

modifications as are acceptable to the **Fireman's Fund Parties**, the **Diocese**, the **Parishes** and the **Committee**, pursuant to sections 105(a) and 363 of the Bankruptcy Code.

2.5 In the Reorganization Case, the **Diocese** shall seek and obtain entry of an order in form and substance acceptable to the **Fireman's Fund Parties** that: (i) approves the Plan pursuant to section 1129 of the Bankruptcy Code and any other applicable provision of the Bankruptcy Code; (ii) contains the Channeling Injunction; (iii) contains the Supplemental Injunction; (iv) provides that this Agreement is binding on any Trust created in this case, the reorganized **Diocese**, and any successors of the Trust or reorganized **Diocese**; and (v) provides all protections to the **Fireman's Fund Parties** against **Tort Claims** that are afforded to settling insurers under the Plan (the "Plan Confirmation Order").

2.5.1 The Plan and Plan Confirmation Order must be in all respects consistent with this Agreement and contain no provisions that diminish or impair the benefit of this Agreement to **Fireman's Fund Parties**.

2.5.2 In seeking to obtain the Plan Confirmation Order, the **Diocese** must: (i) seek a confirmation hearing on an appropriately timely basis; (ii) urge the Bankruptcy Court to overrule any objections and confirm the Plan; and (iii) take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the Plan Confirmation Order.

2.5.3 The form and manner of notice of the hearing to confirm the Plan and the form and manner of notice of the hearing as to the adequacy of the disclosure statement pertaining thereto are subject to advance approval by the **Fireman's Fund Parties**, which approval cannot be unreasonably withheld. The **Diocese** shall publish notice of the Plan, balloting and disclosure statement relating to the Plan, twice in publications, to be agreed to by the **Parties**, and at times and in substance agreed to by the **Parties**.

2.5.4 Prior to entry of the Plan Confirmation Order, the **Diocese** shall oppose any motion to lift any stay pursuant to section 362 of the Bankruptcy Code as to any **Tort Claim**. If the Bankruptcy Court lifts the stay as to any **Tort Claim** prior to the Plan Confirmation Order, the **Diocese** shall defend itself against that **Tort Claim** and comply with the terms of the stay relief order. If the **Diocese** fails to defend that **Tort Claim**, then the **Fireman's Fund Parties** shall have the right, but not the duty, to defend and/or indemnify the **Diocese** against that **Tort Claim** and any reasonable costs necessarily incurred by the **Fireman's Fund Parties** in defending and/or indemnifying the **Diocese** shall be reimbursed by the **Diocese**. In such event, the **Diocese** will cooperate with the **Fireman's Fund Parties** in the defense and/or indemnification of such **Tort Claim**.

2.6 The **Diocese** agrees that the Plan and any Trust shall provide that the assets in the Trust shall be used solely for payment of indemnity and expenses relating to reimbursing the United States government for reimbursement obligations for any payments ("Conditional Payments") made pursuant to Section 1395y(b)(2)(B) of the Medicare Secondary Payer Act, codified at 42 U.S.C. § 1395y, and the regulations promulgated thereunder, found at 42 C.F.R. § 4.11.1 *et seq.* ("MSPA") applicable to any **Tort Claimant** who claims he or she is eligible to receive, is receiving, or has received Medicare benefits ("Medicare Beneficiary")

and, after satisfaction thereof, to such Medicare Beneficiaries and **Tort Claimants**. Except for the payment of the **Settlement Amount**, the **Fireman's Fund Parties** shall not be obligated to make any other payments, including any payments to the Trust. The Committee reserves all rights it has or may have to object to any provision in the Plan, the Trust, the Plan Confirmation Order, or any other document or order purporting to transfer to the Trust the obligations of any **Person** to repay or reimburse the United States Government or any agency or instrumentality thereof.

2.7 The **Diocese Parties** will undertake all reasonable actions and cooperate with the **Fireman's Fund Parties** in connection with their reinsurers and/or retrocessionaires.

2.8 The **Parties** shall cease all litigation activities against each other in the Coverage Suits; provided, however, that each Party may take whatever steps that, in its sole judgment, are necessary to defend its interests as long as it remains a party in the Coverage Suits.

2.9 The **Diocese** shall use its reasonable efforts to obtain the dismissal of other **Claims**, if any, against the **Fireman's Fund Parties** by any other insurer in the Coverage Suits. Within five business days after payment of the **Settlement Amount** on behalf of the **Fireman's Fund Parties**, the **Diocese** shall dismiss, with prejudice, all claims it has asserted against the **Fireman's Fund Parties** in the Coverage Suits.

2.10 The **Parties** covenant not to sue each other until (a) the Approval Order has become a **Final Order**, at which time this covenant is superseded by the releases provided in Section 4, or (b) the date on which this Agreement is terminated. Once the Approval Order has become a **Final Order**, and the **Fireman's Fund Parties** have made payment of the **Settlement Amount**, the **Diocese Parties**:

- 2.10.1 will withdraw all outstanding tenders of **Claims** to the **Fireman's Fund Parties** for defense and indemnity;
- 2.10.2 will not tender any **Claims** to the **Fireman's Fund Parties**; and
- 2.10.3 will not request the **Fireman's Fund Parties** to fund any judgments, settlements, or defense costs.

2.11 After the Approval Order has become a **Final Order**, and the **Fireman's Fund Parties** have made payment of the **Settlement Amount**, the **Fireman's Fund Parties** shall have no obligation to pay, handle, object, or otherwise respond to any **Claim**.

3. PAYMENT OF THE SETTLEMENT AMOUNT

3.1 Conditions Precedent. The **Fireman's Fund Parties'** obligations to pay any part of the **Settlement Amount** is conditioned on the **Diocese** obtaining the Approval Order and such Approval Order becoming a **Final Order**.

3.2 In full and final settlement of all responsibilities under and arising out of the **Fireman's Fund Policies** that were issued to the **Diocese** or under which the **Diocese** is a named insured, and in consideration of the sale of the **Fireman's Fund Policies** to **Fireman's Fund** free and clear of all Interests of any **Person**, and the other releases provided herein, **Fireman's Fund** shall pay to the **Diocese** the **Settlement Amount**. Payment shall be made

within thirty (30) days after **Fireman's Fund** receives both written notice from the **Diocese** that the Approval Order is a **Final Order** and directions as to transmission of the payment.

3.3 The **Parties** agree: (a) the **Settlement Amount** is the total amount the **Fireman's Fund Parties** are obligated to pay on account of any and all **Claims** under, arising out of, relating to, or in connection with the **Fireman's Fund Policies** (including **Channeled Claims** and any reimbursement obligations for Conditional Payments under the MSPA); (b) under no circumstance will the **Fireman's Fund Parties** ever be obligated to make any additional payments to or on behalf of anyone in connection with the **Fireman's Fund Policies**, including any payments in connection with amounts allegedly owed under the MSPA or in connection with any **Claims**, including any **Channeled Claims**; (c) under no circumstance will the **Fireman's Fund Parties** ever be obligated to make any additional payments to or on behalf of the **Diocese Parties** or any **Tort Claimants** in connection with the **Fireman's Fund Policies** or the **Parish Policies**, with respect to any **Claims** that, directly or indirectly, arise out of, relate to, or are in connection with any **Tort Claims**, including any **Channeled Claims**; (d) all limits of liability of the **Fireman's Fund Policies**, regardless of how the **Fireman's Fund Policies** identify or describe those limits, including all per person, per occurrence, per claim, "each professional incident," per event, per accident, total, and aggregate limits, shall be deemed fully and properly exhausted. The **Parties** further agree that the **Settlement Amount** also includes the full purchase price of the **Fireman's Fund Policies** and consideration for the releases and other protections afforded by this Agreement, respectively.

3.3.1 The **Parties** agree and represent that (a) the consideration to be provided by the **Fireman's Fund Parties** pursuant to this Agreement (including the **Settlement Amount**) constitute fair and reasonable exchanges for the consideration granted to the **Fireman's Fund Parties** in this Agreement (including the releases set forth below), and (b) the consideration to be provided by the **Diocese Parties** to the **Fireman's Fund Parties** pursuant to this Agreement (including the releases set forth below) constitutes a fair and reasonable exchange for the consideration granted to the **Diocese Parties** in this Agreement (including the **Settlement Amount**). The **Fireman's Fund Parties** are not acting as volunteers in paying the **Settlement Amount**, and the **Fireman's Fund Parties'** payment of the **Settlement Amount** reflects potential liabilities and obligations to the **Diocese Parties** of the amount the **Fireman's Fund Parties** allegedly are obligated to pay on account of any and all **Claims**.

4. RELEASES AND SALE FREE AND CLEAR

4.1 Upon payment by the **Fireman's Fund Parties** of the **Settlement Amount** pursuant to Section 3.2, and with no further action being required:

(a) the **Diocese Parties** shall be deemed to have fully, finally, and completely remised, released, acquitted, and forever discharged the **Fireman's Fund Parties** and any of their reinsurers or retrocessionaires, solely in their capacity as such, from any and all past, present, and future **Claims** that, directly or indirectly, arise out of, relate to, or are in connection with the **Fireman's Fund Policies** or **Tort Claims** that are covered or alleged to be covered under the **Fireman's Fund Policies**, including any **Channeled Claims**, reimbursement obligations for

Conditional Payments under the MSPA, and all **Claims** that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case;

(b) each **Parish Party** shall be deemed to have fully, finally, and completely remised, released, acquitted, and forever discharged the **Fireman's Fund Parties** and any of their reinsurers or retrocessionaires, solely in their capacity as such, from any and all past, present, and future **Claims** that, directly or indirectly, arise out of, relate to, or are in connection with any of the **Fireman's Fund Policies** that insure or allegedly insure that **Parish Party** or any **Tort Claims** that are covered or alleged to be covered under any such Policies; and

(c) each **Person** listed in Section 1.1.9 (iii) to (v) above shall be deemed to have hereby fully, finally, and completely remised, released, acquitted, and forever discharged the **Fireman's Fund Parties** to the same extent as the **Diocese Parties, Parish Parties**, or other insured or additional insured with respect to which it has the capacity listed in Section 1.1.9 (iii) to (v) above is releasing the **Fireman's Fund Parties** pursuant to Section 4.1(a) to (b) and then only to the extent of such capacity.

The releases in this Section 4.1 specifically include all future **Claims** that are based in whole or in part on the referenced **Tort Claims** or the referenced **Fireman's Fund Policies**.

4.2 The Committee's agreement to the terms and conditions of this Agreement is not, and shall not be construed to be, a release of any **Claim** any **Tort Claimant** may have or claim to have against any **Person** other than the **Fireman's Fund Parties**. The **Diocese Parties**, the **Parish Parties**, and the **Committee** reserve all rights to seek recovery from any other insurers with respect to any claims not satisfied in full by this Agreement. Under no circumstances will any of the obligations or rights set forth in this Agreement impact the rights of the **Diocese**, the **Parishes** or the Trust, as applicable, to seek recovery against any other insurer for insurance proceeds respecting **Tort Claims** not satisfied in full by this Agreement, and if any provision of this Agreement is deemed by any court of competent jurisdiction to eliminate the rights of the **Diocese**, the **Parishes** or the Trust, as applicable, to recover sums owed by any other insurer(s), the provision of the Agreement at issue will be deemed to be of no force and effect, and will be considered stricken from the Agreement, but the scope and finality of the releases set forth in this Agreement shall not be affected or modified.

4.3 Upon payment by the **Fireman's Fund Parties** of the **Settlement Amount** pursuant to Section 3.2, and with no further action being required, the **Fireman's Fund Parties**:

(a) shall be deemed to have hereby fully, finally, and completely remised, released, acquitted, and forever discharged the **Diocese Parties** from any and all past, present, and future Claims that, directly or indirectly, arise out of, relate to, or are in connection with the **Tort Claims** or the Policies, including any **Channeled Claims**, reimbursement obligations for Conditional Payments under the MSPA, and all **Claims** that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case;

(b) shall be deemed to have hereby fully, finally, and completely remised, released, acquitted, and forever discharged each **Parish Party** from any and all past, present, and future Claims that, directly or indirectly, arise out of, relate to, or are in connection with any of the **Fireman's Fund Policies** that insure or allegedly insure that **Parish Party** or any **Tort Claims** that are covered or alleged to be covered under any such **Fireman's Fund Policies**;

(c) hereby fully, finally, and completely remise, release, acquit, and forever discharge each **Person** listed in Section 1.1.9 (iii) to (v) above to the same extent as the **Fireman's Fund Parties** are releasing the **Diocese, Parish Parties**, or other insured or additional insured with respect to which such **Person** has the capacity listed in Section 1.1.9 (iii) to (v) above and then only to the extent of such capacity.

4.4 From and after the first day on which the Approval Order is a **Final Order**, none of the **Diocese Parties** shall assert against any of the **Fireman's Fund Parties** any **Claim** with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any of the Policies, any **Channeled Claim**, and/or any other matter released pursuant to Section 4.1 above.

4.5 From and after the first day on which the Approval Order is a **Final Order**, the **Fireman's Fund Parties** hereby buy back the **Fireman's Fund Policies**, free and clear of all **Interests** of all **Persons**, including all **Interests** of the **Diocese Parties**, the **Parish Parties**, any other **Person** claiming coverage by, through, or on behalf of any of the **Diocese Parties**, any other insurer, and any **Tort Claimant**. This sale is pursuant to sections 363(b), (f), and (m) of the Bankruptcy Code. The **Parties** acknowledge and agree, and the Approval Order shall find and conclude, that: (a) the **Fireman's Fund Parties** are good faith purchasers of the **Fireman's Fund Policies** and **Interests** within the meaning of section 363(m) of the Bankruptcy Code; (b) the consideration exchanged constitutes a fair and reasonable settlement of the **Parties'** disputes and of their respective rights and obligations relating to the foregoing Policies and Interests and constitutes reasonably equivalent value; (c) the releases in this Agreement and the policy buyback comply with the Bankruptcy Code and applicable non-bankruptcy laws; (d) upon entry of the Approval Order as a **Final Order**, the **Fireman's Fund Policies** and **Interests** shall be terminated and of no further force and effect; (e) the **Fireman's Fund Parties'** payment of the **Settlement Amount** constitutes the **Fireman's Fund Parties'** full and complete performance of any and all obligations under the foregoing Policies and with respect to the foregoing **Interests**, including any performance owed to the **Diocese Parties**, and exhausts all limits of liability of the foregoing Policies and with respect to the foregoing **Interests**; (f) all **Interests** the **Diocese Parties** may have had, may presently have, or in the future may have in the **Fireman's Fund Policies** are released pursuant to the terms of this Agreement; and (g) the **Diocese Parties** accept the **Settlement Amount** set forth in Section 3.2 in full and complete satisfaction of all the **Fireman's Fund Parties'** past, present, and future obligations, including any obligations to any of the **Diocese Parties** under such **Fireman's Fund Policies** or arising therefrom, as to any and all **Claims** for insurance coverage or policy benefits of any nature whatsoever arising out of or related in any way to such **Fireman's Fund Policies**, whether legal or equitable, known or unknown, suspected or unsuspected, fixed or contingent, and regardless of whether or not such **Claims**

arise from, relate to, or are in connection with the **Channeled Claims**, the Reorganization Case, or otherwise under the **Fireman's Fund Policies**.

4.6 The **Diocese** represents and warrants that all of the releases and other benefits provided in this Agreement by the **Diocese Parties** to the **Fireman's Fund Parties** are at least as favorable as the releases and other benefits that the **Diocese** has provided to any other one of the **Diocese's** insurers in the Reorganization Case. If the **Diocese** enters into any agreement with any other one of its insurers in the Reorganization Case that provides that insurer with releases or other benefits that are more favorable than those contained in this Agreement, then this Agreement shall be deemed to be modified to provide the **Fireman's Fund Parties** with those more favorable releases and/or benefits. However, Section 7.2 shall not be modified. The **Diocese Parties** shall notify the **Fireman's Fund Parties** promptly of the existence of such more favorable releases or benefits.

4.7 Notwithstanding anything in this Agreement, nothing in this Agreement is intended to or shall be construed to apply to or have any effect on the **Fireman's Fund Parties'** right to reinsurance recoveries under any reinsurance treaties, certificates, or contracts that cover losses arising under or in connection with the Policies or any other binder, certificate, or policy of insurance issued by the **Fireman's Fund Parties**.

4.8 Notwithstanding anything in this Agreement, nothing in this Agreement is intended to or shall be construed to release any **Claims** that the **Fireman's Fund Parties** have or might have against any insurer that is not one of the **Fireman's Fund Parties** except that, to the extent such other insurers have agreed or in the future agree to release any **Claims** against the **Fireman's Fund Parties** arising out of or related in any way related to the **Tort Claims**, the **Fireman's Fund Parties** also release such **Claims** against such other insurers to the same extent.

4.9 This Section 4 is not intended to, and shall not be construed to, release, waive, relinquish, or otherwise affect the **Parties'** rights and obligations under this Agreement.

5. TERMINATION OF AGREEMENT

5.1 In the event (i) the Approval Order does not become a **Final Order** of the Bankruptcy Court within one year from the date on which the Agreement is executed by all the **Parties**, or (ii) a Plan is filed or confirmed that is inconsistent with the terms of this Agreement or is otherwise reasonably unacceptable to the **Fireman's Fund Parties**, or (iii) the Reorganization Case is dismissed or converted, then the **Fireman's Fund Parties** may terminate this Agreement upon fifteen (15) days' notice to the **Diocese**, immediately following which this Agreement shall be null and void and of no force or effect.

6. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

6.1 The **Parties** separately represent and warrant as follows:

6.1.1 To the extent it is a corporation, including a non-profit corporation, or other legal entity, each **Party** has the requisite power and authority to enter into this Agreement and to perform the obligations contemplated by this Agreement, subject only to approval of the Bankruptcy Court;

6.1.2 This Agreement has been thoroughly negotiated and analyzed by counsel to the **Parties** and executed and delivered in good faith, pursuant to arm's length negotiations and for value and valuable consideration.

6.2 The **Diocese Parties** represent and warrant that they have not assigned, and will not assign, any **Interests** in the **Fireman's Fund Policies** to any **Person**.

6.3 The **Diocese Parties** represent and warrant that to the best of their knowledge that they are the owners of the **Fireman's Fund Insurance Policies** and that no other **Person** has legal title to the **Fireman's Fund Insurance Policies**.

6.4 The **Diocese Parties** represent and warrant that they have not in any way assisted, and shall not in any way assist, any **Person** in the establishment or pursuit of any **Claim** against the **Fireman's Fund Parties**.

6.5 The **Diocese** represents and warrants that actual notice of the Approval Motion will be sent to all **Tort Claimants**, whose names and addresses are known to the **Diocese** or can be ascertained by the **Diocese**, by service on their counsel of record, or if they are not represented, to the address listed in the Diocese's schedules filed in the Reorganization Case, or as otherwise ordered by the Bankruptcy Court. The **Diocese** further represents and warrants that it will comply with any other requirements imposed by the Bankruptcy Court with respect to the Approval Motion.

6.6 The **Diocese** and the **Fireman's Fund Parties**, respectively, represent and warrant that they have completed a reasonable search for evidence of any policy of insurance issued by the **Fireman's Fund Parties** to the **Diocese** that would afford coverage with respect to any **Tort Claim**. Other than the policies or alleged policies identified in Exhibit 1, no such policies have been identified. Notwithstanding the foregoing, nothing in this Agreement, including the Exhibits hereto, shall be construed as or deemed to be an admission or evidence that any binder, certificate, or policy of insurance was in fact issued and/or affords coverage in connection with any **Tort Claims**.

7. ACTIONS INVOLVING THIRD PARTIES

7.1 For purposes of supporting the releases granted in Section 4 and the extinguishment of any and all rights under the **Fireman's Fund Policies** resulting from the purchase and sale thereof contemplated by this Agreement, the **Diocese Parties** hereby agree as follows:

7.1.1 From and after the first day on which the Approval Order becomes a **Final Order**, if any other insurer of the **Diocese Parties** obtains a judicial determination or binding arbitration award that it is entitled to obtain a sum certain from any of the **Fireman's Fund Parties** as a result of a claim for contribution, subrogation, indemnification, or other similar **Claim** for any of the **Fireman's Fund Parties'** alleged share or equitable share, or to enforce subrogation rights, if any, with respect to the defense and/or indemnity obligation of any of the **Fireman's Fund Parties** for any **Claims** or reimbursement obligations for Conditional Payments released or resolved pursuant to this Agreement, the **Diocese Parties** or the **Parish Parties**, as applicable, shall voluntarily reduce any judgment or **Claim** against, or settlement with, such other insurer(s) to the extent necessary to satisfy such contribution, subrogation, indemnification, or other Claims against the **Fireman's Fund Parties**. To ensure that

such a reduction is accomplished, the **Fireman's Fund Parties** shall be entitled to assert this Section 7 as a defense to any action against them brought by any other insurer for any such portion of the judgment or **Claim** and shall be entitled to request that the court or appropriate tribunal issue such orders as are necessary to effectuate the reduction to protect the **Fireman's Fund Parties** from any liability for the judgment or **Claim**. Moreover, if a non-settling insurer asserts that it has a **Claim** for contribution, indemnity, subrogation, or similar relief against any of the **Fireman's Fund Parties**, such **Claim** may be asserted as a defense against a **Claim** by the **Diocese Parties** or the **Parish Parties**, as applicable, in any coverage litigation (and the **Diocese Parties** or the **Parish Parties**, as applicable, may assert the legal and equitable rights of the **Fireman's Fund Parties** in response thereto); and to the extent such a **Claim** is determined to be valid by the court presiding over such action, the liability of such non-settling insurer to the **Diocese Parties** or the **Parish Parties** shall be reduced dollar for dollar by the amount so determined.

7.1.2 Unless this Agreement is terminated, the **Fireman's Fund Parties** shall not seek reimbursement for any payments they make under this Agreement under theories of contribution, subrogation, indemnification, or similar relief from any other insurer of the **Diocese** unless that other insurer first seeks contribution, subrogation, indemnification, or similar relief from any of the **Fireman's Fund Parties**. Notwithstanding the foregoing, nothing herein shall be construed as prohibiting any of the **Fireman's Fund Parties** from seeking recovery from its reinsurers. The **Diocese** shall use its reasonable best efforts to obtain from all insurers with which it settles agreements similar to those contained in this Section 7; provided, however, that the failure of the **Diocese**, despite its reasonable best efforts, to obtain such an agreement from any insurer with which it settles will not be a basis to terminate this Agreement or excuse the **Fireman's Fund Parties** from performing their respective obligations hereunder, including payment of the **Settlement Amount**.

7.2 From and after the Bankruptcy Plan Effective Date, the **Diocese** and **Parishes** shall defend, indemnify, and hold harmless the **Fireman's Fund Parties** with respect to any and all **Claims** relating to the **Fireman's Fund Policies**, including all **Claims** made by (i) any **Person** claiming to be insured (as a named insured, additional insured, or otherwise) under any of the Policies; (ii) any **Person** who has made, will make, or can make a **Tort Claim** or **Related Insurance Claim**; and (iii) any **Person** who has actually or allegedly acquired or been assigned the right to make a **Claim** under any of the **Fireman's Fund Policies**. This indemnification includes **Claims** made by **Persons** over whom the **Diocese** does not have control, including any other **Person** who asserts **Claims** against or rights to coverage under any of the **Fireman's Fund Policies**. This indemnification does not extend to nor does it include **Claims** that are or may be made against **Fireman's Fund** by other insurers. The **Fireman's Fund Parties** shall have the right to defend any **Claims** identified in this Section 7.2 and shall do so in good faith. The **Fireman's Fund Parties** may undertake the defense of any such **Claim** on receipt of such **Claim**. The **Fireman's Fund Parties** agree to notify the **Diocese** as soon as practicable of any **Claims** identified in this Section 7.2 and of their choice of counsel. The **Diocese** shall reimburse all reasonable and necessary attorneys' fees, expenses, costs, and amounts incurred by the **Fireman's Fund Parties** in defending such **Claims**. The **Fireman's Fund Parties** may settle or otherwise resolve a **Claim** only with the prior consent of the **Diocese Parties**, which consent shall not be unreasonably withheld. The

Fireman's Fund Parties' defense, settlement, or other resolution of any **Claims** pursuant to this Section 7.2 shall not diminish the **Diocese's** obligations to indemnify the **Fireman's Fund Parties** for such **Claims**, as set forth in this Section 7.2.

7.3 If any Person attempts to prosecute a **Channeled Claim** against any of the **Fireman's Fund Parties** before the Approval Order becomes a **Final Order**, or, alternatively, this Agreement is terminated under Section 5, then promptly following notice to do so from the **Fireman's Fund Parties** against whom the **Claim** is asserted, the **Diocese** will file a motion and supporting papers to obtain an order from the Bankruptcy Court, pursuant to Bankruptcy Code §§ 362 and 105(a), protecting the **Fireman Fund's Parties** from any such **Claims** until the Approval Order has become a **Final Order**, or, alternatively, this Agreement is terminated under Section 5.

8. MISCELLANEOUS

8.1 If any action or proceeding of any type whatsoever is commenced or prosecuted by any **Person** not a **Party** to this Agreement to invalidate, interpret, or prevent the validation or enforcement, or carrying out, of all or any of the provisions of this Agreement, the **Parties** mutually agree to cooperate fully in opposing such action or proceeding.

8.2 The **Parties** will take such steps and execute any documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Agreement and to preserve its validity and enforceability.

8.3 The **Parties** shall cooperate with each other in connection with the Approval Motion, the Approval Order, the Plan, the Plan Confirmation Order, and the Reorganization Case. Such cooperation shall include consulting with each other upon reasonable request concerning the status of proceedings and providing each other with copies of reasonably requested pleadings, notices, proposed orders, and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof. The **Committee** reserves the right to object to any provision of the Plan and the Plan Confirmation Order.

8.3.1 If the Bankruptcy Court issues an order denying the request for the Channeling Injunction provided in the Plan, denying confirmation of the Plan, or dismissing the Reorganization Case or if the Bankruptcy Court issues an order on the Approval Motion that refuses to approve the Agreement with respect to **Fireman's Fund Parties**, the **Diocese** shall exhaust all rights to appeal with respect to such order and, if no appeal of right is allowed, the **Diocese** shall seek interlocutory review of each such order by all possible means, including by invoking all exceptions to the final order requirement for appellate review, all certifications for immediate appeal, and all available writs, each as provided by the federal rules, U.S. Code, or decisional authority. Notwithstanding the foregoing, the **Diocese** has no obligation seek a writ of certiorari from the United States Supreme Court.

8.4 Notwithstanding any language to the contrary in this Agreement, under no circumstance will any of the **Diocese Parties** or the **Parish Parties** be obligated to take any action that violates any obligation or duty owed by any of the **Diocese Parties** or the **Parish**

Parties to any other insurer, and if a court of competent jurisdiction determines that a term or condition in this Agreement does violate any obligation or duty owed by any of the **Diocese Parties** or the **Parish Parties** to any other insurer, the **Diocese Parties** or the **Parish Parties** shall be relieved of such term or condition, but the scope and finality of the releases set forth in this Agreement shall not be affected or modified.

8.5 This Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between and among the **Parties**.

8.6 This Agreement may be modified only by a written amendment signed by the **Parties**, and no waiver of any provision of this Agreement or of a breach thereof shall be effective unless expressed in a writing signed by the waiving **Party**. The waiver by any **Party** of any of the provisions of this Agreement or of the breach thereof shall not operate or be construed as a waiver of any other provision or breach.

8.7 By entering into this Agreement, none of the **Parties** has waived or shall be deemed to have waived any rights, obligations, or positions they have asserted or may in the future assert in connection with any matter outside the scope of this Agreement. No part of this Agreement, its negotiation, or its performance may be used in any manner in any action, suit, or proceeding as evidence of the rights, duties, or obligations of the **Parties** with respect to matters outside the scope of this Agreement. All actions taken and statements made by the **Parties** or by their representatives, relating to this Agreement or participation in this Agreement, including its development and implementation, shall be without prejudice or value as precedent and shall not be used as a standard by which other matters may be judged.

8.8 This Agreement represents a compromise of disputed **Claims** and shall not be deemed an admission or concession regarding liability, culpability, wrongdoing, or insurance coverage. All related discussions, negotiations, and all prior drafts of this Agreement shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any parallel state law provisions. Any evidence of the negotiations or discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the **Parties**, except that they shall be admissible to the extent they would have otherwise been admissible, absent this Section 8.7, in (i) an action or proceeding to enforce the terms of this Agreement, including any use as set forth in Section 7.1.1 or (ii) any possible action or proceeding between any of the **Fireman's Fund Parties** and any of their reinsurers. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the **Fireman's Fund Parties'** obligations under any of the Policies or any other binder, certificate, or policy of insurance issued by the **Fireman's Fund Parties**, with respect to any **Claims** against any of the **Fireman's Fund Parties**.

8.9 None of the **Parties** shall make any public statements or disclosures (i) regarding each other's rationale or motivation for negotiating or entering into this Agreement, or (ii) asserting or implying in any way that the **Parties** acted improperly or in violation of any duty or obligation, express or implied, in connection with any matter arising out of, relating to, or in connection with the Policies or any other binder, certificate, or policy of insurance issued or allegedly issued by the **Fireman's Fund Parties**, including handling of or involvement in connection with the **Tort Claims** or the resolution of the **Tort Claims**.

8.10 Neither this Agreement nor the rights and obligations set forth in this Agreement shall be assigned without the prior written consent of the other **Parties**.

8.11 This Agreement was jointly drafted by the **Parties** and the language of all parts of this Agreement shall in all cases be construed as a whole according to its meaning and not strictly for or against any of the **Parties**.

8.12 Section titles and/or headings contained in this Agreement are included only for ease of reference and shall have no substantive effect.

8.13 All notices, demands, or other communication to be provided pursuant to this Agreement shall be in writing and sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to the **Parties** at the addresses set forth below, or to such other person or address as any of them may designate in writing from time to time:

If to the **Diocese Parties**:

Rev. James Bissonette
Diocese of Duluth
2830 East 4th Street
Duluth, MN 55812

and

With a copy to:

Ford Elsaesser
Bruce A. Anderson
Elsaesser Anderson, Chtd.
320 East Neider Avenue, Suite 102
Coeur d'Alene, ID 83815
Email: ford@eaidaho.com
brucea@eaidaho.com

and

Phillip Kunkel
Gray Plant Mooty
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Email: Phillip.Kunkel@gpmlaw.com

If to the **Parish Parties**:

John D. Kelly
1000 U.S. Bank Place
130 W Superior Street
Duluth, MN 55802-2094

Email: jdk@hanftlaw.com

If to **Fireman's Fund**:

Deborah Sons
San Francisco Reinsurance (ARM US) –
Allianz Resolution Management (ARM)
33 West Monroe Street – 12th Floor
Chicago, IL 60603
Email: Deborah.sons@ffic.com

With copies to:

Charles E. Jones
Moss & Barnett
150 South Fifth Street, Suite 1200
Minneapolis, MN 55402
Email: charles.jones@lawmoss.com

Mark D. Plevin
Crowell & Moring LLP
Three Embarcadero Center, 26th Floor
San Francisco, CA 94111
Email: mplevin@crowell.com

If to the **Committee**:

Robert T. Kugler
Stinson Leonard Street
150 South Fifth Street, Suite 2300
Minneapolis, MN 55402
Email: Robert.kugler@stinson.com

8.14 This Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile, e-mail, or other electronic image, which facsimile, e-mail, or other electronic image counterparts shall be deemed to be originals. This Agreement may be electronically signed. Any such electronic signatures are the same as handwritten signatures for the purposes of validity, enforceability and admissibility.

8.15 Nothing contained in this Agreement shall be deemed or construed to constitute (i) an admission by any of the **Fireman's Fund Parties** that the **Diocese Parties**, the **Parish Parties**, or any other **Person** was or is entitled to any insurance coverage under the **Fireman's Fund Policies** or any other binder, certificate, or policy of insurance issued by the **Fireman's Fund Parties** or as to the validity of any of the positions that have been or could have been asserted by the **Diocese Parties** or the **Parish Parties**, (ii) an admission by the **Diocese Parties** or the **Parish Parties**, as to the validity of any of the positions or defenses to coverage that have been or could have been asserted by the **Fireman's Fund Parties** or any

Claims that have been or could have been asserted by the **Diocese Parties** or the **Parish Parties**, against the **Fireman's Fund Parties**, or (iii) an admission by the **Diocese Parties**, the **Parish Parties**, or the **Fireman's Fund Parties** of any liability whatsoever with respect to any of the **Tort Claims**.

8.16 All of the **Persons** included in the definition of **Fireman's Fund Parties**, all of the **Parties** to this Agreement, and the bankruptcy Trust and Trustee, are intended beneficiaries of this Agreement. Except as set forth in the preceding sentence or otherwise set forth in this Agreement, there are no third-party beneficiaries of this Agreement.

8.17 The **Diocese Parties** and the **Fireman's Fund Parties** shall be responsible for their own fees and costs incurred in connection with the Reorganization Case, this Agreement, and the implementation of this Agreement.

8.18 The following rules of construction shall apply to this Agreement:

8.18.1 Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms "hereof," "herein," "hereby," and derivative or similar words refer to this entire Agreement; and (iv) the words "include," "includes," or "including" shall be deemed to be followed by the words "without limitation."

8.18.2 References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions regardless of whether specifically referenced in this Agreement.

8.18.3 The wording of this Agreement was reviewed by legal counsel for each of the **Parties**, and each of them had sufficient opportunity to propose and negotiate changes prior to its execution. The wording of this Agreement shall not be construed in favor of or against any **Person**.

8.18.4 The use of the terms "intend," "intended," or "intent," when describing the intention of the **Parties**, as the case may be, shall not be construed to create a breach of this Agreement when the stated intent is not achieved.

8.19 The Bankruptcy Court in the Reorganization Case shall retain jurisdiction to interpret and enforce the provisions of this Agreement, which shall be construed in accordance with Minnesota law. The **Fireman's Fund Parties** do not, by virtue of this Section 8.18 or any other provision in this Agreement, consent to the Bankruptcy Court's jurisdiction as to any other matter.

8.20 This Agreement and the **Diocese**'s obligations under this Agreement shall be binding on the **Diocese** and the **Reorganized Debtor** and shall survive the entry of the Plan Confirmation Order.

8.21 This Agreement shall be effective on the **Effective Date**.

EXHIBIT F

SETTLEMENT AGREEMENT, RELEASE, AND CERTIFICATE BUYBACK

This Settlement Agreement, Release, and Certificate Buyback (“Settlement Agreement”) is hereby made by, between and among the Diocese Parties (as defined in Section 1.1.10), the Parish Parties (as defined in Section 1.1.19), the Committee (as defined in Section 1.1.7), and the Church Mutual Insurance Company Parties (as defined in Section 1.1.4).

RECITALS

WHEREAS, numerous individuals have asserted certain Tort Claims (as defined in Section 1.1.27) against the Diocese (as defined in Section 1.1.8) and Parishes (as defined in Section 1.1.17);

WHEREAS, the Church Mutual Insurance Company Parties or their predecessors issued, allegedly issued or may have issued the Diocese Certificates (as defined in Section 1.1.9) and/or Parish Certificates (as defined in Section 1.1.16) providing certain coverage to the Diocese Parties and the Parish Parties;

WHEREAS, certain disputes between the Diocese Parties and/or the Parish Parties and the Church Mutual Insurance Company Parties have arisen and/or may arise in the future concerning Church Mutual Insurance Company Parties’ position regarding the nature and scope of their responsibilities, if any, to provide coverage to the Diocese Parties and/or Parish Parties under the Diocese Certificates and/or Parish Certificates in connection with Tort Claims (the “Coverage Disputes”);

WHEREAS, the Diocese filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Minnesota (Case No. 15-50792) (the “Reorganization Case”) on December 7, 2015 (the “Petition Date”);

WHEREAS, the Diocese Parties and the Parish Parties and the Church Mutual Insurance Company Parties, without any admission of liability or concession of the validity of the positions or arguments advanced by each other, now wish to compromise and resolve fully and finally any and all Coverage Disputes and all other disputes between and among them;

WHEREAS, through this Settlement Agreement, the Diocese Parties, Parish Parties and Committee intend to provide the Church Mutual Insurance Company Parties with the broadest possible release of all Tort Claims, including all Unknown Tort Claims, that occurred or may have arisen prior to the effective date of the Plan (as defined in Section 1.1.22);

WHEREAS, as part of the compromise and resolution of such disputes, the Diocese Parties, Parish Parties and the Church Mutual Insurance Company Parties wish to effect a sale of the Parish Certificates (as defined in Section 1.1.18) pursuant to 11 U.S.C. § 363 and to provide the Church Mutual Insurance Company Parties with the broadest possible release and buyback with respect to the Parish Certificates, resulting in Church Mutual Insurance Company Parties having no obligations now, or in the future, under the Parish Certificates; and

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants contained in this Settlement Agreement, the sufficiency of which is hereby acknowledged, and intending to be legally bound, subject to the approval of the United States Bankruptcy Court for the District of Minnesota and any other court in which the Reorganization Case may be pending or that has jurisdiction over the Reorganization Case (the "Bankruptcy Court"), the Parties hereby agree as follows:

1. DEFINITIONS

1.1 As used in this Agreement, the following terms shall have the meanings set forth below. Capitalized terms not defined below or herein shall have the meanings given to them in the Bankruptcy Code.

1.1.1 "Abuse" means (i) any actual or alleged sexual conduct, misconduct, abuse, or molestation, including actual or alleged "sexual abuse" as that phrase is defined in Minnesota Statutes § 541.073(1); (ii) indecent assault or battery, rape, lascivious behavior, undue familiarity, pedophilia, ephebophilia, or sexually-related physical, psychological, or emotional harm; (iii) contacts or interactions of a sexual nature; or (iv) assault, battery, corporal punishment, or other act of physical, psychological, or emotional abuse, humiliation, intimidation, or misconduct.

1.1.2 "Bankruptcy Orders" means collectively, the UCR Order, the Approval Order and the Plan Confirmation Order.

1.1.3 "Church Mutual Insurance Company" means Church Mutual Insurance Company.

1.1.4 "Church Mutual Insurance Company Parties" means Church Mutual Insurance Company and each of their past, present and future parents, subsidiaries, affiliates, and divisions, each of their respective past, present, present and future parents, subsidiaries, affiliates, holding companies, merged companies, related companies, divisions and acquired companies, each of their respective past, present and future, directors, officers, shareholders, employees, subrogees, partners, principals, agents, attorneys, joint ventures, joint venturers, representatives, and claims handling administrators, and each of their respective predecessors, successors, assignors, and assigns, whether known or unknown, and all Persons acting on behalf of, by, through or in concert with them.

1.1.5 "Channeled Claim" means any Tort Claim against any of the Protected Parties, Church Mutual Insurance Company Parties, or any Person covered by any certificate issued by the Church Mutual Insurance Company Parties to the extent such Tort Claim arises from the same injury or damages asserted as a Tort Claim against the Protected Parties or Church Mutual Insurance Company Parties. Notwithstanding the foregoing, Channeled Claims do not include Claims against (i) any religious order, diocese, or archdiocese (Other than the Diocese itself), or (ii) an individual who perpetrated an act of Abuse.

1.1.6 “Claim” means any past, present or future claim, demand, action, request, cause of action, suit, proceeding or liability of any kind or nature whatsoever, whether at law or equity, known or unknown, actual or alleged, asserted or not asserted, suspected or not suspected, anticipated or unanticipated, accrued or not accrued, fixed or contingent, including Tort Claims, which has been or may be asserted by or on behalf of any Person, whether seeking damages (including compensatory, punitive or exemplary damages) or equitable, mandatory, injunctive, or any other type of relief, including cross-claims, counterclaims, third-party claims, suits, lawsuits, administrative proceedings, notices of liability or potential liability, arbitrations, actions, rights, causes of action or orders, and any other claim within the definition of “claim” in section 101(5) of the Bankruptcy Code.

1.1.7 “Claim Filing Date” means May 25, 2016.

1.1.8 “Committee” means the Official Committee of Unsecured Creditors appointed in the Reorganization Case, pursuant to an Order of the Bankruptcy Court entered on December 28, 2015.

1.1.9 “Diocese” means the Diocese of Duluth and its estate (pursuant to section 541 of the Bankruptcy Code).

1.1.10 “Diocese Certificates” mean all known and unknown binders or certificates in existence before the Effective Date of this Settlement Agreement that were issued or allegedly issued by the Church Mutual Insurance Company Parties to the Diocese Parties and that actually, allegedly or might afford coverage with respect to any Tort Claim. **Diocese Certificates** does not include any binder or certificate that was issued to any other **Person** as the named insured (including, but not limited to the Archdiocese of St. Paul and Minneapolis) and that also provides coverage to the **Diocese Parties** as additional insureds or additional named insureds.

1.1.11 “Diocese Parties” means collectively the Diocese and: (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the Diocese; (ii) any and all named covered party, covered party and additional covered party under the Diocese Certificates, including any and all past and present parishes of or in the Diocese (as applicable) and every Protected Person (as defined in the Diocese Certificates); (iii) each of the foregoing Persons’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv) each of the foregoing Persons’ respective predecessors, successors and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Persons identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such Persons are “employees” or agents of the Diocese or subject to its control. An individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a

Diocese Party with respect to that Tort Claim. No religious order, diocese, or archdiocese other than the Diocese itself is a Diocese Party.

1.1.12 “Effective Date” means the date on which all conditions precedent to this Settlement Agreement are satisfied.

1.1.13 “Extra-Contractual Claim” means any Claim against any of the Church Mutual Insurance Company Parties based, in whole or in part, on allegations that any of the Church Mutual Insurance Company Parties acted in bad faith or in breach of any express or implied duty, obligation or covenant, contractual, statutory or otherwise, including any Claim on account of alleged bad faith; failure to act in good faith; violation of any express or implied duty of good faith and fair dealing; violation of any unfair claims practices act or similar statute, regulation, or code; any type of alleged misconduct; or any other act or omission of any of the Church Mutual Insurance Company Parties of any type for which the claimant seeks relief other than coverage or benefits under a policy of insurance. Extra-Contractual Claims include: (i) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with any of the Church Mutual Insurance Company Parties’ handling of any Claim or any request for insurance coverage, including any request for coverage for any Claim, including any Tort Claim; (ii) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with the Diocese Certificates and Parish Certificates and any contractual duties arising therefrom, including any contractual duty to defend the Diocese Parties or Parish Parties against any Tort Claims; and (iii) the conduct of the Parties with respect to the negotiation of this Settlement Agreement.

1.1.14 “Final Order” means an order, judgment, or other decree (including any modification or amendment thereof) that remains in effect and has not been reversed, withdrawn, vacated, or stayed, and as to which the time to appeal or seek review, rehearing, or writ of certiorari has expired or, if such an appeal or review has been taken, (i) it has been resolved and no longer remains pending, or (ii) an appeal or review has been taken timely but such order has not been stayed and the Parties have mutually agreed in writing that the order from which such appeal or review is taken should be deemed to be a Final Order within the meaning of this Settlement Agreement.

1.1.15 “Interests” means all liens, Claims, encumbrances, interests, and other rights of any nature, whether at law or in equity, including any rights of contribution, indemnity, defense, subrogation, or similar relief.

1.1.16 “Parishes” means all parishes listed on Exhibit A.

1.1.17 “Parish Certificates” means any and all known and unknown binders or certificates issued or allegedly issued by the Church Mutual Insurance Company Parties to the Parish Parties, or issued to any and all past and present parishes of or in the Diocese of Duluth, in existence before the Effective Date of this Settlement Agreement, and that actually, allegedly or might afford coverage with respect to any Tort Claim. Parish Certificates does not include any binder or insurance certificate issued by the

Church Mutual Insurance Company Parties to any parish that currently is or formerly was within the Archdiocese of St. Paul and Minneapolis. **Parish Certificates** does not include any binder or insurance certificate that was issued to any other **Person** as the named insured (including, but not limited to the Archdiocese of St. Paul and Minneapolis) and that also provides coverage to the Parish **Parties** as additional insureds or additional named insureds.

1.1.18 “Parish Parties”, means the Parishes and (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the Parishes; (ii) any and all named covered party, covered party and additional covered party under the Parish Certificates, including every Protected Person (as defined in the Parish Certificates); (iii) each of the foregoing Persons’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv) each of the foregoing Persons’ respective predecessors, successors and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Persons identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such Persons are “employees” or agents of the Parishes or subject to their control. An individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Parish Party with respect to that Tort Claim. No religious order, diocese, or archdiocese, other than the Diocese and Parishes, is a Parish Party.

1.1.19 “Parties” means the Diocese Parties, Church Mutual Insurance Company Parties, Parish Parties and Committee, and “Party” refers to them individually.

1.1.20 “Person” shall have the meaning ascribed in 11 U.S.C. § 101(41) and shall also include the term “Entity” as defined in 11 U.S.C. § 101(15).

1.1.21 “Plan” refers to the Diocese’s chapter 11 plan of reorganization and any amendment thereto, as approved and confirmed by Final Order of the Bankruptcy Court, and that is consistent with the Settlement Agreement, and containing such language and provisions as are acceptable to Church Mutual Insurance Company in its sole discretion.

1.1.22 “Protected Parties” means any of the Diocese Parties, the Reorganized Debtor (as shall be defined in the Plan), and the Parish Parties. No religious order other than the Diocese itself is a Protected Party. For the avoidance of doubt, neither the Archdiocese of Saint Paul and Minneapolis, nor any parish currently or formerly within the Archdiocese of Saint Paul and Minneapolis, is a Protected Party.

1.1.23 “Related Insurance Claim” means (i) any Claim by any Person against any of the Church Mutual Insurance Company Parties for defense, indemnity, contribution, subrogation, or similar relief that, directly or indirectly, arises from, relates to, or is in connection with a Tort Claim; and (ii) any Extra Contractual Claim that, directly or

indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Claim that, directly or indirectly, arises out of, relates to or is in connection with any of the Church Mutual Insurance Company Parties' handling of any Tort Claim.

1.1.24 "Reorganized Debtor" shall have the meaning ascribed in the Plan, but for purposes hereof, shall mean the Diocese after confirmation of the Plan.

1.1.25 "Settlement Amount" means the sum of \$250,000 to be paid to the Diocese for the benefit of Tort Claimants by Church Mutual Insurance Company after satisfaction of all Conditions Precedent, and pursuant to the confirmed Plan.

1.1.26 "Tort Claim" means any Claim against any of the Protected Parties or Church Mutual Insurance Company Parties that arises out of, relates to, results from, or is in connection with, in whole or in part, directly or indirectly, Abuse that took place in whole or in part prior to the effective date of the Plan, including any such Claim that seeks monetary damages or any other relief, under any theory of liability, including vicarious liability; respondeat superior; any fraud-based theory, including fraud in the inducement; any negligence-based or employment-based theory, including negligent hiring, supervision, retention or misrepresentation; any other theory based on misrepresentation, concealment, or unfair practice; contribution; indemnity; public or private nuisance; or any other theory, including any theory based on public policy or any acts or failures to act by any of the Protected Parties, Church Mutual Insurance Company Parties or any other Person for whom any of the Protected Parties or Church Mutual Insurance Company Parties are allegedly responsible, including any such Claim asserted against any of the Parties in connection with the Diocese's reorganization case. "Tort Claim" includes any Unknown Tort Claim.

1.1.27 "Tort Claimant" means any Person holding a Tort Claim, including but not limited to any Claims articulated or set forth in proofs of claim filed with the Bankruptcy Court in the Reorganization Case.

1.1.28 "UCR" means any Person appointed by the Bankruptcy Court or District Court, as applicable, as the unknown claims representative.

1.1.29 "Unknown Tort Claim" means any Tort Claim that is neither filed, nor deemed filed, by the Claim Filing Date and is held by a Person who (i) was continuously between the Claim Filing Date and the Bankruptcy Plan Effective Date under a disability recognized by Minn. Stat. § 541.15, subs. 1, 2 and 3 (or other applicable law suspending the running of the limitation period, if any, other than Minn. Stat. § 541.15, subd. 4); (ii) has a Tort Claim that was barred by the statute of limitations as of the Claim Filing Date but is no longer barred by the applicable statute of limitations for any reason, including the enactment of legislation that revises previously time-barred Tort Claims; or (iii) claims he or she was incapable of knowing of the existence of his or her Tort Claim as of the Claim Filing Date for any reason, including alleged memory repression or suppression; or as otherwise defined by subsequent order of the Bankruptcy Court.

2. THE REORGANIZATION CASE AND PLAN FOR REORGANIZATION

2.1 Not later than five (5) days after the last Party signs this Settlement Agreement, the Diocese shall file a motion in the Bankruptcy Court (the "Approval Motion") in form and substance acceptable to the Church Mutual Insurance Company Parties and the Diocese, seeking approval of this Settlement Agreement and authorization for the Parties to undertake the settlement and the transactions contemplated by this Settlement Agreement (the "Approval Order").

2.1.1 The Diocese shall provide written notice of the Approval Motion to (i) all Tort Claimants to the extent they are known by the Diocese, (ii) counsel, if any, for the Committee, (iii) the UCR, (iv) all Persons who have filed notices of appearance in the Reorganization Case, and (v) all Persons known to have provided general or professional liability insurance to the Diocese Parties. The Diocese shall serve all claimants identified above at the address shown on their proofs of claim or to their counsel of record or, if no proof of claim was filed, then at the address on the Diocese's schedules. The Diocese shall also serve the attorney for each Tort Claimant. The Diocese shall serve known Tort Claimants even if not scheduled or the subject of a proof of claim, to the extent known to the Diocese. The Diocese shall also serve any and all co-defendants and their counsel (to the extent of record) in any pre-petition litigation brought by Tort Claimants at the last address shown on any filed appearance or, if such co-defendant is proceeding *pro se*, then to the last address of record for such *pro se* co-defendant. The Diocese shall provide notice of the Approval Motion in a form and substance acceptable to Church Mutual Insurance Company.

2.2 If any Person files an objection to the Approval Motion, the Diocese shall file a written response, in a form acceptable to the Church Mutual Insurance Company Parties, and shall take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the and Approval Order. The Parties will cooperate with the Diocese, including making all appropriate submissions.

2.3 The Diocese shall file a proposed Plan, including all exhibits, schedules and related documents, which shall be in all respects consistent with this Settlement Agreement and shall not deprive the Church Mutual Insurance Company Parties of any right or benefit under this Settlement Agreement or otherwise adversely affect the Interests of the Church Mutual Insurance Company Parties under this Settlement Agreement. Notwithstanding any language in any other section of this Settlement Agreement, the Committee reserves all rights to object to any provision of the Plan (including any provision of the Plan required by this Settlement Agreement) unless and until such time as all conditions precedent to this Settlement Agreement have been met, and this Settlement Agreement is fully binding on all the Parties. To avoid doubt, the Committee's reservation of rights under the preceding sentence shall include, but not be limited to, the ability to seek recovery from any other insurers with respect to any claims not satisfied in full by this Settlement Agreement.

2.3.1 The Plan shall include an injunction (the “Channeling Injunction”) in substantially the form attached as Schedule 1 to this Settlement Agreement, with only such modifications as are acceptable to the Church Mutual Insurance Company Parties, the Diocese, the Parishes and the Committee, pursuant to section 105 of the Bankruptcy Code, barring and permanently enjoining all Persons who have held or asserted, or may in the future hold or assert Claims from taking any action, directly or indirectly for purposes of asserting, enforcing or attempting to assert or enforce any Channeled Claim and channeling such Channeled Claims to a trust or trusts established pursuant to the Plan (“Trust”), to which all Channeled Claims are channeled as the sole and exclusive source of payment of any such Channeled Claims.

2.3.2 The Plan shall also include an injunction (the “Supplemental Injunction”) in substantially the form attached as Schedule 2 to this Settlement Agreement, with only such modifications as are acceptable to the Church Mutual Insurance Company Parties, the Diocese, the Parishes and the Committee, pursuant to sections 105(a) and 363 of the Bankruptcy Code.

2.4 In the Reorganization Case, the Diocese shall seek and obtain entry of an order in form and substance acceptable to the Church Mutual Insurance Company Parties that: (i) approves the Plan pursuant to section 1129 of the Bankruptcy Code and any other applicable provision of the Bankruptcy Code; (ii) contains the Channeling Injunction; (iii) contains the Supplemental Injunction; (iv) provides that this Settlement Agreement is binding on the Trust, the Reorganized Debtor, and any successors of the Trust or Reorganized Debtor; and (v) provides all protections to the Church Mutual Insurance Company Parties against Tort Claims that are afforded to settling insurers under the Plan (the “Plan Confirmation Order”).

2.4.1 The Plan and Plan Confirmation Order must be in all respects consistent with this Settlement Agreement and contain no provisions that diminish or impair the benefit of this Settlement Agreement to Church Mutual Insurance Company.

2.4.2 In seeking to obtain the Plan Confirmation Order, the Diocese must: (i) seek a confirmation hearing on an appropriately timely basis; (ii) urge the Bankruptcy Court to overrule any objections that would affect the rights and benefits afforded the Church Mutual Parties under this Settlement Agreement and confirm the Plan; and (iii) take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court’s entry of the Plan Confirmation Order.

2.4.3 The form and manner of notice of the hearing to confirm the Plan and the form and manner of notice of the hearing as to the adequacy of the disclosure statement pertaining thereto are subject to advance approval by the Church Mutual Insurance Company Parties, which approval cannot be unreasonably withheld.

2.4.4 Prior to entry of the Plan Confirmation Order, the Diocese shall oppose any motion to lift any stay pursuant to section 362 of the Bankruptcy Code as to any Tort Claim. If the Bankruptcy Court lifts the stay as to any Tort Claim prior to the Plan Confirmation Order, the Diocese shall defend itself against that Tort Claim and comply

with the terms of the stay relief order. If the Diocese fails to defend that Tort Claim, then the Church Mutual Insurance Company Parties shall have the right, but not the duty, to defend and/or indemnify the Diocese against that Tort Claim and any costs incurred by the Church Mutual Insurance Company Parties in defending and/or indemnifying the Diocese shall be deducted from the Settlement Amount. In such event, the Diocese will cooperate with the Church Mutual Insurance Company Parties in the defense and/or indemnification of such Tort Claim.

2.5 The Diocese agrees that the Trust and Plan shall provide that the assets in the Trust shall be used solely for payment of indemnity and expenses relating to reimbursing the United States government for reimbursement obligations for any payments (“Conditional Payments”) made pursuant to Section 1395y(b)(2)(B) of the Medicare Secondary Payer Act, codified at 42 U.S.C. § 1395y, and the regulations promulgated thereunder, found at 42 C.F.R. § 4.11.1 *et seq.* (“MSPA”) applicable to any Tort Claimant who claims he or she is eligible to receive, is receiving, or has received Medicare benefits (“Medicare Beneficiary”) and, after satisfaction thereof, to such Medicare Beneficiaries and Tort Claimants. Except for the payment of the Settlement Amount, the Church Mutual Insurance Company Parties shall not be obligated to make any other payments, including any payments to the Trust.

2.6 The Diocese Parties and Parish Parties will undertake all reasonable actions and cooperate with the Church Mutual Insurance Company Parties in connection with their reinsurers.

2.7 The Parties shall cease all litigation activities against each other in the Coverage Suits; provided, however, that each Party may take whatever steps that, in its sole judgment, are necessary to defend its interests as long as it remains a party in the Coverage Suits.

2.8 The Diocese and Parish Parties shall use its reasonable efforts to obtain the dismissal of other Claims, if any, against the Church Mutual Insurance Company Parties by any other insurer in the Coverage Suits.

2.9 The Parties covenant not to sue each other, or prosecute further any existing suit, until (a) the Bankruptcy Orders become Final Orders, at which time this covenant is superseded by the releases provided in Section 4, or (b) the date on which this Settlement Agreement is terminated. As of the Effective Date, the Diocese Parties and Parish Parties:

2.9.1 will withdraw all outstanding tenders of Claims to the Church Mutual Insurance Company Parties for defense and indemnity;

2.9.2 will not tender any Claims to the Church Mutual Insurance Company Parties; and

2.9.3 will not request the Church Mutual Insurance Company Parties to fund any judgments, settlements, or defense costs.

2.10 The Church Mutual Insurance Company Parties shall have no obligation to defend, pay, handle, object, or otherwise respond to any Claim, unless this Settlement Agreement is terminated.

3. PAYMENT OF THE SETTLEMENT AMOUNTS AND DISMISSAL OF COVERAGE SUITS

3.1 Conditions Precedent. The Settlement Agreement shall become effective and shall be binding on the Parties and Church Mutual Insurance Company will pay the Settlement Amount only after the following conditions have first been satisfied: (a) entry of a Final Order (i) approving the Approval Motion, with the form and content of notice of the motion acceptable to Church Mutual Insurance Company; and (ii) approving the form and content of notice of the Plan, ballots and disclosure statement relating to the Plan; (b) entry of a Final Order approving the form and content of the Tort Claimants' ballot, each to be satisfactory to Church Mutual Insurance Company; (c) entry of a Final Order confirming a Plan agreed to by the Diocese and Committee in accordance with the Settlement Agreement, containing such terms and conditions as are acceptable to Church Mutual Insurance Company; (d) execution of the Settlement Agreement by all Parties in form and substance acceptable to the Parties; (e) entry of a Final Order approving of the Channeling Injunction and the Supplemental Injunction in favor of the Church Mutual Insurance Company Parties and the Protected Parties in form and substance acceptable to the Parties; and (f) entry of a Final Order approving of the releases in favor of the Church Mutual Insurance Company Parties and the Protected Parties, as are acceptable to the Parties.

3.2 In full and final settlement of (i) all responsibilities for any and all Tort Claims that occurred or may have arisen prior to the effective date of the Plan and any and all Unknown Tort Claims; and (ii) in consideration of the sale of the Parish Certificates free and clear of all Claims and Interests of any Person, Church Mutual Insurance Company shall pay the Settlement Amount within ten (10) days after Church Mutual Insurance Company receives written notice from the Diocese that the Bankruptcy Orders are Final Orders and directions as to transmission of the payment.

3.3 The Parties agree that the Settlement Amount is the total amount the Church Mutual Insurance Company Parties are obligated to pay on account of (i) any and all Tort Claims, including all Unknown Tort Claims through the effective date of the Plan, that arise under, arising out of, relating to, or in connection with the Diocese Certificates (including Channeled Claims, any reimbursement obligations for Conditional Payments under the MSPA, and any Extra-Contractual Claims); and (ii) any and all Claims and Interests, whether known or unknown, past, present or future, that arise under, arising out of, relating to, or in connection with the Parish Certificates.

3.4 The Parties further agree that (i) under no circumstance will the Church Mutual Insurance Company Parties ever be obligated to make any additional payments in excess of the Settlement Amount to or on behalf of anyone in connection with the Parish Certificates or in connection with any Tort Claims covered or allegedly covered under the Diocese Certificates or the Parish Certificates, including any Channeled Claims and any Extra

Contractual Claims; (ii) under no circumstance will the Church Mutual Insurance Company Parties ever be obligated to make any additional payments to or on behalf of the Diocese Parties or any Tort Claimants in connection with any certificates or coverage under any Diocese Certificates or Parish Certificates issued by the Church Mutual Insurance Company Parties, with respect to any Claims that, directly or indirectly, arise out of, relate to, or are in connection with any Tort Claims, including any Channeled Claims and any Extra Contractual Claims; and (iii) all limits of liability of the Diocese Certificates and Parish Certificates, regardless of how these Certificates identify or describe those limits, including, but not limited to, all per person, per occurrence, per claim, "each professional incident," and aggregate limits, shall be deemed fully and properly exhausted. The Parties further agree that the Settlement Amount is the full purchase price of the Parish Certificates.

3.4.1 The Parties agree and jointly represent that (i) the consideration to be provided by the Church Mutual Insurance Company Parties pursuant to this Settlement Agreement (including the Settlement Amount) constitutes fair and reasonable exchanges for the consideration granted to the Church Mutual Insurance Company Parties in this Settlement Agreement (including the releases set forth below), and (ii) the consideration to be provided by the Diocese Parties and Parish Parties to the Church Mutual Insurance Company Parties pursuant to this Settlement Agreement (including the releases set forth below) constitutes a fair and reasonable exchange for the consideration granted to the Diocese Parties and Parish Parties in this Settlement Agreement (including the Settlement Amount). The Church Mutual Insurance Company Parties are not acting as volunteers in paying the Settlement Amount, and the Church Mutual Insurance Company Parties' payment of the Settlement Amount reflects potential liabilities and obligations to the Diocese and Parishes of amounts the Church Mutual Insurance Company Parties allegedly are obligated to pay on account of any and all Claims.

3.5 Within ten (10) days after the Church Mutual Insurance Company Parties pay the Settlement Amount, the Diocese shall sign and file any necessary papers to have dismissed any action pending in connection with the Coverage Disputes, and the Diocese shall file a stipulation, that is signed by all Parties that are parties to the Coverage Dispute action(s), that dismisses with prejudice any and all claims asserted by any of the Parties against any of the other Parties.

4. RELEASES AND SALE FREE AND CLEAR

4.1 Diocese Parties Release of Church Mutual Insurance Company Parties. Upon payment by the Church Mutual Insurance Company Parties of the Settlement Amount, the Diocese Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Church Mutual Insurance Company Parties and any of their reinsurers or retrocessionaires from any and all past, present, and future Claims that, occurred or may have arisen prior to the effective date of the Plan and that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or

indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties.

4.2 Church Mutual Insurance Company Release of Diocese Parties. Upon payment by the Church Mutual Insurance Company Parties of the Settlement Amount, the Church Mutual Insurance Company Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Diocese Parties from any and all past, present, and future Claims that, occurred or may have arisen prior to the effective date of the Plan that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties.

4.3 Parish Parties Release of Church Mutual Insurance Company Parties. Upon payment by the Church Mutual Insurance Company Parties of the Settlement Amount, the Parish Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Church Mutual Insurance Company Parties and any of their reinsurers or retrocessionaires from any and all past, present, and future Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties

4.4 Church Mutual Insurance Company Release of Parish Parties. Upon payment by the Church Mutual Insurance Company Parties of the Settlement Amount, the Church Mutual Insurance Company Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Parish Parties from any and all past, present, and future Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all future Claims that are based in whole or in part on the Tort Claims, the Diocese Certificates, Parish Certificates, or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company.

4.5 Unless otherwise provided in the Plan, the releases contained in this Section shall be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978), and all Tort Claimants reserve their rights against religious orders and all Persons who are not Protected Parties, who will remain severally liable on any Claims.

4.6 From and after the first day on which the Bankruptcy Orders are Final Orders, the Diocese Parties shall not assert against the Church Mutual Insurance Company Parties for any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Unknown Tort Claim, that occurred or may have arisen prior to the effective date of the Plan (including any Tort Claim that arises under or relates to the Diocese Certificates or any other binder, certificate, or policy of insurance issued by any of the Church Mutual Insurance Company Parties, any Channeled Claim, any Extra Contractual Claim, and/or any other matter released pursuant to Section 4).

4.7 From and after the first day on which the Bankruptcy Orders are Final Orders, the Parish Parties shall not assert against the Church Mutual Insurance Company Parties for any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Claim, including any Tort Claim, and any other Claim that arises under or relates to the Parish Certificates or any other binder, certificate, or policy of insurance issued by any of the Church Mutual Insurance Company Parties, any Channeled Claim, any Extra Contractual Claim, and/or any other matter released pursuant to Section 4.

4.8 As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Church Mutual Insurance Company Parties shall buy back the Parish Certificates free and clear of all Interests of all Persons, including all Interests of the Parish Parties, any other Person claiming coverage by, through, or on behalf of any of the Parish Parties, any other insurer, and any Tort Claimant. This sale is pursuant to sections 363(b) and 363(f) of the Bankruptcy Code. The Parties acknowledge and agree that (i) the Church Mutual Insurance Company Parties are good faith purchasers of the Parish Certificates within the meaning of section 363(m) of the Bankruptcy Code and (ii) the consideration exchanged constitutes a fair and reasonable settlement of the Parties' disputes and of their respective rights and obligations relating to the Diocese Certificates and Parish Certificates and constitutes reasonably equivalent value, and (iii) the releases in this Settlement Agreement and the policy buyback comply with the Bankruptcy Code and applicable non-bankruptcy laws. As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Parish Certificates shall be terminated and of no further force and effect. The Church Mutual Insurance Company Parties' payment of the Settlement Amount shall constitute the Church Mutual Insurance Company Parties' full and complete performance of any and all obligations under the Parish Certificates, including any performance owed to the Parish Parties, and exhausts all limits of liability of the Parish Certificates. All Interests the Parish Parties may have had, may presently have, or in the future may have in the Parish Certificates or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties shall be released. The Parish Parties accept the

Settlement Amount in full and complete satisfaction of all the Church Mutual Insurance Company Parties' past, present, and future obligations, including any obligations to any of the Parish Parties under the Parish Certificates or arising therefrom, as to any and all Claims for insurance coverage or policy benefits of any nature whatsoever, whether legal or equitable, known or unknown, suspected or unsuspected, fixed or contingent, and regardless of whether or not such claims arise from, relate to, or are in connection with the Channeled Claims, the Reorganization Case, or otherwise under the Parish Certificates.

4.9 If, contrary to the intent of the Parties, any Claims released pursuant to this Section 4 of the Settlement Agreement, including any past, present or future Claim for insurance coverage under the Diocese Certificates or Parish Certificates or any other Claim by the Diocese Parties against any of the Church Mutual Insurance Company Parties, are deemed to survive this Settlement Agreement, even though they are encompassed by the terms of the releases set forth in this Section 4 of this Settlement Agreement, the Parties hereby forever, expressly, and irrevocably waive entitlement to and agree not to assert any and all such Claims.

4.10 All of the releases and other benefits provided in this Settlement Agreement by the Diocese Parties to the Church Mutual Insurance Company Parties are at least as favorable as the releases and other benefits that the Diocese has provided to any other one of the Diocese's insurers in the Reorganization Case. If the Diocese enters into any agreement with any other one of its insurers in the Reorganization Case that provides that insurer with releases or other benefits that are more favorable than those contained in this Settlement Agreement, then this Settlement Agreement shall be deemed to be modified to provide the Church Mutual Insurance Company Parties with those more favorable releases and/or benefits. However, the provision at Section 7.2 that the duty to defend, indemnify and hold harmless the Church Mutual Insurance Company Parties not extending to nor including claims that are or may be made against Church Mutual Insurance Company by other insurers shall not be modified. The Diocese Parties shall notify the Church Mutual Insurance Company Parties promptly of the existence of such more favorable releases or benefits.

4.11 Neither the releases set forth in this Section 4 nor any other provisions in this Settlement Agreement are intended to apply to or have any effect on the Church Mutual Insurance Company Parties' right to reinsurance recoveries under any reinsurance treaties, certificates, or contracts that cover losses arising under or in connection with the Diocese Certificates and Parish Certificates or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties.

4.12 This Section 4 is not intended to, and shall not be construed to, release, waive, relinquish, or otherwise affect the Parties' rights and obligations under this Settlement Agreement.

5. TERMINATION OF SETTLEMENT AGREEMENT

5.1 In the event i) the Bankruptcy Orders do not become Final Orders of the Bankruptcy Court within one year from the date on which the Settlement Agreement is executed by all the Parties, or ii) a Plan is filed or confirmed that is inconsistent with the terms of the

Settlement Agreement or is otherwise unacceptable to Church Mutual Insurance Company, or iii) the Reorganization Case is dismissed or converted, then Church Mutual Insurance Company may terminate the Settlement Agreement upon fifteen (15) days' notice to the Diocese, immediately following which the Settlement Agreement shall be null and void and of no force or effect.

6. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

6.1 The Parties separately represent and warrant as follows:

6.1.1 To the extent it is a corporation, including a non-profit corporation, or other legal entity, it has the requisite power and authority to enter into this Settlement Agreement and to perform the obligations contemplated by this Settlement Agreement, subject only to approval of the Bankruptcy Court;

6.1.2 This Settlement Agreement has been thoroughly negotiated and analyzed by counsel to the Parties and executed and delivered in good faith, pursuant to arm's length negotiations and for value and valuable consideration.

6.2 The Diocese Parties and Parish Parties represent and warrant that they have not and will not assign any Interests in the Diocese Certificates or Parish Certificates or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties.

6.3 The Diocese Parties represent and warrant that they are the owners of the Diocese Certificates and that no other Person has legal title to the Diocese Certificates.

6.4 The Parish Parties represent and warrant that they are the owners of the Parish Certificates and that no other person has legal title to the Parish Certificates.

6.5 The Diocese Parties and Parish Parties each represent and warrant that they have not in any way assisted, and shall not in any way assist, any Person in the establishment of any Claim against the Church Mutual Insurance Company Parties.

6.6 The person(s) executing this Settlement Agreement on behalf of the parties in Sections 1.1.10(i), (ii), and (iii) and Sections 1.1.19(i), (ii) and (iii) (collectively, the "Other Diocese-/Parish Parties") represents and warrants that he/she has received authority from such Other Diocese-/Parish Parties, as the case may be, to execute this Settlement Agreement on their behalf and to provide the releases identified in Section 4 above on behalf of such Other Diocese-/Parish Parties. Notwithstanding the foregoing, nothing in the definition of Other Diocese-/Parish Parties is intended to suggest or should be construed to mean that any Person included in this definition is owned, directed, supervised or controlled by the Diocese or Parishes.

6.7 The Parties have completed a reasonable search for evidence of any certificates of insurance issued by the Church Mutual Insurance Company Parties to the Diocese Parties and Parish Parties that would afford coverage with respect to any Tort Claim. Other than the

alleged policies or certificates and acknowledgments of coverage identified in Exhibit A, no such policies or certificates and acknowledgments of coverage have been identified. Notwithstanding the foregoing, nothing in this Settlement Agreement, including the Schedules or Exhibits thereto, shall be construed as or deemed to be an admission or evidence that any binder, certificate, or policy of insurance was in fact issued and/or affords coverage in connection with the Tort Claims.

7. ACTIONS INVOLVING THIRD PARTIES

7.1 For purposes of supporting the releases granted in Section 4 and the extinguishment of any and all rights under the Diocese Certificates or Parish Certificates, the Diocese Parties and Parish Parties hereby agree as follows:

7.1.1 If any other insurer of the Diocese Parties or Parish Parties obtains a judicial determination or binding arbitration award that it is entitled to obtain a sum certain from any of the Church Mutual Insurance Company Parties as a result of a claim for contribution, subrogation, indemnification, or other similar Claim for any of the Church Mutual Insurance Company Parties' alleged share or equitable share, or to enforce subrogation rights, if any, with respect to the defense and/or indemnity obligation of any of the Church Mutual Insurance Company Parties for any Claims or reimbursement obligations for Conditional Payments released or resolved pursuant to this Settlement Agreement, the Diocese Party(ies) or Parish Party(ies), as applicable, shall voluntarily reduce its judgment or Claim against, or settlement with, such other insurer(s) to the extent necessary to satisfy such contribution, subrogation, indemnification, or other claims against the Church Mutual Insurance Company Parties. To ensure that such a reduction is accomplished, the Church Mutual Insurance Company Parties shall be entitled to assert this Section 7 as a defense to any action against them brought by any other insurer for any such portion of the judgment or Claim and shall be entitled to request that the court or appropriate tribunal issue such orders as are necessary to effectuate the reduction to protect the Church Mutual Insurance Company Parties from any liability for the judgment or Claim. Moreover, if a non-settling insurer asserts that it has a Claim for contribution, indemnity, subrogation, or similar relief against any of the Church Mutual Insurance Company Parties, such Claim may be asserted as a defense against the Trust (under the Plan contemplated by the Settlement Agreement) in any coverage litigation (and the Trust may assert the legal and equitable rights of the Church Mutual Insurance Company Parties in response thereto); and to the extent such a Claim is determined to be valid by the court presiding over such action, the liability of such non-settling insurer to the Trust (or Diocese Parties or Parish Parties) shall be reduced dollar for dollar by the amount so determined.

7.1.2 The Church Mutual Insurance Company Parties shall not seek reimbursement for any payments they are obligated to make under this Settlement Agreement under theories of contribution, subrogation, indemnification, or similar relief from any other insurer of the Diocese or Parishes unless that other insurer first seeks contribution, subrogation, indemnification, or similar relief from any of the Church Mutual Insurance Company Parties. The Diocese and Parishes shall use their respective reasonable best

efforts to obtain from all insurers with which it settles agreements similar to those contained in this Section 7.

7.2 The Diocese and Parishes shall defend, indemnify, and hold harmless the Church Mutual Insurance Company Parties with respect to any and all released claims pursuant to Section 4 above, including all Tort Claims made by (i) any Person claiming to be insured (as a named insured, additional insured, or otherwise) under their respective Diocese Certificates or Parish Certificates; (ii) any Person who has made, will make, or can make a Tort Claim; and (iii) any Person who has actually or allegedly acquired or been assigned the right to make a Tort Claim under the Diocese Certificates or Parish Certificates; (iv) provided, however, this indemnification does not extend to nor does it include claims that are or may be made against Church Mutual Insurance Company by other insurers. This indemnification includes Tort Claims made by Persons over whom the Diocese or Parishes do not have control, including any other Person who asserts Claims against or rights to coverage under the Diocese Certificates or Parish Certificates. The Diocese's and Parishes' obligation to indemnify the Church Mutual Insurance Company Parties under this Section 7.2 shall not exceed the Settlement Amount. The Church Mutual Insurance Company Parties may undertake the defense of any Claim upon receipt of such Claim. The Church Mutual Insurance Company Parties agree to notify the Diocese or Parishes, as applicable, as soon as practicable of any Claims identified in this Section 7.2 and of their choice of counsel. The Church Mutual Insurance Company Parties' defense of any Claims shall have no effect on the Diocese's or Parishes' obligation to indemnify the Church Mutual Insurance Company Parties for such Claims, as set forth in this Section 7.2. The Diocese or Parishes—, as applicable, subject to the limitations above regarding the maximum amounts the Diocese and Parishes' must pay, shall reimburse all reasonable and necessary attorneys' fees, expenses, costs, and amounts incurred by the Church Mutual Insurance Company Parties in defending such Claims. In defense of any such Claims, the Church Mutual Insurance Company Parties may settle or otherwise resolve a Claim only with the prior consent of the Diocese and Parishes, which consent shall not be unreasonably withheld. To the extent this Section 7.2 may give rise to pre-Effective Date administrative claims which have not been provided for in the Plan, such claims shall pass through the Plan unimpaired.

7.3 If any Person attempts to prosecute a Channeled Claim against any of the Church Mutual Insurance Company Parties following the Petition Date, then promptly following notice to do so from the Church Mutual Insurance Company Parties, the Diocese will file a motion and supporting papers, supported by the Committee and the Parishes, to obtain an order from the Court, pursuant to Bankruptcy Code §§ 362 and 105(a), protecting the Church Mutual Insurance Company Parties from any such Claims until the Bankruptcy Orders become Final Orders, or, alternatively, this Settlement Agreement is terminated under Section 5.

8. MISCELLANEOUS

8.1 If any proceedings are commenced to invalidate or prevent the enforcement or implementation of any of the provisions of this Settlement Agreement, the Parties agree to cooperate fully to oppose such proceedings. In the event that any action or proceeding of any

type whatsoever is commenced or prosecuted by any Person not a Party to this Settlement Agreement to invalidate, interpret, or prevent the validation or enforcement, or carrying out, of all or any of the provisions of this Settlement Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate fully in opposing such action or proceeding.

8.2 The Parties will take such steps and execute any documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Settlement Agreement and to preserve its validity and enforceability.

8.3 The Parties shall cooperate with each other in connection with the Approval Motion, the Approval Order, the Plan, the Plan Confirmation Order, and the Reorganization Case. Such cooperation shall include consulting with each other upon reasonable request concerning the status of proceedings and providing each other with copies of reasonably requested pleadings, notices, proposed orders, and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court.

8.4 This Settlement Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between and among the Parties.

8.5 This Settlement Agreement may be modified only by a written amendment signed by the Parties, and no waiver of any provision of this Settlement Agreement or of a breach thereof shall be effective unless expressed in a writing signed by the waiving Party. The waiver by any Party of any of the provisions of this Settlement Agreement or of the breach thereof shall not operate or be construed as a waiver of any other provision or breach.

8.6 By entering into this Settlement Agreement, none of the Parties has waived or shall be deemed to have waived any rights, obligations, or positions they have asserted or may in the future assert in connection with any matter outside the scope of this Settlement Agreement. No part of this Settlement Agreement, its negotiation, or its performance may be used in any manner in any action, suit, or proceeding as evidence of the rights, duties, or obligations of the Parties with respect to matters outside the scope of this Settlement Agreement. All actions taken and statements made by the Parties or by their representatives, relating to this Settlement Agreement or participation in this Settlement Agreement, including its development and implementation, shall be without prejudice or value as precedent and shall not be used as a standard by which other matters may be judged.

8.7 This Settlement Agreement represents a compromise of disputed Claims and shall not be deemed an admission or concession of liability, culpability, wrongdoing, or insurance coverage. All related discussions, negotiations, and all prior drafts of this Settlement Agreement shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any parallel state law provisions. Any evidence of the negotiations or discussions associated with this Settlement Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except that they shall be admissible to the extent they would have otherwise been admissible, absent this Section 8.7, in (i) an action or

proceeding to enforce the terms of this Settlement Agreement, including any use as set forth in Section 7 or (ii) any possible action or proceeding between any of the Church Mutual Insurance Company Parties and any of their reinsurers. This Settlement Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Church Mutual Insurance Company Parties' obligations under any of Diocese Certificates and Parish Certificates or any other binder, certificate, or policy of insurance or any acknowledgment of coverage issued by the Church Mutual Insurance Company Parties, with respect to any Claims against any of the Church Mutual Insurance Company Parties.

8.8 None of the Parties shall make any public statements or disclosures (i) regarding each other's rationale or motivation for negotiating or entering into this Settlement Agreement, or (ii) asserting or implying in any way that the Parties acted improperly or in violation of any duty or obligation, express or implied, in connection with any matter arising out of, relating to, or in connection with the Diocese Certificates or Parish Certificates or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties, including handling of or involvement in connection with the Tort Claims or the resolution of the Tort Claims.

8.9 The Parties have received the advice of counsel in the preparation, drafting, and execution of this Settlement Agreement, which was negotiated at arm's length.

8.10 Section titles and/or headings contained in this Settlement Agreement are included only for ease of reference and shall have no substantive effect.

8.11 All notices, demands, or other communication to be provided pursuant to this Settlement Agreement shall be in writing and sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to the Parties at the addresses set forth below, or to such other person or address as any of them may designate in writing from time to time

If to the Diocese Parties:

Rev. James Bissonette
Diocese of Duluth
2830 East 4th Street
Duluth, MN 55812

and

With a copy to:

Ford Elsaesser
Bruce A. Anderson
Elsaesser Anderson, Chtd.
320 East Neider Avenue, Suite 102

Coeur d'Alene, ID 83815
Email: ford@eaidaho.com
brucea@eaidaho.com

and

Phillip Kunkel
Gray Plant Mooty
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Email: Phillip.Kunkel@gpmlaw.com

If to Church Mutual Insurance Company:
Jeffrey L. Benedict
Church Mutual Insurance Company
3000 Schuster Lane
Merrill, WI 54452
Phone: (715) 539-4601
jbenedict@churchmutual.com

With a copy to:

Christian A. Preus
Bassford Remele, P.A.
100 South 5th Street, Suite 1500
Minneapolis, MN 55402-1254
Telephone: 612-376-1649
Fax: 612-746-1249
Email: cpreus@bassford.com

If to the Parish Parties:

John D. Kelly
1000 U.S. Bank Place
130 W Superior Street
Duluth, MN 55802-2094
Email: jdk@hanftlaw.com

8.12 All notices, demands, or other communication to be provided pursuant to this Settlement Agreement prior to entry of the Plan Confirmation Order shall also be sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to Robert T.

Kugler, Stinson Leonard Street, 150 South Fifth Street, Suite 2300, Minneapolis, MN 55402, Email: Robert.kugler@stinson.com.

8.13 This Settlement Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Settlement Agreement may be executed and delivered by facsimile or other electronic image, which facsimile or other electronic image counterparts shall be deemed to be originals.

8.14 Nothing contained in this Settlement Agreement shall be deemed or construed to constitute (i) an admission by any of the Church Mutual Insurance Company Parties that the Diocese Parties, Parish Parties, or any other Person was or is entitled to any insurance coverage under the Diocese Certificates, Parish Certificates or any other binder, certificate, or policy of insurance issued by the Church Mutual Insurance Company Parties or as to the validity of any of the positions that have been or could have been asserted by the Diocese Parties or Parish Parties, (ii) an admission by the Diocese Parties as to the validity of any of the positions or defenses to coverage that have been or could have been asserted by the Church Mutual Insurance Company Parties or any Claims that have been or could have been asserted by the Diocese Parties or Parish Parties against the Church Mutual Insurance Company Parties, or (iii) an admission by the Diocese Parties, Parish Parties or the Church Mutual Insurance Company Parties of any liability whatsoever with respect to any of the Tort Claims.

8.15 All of the Persons included in the definition of Church Mutual Insurance Company Parties, all of the Parties to this Agreement, and the bankruptcy Trust and Trustee are intended beneficiaries of this Settlement Agreement. Except as set forth in the preceding sentence or otherwise set forth in this Settlement Agreement, there are no third-party beneficiaries of this Settlement Agreement.

8.16 The Diocese Parties, Parish Parties and the Church Mutual Insurance Company Parties shall be responsible for their own fees and costs incurred in connection with the Reorganization Case, this Settlement Agreement, and the implementation of this Settlement Agreement.

8.17 The following rules of construction shall apply to this Settlement Agreement:

8.17.1 Unless the context of this Settlement Agreement otherwise requires: (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby,” and derivative or similar words refer to this entire Agreement; and (iv) the words “include,” “includes,” or “including” shall be deemed to be followed by the words “without limitation.”

8.17.2 References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions regardless of whether specifically referenced in this Settlement Agreement.

8.17.3 The wording of this Settlement Agreement was reviewed by legal counsel for each of the Parties, and each of them had sufficient opportunity to propose and negotiate changes prior to its execution. The wording of this Settlement Agreement shall not be construed in favor of or against any Person.

8.17.4 The use of the terms “intend,” “intended,” or “intent,” when describing the intention of the Parties, as the case may be, shall not be construed to create a breach of this Settlement Agreement when the stated intent is not achieved.

8.18 The Bankruptcy Court in the Reorganization Case shall retain exclusive jurisdiction to interpret and enforce the provisions of this Settlement Agreement, which shall be construed in accordance with Minnesota law.

8.19 This Settlement Agreement and the obligations under this Settlement Agreement shall be binding on the Parties and shall survive the entry of the Plan Confirmation Order.

8.20 This Settlement Agreement shall be effective on the Effective Date.

[Remainder of page left blank intentionally]

EXHIBIT G

SETTLEMENT AGREEMENT, RELEASE, AND POLICY BUYBACK

This Settlement Agreement, Release, and Policy Buyback (“Settlement Agreement”) is hereby made by, between and among the Diocese Parties (as defined in Section 1.1.11), the Parish Parties (as defined in Section 1.1.19), the Committee (as defined in Section 1.1.9), and The Continental Insurance Company (“Continental”) Parties (as defined in Section 1.1.8).

RECITALS

WHEREAS, numerous individuals have asserted certain Tort Claims (as defined in Section 1.1.27) against the Diocese (as defined in Section 1.1.10) and Parishes (as defined in Section 1.1.18);

WHEREAS, the Continental Parties or their predecessors issued, allegedly issued or may have issued the Diocese Policies (as defined in Section 1.1.12) providing certain coverage to the Diocese Parties;

WHEREAS, certain disputes between the Diocese Parties and the Continental Parties have arisen and/or may arise in the future concerning Continental Parties’ position regarding the nature and scope of their responsibilities, if any, to provide coverage to the Diocese Parties under the Diocese Policies in connection with Tort Claims (the “Coverage Disputes”);

WHEREAS, the Diocese filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Minnesota (Case No. 15-50792) (the “Reorganization Case”) on December 7, 2015 (the “Petition Date”);

WHEREAS, the Diocese Parties and the Continental Parties, without any admission of liability or concession of the validity of the positions or arguments advanced by each other, now wish to compromise and resolve fully and finally any and all Coverage Disputes and all other disputes between and among them;

WHEREAS, through this Settlement Agreement, the Diocese Parties, Parish Parties and Committee intend to provide the Continental Parties with the broadest possible release of all Tort Claims, including all Unknown Tort Claims, that occurred or may have arisen prior to the effective date of the Plan (as defined in Section 1.1.22);

WHEREAS, through this Settlement Agreement, the Diocese Parties, Parish Parties, and the Continental Parties also wish to effect a sale of the Diocese Policies (as defined in Section 1.1.12) pursuant to 11 U.S.C. § 363(b) and (f), and to provide the Continental Parties with the broadest possible release and buyback with respect to the Policies, resulting in Continental Parties having no obligations now, or in the future, to the Diocese Parties, the Parish Parties, or any of their creditors; and

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants contained in this Settlement Agreement, the sufficiency of which is hereby acknowledged, and intending to be legally bound, subject to the approval of the United States Bankruptcy Court for the District of Minnesota and any other court in which the Reorganization

Case may be pending or that has jurisdiction over the Reorganization Case (the “Bankruptcy Court”), the Parties hereby agree as follows:

1. DEFINITIONS

1.1 As used in this Settlement Agreement, the following terms shall have the meanings set forth below. Capitalized terms not defined below or herein shall have the meanings given to them in the Bankruptcy Code.

1.1.1 “Abuse” means (i) any actual or alleged sexual conduct, misconduct, abuse, or molestation, including actual or alleged “sexual abuse” as that phrase is defined in Minnesota Statutes § 541.073(1); (ii) indecent assault or battery, rape, lascivious behavior, undue familiarity, pedophilia, ephebophilia, or sexually-related physical, psychological, or emotional harm; (iii) contacts or interactions of a sexual nature; or (iv) assault, battery, corporal punishment, or other act of physical, psychological, or emotional abuse, humiliation, intimidation, or misconduct.

1.1.2 “Approval Order” means the order granting the Approval Motion described in Section 2 of this Settlement Agreement and providing the relief described in Section 4.8 of this Settlement Agreement in form and substance acceptable to Continental in its sole discretion.

1.1.3 “Bankruptcy Orders” means collectively, the UCR Order, the Approval Order and the Plan Confirmation Order.

1.1.4 “Channeled Claim” means any Tort Claim against any of the Protected Parties, Continental Parties, or any Entity covered by any policy issued, or allegedly issued, by any of the Continental Parties to the extent such Tort Claim arises from the same injury or damages asserted as a Tort Claim against the Protected Parties or Continental Parties. Notwithstanding the foregoing, Channeled Claims do not include Claims against (a) an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim with respect to that Tort Claim, (b) a diocese other than the Diocese itself, or (c) a religious order.

1.1.5 “Claim” means any past, present or unknown claim, demand, action, request, cause of action, suit, proceeding or liability of any kind or nature whatsoever, whether at law or equity, known or unknown, actual or alleged, asserted or not asserted, suspected or not suspected, anticipated or unanticipated, accrued or not accrued, fixed or contingent, including Tort Claims, which has been or may be asserted by or on behalf of any Person, whether seeking damages (including compensatory, punitive or exemplary damages) or equitable, mandatory, injunctive, or any other type of relief, including cross-claims, counterclaims, third-party claims, suits, lawsuits, administrative proceedings, notices of liability or potential liability, arbitrations, actions, rights, causes of action or orders, and any other claim within the definition of “claim” in section 101(5) of the Bankruptcy Code.

1.1.6 “Claim Filing Date” means May 25, 2016.

1.1.7 “Continental” means The Continental Insurance Company.

1.1.8 “Continental Parties” means The Continental Insurance Company and each of its past, present and future parents, subsidiaries, affiliates, and divisions, each of its respective past, present, present and future parents, subsidiaries, affiliates, holding companies, merged companies, related companies, divisions and acquired companies, each of its respective past, present and future, directors, officers, shareholders, employees, subrogees, partners, principals, agents, attorneys, joint ventures, joint venturers, representatives, and claims handling administrators, and each of its respective predecessors, successors, assignors, and assigns, whether known or unknown, and all Persons acting on behalf of, by, through or in concert with it.

1.1.9 “Committee” means the Official Committee of Unsecured Creditors appointed in the Reorganization Case, pursuant to an Order of the Bankruptcy Court entered on December 28, 2015.

1.1.10 “Diocese” means the Diocese of Duluth and its estate (pursuant to section 541 of the Bankruptcy Code), and its predecessors, successors, and assigns.

1.1.11 “Diocese Parties” means collectively the Diocese and: (i) each of the past, present, and future parents, subsidiaries, merged Entities, divisions, and acquired Entities of the Diocese; (ii) any and all named covered party, covered party, and additional covered party under the Diocese Policies, including any and all past and present parishes of or in the Diocese (as applicable); (iii) each of the foregoing Entities’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired Entities; (iv) each of the foregoing Entities’ respective predecessors, successors, and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Entities identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that any such Entities are “employees” or agents of the Diocese or subject to its control. Diocese Parties does not include (a) any individual who perpetrated an act of Abuse that forms the basis of a Tort Claim with respect to that Tort Claim, (b) any archdiocese (including the Archdiocese of St. Paul and Minneapolis), (c) any diocese other than the Diocese itself, or (d) any religious order.

1.1.12 “Diocese Policies” mean all known and unknown binders, certificates, or policies of insurance in existence before the Effective Date of this Settlement Agreement that were issued, or allegedly issued, by any of the Continental Parties to any of the Diocese Parties and that actually, allegedly or might afford coverage with respect to any Tort Claim. “**Diocese Policies**” does not include any binder, certificate, or policy of insurance that was issued to any archdiocese (including the Archdiocese of St. Paul and Minneapolis), diocese other than the Diocese itself, any religious order, or

other Entity besides the Diocese Parties or the Parish Parties, as the first or primary named insured and that also provides coverage to the **Diocese Parties** as additional insureds or additional named insureds.

1.1.13 “Effective Date” means the date on which all conditions precedent to this Settlement Agreement are satisfied.

1.1.14 “Entity” shall have the meaning ascribed in 11 U.S.C. § 101(15)

1.1.15 “Extra-Contractual Claim” means any Claim against any of the Continental Parties based, in whole or in part, on allegations that any of the Continental Parties acted in bad faith or in breach of any express or implied duty, obligation or covenant, contractual, statutory or otherwise, including any Claim on account of alleged bad faith; failure to act in good faith; violation of any express or implied duty of good faith and fair dealing; violation of any unfair claims practices act or similar statute, regulation, or code; any type of alleged misconduct; or any other act or omission of any of the Continental Parties of any type for which the claimant seeks relief other than coverage or benefits under a policy of insurance. Extra-Contractual Claims include: (i) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with any of the Continental Parties’ handling of any Claim or any request for insurance coverage, including any request for coverage for any Claim, including any Tort Claim; (ii) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with the Diocese Policies and any duties arising therefrom, including any duty to defend the Diocese Parties or Parish Parties against any Tort Claims; and (iii) the conduct of the Parties with respect to the negotiation of, entry into, and efforts to obtain approval of this Settlement Agreement.

1.1.16 “Final Order” means an order, judgment, or other decree (including any modification or amendment thereof) that remains in effect and has not been reversed, withdrawn, vacated, or stayed, and as to which the time to appeal or seek review, rehearing, or writ of certiorari has expired or, if such an appeal, review, or petition for a writ has been taken, (i) it has been resolved and no longer remains pending, and the time to seek any reconsideration, amendment, or further review of such resolution has expired, or (ii) an appeal or review has been taken timely but such order has not been stayed and the Parties have mutually agreed in writing that the order from which such appeal or review is taken should be deemed to be a Final Order within the meaning of this Settlement Agreement.

1.1.17 “Interests” means all liens, Claims, encumbrances, interests, and other rights of any nature, whether at law or in equity, including any claims to coverage or the proceeds of the Policies and any rights of contribution, indemnity, defense, subrogation, or similar relief.

1.1.18 “Parishes” means all parishes listed on Exhibit A.

1.1.19 “Parish Parties” means the Parishes and (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired Entities of any Parishes; (ii) any and all named covered party, covered party, and additional covered party under the Policies; (iii) each of the foregoing Entities’ respective past, present, and future parents, subsidiaries, merged companies, divisions and acquired companies; (iv) each of the foregoing Entities’ respective predecessors, successors, and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Entities identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that any such Entities are “employees” or agents of the Parishes or subject to their control. Parish Parties does not include (a) an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim with respect to that Tort Claim, (b) a diocese other than the Diocese itself, or (c) a religious order.

1.1.20 “Parties” means the Diocese Parties, Continental Parties, Parish Parties, and Creditors’ Committee, and “Party” refers to them individually.

1.1.21 “Person” shall have the meaning ascribed in 11 U.S.C. § 101(41).

1.1.22 “Plan” refers to the Diocese’s chapter 11 plan of reorganization and any amendment thereto, as approved and confirmed by Final Order of the Bankruptcy Court, and that is consistent with the Settlement Agreement, and containing such language and provisions as are acceptable to Continental in its sole discretion.

1.1.23 “Protected Parties” means any of the Diocese Parties, the Reorganized Debtor (as shall be defined in the Plan), and the Parish Parties. Protected Parties does not include (a) an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim with respect to that Tort Claim, (b) a diocese other than the Diocese itself, or (c) a religious order.

1.1.24 “Related Insurance Claim” means (i) any Claim by any Entity against any of the Continental Parties for defense, indemnity, contribution, subrogation, or similar relief that, directly or indirectly, arises from, relates to, or is in connection with a Tort Claim; and (ii) any Extra-Contractual Claim that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Claim that, directly or indirectly, arises out of, relates to or is in connection with any of the Continental Parties’ handling of any Tort Claim.

1.1.25 “Reorganized Debtor” shall have the meaning ascribed in the Plan, but for purposes hereof, shall mean the Diocese after confirmation of the Plan.

1.1.26 “Settlement Amount” means the sum of \$15,000,000.00 to be paid to the Diocese for the benefit of Tort Claimants (but excluding Unknown Tort Claims) by

Continental after satisfaction of all Conditions Precedent, and pursuant to the confirmed Plan.

1.1.27 “Tort Claim” means any Claim against any of the Protected Parties or Continental Parties that arises out of, relates to, results from, or is in connection with, in whole or in part, directly or indirectly, Abuse that took place in whole or in part prior to the effective date of the Plan, including any such Claim that seeks monetary damages or any other relief, under any theory of liability, including vicarious liability; respondeat superior; any fraud-based theory, including fraud in the inducement; any negligence-based or employment-based theory, including negligent hiring, supervision, retention or misrepresentation; any other theory based on misrepresentation, concealment, or unfair practice; contribution; indemnity; public or private nuisance; or any other theory, including any theory based on public policy or any acts or failures to act by any of the Protected Parties, Continental Parties or any other Person for whom any of the Protected Parties or Continental Parties are allegedly responsible, including any such Claim asserted against any of the Parties in connection with the Diocese’s reorganization case. “Tort Claim” includes any Unknown Tort Claim.

1.1.28 “Tort Claimant” means any Person holding a Tort Claim, including but not limited to any Claims articulated or set forth in proofs of claim filed with the Bankruptcy Court in the Reorganization Case.

1.1.29 “Trust” shall have the meaning ascribed in the Plan, but for purposes hereof, shall mean the trust to which the Channeled Claims are channeled.

1.1.30 “Trustee” shall have the meaning ascribed in the Plan, but for purposes hereof, shall mean the trustee of the Trust appointed by the Bankruptcy Court.

1.1.31 “UCR” means any Person appointed by the Bankruptcy Court or District Court, as applicable, as an unknown claimants representative or future claimants representative in connection with the Reorganization Case.

1.1.32 “Unknown Tort Claim” means any Tort Claim that is neither filed, nor deemed filed, by the Claim Filing Date and is held by an individual who (i) was continuously between the Claim Filing Date and the Plan’s effective date under a disability recognized by Minn. Stat. § 541.15, subds. 1, 2 and 3 (or other applicable law suspending the running of the limitation period, if any, other than Minn. Stat. § 541.15, subd. 4); (ii) has a Tort Claim that was barred by the statute of limitations as of the Claim Filing Date but is no longer barred by the applicable statute of limitations for any reason, including the enactment of legislation that revises previously time-barred Tort Claims; or (iii) claims he or she was incapable of knowing of the existence of his or her Tort Claim as of the Claim Filing Date for any reason, including alleged memory repression or suppression; or as otherwise defined by subsequent order of the Bankruptcy Court.

2. THE REORGANIZATION CASE AND PLAN FOR REORGANIZATION

2.1 Not later than five (5) days after the last Party signs this Settlement Agreement, the Diocese shall file a motion in the Bankruptcy Court (the “Approval Motion”) in form and substance acceptable to the Continental Parties and the Diocese, seeking approval of this Settlement Agreement and authorization for the Parties to undertake the settlement and the transactions contemplated by this Settlement Agreement.

2.1.1 The Diocese shall provide written notice of the Approval Motion to (i) all Tort Claimants to the extent they are known by the Diocese, (ii) counsel, if any, for the Committee, (iii) the UCR, (iv) all Persons who have filed notices of appearance in the Reorganization Case, and (v) all Persons known to have provided general or professional liability insurance to the Diocese Parties. The Diocese shall serve all claimants identified above at the address shown on their proofs of claim or to their counsel of record or, if no proof of claim was filed, then at the address on the Diocese's schedules. The Diocese shall also serve the attorney for each Tort Claimant. The Diocese shall serve known Tort Claimants even if not scheduled or the subject of a proof of claim, to the extent known to the Diocese or ascertainable by the Diocese after reasonable investigation. The Diocese shall also serve any and all co-defendants and their counsel (to the extent of record) in any pre-petition litigation brought by Tort Claimants at the last address shown on any filed appearance or, if such co-defendant is proceeding *pro se*, then to the last address of record for such *pro se* co-defendant. The Diocese shall provide notice of the Approval Motion in a form and substance acceptable to Continental.

2.2 If any Person files an objection to the Approval Motion, the Diocese shall file a written response, in a form acceptable to the Continental Parties, and shall take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the and Approval Order. The Parties will cooperate with the Diocese, including making all appropriate submissions.

2.3 The Diocese shall file a proposed Plan, including all exhibits, schedules and related documents, which shall be in all respects consistent with this Settlement Agreement and shall not deprive the Continental Parties of any right or benefit under this Settlement Agreement or otherwise adversely affect the Interests of the Continental Parties under this Settlement Agreement. To avoid doubt, the Committee's reservation of rights under the preceding sentence shall include, but not be limited to, the ability to seek recovery from any other insurers with respect to any claims not satisfied in full by this Settlement Agreement.

2.3.1 The Plan shall include an injunction (the “Channeling Injunction”) in substantially the form attached as Schedule 1 to this Settlement Agreement, with only

such modifications as are acceptable to the Continental Parties, the Diocese, the Parishes and the Committee, pursuant to section 105 of the Bankruptcy Code, barring and permanently enjoining all Persons who have held or asserted, or may in the future hold or assert Claims from taking any action, directly or indirectly for purposes of asserting, enforcing or attempting to assert or enforce any Channeled Claim and channeling such Channeled Claims to a trust or trusts established pursuant to the Plan (“Trust”), to which all Channeled Claims are channeled as the sole and exclusive source of payment of any such Channeled Claims.

2.3.2 The Plan shall also include an injunction (the “Supplemental Injunction”) in substantially the form attached as Schedule 2 to this Settlement Agreement, with only such modifications as are acceptable to the Continental Parties, the Diocese, the Parishes and the Committee, pursuant to sections 105(a) and 363 of the Bankruptcy Code.

2.4 In the Reorganization Case, the Diocese shall seek and obtain entry of an order in form and substance acceptable to the Continental Parties that: (i) approves the Plan pursuant to section 1129 of the Bankruptcy Code and any other applicable provision of the Bankruptcy Code; (ii) contains the Channeling Injunction; (iii) contains the Supplemental Injunction; (iv) provides that this Settlement Agreement is binding on the Trust, the Reorganized Debtor, and any successors of the Trust or Reorganized Debtor; and (v) provides all protections to the Continental Parties against Tort Claims that are afforded to settling insurers under the Plan (the “Plan Confirmation Order”).

2.4.1 The Plan and Plan Confirmation Order must be in all respects consistent with this Settlement Agreement and contain no provisions that diminish or impair the benefit of this Settlement Agreement to any of the Continental Parties.

2.4.2 In seeking to obtain the Plan Confirmation Order, the Diocese must: (i) seek a confirmation hearing on an appropriately timely basis; (ii) urge the Bankruptcy Court to overrule any objections that would affect the rights and benefits afforded the Continental Parties under this Settlement Agreement and confirm the Plan; and (iii) take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court’s entry of the Plan Confirmation Order.

2.4.3 Prior to entry of the Plan Confirmation Order, the Diocese shall oppose any motion to lift any stay pursuant to section 362 of the Bankruptcy Code as to any Tort Claim. If the Bankruptcy Court lifts the stay as to any Tort Claim prior to the Plan Confirmation Order, the Diocese shall defend itself against that Tort Claim and comply with the terms of the stay relief order. If the Diocese fails to defend that Tort Claim,

then the Continental Parties shall have the right, but not the duty, to defend and/or indemnify the Diocese against that Tort Claim and any costs incurred by the Continental Parties in defending and/or indemnifying the Diocese shall be deducted from the Settlement Amount. In such event, the Diocese will cooperate with the Continental Parties in the defense and/or indemnification of such Tort Claim.

2.5 The Diocese agrees that the Trust and Plan shall provide that the assets in the Trust shall be used solely for payment of indemnity and expenses relating to reimbursing the United States government for reimbursement obligations for any payments (“Conditional Payments”) made pursuant to Section 1395y(b)(2)(B) of the Medicare Secondary Payer Act, codified at 42 U.S.C. § 1395y, and the regulations promulgated thereunder, found at 42 C.F.R. § 4.11.1 *et seq.* (“MSPA”) applicable to any Tort Claimant who claims he or she is eligible to receive, is receiving, or has received Medicare benefits (“Medicare Beneficiary”) and, after satisfaction thereof, to such Medicare Beneficiaries and Tort Claimants. Except for the payment of the Settlement Amount, the Continental Parties shall not be obligated to make any other payments, including any payments to the Trust.

2.6 The Diocese Parties will undertake all reasonable actions and cooperate with the Continental Parties in connection with their reinsurers.

2.7 The Parties shall cease all litigation activities against each other in the Coverage Suits; provided, however, that each Party may take whatever steps that, in its sole judgment, are necessary to defend its interests as long as it remains a party in the Coverage Suits.

2.8 The Diocese shall use its reasonable efforts to obtain the dismissal of other Claims, if any, against the Continental Parties by any other insurer in the Coverage Suits.

2.9 The Parties covenant not to sue each other until (a) the Bankruptcy Orders become Final Orders, at which time this covenant is superseded by the releases provided in Section 4, or (b) the date on which this Settlement Agreement is terminated. As of the Effective Date, the Diocese Parties:

- 2.9.1 will withdraw all outstanding tenders of Claims to the Continental Parties for defense and indemnity;
- 2.9.2 will not tender any Claims to the Continental Parties; and
- 2.9.3 will not request the Continental Parties to fund any judgments, settlements, or defense costs.

2.10 The Continental Parties shall have no obligation to pay, handle, object, or otherwise respond to any Claim, unless this Settlement Agreement is terminated.

3. PAYMENT OF THE SETTLEMENT AMOUNTS AND DISMISSAL OF COVERAGE SUITS

3.1 Conditions Precedent. The Settlement Agreement shall become effective and shall be binding on the Parties and Continental will pay the Settlement Amount only after the following conditions have first been satisfied: (a) entry of one or more Final Orders (i) granting the Approval Motion in its entirety, with the form and content of the motion and notice thereof acceptable to Continental in its sole discretion; and (ii) approving the form and content of notice of the Plan, ballots and disclosure statement relating to the Plan, including publishing twice in a national publication and such other publications to be determined by the Parties and consistent with the terms of this Settlement Agreement; (b) entry of a Final Order approving the form and content of the Tort Claimants' ballot, each to be satisfactory to Continental; (c) entry of a Final Order confirming a Plan consistent with the Settlement Agreement, containing such terms and conditions as are acceptable to Continental; (d) execution of the Settlement Agreement by all Parties in form and substance acceptable to the Parties; (e) entry of a Final Order approving of the Channeling Injunction and the Supplemental Injunction in favor of the Continental Parties and the Protected Parties in form and substance acceptable to the Parties; and (f) entry of a Final Order approving of the releases in favor of the Continental Parties and the Protected Parties, as are acceptable to the Parties.

3.2 In full and final settlement of (i) all responsibilities for any and all Tort Claims that occurred or may have arisen prior to the effective date of the Plan and any and all Unknown Tort Claims; and (ii) in consideration of the sale of the Diocese Policies free and clear of all Claims and Interests of any Person, Continental shall pay the Settlement Amount within thirty (30) days after Continental receives written notice from the Diocese that the Bankruptcy Orders are Final Orders and directions as to transmission of the payment.

3.3 The Parties agree that the Settlement Amount is the total amount the Continental Parties are obligated to pay on account of (i) any and all Claims, including all Tort Claims and all Unknown Tort Claims, that arise under, arising out of, relating to, or in connection with the Diocese Policies (including Channeled Claims, any reimbursement obligations for Conditional Payments under the MSPA, and any Extra-Contractual Claims); and (ii) any and all Claims and Interests, whether known or unknown, past, present or future, that arise under, arising out of, relating to, or in connection with the Diocese Policies.

3.4 The Parties further agree that (i) under no circumstance will the Continental Parties ever be obligated to make any additional payments in excess of the Settlement Amount to or on behalf of anyone in connection with the any Tort Claims covered or allegedly covered under the Diocese Policies, including any Channeled Claims and any Extra-Contractual Claims; (ii) under no circumstance will the Continental Parties ever be obligated to make any additional payments to or on behalf of the Diocese Parties or any Tort Claimants in connection with any coverage under any Diocese Policies, with respect to any Claims that, directly or indirectly, arise out of, relate to, or are in connection with any Tort Claims, including any Channeled Claims and any Extra-Contractual Claims; and (iii) all limits of liability of the Diocese Policies, regardless of how these Policies identify or describe those

limits, including all per person, per occurrence, per claim, and aggregate limits, shall be deemed fully and properly exhausted.

3.4.1 The Parties agree and jointly represent that (i) the consideration to be provided by the Continental Parties pursuant to this Settlement Agreement (including the Settlement Amount) constitutes fair and reasonable exchanges for the consideration granted to the Continental Parties in this Settlement Agreement (including the releases set forth below), and (ii) the consideration to be provided by the Diocese Parties and Parish Parties to the Continental Parties pursuant to this Settlement Agreement (including the releases set forth below) constitutes a fair and reasonable exchange for the consideration granted to the Diocese Parties and Parish Parties in this Settlement Agreement (including the Settlement Amount). The Continental Parties are not acting as volunteers in paying the Settlement Amount, and the Continental Parties' payment of the Settlement Amount reflects potential liabilities and obligations to the Diocese and Parishes of amounts the Continental Parties allegedly are obligated to pay on account of any and all Claims.

3.5 Within ten (10) days after the Continental Parties pay the Settlement Amount, the Diocese shall sign and file any necessary papers to have dismissed any action pending in connection with the Coverage Disputes, and the Diocese shall file a stipulation, that is signed by all Parties that are parties to the Coverage Dispute action(s), that dismisses with prejudice any and all claims asserted by any of the Parties against any of the other Parties.

4. RELEASES AND SALE FREE AND CLEAR

4.1 Diocese Parties Release of Continental Parties. Upon payment by the Continental Parties of the Settlement Amount, the Diocese Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Continental Parties and any of their reinsurers or retrocessionaires from any and all past, present, and unknown Claims that, occurred or may have arisen prior to the effective date of the Plan and that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all unknown Claims that are based in whole or in part on the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties.

4.2 Continental Release of Diocese Parties. Upon payment by the Continental Parties of the Settlement Amount, the Continental Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Diocese Parties from any and all past, present, and unknown Claims that, occurred or may have arisen prior to the effective date of the Plan that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly

issued, by any of the Continental Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all unknown Claims that are based in whole or in part on the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties.

4.3 Parish Parties Release of Continental Parties. Upon payment by the Continental Parties of the Settlement Amount, the Parish Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Continental Parties and any of their reinsurers or retrocessionaires from any and all past, present, and unknown Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all unknown Claims that are based in whole or in part on the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties

4.4 Continental Release of Parish Parties. Upon payment by the Continental Parties of the Settlement Amount, the Continental Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Parish Parties from any and all past, present, and unknown Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all unknown Claims that are based in whole or in part on the Tort Claims, the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties.

4.5 Unless otherwise provided in the Plan, the releases contained in this Section shall be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978), and all Tort Claimants reserve their rights against religious orders and all Persons who are not Protected Parties, who will remain severally liable on any Claims.

4.6 From and after the first day on which the Bankruptcy Orders are Final Orders, the Diocese Parties shall not assert against the Continental Parties for any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Unknown Tort Claim, that occurred or may have arisen prior to the effective date of the Plan (including any Tort Claim that arises under or relates to the Diocese Policies or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the

Continental Parties, any Channeled Claim, any Extra-Contractual Claim, and/or any other matter released pursuant to Section 4).

4.7 From and after the first day on which the Bankruptcy Orders are Final Orders, the Parish Parties shall not assert against the Continental Parties for any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Claim, including any Tort Claim, and any other Claim that arises under or relates to the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties, any Channeled Claim, any Extra-Contractual Claim, and/or any other matter released pursuant to Section 4.

4.8 As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Continental Parties shall buy back the Diocese Policies free and clear of all Interests of all Persons, including all Interests of the Parish Parties, any other Person claiming coverage by, through, or on behalf of any of the Parish Parties, any other insurer, and any Tort Claimant. This sale is pursuant to sections 363(b) and 363(f) of the Bankruptcy Code. The Parties acknowledge and agree that (i) the Continental Parties are good faith purchasers of the Diocese Policies within the meaning of section 363(m) of the Bankruptcy Code and (ii) the consideration exchanged constitutes a fair and reasonable settlement of the Parties' disputes and of their respective rights and obligations relating to the Diocese Policies and constitutes reasonably equivalent value, and (iii) the releases in this Settlement Agreement and the policy buyback comply with the Bankruptcy Code and applicable non-bankruptcy laws. As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Diocese Policies shall be terminated and of no further force and effect. The Continental Parties' payment of the Settlement Amount shall constitute the Continental Parties' full and complete performance of any and all obligations under the Diocese Policies, including any performance owed to the Parish Parties, and exhausts all limits of liability of the Diocese Policies. All Interests the Parish Parties may have had, may presently have, or in the future may have in the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties shall be released. The Parish Parties accept the Settlement Amount in full and complete satisfaction of all the Continental Parties' past, present, and future obligations, including any obligations to any of the Parish Parties under the Diocese Policies or arising therefrom, as to any and all Claims for insurance coverage or policy benefits of any nature whatsoever, whether legal or equitable, known or unknown, suspected or unsuspected, fixed or contingent, and regardless of whether or not such claims arise from, relate to, or are in connection with the Channeled Claims, the Reorganization Case, or otherwise under the Diocese Policies.

4.9 If, contrary to the intent of the Parties, any Claims released pursuant to this Section 4 of the Settlement Agreement, including any past, present or unknown Claim for insurance coverage under the Diocese Policies or any other Claim by the Diocese Parties against any of the Continental Parties, are deemed to survive this Settlement Agreement, even though they are encompassed by the terms of the releases set forth in this Section 4 of this Settlement

Agreement, the Parties hereby forever, expressly, and irrevocably waive entitlement to and agree not to assert any and all such Claims.

4.10 All of the releases and other benefits provided in this Settlement Agreement by the Diocese Parties to the Continental Parties are at least as favorable as the releases and other benefits that the Diocese has provided to any other one of the Diocese's insurers in the Reorganization Case. If the Diocese enters into any agreement with any other one of its insurers in the Reorganization Case that provides that insurer with releases or other benefits that are more favorable than those contained in this Settlement Agreement, then this Settlement Agreement shall be deemed to be modified to provide the Continental Parties with those more favorable releases and/or benefits. However, the provision at Section 7.2 that the duty to defend, indemnify and hold harmless the Continental Parties not extending to nor including claims that are or may be made against Continental by other insurers shall not be modified. The Diocese Parties shall notify the Continental Parties promptly of the existence of such more favorable releases or benefits.

4.11 Neither the releases set forth in this Section 4 nor any other provisions in this Settlement Agreement are intended to apply to or have any effect on the Continental Parties' right to reinsurance recoveries under any reinsurance treaties, certificates, or contracts that cover losses arising under or in connection with the Diocese Policies, or any other binder, certificate, or policy of insurance issued, or allegedly issued, by any of the Continental Parties.

4.12 This Section 4 is not intended to, and shall not be construed to, release, waive, relinquish, or otherwise affect the Parties' rights and obligations under this Settlement Agreement.

5. TERMINATION OF SETTLEMENT AGREEMENT

5.1 In the event (i) the Bankruptcy Orders do not become Final Orders within one year from the date on which the Settlement Agreement is executed by all the Parties, or (ii) the Diocese files a chapter 11 plan, or the Diocese acquiesces in the filing of a chapter 11 plan by another Entity, that is inconsistent with the terms of the Settlement Agreement or is otherwise unacceptable to Continental, or (iii) the Reorganization Case is dismissed or converted to chapter 7, then Continental may terminate the Settlement Agreement in its sole discretion, upon which the Settlement Agreement shall be null and void and of no force or effect, except that the Parties' release of Extra-Contractual Claims in any way related to this Settlement Agreement shall survive.

6. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

6.1 The Parties separately represent and warrant as follows:

6.1.1 To the extent it is a corporation, including a non-profit corporation, or other legal entity, it has the requisite power and authority to enter into this Settlement

Agreement and to perform the obligations contemplated by this Settlement Agreement, subject only to approval of the Bankruptcy Court;

6.1.2 This Settlement Agreement has been thoroughly negotiated and analyzed by counsel to the Parties and executed and delivered in good faith, pursuant to arm's length negotiations and for value and valuable consideration.

6.2 The Diocese Parties and Parish Parties represent and warrant that they have not and will not assign any Interests in the Diocese Policies or any other binder, certificate, or policy of insurance issued by the Continental Parties.

6.3 The Diocese Parties represent and warrant that they are the owners of the Diocese Policies and that no other Person has legal title to the Diocese Policies.

6.4 The Diocese Parties and Parish Parties each represent and warrant that they have not in any way assisted, and shall not in any way assist, any Person in the establishment of any Claim against the Continental Parties.

6.5 The person(s) executing this Settlement Agreement on behalf of the parties in Sections 1.1.11(i), (ii), and (iii) and Sections 1.1.18(i), (ii) and (iii) (collectively, the "Other Diocese /Parish Parties") represents and warrants that he/she has received authority from such Other Diocese-/Parish Parties, as the case may be, to execute this Settlement Agreement on their behalf and to provide the releases identified in Section 4 above on behalf of such Other Diocese-/Parish Parties. Notwithstanding the foregoing, nothing in the definition of Other Diocese-/Parish Parties is intended to suggest or should be construed to mean that any Person included in this definition is owned, directed, supervised or controlled by the Diocese or Parishes.

6.6 The Parties have completed a reasonable search for evidence of any policies or certificates of insurance issued by the Continental Parties to the Diocese Parties and Parish Parties that would afford coverage with respect to any Tort Claim. Notwithstanding the foregoing, nothing in this Settlement Agreement, including the schedules or exhibits thereto, shall be construed as or deemed to be an admission or evidence that any binder, certificate, or policy of insurance was in fact issued and/or affords coverage in connection with the Tort Claims.

7. ACTIONS INVOLVING THIRD PARTIES

7.1 For purposes of supporting the releases granted in Section 4 and the extinguishment of any and all rights under the Diocese Policies, the Diocese Parties and Parish Parties hereby agree as follows:

7.1.1 If any other insurer of the Diocese Parties or Parish Parties obtains a judicial determination or binding arbitration award that it is entitled to obtain a sum certain from any of the Continental Parties as a result of a claim for contribution, subrogation, indemnification, or other similar Claim for any of the Continental Parties' alleged share

or equitable share, or to enforce subrogation rights, if any, with respect to the defense and/or indemnity obligation of any of the Continental Parties for any Claims or reimbursement obligations for Conditional Payments released or resolved pursuant to this Settlement Agreement, the Diocese Party(ies) or Parish Party(ies), as applicable, shall voluntarily reduce its judgment or Claim against, or settlement with, such other insurer(s) to the extent necessary to satisfy such contribution, subrogation, indemnification, or other claims against the Continental Parties. To ensure that such a reduction is accomplished, the Continental Parties shall be entitled to assert this Section 7 as a defense to any action against them brought by any other insurer for any such portion of the judgment or Claim and shall be entitled to request that the court or appropriate tribunal issue such orders as are necessary to effectuate the reduction to protect the Continental Parties from any liability for the judgment or Claim. Moreover, if a non-settling insurer asserts that it has a Claim for contribution, indemnity, subrogation, or similar relief against any of the Continental Parties, such Claim may be asserted as a defense against the Trust (under the Plan contemplated by the Settlement Agreement) in any coverage litigation (and the Trust may assert the legal and equitable rights of the Continental Parties in response thereto); and to the extent such a Claim is determined to be valid by the court presiding over such action, the liability of such non-settling insurer to the Trust (or Diocese Parties or Parish Parties) shall be reduced dollar for dollar by the amount so determined.

7.1.2 The Continental Parties shall not seek reimbursement for any payments they are obligated to make under this Settlement Agreement under theories of contribution, subrogation, indemnification, or similar relief from any other insurer of the Diocese or Parishes unless that other insurer first seeks contribution, subrogation, indemnification, or similar relief from any of the Continental Parties. The Diocese and Parishes shall use their respective reasonable best efforts to obtain from all insurers with which it settles agreements similar to those contained in this Section 7.

7.2 The Diocese and Parishes shall defend, indemnify, and hold harmless the Continental Parties with respect to any and all released claims pursuant to Section 4 above, including all Tort Claims made by (i) any Person claiming to be insured (as a named insured, additional insured, or otherwise) under their respective Diocese Policies; (ii) any Person who has made, will make, or can make a Tort Claim; and (iii) any Person who has actually or allegedly acquired or been assigned the right to make a Tort Claim under the Diocese Policies. This indemnification includes Tort Claims made by Persons over whom the Diocese or Parishes do not have control, including any other Person who asserts Claims against or rights to coverage under the Diocese Policies. The Diocese's and Parishes' obligation to indemnify the Continental Parties under this Section 7.2 shall not exceed the Settlement Amount. The Continental Parties may undertake the defense of any Claim upon receipt of such Claim. The Continental Parties agree to notify the Diocese or Parishes, as applicable, as soon as practicable of any Claims identified in this Section 7.2 and of their choice of counsel. The Continental Parties' defense of any Claims shall have no effect on the Diocese's or Parishes' obligation to indemnify the Continental Parties for such Claims, as set forth in this Section 7.2. The Diocese or Parishes, as applicable, subject to the limitations above regarding the

maximum amounts the Diocese and Parishes' must pay, shall reimburse all reasonable and necessary attorneys' fees, expenses, costs, and amounts incurred by the Continental Parties in defending such Claims. In defense of any such Claims, the Continental Parties may settle or otherwise resolve a Claim only with the prior consent of the Diocese and Parishes, which consent shall not be unreasonably withheld. To the extent this Section 7.2 may give rise to pre-Effective Date administrative claims which have not been provided for in the Plan, such claims shall pass through the Plan unimpaired.

7.3 If any Person attempts to prosecute a Channeled Claim against any of the Continental Parties following the Petition Date, then promptly following notice to do so from the Continental Parties, the Diocese will file a motion and supporting papers, supported by the Committee and the Parishes, to obtain an order from the Court, pursuant to Bankruptcy Code §§ 362 and 105(a), protecting the Continental Parties from any such Claims until the Bankruptcy Orders become Final Orders, or, alternatively, this Settlement Agreement is terminated under Section 5.

8. MISCELLANEOUS

8.1 If any proceedings are commenced to invalidate or prevent the enforcement or implementation of any of the provisions of this Settlement Agreement, the Parties agree to cooperate fully to oppose such proceedings. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any Person not a Party to this Settlement Agreement to invalidate, interpret, or prevent the validation or enforcement, or carrying out, of all or any of the provisions of this Settlement Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate fully in opposing such action or proceeding.

8.2 The Parties will take such steps and execute any documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Settlement Agreement and to preserve its validity and enforceability.

8.3 The Parties shall cooperate with each other in connection with the Approval Motion, the Approval Order, the Plan, the Plan Confirmation Order, and the Reorganization Case. Such cooperation shall include consulting with each other upon reasonable request concerning the status of proceedings and providing each other with copies of reasonably requested pleadings, notices, proposed orders, and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court.

8.4 This Settlement Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between and among the Parties.

8.5 This Settlement Agreement may be modified only by a written amendment signed by the Parties, and no waiver of any provision of this Settlement Agreement or of a breach thereof shall be effective unless expressed in a writing signed by the waiving Party. The waiver by any Party of any of the provisions of this Settlement Agreement or of the breach thereof shall not operate or be construed as a waiver of any other provision or breach.

8.6 By entering into this Settlement Agreement, none of the Parties has waived or shall be deemed to have waived any rights, obligations, or positions they have asserted or may in the future assert in connection with any matter outside the scope of this Settlement Agreement. No part of this Settlement Agreement, its negotiation, or its performance may be used in any manner in any action, suit, or proceeding as evidence of the rights, duties, or obligations of the Parties with respect to matters outside the scope of this Settlement Agreement. All actions taken and statements made by the Parties or by their representatives, relating to this Settlement Agreement or participation in this Settlement Agreement, including its development and implementation, shall be without prejudice or value as precedent and shall not be used as a standard by which other matters may be judged.

8.7 This Settlement Agreement represents a compromise of disputed Claims and shall not be deemed an admission or concession of liability, culpability, wrongdoing, or insurance coverage. All related discussions, negotiations, and all prior drafts of this Settlement Agreement shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any parallel state law provisions. Any evidence of the negotiations or discussions associated with this Settlement Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except that they shall be admissible to the extent they would have otherwise been admissible, absent this Section 8.7, in (i) an action or proceeding to enforce the terms of this Settlement Agreement, including any use as set forth in Section 7 or (ii) any possible action or proceeding between any of the Continental Parties and any of their reinsurers. This Settlement Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Continental Parties' obligations under any of Diocese Policies or any other binder, certificate, or policy of insurance or any acknowledgment of coverage issued by the Continental Parties, with respect to any Claims against any of the Continental Parties.

8.8 None of the Parties shall make any public statements or disclosures (i) regarding each other's rationale or motivation for negotiating or entering into this Settlement Agreement, or (ii) asserting or implying in any way that the Parties acted improperly or in violation of any duty or obligation, express or implied, in connection with any matter arising out of, relating to, or in connection with the Diocese Policies or any other binder, certificate, or policy of insurance issued by the Continental Parties, including handling of or involvement in connection with the Tort Claims or the resolution of the Tort Claims.

8.9 The Parties have received the advice of counsel in the preparation, drafting, and execution of this Settlement Agreement, which was negotiated at arm's length.

8.10 Section titles and/or headings contained in this Settlement Agreement are included only for ease of reference and shall have no substantive effect.

8.11 All notices, demands, or other communication to be provided pursuant to this Settlement Agreement shall be in writing and sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to the Parties at the addresses set forth below, or to such other person or address as any of them may designate in writing from time to time:

If to the Diocese Parties:

If to the Diocese Parties:

Rev. James Bissonette
Diocese of Duluth
2830 East 4th Street
Duluth, MN 55812

and

With a copy to:

Ford Elsaesser
Bruce A. Anderson
Elsaesser Anderson, Chtd.
320 East Neider Avenue, Suite 102
Coeur d'Alene, ID 83815
Email: ford@eaidaho.com
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and

Phillip Kunkel
Gray Plant Mooty
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Email: Phillip.Kunkel@gpmlaw.com

If to Continental Parties:

Brian A. Frankl
Vice President and Claims Counsel, Environmental & Mass Tort Claims
151 N. Franklin St.
Chicago, IL 60606

With a copy to:

Scott E. Turner
CNA Coverage Litigation Group
151 N. Franklin St., 14th Floor
Chicago, IL 60606
T: 312-822-4571
Email: scott.turner@cna.com

Laura K. McNally
Loeb & Loeb, LLP
321 North Clark Street
Suite 2300
Chicago IL 60654
T: 312-464-3155
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and

David C. Christian II
DAVID CHRISTIAN ATTORNEYS LLC
3515 West 75th Street
Suite 208
Prairie Village, KS 66208
T: 913-674-8215
Email: dchristian@dca.law

If to the Parish Parties:

John D. Kelly
1000 U.S. Bank Place
130 W Superior Street
Duluth, MN 55802-2094
Email: jdk@hanftlaw.com

8.12 All notices, demands, or other communication to be provided pursuant to this Settlement Agreement prior to entry of the Plan Confirmation Order shall also be sent by e-

mail and Federal Express or other overnight delivery service, costs prepaid, to Robert T. Kugler, Stinson Leonard Street, 50 South Sixth Street, Suite 2600, Minneapolis, MN 55402, Email: Robert.kugler@stinson.com.

8.13 This Settlement Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Settlement Agreement may be executed and delivered by facsimile or other electronic image, which facsimile or other electronic image counterparts shall be deemed to be originals.

8.14 Nothing contained in this Settlement Agreement shall be deemed or construed to constitute (i) an admission by any of the Continental Parties that the Diocese Parties, Parish Parties, or any other Person was or is entitled to any insurance coverage under the Diocese Policies or any other binder, certificate, or policy of insurance issued, or allegedly issued by the Continental Parties or as to the validity of any of the positions that have been or could have been asserted by the Diocese Parties or Parish Parties, (ii) an admission by the Diocese Parties as to the validity of any of the positions or defenses to coverage that have been or could have been asserted by the Continental Parties or any Claims that have been or could have been asserted by the Diocese Parties or Parish Parties against the Continental Parties, or (iii) an admission by the Diocese Parties, Parish Parties, or the Continental Parties of any liability whatsoever with respect to any of the Tort Claims.

8.15 All of the Persons included in the definition of Continental Parties, all of the Parties to this Settlement Agreement, and the bankruptcy Trust and Trustee are intended beneficiaries of this Settlement Agreement. Except as set forth in the preceding sentence or otherwise set forth in this Settlement Agreement, there are no third-party beneficiaries of this Settlement Agreement.

8.16 The Diocese Parties, Parish Parties and the Continental Parties shall be responsible for their own fees and costs incurred in connection with the Reorganization Case, this Settlement Agreement, and the implementation of this Settlement Agreement.

8.17 The following rules of construction shall apply to this Settlement Agreement:

8.17.1 Unless the context of this Settlement Agreement otherwise requires: (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby,” and derivative or similar words refer to this entire Agreement; and (iv) the words “include,” “includes,” or “including” shall be deemed to be followed by the words “without limitation.”

8.17.2 References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions regardless of whether specifically referenced in this Settlement Agreement.

8.17.3 The wording of this Settlement Agreement was reviewed by legal counsel for each of the Parties, and each of them had sufficient opportunity to propose and negotiate changes prior to its execution. The wording of this Settlement Agreement shall not be construed in favor of or against any Person.

8.17.4 The use of the terms “intend,” “intended,” or “intent,” when describing the intention of the Parties, as the case may be, shall not be construed to create a breach of this Settlement Agreement when the stated intent is not achieved.

8.18 The Bankruptcy Court in the Reorganization Case shall retain jurisdiction to interpret and enforce the provisions of this Settlement Agreement, which shall be construed in accordance with Minnesota law.

8.19 This Settlement Agreement and the obligations under this Settlement Agreement shall be binding on the Parties and shall survive the entry of the Plan Confirmation Order.

8.20 This Settlement Agreement shall be effective on the Effective Date.

[Remainder of page left blank intentionally]

EXHIBIT H

SETTLEMENT AGREEMENT, RELEASE, AND POLICY BUYBACK

This Settlement Agreement, Release, and Policy Buyback (“Agreement”) is hereby made by, between and among the Diocese Parties, the Parish Parties, and the Liberty Mutual Parties.^{1/}

RECITALS

WHEREAS, numerous individuals have asserted certain Tort Claims against the Diocese and Parishes;

WHEREAS, through a corporate transaction between The Ohio Casualty Insurance Company and Great American Insurance Company, Liberty Mutual is responsible for certain insurance policies issued to the Diocese Parties and the Parish Parties;

WHEREAS, certain disputes among the Diocese Parties, Parish Parties, and the Liberty Mutual Parties have arisen and/or may arise in the future concerning the Liberty Mutual Parties’ position regarding the nature and scope of its responsibilities, if any, to provide coverage to the Diocese Parties or Parish Parties under the Policies including in connection with Tort Claims (the “Coverage Disputes”), including those disputes at issue in the proceedings, captioned *Diocese of Duluth v. Liberty Mutual Group, et al.*, Adv. Pro. 16-0512, which was pending in the United States Bankruptcy Court for the District of Minnesota, and *Diocese of Duluth v. Liberty Mutual Insurance Company, et al.*, Case No. 17-cv-03254 DWF-LIB, pending in the United States District Court for the District of Minnesota (collectively, the “Coverage Suit”);

WHEREAS, the Diocese filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Minnesota (Case No. 15-50792) (the “Reorganization Case”) on December 7, 2015 (the “Petition Date”);

WHEREAS, the Diocese Parties, the Parish Parties, and the Liberty Mutual Parties, without any admission of liability or concession of the validity of the positions or arguments advanced by each other, now wish to compromise and resolve fully and finally any and all Coverage Disputes, Tort Claims, and all other disputes between and among them;

WHEREAS, through this Agreement, the Diocese Parties and Parish Parties intend to provide the Liberty Mutual Parties with the broadest possible release of all Tort Claims, including all Unknown Tort Claims, that occurred, or may have arisen, prior to the effective date of the Plan, which Plan shall include a Channeling Injunction and a settling insurer Supplemental Injunction that protects the Diocese Parties, the Parish Parties, and the Liberty Mutual Parties from and against any past, present or future Tort Claims and Related Insurance Claims arising prior to the effective date of the Plan;

WHEREAS, through this Agreement, the Diocese Parties, Parish Parties, and the Liberty Mutual Parties also wish to effect a sale of the Policies pursuant to 11 U.S.C. § 363 and to provide the Liberty Mutual Parties with the broadest possible release and buyback with respect to

^{1/} Capitalized terms not defined herein, including in Section 1 hereof, shall have the meanings given to them in the Bankruptcy Code.

the Policies, resulting in the Liberty Mutual Parties having, except as otherwise provided herein, no obligations now, or in the future, under the Policies;

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants contained in this Agreement, the sufficiency of which is hereby acknowledged, and intending to be legally bound, subject to the approval of the Bankruptcy Court and any other court in which the Reorganization Case may be pending or that has jurisdiction over the Reorganization Case, the Parties hereby agree as follows:

1. DEFINITIONS

1.1. As used in this Agreement, the following terms shall have the following meanings. Capitalized terms and terms in quotations shall have the meaning ascribed to them herein. Unless otherwise indicated, references to “Sections” are references to Sections of this Agreement.

1.1.1. “Abuse” means (i) any actual or alleged sexual conduct, misconduct, abuse, or molestation, including actual or alleged “sexual abuse” as that phrase is defined in Minnesota Statutes § 541.073(1); (ii) indecent assault or battery, rape, lascivious behavior, undue familiarity, pedophilia, ephebophilia, or sexually-related physical, psychological, or emotional harm; (iii) contacts or interactions of a sexual nature; or (iv) assault, battery, corporal punishment, or other act of physical, psychological, or emotional abuse, humiliation, intimidation, or misconduct.

1.1.2. “Bankruptcy Code” means Title 11 of the United States Code, 11 U.S.C. §§ 101-1532, and any amendments thereto applicable to this case.

1.1.3. “Bankruptcy Court” means the United States Bankruptcy Court for the District of Minnesota.

1.1.4. “Bankruptcy Orders” means collectively, the Approval Order and the Plan Confirmation Order.

1.1.5. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as amended, and the local rules of the Bankruptcy Court, as applicable to the Reorganization Case.

1.1.6. “Channeled Claim(s)” means any Tort Claim or any other Claim against any of the Protected Parties, the Liberty Mutual Parties, or any Person qualifying as an insured under any Policy that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, any Related Insurance Claim, any Medicare Claim, and any Claim covered by the Channeling and Supplemental Injunctions under the Plan.

1.1.7. “Claim” means any past, present, or future claim, demand, action, request, cause of action, suit, proceeding, or liability of any kind or nature whatsoever, whether at law or equity, known or unknown, actual or alleged, asserted or not asserted, suspected or not suspected, anticipated or unanticipated, accrued or not accrued, fixed or contingent, which has been or may be asserted by, or on behalf of, any Person, whether seeking

damages (including compensatory, punitive, or exemplary damages) or equitable, mandatory, injunctive, or any other type of relief, including cross-claims, counterclaims, third-party claims, suits, lawsuits, administrative proceedings, notices of liability or potential liability, arbitrations, actions, rights, causes of action or orders, and any other claim within the definition of “claim” in section 101(5) of the Bankruptcy Code.

1.1.8. “Committee” means the Official Committee of Unsecured Creditors appointed in the Reorganization Case, pursuant to an Order of the Bankruptcy Court entered on December 28, 2015.

1.1.9. “Diocese” means the Diocese of Duluth and its estate (pursuant to section 541 of the Bankruptcy Code).

1.1.10. “Diocese Parties” means, collectively, the Diocese and: (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the Diocese; (ii) any and all named insured Person, insured Person, additional insured Person, or other Person claiming coverage under the Policies, including any and all past and present parishes of or in the Diocese (as applicable) and every Protected Person (as defined in the Policies); (iii) each of the foregoing Persons’ respective past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies; (iv) each of the foregoing Persons’ respective predecessors, successors, and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Persons identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such Persons are “employees” or agents of the Diocese or subject to its control. An individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Diocese Party with respect to that Tort Claim. No religious order is a Diocese Party.

1.1.11. “Effective Date” means the date on which all conditions precedent to this Agreement are satisfied.

1.1.12. “Extra-Contractual Claim” means any Claim against any of the Liberty Mutual Parties based, in whole or in part, on allegations that any of the Liberty Mutual Parties acted in bad faith or in breach of any express or implied duty, obligation, or covenant, contractual, statutory or otherwise, including any Claim on account of alleged bad faith; failure to act in good faith; violation of any express or implied duty of good faith and fair dealing; violation of any unfair claims practices act or similar statute, regulation, or code; any type of alleged misconduct; or any other act or omission of any of the Liberty Mutual Parties of any type for which the claimant seeks relief other than coverage or benefits under a policy of insurance. Extra-Contractual Claims include: (i) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with, any of the Liberty Mutual Parties’ handling of any Claim or any request for insurance coverage, including any request for coverage for any Claim, including any Tort Claim; (ii) any Claim that, directly or indirectly, arises out of, relates to, or is in connection with, the

Policies and any contractual duties arising therefrom, including any contractual duty to defend the Diocese Parties or Parish Parties against any Tort Claims; and (iii) the conduct of the Parties with respect to the negotiation of this Agreement and the Plan.

1.1.13. “Final Order” means an order, judgment, or other decree (including any modification or amendment thereof) that remains in effect and has not been reversed, withdrawn, vacated, or stayed, and as to which the time to appeal or seek review, rehearing, or writ of certiorari has expired or, if such an appeal or review has been taken, (i) it has been resolved and no longer remains pending, or (ii) an appeal or review has been taken timely but such order has not been stayed and the Parties have mutually agreed in writing that the order from which such appeal or review is taken should be deemed to be a Final Order within the meaning of this Agreement.

1.1.14. “Great American Insurance Company” means the Great American Insurance Company and each of its past, present and future parents, subsidiaries, affiliates, and divisions; each of its respective past, present, present, and future parents, subsidiaries, affiliates, holding companies, merged companies, related companies, divisions and acquired companies; each of its respective past, present and future directors, officers, shareholders, employees, partners, principals, agents, attorneys, joint ventures, joint venturers, representatives, and claims handling administrators; and each of its respective predecessors, successors, assignors, and assigns, whether known or unknown.

1.1.15. “Interests” means all liens, Claims, encumbrances, interests, and other rights of any nature, whether at law or in equity, including any rights of contribution, indemnity, defense, subrogation, or similar relief.

1.1.16. “Liberty Mutual” means Liberty Mutual Insurance Company.

1.1.17. “Liberty Mutual Parties” means the Liberty Mutual Insurance Company and each of its past, present and future parents, subsidiaries, affiliates, and divisions; each of its respective past, present, present, and future parents, subsidiaries, affiliates, holding companies, merged companies, related companies, divisions, and acquired companies; each of its respective past, present and future directors, officers, shareholders, employees, partners, principals, agents, attorneys, joint ventures, joint venturers, representatives, and claims handling administrators; and each of its respective predecessors, successors, assignors, and assigns, whether known or unknown, and all Persons, including without limitation, Great American Insurance Company, acting on behalf of, by, through or in concert with them, including those Persons who issued, or allegedly issued, the Policies listed on Exhibit A attached to this Agreement.

1.1.18. “Parish” means all parishes listed on Exhibit B.

1.1.19. “Parish Parties” means the Parishes and (i) each of the past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies of the Parishes; (ii) any and all named insured Person, insured Person, additional insured

Person, or any other Person claiming coverage under the Policies, including every Protected Person (as defined in the Policies); (iii) each of the foregoing Persons' respective past, present, and future parents, subsidiaries, merged companies, divisions, and acquired companies; (iv) each of the foregoing Persons' respective predecessors, successors, and assigns; and (v) any and all past and present employees, officers, directors, shareholders, principals, teachers, staff, members, boards, administrators, priests, deacons, brothers, sisters, nuns, other clergy or religious, volunteers, agents, attorneys, and representatives of the Persons identified in the foregoing subsections (i)-(iv), in their capacity as such. Nothing in the foregoing is intended to suggest that such Persons are "employees" or agents of the Parishes or subject to their control. An individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Parish Party with respect to that Tort Claim.

1.1.20. "Parties" means the Diocese Parties, the Liberty Mutual Parties and the Parish Parties, and "Party" refers to them individually.

1.1.21. "Person" means any individual or entity, including any corporation, limited liability company, partnership, general partnership, limited partnership, limited liability partnership, limited liability limited partnership, proprietorship, association, joint stock company, joint venture, estate, trust, trustee, personal executor or personal representative, unincorporated association, or other entity or organization, including any federal, international, foreign, state, or local governmental or quasi-governmental entity, body, or political subdivision, or any agency or instrumentality thereof, and any other individual or entity within the definition of (i) "person" in section 101(41) of the Bankruptcy Code; or (ii) "entity" in section 101(15) of the Bankruptcy Code.

1.1.22. "Plan" refers to the Diocese's chapter 11 plan of reorganization and any amendment thereto, as approved and confirmed by Final Order of the Bankruptcy Court, and that is consistent with the Agreement, and containing such language and provisions as are acceptable to Liberty Mutual in its sole discretion.

1.1.23. "Policies" means any and all insurance policies, whether known or unknown, existing, missing, or allegedly in existence, that were issued or allegedly issued by any of the Liberty Mutual Parties to the Diocese Parties or the Parish Parties on or before the Bankruptcy Plan Effective Date, and allegedly insure or otherwise provide insurance coverage for the Diocese Parties or the Parish Parties with respect to Tort Claims, and including all secondary evidence alleged to support the existence and terms of the Policies. Policies shall include, but not be limited to: (i) policies issued to the Diocese Parties or Parish Parties for which Liberty Mutual has either accepted responsibility, or for which Liberty Mutual allegedly is responsible, pursuant to a corporate transaction between The Ohio Casualty Insurance Company and Great American Insurance Company; (ii) the insurance policies listed on Exhibit A; and (iii) the XOV Alleged Policy.

1.1.24. "Protected Parties" means any of the Diocese Parties, the Reorganized Debtor (as shall be defined in the Plan), and the Parish Parties and, in their capacity as such, their respective predecessors and successors, and all of the foregoing Person's, past,

present, and future members, shareholders, trustees, officers, directors, officials, employees, agents, representatives, servants, contractors, consultants, volunteers, attorneys, professionals, insiders, subsidiaries, merged or acquired companies or operations, and their successors and assigns; but an individual who perpetrated an act of Abuse that forms the basis of a Tort Claim is not a Protected Party with respect to that Tort Claim. Protected Party also includes the other insured entities, and, in their capacity as such, their respective predecessors and successors, and all of the foregoing Person's, past, present, and future members, shareholders, trustees, officers, directors, officials, employees, agents, representatives, servants, contractors, consultants, volunteers, attorneys, professionals, insiders, subsidiaries, merged or acquired companies or operations, and their successors and assigns. No religious order other than the Diocese itself is a Protected Party.

1.1.25. "Related Insurance Claim" means (i) any Claim by any Person against any of the Liberty Mutual Parties for defense, indemnity, contribution, subrogation, or similar relief that, directly or indirectly, arises from, relates to, or is in connection with, a Tort Claim; and (ii) any Extra Contractual Claim that, directly or indirectly, arises out of, relates to, or is in connection with, any Tort Claim, including any Claim that, directly or indirectly, arises out of, relates to or is in connection with, any of the Liberty Mutual Parties' handling of any Tort Claim.

1.1.26. "Reorganized Debtor" shall have the meaning ascribed in the Plan, but for purposes hereof, shall mean the Diocese after confirmation of the Plan.

1.1.27. "Settlement Amount" means the sum of \$[6,500,000.00] to be paid to the Diocese for the benefit of Tort Claimants (but excluding Unknown Tort Claims) by Liberty Mutual after satisfaction of all Conditions Precedent, and pursuant to the confirmed Plan.

1.1.28. "Tort Claim" means any Claim against any of the Protected Parties or the Liberty Mutual Parties that arises out of, relates to, results from, causes, or is in connection with, in whole or in part, directly or indirectly, Abuse that took place, in whole or in part, prior to the effective date of the Plan, including any such Claim that seeks: monetary damages or any other relief, under any theory of liability, including vicarious liability; respondeat superior; any fraud-based theory, including fraud in the inducement; any negligence-based or employment-based theory, including negligent hiring, supervision, retention, or misrepresentation; violation of civil rights, any other theory based on misrepresentation, concealment, or unfair practice; contribution; indemnity; public or private nuisance; or any other theory, including any theory based on public policy or any acts or failures to act by any of the Protected Parties, Liberty Mutual Parties, or any other Person for whom any of the Protected Parties or Liberty Mutual Parties are allegedly responsible, including any such Claim asserted against any of the Parties in connection with the Diocese's Reorganization Case. "Tort Claim" includes any Unknown Tort Claim.

1.1.29. “Tort Claimant” means any Person holding a Tort Claim, including but not limited to any Claims articulated or set forth in proofs of claim filed with the Bankruptcy Court in the Reorganization Case.

1.1.30. “UCR” means Michael R. Hogan as the unknown claimants representative, appointed pursuant to that certain Order Appointing Unknown Claimants’ Representative entered by the Bankruptcy Court [Docket No. 328].

1.1.31. “Unknown Tort Claim” means any Tort Claim that is neither filed, nor deemed filed, by the proof of claim bar date in the Diocese’s bankruptcy case (“Claim Filing Date”) and is held by an individual who: (i) was continuously between the Claim Filing Date and the Plan’s effective date under a disability recognized by Minn. Stat. § 541.15, subs. 1, 2, and 3 (or other applicable law suspending the running of the limitation period, if any, other than Minn. Stat. § 541.15, subd. 4); (ii) has a Tort Claim that was barred by the statute of limitations as of the Claim Filing Date, but is no longer barred by the applicable statute of limitations for any reason, including the enactment of legislation that revises previously time-barred Tort Claims; (iii) claims he or she was incapable of knowing of the existence of his or her Tort Claim as of the Claim Filing Date for any reason, including alleged memory repression or suppression; or as otherwise defined by subsequent order of the Bankruptcy Court; or (iv) any other individual or class of individuals the UCR can identify that would have a Tort Claim on, or prior to, the effective date of the Plan.

1.1.32. “XOV Alleged Policy” means the alleged insurance policy issued to the Diocese by Great American Insurance Company with a policy number of XOVO770553 referenced in the Diocese’s Opposition to Liberty Mutual’s Motion for Summary Judgment filed in the Coverage Suit, ECF No. 193, at 1, 35.

2. THE REORGANIZATION CASE AND PLAN FOR REORGANIZATION

2.1. Not later than five (5) days after the last Party signs this Agreement, the Diocese shall file a motion in the Bankruptcy Court (the “Approval Motion”) in form and substance acceptable to the Liberty Mutual Parties and the Diocese, seeking entry of an order approving this Agreement and authorizing the Parties to undertake the transactions contemplated by this Agreement (the “Approval Order”).

2.1.1. The Diocese shall provide written notice of the Approval Motion to (i) all Tort Claimants to the extent they are known by the Diocese, (ii) counsel for the Committee, (iii) the UCR, (iv) all Persons who have filed notices of appearance in the Reorganization Case, and (v) all Persons known to have provided general or professional liability insurance to the Diocese Parties. The Diocese shall serve all claimants identified above at the address shown on their proofs of claim or to their counsel of record or, if no proof of claim was filed, then at the address on the Diocese’s schedules. The Diocese shall also serve the attorney for each Tort Claimant. The Diocese shall serve known Tort Claimants even if not scheduled or the subject of a proof of claim, to the extent known to the Diocese. The Diocese shall also serve any and all co-defendants and their counsel (to the extent of record) in any pre-petition

litigation brought by Tort Claimants at the last address shown on any filed appearance or, if such co-defendant is proceeding *pro se*, then to the last address of record for such *pro se* co-defendant. The Diocese shall provide notice of the Approval Motion in a form and substance acceptable to Liberty Mutual.

2.2. If any Person, including, without limitation, the Committee, files an objection to the Approval Motion, the Diocese shall file a written response, in a form acceptable to the Liberty Mutual Parties, and shall take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the Approval Order. The Parties will cooperate with the Diocese, including making all appropriate submissions.

2.3. The Diocese shall file a Plan, including all exhibits, schedules, and related documents, which shall be in all respects consistent with this Agreement and shall not deprive the Liberty Mutual Parties of any right or benefit under this Agreement or otherwise adversely affect the Interests of the Liberty Mutual Parties under this Agreement.

2.3.1. The Plan shall include an injunction (the "Channeling Injunction") in substantially the form attached as Schedule 1 to this Agreement, with only such modifications as are acceptable to the Liberty Mutual Parties, the Diocese and the Parishes, pursuant to section 105 of the Bankruptcy Code, barring and permanently enjoining all Persons who have held or asserted, or may in the future hold or assert, Claims from taking any action, directly or indirectly for purposes of asserting, enforcing or attempting to assert or enforce any Channeled Claim and channeling such Channeled Claims to a trust or trusts established pursuant to the Plan ("Trust"), to which all Channeled Claims are channeled as the sole and exclusive source of payment of any such Channeled Claims.

2.3.2. The Plan shall also include an injunction (the "Supplemental Injunction") in substantially the form attached as Schedule 2 to this Agreement, with only such modifications as are acceptable to the Liberty Mutual Parties, the Diocese and the Parishes, pursuant to sections 105(a) and 363 of the Bankruptcy Code.

2.4. In the Reorganization Case, the Diocese shall seek and obtain entry of an order in form and substance acceptable to the Liberty Mutual Parties that: (i) approves the Plan pursuant to section 1129 of the Bankruptcy Code and any other applicable provision of the Bankruptcy Code; (ii) contains the Channeling Injunction; (iii) contains the Supplemental Injunction; (iv) provides that this Agreement is binding on the Trust, the reorganized Diocese, and any successors of the Trust or reorganized Diocese; and (v) provides all protections to the Liberty Mutual Parties against Tort Claims that are afforded to settling insurers under the Plan (the "Plan Confirmation Order").

2.4.1. The Plan and Plan Confirmation Order must be in all respects consistent with this Agreement and contain no provisions that diminish or impair the benefit of this Agreement to the Liberty Mutual Parties.

2.4.2. In seeking to obtain the Plan Confirmation Order, the Diocese must: (i) seek a confirmation hearing on an appropriately timely basis; (ii) urge the Bankruptcy Court to

overrule any objections and confirm the Plan; and (iii) take all reasonable steps to defend against any appeal, petition, motion, or other challenge to the Bankruptcy Court's entry of the Plan Confirmation Order.

2.4.3. The form and manner of notice of the hearing to confirm the Plan and the form and manner of notice of the hearing as to the adequacy of the disclosure statement pertaining thereto are subject to advance approval by the Liberty Mutual Parties, which approval cannot be unreasonably withheld. The Diocese shall publish notice of the Plan, balloting and disclosure statement relating to the Plan, twice in a national publication and such other publications, to be agreed to by the Parties, and at times and in substance agreed to by the Parties.

2.4.4. Prior to entry of the Plan Confirmation Order, the Diocese shall oppose any motion to lift any stay pursuant to section 362 of the Bankruptcy Code as to any Tort Claim. If the Bankruptcy Court lifts the stay as to any Tort Claim prior to the Plan Confirmation Order, the Diocese shall defend itself against that Tort Claim and comply with the terms of the stay relief order. If the Diocese fails to defend that Tort Claim, then the Liberty Mutual Parties shall have the right, but not the duty, to defend and/or indemnify the Diocese against that Tort Claim and any costs incurred by the Liberty Mutual Parties in defending and/or indemnifying the Diocese shall be deducted from the Settlement Amount. In such event, the Diocese will cooperate with the Liberty Mutual Parties in the defense and/or indemnification of such Tort Claim.

2.5. The Diocese agrees that the Trust and Plan shall provide that the assets in the Trust shall be used solely for payment of indemnity and expenses relating to reimbursing the United States government for reimbursement obligations for any payments ("Conditional Payments") made pursuant to Section 1395y(b)(2)(B) of the Medicare Secondary Payer Act, codified at 42 U.S.C. § 1395y, and the regulations promulgated thereunder, found at 42 C.F.R. § 4.11.1 *et seq.* ("MSPA"), applicable to any Tort Claimant who claims he or she is eligible to receive, is receiving, or has received Medicare benefits ("Medicare Beneficiary") and, after satisfaction thereof, to such Medicare Beneficiaries and Tort Claimants. Except for the payment of the Settlement Amount, the Liberty Mutual Parties shall not be obligated to make any other payments, including any payments to the Trust.

2.6. The Diocese Parties and Parish Parties will undertake all reasonable actions and cooperate with the Liberty Mutual Parties in connection with their reinsurers.

2.7. The Parties shall cease all litigation activities against each other in the Coverage Suit; provided, however, that each Party may take whatever steps that, in its sole judgment, are necessary to defend its interests as long as it remains a party in the Coverage Suit and may also take steps regarding the sealing of certain information that was provided to the District Court in the Coverage Suit.

2.8. The Diocese shall use its reasonable efforts to obtain the dismissal of other Claims, if any, against the Liberty Mutual Parties by any other insurer in the Coverage Suit.

2.9. The Parties covenant not to sue each other until (a) the Bankruptcy Orders become Final Orders, at which time this covenant is superseded by the releases provided in Section 4, or (b) the date on which this Agreement is terminated. As of the Effective Date, the Diocese Parties and the Parish Parties:

2.9.1. will withdraw all outstanding tenders of Claims to the Liberty Mutual Parties for defense and indemnity;

2.9.2. will not tender any Claims to the Liberty Mutual Parties; and

2.9.3. will not request the Liberty Mutual Parties to fund any judgments, settlements, or defense costs.

2.10. The Liberty Mutual Parties shall have no obligation to pay, handle, object, or otherwise respond to any Claim, unless this Agreement is terminated.

3. PAYMENT OF THE SETTLEMENT AMOUNTS AND DISMISSAL OF COVERAGE SUIT

3.1. Conditions Precedent. The Agreement shall become effective and shall be binding on the Parties, and Liberty Mutual will pay the Settlement Amount only after the following conditions have first been satisfied: (a) entry of a Final Order (i) approving the Approval Motion, with the form and content of notice of the motion acceptable to the Liberty Mutual Parties; and (ii) approving the form and content of notice of the Plan, ballots, and disclosure statement relating to the Plan, including publishing twice in a national publication and such other publications to be determined by the Parties and consistent with the terms of this Agreement; (b) entry of a Final Order approving the form and content of the Tort Claimants' ballot, each to be satisfactory to the Liberty Mutual Parties; (c) entry of a Final Order confirming a Plan agreed to by the Diocese in accordance with the Agreement, containing such terms and conditions as are acceptable to the Liberty Mutual Parties; (d) execution of the Agreement by all Parties in form and substance acceptable to the Parties; (e) entry of a Final Order approving of the Channeling Injunction and the Supplemental Injunction in favor of the Liberty Mutual Parties and the Protected Parties in form and substance acceptable to the Parties; and (f) entry of a Final Order approving of the releases in favor of the Liberty Mutual Parties and the Protected Parties, as are acceptable to the Parties.

3.2. In full and final settlement of (i) all responsibilities for any and all Tort Claims that occurred or may have arisen prior to the effective date of the Plan and any and all Unknown Tort Claims; and (ii) in consideration of the sale of the Policies free and clear of all Claims and Interests of any Person, the Liberty Mutual Parties shall pay the Settlement Amount within thirty (30) days after Liberty Mutual receives written notice from the Diocese that the effective date of the Plan has occurred and directions as to transmission of the payment.

3.3. The Parties agree that the Settlement Amount is the total amount the Liberty Mutual Parties are obligated to pay on account of (i) any and all Tort Claims, including all Unknown

Tort Claims, through the effective date of the Plan, that arise under, arising out of, relating to, or in connection with, the Policies (including Channeled Claims, any reimbursement obligations for Conditional Payments under the MSPA, and any Extra-Contractual Claims); and (ii) any and all Claims and Interests, whether known or unknown, past, present, or future, that arise under, arising out of, relating to, or in connection with the Policies.

3.4. The Parties further agree that (i) under no circumstance will the Liberty Mutual Parties ever be obligated to make any additional payments in excess of the Settlement Amount to, or on behalf of, anyone in connection with the Policies or in connection with any Claims or Tort Claims, including any Channeled Claims and any Extra Contractual Claims; (ii) under no circumstance will the Liberty Mutual Parties ever be obligated to make any additional payments to, or on behalf of, the Diocese Parties, Parish Parties, or any Tort Claimants in connection with any certificates, or coverage under any Policies issued by the Liberty Mutual Parties with respect to any Claims that, directly or indirectly, arise out of, relate to, or are in connection with, any Tort Claims, including any Channeled Claims and any Extra Contractual Claims; and (iii) all limits of liability of the Policies, regardless of how these Policies identify or describe those limits, including all per person, per occurrence, per claim, "each professional incident," and aggregate limits, shall be deemed fully and properly exhausted. The Parties further agree that the Settlement Amount is the full purchase price of the Policies.

3.4.1. The Parties agree and jointly represent that (i) the consideration to be provided by the Liberty Mutual Parties pursuant to this Agreement (including the Amount) constitutes fair and reasonable exchanges for the consideration granted to the Liberty Mutual Parties in this Agreement (including the releases set forth below), and (ii) the consideration to be provided by the Diocese Parties and Parish Parties to the Liberty Mutual Parties pursuant to this Agreement (including the releases set forth below) constitutes a fair and reasonable exchange for the consideration granted to the Diocese Parties and Parish Parties in this Agreement (including the Settlement Amount). The Liberty Mutual Parties are not acting as volunteers in paying the Settlement Amount, and the Liberty Mutual Parties' payment of the Settlement Amount reflects potential liabilities and obligations to the Diocese and Parishes of amounts the Liberty Mutual Parties allegedly are obligated to pay on account of any and all Claims.

3.5 Within ten (10) days after the Liberty Mutual Parties pay the Settlement Amount, the Diocese shall sign and file any necessary papers to have dismissed any action pending in connection with the Coverage Disputes, and the Diocese shall file a stipulation, that is signed by all Parties that are parties to the Coverage Suit, that dismisses with prejudice any and all claims asserted by any of the Parties against any of the other Parties.

4. RELEASES and SALE FREE AND CLEAR

4.1. Diocese Parties Release of Liberty Mutual Parties. Upon payment by the Liberty Mutual Parties of the Settlement Amount, the Diocese Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Liberty Mutual Parties and any of their reinsurers or retrocessionaires from any and all past, present, and unknown Claims that occurred, or may have arisen, prior to the effective date of the Plan and that directly or

indirectly, arise out of, relate to, or are in connection with, the Tort Claims, the Coverage Disputes, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties or for which the Liberty Mutual Parties are responsible for, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with, the Reorganization Case. This release specifically includes all unknown Claims that are based, in whole or in part, on the Tort Claims, the Coverage Dispute, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties, or for which the Liberty Mutual Parties are responsible.

4.2. Liberty Mutual Release of Diocese Parties. Upon the Diocese's dismissal of the Coverage Suit, with prejudice, the Liberty Mutual Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Diocese Parties from any and all past, present, and unknown Claims that, occurred, or may have arisen, prior to the effective date of the Plan that directly or indirectly, arise out of, relate to, or are in connection with, the Tort Claims, the Coverage Disputes, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with, the Reorganization Case. This release specifically includes all unknown Claims that are based, in whole or in part, on the Tort Claims, the Coverage Disputes, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties, or for which Liberty Mutual is responsible.

4.3. Parish Parties Release of Liberty Mutual Parties. Upon payment by the Liberty Mutual Parties of the Settlement Amount, the Parish Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Liberty Mutual Parties and any of their reinsurers or retrocessionaires from any and all past, present, and unknown Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with, the Tort Claims, the Coverage Disputes, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties or for which Liberty Mutual is responsible, including any Channeled Claims, Extra-Contractual Claims, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This release specifically includes all unknown Claims that are based, in whole or in part, on the Tort Claims, the Coverage Disputes, the Coverage Dispute, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties, or for which Liberty Mutual is responsible.

4.4. Liberty Mutual Release of Parish Parties. Upon the Diocese's dismissal of the Coverage Suit, with prejudice, the Liberty Mutual Parties hereby fully, finally, and completely remise, release, acquit, and forever discharge the Parish Parties from any and all past, present, and unknown Claims, including any Claims that directly or indirectly, arise out of, relate to, or are in connection with the Tort Claims, the Coverage Disputes, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties, including any Channeled Claims, Extra-Contractual Claims, reimbursement obligations for Conditional Payments under the MSPA, and all Claims that, directly or indirectly, arise from, relate to, or are in connection with the Reorganization Case. This

release specifically includes all unknown Claims that are based in whole or in part on the Tort Claims, the Coverage Disputes, the Coverage Suit, the Policies, or any other binder, certificate, or policy of insurance, issued by the Liberty Mutual Parties or for which Liberty Mutual is responsible.

4.5. Unless otherwise provided in the Plan, the releases contained in this Section shall be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978), and all Tort Claimants reserve their rights against religious orders and any Persons not covered under the Policies, who will remain severally liable on any Claims.

4.6. From and after the first day on which the Plan Confirmation Order is a Final Order, the Diocese Parties shall not assert against the Liberty Mutual Parties any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Tort Claim, including any Unknown Tort Claim, that occurred or may have arisen prior to the effective date of the Plan (including any Tort Claim that arises under or relates to the Policies or any other binder, certificate, or policy of insurance issued by any of the Liberty Mutual Parties, any Channeled Claim, any Extra Contractual Claim, and/or any other matter released pursuant to Section 4).

4.7. From and after the first day on which the Plan Confirmation Order is a Final Order, the Parish Parties shall not assert against the Liberty Mutual Parties any Claim with respect to any matter, conduct, transaction, occurrence, fact, or other circumstance that, directly or indirectly, arises out of, relates to, or is in connection with any Claim, including any Tort Claim, and any other Claim that arises under or relates to the Policies or any other binder, certificate, or policy of insurance issued by any of the Liberty Mutual Parties, any Channeled Claim, any Extra Contractual Claim, and/or any other matter released pursuant to Section 4.

4.8. As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Liberty Mutual Parties, for the consideration stated herein, shall buy back the Policies free and clear of all Interests of all Persons, including all Interests of the Diocese Parties, the Parish Parties, any other Person claiming coverage by, through, or on behalf of, any of the Diocese Parties, the Parish Parties, any other insurer, and any Tort Claimant. This sale is pursuant to sections 363(b) and 363(f) of the Bankruptcy Code. The Parties acknowledge and agree that (i) the Liberty Mutual Parties are good faith purchasers of the Policies within the meaning of section 363(m) of the Bankruptcy Code and (ii) the consideration exchanged constitutes a fair and reasonable settlement of the Parties' disputes and of their respective rights and obligations relating to the Policies and constitutes reasonably equivalent value, and (iii) the releases in this Agreement and the buyback of the Policies comply with the Bankruptcy Code and applicable non-bankruptcy laws. As set forth in the Approval Order, upon entry of the Bankruptcy Orders as Final Orders, the Policies shall be terminated and of no further force and effect. The Liberty Mutual Parties' payment of the Settlement Amount shall constitute the Liberty Mutual Parties' full and complete performance of any and all obligations under the Policies, including any performance owed to the Diocese Parties, and exhausts all limits of liability of the Policies. All Interests the Diocese Parties or the Parish Parties may have had, may presently have, or in the future may have, in the Policies or any other binder, certificate, or policy of insurance issued by the

Liberty Mutual Parties shall be released. The Diocese Parties and the Parish Parties accept the Settlement Amount in full and complete satisfaction of all the Liberty Mutual Parties' past, present, and future obligations, including any obligations to any of the Diocese Parties and the Parish Parties under the Policies or arising therefrom, if any, as to any and all Claims for insurance coverage or policy benefits of any nature whatsoever, whether legal or equitable, known or unknown, suspected or unsuspected, fixed or contingent, and regardless of whether or not such claims arise from, relate to, or are in connection with the Tort Claims, the Unknown Tort Claims, the Coverage Disputes, the Coverage Suit, the Channeled Claims, the Reorganization Case, or otherwise under the Policies.

4.9. If, contrary to the intent of the Parties, any Claims released pursuant to this Section 4 of the Agreement, including any past, present or unknown Claim for insurance coverage under the Policies or any other Claim by the Diocese Parties or the Parish Parties against any of the Liberty Mutual Parties, are deemed to survive this Agreement, even though they are encompassed by the terms of the releases set forth in this Section 4 of this Agreement, the Parties hereby forever, expressly, and irrevocably waive entitlement to, and agree not to assert, any and all such Claims.

4.10. All of the releases and other benefits provided in this Agreement by the Diocese Parties and the Parish Parties to the Liberty Mutual Parties are at least as favorable as the releases and other benefits that the Diocese and Parishes have provided to any other one of the Diocese's or Parish's insurers in the Reorganization Case. If the Diocese or Parish(es) enters into any agreement with any other one of its insurers in the Reorganization Case that provides that insurer with releases or other benefits that are more favorable than those contained in this Agreement, then this Agreement shall be deemed to be modified to provide the Liberty Mutual Parties with those more favorable releases and/or benefits. However, the provision at Section 7.2 that the duty to defend, indemnify, and hold harmless the Liberty Mutual Parties not extend to nor include claims that are or may be made against Liberty Mutual by other insurers, shall not be modified. The Diocese Parties and Parish Parties shall notify the Liberty Mutual Parties promptly of the existence of such more favorable releases or benefits.

4.11. Neither the releases set forth in this Section 4 nor any other provisions in this Agreement are intended to apply to or have any effect on the Liberty Mutual Parties' right to reinsurance recoveries under any reinsurance treaties, certificates, or contracts that cover losses arising under or in connection with the Policies or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties.

4.12. This Section 4 is not intended to, and shall not be construed to, release, waive, relinquish, or otherwise affect the Parties' rights and obligations under this Agreement.

5. TERMINATION OF AGREEMENT

In the event i) the Bankruptcy Orders do not become Final Orders of the Bankruptcy Court within one year from the date on which the Agreement is executed by all the Parties, or ii) a Plan is filed or confirmed that is inconsistent with the terms of the Agreement or is otherwise unacceptable to Liberty Mutual, or iii) the Reorganization Case is dismissed or converted, then

Liberty Mutual may terminate the Agreement upon fifteen (15) days' notice to the Diocese, immediately following which the Agreement shall be null and void and of no force or effect.

6. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

6.1. The Parties separately represent and warrant as follows:

6.1.1. To the extent it is a corporation, including a non-profit corporation, or other legal entity, it has the requisite power and authority to enter into this Agreement and to perform the obligations contemplated by this Agreement, subject only to approval of the Bankruptcy Court;

6.1.2. This Agreement has been thoroughly negotiated and analyzed by counsel to the Parties and executed and delivered in good faith, pursuant to arm's length negotiations and for value and valuable consideration.

6.2 The Diocese Parties and Parish Parties represent and warrant that they have not and will not assign any Interests in the Policies or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties or for which the Liberty Mutual Parties has responsibility.

6.3 The Diocese Parties and the Parish Parties represent and warrant that they are the owners of the Policies and that no other Person has legal title to the Policies.

6.4 The Diocese Parties and Parish Parties each represent and warrant that they have not in any way assisted, and shall not in any way assist, any Person in the establishment of any Claim against the Liberty Mutual Parties.

6.5 The person(s) executing this Agreement on behalf of the parties in Sections 1.1.10(i), (ii), and (iii) and Sections 1.1.18(i), (ii) and (iii) (collectively, the "Other Diocese-/Parish Parties") represents and warrants that he/she has received authority from such Other Diocese-/Parish Parties, as the case may be, to execute this Agreement on their behalf and to provide the releases identified in Section 4 above on behalf of such Other Diocese-/Parish Parties. Notwithstanding the foregoing, nothing in the definition of Other Diocese-/Parish Parties is intended to suggest or should be construed to mean that any Person included in this definition is owned, directed, supervised or controlled by the Diocese or Parishes.

6.6 The Parties have completed a reasonable search for evidence of any Policies issued by the Liberty Mutual Parties to the Diocese Parties and Parish Parties that might afford coverage with respect to any Tort Claim. Other than the alleged Policies identified in Exhibit A, no such Policies or acknowledgments of coverage have been identified. Notwithstanding the foregoing, nothing in this Agreement, including the Schedules or Exhibits thereto, shall be construed as, or deemed to be, an admission or evidence that any binder, certificate, or policy of insurance was in fact issued and/or affords coverage in connection with the Tort Claims.

7. ACTIONS INVOLVING THIRD PARTIES

7.1. For purposes of supporting the releases granted in Section 4 and the extinguishment of any and all rights under the Policies, the Diocese Parties and Parish Parties hereby agree as follows:

7.1.1. If any other insurer of the Diocese Parties or Parish Parties obtains a judicial determination or binding arbitration award that it is entitled to obtain a sum certain from any of the Liberty Mutual Parties as a result of a claim for contribution, subrogation, indemnification, or other similar Claim for any of the Liberty Mutual Parties' alleged share or equitable share, or to enforce subrogation rights, if any, with respect to the defense and/or indemnity obligation of any of the Liberty Mutual Parties for any Claims or reimbursement obligations for Conditional Payments released or resolved pursuant to this Agreement, the Diocese Party(ies) or Parish Party(ies), as applicable, shall voluntarily reduce its judgment or Claim against, or settlement with, such other insurer(s) to the extent necessary to satisfy such contribution, subrogation, indemnification, or other claims against the Liberty Mutual Parties. To ensure that such a reduction is accomplished, the Liberty Mutual Parties shall be entitled to assert this Section 7 as a defense to any action against them brought by any other insurer for any such portion of the judgment or Claim and shall be entitled to request that the court or appropriate tribunal issue such orders as are necessary to effectuate the reduction to protect the Liberty Mutual Parties from any liability for the judgment or Claim. Moreover, if a non-settling insurer asserts that it has a Claim for contribution, indemnity, subrogation, or similar relief against any of the Liberty Mutual Parties, such Claim may be asserted as a defense against the Trust (under the Plan contemplated by the Agreement) in any coverage litigation (and the Trust may assert the legal and equitable rights of the Liberty Mutual Parties in response thereto); and to the extent such a Claim is determined to be valid by the court presiding over such action, the liability of such non-settling insurer to the Trust (or Diocese Parties or Parish Parties) shall be reduced dollar for dollar by the amount so determined.

7.1.2. The Liberty Mutual Parties shall not seek reimbursement for any payments they are obligated to make under this Agreement under theories of contribution, subrogation, indemnification, or similar relief from any other insurer of the Diocese or Parishes unless that other insurer first seeks contribution, subrogation, indemnification, or similar relief from any of the Liberty Mutual Parties. The Diocese and Parishes shall use their respective reasonable best efforts to obtain from all insurers with which it settles agreements similar to those contained in this Section 7.

7.2. The Diocese and Parishes shall defend, indemnify, and hold harmless the Liberty Mutual Parties with respect to any and all released claims pursuant to Section 4 above, including all Tort Claims made by: (i) any Person claiming to be insured (as a named insured, additional insured, or otherwise) under any of the Policies; (ii) any Person who has made, will make, or can make a Tort Claim; and (iii) any Person who has actually or allegedly acquired or been assigned the right to make a Tort Claim under the Policies; (iv) provided, however, this indemnification does not extend to, nor does it include, claims that are or may be made against Liberty Mutual by other insurers. This indemnification includes Tort Claims made by Persons over whom the Diocese or Parishes do not have control, including any other Person who asserts Claims against or rights to coverage under the

Policies. The Diocese's and Parishes' obligation to indemnify the Liberty Mutual Parties under this Section 7.2 shall not exceed the Settlement Amount. The Liberty Mutual Parties may undertake the defense of any Claim upon receipt of such Claim. The Liberty Mutual Parties agree to notify the Diocese or Parishes, as applicable, as soon as practicable of any Claims identified in this Section 7.2 and of their choice of counsel. The Liberty Mutual Parties' defense of any Claims shall have no effect on the Diocese's or Parishes' obligation to indemnify the Liberty Mutual Parties for such Claims, as set forth in this Section 7.2. The Diocese or Parishes, as applicable, subject to the limitations above regarding the maximum amounts the Diocese and Parishes' must pay, shall reimburse all reasonable and necessary attorneys' fees, expenses, costs, and amounts incurred by the Liberty Mutual Parties in defending such Claims. In defense of any such Claims, the Liberty Mutual Parties may settle or otherwise resolve a Claim only with the prior consent of the Diocese and Parishes, which consent shall not be unreasonably withheld. To the extent this Section 7.2 may give rise to pre-Effective Date administrative claims, which have not been provided for in the Plan, such claims shall pass through the Plan unimpaired.

7.3. If any Person attempts to prosecute a Channeled Claim against any of the Liberty Mutual Parties following the Petition Date, then promptly following notice to do so from the Liberty Mutual Parties, the Diocese will file a motion and supporting papers, supported by the Parishes, to obtain an order from the Court, pursuant to Bankruptcy Code §§ 362 and 105(a), protecting the Liberty Mutual Parties from any such Claims until the Bankruptcy Orders become Final Orders, or, alternatively, this Agreement is terminated under Section 5.

8. MISCELLANEOUS

8.1. If any proceedings are commenced to invalidate or prevent the enforcement or implementation of any of the provisions of this Agreement, the Parties agree to cooperate fully to oppose such proceedings. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any Person not a Party to this Agreement to invalidate, interpret, or prevent the validation or enforcement, or carrying out, of all or any of the provisions of this Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate fully in opposing such action or proceeding.

8.2. The Parties will take such steps and execute any documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Agreement and to preserve its validity and enforceability.

8.3. The Parties shall cooperate with each other in connection with the Approval Motion, the Approval Order, the Plan, the Plan Confirmation Order, and the Reorganization Case. Such cooperation shall include consulting with each other upon reasonable request concerning the status of proceedings and providing each other with copies of reasonably requested pleadings, notices, proposed orders, and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court.

8.4. This Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between and among the Parties. It is further agreed that the terms of this Agreement are contractual in nature and not mere recitals.

8.5. This Agreement may be modified only by a written amendment signed by the Parties, and no waiver of any provision of this Agreement or of a breach thereof shall be effective, unless expressed in a writing signed by the waiving Party. The waiver by any Party of any of the provisions of this Agreement or of the breach thereof shall not operate, or be construed as a waiver of any other provision or breach.

8.6. By entering into this Agreement, none of the Parties has waived or shall be deemed to have waived any rights, obligations, or positions they have asserted, or may in the future assert in connection with any matter outside the scope of this Agreement. No part of this Agreement, its negotiation, or its performance may be used in any manner in any action, suit, or proceeding as evidence of the rights, duties, or obligations of the Parties, including, without limitation, the existence of insurance coverage, with respect to matters outside the scope of this Agreement. All actions taken and statements made by the Parties or by their representatives, relating to this Agreement or participation in this Agreement, including its development and implementation, shall be without prejudice or value as precedent and shall not be used as a standard by which other matters may be judged.

8.7. This Agreement represents a compromise of disputed Claims and shall not be deemed an admission or concession of liability, culpability, wrongdoing, or insurance coverage. All related discussions, negotiations, and all prior drafts of this Agreement shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any parallel state law provisions. Any evidence of the negotiations or discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, including, without limitation, the existence of insurance coverage, except that they shall be admissible to the extent they would have otherwise been admissible, absent this Section 8.7, in (i) an action or proceeding to enforce the terms of this Agreement, including any use as set forth in Section 7 or (ii) any possible action or proceeding between any of the Liberty Mutual Parties and any of their reinsurers. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Liberty Mutual Parties' obligations under any of Policies or any other binder, certificate, or policy of insurance or any acknowledgment of coverage issued by the Liberty Mutual Parties, with respect to any Claims against any of the Liberty Mutual Parties. Except as otherwise provided in this Agreement, nothing herein shall alter, modify, or otherwise change, the terms, conditions, limitations, and exclusions of the Policies.

8.8. None of the Parties shall make any public statements or disclosures (i) regarding each other's rationale or motivation for negotiating or entering into this Agreement, or (ii) asserting or implying in any way that the Parties acted improperly or in violation of any duty or obligation, express or implied, in connection with any matter arising out of, relating to, or in connection with the Policies or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties, including handling of, or involvement in connection with, the

Tort Claims or the resolution of the Tort Claims, the Coverage Disputes, and/or the Coverage Suit.

8.9. The Parties have received the advice of counsel in the preparation, drafting, and execution of this Agreement, which was negotiated at arm's length.

8.10. Section titles and/or headings contained in this Agreement are included only for ease of reference and shall have no substantive effect.

8.11. All notices, demands, or other communication to be provided pursuant to this Agreement shall be in writing and sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to the Parties at the addresses set forth below, or to such other person or address as any of them may designate in writing from time to time:

If to the Diocese Parties:

Rev. James Bissonette
Diocese of Duluth
2830 East 4th Street
Duluth, MN 55812

and

With a copy to:

Ford Elsaesser, Esquire
Bruce A. Anderson, Esquire
Elsaesser Anderson, Chtd.
320 East Neider Avenue, Suite 102
Coeur d'Alene, ID 83815
Email: ford@eaidaho.com
brucea@eaidaho.com

and

Phillip Kunkel Esquire
Gray Plant Mooty
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Email: Phillip.Kunkel@gpmlaw.com

If to the Liberty Mutual Parties, to:

Steven R. White, Esquire
Asst. Vice President and Sr. Corporate Counsel
Liberty Mutual Insurance
175 Berkeley Street
Boston, MA 02116
Steven.white@libertymutual.com

With a copy to:

Nancy D. Adams, Esquire
Kevin J. Walsh, Esquire
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
NDAdams@mintz.com
KJWalsh@mintz.com

If to the Parish Parties:

John D. Kelly, Esquire
Hanft Fride, P.A.
1000 U.S. Bank Place
130 W Superior Street
Duluth, MN 55802-2094
Email: jdk@hanftlaw.com

8.12. All notices, demands, or other communication to be provided pursuant to this Agreement prior to entry of the Plan Confirmation Order shall also be sent by e-mail and Federal Express or other overnight delivery service, costs prepaid, to Robert T. Kugler, Stinson Leonard Street, 150 South Fifth Street, Suite 2300, Minneapolis, MN 55402, Email: Robert.kugler@stinson.com.

8.13. This Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or other electronic image, which facsimile or other electronic image counterparts shall be deemed to be originals.

8.14. Nothing contained in this Agreement shall be deemed or construed to constitute (i) an admission by any of the Liberty Mutual Parties that the Diocese Parties, Parish Parties, or any other Person was or is entitled to any insurance coverage under the Policies or any other binder, certificate, or policy of insurance issued by the Liberty Mutual Parties or as to the validity of any of the positions that have been or could have been asserted by the Diocese Parties or Parish Parties, (ii) an admission by the Diocese Parties as to the validity of any of

the positions or defenses to coverage that have been or could have been asserted by the Liberty Mutual Parties or the validity of any Claims that have been or could have been asserted by the Diocese Parties or Parish Parties against the Liberty Mutual Parties, or (iii) an admission by the Diocese Parties, Parish Parties or the Liberty Mutual Parties of any liability whatsoever with respect to any of the Tort Claims.

8.15. All of the Persons included in the definition of Liberty Mutual Parties are intended beneficiaries of this Agreement. Except as set forth in the preceding sentence or otherwise set forth in this Agreement, there are no third-party beneficiaries of this Agreement.

8.16. The Parties warrant and represent that they have not sold, assigned, encumbered, or otherwise transferred, in any manner, all or any portion of the Claims released in, and covered by, this Agreement.

8.17. The Diocese Parties, Parish Parties and the Liberty Mutual Parties shall be responsible for their own fees and costs incurred in connection with the Tort Claims, the Coverage Disputes, the Coverage Suit, and the Reorganization Case, this Agreement, and the implementation of this Agreement.

8.18. The following rules of construction shall apply to this Agreement:

8.18.1. Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby,” and derivative or similar words refer to this entire Agreement; and (iv) the words “include,” “includes,” or “including” shall be deemed to be followed by the words “without limitation.”

8.18.2. References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions regardless of whether specifically referenced in this Agreement.

8.18.3. The wording of this Agreement was reviewed by legal counsel for each of the Parties, and each of them had sufficient opportunity to propose and negotiate changes prior to its execution. The wording of this Agreement shall not be construed in favor of or against any Person.

8.18.4. The use of the terms “intend,” “intended,” or “intent,” when describing the intention of the Parties, as the case may be, shall not be construed to create a breach of this Agreement when the stated intent is not achieved.

8.19. The Bankruptcy Court in the Reorganization Case shall retain exclusive jurisdiction to interpret and enforce the provisions of this Agreement, which shall be construed in accordance with Minnesota law.

8.20. This Agreement and the obligations under this Agreement shall be binding on the Parties and shall survive the entry of the Plan Confirmation Order.