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12
13 **IN THE UNITED STATES BANKRUPTCY COURT**
14 **FOR THE DISTRICT OF ARIZONA**

15 In re:

16 THE ROMAN CATHOLIC CHURCH OF
17 THE DIOCESE OF TUCSON *aka* THE
18 DIOCESE OF TUCSON, an Arizona
19 corporation sole,

20 Debtor.

In Proceedings Under Chapter 11

Case No. 4-04-04721

**DEBTOR'S THIRD AMENDED AND
RESTATED PLAN OF
REORGANIZATION**

21 May 25, 2005
22 Tucson, Arizona
23
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ARTICLE 1

INTRODUCTION

The Roman Catholic Church of the Diocese of Tucson *aka* the Diocese of Tucson, an Arizona corporation sole ("Debtor" or "Diocese"), the Debtor in the above-captioned Chapter 11 reorganization case (the "Reorganization Case"), proposes the following Third Amended and Restated Plan of Reorganization (the "Plan") pursuant to the provisions of Chapter 11 of the Bankruptcy Code. For purposes hereof, any term used in an initially capitalized form in the Plan will have the defined meaning ascribed to it in either Bankruptcy Code § 101 or Article Two hereof unless the context otherwise requires.

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

The Court has scheduled the Confirmation Hearing on **July 11, 2005**.

ARTICLE 2

DEFINITIONS

2.1 Scope Of Definitions. For purposes of the Plan, and except as expressly provided otherwise herein or unless the context otherwise requires, all of the defined terms stated in Article 2 will have the meanings hereinafter stated. For purposes of the Plan and such defined terms, the singular and plural uses of such defined terms and the conjunctive and disjunctive uses thereof will be fungible and interchangeable (unless the context otherwise requires); and the defined terms will include masculine, feminine, and neuter genders. The words "hereof," "hereto," "herein," and "hereunder" and words of similar import, when used in the Plan, will refer

1 to the Plan as a whole. The defined terms stated in Article 2 also are substantive terms of the
2 Plan, and Article 2 will be deemed incorporated throughout the rest of the Plan to convey the
3 substantive provisions included in the defined terms. Any term used in the Plan that is not
4 defined herein but that is used in the Bankruptcy Code or the Bankruptcy Rules will have the
5 meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules. Unless
6 otherwise specified, all section, article, and exhibit references in the Plan are to the respective
7 section in, article of, or exhibit to the Plan, as the same may be amended, waived, or modified
8 from time to time. The headings and captions of the Plan (including the headings of the defined
9 terms) are for convenience of reference only and will not limit or otherwise affect the provisions
10 hereof. Accordingly, the defined terms are as follows:

11 2.2 Additional Distribution. This term will refer to and mean the distribution, if any,
12 to be made to the holders of Allowed Tort Claims from the Unknown Claims Reserve either
13 pursuant to order of the Court upon application of the Trustee, the Committee or the Reorganized
14 Debtor or upon termination of the Unknown Claims Reserve.

15 2.3 Additional Distribution Amount. This term will refer to and mean the amount of
16 the Additional Distribution which is calculated by: (i) deducting from the amount available for
17 distribution the applicable amount of the Sharing Arrangement; and (ii) applying the Weighted
18 Distribution Ratio to the remaining amount to determine the amount of each Allowed Tort Claim
19 for each Tier.

20 2.4 Administrative Claim. This term will refer to and mean: (a) every cost or expense
21 of administration of the Reorganization Case which is allowable pursuant to Bankruptcy Code
22 § 503, including any actual and necessary postpetition expenses of preserving the Estate; (b) any
23 actual and necessary postpetition expenses of operating the Diocese; (c) all Professional Charges
24 approved by the Bankruptcy Court pursuant to interim and final allowances in accordance with
25 Bankruptcy Code §§ 330, 331, and 503(b); (d) every Property Tax Administrative Claim; and
26

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

3 2.5 Allowed Claim. This term will refer to and mean every Claim against the Debtor:

4 (a)(i) as to which a Proof of such Claim has been filed by the Bar Date or, if such Claim arises
5 from the rejection of an Executory Contract pursuant to the Plan, on or before the first Business
6 Day which is thirty (30) days after the Confirmation Date, or (ii) which the Debtor has scheduled
7 as liquidated in amount and undisputed; and in either event: (b)(i) as to which no objection to the
8 allowance of such Claim has been filed within any applicable time period fixed by the
9 Bankruptcy Court or the Plan, or (ii) as to which the order allowing such Claim has become a
10 Final Order, or (iii) if an appeal has been timely taken, as to which a mandate of the appellate
11 court has issued allowing such Claim and as to which no further appeal is allowed pursuant to the
12 Bankruptcy Code, the United States Code, or applicable federal or Bankruptcy Rules or (iv) as to
13 which the Special Arbitrator has made a ruling that the Tort Claim, Relationship Tort Claim or
14 Unknown Tort Claim should be Allowed. If any Claim, or the Creditor holding such Claim, is
15 subject to any defense, set off, counterclaim, recoupment, or other adverse claim of any kind of
16 the Debtor, the Reorganized Debtor or the Trustee (if applicable), that Claim will be deemed a
17 Disputed Claim, unless such adverse claim is acknowledged by the Debtor in the Plan or in
18 accordance with the terms of the Plan; and it will not become an Allowed Claim unless and until
19 all such matters are resolved or adjudicated fully and finally, with all appellate rights and
20 remedies having been exhausted except as provided in the Settlement Trust Agreement or the
21 Litigation Trust Agreement. Unless any earlier time is fixed by order of the Bankruptcy Court,
22 except with respect to Tort Claims, Unknown Tort Claims and Relationship Tort Claims, and
23 subject to amendment rights and the relation back of amendments under applicable federal or
24 state procedural rules, any objection to the allowance of any Claim and the assertion of any
25 defense, set off, counterclaim, recoupment, or other adverse claim of any kind of the Debtor or

26

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

3 2.6 Assets. This term will refer to and mean each and every item of property and
4 interest of the Debtor therein as of the Effective Date, whether tangible or intangible, legal or
5 equitable, liquidated or unliquidated, and includes without limitation: (a) all Cash; (b) all
6 Avoidance Actions; (c) all Contribution Actions; (e) all Insurance Actions; (d) any and all
7 amounts owed to the Debtor, including accounts receivable and contract rights, whether due prior
8 or subsequent to the Petition Date; (e) any other right, claim, cause of action, or defense, whether
9 arising by statute or common law, and whether arising under the laws of the United States, other
10 countries, or applicable state or local law, including, but not limited to all Insurance Actions; (f)
11 all of the Debtor's books, records, and privileges; and (g) all contracts, agreements, licenses, and
12 leases.

13 2.7 Avoidance Actions. This term will refer to and mean all actions pursuant to
14 Bankruptcy Code §§ 544, 547, 548, 549 and 550 and any other actions provided for under
15 applicable law that allow a debtor, a trustee or a debtor in possession, among other things, to
16 avoid certain transfers.

17 2.8 Avoidance Actions Fund. This term will refer to and mean \$100,000 to be paid or
18 reserved from Initial Contribution to the Settlement Trust within thirty (30) days after the
19 Effective Date to be used by the Representatives to investigate and prosecute any Avoidance
20 Actions assigned to the Representatives pursuant to the Plan.

21 2.9 Ballot. This term will refer to and mean the ballot accompanying the Plan and
22 Disclosure Statement: (i) which will be sent to all Creditors who hold Claims in any Class entitled
23 to vote on the Plan; (ii) on which such Creditors will indicate their vote to accept or reject the
24 Plan; (iii) pursuant to which any Creditors will elect to have their Claims treated as General
25 Unsecured Convenience Claims; (iv) pursuant to which any Tort Claimants will make the election
26 to opt out of the Settlement Trust and into the Litigation Trust; and (v) pursuant to which a Tort

1 Claimant who has received written notice from the Diocese or the Committee that he or she is
2 eligible to make an election to have his or her Tort Claim treated as a Tort Compromise Claim
3 may make such election. The Ballot, to the extent necessary, will be approved by the Bankruptcy
4 Court.

5 2.10 Bankruptcy Code. This term will refer to and mean Title 11 of the United States
6 Code, 11 U.S.C. §§ 101, et seq., including any amendments thereto, which is applicable to the
7 Reorganization Case.

8 2.11 Bankruptcy Court or Court. These terms are completely synonymous and
9 interchangeable and will refer to and mean the United States Bankruptcy Court for the District of
10 Arizona, Tucson Division, or such other court which exercises jurisdiction over part or all of the
11 Reorganization Case.

12 2.12 Bankruptcy Rules. This term will refer to and mean the Federal Rules of
13 Bankruptcy Procedure promulgated under Title 28, United States Code, § 2075, as they may be
14 amended from time to time and applicable to the Reorganization Case.

15 2.13 Bar Date. This term will refer to and mean April 15, 2005, the date established by
16 Order of the Court entered November 5, 2004, as the date by which a Claim, in order to be timely
17 and considered for purposes of distribution under the Plan, was to have been filed by the filing of
18 a Proof of Claim with the Bankruptcy Court.

19 2.14 Barred Tort Claims. This term will refer to and mean every Tort Claim that was
20 timely filed on or before the Bar Date but is otherwise barred by an applicable statute of
21 limitations or other legal defense or failure, every Tort Claim for which a Proof of Claim was
22 untimely filed after the Bar Date and every Tort Claim that has been Disallowed.

23 2.15 Business Day. This term will refer to and mean every day except Saturdays,
24 Sundays, federal holidays, Catholic holidays recognized and observed by the Diocese, and
25 Arizona state holidays observed by the Bankruptcy Court.

26

1 2.16 California Tier. This term will refer to and mean the Tier into which each
2 California Tort Claim will be placed when and as it is determined to be an Allowed Tort Claim.

3 2.17 California Tort Claimant. This term will refer to and mean every Tort Claimant:
4 (i) who asserts a Tort Claim against the Debtor; (ii) who does not assert that the statute of
5 limitations under Arizona law is tolled because of repressed memory or other incapacity; (iii) who
6 asserts that the Claim can be brought against the Diocese pursuant to the change in the statute of
7 limitations passed by the California legislature in 2002; and (iv) whose action against the Diocese
8 was pending in the California state court prior to its removal by the Diocese to the Bankruptcy
9 Court.

10 2.18 California Tort Claims. This term will refer to and mean the Tort Claim of a
11 California Tort Claimant.

12 2.19 California Tier Initial Distribution Amount. This term will refer to and mean the
13 sum of \$300,000 which will be the amount of the Initial Distribution to be distributed to the
14 holder of an Allowed California Tort Claim on the funding of the Settlement Trust if the
15 California Tort Claim is then an Allowed Claim or the applicable Claim Payment Date.

16 2.20 Canon Law. This term will refer to and mean the Code of Canon Law applicable
17 to the Roman Catholic Church which is, for the most part: (i) a set of norms created to bring
18 order to the life of the ecclesial community; (ii) articulated and promulgated by those who are
19 entrusted with the community's care; and (iii) to serve the common good, thus imposing
20 obligations and establishing legal bonds from which certain rights, duties and interests flow.

21 2.21 Cash. This term will refer to and mean cash, cash equivalents, bank deposits, and
22 negotiable instruments payable on demand.

23 2.22 Channeled Claims. This term will refer to and mean the Claims of the Tort
24 Claimants, Unknown Tort Claimants and Relationship Tort Claimants against the Participating
25 Third Parties, the Settling Insurers or the Settling Parties which are channeled to and satisfied
26 pursuant to the Settlement Trust or the Litigation Trust.

1 2.23 Chapter 11 Professionals. This term will refer to and mean the Debtor's
2 Professionals, the Committee Professionals, the Unknown Claims Representative, the Guardian
3 ad Litem and the Representatives' Professionals, wherever they are referred to collectively in the
4 Plan.

5 2.24 Claim. This term will refer to and mean "claim" as defined in Bankruptcy Code
6 § 101(5).

7 2.25 Claim Payment Date. This term will refer to and mean, with respect to, every
8 Claim which is not an Allowed Claim as of the Effective Date, but which later becomes an
9 Allowed Claim by a Final Order or determination by the Special Arbitrator, the date such Claim
10 will be paid which will be no less than thirty (30) days after the Claim is Allowed unless a
11 different date for payment is specified under the Plan.

12 2.26 Class. This term will refer to and mean each of the classifications of Claims
13 described in Article 3 of the Plan.

14 2.27 Co-Defendants. This term will refer to and mean the entities and individuals who
15 are co-defendants with the Diocese in the various state or federal court actions involving
16 allegations of sexual abuse or against whom informal claims have been asserted by a Tort
17 Claimant for sexual abuse by clergy, workers or volunteers working in the Diocese or otherwise
18 associated with the Diocese.

19 2.28 Committee. This term will refer to and mean the Official Committee of Tort
20 Creditors appointed by the United States Trustee on October 14, 2004 pursuant to Bankruptcy
21 Code § 1102.

22 2.29 Committee's Professionals. This term will refer to and mean the law firm of
23 Stinson Morrison Hecker LLP and all other professionals which the Committee may retain to
24 provide professional services for a specified purpose, all in accordance with Bankruptcy Code
25 §§ 327(a) and 327(e) and as approved by the Bankruptcy Court.

26

1 2.30 Confirmation Date. This term will refer to and mean the date on which the
2 Bankruptcy Court enters the Confirmation Order on the Court's docket.

3 2.31 Confirmation Hearing. This term will refer to and mean the hearing held by the
4 Bankruptcy Court regarding confirmation of the Plan, as such may be continued from time to
5 time.

6 2.32 Confirmation Order. This term will refer to and mean the order of the Bankruptcy
7 Court confirming the Plan pursuant to Bankruptcy Code §1129 and which will, among other
8 things:

9 (a) provide that the settlement provisions and other provisions in Article 12 of
10 the Plan and the Settlement Trust are binding on all Settling Tort Claimants;

11 (b) provide that, pursuant to the reasoned judgment of the Unknown Claims
12 Representative and the Guardian ad Litem, all Unknown Tort Claims will be heard and
13 determined by the Special Arbitrator in accordance with the provisions of the Plan;

14 (c) provide that all Unknown Tort Claimants whether or not they file a Proof
15 of Claim are bound by the provisions of the Plan;

16 (d) approve and provide for the implementation of the other Plan Documents;

17 (e) approve and incorporate the Settlement Trust Agreement and the Litigation
18 Trust Agreement, if any, as part of the Plan; and

19 (f) effect the release and discharge of certain Claims and the injunction against
20 prosecution of the released Claims or Channeled Claims by any Creditors or parties in interest
21 against Participating Third Parties, Settling Insurers, Settling Parties, the Diocese and others
22 described in Article 18 of the Plan, and provide for the channeling injunction with respect to
23 Claims against Participating Third Parties, Claims against Settling Parties, Claims against Settling
24 Insurers and Claims against others as set forth in Article 18 of the Plan.

25

26

1 2.33 Contingent. This term will refer to and mean, with reference to a Claim, a Claim
2 that has not accrued or is not otherwise payable and the accrual of which or the obligation to
3 make payment on which is dependent upon a future event that may or may not occur.

4 (a) Contribution Actions. This term will refer to and mean any rights of the
5 Diocese for indemnification or contribution against any Person who is or may be liable to the
6 Diocese or any Person on account of any Claims which are or may be asserted against the
7 Diocese.

8 2.34 Creditor. This term will refer to and mean "creditor" as defined in Bankruptcy
9 Code § 101(10).

10 2.35 Debtor or Diocese. These terms (which are completely synonymous and
11 interchangeable) will refer to and mean the Roman Catholic Church of the Diocese of Tucson, in
12 all of its capacities, including, but not limited to: (a) the Estate of the Diocese, and (b) the
13 Diocese as the representative of the Estate.

14 2.36 Debtor's Professionals. This term will refer to and mean:

15 The law firm of Quarles & Brady Streich Lang LLP;

16 The law firm of Gust Rosenfeld PLC;

17 The law firm of Thomas A. Zlaket P.L.L.C.

18 The law firm of Goering, Roberts, Rubin, Brogna, Enos & Hernandez, P.C.

19 The accounting firm of Keegan, Linscott & Kenon P.C.; and

20 any and all other similar professionals which the Debtor or the Reorganized Debtor retains to
21 assist in the conduct of the Reorganization Case or to provide professional services for a specified
22 purpose, all in accordance with Bankruptcy Code §§ 327(a) and 327(e).

23 2.37 Diocese Real Property. This term will refer to and mean the real property owned
24 by the Diocese:

25 (a) in fee simple;

26 (b) for which the Diocese has legal and equitable title;

- 1 (c) which is part of the temporal goods of the Diocese as a juridic person;
2 (d) which the Diocese is not holding in trust for any other Person;
3 (e) which the Diocese is selling in order to contribute to the Fund; and
4 (f) which consists of certain vacant land designated by the Diocese for future
5 parish sites and certain excess real property not otherwise utilized for Diocesan purposes but,
6 excluding, any Parish Real Property.

7 2.38 Disallowed. This term, when referring to a Claim, will refer to and mean a Claim
8 or any portion of a Claim which has been disallowed or expunged by a Final Order or which has
9 been denied or Disallowed by the Special Arbitrator.

10 2.39 Disclosure Statement. This term will refer to and mean the Third Amended and
11 Restated Disclosure Statement dated May 25, 2005, presented by the Diocese with respect to the
12 Plan, including, but not limited to, any restatements, amendments, modifications, and additional
13 disclosures (if any) provided by the Diocese to comply with Bankruptcy Code § 1127 or orders of
14 the Bankruptcy Court and which has been approved by the Bankruptcy Court.

15 2.40 Disputed Claim. This term will refer to and mean every Claim, or portion thereof,
16 which is not an Allowed Claim, to which an objection (formal or informal) has been made and
17 which has not yet been Disallowed.

18 2.41 Disputed Claims Reserve. This term will refer to and mean the reserve to be
19 established on the Effective Date (and, thereafter, to be maintained as necessary) to hold in one or
20 more segregated accounts Cash or other Assets equal to the aggregate amounts thereof that would
21 have been distributed on an applicable Claim Payment Date on account of a Disputed Claim. In
22 establishing the Disputed Claims Reserve on the Effective Date, all Disputed Claims may be
23 estimated by the Reorganized Debtor at an amount equal to: (a) such lesser amount that is agreed
24 to by the holder of such Claim; (b) the amount claimed if the Court has not made an estimation of
25 such Claim or the holder of such Claim has not agreed to a lesser amount; or (c) the amount, if
26 any, determined by the Court by Final Order pursuant to Bankruptcy Code § 502(c) as an estimate

1 for distribution purposes. In any event, the Estimated Amount will be the maximum amount of
2 the Claim for distribution purposes under the Plan. The Disputed Claims Reserve may be
3 adjusted from time to time after the Effective Date by the Reorganized Debtor after taking into
4 account the anticipated recovery fraction which has been or is anticipated to be paid to the holders
5 of Allowed Claims, after giving effect to the amount of the Disputed Claims as determined
6 pursuant to this provision. The Disputed Claim Reserve will not apply to the Settlement Trust,
7 the Litigation Trust, the Unknown Claims Reserve, Unknown Tort Claims, Relationship Tort
8 Claims or Tort Claims, each of which will be governed by the terms of the Settlement Trust
9 Agreement, the Litigation Trust Agreement and other provisions of the Plan, respectively.

10 2.42 District Court. This term will refer to and mean the United States District Court,
11 District of Arizona, Tucson Division.

12 2.43 Effective Date. This term will refer to and mean the first Business Day on which
13 the conditions specified in Section 17.1 of the Plan have been satisfied or waived.

14 2.44 Escrow Agent. This term will refer to and mean Biltmore Associates, LLC, the
15 agent under that certain non-interest bearing Promissory Note dated March 25, 2002, in the
16 original principal sum of \$3,000,000 which represents the deferred portion of the settlement
17 amount agreed to as part of the settlement in 2002 of certain abuse cases.

18 2.45 Estate. This term will refer to and mean the bankruptcy estate of the Diocese
19 created under Bankruptcy Code § 541.

20 2.46 Estimated Amount. This term will refer to and mean the maximum amount at
21 which the Court or the District Court, pursuant to Bankruptcy Code § 502(c), at the request of the
22 Diocese or any other party with standing, estimates any Claim or class of Claims against the
23 Debtor that is Contingent, unliquidated or Disputed, including, without limitation, any Tort
24 Claim, any Relationship Tort Claim, any Unknown Tort Claim or any Other Tort and Employee
25 Claim or class thereof for the purpose of: (a) allowance; (b) distribution; (c) confirming the Plan
26 pursuant to Bankruptcy Code § 1129; (d) voting to accept or reject the Plan pursuant to

1 Bankruptcy Code § 1126 and Bankruptcy Rule 3018(a); or (e) any other proper purpose.
2 Notwithstanding the foregoing, any such estimation may include assigning points or values to a
3 particular Class or Tier for purposes of: (a) allowance; and (b) determining votes to accept or
4 reject the Plan. Such estimation of a Claim for purposes of voting on the Plan will not establish
5 the valuation of the Claim or Class of Claims for distribution purposes.

6 2.47 Executory Contract. This term will refer to and mean every unexpired lease and
7 other contract which is subject to being assumed or rejected by the Debtor under Bankruptcy
8 Code § 365 pursuant to the Plan or pursuant to separate motion.

9 2.48 Excess Distribution. This term will refer to and mean one-half (1/2) of the
10 remainder of the Initial Contribution after: (i) transfer of the Litigation Fund to the Litigation
11 Trust, (ii) payment of the Initial Distribution Amount to the Settling Tort Claimants with Allowed
12 Tort Claims, (iii) payment or reserve of the Trust Administrative Expense Reserve, (iv) payment
13 or reserve of the Avoidance Actions Fund, (v) payment of all Allowed Relationship Tort Claims
14 and (vi) payment of all Allowed Tort Compromise Claims.

15 2.49 Excess Distribution Amount. This term will refer to and mean the amount of the
16 Excess Distribution which is calculated by applying the Weighted Distribution Ratio to the
17 amount of the Excess Distribution to determine the amount of each Allowed Tort Claim for each
18 Tier.

19 2.50 Final Order. This term will refer to and mean any order of the Bankruptcy Court
20 as to which: (a) the time for appeal has expired and no appeal has been timely taken; (b) any
21 appeal that has been timely taken has been finally determined or dismissed; or (c) an appeal has
22 been timely taken but such order has not been stayed.

23 2.51 Foresters. This term will refer to and mean the Catholic Order of Foresters.

24 2.52 Foresters Unsecured Claim. This term will refer to and mean every Unsecured
25 Claim of Foresters against the Diocese arising out of the lending relationship between the Diocese
26 and Foresters where the Diocese is the primary obligor, including all interest, costs and other

1 charges properly chargeable by Foresters pursuant to the applicable documents evidencing the
2 Foresters Unsecured Claim, but, specifically excluding any Parish Guaranty Claims.

3 2.53 Fund. This term will refer to and mean the fund to be established by the Diocese
4 which will be transferred to the Settlement Trust and allocated pursuant to the Plan among the
5 Settlement Trust, the Unknown Claims Reserve and, if necessary, the Litigation Trust. The Fund,
6 which will not be fully funded on the Effective Date and will be funded over time will consist of
7 all of the following:

8 (a) On the Effective Date, the net proceeds from the sale of the Diocese Real
9 Property in an amount of not less than \$3,200,000 or, if all of the Diocese Real Property has not
10 been sold or proceeds received by the Effective Date, then the net proceeds that have been
11 received by the Diocese on the Effective Date;

12 (b) After the Effective Date, the proceeds from the sale of the Diocese Real
13 Property if all parcels of Diocese Real Property have not been sold or proceeds received on or
14 before the Effective Date;

15 (c) Additional funding from the Diocese totaling \$300,000 to be paid on the
16 following schedule:

17 (i) \$100,000 upon the Effective Date;

18 (ii) \$100,000 on the first anniversary of the Effective Date; and

19 (iii) \$100,000 on the second anniversary of the Effective Date;

20 (d) Payments from the Participating Third Parties;

21 (e) The Hartford Settlement Proceeds;

22 (f) Payments from the Settling Insurers; and

23 (g) Net proceeds from Insurance Action Recoveries.

24 Notwithstanding the foregoing, the payments to the Fund will be subject to the Sharing
25 Arrangement pursuant to the terms of the Plan.

26

1 2.54 Further Distributions. This term will refer to and mean any distribution from the
2 Settlement Trust after the Excess Distribution (not including the Additional Distribution) which
3 will include, but not be limited to any reserves established by the Trustee of the Settlement Trust,
4 any amounts remaining in the Litigation Trust to be transferred to the Settlement Trust and any
5 additions to the Fund after the Initial Contribution Amount which are not allocated to the
6 Unknown Claims Reserve.

7 2.55 General Unsecured Convenience Claim. This term will refer to and mean an
8 Unsecured Claim in an amount of \$500 or less, inclusive of interest accrued thereon after the
9 Petition Date through the later to occur of the Effective Date or the Claim Payment Date;
10 provided, that, if the holder of an Unsecured Claim in an amount greater than \$500 makes an
11 election to reduce such Claim to \$500, such Claim will be treated as a General Unsecured
12 Convenience Claim for all purposes. Such election will be made on the Ballot, completed and
13 returned within the time fixed by order of the Court. Making this election will be deemed to be a
14 waiver by such electing holder of any right to participate as a General Unsecured Claim in Class 8
15 as to any and all Claims held by such holder.

16 2.56 General Unsecured Claim. This term will refer to and mean every Unsecured
17 Claim against the Diocese (including, but not limited to, every such Claim arising from the
18 rejection of an Executory Contract and every Claim which is the undersecured portion of any
19 Secured Claim), which is not an Administrative Claim, a Priority Unsecured Claim, a Priority Tax
20 Claim, a General Unsecured Convenience Claim, a Parish Loan Claim, a Tort Claim, a
21 Relationship Tort Claim, a Tort Compromise Claim, an Unknown Tort Claim or a Penalty Claim.

22 2.57 Guardian ad Litem. This term will refer to and mean Charles L. Arnold, the
23 representative appointed by the Court by order entered October 27, 2004, pursuant to motion of
24 the Diocese requesting that the Court appoint a representative to represent the interests of those
25 Tort Claimants who are or may be minors on the Effective Date of the Plan.

26

1 2.58 Hartford. This term will refer to and mean Hartford Fire Insurance Company, First
2 State Insurance Company, The Hartford Financial Services Group, Inc., and each of their past,
3 present, and future subsidiaries, parents, affiliates, associated corporations and entities,
4 employees, officers, directors, shareholders, principals, parents, agents, attorneys, representatives,
5 predecessors, successors and assigns.

6 2.59 Hartford Settlement. This term will refer and mean the settlement between the
7 Diocese and Hartford as set forth in the "Settlement Agreement and Release" dated as of April 8,
8 2005 for, among other things, the sale and release of certain insurance policies by the Diocese to
9 Hartford as approved by the Court by Order entered May 26, 2005.

10 2.60 Hartford Settlement Proceeds. This term will refer to and mean the proceeds from
11 the Hartford Settlement received by the Diocese pursuant to the terms of the Hartford Settlement.

12 2.61 Initial Contribution. This term will refer to and mean the sum of not more than
13 \$15,700,000.

14 2.62 Initial Distribution. This term will refer to and mean the initial payment due under
15 the Plan so that each Tort Claimant with an Allowed Tort Claim on the Effective Date or the
16 Claim Payment Date will receive the Tier One Initial Distribution Amount, the Tier Two Initial
17 Distribution Amount, the California Tier Initial Distribution Amount, the Tier Three Initial
18 Distribution Amount or the Tier Four Initial Distribution Amount. The Initial Distribution is the
19 minimum amount to be paid to a Tort Claimant with an Allowed Claim and is not nor will it be
20 deemed to be a determination of the value of each Allowed Tort Claim.

21 2.63 Insurance Actions. This term will refer to and mean all claims, causes of action
22 and enforceable rights of the Debtor against any Insurance Company, including, but not limited
23 to, those arising from or related to: (a) any such Insurance Company's failure to provide Insurance
24 Coverage under any Insurance Policy; (b) the refusal of any Insurance Company to compromise
25 and settle any Claim insured under any such Insurance Policy; or (c) the interpretation or
26 enforcement of the terms of any such Insurance Policy and Insurance Coverage.

1 2.64 Insurance Action Recoveries. This term will refer to and mean the rights of the
2 Debtor to any and all proceeds, including any interest or income earned thereon, and other relief
3 from: (a) any award, judgment, relief, or other determination entered or made as to any Insurance
4 Actions; (b) any and all amounts payable by a Settling Insurer under any insurance settlement
5 agreement; and (c) any and all proceeds of any Insurance Policy paid or payable with respect to
6 Tort Claims which will be assigned to the Settlement Trust and, if necessary, the Litigation Trust,
7 in accordance with the terms of the Plan and subject to the Sharing Arrangement. The proceeds
8 to be assigned will be net of any attorneys' fees, costs and expenses incurred or paid by the
9 Diocese to litigate any Insurance Actions.

10 2.65 Insurance and Benefit Claims. This term will refer to and mean any Unsecured
11 Claim for property damage, general liability or workers compensation for which the Diocese is or
12 may be liable whether arising from tort (other than Other Tort and Employee Claims, Tort
13 Claims, Relationship Tort Claims or Unknown Tort Claims), contract or workers compensation,
14 for which there is insurance coverage, including, but not limited to, any Claim for which the
15 Diocese has a self-insured retention and any Claims against the Diocese arising from or related to
16 the Lay Employees Pension Plan. In all events, the Insurance and Benefit Claims specifically
17 exclude any Other Tort and Employee Claims, Tort Claims, Relationship Tort Claims and
18 Unknown Tort Claims.

19 2.66 Insurance Company. This term will refer to and mean any insurance company or
20 insurance broker providing an Insurance Policy to the Debtor for liability arising from or related
21 to Tort Claims.

22 2.67 Insurance Coverage. This term will refer to and mean the insurance coverage
23 under any Insurance Policy which insures liability of the Diocese, a Parish or any other affiliated
24 entity for Tort Claims, Unknown Tort Claims or Relationship Tort Claims, which coverage has
25 not been reduced to a settlement.

26

1 2.68 Insurance Policy. This term will refer to and mean any general liability insurance
2 or sexual misconduct policy naming the Diocese, a Parish or an affiliated entity as an insured in
3 effect on or before the Confirmation Date upon which notice of any Tort Claim or Relationship
4 Tort Claim has been given to any applicable Insurance Company.

5 2.69 Litigation Trust. This term will refer to and mean the trust to be established
6 pursuant to the Litigation Trust Agreement if there are any Non-Settling Tort Claimants. The
7 Litigation Trust will be established for:

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

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

12 (c) participating in the litigation as the defendant for any Tort Claimant who
13 opts to have his or her Tort Claim liquidated through litigation;

14 (d) paying the costs, fees and expenses of the Trustee from the funds of the
15 Litigation Trust; and

16 (e) paying the costs of such litigation from the funds of the Litigation Trust.

17 The Litigation Trust will qualify to be a "Qualified Settlement Fund" pursuant to
18 applicable provisions of the Internal Revenue Code.

19 2.70 Litigation Trust Agreement. This term will refer to and mean the agreement
20 between the Reorganized Debtor and the Trustee of the Litigation Trust to be established pursuant
21 to Article 12 of the Plan, if necessary, and pursuant to which the Litigation Trust will be
22 governed.

23 2.71 Litigation Trust Fund. This term will refer to and mean ten percent (10%) of the
24 Initial Contribution to be paid to the Trustee from the Settlement Trust after the Effective Date to
25 establish the Litigation Trust if there are any Non-Settling Tort Claimants unless the Bankruptcy
26 Court determines that a lesser amount is sufficient to fund the Litigation Trust.

1 2.72 Litigation Protocol. This term will refer to and mean the litigation procedures
2 described in Section 14.1 of the Plan and in the Litigation Trust Agreement.

3 2.73 Non-settling Tort Claimants. This term will refer to and mean every Tort Claimant
4 who affirmatively elects, on the Ballot, to opt out of the Settlement Trust and have his or her Tort
5 Claim liquidated by a jury (if available and not waived pursuant to applicable law) or by the
6 Bankruptcy Court or, if the reference is withdrawn upon proper and timely motion by a Non-
7 Settling Tort Claimant pursuant to a Final Order, then by the District Court, with any such
8 judgment, when it becomes a Final Order, being treated and paid pursuant to the terms of the
9 Litigation Trust Agreement.

10 2.74 Other Tort and Employment Claims. This term will refer to and mean any and all
11 Claims, demands, suits, causes of action, proceedings or any other rights or asserted right to
12 payment heretofore, now or hereafter asserted against the Debtor, whether or not reduced to
13 judgment, based upon or in any manner arising from acts or failure to act by the Debtor which has
14 allegedly resulted in injury asserted by an employee of the Diocese or other Person pursuant to
15 applicable state or federal law, but excluding Tort Claims, Relationship Tort Claims, Unknown
16 Tort Claims, Claims of employees entitled to priority pursuant to Bankruptcy Code § 507 and
17 Insurance and Benefit Claims.

18 2.75 Parish. This term will refer to and mean that certain community of church
19 members within the territorial jurisdiction of the Diocese whose pastoral care is entrusted to a
20 pastor under authority of the Bishop of the Diocese. Each Parish is a separate juridic person
21 under Canon Law and, may be, among other things, an unincorporated association under
22 applicable state law.

23 2.76 Parish Guaranty Claims. This term will refer to and mean every Contingent
24 Unsecured Claim of any Creditor arising out of a guaranty by the Diocese of an obligation of a
25 Parish to such Creditor, including all interest, attorneys' fees and other costs and charges to which
26 such Creditor might be entitled pursuant to the terms of any such guaranties.

1 2.77 Parish Loan Claims. This term will refer to and mean each and every Unsecured
2 Claim of a Parish for a loan made by a Parish to the Diocese which is outstanding on the Petition
3 Date, including all interest, costs, expenses and other charges which are part of a Parish Loan
4 Claim but excluding any custodial funds held and administered by the Diocese for a Parish which
5 are not property of the Estate.

6 2.78 Parish Monthly Payment. This term will refer to and mean the monthly payment
7 of \$44,738 which includes an amortization of principal and interest at the rate of two and one-half
8 percent (2.5%) per annum to be paid by the Diocese on a monthly basis until the Parish Loan
9 Claims are paid in full.

10 2.79 Parish Real Property. This term will refer to and mean all real property owned by
11 a Parish, including real property:

- 12 (a) for which the Diocese holds bare legal title;
- 13 (b) in which the Diocese has no beneficial, equitable or other proprietary
14 interest;
- 15 (c) in which the Parish for whose benefit such real property is held has all of
16 the equitable, proprietary and beneficial interest; and
- 17 (d) which is part of the temporal goods of the Parish as a juridic person under
18 Canon Law.

19 2.80 Participating Third Parties. This term will refer to and mean any Co-Defendant or
20 any other Person, including, but not limited to Parishes, who contribute funds to the Estate (or the
21 Fund) to be used to pay Allowed Tort Claims (including Relationship Tort Claims and Unknown
22 Tort Claims) in exchange for and in consideration of, among other things, the channeling
23 injunction provided for in Section 18.5 of the Plan. Any agreement whereby a Person or Co-
24 Defendant becomes a Participating Third Party will be subject to approval by the Bankruptcy
25 Court.

26

1 2.81 Penalty Claims. This term will refer to and mean any Claims for any fine, penalty,
2 forfeiture, multiple damages, punitive damages, or exemplary damages not meant to compensate
3 the claimant for actual pecuniary loss.

4 2.82 Person. This term will refer to and mean "person" as defined in Bankruptcy
5 Code § 101(41).

6 2.83 Petition Date. This term will refer to and mean September 20, 2004, which is the
7 filing date of the voluntary Chapter 11 petition commencing the Reorganization Case.

8 2.84 Plan. This term will refer to and mean the "Debtor's Third Amended and Restated
9 Plan Of Reorganization" dated May 25, 2005, and every restatement, amendment, or modification
10 thereof, if any, filed by the Debtor.

11 2.85 Plan Documents. This term will refer to and mean the Settlement Trust
12 Agreement, the Litigation Trust Agreement, if any, the pledge agreement for the Restricted St.
13 Augustine Account and all other documents and exhibits as the same may be amended, modified,
14 supplemented, or restated from time to time, that aid in effectuating the Plan, which documents
15 and exhibits will be filed by the Debtor with the Court on or before twenty (20) days prior to the
16 Confirmation Hearing or such other date as determined by the Court.

17 2.86 Post-Effective Date Secured Tax Claims. This term will refer to and mean every
18 whole or prorated portion of a Secured Tax Claim which arises on or after the Effective Date, and
19 which will be paid in the ordinary course of business of the Reorganized Debtor.

20 2.87 Prepetition Date Secured Tax Claims. This term will refer to and mean every
21 whole or prorated portion of a Secured Tax Claim which arises before and up to the Petition Date.

22 2.88 Priority Employee Unsecured Claim. This term will refer to and mean every
23 Unsecured Claim of an employee of the Diocese for vacation or sick leave pay which is otherwise
24 entitled to priority pursuant to Bankruptcy Code § 507(a)(3)(A).

25 2.89 Priority Tax Claim. This term will refer to and mean every Unsecured Claim or
26 portion thereof which is entitled to priority pursuant to Bankruptcy Code § 507(a)(8).

1 2.90 Priority Unsecured Claim. This term will refer to and mean every Unsecured
2 Claim or portion thereof which is not an Administrative Claim, a Priority Tax Claim or a Priority
3 Employee Unsecured Claim and which is entitled to priority under any applicable provision of
4 Bankruptcy Code § 507.

5 2.91 Pro Rata. This term will refer to and mean proportionate, and when applied to a
6 Claim means the ratio of the consideration distributed on account of an Allowed Claim in a Class
7 to the amount of the consideration distributed on account of all Allowed Claims in such Class.

8 2.92 Professional Charges. This term will refer to and mean the allowed interim and
9 final professional fees and expenses charged by the Chapter 11 Professionals.

10 2.93 Property Tax Administrative Claim. This term will refer to and mean every Claim
11 of any state or local governmental unit which is an Administrative Claim for unpaid real property
12 taxes, unpaid personal property taxes, or unpaid sales taxes or leasing taxes, and every prorated
13 portion thereof arising on and after the Petition Date until the Effective Date.

14 2.94 Property Tax Claims. This term will refer to and mean collectively: (a) every
15 Property Tax Administrative Claim; (b) every Prepetition Date Secured Tax Claim; and (c) every
16 Post-Effective Date Secured Tax Claim.

17 2.95 Property Tax Claims Proration. This term will refer to and mean the proration of
18 Property Tax Claims as of the Effective Date, so that: (a) Post-Effective Date Secured Tax
19 Claims will be paid by the Reorganized Debtor in the ordinary course of its business;
20 (b) Prepetition Date Secured Tax Claims will be paid by the Debtor or the Reorganized Debtor as
21 provided for Class 2 Claims under the Plan; and (c) Property Tax Administrative Claims will be
22 paid by the Debtor or the Reorganized Debtor as provided for Administrative Claims under the
23 Plan.

24 2.96 Regina Cleri Property. This term will refer to that certain parcel of real property
25 located on east 22nd Street in Tucson, Arizona, which is the collateral for the Escrow Agent
26 Secured Claim and which is owned by the St. Augustine High School Corporation.

1 2.97 Relationship Tort Claimant. This term will refer to and mean a spouse or parent of
2 a Tort Claimant which Tort Claimant has filed a timely Proof of Claim.

3 2.98 Relationship Tort Claims. This term will refer to and mean every Claim of a
4 Relationship Tort Claimant who is not the direct victim of abuse but who asserts a Tort Claim
5 against the Debtor as a Relationship Tort Claimant where the direct victim to whom the
6 Relationship Tort Claimant is parent or spouse timely filed a Tort Claim prior to the Bar Date.

7 2.99 Relationship Tort Claim Distribution Amount. This term will refer to and mean
8 five percent (5%) of the Initial Distribution Amount made to the Tort Claimant with an Allowed
9 Tort Claim who is the son, daughter or spouse of the Relationship Tort Claimant subject to
10 limitations on the amount of distribution to which a Relationship Tort Claimant with an Allowed
11 Relationship Tort Claim is entitled as set forth in Section 12.5 of the Plan.

12 2.100 Reorganization Case. This term will refer to and mean the case under Chapter 11
13 of the Bankruptcy Code which was commenced by the filing of a voluntary Chapter 11 petition
14 by the Diocese on the Petition Date.

15 2.101 Reorganized Debtor. This term will refer to and mean the Diocese, from and after
16 the Effective Date. Unless otherwise expressly stated or the context otherwise requires,
17 references to "the Debtor and the Reorganized Debtor" and references to "the Debtor or the
18 Reorganized Debtor" throughout various provisions of the Plan are an effort to anticipate whether
19 an event may occur before or after the Effective Date. In this regard, and generally for purposes
20 of the Plan, any written agreement made by the Debtor as part of the Plan before the Effective
21 Date will survive the Confirmation Date and the Effective Date and will bind both the
22 Reorganized Debtor and every other party to such agreement (including, but not limited to, the
23 provisions of the Plan as confirmed).

24 2.102 Representatives. This term will refer to and mean the Guardian ad Litem and the
25 Unknown Claims Representative when referred to collectively.

26

1 2.103 Representatives' Professionals. This term will refer to and mean all professionals
2 who the Representatives may jointly or individually retain to provide professional services for a
3 specified purpose, all in accordance with Bankruptcy Code §§ 327(a) and 327(e) and as approved
4 by the Bankruptcy Court.

5 2.104 Restricted St. Augustine Account. This term will refer to and mean the account at
6 Smith Barney in the original principal sum of \$596,549.13 representing the down payment (less
7 closing costs) from St. Augustine High School Corporation to the Diocese for the sale of the
8 Regina Cleri property.

9 2.105 Secured Claim. This term will refer to and mean every Claim or portion thereof
10 which is asserted by the Creditor holding such Claim to be secured by a lien, security interest, or
11 assignment encumbering property in which the Debtor has an interest and including any right to
12 setoff asserted by a Creditor that is treated as a Secured Claim under the Bankruptcy Code, but
13 only to the extent of the validity, perfection, and enforceability of the claimed lien, security
14 interest, or assignment, and the value of the interest of the Creditor holding such Claim against
15 such property of the Debtor.

16 2.106 Secured Creditor. This term will refer to and mean every Creditor which holds a
17 Secured Claim in the Reorganization Case.

18 2.107 Secured Tax Claim. This term will refer to and mean every Claim of any federal,
19 state, or local governmental unit, which is asserted by such governmental unit holding such Claim
20 which is secured by property of the Estate by operation of applicable non-bankruptcy laws,
21 including, but not limited to, every such Claim for unpaid real property taxes, unpaid personal
22 property taxes, or unpaid sales taxes or leasing taxes, and further including, but not limited to,
23 both the Prepetition Date Secured Tax Claims and the Post-Effective Date Secured Tax Claims,
24 but only to the extent of the validity, perfection, and enforceability of the claimed lien, security
25 interest, or assignment, and the value of the interest of the governmental unit holding such Claim
26 against the Debtor and only to the extent that such Secured Tax Claim does not relate to Parish

1 Real Property. Any Claims for unpaid real property taxes, unpaid personal property taxes, or
2 unpaid sales taxes or leasing taxes pertaining to a Parish or Parish Real Property will be paid by
3 the Parish owning such Parish Real Property or Parish other property for which such tax is
4 assessed.

5 2.108 Settlement Trust. This term will refer to and mean the trust established pursuant to
6 the Settlement Trust Agreement for:

- 7 (a) receiving, holding and investing the Fund when received from time to time;
- 8 (b) establishing the Unknown Claims Reserve;
- 9 (c) establishing the Trust Administrative Expense Reserve;
- 10 (d) funding the Litigation Trust with the Litigation Trust Fund, if there are

11 Non-Settling Tort Claimants;

- 12 (e) establishing the Avoidance Action Fund;
- 13 (f) issuing payments and disbursing funds as provided in the Settlement Trust
14 Agreement or the Plan on account of Tort Claims which have been Allowed as of the Effective
15 Date and as may be directed by the Special Arbitrator with respect to Tort Claims that have not
16 been Allowed as of the Effective Date;

- 17 (g) paying the administrative costs as provided in the Settlement Trust
18 Agreement including the costs, fees and expenses of the Trustee and the Special Arbitrator from
19 the Trust Administrative Expense Reserve.

20 Funds remaining from any reserves established by the Trustee pursuant to the Plan and
21 Settlement Trust Agreement including, but not limited to, the Trust Administrative Expense
22 Reserve and the Avoidance Actions Fund will be redistributed in accordance with the terms of the
23 Plan as Further Distributions.

24 The Settlement Trust will qualify to be a "Qualified Settlement Fund" pursuant to
25 applicable provisions of the Internal Revenue Code.

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1 2.109 Settlement Trust Agreement. This term will refer to and mean the trust to be
2 established in accordance with Article 12 of the Plan pursuant to which, among other things, the
3 Tort Claims of Settling Tort Claimants will be satisfied.

4 2.110 Settling Insurers. This term will refer to and mean those Insurance Companies that
5 have reached settlements with the Diocese prior to the Effective Date, and any Insurance
6 Company that may reach a settlement with Diocese with respect to any Insurance Actions after
7 the Effective Date. Any Settling Insurer, in exchange for the Settling Insurer's contribution to the
8 Fund as agreed upon between the Diocese and such Settling Insurer and approved by the
9 Bankruptcy Court, will obtain the benefit of an injunction against prosecution of claims against
10 the Insurance Company by any Creditor or other party in interest, including a Tort Claimant, a
11 Relationship Tort Claimant and an Unknown Tort Claimant and will be a Settling Party. The
12 terms of any settlement with a Settling Insurer, if not previously approved by the Bankruptcy
13 Court pursuant to Bankruptcy Rule 9019 or such other provisions of the Bankruptcy Code or
14 Bankruptcy Rules as may be set forth in any such settlement, will be approved at the
15 Confirmation Hearing and pursuant to the Confirmation Order. If an agreement is reached with a
16 Settling Insurer after the Effective Date, it will be approved by the Bankruptcy Court pursuant to
17 its retained jurisdiction. A Settling Insurer will obtain the benefit of the injunction to be issued
18 pursuant to Article 18 of the Plan regardless of whether an Insurer becomes a Settling Insurer or a
19 Settling Party before or after the Effective Date.

20 2.111 Settling Parties. This term will refer to and mean Participating Third Parties and
21 Settling Insurers and their respective predecessors, successors, officials, shareholders,
22 subsidiaries, divisions, affiliates, representatives, attorneys, merged or acquired companies or
23 operations or assigns of the Settling Insurers and the Participating Third Parties.

24 2.112 Settling Tort Claimants. This term will refer to and mean those Tort Claimants
25 (other than Unknown Tort Claimants) who are included in the Settlement Trust and who will have
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1 their Tort Claims determined, Allowed or Disallowed and treated in accordance with the terms of
2 the Settlement Trust and the Plan.

3 2.113 Sharing Arrangement. This term will refer to and mean sharing between the
4 Reorganized Debtor and the Settlement Trust after funding of the Initial Contribution as follows:

5 (a) Any amounts in the Unknown Claims Reserve that are released for
6 distribution to Settling Tort Claimants will be split so that twenty (20%) will be paid to the
7 Diocese to be used for Special Projects and eighty percent (80%) will be paid to the Trustee of the
8 Settlement Trust to make additional distributions to the holders of Allowed Settling Tort Claims
9 in accordance with the terms of the Plan.

10 (b) Ten percent (10%) of any Further Distributions not to exceed the sum of
11 \$300,000 will be paid to the Diocese to be used for Special Projects.

12 (c) If the amounts paid into the Fund equal or exceed \$21,000,000, then the
13 Fund in excess of \$21,000,000 will be shared as follows:

14 (i) \$21,000,000 to \$22,000,000 – ten percent (10%) to the Diocese to
15 be used for Special Projects and ninety percent (90%) to the Trustee of the Settlement
16 Trust;

17 (ii) \$22,000,000 to \$23,000,000 – twenty percent (20%) to the Diocese
18 to be used for Special Projects and eighty percent (80%) to the Trustee of the
19 Settlement Trust;

20 (iii) \$23,000,000 to \$24,000,000 – thirty percent (30%) to the Diocese
21 to be used for Special Projects and seventy percent (70%) to the Trustee of the
22 Settlement Trust; and

23 (iv) Any amount over \$24,000,000 – forty percent (40%) to the Diocese
24 to be used for Special Projects and sixty percent (60%) to the Trustee of the Settlement
25 Trust.

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1 2.114 Special Arbitrator. This term will refer to and mean Lina Rodriguez, who has been
2 selected by the Committee, the Representatives and the Diocese to serve and who is to evaluate,
3 liquidate and Allow or Disallow the Claims of the Settling Tort Claimants, the Claims of
4 Relationship Tort Claimants and the Claims of the Unknown Tort Claimants. The Special
5 Arbitrator will also:

6 (a) evaluate each such Tort Claim and Unknown Tort Claim for Allowance or
7 Disallowance; and

8 (b) if such Tort Claim or Unknown Tort Claim is Allowed, determine the
9 appropriate Tier into which a Tort Claim or an Unknown Tort Claim will be placed in accordance
10 with the criteria set forth in the Plan; and

11 (c) instruct the Trustee to pay any Allowed Tort Claims of Settling Tort
12 Claimants, the Allowed Relationship Tort Claims of Relationship Tort Claimants or the Allowed
13 Claims of Unknown Tort Claimants in accordance with the terms of the Settlement Trust and the
14 Plan.

15 2.115 Special Projects. This term will refer to and mean programs which have been
16 established by the Diocese or may be established by the Diocese from time to time for all
17 Catholic related entities within the territory of the Diocese with respect to matters related to the
18 following: the identification of sexual abuse, the training and education of employees of the
19 Diocese and other Catholic related entities within the territory of the Diocese regarding, among
20 other things, reporting requirements under applicable law of any acts of suspected sexual abuse,
21 dealing with victims of sexual abuse, establishing programs for the prevention of sexual abuse,
22 selection, education, screening, training and orientation of priests, teachers, deacons, volunteers
23 and other workers in the Diocese or any affiliated entities regardless of whether such individuals
24 are directly employed by or volunteer for the Diocese or are employed by or volunteer for any
25 other Catholic related entities, establishment of youth programs and the training and supervision
26 of leaders or volunteers for such programs, counseling and other programs for the treatment of

1 the effects of sexual abuse whether provided directly by the Diocese, the VAP or some other
2 entity or person, all costs associated with the Office of Child, Adolescent and Adult Protection or
3 such other similar entity established by the Diocese, any other programs or activities related to the
4 treatment of sex abuse victims, programs related to the prevention of sexual abuse or any other
5 programs which the Diocese reasonably determines will assist it in preventing incidents of sexual
6 abuse by clergy, other workers or volunteers who work or volunteer in the Diocese and in other
7 Catholic organizations within the territory of the Diocese.

8 2.116 Tier. This term will refer to and mean the level into which the Allowed Claim of
9 each Settling Tort Claimant (or Unknown Tort Claimant when such Unknown Tort Claim is
10 asserted and Allowed) will be placed based upon the criteria set forth in the Plan and any Plan
11 Documents.

12 2.117 Tier One Initial Distribution Amount. This term will refer to and mean the sum of
13 \$100,000 which is the amount of the Initial Distribution to be distributed to the holder of an
14 Allowed Tier One Tort Claim on the funding of the Settlement Trust if the Tier One Tort Claim is
15 then an Allowed Claim or the applicable Claim Payment Date.

16 2.118 Tier Two Initial Distribution Amount. This term will refer to and mean the sum of
17 \$200,000 which is the amount of the Initial Distribution to be distributed to the holder of an
18 Allowed Tier Two Tort Claim on the funding of the Settlement Trust if the Tier Two Tort Claim
19 is then an Allowed Claim or the applicable Claim Payment Date.

20 2.119 Tier Three Initial Distribution Amount. This term will refer to and mean the sum
21 of \$425,000 which is the amount of the Initial Distribution to be distributed to the holder of an
22 Allowed Tier Three Tort Claim on the funding of the Settlement Trust if the Tier Three Tort
23 Claim is then an Allowed Claim or the applicable Claim Payment Date.

24 2.120 Tier Four Initial Distribution Amount. This term will refer to and mean the sum of
25 \$600,000 which is the amount of the Initial Distribution to be distributed to the holder of an
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1 Allowed Tier Four Tort Claim on the funding of the Settlement Trust if the Tier Four Tort Claim
2 is then an Allowed Claim.

3 2.121 Tier One Tort Claims. This term will refer to and mean the Claims of Tort
4 Claimants (including Unknown Tort Claimants) whose Tort Claims are Allowed and which meet
5 the criteria established in the Plan for determination of Tier One Tort Claims. The factors to be
6 considered by the Special Arbitrator for placement of a Tort Claim into Tier One are contained in
7 Article 15 of the Plan.

8 2.122 Tier Two Tort Claims. This term will refer to and mean the Claims of Tort
9 Claimants (including Unknown Tort Claimants) whose Tort Claims are Allowed and which meet
10 the criteria established in the Plan for determination of Tier Two Tort Claims. The factors to be
11 considered by the Special Arbitrator for placement of a Tort Claim into Tier Two are contained in
12 Article 15 of the Plan.

13 2.123 Tier Three Tort Claims. This term will refer to and mean the Claims of Tort
14 Claimants (including Unknown Tort Claimants) whose Tort Claims are Allowed which meet the
15 criteria established in the Plan for determination of Tier Three Tort Claims. The factors to be
16 considered by the Special Arbitrator for placement of a Tort Claim into Tier Three are contained
17 in Article 15 of the Plan.

18 2.124 Tier Four Tort Claims. This term will refer to and mean the Claims of Tort
19 Claimants (including Unknown Tort Claimants) whose Tort Claims are Allowed and which meet
20 the criteria established in the Plan for determination of Tier Four Tort Claims. The factors to be
21 considered by the Special Arbitrator for placement of a Tort Claim into Tier Four are contained in
22 Article 15 of the Plan.

23 2.125 Tort Claim. This term will refer to and mean all Claims, demands, suits, causes of
24 action, proceedings or any other rights or asserted rights to payment, including, but not limited to
25 any Claims, demands, suits, or causes of action: (i) for personal injuries, including emotional
26 distress; (ii) for damages, including punitive damages; (iii) for attorneys' fees and other expenses,

1 fees or costs; and (iv) for any equitable remedy, heretofore, now or hereafter asserted against the
2 Debtor, any Released Parties, any Participating Third Parties, any Settling Insurers, any Settling
3 Parties, the Settlement Trust or the Litigation Trust, whether or not reduced to judgment, based
4 upon or in any manner arising from or related to: (a) acts of sexual abuse committed by any
5 cleric, employee, volunteer or other person associated with the Diocese, any Parish or any
6 affiliated entity; (b) the failure of the Diocese to properly supervise any cleric, any volunteer, or
7 any other employee of or person associated with the Diocese, a Parish or any affiliated entity; (c)
8 the processing, adjustment, defense, settlement, payment, negotiation or handling of any claims,
9 demands, suits, proceedings or causes of action based upon or relating in any way to the Claims
10 made as a result of any alleged abuse or other Tort Claim asserted by a Tort Claimant; or (d) the
11 failure to warn, disclose or provide information concerning, the alleged sexual abuse and other
12 misconduct of clergy, other employees or volunteers of or persons associated with the Diocese,
13 the Parishes or any affiliated entities. Subject to the limitations contained in the Plan and except
14 for purposes of treatment and payment under the Plan, Tort Claims include Unknown Tort Claims
15 when they are asserted.

16 2.126 Tort Claimant. This term will refer to and mean a Person who asserts a Tort
17 Claim.

18 2.127 Tort Compromise Claim. This term will refer to and mean a Tort Claim to which
19 an objection has been filed or asserted prior to voting on the Plan; the only basis for the objection
20 being that the Tort Claim appears to be barred by the applicable statute of limitations; the
21 objection stating that the Tort Claim otherwise appears on its face that it may be credible; the Tort
22 Claimant having been offered the opportunity to elect to have his or her Tort Claim treated as a
23 Tort Compromise Claim; and the Tort Claimant having affirmatively elected, on the Ballot, to
24 have his or her Tort Claim treated as a Tort Compromise Claim.

25 2.128 Trust Administrative Expense Reserve. This term will refer to and mean the
26 reserve to be established on the Effective Date and thereafter by the Trustee of the Settlement

1 Trust and the Trustee of the Litigation Trust to pay the costs of administering the Settlement Trust
2 and the Litigation Trust including, but not limited to, the Trustee's fees, the fees, costs and
3 expenses of the Special Arbitrator, the fees, costs and expenses of the Committee, the fees, costs
4 and expenses of any Committee Professionals who continue to act after the Effective Date and the
5 fees, costs and expenses of attorneys and other professionals necessary for litigating with any
6 Non-Settling Tort Claimants.

7 2.129 Trustee. This term will refer to and mean Fred Boice, the Trustee under the
8 Settlement Trust Agreement and the Litigation Trust Agreement if a Litigation Trust is
9 established.

10 2.130 Unknown Claims Representative. The term will refer to and mean A. Bates Butler
11 III, the representative appointed by the Court by order entered October 27, 2004, pursuant to the
12 motion requesting that the Court appoint a representative to represent the interests of persons who
13 might assert a Tort Claim but suffer from repressed memory or other mental incapacity which,
14 under applicable law, would toll any applicable statute of limitations for asserting a Tort Claim
15 against the Diocese.

16 2.131 Unknown Claims Reserve. This term will refer to and mean the reserve to be
17 established on the Effective Date or such later date when funds from the Initial Distribution or the
18 Fund become available pursuant to the terms of the Plan (and, thereafter, to be maintained as
19 necessary) by the Trustee of the Settlement Trust to hold, in one or more segregated accounts
20 Cash or other Assets in an amount, to be funded over time, of \$5,000,000. Initially, unless funded
21 from other payments to the Fund after the Effective Date, the Unknown Claims Reserve will be
22 funded from the other one-half of the remainder of the Initial Distribution not being included in
23 the Excess Distribution. Any Unknown Claims that are Allowed by the Special Arbitrator will be
24 paid out of the Unknown Claims Reserve.

25 2.132 Unknown Tort Claimant. This term will refer to and mean an individual who has
26 or contends he or she has an Unknown Tort Claim.

1 2.133 Unknown Tort Claims. This term will refer to and mean all Tort Claims of any
2 Unknown Tort Claimants who, after the Bar Date, assert that:

3 (a) He or she is a Tort Claimant;

4 (b) He or she is a minor; or

5 (c) He or she was a minor at the time the act(s) which give rise to the Tort
6 Claim occurred and the Unknown Tort Claimant is bringing the Unknown Tort Claim within two
7 (2) years of the time such Unknown Tort Claimant reached the age of majority; or

8 (d) He or she has suffered from repressed memory or other mental incapacity
9 which, under applicable Arizona law, would toll the applicable statute of limitations for bringing
10 a Tort Claim against the Debtor; and

11 (e) He or she submits a Proof of Claim to the Special Arbitrator.

12 An Unknown Tort Claimant will have his or her Unknown Tort Claim determined by the
13 Special Arbitrator when he or she asserts an Unknown Tort Claim and will not have the option to
14 have his or her Unknown Tort Claim determined in accordance with the terms of the Litigation
15 Trust and the Litigation Protocol. If an Unknown Tort Claim is Allowed by the Special
16 Arbitrator, it will be paid from the Unknown Claims Reserve in accordance with Section 12.6 of
17 the Plan.

18 2.134 Unsecured Claim. This term will refer to and mean every Claim or portion
19 thereof, regardless of the priority of such Claim, which is not a Secured Claim.

20 2.135 Unsecured Creditor. This term will refer to and mean every Creditor who holds an
21 Unsecured Claim in the Reorganization Case.

22 2.136 VAP. This term will refer to and mean the Victim Assistance Program which was
23 established by the Diocese in June of 2002 in conjunction with Catholic Social Service and the
24 Pima County Attorney's Office which, among other things, reports allegations of abuse to the
25 proper authorities, initiates counseling services through Catholic Social Service or, if the
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1 individual prefers, through an independent licensed or certified professional, and provides other
2 services to a person who alleges he or she was abused.

3 2.137 Weighted Distribution Ratio. This term will refer to and mean the following
4 weighted distribution with respect to Allowed Claims in each Tier:

- 5 (a) With respect to Tier One – 1
- 6 (b) With respect to Tier Two – 2
- 7 (c) With respect to the California Tier – 3.5
- 8 (d) With respect to Tier Three – 5
- 9 (e) With respect to Tier Four – 7

10 The Weighted Distribution Ratio will be determined by: (i) multiplying the number of
11 Claims in each tier by the appropriate proportion (e.g., number of claims in Tier Four multiplied
12 by seven (7), number of claims in Tier Three multiplied by five (5), etc.); (ii) adding the products
13 of the calculation for each tier together; (iii) dividing the product for each tier by the sum of the
14 products to calculate a weighted percentage for each Tier; (iv) multiplying the amount of any
15 distribution after the Initial Distribution Amount has been received by every Settling Tort
16 Claimant with an Allowed Claim, by the weighted percentage for each tier; and (v) dividing the
17 total amount to be distributed to each Tier by the number of Settling Tort Claimants with Allowed
18 Claims in that Tier; provided, however, that prior to application of the Weighted Distribution
19 Ratio, the holders of Allowed Tort Claims in Tiers One and Two will not receive any additional
20 distributions after the Initial Distribution Amount until each holder of an Allowed Tier Four Tort
21 Claim will have each received distributions totaling at least \$700,000; each holder of an Allowed
22 Tier Three Tort Claim will have each received distributions totaling at least \$500,000; and each
23 holder of an Allowed California Tort Claim will have each received distributions totaling at least
24 \$350,000.

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ARTICLE 3

UNCLASSIFIED CLAIMS

3.1 Administrative Claims. The holder of an Allowed Administrative Claim will receive, in full satisfaction of such Claim: (a) a single Cash payment in the Allowed amount of the Claim on the Effective Date (or the applicable Claim Payment Date); or (b) as otherwise agreed in writing by the holder of the Allowed Claim or ordered by the Bankruptcy Court. Every Allowed Administrative Claim for an expense of operation of the Debtor incurred in the ordinary course of such operations will be paid fully and in Cash in the ordinary course of business (including any payment terms applicable to any such expense).

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

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

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ARTICLE 5

**TREATMENT OF CLASSES OF CLAIMS
(WHICH ARE NOT IMPAIRED UNDER THE PLAN)**

5.1 Priority Employee Unsecured Claims – Class 1. The legal, equitable and contractual rights of holders of Priority Employee Unsecured Claims in Class 1 will either: (a) not be altered by the Plan; or (b) at the option of the Debtor, be treated in any other manner that will result in such Allowed Priority Employee Unsecured Claims being deemed unimpaired under Bankruptcy Code § 1124, because such Allowed Priority Employee Unsecured Claims will be satisfied, in full, in accordance with the policies and procedures regarding vacation and sick leave pay in effect at the Diocese at the time such Priority Employee Unsecured Claim becomes matured and liquidated.

5.2 Other Secured Claims – Class 4. The legal, equitable and contractual rights of holders of Allowed Other Secured Claims in Class 4 will either: (a) not be altered by the Plan; or (b) at the option of the Debtor, be treated in any other manner that will result in such Allowed Secured Claims being deemed unimpaired under Bankruptcy Code § 1124, including, but not limited to, the retention by the holder of an Allowed Other Secured Claim of the lien on its collateral to the extent of such Allowed Other Secured Claim.

5.3 Parish Guaranty Claims – Class 6. The holders of Allowed Parish Guaranty Claims will retain their Claims, if any, against the Reorganized Debtor, and the Plan will leave unaltered the legal, equitable and contractual rights to which such Claims entitle the holders thereof.

5.4 Insurance and Benefit Claims – Class 11. The holders of Allowed Insurance and Benefit Claims will retain their Claims, if any, against the Reorganized Debtor and the Plan will either: (a) leave unaltered the legal, equitable and contractual rights to which such Claims entitle the holders thereof; or (b) at the option of the Debtor, treat such Allowed Insurance and Benefit Claims in any other manner that will result in such Allowed Insurance and Benefit Claims being

1 deemed unimpaired under Bankruptcy Code § 1124. All such Insurance and Benefit Claims will
2 be determined in accordance with the provisions of any benefit plans, policies and procedures of
3 the Diocese and applicable law.

4 **ARTICLE 6**

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

7 6.1 Distribution. All Class 2 Claims, as and when they are Allowed Claims, will be
8 treated as fully Secured Claims and will be paid fully and in Cash as follows:

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

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

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

20 6.2 Disputed Claims. Notwithstanding the pendency of any appeal to any state or
21 local taxing authorities of a determination of property taxes or assessment on the Petition Date,
22 nothing contained herein will prohibit the Debtor from exercising its rights pursuant to
23 Bankruptcy Code § 505 and having the Class 2 Claim(s) determined by the Bankruptcy Court to
24 the extent that any Class 2 Claims are Disputed Claims.

25 6.3 Retention of Liens. Each Creditor holding a Class 2 Allowed Claim will retain its
26 lien(s) on its collateral to the extent of its Class 2 Allowed Secured Claim.

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ARTICLE 9
TREATMENT OF CLASS 7 CLAIMS
(PARISH LOAN CLAIMS)

9.1 Distribution. Each Allowed Parish Loan Claim will bear interest from and after the Effective Date at the rate of two and one-half percent (2.5%) per annum or such other rate as set by the Bankruptcy Court in the Confirmation Order. Each holder of an Allowed Parish Loan Claim will be paid its Pro Rata share of the Parish Monthly Payment commencing on the first Business Day that is thirty (30) days after the Effective Date (or the Claim Payment Date) and continuing on the same Business Day of each month thereafter until paid in full, including interest.

9.2 Impairment. The Class 7 Parish Loan Claims are impaired under the Plan.

ARTICLE 10
TREATMENT OF CLASS 8 CLAIMS
(GENERAL UNSECURED CLAIMS)

10.1 Distribution. Each holder of a Class 8 General Unsecured Claim, as and when such General Unsecured Claim is or becomes an Allowed Claim, will be paid fully and in Cash as follows:

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

(b) Each holder of an Allowed General Unsecured Claim will be paid the Allowed amount of such General Unsecured Claim in monthly installments, including interest, based on a fifteen (15) year amortization, with the first installment to be paid on the first Business Day that is thirty (30) days after the Effective Date (or the Claim Payment Date) and succeeding monthly installments to be paid on the same day of each month thereafter until the seventh (7th)

1 anniversary of the Effective Date of the Plan whereupon any and all remaining amounts due
2 (including interest) on each such Allowed General unsecured Claim will be paid in full.

3 10.2 Prepayment. Nothing contained in this Article or the Plan will preclude the
4 Reorganized Debtor from prepaying all or part of a Class 8 General Unsecured Claim.

5 10.3 Impairment. The Class 8 General Unsecured Claims are impaired under the Plan.

6 **ARTICLE 11**

7 **TREATMENT OF CLASS 9 CLAIMS** 8 **(OTHER TORT AND EMPLOYEE CLAIMS)**

9 11.1 Distribution. Each holder of a Class 9 Other Tort and Employee Claim, as and
10 when such Claim becomes an Allowed Claim, will be paid solely from the proceeds of any
11 insurance policies applicable to such Other Tort and Employee Claim. To the extent that such
12 Claims may not be satisfied in full by the foregoing, then such Other Tort and Employee Claims,
13 to the extent not so satisfied, will be Disallowed.

14 11.2 Impairment. The Class 9 Other Tort and Employee Claims are impaired under the
15 Plan.

16 **ARTICLE 12**

17 **TREATMENT OF CLASS 10 CLAIMS** 18 **(TORT CLAIMS)**

19 12.1 General Terms. On or before the Effective Date (but after entry of the
20 Confirmation Order), the Reorganized Debtor will, in full release and discharge of all Claims in
21 Class 10, cause the following to occur: (a) the execution and delivery of the Settlement Trust
22 Agreement and the Litigation Trust Agreement (if necessary), which will establish the Settlement
23 Trust and the Litigation Trust which provide for liquidation, Allowance, Disallowance and
24 payment of all Class 10 Claims as and when they become Allowed Claims; (b) delivery to the
25 Trustee under the Settlement Trust of the Initial Contribution to establish the Trust Administrative
26 Expense Reserve; establish the Avoidance Actions Fund (if not earlier paid); if necessary, fund

1 the Litigation Trust; make the Initial Distributions to Settling Tort Claimants who have Allowed
2 Tort Claims; and pay the Allowed Relationship Tort Claims; and (c) delivery of such
3 commitments and assignments from the Reorganized Debtor to give effect to the right of the
4 Trustee to receive the net proceeds from the sale of the Diocese Real Property if any such Diocese
5 Real Property remains unsold or proceeds have not been received as of the Effective Date and the
6 assignment of the net proceeds of the Insurance Action Recoveries, all subject to the Sharing
7 Arrangement, to the extent applicable. Any funds received from the Settling Insurers,
8 Participating Third Parties or any Insurance Action Recoveries which become part of the Fund
9 are to be paid to the Tort Claimants or the Trustee pursuant to the Plan and the terms of the
10 Settlement Trust Agreement and the Litigation Trust Agreement.

11 The Special Arbitrator will assume full responsibility for resolving the Tort Claims of all
12 Settling Tort Claimants and the Trustee of the Litigation Trust will assume full responsibility for
13 resolving all Tort Claims of Non-Settling Tort Claimants. The Trustee of the Settlement Trust
14 and the Litigation Trust will assume full responsibility for: (i) establishing the Trust
15 Administrative Expense Reserve; (ii) making payments to the holders of Allowed Tort Claims
16 that become Allowed under the conditions set forth in the Settlement Trust Agreement or the
17 Litigation Trust Agreement and the Plan; (iii) collecting, investing and distributing funds for the
18 benefit of the holders of Allowed Tort Claims and Allowed Relationship Tort Claims; (iv)
19 fulfilling all other obligations under the Settlement Trust Agreement and Litigation Trust
20 Agreement; and (v) paying the fees, costs and expenses of the Settlement Trust and the Litigation
21 Trust, all as set forth more fully in the Settlement Trust Agreement, the Litigation Trust
22 Agreement and the Plan.

23 12.2 Treatment of Settling Tort Claimants.

24 (a) Initial Distributions. Within thirty (30) days of funding the Settlement
25 Trust with the Initial Contribution, the Trustee will pay the applicable California Tier Initial
26 Distribution Amount, Relationship Distribution Amount, Tier One Initial Distribution Amount,

1 Tier Two Initial Distribution Amount, Tier Three Initial Distributions Amount, or Tier Four
2 Initial Distribution Amount to the holders of Tort Claims, Relationship Tort Claims and Tort
3 Compromise Claims which were Allowed prior to the Effective Date in the respective Tier, if
4 applicable, in which such Tort Claim has been Allowed.

5 (b) Distributions after Initial Distributions. Distributions after the Initial
6 Distributions will be made to Settling Tort Claimants whose Tort Claims are Allowed from the
7 Excess Distribution, the Additional Distribution and the Further Distributions in accordance with
8 the terms of the Plan subject to the establishment of the Trust Administrative Expense Reserve,
9 the Avoidance Actions Fund and such other reserves as are provided for in the Plan or the
10 Settlement Trust Agreement.

11 (c) Treatment of Settling Tort Claimants. Settling Tort Claimants whose Tort
12 Claims are not Allowed as of the Effective Date, will receive payment of their Allowed Tort
13 Claims on the applicable Claim Payment Date as follows:

14 (i) The Special Arbitrator will consider each Tort Claim of
15 a Settling Tort Claimant in accordance with the provisions of Article 15
16 below. Based upon the Proof of Claim filed by a Tort Claimant, any
17 additional information received by the Special Arbitrator pursuant to
18 Article 15 of the Plan, the criteria which govern determination of the
19 Allowance of a Tort Claim and the Tier into which a Tort Claim should be
20 placed (and any other factors the Bankruptcy Court may determine as part
21 of the confirmation process), if the Tort Claim is Allowed, the Special
22 Arbitrator will classify each Tort Claim as a California Tort Claim, a Tier
23 One Tort Claim, a Tier Two Tort Claim, a Tier Three Tort Claim or a Tier
24 Four Tort Claim.

25 (ii) Upon Allowance of a Tort Claim by the Special
26 Arbitrator and placement in the Tier, a Tort Claimant with an Allowed Tier

1 One Tort Claim will receive the Tier One Initial Distribution Amount; a
2 Tort Claimant with an Allowed Tier Two Tort Claim will receive the Tier
3 Two Initial Distribution Amount; a Tort Claimant with an Allowed Tier
4 Three Tort Claim will receive the Tier Three Initial Distribution Amount; a
5 Tort claimant with an Allowed Tier Four Claim will receive the Tier Four
6 Initial Distribution Amount; and a California Tort Claimant will receive the
7 California Tier Initial Distribution Amount.

8 (iii) At such times as determined by the Trustee after
9 Allowance or Disallowance of all Tort Claims, each Tort Claimant who
10 holds an Allowed Tort Claim (but excluding any Relationship Tort Claims)
11 will receive his or her Excess Distribution Amount.

12 (iv) At such times as the Bankruptcy Court determines that
13 the Unknown Claims Reserve should be reduced or upon termination of the
14 Unknown Claims Reserve, any reduction or termination will be subject to
15 the Sharing Arrangement. After application of the Sharing Arrangement,
16 any funds remaining will be distributed as an Additional Distribution. The
17 Additional Distribution Amount will be distributed to the holders of
18 Allowed Tort Claims (but excluding any Relationship Tort Claims and the
19 holders of Unknown Claims) in accordance with the Tiers into which each
20 holder of an Allowed Tort Claim has been placed.

21 (v) All amounts to be distributed to Settling Tort Claimants
22 with Allowed Tort Claims after the Initial Distribution Amount will be
23 subject to the Weighted Distribution Ratio.

24 12.3 Special Provision Regarding California Tort Claims. The holders of Allowed
25 California Tort Claims will continue to receive distributions from the Settlement Trust until
26 disposition of the Claims of a California Tort Claimant against defendants in the California

1 litigation other than the Diocese. If a California Tort Claimant receives a recovery from a
2 defendant in the California litigation other than the Diocese, and that recovery, when added to the
3 amounts received by a California Tort Claimant from the Settlement Trust exceed what a Tier
4 Three Tort Claimant has received, the California Tort Claimant will receive no further
5 distribution from the Settlement Trust and his or her Allowed Tort Claim will be deemed satisfied
6 pursuant to the Plan. If, however, the amount received by a California Tort Claimant on account
7 of any recovery from a defendant in the California litigation plus the amount already distributed
8 to the California Tort Claimant from the Settlement Trust is less than the amount a Tier Three
9 Tort Claimant has received, the California Tort Claimant will continue to receive distributions
10 from the Settlement Trust until the total distributions to a California Tort Claimant remain one-
11 half or less than the total distributions to the holder of an Allowed Tier Four Tort Claim.

12 12.4 Treatment of Tort Compromise Claims. A Tort Claimant who is given the option
13 of having his or her Tort Claim treated as a Tort Compromise Claim prior to the Effective Date
14 will receive a single payment of \$15,000 within thirty (30) days of funding of the Settlement
15 Trust to be made from the Initial Contribution prior to any Excess Distribution or funding of the
16 Unknown Claims Reserve. Making this election will be deemed to be a waiver by such electing
17 holder of any right to otherwise participate in Class 10 as to any and all Claims held by such
18 holder. Tort Claimants must elect to have their Tort Claims treated as Tort Compromise Claims
19 on the Ballot. A Tort Claimant who does not timely elect to have his or her Tort Claim treated as
20 a Tort Compromise Claim will have his or her Tort Claim Allowed or Disallowed by the Special
21 Arbitrator. If a Tort Claimant does not elect to have his or her Tort Claim treated as a Tort
22 Compromise Claim, neither the Committee, the Debtor, the Reorganized Debtor, or the Special
23 Arbitrator will be precluded from asserting other grounds for objection to the Tort Claim and will
24 not be bound by the objection filed prior to the Confirmation Date if the objection has not
25 otherwise been resolved by a Final Order of the Bankruptcy Court. If a Tort Claim is Disallowed,
26 the Tort Claimant will not have the right to request that such Tort Claim be treated as a Tort

1 Compromise Claim and such Tort Claimant will receive nothing under the Plan but such Tort
2 Claimant's Tort Claim will be treated as a Barred Tort Claim. Notwithstanding the foregoing,
3 nothing contained in the Plan will preclude the Diocese, the Committee and a Tort Claimant from
4 agreeing, after the Confirmation Date, to Allow a Tort Claim to be treated as a Tort Compromise
5 Claim so long as such agreement is entered into prior to the time the Tort Claim is Disallowed by
6 the Special Arbitrator.

7 12.5 Treatment of Relationship Tort Claims. No distribution will be made to a
8 Relationship Tort Claimant unless the Tort Claim of the son/daughter/spouse has been Allowed.
9 If the Claim of the Tort Claimant is Disallowed, the Claim of the Relationship Tort Claimant will
10 also be Disallowed, the Relationship Tort Claimant will receive nothing under the Plan, and the
11 Relationship Tort Claimant will have no further Claim against the Diocese, any Participating
12 Third Parties, any Settling Insurers or any Settling Parties. If the Claim of the Tort Claimant is
13 Allowed, the Relationship Tort Claimant will receive the Relationship Tort Claim Distribution
14 Amount; provided, however, that if there is more than one son or daughter who is a Tort Claimant
15 with an Allowed Tort Claim, the Relationship Tort Claim Distribution Amount will be limited to
16 the highest Initial Distribution Amount for a son or daughter regardless of how many children are
17 Tort Claimants with Allowed Tort Claims. In addition, there will be only one Relationship Tort
18 Claim Distribution Amount per family so that if two parents or parents and a spouse filed
19 Relationship Tort Claims, regardless of whether they are married at the time of Allowance and
20 payment, only one payment will be made and the parents and spouse can determine how the
21 Relationship Tort Claim Distribution Amount will be split. For example, if there are two sons
22 who have Allowed Tort Claims, one in Tier 3 and one in Tier 4, and each parent filed a
23 Relationship Tort Claim, there will be one payment of \$30,000 (five percent (5%) of \$600,000)
24 on the Claim Payment Date to both parents (or parents and spouse) in full discharge of their
25 Allowed Relationship Tort Claims.

26

1 12.6 Treatment of Unknown Tort Claims. The Unknown Claims Reserve will be
2 initially funded with one-half (1/2) of the remainder of the Initial Contribution after: (i) transfer
3 of the Litigation Fund to the Litigation Trust, (ii) payment of the Initial Distribution Amount to
4 the Settling Tort Claimants with Allowed Tort Claims, (iii) payment or reserve of the Trust
5 Administrative Expense Reserve, (iv) payment or reserve of the Avoidance Actions Fund if not
6 earlier paid, (v) payment of all Allowed Relationship Tort Claims and (vi) payment of all
7 Allowed Tort Compromise Claims. The Reorganized Debtor will also fund the Unknown Claims
8 Reserve from the Fund up to the full amount of the Unknown Claims Reserve. The Unknown
9 Claims Reserve will be held and administered by the Trustee in accordance with the terms of the
10 Settlement Trust. Any Unknown Tort Claims will be treated as follows:

11 (a) Each Unknown Tort Claim, when and if it is an Allowed Claim, will be
12 placed in a Tier by the Special Arbitrator as part of the Allowance of the Unknown Tort Claim
13 using the same criteria for evaluating Tort Claims as used by the Special Arbitrator for other Tort
14 Claimants and will be paid from the Unknown Claims Reserve the appropriate Initial Distribution
15 Amount for the applicable Tier in the manner described below.

16 (b) On an annual basis, funds in the Unknown Claim Reserve will be
17 distributed to holders of Unknown Tort Claims filed after the Bar Date and Allowed during the
18 prior year in an amount equal to the amount distributed to date to holders of previously Allowed
19 Tort Claims of Settling Tort Claimants in each applicable tier; provided, however, that on motion
20 of a party in interest, the Court may reduce the distributions to such Unknown Tort Claimants if a
21 significant risk exists that the Unknown Claims Reserve will not be sufficient to make such
22 distributions and maintain appropriate reserves. In the event that the distributions are reduced,
23 any party in interest may move the Court to further consider whether the distributions to the
24 Unknown Tort Claimants with Allowed Claims may be increased based upon the then current
25 circumstances; provided, however, that no Allowed Claim of an Unknown Tort Claimant will be
26 increased so that the distribution to such Unknown Tort Claimant with an Allowed Tort Claim is

1 greater than the distribution to a Settling Tort Claimant with an Allowed Tort Claim in the same
2 Tier.

3 (c) The Unknown Claims Reserve may be reduced from time to time after the
4 Effective Date by the Trustee upon notice to the Reorganized Debtor, the Representatives and the
5 Committee and pursuant to order of the Court after a hearing. Upon application of the Committee
6 or the Reorganized Debtor, with notice to the Trustee, the Representatives and the Special
7 Arbitrator, and after a hearing in the Bankruptcy Court, the Unknown Claims Reserve may be
8 reduced upon order of the Court; provided, however, that prior to any reduction, any amount
9 which might otherwise be distributed to the Settlement Trust out of the Unknown Claims Reserve
10 will be redistributed to the holders of Allowed Unknown Claims up to the amount that the holders
11 of Allowed Tort Claims have received in the same Tier in which such Allowed Unknown Tort
12 Claim has been placed. After such redistribution, any such reduction will be distributed in
13 accordance with the terms of the Plan. The Representatives will have standing at any hearing to
14 determine any reduction in the Unknown Claims Reserve.

15 (d) The Debtor, the Representatives and the Committee may agree to
16 additional instructions to be given to the Special Arbitrator for preserving the Unknown Claims
17 Reserve.

18 12.7 General. All distributions to the holders of Allowed Tort Claims and Relationship
19 Tort Claims will be in full discharge of such Claims. A Settling Tort Claimant, a Relationship
20 Tort Claimant or an Unknown Tort Claimant whose Claim is Disallowed pursuant to the claim
21 determination procedures set forth in the Plan will receive no distribution under the Plan and will
22 have no further Claim against the Diocese, the Reorganized Debtor, a Participating Third Party, a
23 Settling Party or a Settling Insurer; provided, however, if the Tort Claim is Disallowed because it
24 is a Barred Tort Claim, if a Tort Claimant has elected to participate as a the Tort Compromise
25 Claim, or if a Tort Claimant and the Diocese have entered into an agreement providing for such
26 services, the Tort Claimant will be given an opportunity to participate in the VAP and be

1 provided services by the Diocese through the VAP at no cost to the holder of such Barred Tort
2 Claim, Tort Compromise Claim or other Tort Claim as provided in this Section 12.7. Any Tort
3 Claimant whose Claim is Disallowed because it is a Barred Tort Claim or who elects to be treated
4 as a Tort Compromise Claim who is currently receiving counseling provided by the Diocese other
5 than through VAP, will be offered the opportunity to continue that counseling. Nothing
6 contained in this Section or in the Plan will preclude the Debtor or the Reorganized Debtor from
7 providing service through the VAP or any other program to a Tort Claimant regardless of whether
8 such Tort Claimant filed a Tort Claim in the Reorganization Case. The Diocese will not defend
9 any Tort Claim on the basis that a parish or parish affiliate, and not the Diocese, is liable for such
10 claim.

11 12.8 Treatment of Non-Settling Tort Claimants. Non-settling Tort Claimants: (a) will
12 be subject to the terms of the Litigation Trust Agreement; and (b) will not receive any payment if
13 (and to the extent) the Claim is Disallowed pursuant to the litigation procedures constituting the
14 Litigation Protocol, and (c) will have no further Claim against the Debtor, the Reorganized
15 Debtor, any Participating Third Party, any Settling Party or any Settling Insurer. All Non-Settling
16 Tort Claimants will retain the right to adjudicate their Claims through litigation (including, if not
17 previously waived, trial by jury in the Bankruptcy Court or the District Court, if and to the extent
18 such is available), subject however, to the provisions of the Plan and the Litigation Trust
19 Agreement. If an objection has been filed to the Tort Claim of a Non-Settling Tort Claimant, the
20 objection will constitute commencement of the action to determine the Allowance or
21 Disallowance of the Tort Claim of a Non-Settling Tort Claimant if such objection is not resolved
22 prior to the Effective Date. Upon entry of a Final Order in favor of a Non-Settling Tort Claimant,
23 and upon resolution by Final Order of all Tort Claims of Non-Settling Tort Claimants, a Non-
24 Settling Tort Claimant will receive, in full discharge and satisfaction of such Allowed Claim, the
25 lesser of:

26 (a) the amount of the judgment pursuant to a Final Order;

1 (b) \$425,000; or
2 (c) to the extent that the Litigation Trust Fund, after deduction of all costs,
3 expenses, fees and other charges which are to be paid or reserved by the Trustee, is not sufficient
4 to pay all Allowed Tort Claims of Non-Settling Tort Claimants the amounts in (a) or (b) above, a
5 Pro Rata share of the proceeds of the Litigation Trust in full and complete discharge and
6 satisfaction of such Allowed Tort Claim of a Non-Settling Tort Claimant. Any funds remaining
7 in the Litigation Trust after all distributions required to be made out of the Litigation Trust will be
8 distributed to the Settlement Trust for distribution in accordance with the terms of the Plan and
9 the Settlement Trust Agreement.

10 12.9 Treatment of Attorney's Fees of Tort Claimants including Unknown Tort
11 Claimants. The fees and expenses of attorneys representing any of the Relationship Tort
12 Claimants, Settling Tort Claimants, Non-Settling Tort Claimants or Unknown Tort Claimants
13 who receive payment from the Settlement Trust or the Litigation Trust will be borne by such
14 Claimants based on applicable state law and individual arrangements made between them and
15 their attorneys. In no event will the Diocese, the Reorganized Debtor or the Trustee of the
16 Settlement Trust or the Litigation Trust have any liability for any fees and expenses of attorneys
17 representing any of the Settling Tort Claimants, any of the Non-Settling Tort Claimants, any of
18 the Relationship Tort Claimants or any of the Unknown Tort Claimants and any such Claims, if
19 any, will be Disallowed.

20 12.10 Treatment of Punitive Damages. Claims for punitive or exemplary damages in
21 connection with Tort Claims, whether asserted by Tort Claimants, Unknown Tort Claimants or
22 any other Claimants, will not be Allowed.

23 12.11 Impairment. The Class 10 Claims are impaired under the Plan.
24
25
26

1 **ARTICLE 13**

2 **TREATMENT OF CLASS 12 CLAIMS**
3 **(PENALTY CLAIMS)**

4 13.1 Distribution. No Penalty Claims will be Allowed and there will be no distribution
5 to the holders of any Penalty Claims.

6 13.2 Impairment. The Class 12 Penalty Claims are impaired under the Plan.

7 **ARTICLE 14**

8 **MEANS OF IMPLEMENTATION OF THE PLAN**

9 14.1 Litigation Protocol. The procedures for resolving Claims of Non-Settling Tort
10 Claimants will be described in the Litigation Trust Agreement if a Litigation Trust is necessary
11 and any other Plan Documents. If there are no Non-Settling Tort Claimants by the Confirmation
12 Hearing, no Litigation Trust will be formed and no Litigation Protocol will be established. If it is
13 necessary to establish a Litigation Trust, attempts will be made by the Trustee in cooperation with
14 the Special Arbitrator to resolve Claims of Non-Settling Tort Claimants that are not settled under
15 the Plan. If such attempts are not successful within the time frames provided in the Litigation
16 Trust Agreement, individual Non-Settling Tort Claimants will have the right to proceed to trial,
17 including jury trial, if available, in the Bankruptcy Court or in the District Court in accordance
18 with applicable law or may waive the right to a jury trial in such Tort Claimant's sole discretion,
19 provided, that such Non-Settling Tort Claimant has not already waived his or her right to seek
20 relief in the District Court or before a jury. In accordance with Bankruptcy Code § 1123(b)(3),
21 after the Effective Date, the Trustee of the Litigation Trust will succeed to all claims, defenses,
22 counterclaims, set offs, and recoupments belonging to the Debtor or its Estate with respect to the
23 Tort Claims of the Non-Settling Tort Claimants only. There will be no distributions on account
24 of the Allowed Claims of the Non-Settling Tort Claimants until the Claims of all Non-Settling
25 Tort Claimants have been determined by a Final Order.

26

1 14.2 Funding on the Effective Date. All payments under the Plan which are due on the
2 Effective Date from the Diocese will be funded from the Fund with respect to payment of
3 Allowed Tort Claims, Allowed Unknown Tort Claims and Allowed Relationship Tort Claims and
4 the Cash on hand and from any other funding received by the Diocese with respect to amounts to
5 be paid to other Creditors on the Effective Date.

6 14.3 Funding After the Effective Date. The funds necessary to ensure continuing
7 performance under the Plan after the Effective Date will be (or may be) obtained from:

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

10 (b) the net proceeds of any Insurance Action Recoveries or from settlements
11 with Settling Insurers;

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

13 (d) any other contributions or financing (if any) which the Reorganized Debtor
14 may obtain on or after the Effective Date;

15 provided, however, that no part of the Fund may be used to pay Creditors other than Tort
16 Claimants and Relationship Tort Claimants under the Plan.

17 14.4 Procedure for Determination of Claims Other Than Tort Claims.

18 (a) Objections to Claims. Notwithstanding the occurrence of the Effective
19 Date, and except as to any Claim that has been Allowed prior to the Effective Date, the
20 Reorganized Debtor may object to the allowance of any Claim against the Debtor or seek
21 estimation thereof on any grounds permitted by the Bankruptcy Code by filing the appropriate
22 pleading in the Bankruptcy Court at any time prior to the first Business Day which is one hundred
23 eighty (180) days after the Effective Date; provided, however, that any Disputed Tort Claims held
24 by Settling Tort Claimants, Relationship Tort Claimants or Unknown Tort Claimants will be
25 determined by the Special Arbitrator in accordance with the Settlement Trust and the Plan and
26

1 any Disputed Tort Claims held by Non-Settling Tort Claimants will be determined pursuant to the
2 Litigation Trust Agreement and the Litigation Protocol.

3 (b) Disputed Claims. No payments or other distributions will be made to
4 holders of Claims unless and until such Claims are Allowed Claims pursuant to a Final Order or
5 final determination of the Special Arbitrator. If a Claim is not an Allowed Claim by the Effective
6 Date or when payment is otherwise due under the Plan, payment on the Allowed Claim (plus
7 interest, if any, as provided herein) will commence on the Claim Payment Date.

8 (c) Treatment of Contingent Claims. Until such time as a Contingent Claim or
9 a Contingent portion of an Allowed Claim becomes fixed or absolute or is Disallowed, such
10 Claim will be treated as a Disputed Claim for all purposes related to distributions under the Plan.
11 The holder of a Contingent Claim will only be entitled to a distribution under the Plan when and
12 if such Contingent Claim becomes an Allowed Claim subject, however, to the provisions of
13 Bankruptcy Code § 502(e).

14 14.5 Payments Effective Upon Tender. Whenever the Plan requires payment to be
15 made, such payment will be deemed made and effective upon tender thereof by the Debtor or the
16 Reorganized Debtor to the Creditor to whom payment is due. If any Creditor refuses a tender, the
17 amount tendered and refused will be held by the Debtor or the Reorganized Debtor for the benefit
18 of that Creditor pending final adjudication of the dispute. However, when and if the dispute is
19 finally adjudicated and the Creditor receives the funds previously tendered and refused, the
20 Creditor will be obliged to apply the funds in accordance with the Plan as of the date of the
21 tender; and while the dispute is pending and after adjudication thereof, the Creditor will not have
22 the right to claim interest or other charges or to exercise any other rights which would be
23 enforceable by the Creditor if the Debtor or the Reorganized Debtor failed to pay the tendered
24 payment.

25 14.6 Preservation of Debtor's Claims, Demands, And Causes of Action. Except as
26 otherwise provided in the Plan, all claims, demands, and causes of action of any kind or nature

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

22 14.7 Prosecution of Certain Avoidance Actions. Within thirty (30) days of the Effective
23 Date, the Trustee will fund the Avoidance Actions Fund from the Initial Contribution if not
24 earlier paid, and the Debtor or Reorganized Debtor will assign to the Representatives certain
25 Avoidance Actions. The Representatives will have the right, after the Effective Date, without the
26 necessity of seeking Court approval, to hire such professionals as they deem necessary to assist

1 them in investigating and, if necessary, prosecuting the assigned Avoidance Actions. Under no
2 circumstances will the Debtor be obligated to fund more than the Avoidance Actions Fund to
3 assist the Representatives nor will the Estate, the Reorganized Debtor or the Litigation Trust, or
4 (except as otherwise ordered by the Court) the Settlement Trust, be liable for any such costs,
5 expenses or actions of the Representatives or any professional retained by them, provided
6 however, the Representatives may, if they exhaust the Avoidance Actions Fund, seek approval
7 from the Court to use up to \$100,000 of the Trust Administrative Expense Reserve to replenish
8 the Avoidance Actions Fund. Thereafter the Representatives may, upon exhaustion of said
9 \$100,000 from the Trust Administrative Expense Reserve, request Court approval for payment of
10 the fees, costs, expenses or actions of the Representatives or any professional retained by them
11 from the Unknown Claims Reserve. Neither the Representatives nor any professionals hired by
12 them to investigate or prosecute the assigned Avoidance Actions will have to seek Court approval
13 for payment of any fees or costs incurred. Notwithstanding any provision in the Plan for the
14 payment of any fees or costs of the Representatives after the Effective Date with respect to
15 matters involving the Unknown Claims Reserve or the Tort Claims of Unknown Tort Claimants,
16 any fees or costs of the Representatives related to investigation or prosecution of the assigned
17 Avoidance Actions will be paid from the Avoidance Actions Fund and not from any other source.
18 Except as otherwise ordered by the Court, any recoveries from the assigned Avoidance Actions, if
19 any, will be subject to the Sharing Arrangement and will be distributed pro rata between the
20 Settlement Trust and the Unknown Claims Reserve in the proportion that the distributions to each
21 under the Plan bear to the sum of the distributions to both.

22 14.8 Special Provisions Governing Unimpaired Claims. Except as otherwise provided
23 in the Plan, nothing will affect the Debtor's or the Reorganized Debtor's rights and defenses with
24 respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal
25 and equitable defenses to or setoffs or recoupments against such Unimpaired Claims.

26

1 14.9 Operative Documents. The Debtor will prepare any documents which the Debtor
2 and the Reorganized Debtor deem are necessary or appropriate to execute the Plan or provided for
3 under the Plan, including, but not limited to, the Settlement Trust Agreement, the Litigation Trust
4 Agreement and the pledge of the Restricted St. Augustine Account. If there is any dispute
5 regarding the reasonableness or propriety of any such documents after reasonable and good faith
6 efforts by the Debtor to negotiate and obtain approval of the documents by the other affected
7 Person(s), any such dispute will be presented to the Bankruptcy Court for determination at or in
8 conjunction with the Confirmation Hearing.

9 14.10 Return of Deposits. To the extent that the Debtor was required to and did pay
10 deposits to any Creditors after the Petition Date as a condition of or as security for continued
11 service after the Petition Date, including, but not limited to, deposits paid to utility companies for
12 adequate assurance of payment pursuant to Bankruptcy Code § 366, then, upon satisfaction of the
13 Claims of such Creditor(s) pursuant to the Plan, any such deposits, together with any interest or
14 other income earned thereon, if any, will be refunded to the Reorganized Debtor within fifteen
15 (15) days of demand by the Reorganized Debtor for return of such deposit(s).

16 14.11 Administrative Claims Bar Date. All requests for payment of administrative costs
17 and expenses incurred prior to the Effective Date pursuant to Bankruptcy Code §§ 507(a)(1) and
18 503(b) will be served and filed with the Bankruptcy Court no later than thirty (30) days after the
19 Effective Date. Any such Claim which is not served and filed within this time period will be
20 forever barred. After approval by the Bankruptcy Court of the final fee applications of the
21 Chapter 11 Professionals for services provided and costs incurred during the course of
22 administration of the Reorganization Case and prior to the Effective Date, the Chapter 11
23 Professionals will not be required to submit any further fee applications to the Bankruptcy Court
24 in accordance with Bankruptcy Code § 330.

25 14.12 Delivery Of Distributions. Distributions will be made by the Debtor, the
26 Reorganized Debtor or the Trustee of the Settlement Trust or the Litigation Trust as follows:

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

4 (b) At the addresses set forth in written notices of address change delivered to
5 the Debtor, the Trustee or the Reorganized Debtor after the date of any related Proof of Claim; or

6 (c) At the addresses reflected in the Schedules if no Proof of Claim has been
7 filed and the Debtor, the Trustee or the Reorganized Debtor has not received a written notice of
8 change of address.

9 (d) If any distribution to a holder of an Allowed Claim is returned as
10 undeliverable, no further distributions to such holder will be made unless and until the Debtor, the
11 Trustee or the Reorganized Debtor is notified of such holder's then-current address, at which time
12 all missed distributions will be made to the holder without interest. All claims for undeliverable
13 or uncashed distributions must be made on or before the first (1st) anniversary of the date
14 applicable to such distribution, or with respect to the a final distribution to a Creditor holding an
15 Allowed Claim, within ninety (90) days thereof. After such date, all such unclaimed property
16 will revert to the Reorganized Debtor or the Trustee for further distribution in accordance with the
17 Plan, and the Claim of any holder or successor to such holder with respect to such property will
18 be discharged and forever barred, notwithstanding any federal or state escheat law to the contrary.

19 14.13 Limitation on De Minimis Payments. The Debtor or the Reorganized Debtor will
20 make no distributions of less than \$50 to any Creditor holding an Allowed Claim. If a Creditor
21 holding an Allowed Claim does not receive a distribution due to the provisions of this Section on
22 any date on which a distribution is to be made to Creditors in the same Class as the Creditor being
23 entitled to such de minimis payment, then the Claim (so long as it is an Allowed Claim) will
24 remain eligible for distributions on any subsequent distribution date, subject to the provisions of
25 this Section. In all events, the Creditor holding an Allowed Claim which has not received a
26 distribution on any previous distribution dates because of this provision, will receive such

1 distribution on the date that final distribution is made to Creditors in the same Class as the
2 Creditor being entitled to such de minimis payment.

3 **ARTICLE 15**

4 **DETERMINATION OF TORT CLAIMS**

5 15.1 Criteria for Determining Validity of Tort Claims and Tiers. Each Tort Claim that
6 has not been Allowed as of the Effective Date or is not a Tort Compromise Claim will be
7 evaluated and be Allowed or Disallowed based upon the following:

8 (a) The Diocese and the Committee will make a recommendation to the
9 Special Arbitrator regarding Allowance of a Tort Claim and Tier placement. If the Committee
10 and the Diocese are in agreement and the Settling Tort Claimant agrees to the recommendation,
11 the Tort Claim will be Allowed as recommended by the Diocese and the Committee and as
12 agreed by the Settling Tort Claimant. If the Diocese and the Committee disagree or the Tort
13 Claimant does not accept the recommendation, the Special Arbitrator will determine the Tort
14 Claim in accordance with the terms of this Article.

15 (b) The Special Arbitrator will consider the evidence that the abuse occurred.
16 The Special Arbitrator will consider the frequency and duration of the abuse, whether the
17 description provided by the Tort Claimant in the Proof of Claim or any other documentation
18 submitted by the Tort Claimant fits any pattern of the alleged perpetrator as developed by the
19 Diocese, the Committee or other third parties who have information regarding the alleged
20 perpetrator and have submitted such information and documentation to the Special Arbitrator.

21 (c) The Special Arbitrator will consider the evidence of injury to the Tort
22 Claimant, both the injury of the event itself and the emotional injury suffered thereafter. Factors
23 that the Special Arbitrator will consider include the frequency or duration of the abuse; the age of
24 the Tort Claimant at the time the abuse occurred; the age of the Tort Claimant at the time the Tort
25 Claim is asserted; the effect that the abuse has had on the Tort Claimant's life; the presence or
26

1 absence of drug or alcohol abuse; any criminal history of the Tort Claimant; any history or pattern
2 of behavior to establish that the Tort Claimant has been an abuser; and any other information the
3 Special Arbitrator deems relevant to assist in the evaluation of injury to the Tort Claimant.

4 (d) The Special Arbitrator will consider evidence that the claim is not barred
5 by limitations and the strength of the Tort Claimant's case that he or she was excused from
6 bringing the Tort Claim because it was preserved by an extension of the statute of limitations
7 under applicable law. In doing so, the Special Arbitrator will strictly comply with established
8 case and statutory law in the State of Arizona, will not seek to extend applicable case and
9 statutory law pertaining to the statute of limitations, and will not Allow any Tort Claim, including
10 an Unknown Tort Claim, which is brought beyond the otherwise applicable statute of limitations
11 unless the Claimant can show, by a preponderance of the evidence, that:

12 (i) he or she suffered from repressed memory or other incompetence
13 recognized under Arizona law as extending the statute of limitations, as established by
14 the written evaluation of a board certified and licensed psychiatrist or psychologist
15 who has examined the Tort Claimant which is presented to the Special Arbitrator; and

16 (ii) the Proof of Claim or litigation (if litigation was commenced
17 prepetition) was filed within two (2) years of the disability being removed.

18 (e) The Special Arbitrator will consider evidence of the Diocese's
19 responsibility for the acts which give rise to the Tort Claim. The Tort Claimant will be required
20 to present evidence that the alleged perpetrator was employed by or was acting on behalf of the
21 Diocese and that the acts were committed in the course and scope of the perpetrator's employment
22 or association with the Diocese. The fact that the alleged perpetrator was a cleric or held some
23 religious position will not be sufficient for a finding of responsibility unless the alleged
24 perpetrator was employed by or acting on behalf of the Diocese. The Special Arbitrator will
25 consider the extent of the knowledge or notice that the Debtor had that the perpetrator had a
26 propensity to molest minors. The Special Arbitrator will also consider whether the alleged

1 perpetrator was one of the persons identified by the Diocese as one against whom credible
2 allegations of sexual abuse had been made and whether the alleged abuse occurred after the
3 Diocese knew or should have known about any abuse previously committed by the alleged
4 perpetrator.

5 (f) The Special Arbitrator will determine, in her discretion, the weight that
6 each of the factors to be used in the evaluation of a Tort Claim (including an Unknown Tort
7 Claim) will be given in determining whether a Tort Claim or Unknown Tort Claim should be
8 Allowed and the placement of a Tort Claim (including an Unknown Tort Claim) in a Tier.

9 (g) The Special Arbitrator will not Allow a Tort Claim, including an Unknown
10 Tort Claim, in Tier Four unless the Tort Claimant is a minor at the time the Tort Claim (or
11 Unknown Tort Claim) is asserted or the Tort Claim (or Unknown Tort Claim) is brought within
12 two (2) years of the date such minor attains the age of majority.

13 (h) If the Tort Claim of a Settling Tort Claimant or Unknown Tort Claim is
14 Allowed by the Special Arbitrator in accordance with the foregoing, the Allowed Tort Claim or
15 Allowed Unknown Tort Claim will be treated in accordance with the provisions of Article 12. If
16 such Tort Claim of a Settling Tort Claimant or Unknown Tort Claim is Disallowed, such Tort
17 Claimant or Unknown Tort Claimant will receive nothing under the Plan and will have no further
18 Claim or right against the Debtor, the Reorganized Debtor, the Trustee or the Special Arbitrator.

19 15.2 Documents and Evidence to be Presented to the Special Arbitrator. Nothing
20 contained in the Plan will preclude a Tort Claimant (including an Unknown Tort Claimant), the
21 Diocese or the Committee from presenting any other evidence to the Special Arbitrator to allow
22 the Special Arbitrator to evaluate the Tort Claim (including any Unknown Tort Claim).
23 Specifically, the Tort Claimant, the Diocese or the Committee can request an evidentiary hearing
24 and present witnesses and other evidence relevant to the evaluation of a Tort Claim or Unknown
25 Tort Claim by the Special Arbitrator. The Tort Claimant or Unknown Tort Claimant, the Diocese
26 or the Committee can request the Special Arbitrator to issue subpoenas compelling the attendance

1 of witnesses at the evidentiary hearing. If the Special Arbitrator approves such request, the
2 witness will be compelled to attend to the extent the witness could be compelled to attend a
3 hearing in the Bankruptcy Court in which the Reorganization Case is pending. The Special
4 Arbitrator may also request from the Tort Claimant (including any Unknown Tort Claimant), the
5 Committee or the Debtor any materials that will aid the Special Arbitrator in evaluating a Tort
6 Claim (including an Unknown Tort Claim).

7 15.3 Adherence to Criteria. The Special Arbitrator will not alter the criteria to be
8 applied in evaluating a Tort Claim without prior notice to the Committee, the Tort Claimant (or
9 Unknown Tort Claimant) and the Diocese and a hearing in the Bankruptcy Court at which any
10 objections of the Tort Claimant (or Unknown Tort Claimant), the Committee or the Diocese will
11 be heard. If the Court modifies the criteria, the criteria, as modified, will be applied by the
12 Special Arbitrator. If the Court denies the request of the Special Arbitrator, the criteria will not
13 be modified and must be applied by the Special Arbitrator as set forth in the Plan.

14 15.4 Notice of Allowance. The Special Arbitrator will give notice to the Reorganized
15 Debtor, the Tort Claimant (or Unknown Tort Claimant) and the Committee Professionals of the
16 Allowance of any Tort Claim and the Tier in which the Special Arbitrator is Allowing the Tort
17 Claim. The Reorganized Debtor, the Tort Claimant (or Unknown Tort Claimant) or the
18 Committee may object to such Allowance, including the Tier placement by written objection to
19 the Special Arbitrator with twenty (20) days of receiving such notice. The Special Arbitrator will
20 serve notice on the Reorganized Debtor, the Tort Claimant (or the Unknown Tort Claimant) and
21 the Committee Professional if the Special Arbitrator is changing the Tier placement or decision to
22 Allow the Tort Claim. The decision of the Special Arbitrator is final and nonappealable.

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1 **ARTICLE 16**

2 **TREATMENT OF EXECUTORY CONTRACTS**

3 16.1 Assumption and Rejection of Executory Contracts. On the Confirmation Date,
4 except as otherwise provided herein, all Executory Contracts of the Debtor will be deemed
5 rejected in accordance with the provisions and requirements of Bankruptcy Code §§ 365 and
6 1123 other than those Executory Contracts that: (a) have already been assumed by order of the
7 Bankruptcy Court; (b) are subject to a motion to assume Executory Contracts that is pending on
8 the Confirmation Date; or (c) are subject to a motion to reject an Executory Contract pursuant to
9 which the requested effective date of such rejection is after the Confirmation Date. Approval of
10 any motions to assume Executory Contracts pending on the Confirmation Date will be approved
11 by the Bankruptcy Court on or after the Confirmation Date by a Final Order. Each Executory
12 Contract assumed pursuant to this Article 16 will revert in and be fully enforceable by the
13 Reorganized Debtor in accordance with its terms, except as such terms are modified by the
14 provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its
15 assumption or applicable law.

16 16.2 Claims Based on Rejection of Executory Contracts. Every Claim asserted by a
17 Creditor arising from the rejection of an Executory Contract pursuant to the Plan must be filed
18 with the Bankruptcy Court no later than the first Business Day which is thirty (30) days after the
19 Confirmation Date or the first Business Day that is thirty (30) days after entry of the Final Order
20 of the Bankruptcy Court approving rejection if such Final Order is entered after the Confirmation
21 Date. Every such Claim which is timely filed, as and when it becomes an Allowed Claim, will be
22 treated under Class 8 of the Plan. Every such Claim which is not timely filed by the deadline
23 stated above will be forever barred, unenforceable, and discharged, and the Creditor holding the
24 Claim will not receive or be entitled to any distribution under the Plan on account of such Claim.

25 16.3 Indemnification of Members, Managers, Officers, and Employees. The obligation
26 of the Debtor to indemnify any Person serving at any time on or prior to the Effective Date as one

1 of its officers, employees or volunteers by reason of such Person's service in such capacity to the
2 extent provided in any of the Debtor's constituent documents, by a written agreement with the
3 Debtor or under the laws of State of Arizona pertaining to the Debtor or under Canon Law, will
4 be deemed and treated as Executory Contracts that are assumed by the Reorganized Debtor
5 pursuant to the Plan and Bankruptcy Code § 365 as of the Effective Date. Accordingly, such
6 indemnification obligations of the Debtor to indemnify any Person will survive unimpaired and
7 unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is
8 owed for an act or event occurring before or after the Petition Date.

9 **ARTICLE 17**

10 **CONDITIONS TO EFFECTIVE DATE**

11 17.1 Conditions To Occurrence Of Effective Date. Each of the following are conditions
12 to the Effective Date, which conditions must be satisfied or waived by the Debtor:

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

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

17 (c) The transfers have been made to the Fund and the Settlement Trust has
18 been funded with, at least, the Initial Contribution.

19 (d) All actions, documents, and agreements necessary to implement the Plan
20 will have been effected or executed.

21 17.2 Debtor's Obligations to Cause Effective Date to Occur. Upon satisfaction of the
22 conditions to the Effective Date, the following will occur:

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

3 (b) Satisfaction of Tort Claims. Unless the Settlement Trust and the Litigation
4 Trust will have been earlier established, the Reorganized Debtor will cause the Settlement Trust
5 and the Litigation Trust to be established. The Reorganized Debtor will deliver the Initial
6 Contribution to the Trustee of the Settlement Trust. Any Cash payments provided for under the
7 Settlement Trust Agreement, the Litigation Trust Agreement and the Plan and any other
8 assignments or pledges to the Trustee will be in full release and discharge of the Tort Claims,
9 including the Unknown Tort Claims and Relationship Tort Claims.

10 17.3 Waiver Of Conditions. The Debtor, in its sole discretion, may waive any of the
11 conditions to the occurrence of the Effective Date including waiver of the Final Order condition
12 in Section 17.1 above any time from and after the Confirmation Date. In that event, the Debtor
13 will be entitled to render any or all of its performance under the Plan prior to what otherwise
14 would be the Effective Date if the above-referenced conditions were not waived, including, but
15 not limited to, the right to perform under any circumstances which would moot any appeal,
16 review, or other challenge of any kind to the Confirmation Order if the Confirmation Order is not
17 stayed pending such appeal, review, or other challenge.

18 17.4 Effect of Non-occurrence of Conditions. If the consummation of the Plan does not
19 occur, the Plan will be null and void in all respects and nothing contained in the Plan or the
20 Disclosure Statement will: (a) constitute a waiver or release of any Claims by or against the
21 Debtor; (b) prejudice in any manner the rights of the Debtor; (c) be admissible in any action,
22 proceeding or case against the Debtor; or (c) constitute an admission, acknowledgement, offer, or
23 undertaking by the Debtor in any respect.

24 17.5 Merger; Choice of Law. All obligations of the Debtor to all Creditors will be
25 merged into the Plan, the Plan Documents and any other documents executed by the Reorganized
26 Debtor in conjunction with confirmation of the Plan and the occurrence of the Effective Date and

1 delivered to the respective affected Creditors. All such obligations of the Reorganized Debtor
2 will be evidenced by the Plan and such executed and delivered documents. Unless otherwise
3 provided therein, such documents will be governed by and construed in accordance with Arizona
4 law.

5 17.6 Other Obligations of the Reorganized Debtor. The Reorganized Debtor will:

6 (a) Review all Claims other than Tort Claims filed against the Estate and, if
7 warranted, object to Claims within the time period provided in Section 14.4(a) of the Plan; and

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

11 **ARTICLE 18**

12 **EFFECTS OF CONFIRMATION**

13 18.1 Discharge. Except as otherwise expressly provided in the Plan or in the
14 Confirmation Order, on the Effective Date the Debtor will be discharged from and its liability
15 will be extinguished completely in respect of any Claim, including, without limitation, Tort
16 Claims, Relationship Tort Claims and Unknown Tort Claims and any debt, whether reduced to
17 judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted,
18 fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or
19 unknown, that arose from any agreement of the Debtor entered into or obligation of the Debtor
20 incurred before the Confirmation Date, or from any conduct of the Debtor prior to the
21 Confirmation Date, or that otherwise arose before the Confirmation Date, including, without
22 limitation, all interest, if any, on any such Claims and debts, whether such interest accrued before
23 or after the date of commencement of the Reorganization Case, and including, without limitation,
24 all Claims and debts based upon or arising out of Tort Claims, Relationship Tort Claims or
25 Unknown Tort Claims and from any liability of the kind specified in Bankruptcy Code §§ 502(g),
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1 502(h), and 502(i), whether or not a Proof of Claim is filed or is deemed filed under Bankruptcy
2 Code § 501, such Claim is Allowed under Bankruptcy Code § 502, or the holder of such Claim
3 has accepted the Plan.

4 18.2 Vesting. Except as otherwise expressly provided in the Plan or in the Confirmation
5 Order, on the Effective Date the Reorganized Debtor will be vested with all of the property of the
6 Estate free and clear of all Claims, Liens, encumbrances, charges and other interests of Creditors,
7 and will thereafter hold, use, dispose or otherwise deal with such property and operate its business
8 free of any restrictions imposed by the Bankruptcy Code or by the Court. All Avoidance Actions
9 (except those assigned to the Representatives), Contribution Actions and Insurance Actions are
10 hereby preserved for the benefit of the Reorganized Debtor. Any Avoidance Actions assigned
11 and transferred to the Representatives are hereby preserved for the benefit of the Trustee of the
12 Settlement Trust (including the Unknown Claims Reserve), subject to the Sharing Arrangement.
13 Prosecution and settlement of the Avoidance Actions, the Contribution Actions and the retained
14 interest in any Insurance Actions will be the exclusive responsibility of the Reorganized Debtor
15 except as otherwise assigned. The Reorganized Debtor will have sole and absolute discretion
16 over whether to prosecute or settle such causes of action except to the extent that of any
17 Avoidance Actions assigned to the Representatives.

18 18.3 Channeled Claims. Except as otherwise expressly provided in the Plan and in this
19 Article 18, in consideration of: (a) the promises and obligations of the Participating Third Parties
20 under the Plan, including the establishment and funding of the Settlement Trust and the Litigation
21 Trust; and (b) the undertakings of the Settling Insurers pursuant to their respective settlements
22 with the Debtor on the Effective Date or on such date as an Insurer becomes a Settling Insurer if
23 such action occurs after the Effective Date, all Persons who have held, hold, or may hold Tort
24 Claims, Relationship Tort Claims or Unknown Tort Claims, whether known or unknown, will be
25 forever barred from pursuing such Tort Claims (including Relationship Tort Claims and
26 Unknown Tort Claims), whether such Claims are based upon tort or contract or otherwise, that

1 they heretofore, now or hereafter possess or may possess against the Settling Parties, in each case
2 based upon or in any manner arising from or related to any acts or omissions of the Diocese or
3 any of the other Settling Parties related to any sexual misconduct or other acts committed by any
4 clergy, employees, volunteers or other Persons associated with the Diocese and, further,
5 including, without limitation: (a) Tort Claims, Relationship Tort Claims or Unknown Tort
6 Claims; (b) Claims for personal injuries, including emotional distress; (c) those of any Person
7 against whom any Claim, demand, proceeding, suit or cause of action based upon or in any
8 manner arising from or relating to any of the matters enumerated or described herein has been or
9 may be asserted (including, without limitation, rights of indemnity, whether contractual or
10 otherwise, contribution Claims and subrogation Claims); (d) those for damages, including
11 punitive damages; (e) those for attorneys' fees and other expenses, fees or costs; (f) those for any
12 possible economic loss or loss of consortium; (g) those for damages to reputation; and (h) those
13 for any equitable remedy. Except as otherwise expressly provided in the Plan and the Plan
14 Documents, the provisions of this Section 18.3 shall further operate, as between all Settling
15 Parties, as a mutual release of all Claims which any Settling Party may have against another
16 Settling Party. The foregoing channeling provisions are an integral part of the Plan and are
17 essential to its implementation.

18 18.4 Exculpation And Limitation Of Liability. Neither the Debtor, the Reorganized
19 Debtor, the Committee, the Unknown Claims Representative, the Guardian ad Litem nor any of
20 their respective present or former members, managers, officers, directors, employees, advisors,
21 attorneys, or agents acting in such capacity (the "Released Parties") will have or incur any
22 liability to, or be subject to any right of action by, any holder of a Claim or any other party in
23 interest or any of their respective agents, employees, representatives, financial advisors, attorneys,
24 or affiliates, or any of their successors or assigns, for any act or omission in connection with,
25 relating to, or arising out of the Reorganization Case, the pursuit of confirmation of the Plan, or
26 the administration of the Plan or the property to be distributed under the Plan, except for their

1 willful misconduct; and in all respects such parties will be entitled to reasonably rely upon the
2 advice of counsel with respect to their duties and responsibilities under the Plan or in the context
3 of the Reorganization Case.

4 18.5 Permanent Injunction Against Prosecution of Released and Channeled Claims.

5 Except as otherwise expressly provided in the Plan, for the consideration described in Section
6 18.3 above or any agreement by which a Person becomes a Participating Third Party, a Settling
7 Insurer or a Settling Party, or if such Person is a Released Party on the Effective Date, all Persons
8 who have held, hold, or may hold Channeled Claims or Claims against the Diocese, any
9 Participating Third Party, any Settling Insurer, any Settling Party or any Released Party, whether
10 known or unknown, and their respective agents, attorneys, and all others acting for or on their
11 behalf, shall be permanently enjoined on and after the Effective Date from: (a) commencing or
12 continuing in any manner, any action or any other proceeding of any kind with respect to any
13 Claim, including, but not limited to, any Tort Claim, Relationship Tort Claims or Unknown Tort
14 Claim against the Released Parties, the Settling Parties, the Diocese, the Reorganized Debtor, the
15 Settlement Trust, the Litigation Trust, the Trustee, the Special Arbitrator and their respective
16 predecessors, successors, officials, shareholders subsidiaries, divisions, affiliates, representatives,
17 attorneys, merged or acquired companies or operations or assigns (collectively, the "Parties") or
18 the property of the Parties; (b) seeking the enforcement, attachment, collection or recovery by any
19 manner or means of any judgment, award, decree, or order against the Parties or the property of
20 the Parties, with respect to any discharged Claim or Channeled Claim; (c) creating, perfecting, or
21 enforcing any encumbrance of any kind against the Parties or the property of the Parties with
22 respect to any discharged Claim or Channeled Claim; (d) asserting any setoff, right of
23 subrogation, or recoupment of any kind against any obligation due to the Parties with respect to
24 any discharged Claim or Channeled Claim; and (e) taking any act, in any manner and in any place
25 whatsoever, that does not conform to or comply with provisions of the Plan, the Settlement Trust
26 Agreement or the Litigation Trust Agreement. Notwithstanding this Section 18.5, each Non-

1 Settling Tort Claimant will be entitled to continue or commence an action against the Trustee of
2 the Litigation Trust (in his capacity as Trustee only and not in his individual capacity) in which
3 the Non-Settling Tort Claimant may be entitled to a jury trial (if not otherwise waived) for the
4 sole purpose of obtaining a judgment as permitted by the Litigation Trust Agreement, thereby
5 liquidating such Non-Settling Tort Claimant's Claim so that it may be paid with other Allowed
6 Tort Claims in the ordinary course of the operations of the Litigation Trust, consistent with the
7 provisions of the Litigation Trust Agreement. The holder of any such judgment will be enjoined
8 from executing against the Litigation Trust or its assets. In the event any Person takes any action
9 that is prohibited by, or is otherwise inconsistent with the provisions of Article 18 of the Plan,
10 then, upon notice to the Court by an affected Party, the action or proceeding in which the Claim
11 of such Person is asserted will automatically be transferred to the Court (or, as applicable, the
12 District Court) for enforcement of the provisions of Article 18 of the Plan. The foregoing
13 injunctive provisions are an integral part of the Plan and are essential to its implementation.

14 **ARTICLE 19**

15 **MODIFICATION OF PLAN**

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

21 **ARTICLE 20**

22 **RETENTION OF JURISDICTION**

23 Notwithstanding confirmation of the Plan and the occurrence of the Effective Date, the
24 Bankruptcy Court will retain jurisdiction for the following purposes:
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1 20.1 In General. The Bankruptcy Court will retain jurisdiction to determine the
2 allowance and payment of any Claims upon any objections thereto (or other appropriate
3 proceedings) by the Debtor, by the Reorganized Debtor, or by any other party in interest entitled
4 to proceed in that manner. As part of such retained jurisdiction, the Bankruptcy Court will
5 continue to determine the allowance of Administrative Claims and any request for payment
6 thereof, including Administrative Claims for Professional Charges. The Bankruptcy Court will
7 not retain or obtain jurisdiction to determine any internal disputes between the Diocese, a Parish
8 or any other related Person that, under applicable Canon Law, would be determined in a
9 specialized religious court.

10 20.2 Plan Disputes And Enforcement. Subject to the limitations set forth in Section
11 20.1 above, the Bankruptcy Court will retain jurisdiction to determine any dispute which may
12 arise regarding the interpretation of any provision of the Plan. The Bankruptcy Court also will
13 retain jurisdiction to enforce any provisions of the Plan and any and all documents relating to the
14 Plan, including, but not limited to, any actions to enforce the releases and injunctions provided for
15 in Article 18 of the Plan. The Bankruptcy Court will also retain jurisdiction over any matter
16 relating to the implementation, effectuation, and/or consummation of the Plan as expressly
17 provided in any provision of the Plan.

18 20.3 Further Orders. The Bankruptcy Court will retain jurisdiction to facilitate the
19 performance of the Plan by entering, consistent with the provisions of the Plan, any further
20 necessary or appropriate order regarding enforcement of the Plan, the Plan Documents and any
21 provisions thereof, and to protect the Debtor, the Reorganized Debtor and the Settling Parties
22 from actions prohibited under the Plan. Subject to the limitations provided in Section 20.1 above,
23 in addition, the Bankruptcy Court will retain jurisdiction to facilitate or implement the allowance,
24 disallowance, treatment, or satisfaction of any Claim, or any portion thereof, pursuant to the Plan
25 (other than Tort Claims, Unknown Tort Claims or Relationship Tort Claims) to which an
26 objection has not been filed prior to the Effective Date.

1 20.4 Governmental Units Or Regulatory Agencies. The Bankruptcy Court will retain
2 jurisdiction to adjudicate any dispute or to hear and determine any action taken, proposed, or
3 threatened by any state, federal, or local governmental regulatory agency or unit having or
4 asserting jurisdiction or power over the conduct of the business of the Debtor and/or the
5 Reorganized Debtor.

6 20.5 Final Decree. The Bankruptcy Court will retain jurisdiction to enter an appropriate
7 final decree in the Bankruptcy Case.

8 20.6 Appeals. In the event of an appeal of the Confirmation Order or any other kind of
9 review or challenge to the Confirmation Order, and provided that no stay of the effectiveness of
10 the Confirmation Order has been entered, the Bankruptcy Court will retain jurisdiction to
11 implement and enforce the Confirmation Order and the Plan according to their terms, including,
12 but not limited to, jurisdiction to enter such orders regarding the Plan or the performance thereof
13 as may be necessary to effectuate the reorganization of the Debtor.

14 20.7 Executory Contracts. The Bankruptcy Court will retain jurisdiction to determine
15 any and all motions regarding assumption or rejection of Executory Contracts and any and all
16 Claims arising therefrom.

17 20.8 Claims. Subject to the limitations set forth in Section 20.1 above, the Bankruptcy
18 Court will retain jurisdiction: (a) to hear and determine any claim or cause of action by or against
19 the Debtor, the Debtor's officers and employees, the Chapter 11 Professionals, and the
20 Reorganized Debtor; (b) to adjudicate any causes of action or other proceeding currently pending
21 or otherwise referenced here or elsewhere in the Plan, including, but not limited to, the
22 adjudication of the Avoidance Actions and Contribution Actions and any and all "core
23 proceedings" under 28 U.S.C. §157(b) which may be pertinent to the Reorganization Case and
24 which the Debtor or the Reorganized Debtor may deem appropriate to initiate and prosecute
25 before the Court in aid of the implementation of the Plan; and (c) to hear objections to Tort
26 Claims pending prior to the Effective Date of the Plan.

1 22.3 Closing of the Case. At such time as the Plan has been fully administered and/or
2 the Plan has been substantially consummated, the Reorganized Debtor will file an application for
3 Final Order showing that the Plan has been substantially consummated and/or fully administered.
4 The Reorganized Debtor will file an application for Final Order upon notice to only those
5 Creditors and parties that, after the Effective Date, have specifically requested, after which an
6 order approving the Reorganized Debtor's final report and closing the Reorganization Case may
7 be entered.

8 22.4 Interest. Whenever interest is to be computed under the Plan, interest will be
9 simple interest and not compounded.

10 22.5 Additional Assurances. The Debtor, the Reorganized Debtor, and the Creditors
11 holding Claims herein will execute such other further documents as are necessary to implement
12 any of the provisions of the Plan.

13 22.6 Confirmation By Nonacceptance Method. The Debtor hereby requests, if
14 necessary, confirmation of the Plan pursuant to Bankruptcy Code § 1129(b) with respect to any
15 impaired Class of Claims which does not vote to accept the Plan.

16 22.7 Withdrawal Of Plan. The Plan may be withdrawn or revoked prior to entry of the
17 Confirmation Order in which event the provisions of Section 22.12 will apply.

18 22.8 Severability And Reformation. It is the Debtor's intention to comply fully with the
19 Bankruptcy Code and applicable nonbankruptcy law in proposing the Plan. Therefore, if any
20 provision of the Plan is determined by the Bankruptcy Court to be contrary to the Bankruptcy
21 Code or applicable nonbankruptcy law, that provision will be deemed severed and automatically
22 deleted from the Plan, if it cannot be reformed or the provision or its interpretation will be
23 deemed reformed to ensure compliance; provided, however, that nothing contained in this Section
24 will prevent the Debtor from modifying the Plan in any manner whatsoever in accordance with
25 and as set forth in the Plan. Pursuant to any ruling by the Bankruptcy Court regarding the subject
26 matter of this Section, any such severance or reformation will be stated specifically in the

1 Confirmation Order, which then will control notwithstanding any contrary or inconsistent
2 provisions of the Plan.

3 22.9 Prohibition Against Prepayment Penalties. If the Debtor or the Reorganized
4 Debtor chooses, in its sole and absolute discretion, to prepay any obligation on which deferred
5 payments are provided for under the Plan, the Debtor or the Reorganized Debtor will not be liable
6 or subject to the assessment of any prepayment penalty thereon unless otherwise ordered by the
7 Bankruptcy Court.

8 22.10 Fractional Dollars. Notwithstanding any other provision of the Plan, no payments
9 or distributions under the Plan of or on account of fractions of dollars will be made. When any
10 payment or distribution of or on account of a fraction of a dollar to any holder of an Allowed
11 Claim would otherwise be required, the actual payment or distribution made will reflect a
12 rounding of such fraction to the nearest whole number (up or down).

13 22.11 Payment Of Statutory Fees And Filing of Quarterly Reports. All fees payable
14 pursuant to Section 1980 of Title 28 of the United States Code, 28 U.S.C. § 1980, as determined
15 by the Bankruptcy Court at or in conjunction with the Confirmation Hearing, will be paid on or
16 before the Effective Date and, thereafter, in accordance with applicable bankruptcy law. All
17 quarterly reports of disbursements required to be filed by applicable bankruptcy law will be filed
18 in accordance with applicable bankruptcy law.

19 22.12 Reservation of Rights. Except as expressly provided herein, the Plan will have no
20 force or effect unless the Confirmation Order is entered by the Bankruptcy Court and the
21 Effective Date has occurred. None of the filing of the Plan, any statement or provision contained
22 herein, or the taking of any action by the Debtor with respect to the Plan will be or will be
23 deemed to be an admission or waiver of any rights of the Debtor with respect to the holders of
24 Claims prior to the Effective Date.

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1 22.13 No Professional Fees or Expenses. No professional fees or expenses will be paid
2 by the Debtor or the Reorganized Debtor with respect to any Claim except as specified in the Plan
3 or as Allowed by Final Order of the Court.

4 22.14 Committee. Upon the occurrence of the Effective Date, the Committee and the
5 Committee Professionals will continue for the sole purpose of participating in the Allowance and
6 Disallowance of Tort Claims (including Unknown Tort Claims) as set forth in the Plan.

7 22.15 Release of Unknown Claims Representative and Guardian ad Litem. Upon the
8 occurrence of the Effective Date, the Unknown Claims Representative and the Guardian ad Litem
9 will be released from their respective duties and discharged except with respect to their rights
10 under Article 15 and except, as to the assigned Avoidance Actions.

11 22.16 Headings. The headings of the articles, paragraphs, and section of the Plan are
12 inserted for convenience only and will not affect the interpretation hereof.

13 22.17 Section 1146 Exemption. Pursuant to Bankruptcy Code § 1146(c), any transfers of
14 property pursuant hereto will not be subject to any document, recording tax, stamp tax,
15 conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax,
16 mortgage recording tax or other similar tax or governmental assessment in the United States, and
17 the Confirmation Order will direct the appropriate state or local governmental officials or agents
18 to forgo the collection of any such tax or governmental assessment and to accept for filing and
19 recordation any of the foregoing instruments or other documents without the payment of any such
20 tax or governmental assessment.

21 22.18 Successors and Assigns. The rights, benefits and obligations of any Person named
22 or referred to in the Plan will be binding upon, and will insure to the benefit of, the heir, executor,
23 administrator, successor or assign of such Person.

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DATE OF PLAN: May 25, 2005.

DATE OF EXECUTION: September 21, 2005.

THE ROMAN CATHOLIC CHURCH
OF THE DIOCESE OF TUCSON, an
Arizona corporation sole

By: + *Bernard Kerans*

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