UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA

In re:	
Diocese of Winona-Rochester,	Case No. 18-33707
Debtor.	Chapter 11

JOINT DISCLOSURE STATEMENT FOR CORRECTED THIRD AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION PROPOSED BY THE DIOCESE OF WINONA-ROCHESTER AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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DISCLOSURE STATEMENT[1]

On November 30, 2018 (the "**Petition Date**"), the Diocese of Winona-Rochester (the "**Debtor**" or the "**Diocese**") filed a voluntary Chapter 11 petition with the United States Bankruptcy Court for the District of Minnesota (the "**Bankruptcy Court**"). Since the Petition Date, the Debtor has remained in possession of its assets and has continued to own, operate and manage its affairs pending the approval of a plan of reorganization in accordance with the provisions of Title 11 of the United States Code (as amended, the "**Bankruptcy Code**"). The Debtor and the Official Committee of Unsecured Creditors (the "**Committee**" and together with the Debtor, the "**Plan Proponents**") seek confirmation of the *Corrected Third Amended Joint Chapter 11 Plan of Reorganization* (as it may be amended or modified, the "**Plan**").

Under § 1125 of the Bankruptcy Code, the Plan Proponents now submit this Disclosure Statement (the "**Disclosure Statement**") in connection with the Plan.

I.
INTRODUCTION

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

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

BY ORDER DATED JUNE 29, 2021 (THE "**DISCLOSURE STATEMENT ORDER**"), THE BANKRUPTCY COURT APPROVED THIS DISCLOSURE STATEMENT, WHICH INCLUDES AND DESCRIBES THE PLAN, AS CONTAINING ADEQUATE INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE CREDITORS OF THE DEBTOR TO MAKE AN INFORMED DECISION ABOUT THE PLAN. A COPY OF THE DISCLOSURE STATEMENT ORDER IS ATTACHED AS **EXHIBIT B**. ONLY HOLDERS OF ALLOWED CLAIMS IN CLASSES 3 (TORT CLAIMS OTHER THAN IMPAIRED UNKNOWN TORT CLAIMS) AND 4B (IMPAIRED UNKNOWN TORT CLAIMS) ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ACCORDINGLY, THE DEBTOR IS SOLICITING ACCEPTANCES OF THE PLAN FROM ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR IN CLASSES 3 AND 4B.

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

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

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

VOTING INSTRUCTIONS ARE CONTAINED IN THE ATTACHED DISCLOSURE STATEMENT ORDER. IN ADDITION, THE SOLICITATION PACKAGE ACCOMPANYING EACH OF THE BALLOTS CONTAINS APPLICABLE VOTING INSTRUCTIONS. **TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED, EXECUTED AND ACTUALLY RECEIVED BY THE DEBTOR BY 5:00 P.M. (PREVAILING CENTRAL TIME), ON _____, 2021** (THE "**VOTING DEADLINE**").

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

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for _____, 2021 at _____ A.M. (Prevailing Central Time) (the "**Confirmation Hearing**") at the United States Bankruptcy Court, 300 South Fourth Street, Minneapolis, MN. This hearing may be adjourned from time to time, including without further notice other than by announcement in the Bankruptcy Court on the scheduled date of such hearing. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code. The Bankruptcy Court will then also receive and consider a ballot report prepared by the Debtor concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote.

II.
NOTICE TO HOLDERS OF CLAIMS

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

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

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN OR ANY OTHER APPLICABLE DOCUMENT, THE TERMS OF THE PLAN OR ANY SUCH APPLICABLE DOCUMENT SHALL GOVERN. UNLESS OTHERWISE SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY LATER DATE. THIS DISCLOSURE STATEMENT DOES NOT REFLECT EVENTS THAT MAY

OCCUR AFTER THAT DATE AND MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

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

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

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

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

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

PROFESSIONALS DO NOT REPRESENT OR WARRANT THAT THIS DISCLOSURE STATEMENT IS COMPLETE OR IS FREE FROM ANY INACCURACY OR OMISSION.

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

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

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

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

III.
EXPLANATION OF CHAPTER 11

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

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

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

B. CHAPTER 11 PLAN. The formulation of a Chapter 11 plan is the principal purpose of a Chapter 11 case. A Chapter 11 plan sets forth the means for satisfying the holders of claims against and interests in a debtor's estate. A Chapter 11 plan may provide anything from a complex

restructuring of a debtor's operations and its related obligations to a simple liquidation of a debtor's assets. In either event, upon confirmation of a plan, it becomes binding on a debtor and all of its creditors, and the prior obligations owed by a debtor to such parties are compromised and exchanged for the obligations specified in the plan. The Plan incorporates a compromise reached among the Debtor and the Committee that the Debtor and the Committee believe provides a fair and equitable allocation of the Debtor's assets that will be distributed to creditors and treatment of all Claims against the Debtor.

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

C. CONFIRMATION OF A CHAPTER 11 PLAN. If all classes of Claims accept the Plan, the Bankruptcy Court may confirm the Plan if the Bankruptcy Court independently determines that the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied. **The Debtor and the Committee believe that the Plan satisfies all the applicable requirements of Section 1129(a) of the Bankruptcy Code**.

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

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

Classes 3 (Tort Claims other than Impaired Unknown Tort Claims) and 4B (Impaired Unknown Tort Claims) are impaired under the Plan and entitled to vote on the Plan.

Classes 1 (Priority Claims), 2 (Governmental Unit Claims), 4A (Unimpaired Unknown Tort Claims), 5 (General Unsecured Claims), 6 (Unimpaired Unknown Contingent Claims), 7 (Secured Claim of Minnesota Department of Commerce) and 8 (Secured Claim of Community Bank of Mankato), are deemed unimpaired under the Plan and are deemed to accept the Plan.

In general, a Bankruptcy Court also may confirm a Chapter 11 plan even though fewer than all the classes of impaired claims against and equity interests in a debtor accept such plan. For a Chapter 11 plan to be confirmed, despite its rejection by a class of impaired claims or equity interests, a plan must be accepted by at least one class of impaired claims (determined without

counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or equity interests that have not accepted the plan.

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

A plan does not "discriminate unfairly" against a rejecting class of claims or equity interests if the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims or equity interests. **The Debtor and the Committee believe that the Plan will satisfy the foregoing requirements as to any rejecting Class of Claims, and can therefore be confirmed despite any such rejection by any Class**.

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

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

CLASS	DESCRIPTION	IMPAIRMENT	VOTING
1	Priority Claims	Unimpaired	No
2	Governmental Unit Claims	Unimpaired	No
3	Tort Claims Other Than Impaired Unknown Tort Claims	Impaired	Yes
4A	Unimpaired Unknown Tort Claims	Unimpaired	No
4B	Impaired Unknown Tort Claims	Impaired	Yes
5	General Unsecured Claims	Unimpaired	No
6	Unimpaired Unknown Contingent Claims	Unimpaired	No
7	Secured Claim of Minnesota Department of Commerce	Unimpaired	No
8	Secured Claim of Community Bank of Mankato	Unimpaired	No

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

IV.
QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

Why is the Debtor sending me this Disclosure Statement?

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

The Plan is based on two settlements. One settlement is among the Diocese, the Catholic Entities, and certain Settling Insurers and amounts to $6,500,000.00. This settlement is evidenced by the LMI/Interstate Settlement Agreement, which is subject to Bankruptcy Court approval. In general terms, the LMI/Interstate Settlement Agreement provides for (a) the buy back by certain Underwriters at Lloyd's, London, and certain London Market Companies (as defined in the LMI/Interstate Settlement Agreement) (collectively, "**LMI**") and Interstate Fire & Casualty Company ("**Interstate**" and together with LMI, "**LMI/Interstate**") of their policies from the Catholic Entities and (b) injunctions which prohibit, among others, Tort Claimants from suing LMI/Interstate. LMI/Interstate constitute "**Settling Insurers**" under the Plan.

The second settlement is among the Diocese, certain Catholic Entities, and the Committee and amounts to $13,560,000.00 (minus (i) amounts paid by the Debtor for certain administrative expenses paid after February 29, 2020 and (ii) counseling expenses for Tort Claimants paid by the Debtor) to be paid within five days after the Effective Date of the Plan (which payment shall constitute substantial consummation of the Plan), plus an additional $7,746,000 to be paid as soon as practical but in no event more than 12 months after the Effective Date. In addition, the Debtor has agreed to pay up to an additional $750,000 to fund the Impaired Unknown Tort Claim Reserve Fund. All of the settlement amounts will be payable to the Trust set up through the Plan and Disclosure Statement process. The funds will be allocated pursuant to the Trust Distribution Plan attached as **Exhibit D** to the Plan.

The Plan also contains provisions related to the rights of Tort Claimants to pursue litigation with respect to Claims insured by, and for the Trust to pursue litigation against, Non-Settling

Insurers to collect additional money. The procedures, protocols, and limitations related to Non-Settling Insurer litigation is provided in Section XI below.

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

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

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

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

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

The cash required to fund the Trust that will pay holders of Class 3 and 4B Claims, will come from (i) $13,560,000.00 of cash from the Debtor (minus (A) amounts paid by the Debtor for certain administrative expenses paid after February 29, 2020 and (B) counseling expenses for Tort Claimants paid by the Debtor) to be paid within five days after the Effective Date of the Plan

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

(which payment shall constitute substantial consummation of the Plan), plus an additional $7,746,000 of cash from the Debtor and certain Catholic Entities to be paid within 12 months after the Effective Date, plus up to an additional $750,000 from the Debtor to fund the Impaired Unknown Tort Claim Reserve Fund, (ii) $6,500,000.00 of cash from LMI/Interstate, and (iii) the Transferred Insurance Interests. The Debtor currently has sufficient funds on hand to make the initial cash payment required of it by the Plan, and the Plan provides the Debtor up to 12 months to make the second cash payment of $7,746,000, which the Debtor believes is sufficient time to raise such funds via the sale or financing of certain assets and contributions from certain non-Diocesan entity resources.

In consideration for these contributions LMI/Interstate and the Protected Parties (including the foregoing Catholic Entities) will be beneficiaries of the Channeling Injunction. In addition, LMI/Interstate will be beneficiaries of the Supplemental Settling Insurer Injunction contained in the Plan. Tort Claimants must sign a release of the Settling Insurers as a prerequisite to receiving any distributions through the Plan and from the Trust. In addition, Tort Claimants must sign a release of any Tort Claims that do not implicate coverage under Non-Settling Insurer Policies with respect to the Protected Parties and the Settling Insurers, as a prerequisite to receiving any distributions through the Plan and from the Trust.

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

Yes. *See* "Exculpation and Limitation of Liability," which is in section XVI.E below. A Tort Claimant's distribution is conditioned upon the Tort Claimant signing a release of the Settling Insurers, and signing a release of any Tort Claims that do not implicate coverage under Non-Settling Insurer Policies with respect to the Protected Parties. The Ballots for the Tort Claimants contain the releases.

Will there be any injunctions entered pursuant to the Plan?

Yes. The Protected Parties obtain the "Discharge and Injunction," which is in section XVI.B below and the "Channeling Injunction," which is in section XVI.C below. The Settling Insurers receive the benefit of the "Channeling Injunction" and also the "Supplemental Settling Insurer Injunction," which is in section XVI.D below. These injunctions will require holders of Tort Claims to seek an exclusive remedy provided in the Plan and preclude claimants from pursuing Claims against the parties protected by such injunctions, to the extent of such injunctions, whether or not such claimants receive a distribution under the Plan. The Tort Claimants will specifically reserve, and do not release, any Tort Claims against the Protected Parties that implicate insurance coverage under any Non-Settling Insurer Policy, but recourse is limited to the proceeds of Non-Settling Insurer Policies and all other damages (including extra-contractual damages), awards, judgments in excess of policy limits, penalties, punitive damages and attorney's fees and costs that may be recoverable against any Non-Settling Insurers because of their conduct concerning insurance coverage for, or defense or settlement of, any Tort Claim, and any such judgments or awards will be turned over to the Trust for handling in accordance with Sections 6.14(i) and (j) of the Plan. The Trust Distribution Plan sets forth additional information concerning how the Trust will make distributions from any recoveries received from Non-Settling Insurers, including any amounts to be recovered by a Tort Claimant who successfully recovers a judgment implicating coverage under a Non-Settling Insurer Policy. The Class 3 and Class 4B Claims will

not be released or enjoined as against the Diocese, the Reorganized Debtor, or any other Protected Party for any Abuse that may be covered under Non-Settling Insurer Policies until such claims are settled with the Diocese, the Reorganized Debtor, or any other Protected Party, as applicable, and such Non-Settling Insurer or are fully adjudicated, resolved and subject to Final Order, but recourse is limited as described above.

How do I vote for or against the Plan?

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

What is the deadline to vote on the Plan?

All Ballots must be actually received by the Debtor no later than 5:00 p.m. (Prevailing Central Time) on [●], 2021 (the "**Voting Deadline**").

Why is the Bankruptcy Court holding a Confirmation Hearing?

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

When is the Confirmation Hearing scheduled to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for [●], 2021 to take place at _____ a.m. (Prevailing Central Time) before the Honorable Judge William J. Fisher, United States Bankruptcy Judge, in the United States Bankruptcy Court, Courtroom 2B, 316 North Robert Street, St. Paul, MN. The Confirmation Hearing may be adjourned from time to time, including without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof. Objections to Confirmation of the Plan must be filed and served on the Debtor and certain other parties, by no later than [●], 2021 at 5:00 p.m. (Prevailing Central Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement. Unless an objection to Confirmation of the Plan is timely served and filed in compliance with the Disclosure Statement Order, which is attached to this Disclosure Statement as **Exhibit B**, it might not be considered by the Bankruptcy Court.

What is the purpose of the Confirmation Hearing?

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

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

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

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

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

A. MANNER OF VOTING ON PLAN. Before voting, this Disclosure Statement, as well as the Plan, should be read in their entirety. You should only use the Ballot sent to you in the Solicitation Package to cast your vote for or against the Plan.

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

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

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

A holder of a Disputed Claim is not entitled to vote on the Plan unless such Claim is temporarily allowed by the Debtor or by an order of the Bankruptcy Court in an estimated amount that it deems proper for the purpose of voting to accept or reject the Plan. In other words, only holders of allowed Class 3 Claims (Tort Claims Other Than Impaired Unknown Tort Claims which are estimated for voting purposes only at $1.00 for each Claim) and Class 4B Claims (Impaired Unknown Tort Claims, which are estimated for voting purposes only at $1.00), may vote to accept or reject the Plan. A Claim to which an objection has been filed by the Debtor or any other party-in-interest no later than the date of the Confirmation Hearing, or a Claim (i) that is listed on the Debtor's schedules as disputed, unliquidated or contingent, and (ii) with respect to which a superseding Proof of Claim has not been filed is not an allowed Claim for voting purposes, unless the Claim is settled by agreement or the Bankruptcy Court allows the Claim (in whole or in part) by a Non-Appealable Order. Upon request of a party-in-interest, the Bankruptcy Court may

temporarily allow or estimate a Disputed Claim for purpose of voting on the Plan. Ballots cast in respect of Claims other than allowed Claims, Class 3 Claims and Class 4B Claims will not be counted. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the claimant was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. CLASSES IMPAIRED AND ENTITLED TO VOTE ON THE PLAN. Claim holders in Classes 3 and 4B are impaired under the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan. Any controversy as to whether any Claim or class of Claims is impaired under the Plan will, after notice of any hearing, be determined by the Bankruptcy Court.

D. VOTE REQUIRED FOR CLASS ACCEPTANCE. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired Claims as acceptance by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of holders of allowed claims in that class who cast ballots. Class 3 Claims will be estimated at $1.00 each for voting purposes only. As such, if at least two thirds (2/3) of the Class 3 Claimants who vote cast Ballots in favor of the Plan, Class 3 will be deemed to have accepted the Plan. The vote for Class 4B will be cast by the Unknown Claims Representative.

V.
THE DEBTOR AND ITS OPERATIONS

A. PREPETITION. Every Catholic entity, including the Debtor, is subject to the laws of the Catholic Church known as Canon Law, originally codified in 1917 and subsequently amended in 1983. Under Canon Law the Debtor is a "juridic person" or legal entity established by competent authority, classified as public or private. The Diocese is the ecclesiastical entity subject to the Bishop of the Diocese, currently the Most Reverend John M. Quinn, who was appointed and made Bishop of the Diocese on May 7, 2009. Bishop Quinn is responsible to govern the Diocese, following the precepts of Canon Law.

The Diocese and every parish within the geographical territory of the Diocese (the "**Region**") is a separate, public, juridic person. The Diocese was originally established as a juridic person by the Vatican in 1889. However, the Debtor is also a civil legal entity, incorporated April 21, 1911, as a religious Diocesan Corporation under Minn. Stat. §315.16. As set forth in its Articles of Incorporation, the Debtor's general purpose is to manage the temporal affairs of the Roman Catholic Church in the region, and to promote spiritual, educational and other interests, including charitable, benevolent and missionary work.

The Diocese serves a geographical area covering more than 12,000 square miles and encompassing the 20 southernmost counties of the state of Minnesota. There are 107 parishes and approximately 130,000 Catholic individuals within the Region. These individuals and parishes are served by approximately 108 priests, 354 sisters, 19 brothers and 29 deacons. The Diocese currently employs approximately 41 individuals, which includes clergy and laity.

In addition to the parishes, there are 23 Catholic schools in the Region, including four Catholic high schools, with a total enrollment of over 3,700 students, as well as a Catholic

university for women and men, St. Mary's University of Minnesota, with an undergraduate enrollment of approximately 1,000 students (collectively, the "**Schools**"). Various other Catholic-based social and community service organizations operate in the Region, including six Catholic nursing homes, one Catholic hospital, 106 catholic cemeteries, and the Immaculate Heart of Mary Seminary. The Region also includes nine religious communities that are maintained by separate religious institutions. Parishes, the Schools, and other separately incorporated Catholic entities within the Diocese's Region are not under the fiscal or operating control of the Diocese.

As a religious corporation, the Diocese has no significant, ongoing for-profit business activities or business income. Gross revenue for the fiscal year ending on June 30, 2020 was approximately $5,590,000 (exclusive of restricted funds and amounts received for self-insurance premiums). The Diocese's revenue primarily derives from donations and parish assessments.

The Diocese maintains a number of departments, including the ministerial offices of Divine Worship; Faith Formation; Lay Formation & RCIA; Life, Marriage & Family; Hispanic Ministry; Youth and Young Adults (responsible for evangelization and missionary discipleship of the people they serve); Tribunal; and the Office of Catholic Schools. Other offices include the Office of Vocations, the Office of the Permanent Diaconate and the Office of Vicar for Clergy (responsible for the education and ministerial standards for seminarians, diaconate candidates and clergy). Additionally, the Diocese maintains offices of (a) Safe Environment (whose responsibilities include ensuring the safety of children and young people who have been entrusted to the Diocese's care in parishes, schools, religious education classes, and other programs); (b) Chancellor and Archives (whose responsibilities include maintaining the diocesan records in the archives); (c) Communications (whose responsibilities include communicating the mission and values of the Diocese); (d) Finance (whose responsibilities include overseeing the accounting, budgeting, and financial administration for the diocesan administrative offices); and (e) Human Resources (whose responsibilities include the administration of employment and benefit services for institutions of the Diocese).

The Diocese does not operate under the corporation sole model. Each parish ("**Parish Corporation**") has been separately organized and incorporated as a religious corporation under Minn. Stat. § 315.15. Each Parish Corporation owns the separate property used in the operation of the parish, normally including the church itself, administrative offices, and, in most cases, a rectory that serves as the pastor's residence. Each Parish Corporation maintains its own tax identification number and each corporation owns and manages its own property and assets, and bears responsibility for its own corporate actions. The Parish Corporations are not debtors in this Chapter 11 case and have not otherwise sought bankruptcy relief. This is also true with respect to other non-debtor Catholic entities in the Region, which have no corporate relationship with the Diocese and are incorporated as separate non-profit corporations under Chapter 317A of the Minnesota Statutes.

B. **NEED FOR REORGANIZATION**. Over the last several decades, some clergy members in the Catholic Church (the "**Church**") have violated the sacred trust placed in them by children and their families and the Church by committing acts of sexual abuse. This conduct runs contrary to the teaching and traditions of the Church. As such, the Diocese worked for more than two decades to meet the needs of alleged survivors of sexual abuse without filing for Chapter 11 reorganization. Since the 1980s, the Diocese has directed substantial resources towards providing

financial, psychological, pastoral and spiritual support to survivors. However, in May 2013, Minnesota enacted the Minnesota Child Victims' Act, Minn. Stat. § 541.073 (the "**CVA**"), which altered, expanded, and in some circumstances eliminated the statute of limitations applicable to civil causes of action for damages based on sexual abuse. This window expired in May 2016.

On May 29, 2013, an individual identified as *Doe 1* initiated litigation proceedings against the Diocese and the Archdiocese of Minneapolis and St. Paul in the matter of *Doe 1 v. Archdiocese of St. Paul and Minneapolis and Diocese of Winona,* Court File No. 62-CV-13-4075 (Ramsey County District Court). The Diocese and the Archdiocese eventually entered into a confidential settlement agreement with Doe 1. However, the Diocese had been served with an additional 122 lawsuits under the CVA alleging minor sexual abuse by the close of the CVA window.

Verdicts in sexual abuse cases across the country have ranged into the millions of dollars. The Diocese has insurance coverage available for some of the amounts sought by the claimants in the CVA cases, but, for some of the CVA cases pending against the Diocese, the insurance carriers have denied or otherwise sought to limit the available insurance coverage. Faced with the likely prospect of substantial adverse judgments in the remaining lawsuits, the high costs associated with litigating the remaining lawsuits, the uncertainty of insurance coverage for some claims, and the difficulty of equitably settling all the cases simultaneously, all of which would jeopardize the financial viability of the Diocese and its ability to carry on its mission, a Chapter 11 bankruptcy petition was filed on November 30, 2018.

C. RESPONSE TO SEXUAL ABUSE. In 1987, the Diocese drafted and implemented its Policies & Procedures Regarding Sexual Abuse of Minors by Priests, Deacons and Other Church Personnel, one of the first such policies in the nation designed to protect minors from clergy sexual abuse. In implementing this policy, the Diocese held workshops and training seminars aimed at ensuring that the protocols of this policy were understood and implemented in the parishes and schools within the geographical boundaries of the Diocese. This policy has been refined and updated over the years to reflect best practices and the most recent developments in order to mitigate and reduce the risk of minor sexual abuse. This policy was revised and updated in 1993, 2001, 2003, and again in 2011.

Notably, the 2003 update incorporated the findings and recommendations of the nationwide study entitled The Nature and Scope of the Problem of Sexual Abuse of Minors by Catholic Priests and Deacons in the United States, commissioned by the United States Conference of Catholic Bishops (the "**USCCB**"). As a response to the findings of the study, the USCCB promulgated a comprehensive national set of policies and procedures for addressing the sexual abuse of minors by clergy known as the Charter for the Protection of Children and Young People (the "**Charter**"). The Diocese incorporated and implemented all aspects and recommendations of the Charter in its policies and practices at that time.

Moreover, since 2002, background checks have been a requirement for all clergy, employees, and volunteers in the Diocese. In 2002, the Diocese also established the Office of Safe Environment, to ensure the safety of children and young people who have been entrusted to the Diocese's care in parishes, schools, religious education classes, and other programs and to ensure the protocols and processes detailed in the Charter are properly implemented and observed.

In 2002, the Diocese also created the Ministerial Standards Board, which is composed primarily of lay persons not in the employ of the Diocese, and which includes experts in medicine, therapy, law, canon law, and victim advocacy. This board functions as a confidential consultative body to the Bishop in discharging his responsibilities to ensure a safe environment for all minors and individuals in the Diocese.

Also in 2002, the Diocese created a new position entitled Victim Assistance Coordinator. This individual serves as a point-person who interacts with survivors and other claimants in obtaining financial and pastoral assistance and healing from the Diocese.

In October of 2014, in connection with the confidential settlement agreement reached in the *Doe 1* matter, the Diocese and Plaintiff's counsel, Jeff Anderson and Associates, worked hand-in-hand to develop unprecedented child protection protocols and procedures (the "**Child Protection Protocols**") to ensure the protection of youth and young people going forward. Key measures included the implementation of a whistleblower protection policy for reporters of abuse, specific training sessions for mandated reporters, public disclosure of the names of clergy that are the subject of substantiated claims of minor sexual abuse, and the names of clergy deemed unsuitable for ministry under circumstances that arise, in whole or in part, out of accusations or risk of sexual abuse of a minor, policies prohibiting being alone and unsupervised with minors but for common-sense and emergency situations, and the mandatory disclosure of accusations of sexual abuse to other religious or secular institutions that may inquire for employment reasons. The Diocese also agreed to engage in on-going review of the allegations of minor sexual abuse by clergy and supplement its publication and disclosure where necessary. Since the initial publication of the names and files of priests credibly accused of minor sexual abuse in December 2013, the Diocese has supplemented its disclosure with public disclosure of an additional five clergy names and files.

The Diocese continues to provide outreach through services that address survivors' emotional, psychological and spiritual well-being, such as counseling and spiritual direction. Survivors are invited to talk with the Bishop if and when they wish to do so as part of their healing process. Furthermore, the Debtor has implemented Diocese-wide policies requiring that any reports of sexual abuse of minor by clergy are promptly referred to law enforcement and placing the accused clergy on administrative leave while the matter is investigated or reviewed.

VI.
THE CHAPTER 11 CASE

A. **THE CHAPTER 11 FILING**. The Debtor commenced its Chapter 11 case on November 30, 2018 (the "**Petition Date**"). The Debtor's case was assigned to the Honorable Robert Kressel, United States Bankruptcy Judge. The Bankruptcy Court has entered several orders in this Chapter 11 case, each of which is available from the clerk of the Bankruptcy Court or may be viewed at the Bankruptcy Court's website: www.mnb.uscourts.gov.

B. **RETENTION OF COUNSEL**. Subsequent to the Petition Date, the Debtor remained in possession of its assets and property and continued to operate as the Debtor-in-Possession under §§ 1107 and 1108 of the Bankruptcy Code. By order of the Court, Bodman PLC was authorized to act as bankruptcy counsel and Restovich Braun & Associates as general corporate and litigation

counsel for the Debtor for this case. Later, Burns Bowen Bair LLP was authorized to act as special insurance litigation counsel for the Debtor.

C. APPOINTMENT OF CREDITORS' COMMITTEE. Under §§ 1102(a) and 1102(b) of the Bankruptcy Code, the United States Trustee appointed the Committee to serve in the Debtor's case. The Committee consists of five (5) individuals who hold Tort Claims against the Debtor.

The Committee retained the law firm of Stinson, LLP to represent it throughout this case. Since its appointment, the Committee has taken an active role in the Debtor's case and been involved in virtually every major event that transpired during the Chapter 11 process, including negotiating with the Debtor the LMI/Interstate Settlement Agreement (defined below), jointly proposing the Plan with the Debtor, and negotiating the terms of the Plan and the procedures for allocating funds to Tort Claimants.

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

D. UNKNOWN CLAIMS REPRESENTATIVE. The Bankruptcy Court approved the appointment of U.S. District Judge Michael R. Hogan, retired, as Unknown Claims Representative for the Debtor. The Unknown Claims Representative is the legal representative for holders of Impaired Unknown Tort Claims (as defined in the Plan), which include certain Tort Claims that arose prior to July 1, 2002 for which a Claim was not timely filed by the Claims Filing Date (*i.e.*, April 8, 2019). The Unknown Claims Representative's responsibilities and duties include: (i) undertaking an investigation and analysis regarding the estimated number of Impaired Unknown Tort Claims and the estimated value of Impaired Unknown Tort Claims; (ii) casting a ballot on the Plan on behalf of Impaired Unknown Tort Claimants; (iii) advocating the legal position of the Impaired Unknown Tort Claimants before the Bankruptcy Court, and if necessary, filing pleadings and presenting evidence on any issue affecting the claims of the Impaired Unknown Tort Claimants; (iv) taking all other legal actions reasonably necessary to represent the interests of the Impaired Unknown Tort Claimants; and (v) serving as an independent fiduciary acting on behalf of all Impaired Unknown Tort Claimants.

On June 21, 2021, the Unknown Claims Representative issued his report and recommendations, which are attached as Exhibit A to the Plan. The number of Impaired Unknown Tort Claimants will be estimated for purposes of Plan confirmation. The treatment of Impaired Unknown Tort Claims is set forth below in the discussion of the treatment of Class 4B Claims.

E. ASSET SALES AND OTHER DISPOSITIONS. As detailed on Schedule AB of the Debtor's Schedules, as of the Petition Date, the Debtor owned several parcels of real property. The Debtor intends to sell or otherwise monetize certain property to raise a portion of the funds that the Debtor will be contributing to fund the Debtor's share of the settlement with Tort Claimants set forth in the Plan.

F. BAR DATES AND OBJECTIONS TO CLAIMS. By Order dated December 7, 2018, the Bankruptcy Court set April 8, 2019 (the "**Claims Filing Date**") as the last day for creditors, including Tort Claimants, to file a proof of claim. A notice of the Claims Filing Date was sent to

all known Tort Claimants (either directly or through their counsel), as well to over 500 licensed therapists and over 375 licensed alcohol and addiction treatment centers in the State of Minnesota, as identified by the Committee's counsel, with a request that it be posted in a conspicuous place within their respective offices and shared with any potential Tort Claimant of whom they were aware. A notice of the Claims Filing Date was also sent to (1) the Minnesota Attorney General, (2) the county attorney, county administrator and sheriff's department for each county in the Diocese, (3) the Minnesota Department of Health's locations within the Diocese and (4) each hospital located within the Diocese, with a request that the notice be posted in a conspicuous public place within each of their facilities. In addition, publication notice of the Claims Filing Date was made in the USA Today, and in over 40 additional regional and local newspapers on multiple separate occasions, and was made available for posting at various radio and TV stations, and at parishes within the Diocese.

The Debtor and the Committee's Professionals have reviewed the Claims filed by creditors. A total of 147 Class 3 Claims were filed in the Debtor's Chapter 11 case. (Four of the 147 Class 3 Claims were filed after the Claims Filing Date).

Various parishes and schools, as well as the Catholic Foundation of Southern Minnesota, also filed contingent claims for contribution or indemnification to the extent they are or may be named as defendants along with the Debtor on various abuse allegations. Those claims also included claims for potential contribution or indemnification with respect to various non-abuse related matters such as health insurance claims, retirement plan claims and the like. The Debtor expects all of those claims will be withdrawn.

In addition, approximately a dozen non-Tort Claims were scheduled, and two Proofs of Claim were timely filed for non-Tort Claims. One of those Proofs of Claim was for a postpetition vendor who has since been paid in full. The other Proof of Claim was an IRS claim filed as an estimate of FICA withholding for the December 31, 2018 period, which Proof of Claim was subsequently amended to $0.00. All payroll taxes and FICA withholding with respect to amounts accrued prior to the Petition Date have been paid in full, per authority of an order of the Bankruptcy Court.

To the extent the Debtor has the right to object to Claims and deems it prudent and/or cost effective to do so, the Plan provides that any objections to non-Tort Claims must be filed and served not later than thirty (30) days after the later of (i) the Effective Date, or (ii) the date such Claim is filed. If the Debtor fails to object to a properly filed Claim on or before such date, then such Claim will be deemed allowed if such Claim is a non-Tort Claim and will be entitled to the Distribution under the Plan applicable to the particular class in which such Claim is classified. Notwithstanding the foregoing, there will be no deadline for the Reorganized Debtor to object to Class 4A Claims (Unimpaired Unknown Tort Claims) or Class 6 Claims (Unimpaired Unknown Contingent Claims).

G. PLAN EXCLUSIVITY. Under §1121 of the Bankruptcy Code, a debtor-in-possession is granted a 120-day exclusive period from the Chapter 11 filing date to file a plan of reorganization. During such time, only the Debtor can file a plan of reorganization. However, the Bankruptcy Code provides that the court can increase a debtor's exclusive period to file and

confirm a plan of reorganization for cause shown up to eighteen (18) months after commencement of the case. As of June 1, 2020, the Debtor's exclusive right to file a Plan expired.

H. LITIGATION – ADVERSARY PROCEEDING 18-03094 REGARDING INSURANCE COVERAGE. Prior to the Petition Date, Debtor filed a complaint in the State of Minnesota, County of Winona, Third Judicial District Court against United States Fire Insurance Company ("**U.S. Fire**") and various other insurers, seeking a declaratory judgment to determine the extent of the rights of the Debtor under certain insurance policies and certificates. Shortly after the commencement of its Chapter 11 case, the Debtor removed that action to the United States District Court and the matter was referred to the Bankruptcy Court as Adversary Proceeding No. 18-03094. In that action, the Debtor sought to determine the extent of coverage as to the CVA claims raised against the Debtor.

On December 20, 2018, a number of the insurance company defendants filed in the Adversary Proceeding a motion to transfer the action back to the United States District Court. The Debtor objected to that motion and on January 24, 2019, the Bankruptcy Court entered an order denying the motion. Several of the insurance company defendants then filed a motion to withdraw the reference, which, if granted would have resulted in the Adversary Proceeding being transferred back to the United States District Court. The Debtor also objected to that motion and on April 18, 2019, the United States District Court denied that motion as well. On March 5, 2021, U.S. Fire filed a renewed motion to withdraw the reference. On March 18, 2021, the Debtor filed an objection to U.S. Fire's renewed motion to withdraw the reference. U.S. Fire's renewed motion to withdraw the reference was subsequently denied.

The Debtor, with consent of the Committee, agreed to voluntarily dismiss certain defendants -- St. Paul Surplus Lines Insurance Company, St. Paul Fire and Marine Insurance Company, and Assicurazioni Generali SPA -- from the Adversary Proceeding without prejudice because the policies issued by each of those insurers were excess, claims-made policies and there was no evidence that any of the underlying sexual abuse claims and lawsuits for which the Debtor sought insurance coverage were first made while those policies were in effect.

The Adversary Proceeding was stayed while the parties attempted to reach a negotiated settlement with the assistance of a professional mediator. By stipulation of the Diocese, the Committee, U.S. Fire, 21st Century Centennial Insurance Company (f/k/a Colonial Penn Insurance Company) ("**Colonial Penn**") and counsel for the vast majority of Tort Claimants, the Bankruptcy Court recently entered an order lifting the stay on the Adversary Proceeding as it relates to U.S. Fire and Colonial Penn, to allow litigation to proceed against those Non-Settling Insurers under the Plan.

I. SETTLEMENT NEGOTIATIONS AND MEDIATION. On May 21, 2019, the court appointed John E. Vukelich as mediator. The parties engaged in several mediated settlement negotiation sessions under the supervision of Mr. Vukelich. Extensive negotiations took place among the Debtor, the Committee, counsel representing Tort Claimants, and the insurers' representatives and their counsel. The negotiations and mediation were extensive and intensive. As a result of the mediation sessions and further negotiations, an agreement in principle was reached among the Debtor, the Committee, the attorneys representing the vast majority of the sexual abuse survivors who have asserted claims against the Debtor (Jeff Anderson and Associates,

P.A.), and LMI/Interstate (the "**LMI/Interstate Settlement**"). As part of the LMI/Interstate Settlement, LMI will pay the sum of $3,250,000 and Interstate will also pay the sum of $3,250,000 to a Trust established for the benefit of Tort Claimants.

The Debtor, the Committee, counsel for the survivors and U.S. Fire then stipulated to the appointment of a second mediator, Paul J. Van Osselaer, whom the Bankruptcy Court appointed to co-mediate with Mr. Vukelich. The Debtor had hoped that the second mediator would facilitate the parties' ability to reach a negotiated resolution that also included U.S. Fire and Colonial Penn. Unfortunately, the efforts to reach a mediated settlement with U.S. Fire and Colonial Penn were not successful.

The Debtor and the Committee then turned their efforts to documenting the LMI/Interstate Settlement and crafting a plan of reorganization that incorporated the terms of the LMI/Interstate Settlement. As discussed in more detail below, the Plan also provides for the transfer of certain rights and interests of the Debtor and other insureds in respect of coverage for Class 3 and Class 4B Claims under insurance policies issued by U.S. Fire, Colonial Penn and the other Non-Settling Insurers to a Trust established for the benefit of survivors.

In addition to U.S. Fire and Colonial Penn, the following additional insurance companies, each of which held a percentage share of the risk on policies insuring the Diocese, are also Non-Settling Insurers: (i) Northwestern National Insurance Company of Milwaukee Wisconsin (f/k/a Bellefonte Insurance Co.) ("**Northwestern National**"); (ii) Stronghold Insurance Co. Ltd. ("**Stronghold**"); and (iii) CX Reinsurance Company Ltd. ("**CX**").[3] Northwestern National is the subject of a state court insolvency proceeding in Wisconsin. Stronghold and CX are each the subject of insolvency proceedings in the United Kingdom. Northwestern National, Stronghold and CX are identified collectively as the "**Insolvent Insurers**." In any event, under the Plan, the Debtor's rights and interests in respect of actual or potential coverage under policies issued by Non-Settling Insurers for any Class 3 Claim or Class 4B Claim will be transferred to the Trust. The Non-Settling Insurers also include any other Persons that are not "Settling Insurers" and that have, or are alleged to have, extended insurance coverage for Tort Claims to the Diocese or any Diocesan Parish, or have issued, subscribed in any interest in, assumed any liability for, or underwritten any risk in, any Non-Settling Insurer Policy. Non-Settling Insurers of which the Diocese is aware that have extended insurance coverage for Tort Claims to certain Diocesan Parishes include State Farm Fire and Casualty Company and Insurance Company of North America.

In short, the Debtor and the Committee, through mediation, have now successfully negotiated both the monetary compensation to be provided to sexual abuse Tort Claimants from the Debtor and LMI/Interstate, and the non-monetary undertakings by the Diocese which will assist with the healing of sexual abuse Tort Claimants and mitigating the risk of any such abuse in the future, all of which is incorporated into the Plan. The Debtor and the Committee have also agreed upon the mechanism for addressing the rights of the Debtor and Tort Claimants with respect to Non-Settling Insurers, which is further detailed at Article VIII of the Plan.

[3] CX acquired responsibility for certain policies issued to the Diocese by CNA Reinsurance of London, Ltd. and CNA International Reinsurance Co. Ltd.

The following statement was prepared by U.S. Fire for inclusion in this Disclosure Statement:

> There are significant challenges to any claim for insurance coverage for the damages sought from the Diocese arising out of sexual abuse by Father Thomas Adamson ("Adamson Claims" or "Adamson Claimants"). These include, but are not limited to, the contention of U.S. Fire, one of the Non-Settling Insurers, that Father Adamson's abuse of the "Adamson Claimants" was not a covered "occurrence" under the U.S. Fire Policies because it was expected or intended by the Diocese.
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> There are two decisions from two Minnesota federal courts involving the Diocese and its insurers that previously decided the issue of a lack of a covered "occurrence" under the Diocese's liability policies as to claims arising out of sexual abuse by Father Adamson. In the first of these two dispositive decisions, *Diocese of Winona v. Interstate Fire & Cas. Co.*, 89 F.3d 1386 (8th Cir. 1996), the United States Court of Appeals for the Eighth Circuit held that the Diocese "expected or intended" the abuse by Father Adamson given that "within the fifteen years prior to Adamson's abuse of [claimant], the Diocese was alerted to Adamson's sexual abuse of boys which occurred as a direct result of the Diocese's inadequate supervision" and that "the Diocese failed to take adequate remedial measures" as "[t]he typical response was to transfer Adamson to another school or parish, where he continued to have access to and sexually molest children." *Id*. at 1393. As a result, the court held that there was no "occurrence" under the insurance policies at issue and therefore no coverage for the claim under the liability policies. Notwithstanding the date of the claimant's abuse in that case, the Court provided extensive detail outlining the Diocese's knowledge of Adamson's abuse over a 15-year period starting in 1964 when Adamson was a new priest in the Diocese and allegations of abuse had already begun. *Id*.
>
> The holding in *Diocese of Winona v. Interstate* provided the basis for the second decision, rendered in 2007 by the United States District Court for the District of Minnesota in *U.S. Fire v. Diocese of Winona*, 503 F. Supp. 2d 1129 (D. Minn. 2007). In that case the Court held the Diocese was collaterally estopped from challenging the earlier coverage ruling that Father Adamson's sexual abuse of another minor child — this time three years earlier — was not a covered "occurrence" under several of the same U.S. Fire policies at issue in this bankruptcy. Relying on the same timeline of events at issue in *Diocese of Winona v. Interstate*, the Court in *U.S. Fire v. Diocese of Winona* held the Diocese "expected" Father Adamson's abuse to continue and, therefore, was not entitled to coverage under the U.S. Fire policies as a matter of law. *Id*. at 1134-35.
>
> U.S. Fire contends that these holdings, as well as other coverage defenses not referenced here but on which rights have been reserved, conclusively establish that there is no coverage under the U.S. Fire Policies for the damages claimed by the "Adamson Claimants."

The Debtor and the Committee do not agree with U.S. Fire's position set forth above and believe it is worthwhile to pursue insurance for these "Adamson" claims and to challenge U.S. Fire's coverage denial. For 54 other claims, U.S. Fire has fully and unconditionally agreed to defend the Debtor, without reservation of right to assert such "expected or intended" coverage defenses. In order to secure insurance recoveries for these 54 other claims that did not involve abuse by Fr. Adamson, the Debtor and the Committee propose under the Plan that Tort Claimants reserve their right to pursue litigation against the Debtor and other Protected Parties on such Tort Claims.

J. **THE INSURANCE SETTLEMENT**. Principal terms of the agreement documenting the insurance settlement include:

i. *Settlement Amounts*. LMI will pay the sum of $3,250,000 and Interstate will also pay the sum of $3,250,000 to purchase back their respective policies and to obtain the benefits of the Channeling Injunction and Supplemental Settling Insurer Injunction. The proceeds will be paid to a Trust established for the benefit of Tort Claimants as set forth in and in accordance with the terms of the Settlement Agreement with LMI/Interstate (the "**LMI/Interstate Settlement Agreement**"). The LMI/Interstate Settlement constitutes an "**Insurance Settlement Agreement**" under the Plan.

ii. *Releases*. The Debtor and other releasing Protected Parties, on the one hand, and LMI/Interstate, on the other, will grant complete mutual releases as to, among other things, any and all past, present, or future Claims in connection with, relating to, or arising out of, in any manner or fashion, the Tort Claims, the policies or certificates of insurance issued by LMI/Interstate, and the reorganization case, as set forth in the LMI/Interstate Settlement Agreement and the Plan. All Tort Claimants will be required to sign a release of LMI/Interstate as to their claims prior to any distribution. All Tort Claimants will also be required to sign a release of the Diocese, the Reorganized Debtor, and any other Protected Party for any claims that do not implicate coverage under any Non-Settling Insurer Policy. The Tort Claimants specifically reserve, and do not release, any and all Tort Claims that implicate coverage under any Non-Settling Insurer Policy, but recourse is limited to the proceeds of Non-Settling Insurer Policies and all other damages (including extra-contractual damages), awards, judgments in excess of policy limits, penalties, punitive damages and attorney's fees and costs that may be recoverable against any Non-Settling Insurers because of their conduct concerning insurance coverage for, or defense or settlement of, any Tort Claim, and any such judgments or awards will be turned over to the Trust for handling in accordance with Sections 6.14(i) and (j) of the Plan. The Class 3 and Class 4B Claims will not be released or enjoined as against the Diocese, the Reorganized Debtor, or any other Protected Party for any Abuse that may be covered under Non-Settling Insurer Policies until such claims are settled with the Diocese, the Reorganized Debtor, any other Protected Party and such Non-Settling Insurer or are fully adjudicated, resolved, and subject to Final Order, but recourse is limited as described above. The Unimpaired Unknown Tort Claimants also reserve their rights against the Reorganized Debtor pursuant to the terms of the Plan.

iii. *Sale and Buyback of Policies and Certificates*. The Debtor and other releasing Protected Parties will sell all of their interests in the policies of insurance issued

by LMI/Interstate, free and clear of all liens, claims, encumbrances and other interests under 11 U.S.C. § 363.

iv. *Channeling Injunction*. LMI/Interstate, the Debtor and the other Protected Parties will be entitled to receive the benefit of a Channeling Injunction under the Plan and order confirming the Plan. Any and all Channeled Claims are channeled to the Trust and will be treated, administered, determined, and resolved under the procedures and protocols and in the amounts as established under the Plan and Trust Agreement as their sole and exclusive remedy for all holders of Channeled Claims. Tort Claimants and the Trust shall be permitted, however, to name the Diocese and any other Protected Party in any proceeding to resolve whether the Diocese or such other Protected Party has liability for a Tort Claim, and the amount of any such liability, for the purpose of obtaining insurance coverage from Non-Settling Insurers under the Non-Settling Insurer Policies, but recourse is limited as described above. In addition, the Unimpaired Unknown Tort Claimants are not releasing their claims against the Reorganized Debtor, and the Reorganized Debtor assumes the Protected Parties' and LMI/Interstate's liability for the obligation to pay, if any, Unimpaired Unknown Tort Claims.

v. *Supplemental Settling Insurer Injunction*. LMI/Interstate will be entitled to receive the benefit of a Supplemental Settling Insurer Injunction under the Plan and order confirming such Plan under 11 U.S.C. §§ 105(a) and 363. Any and all Persons who have held, now hold or who may in the future hold any Interests (including all debt holders, all equity holders, governmental, tax and regulatory authorities, lenders, trade and other creditors, Tort Claimants, perpetrators, and all others holding Interests of any kind or nature whatsoever, including those Claims released or to be released under the LMI/Interstate Settlement Agreement) against any of LMI/Interstate, or any other Person covered or allegedly covered under the Settling Insurer Policies, will be permanently stayed, enjoined, barred, and restrained from taking any action, directly or indirectly, to assert, enforce or attempt to assert or enforce any such Interest against LMI/Interstate or the Settling Insurer Policies. The Supplemental Settling Insurer Injunction bars these actions against LMI/Interstate and the Settling Insurer Policies issued by LMI/Interstate but against no other person or thing.

vi. *Insolvent Insurers*. The Channeling Injunction and Supplemental Insurer Injunction will not be for the benefit of Non-Settling Insurers, including the Insolvent Insurers. Nothing in the Plan will be construed to authorize a violation of any stay that is applicable in light of the pending insolvency proceedings with respect to such Insolvent Insurers.

vii. *Indemnification of Settling Insurers*. The Trust indemnifies LMI/Interstate against all Channeled Claims and the Reorganized Debtor indemnifies LMI/Interstate against all Enjoined Claims except for Channeled Claims.

viii. *Conditions to Settling Insurers' Payments*. LMI/Interstate's payments are conditioned on, among other things, entry of a Final Order approving the LMI/Interstate Settlement Agreement, entry of the Confirmation Order, and such Order becoming a Final Order.

VII.
SUMMARY OF THE PLAN

The Debtor and the Committee submit that the treatment of creditors under the Plan is more favorable than the treatment creditors would receive if the case were converted to Chapter 7. Therefore, the Debtor and the Committee submit that the Plan is in the best interests of the creditors and the Debtor and the Committee recommend acceptance of the Plan by holders of Claims in Classes 3 and 4B.

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

A. GENERAL

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

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

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

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

only from those parties who hold Claims classified in impaired Classes that are to receive distributions under the Plan.

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

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

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

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

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

i. *United States Trustee Fees*. All fees due and payable pursuant to 28 U.S.C. § 1930 and not paid prior to the Effective Date will be paid by the Reorganized Debtor as soon as practicable after the Effective Date. After the Effective Date, the Trust will pay quarterly fees to the U.S. Trustee until the Chapter 11 case is closed, but in no event will the payments made to the Trust made pursuant to the Plan by any Person other than the Debtor be considered "disbursements" under 28 U.S.C. § 1930, nor will any payment made by the Trust to any Person be considered a disbursement under 28 U.S.C. § 1930. The

Reorganized Debtor will file post-Effective Date quarterly reports in conformance with the U.S. Trustee guidelines. The U.S. Trustee will not be required to file a request for payment of its quarterly fees, which will be deemed Administrative Claims against the Debtor and its Estate. The Reorganized Debtor will remain responsible for any reporting and pre-Effective Date unpaid fees.

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

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

The Plan provides that each holder of an Allowed Professional Claim (i.e., the professionals' fees and expenses incurred by the Professionals and allowed in a Final Order of the Bankruptcy Court) will be paid in full, in Cash, by the Reorganized Debtor (i) within seven (7) days after the later to occur of the Effective Date or the date the Order allowing such Administrative Claim becomes a Final Order; or (ii) upon such terms as may exist pursuant to Order of the Bankruptcy Court or an agreement between such holder of an Allowed Administrative Claim and the Debtor.

To date, the Debtor has paid all professional fees and expenses incurred through February 28, 2021, including the professional fees of Bodman, PLC, bankruptcy counsel for the Debtor, Restovich Braun & Associates, general corporate and litigation counsel for the Debtor, Burns Bowen and Bair LLP, special insurance counsel for the Debtor, Alliance Management, LLC, financial consultant for the Debtor, and Stinson, LLP, counsel for the Committee. Any allowed unpaid professional fees outstanding as of the Effective Date will be paid as set forth in the Plan. As to other allowed Administrative Claims, except as otherwise provided in the Plan, the Plan provides that each holder of an allowed Administrative Claim will receive, on account of and in full satisfaction of such allowed Administrative Claim, cash equal to the amount thereof, unless the holder agrees to less favorable treatment of such allowed Administrative Claim.

The Plan further provides that Professional Persons with Claims for services rendered on or before the Effective Date, must file requests for payment within thirty (30) days after notice of the Effective Date is filed with the Bankruptcy Court.

Administrative Claims representing obligations incurred by the Debtor after the Effective Date (including, without limitation, Claims for professionals' fees and expenses) will not be subject to application to the Bankruptcy Court and may be paid by the Reorganized Debtor in the ordinary course of business and without Bankruptcy Court approval. In addition, holders of Administrative

Claims representing trade debt incurred after the Petition Date in the ordinary course of Debtor's operations are not required to file requests for allowance of an Administrative Claim and will be paid by the Debtor in the ordinary course. The Reorganized Debtor will, in the ordinary course of business and without the necessity for any approval by the Court, pay the reasonable fees and expenses incurred after the Effective Date of the Professional Persons employed by the Debtor in connection with the implementation and consummation of the Plan, the claims reconciliation process and any other matters as to which such Professionals may be engaged.

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

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

C. PRIORITY CLAIMS (CLASS 1)

1. Definition. A Class 1 Claim means an allowed Claim described in, and entitled to priority under Sections 507(a) and 503(b)(9) of the Bankruptcy Code other than an Administrative Claim or a Priority Tax Claim.

2. Treatment. Unless the holder of an allowed Class 1 Claim and the Diocese or the Reorganized Debtor (as applicable) agree to a different treatment, the Reorganized Debtor will pay each such allowed Class 1 Claim in full, in cash, without interest, from ongoing operations on the later of the Effective Date (or as soon thereafter as is practicable) and the date a Class 1 Claim becomes an allowed Claim (or as soon thereafter as is practicable).

D. GOVERNMENTAL UNIT CLAIMS (CLASS 2)

1. Definition. A "Class 2 Claim" means an allowed Claim of Governmental Units not otherwise included in Article II of the Plan or Section 4.1 of the Plan.

2. Treatment. Unless the holder of an allowed Class 2 Claim and the Diocese or the Reorganized Debtor (as applicable) agree to a different treatment, the Reorganized Debtor will pay each such allowed Class 2 Claim in full, in cash, without interest, from ongoing operations on the later of the Effective Date (or as soon thereafter as is practicable) and the date a Class 2 Claim becomes an allowed Claim (or as soon thereafter as is practicable).

E. TORT CLAIMS OTHER THAN IMPAIRED UNKNOWN TORT CLAIMS (CLASS 3)

1. Definition. A Class 3 Claim means a Tort Claim other than an Impaired Unknown Tort Claim ("**Class 3 Claim**"). A "Class 3 Claimant" will mean a holder of a Class 3 Claim.

2. Summary. The Plan creates a Trust to fund payments to Class 3 Claimants entitled to such payments under the Plan, Trust Agreement, and Trust Distribution Plan. The Trust

will be funded as provided in Articles IV, V, and VI of the Plan, including by contributions from the Diocese and others and the assignment of the Transferred Insurance Interests. The Trust will make distributions to the Class 3 Claimants, as provided by the Plan, the Trust Agreement, and the Trust Distribution Plan, which will represent the sole recovery available to Class 3 Claimants in respect to any obligation owed by the Settling Insurers. Distribution from the Trust, however, does not preclude or affect claims or recoveries by Class 3 Claimants against the Non-Settling Insurers.

No Class 3 Claimant will receive any payment on any award unless and until such Class 3 Claimant has executed the Release attached as **Exhibit E** to the Plan. Each Class 3 Claimant must execute a release of all claims against the Settling Insurers and must release all claims against the Diocese, the Reorganized Debtor, and any other Protected Party that do not implicate insurance coverage under Non-Settling Insurer Policies. To preserve coverage under Non-Settling Insurer Policies, Class 3 Claimants specifically reserve, and do not release, any and all claims that they may have against the Diocese, the Reorganized Debtor, or any other Protected Party that implicate coverage under Non-Settling Insurer Policies, but recourse is limited to the proceeds of Non-Settling Insurer Policies and all other damages (including extra-contractual damages), awards, judgments in excess of policy limits, penalties, punitive damages and attorney's fees and costs that may be recoverable against any Non-Settling Insurers because of their conduct concerning insurance coverage for, or defense or settlement of, any Tort Claim, and any such judgments or awards will be turned over to the Trust for handling in accordance with Sections 6.14(i) and (j) of the Plan. The Class 3 Claims will not be released or enjoined as against the Diocese, the Reorganized Debtor, or any other Protected Party for any Abuse that may be covered under Non-Settling Insurer Policies until such claims are settled with the Diocese, the Reorganized Debtor, any other Protected Party and such Non-Settling Insurer or are fully adjudicated, resolved, and subject to Final Order, but recourse is limited as described above. Any release of Class 3 Claims, in whole or in part, will be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978). The Claimants will expressly reserve their rights against other Persons, including joint tortfeasors, who will remain severally liable on any Class 3 Claims. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of a Class 3 Claim will not be liable for any Protected Party's share of causal liability or fault. In no event may a Class 3 Claimant collect on that portion of any judgment or obtain any reallocation of any judgment based on the causal fault or share of liability of any Protected Parties. Any Person that is or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of a Class 3 Claim will be provided by the Trustee with a copy of the executed Release upon reasonable request and provision of an appropriate, executed confidentiality agreement and will not be liable for any Protected Parties' share of liability or fault. The Trust will be obligated to provide copies of the Class 3 Claimants' releases and certifications to any of the Protected Parties or the Settling Insurers upon request provided that such Protected Parties or Settling Insurer have signed a confidentiality agreement encompassing such information.

The Trust will fund the defense of the Diocese, the Reorganized Debtor, and any other Protected Party as against any Litigation Claims brought by Class 3 Claimants, but only to the extent that the Diocese, the Reorganized Debtor, or any other Protected Party, as applicable, is not defended or otherwise reimbursed for its defense expenses on an advance basis by any Insurer. The Trust will advance funding to the Diocese, the Reorganized Debtor, or any other Protected Party, as applicable, with respect to any judgments or settlements of any Litigation Claims brought

by Class 3 Claimants, but only to the extent that such judgments or settlements are not funded by any Insurer. The Trust will pursue recoveries against any Non-Settling Insurers in respect of the Transferred Insurance Interests.

The Non-Settling Insurers remain fully liable for their obligations related in any way to the Class 3 Claims, and their obligations are not reduced by the fact that the Diocese is in bankruptcy or by the amount of distributions Class 3 Claimants receive, or are entitled to receive, based on the Trust Distribution Plan. For the avoidance of doubt, determinations by the Tort Claims Reviewer and/or any distributions entitled to be received from the Trust will not constitute a determination of any Protected Party's liability or damages for Class 3 Claims. The Trust may continue efforts to obtain recoveries from Non-Settling Insurers related to the Class 3 Claims. Any such recoveries by the Trust from Non-Settling Insurers will likewise become Trust Assets to be distributed pursuant to the Trust Distribution Plan. To bar any argument by the Non-Settling Insurers that any provision of the Plan, including the assignment and transfer of the Transferred Insurance Interests to the Trust, results in a forfeiture of coverage, the Plan preserves the Non-Settling Insurers' rights to the extent required under their respective Non-Settling Insurer Policies and applicable law.

3. Treatment. Responsibility for preserving and managing Trust Assets and distributing Trust Assets to Class 3 Claimants will be assigned to, assumed and treated by the Trust as further provided in Article VI of the Plan, the Trust Agreement, and the Trust Distribution Plan. Class 3 Claims will be paid in accordance with the provisions of the Trust and Trust Distribution Plan.

4. Stipulated Judgments. Certain Class 3 Claimants have entered into, or may enter into, agreements with the Diocese, the Reorganized Debtor, or any other Protected Party for settlement of a Tort Claim allocated by applicable non-bankruptcy law, including but not limited to settlements consistent with *Miller v. Shugart*, 316 N.W.2d 729 (Minn. 1982) or *Drake v. Ryan*, 514 N.W.2d 785 (Minn. 1994). If a Class 3 Claimant enters into such an agreement with the Diocese, the Reorganized Debtor, or any other Protected Party, the Trust will pursue any judgment against the Non-Settling Insurer on behalf of the Class 3 Claimant. Any recoveries by the Trust from Non-Settling Insurers will become Trust Assets to be distributed pursuant to the Trust Distribution Plan.

F. UNIMPAIRED UNKNOWN TORT CLAIMS (CLASS 4A)

1. Definition. A Class 4A Claim means an Unimpaired Unknown Tort Claim ("**Class 4A Claim**"). A "Class 4A Claimant" will mean a holder of a Class 4A Claim.

2. Treatment. As of the date of the Plan, the Debtor is not aware of the existence of any Class 4A Claims. The Reorganized Debtor will be responsible for defending any Class 4A Claim that is asserted and for payment of any amount determined to be owed on a Class 4A Claim upon settlement or adjudication of such Class 4A Claim. The Trust will not be responsible for paying Class 4A Claims and will not have a role in the settlement or adjudication of Class 4A Claims.

G. IMPAIRED UNKNOWN TORT CLAIMS (CLASS 4B)

1. Definition. A Class 4B Claim means an Impaired Unknown Tort Claim ("**Class 4B Claim**"). A "Class 4B Claimant" will mean a holder of a Class 4B Claim.

2. Treatment. The Plan creates a Trust to administer payments to Class 4B Claimants entitled to such payments under the Plan, Trust Agreement, and Trust Distribution Plan. The Trust will be funded as provided in Articles IV, V, and VI of the Plan, including from post-confirmation payments from the Reorganized Debtor and third parties. The Trust will make distributions to the Class 4B Claimants, as provided by the Plan, the Trust Agreement, and the Trust Distribution Plan, which will represent the sole recovery available to Class 4B Claimants in respect to any obligation owed by the Settling Insurers. Distribution from the Trust, however, does not preclude or affect claims or recoveries by Class 4B Claimants against the Non-Settling Insurers.

No Class 4B Claimant will receive any payment on any award unless and until such Class 4B Claimant has executed the Release attached as **Exhibit F** to the Plan. Each Class 4B Claimant must execute a release of all claims against the Settling Insurers and must release all claims against the Diocese, the Reorganized Debtor, and any other Protected Party that do not implicate insurance coverage under Non-Settling Insurer Policies. To preserve coverage under Non-Settling Insurer Policies, Class 4B claimants specifically reserve, and do not release, any and all claims that they may have against the Diocese, Reorganized Debtor, or any other Protected Party that implicate coverage under Non-Settling Insurer Policies, but recourse is limited to the proceeds of Non-Settling Insurer Policies and all other damages (including extra-contractual damages), awards, judgments in excess of policy limits, penalties, punitive damages and attorney's fees and costs that may be recoverable against any Non-Settling Insurers because of their conduct concerning insurance coverage for, or defense or settlement of, any Tort Claim, and any such judgments or awards will be turned over to the Trust for handling in accordance with Sections 6.14(i) and (j) of the Plan. The Class 4B Claims will not be released or enjoined as against the Diocese, the Reorganized Debtor, or any other Protected Party for any Abuse that may be covered under Non-Settling Insurer Policies until such claims are settled with the Diocese, the Reorganized Debtor, or any other Protected Party, as applicable, and such Non-Settling Insurer or are fully adjudicated, resolved and subject to Final Order, but recourse is limited as described above.

The Trust will fund the defense of the Diocese, the Reorganized Debtor, and any other Protected Party as against any Litigation Claims brought by Class 4B Claimants, but only to the extent that the Diocese, the Reorganized Debtor, or any other Protected Party, as applicable, is not defended or otherwise reimbursed for its defense expenses on an advance basis by any Insurer. The Trust will advance funding to the Diocese, the Reorganized Debtor, or any other Protected Party, as applicable, with respect to any judgments or settlements of any Litigation Claims brought by Class 4B Claimants, but only to the extent that such judgments or settlements are not funded by any Insurer. The Trust will pursue recoveries against any Non-Settling Insurers in respect of the Transferred Insurance Interests.

The Non-Settling Insurers remain fully liable for their obligations related in any way to the Class 4B Claims. Any release of Class 4B Claims, in whole or in part, will be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978). The Class 4B Claimants will expressly reserve their rights against other Persons, including joint tortfeasors, who will remain severally liable on any Class 4B Claims.

Nothing in Article IV of the Plan requires any Impaired Unknown Tort Claimant to release any Claims against any joint tortfeasor who is not a Protected Party or a Settling Insurer and such Claims are reserved. But in no event may a Class 4B Claimant collect on that portion of any judgment or obtain reallocation of any judgment based on the causal fault or share of liability of any Protected Party.

Responsibility for preserving and managing Trust Assets and distributing Trust Assets to Class 4B Claimants will be assigned to, assumed, and treated by the Trust as further provided in Article V of the Plan, the Trust Agreement, and the Trust Distribution Plan. Class 4B Claims will be paid in accordance with the provisions of the Trust and Trust Distribution Plan. Class 4B Claimants will provide sufficient information to allow the Tort Claims Reviewer to make an evaluation of the Class 4B Claim pursuant to the factors in the Trust Distribution Plan.

H. GENERAL UNSECURED CLAIMS (CLASS 5)

1. Definition. A Class 5 Claim means (1) any Claim arising out of the rejection of any executory contract, or (2) any Unsecured Claim that is not included in another class under the Plan and is not listed as disputed, contingent or unliquidated on the Debtor's schedules filed in connection with this Chapter 11 case ("**Debtor's Schedules**") or as to which the holder of such Claim timely filed a Claim.

2. Treatment. Each holder of a Class 5 Claim will receive, directly from the Reorganized Debtor, payment in full of such allowed Class 5 Claim, without interest, on the Effective Date.

I. UNIMPAIRED UNKNOWN CONTINGENT CLAIMS (CLASS 6)

1. Class 6 Definition.

A Class 6 Claim means (i) any Claim for contribution, indemnity or reimbursement arising out of the Diocese's liability to pay or defend any Class 4A Claim, and (ii) the Claim of any insurers or other Persons who are subrogated to the Claims identified in clause (i) above.

2. Class 6 Treatment.

As of the date of the Plan, the Debtor is not aware of the existence of any Class 6 Claims. The Reorganized Debtor will be responsible for defending any Class 6 Claim that is asserted and for payment of any amount determined to be owed on a Class 6 Claim upon settlement or adjudication of such Class 6 Claim. The Trust will not be responsible for paying Class 6 Claims and will not have a role in the settlement or adjudication of Class 6 Claims.

J. MINNESOTA DEPARTMENT OF COMMERCE (CLASS 7)

1. Class 7 Definition. A Class 7 Claim means the claim of the Minnesota Department of Commerce against cash collateral posted at Merchants Bank that secures the Debtor's obligation for potential workers' compensation liability.

2. Class 7 Treatment. The cash collateral securing the Class 7 Claim will vest in the Reorganized Debtor and will continue to secure the Class 7 Claim. The security interest of the holder of the Class 7 Claim will remain in place and the holder of such claim may exercise any and all rights and remedies against the collateral posted at Merchants Bank that secures the Debtor's obligation for potential workers' compensation liability.

K. COMMUNITY BANK OF MANKATO (CLASS 8)

1. Class 8 Definition. A Class 8 Claim means the claim of the Community Bank of Mankato under that certain mortgage and security agreement encumbering the real property known as 1502 Warren Street, Mankato, Minnesota.

2. Class 8 Treatment. The collateral securing the Class 8 Claim will vest in the Reorganized Debtor, provided, however, that the Reorganized Debtor may transfer legal title to such collateral (subject to the mortgage and security agreement) to the equitable owner as set forth in Section 15.2 of the Plan, but in any case the collateral will continue to secure the Class 8 Claim. The mortgage and security interest of the holder of the Class 8 Claim will remain in place and the holder of such claim may exercise any and all rights and remedies against the collateral referenced in such mortgage and security agreement, available to the holder.

VIII.
MEANS OF IMPLEMENTATION OF THE PLAN

A. TRUST FORMATION AND FUNDING

1. Purpose, Formation, and Assets. The Trust will be established for the purpose of receiving, liquidating, and distributing Trust Assets in accordance with the Plan and the Trust Distribution Plan. The proposed Trust Agreement is attached to the Plan as **Exhibit D**.

2. Funding.

1. Summary. The Plan will be funded from the sources and in the manner set forth in this Section. In addition to the contributions described herein, the Catholic Entities and Other Allegedly Insured Entities will waive certain Claims against the Diocese and the Settling Insurers.

2. Contributions. Cash and other assets will be paid or transferred, as applicable, to the Trust Account as provided in the Plan and as described herein.

(i) Debtor Cash Contribution. The Debtor will transfer (a) $13,560,000, less (A) Professional Claims (including fees and expenses of Insurance Archaeology Group), mediation fees and expenses (including the fees and expenses of John Vukelich, Paul Van Osselaer and Janice Symchych), certain other administrative expenses as agreed between the Debtor and the Committee (including the cost of publication of notice of any Insurance Settlement Agreements), the fees of the Unknown Claims

Representative, and U.S. Trustee quarterly fees, in each case to the extent paid after February 29, 2020, and (B) counseling expenses for Tort Claimants (whether paid before or after the Petition Date) (collectively, the "**Permitted Deductions**"), to the Trust Account within within five days after the Effective Date of the Plan (which payment shall constitute substantial consummation of the Plan), plus (b) $7,746,000 as soon as practical after the sale or other monetization of certain assets of the Diocese, as well as a contribution from certain non-Diocesan entity resources, but in no event more than 12 months after the date the Confirmation Order becomes a Non-Appealable Order, plus (c) promptly after any Impaired Unknown Tort Claim is allowed and the Tort Claims Reviewer has determined the amount due to such claimant (a "**Determined Claim**"), an amount equal to the amount of the Determined Claim, but not to exceed $750,000 (the "**Cap**") in the aggregate for all Determined Claims (collectively, the "**Debtor Cash Contribution**"). The amounts paid by the Debtor to the Trust on account of Determined Claims shall be held by the Trustee in the Impaired Unknown Tort Claim Reserve Fund as set forth in Section 6.3(b) below. Debtor's obligation to fund the Impaired Unknown Tort Claim Reserve Fund shall continue until the later of (x) the date that the Debtor has fully funded the amount of the Determined Claims (up to the Cap), and (y) the occurrence of the fifth anniversary of the Effective Date. In the event there are Permitted Deductions paid after the payment of the amount required under subparagraph 2(i)(a) above, then the Debtor may deduct any remaining Permitted Deductions from the $7,746,000 payment. The Debtor Cash Contribution will be primarily comprised of funds from the following sources:

i. non-restricted cash accounts held by the Diocese; and

ii. sale or other monetization of certain assets of the Diocese, as well as a contribution from certain non-Diocesan entity resources.

(ii) Settling Insurer Contributions.

Each Settling Insurer will pay to the Trust the sums set forth in the LMI/Interstate Settlement Agreement within the time set forth in the LMI/Interstate Settlement Agreement. In addition, all rights to receive payment of the amounts to be paid under the LMI/Interstate Settlement Agreement will be assigned to the Trust. The total amount that will be paid to the Trust by LMI/Interstate is $6,500,000 (the "**Additional Settlement Amounts**").

3. Additional Trust Assets.

(i) All Rights and Recoveries Against Non-Settling Insurers.

In addition to the funds transferred to the Trust, the Transferred Insurance Interests of the Diocese are automatically and without further act or deed assigned and transferred to the Trust on the Effective Date. In addition, the Interests of the other Protected Parties in the Transferred Insurance Interests are automatically and without further act or deed assigned and transferred to the Trust on the Effective Date. The foregoing assignment and transfer will not be construed as an assignment and transfer of the Non-Settling Insurer Policies.

3. Vesting. On the Effective Date, all Trust Assets will vest in the Trust, and the Diocese and other Protected Parties will be deemed for all purposes to have transferred all of their respective Interests in the Trust Assets to the Trust. On the Effective Date, or as soon as practicable thereafter, the Reorganized Debtor, any other Protected Party, and the Settling Insurers, as applicable, will take all actions reasonably necessary to transfer any Trust Assets to the Trust. Upon the transfer of control of Trust Assets in accordance with this paragraph, the Diocese, the other Protected Parties and the Settling Insurers will have no further interest in or with respect to the Trust Assets except as otherwise explicitly provided in the Plan.

B. PAYMENT OF PROFESSIONAL FEES. The Reorganized Debtor will pay all unpaid Allowed Professional Claims accruing through the Effective Date, (i) within seven (7) days after the later of the Effective Date or the Bankruptcy Court's order on such Claims, or (ii) upon such terms as may exist pursuant to Order of the Bankruptcy Court or an agreement between such holder of an Allowed Professional Claim and the Debtor.

C. PAYMENTS EFFECTIVE UPON TENDER. Whenever the Plan requires payment to be made to a creditor, such payment will be deemed made and effective upon tender thereof by the Trustee, the Debtor, or the Reorganized Debtor to the creditor to whom payment is due. If any creditor refuses a tender, the amount tendered and refused will be held by the Trust, the Debtor, or the Reorganized Debtor for the benefit of that creditor pending final adjudication of the dispute. However, when and if the dispute is finally adjudicated and the creditor receives the funds previously tendered and refused, the creditor will be obliged to apply the funds in accordance with the Plan as of the date of the tender; and while the dispute is pending and after adjudication thereof, the creditor will not have the right to claim interest or other charges or to exercise any other rights which would be enforceable by the creditor, if the Trust, the Debtor, or the Reorganized Debtor failed to pay the tendered payment.

IX.
TRUST

A. ESTABLISHMENT OF TRUST. On or before the Confirmation Date, the Trust will be established in accordance with the Trust Documents. The Trust is intended to qualify as a "Designated" or "Qualified Settlement Fund" pursuant to Section 468B of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. The Debtor is the "transferor" within the meaning of Treasury Regulation Section 1.468B-1(d)(1). The Trustee will be classified as the "administrator" within the meaning of Treasury Regulation Section 1.468B-2(k)(3). The Trustee under the Trust will be DW Harrow & Assoc., LLC. The Trust Documents, including the Trust Agreement, are incorporated herein by reference.

B. PURPOSE, FORMATION AND ASSETS. The Trust will be established for the purposes described in this paragraph. The Trust will receive the transfer and assignment of assets as provided in Articles IV and V of the Plan, including the Debtor Cash Contribution, Additional Settlement Amounts, and the Transferred Insurance Interests, of which the Trust is, and will be deemed to be, the sole assignee. The Trust will make distributions to the Class 3 and Class 4B claimants, as provided by the Plan, the Trust Agreement, and the Trust Distribution Plan. The Trust will pursue recoveries against any Non-Settling Insurers in respect of the Transferred Insurance Interests. The Trust will fund the defense of the Diocese, the Reorganized Debtor, and any other Protected Party as against any Litigation Claims brought by Class 3 and Class 4B claimants, but only to the extent that the Diocese, the Reorganized Debtor, or any other Protected Party are not defended or otherwise reimbursed for their defense expenses by any Non-Settling Insurer. The Trust will advance funding to the Diocese, the Reorganized Debtor, and any other Protected Party, as applicable, with respect to any judgments or settlements of any Litigation Claims brought by Class 3 and Class 4B claimants, but only to the extent that such judgments or settlements are not funded by any Insurer. The Trust will fund the costs and expenses in executing these functions, all such functions to be executed in accordance with the Plan, the Trust Agreement, and the Trust Distribution Plan, with the aim of preserving, managing, and maximizing Trust Assets to pay Class 3 and Class 4B claimants and with no objective to continue or engage in the conduct of a trade or business. The proposed Trust Agreement and Trust Distribution Plan are attached to the Plan as **Exhibit D**.

C. ALLOCATIONS WITHIN AND DISTRIBUTIONS AND PAYMENTS FROM THE TRUST

1. General Corpus. The following distributions and payments will be made from the general corpus of the trust:

i. *Distributions*. Distributions on Class 3 Claims and Class 4B Claims as determined by the Tort Claims Reviewer in accordance with the Plan, the Trust Agreement, and the Trust Distribution Plan.

ii. *Tort Claims Reviewer*. The Trustee will retain Kramer Law LLC to serve as the Tort Claims Reviewer for the Trustee on the terms approved by the Bankruptcy Court. Fees payable to the Tort Claims Reviewer for review of Class 3 and Class 4B Claims will be paid from the Trust.

iii. *Trust Administrative Fees*. All fees, costs, and expenses of administering the Trust as provided in the Plan and the Trust Agreement will be paid by the Trust, including: (i) as reasonably necessary to meet current liabilities and to maintain the value of the respective Assets of the Trust; (ii) to pay reasonable administrative expenses (including any taxes imposed on the Trust and any professional fees); and (iii) to satisfy other liabilities incurred by the Trust in accordance with the Plan or the Trust Agreement.

iv. *Indemnity*. The Trust's obligations, if any, to defend, indemnify, or hold harmless any Person expressly set out in the Plan will be made from the corpus of the Trust.

2. Impaired Unknown Tort Claim Reserve Fund. The Trust will establish an Impaired Unknown Tort Claim Reserve Fund for the benefit of Class 4B Claimants, as detailed in

the Trust Agreement, in an amount equal to the amount that the Reorganized Debtor transfers to the Trust on account of Determined Claims as described in Section VIII above. The Trust will maintain the Impaired Unknown Tort Claim Reserve Fund until the later of (i) the date that the Impaired Unknown Tort Claim Reserve Fund has been exhausted or (ii) the occurrence of the fifth (5th) anniversary of the Effective Date. Neither the Diocese, the Reorganized Debtor nor any other Protected Party will have any obligation to make any contribution to the Trust to establish an Impaired Unknown Tort Claim Reserve Fund in excess of those contributions specified in Article V, Section 5.1(b) of the Plan as the Debtor Cash Contribution and Transferred Insurance Interests.

D. TAX MATTERS. The Trust will not be deemed to be the same legal entity as the Diocese, but only the assignee of certain assets of the Diocese and a representative of the Estate for delineated purposes within the meaning of Section 1123(b)(3) of the Bankruptcy Code. The Trust is expected to be tax exempt. The Trustee will file such income tax and other returns and documents as are required to comply with the applicable provisions of the Internal Revenue Code of 1986, 26 U.S.C. §§ 1 *et seq*., as may be amended, and the regulations promulgated thereunder, 31 C.F.R. §§ 900 *et seq*., and Minnesota law and the regulations promulgated thereunder, and will pay from the Trust all taxes, assessments, and levies upon the Trust, if any.

E. APPOINTMENT OF THE TRUSTEE. The initial Trustee has been identified in **Exhibit D** to the Plan. The Trustee will commence serving as the Trustee on the Confirmation Date; provided, however, that the Trustee will be permitted to act in accordance with the terms of the Trust Agreement from such earlier date, as authorized by the Diocese and the Committee, and will be entitled to seek compensation in accordance with the terms of the Trust Agreement and the Plan.

F. RIGHTS AND RESPONSIBILITIES OF TRUSTEE

1. The Trustee will be deemed the Estate's representative in accordance with Section 1123 of the Bankruptcy Code and will have all the rights, powers, authority, responsibilities, and benefits specified in the Plan and the Trust Agreement, including (to the extent necessary to enforce those rights, powers, authority, responsibilities, and benefits only) the powers of a trustee under Sections 704, 108 and 1106 of the Bankruptcy Code and Bankruptcy Rule 2004 (including commencing, prosecuting or settling Causes of Action, enforcing contracts, and asserting Claims, defenses, offsets and privileges). If there is any inconsistency or ambiguity between the Plan and Confirmation Order, on the one hand, and the Trust Agreement, on the other hand, with respect to the Trustee's authority to act, the provisions of the Plan and Confirmation Order will control. Among other things, the Trustee: (1) will liquidate and convert to cash the Trust Assets, make timely distributions and not unduly prolong the duration of the Trust; (2) may request an expedited determination of taxes of the Trust under Section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Trust for all taxable periods through the dissolution of the Trust; and (3) may retain professionals, including legal counsel, accountants, financial advisors, auditors, and other agents on behalf of the Trust, and at the Trust's sole expense, as reasonably necessary and to carry out the obligations of the Trustee hereunder and under the Trust Agreement.

2. Notwithstanding the foregoing, the Diocese, the Reorganized Debtor, and the Trust acting for itself and on behalf the Estate, will be deemed to have waived, effective upon the Effective Date:

i. Any and all Claims under Sections 547, 548, 549 and 550 of the Bankruptcy Code for the recovery of any sums paid to any Person who provided goods and services to the Diocese in the ordinary course of business prior to the Effective Date; and

ii. Any and all Claims and Causes of Action: (i) seeking the substantive consolidation of the Diocese and any other Person or an order deeming any such Person and the Diocese to be an "alter-ego" of the other or any other similar Claim or Cause of Action; (ii) to avoid, set aside or recover any payment or other transfer made to any Person under Sections 547, 548, 549, and 550 of the Bankruptcy Code; and (iii) any proceeding to avoid or set aside any interest of a Person in property under Section 544 of the Bankruptcy Code.

The Confirmation Order will state that, absent permission of the Bankruptcy Court, no judicial, administrative, arbitral, or other action or proceeding will be commenced in any forum other than the Bankruptcy Court against the Trustee in its/his/her official capacity, with respect to its/his/her status, duties, powers, acts, or omissions as Trustee.

G. TRANSFERRED INSURANCE INTERESTS

1. Enforcement of Transferred Insurance Interests Against Non-Settling Insurers.

1. As set forth in Article V of the Plan, the Transferred Insurance Interests are assigned and transferred to the Trust. The Trust will be entitled to all policy proceeds due by virtue of a judgment or settlement of a Class 3 Claim or a Class 4B Claim. The Trust will also have the right to pursue judgment against Non-Settling Insurers to determine the amount of coverage available for Protected Parties' liability for Tort Claims. The foregoing transfer will not be construed to entitle any Person to insurance coverage other than those Persons entitled to such coverage from Non-Settling Insurers. The Trust will be fully authorized to act in its own name, or in the name of any Protected Party, to enforce any right, title, or interest of any Protected Party in the Transferred Insurance Interests. No limitations on recovery from Non-Settling Insurers will be imposed by virtue of the fact that the Diocese is in bankruptcy or by any distribution from the Trust to any Tort Claimant. The transfer of the Transferred Insurance Interests will not affect any Non-Settling Insurer's duty to defend, but to the extent that a failure to defend or a separate agreement between the Diocese, the Reorganized Debtor, or any other Protected Party and any Non-Settling Insurer gives rise to a monetary obligation or policy proceeds to reimburse defense costs in lieu of a duty to defend, the Trust will be entitled to the benefit of such monetary obligation or policy proceeds. Any recovery by the Trust on an action against a Non-Settling Insurer for a determination of coverage for Protected Parties' liability for Tort Claims will become a Trust Asset and will be distributed as provided in the Plan, the Trust Agreement, and the Trust Distribution Plan. The Trust's recourse to the Diocese and the other Protected Parties will be limited to the Transferred Insurance Interests and any other rights or interests expressly granted to the Trust under the Plan, including any indemnification obligations of the Reorganized Debtor for Covered

Non-Tort Claims under section 16.4 of the Plan, or as otherwise provided by the Plan. The Trust will have no liability for Covered Non-Tort Claims and holders of Covered Non-Tort Claims will have no recourse to the Trust with respect to such Claims.

2. The Trust will have full access to coverage issued by the Non-Settling Insurers to the greatest extent permitted by applicable non-bankruptcy law, in the same manner and to the same extent as the Protected Parties prior to the confirmation of the Plan and the transfer of the Transferred Insurance Interests to the Trust, subject to the assertion of any coverage defenses except any defense (a) regarding the assignment and transfer of the Transferred Insurance Interests; or (b) effected by operation of law because of confirmation of the Plan.

The assignment and transfer of the Transferred Insurance Interests to the Trust does not affect the Diocese's, the Reorganized Debtor's, other Protected Parties', or any Non-Settling Insurer's right to contest the Diocese's, or any other insured's, liability or the amount of damages in respect of any Tort Claims. Notwithstanding the assignment and transfer of the Transferred Insurance Interests, the Diocese, the Reorganized Debtor, and any other Protected Party will not be relieved of any obligations or duties under any Non-Settling Insurer Policy (including without limitation any duty to cooperate) and will continue to honor such duties and obligations as required by such applicable Non-Settling Insurer Policies and applicable law. The transfer and assignment of the Transferred Insurance Interests does not affect any insurers' rights, obligations, or duties under applicable Non-Settling Insurer Policies or applicable law. If the Trust brings an action against a Non-Settling Insurer to assert any claim or to determine the Non-Settling Insurer's obligation to provide coverage for any Tort Claim, the Non-Settling Insurer may raise any defense to coverage as if the action had been brought by the Diocese, the Reorganized Debtor, or any other Protected Party.

3. The Bankruptcy Court will determine at the Confirmation Hearing (i) whether the assignment of the Transferred Insurance Interests provided for in Section 6.7 of the Plan is valid, and (ii) whether such transfer or the discharge and injunctions set forth in Sections 13.2 and 13.3 of the Plan, or any other term of the Plan, void, defeat, or impair the insurance coverage issued by the Non-Settling Insurers. If a party in interest (which, for this purpose, will include the Non-Settling Insurers) fails to timely file an objection to the proposed assignment and transfer of the Transferred Insurance Interests to the Trust or other terms of the Plan related to the Non-Settling Insurer Policies by the date set to file such objections, that party in interest will be deemed to have irrevocably consented to the assignment of Transferred Insurance Interests and other Plan terms related to such Non-Settling Insurer Policies and will be forever barred from asserting that the assignment of the Transferred Insurance Interests or other Plan terms affect the ability of the Trust or Tort Claimants to pursue the Non-Settling Insurers, or any of them, for insurance coverage.

4. In the event that the Bankruptcy Court enters a Final Order determining that the assignment of the Transferred Insurance Interests is valid and does not defeat or impair coverage under the Non-Settling Insurer Policies, following the Effective Date, the Trust will assume responsibility for, and be bound by, only such obligations of the Diocese and other Protected Parties under the Non-Settling Insurer Policies as are necessary to enforce the Transferred Insurance Interests; provided, however, that the Protected Parties will not be relieved of any obligations the Protected Parties may have under Non-Settling Insurer Policies.

5. The Reorganized Debtor will cooperate and assist the Trust in enforcing any right or prosecuting any claim based on the Transferred Insurance Interests. This cooperation includes, but is not limited to, providing access to documents and electronic information and providing clergy, employees, agents, and volunteers to testify in depositions and at trial.

2. Appointment of Trustee as Estate Representative to Enforce Insurance Interests and Obtain Insurance Recoveries.

1. If the Bankruptcy Court does not enter a Final Order approving the assignment and transfer of the Transferred Insurance Interests to the Trust, then the assignment will not occur and pursuant to the provisions of Section 1123(b)(3)(B) of the Bankruptcy Code, the Trustee is hereby appointed as the representative of the Diocese's Estate for the purpose of retaining and enforcing all of the Diocese's and the Estate's Interests against the Non-Settling Insurers with respect to the Tort Claims. Any recoveries on such Interests by the Trustee will be paid to the Trust. The determination of whether the appointment of the Trustee as the Diocese's and the Estate's representative provided for in Section 6.7(b)(1) of the Plan is valid, and does not defeat or impair the insurance coverage Non-Settling Insurers are responsible for under Non-Settling Insurer Policies, will be made by the Bankruptcy Court at the confirmation hearing. If a party in interest (which, for this purpose, will include the Non-Settling Insurers) fails to timely file an objection to the proposed appointment by the deadline for filing objections to confirmation of the Plan, that party in interest will be deemed to have irrevocably consented to the appointment and will be forever barred from asserting that the appointment in any way affects the ability of the Trustee to pursue Non-Settling Insurers, or any of them, for insurance coverage. In the event that the Bankruptcy Court determines that the appointment is valid and does not defeat or impair coverage Non-Settling Insurers are responsible for under Non-Settling Insurer Policies, then, following the Effective Date, the Trustee will assume responsibility for, and be bound by, only such obligations of the Diocese and other Protected Parties under Non-Settling Insurer Policies as are necessary to act as the representative of the Diocese and the Estate for the purpose of retaining and enforcing their Interests, if any, against the Non-Settling Insurers; provided, however, that the Trustee's appointment will not relieve the Diocese, the Reorganized Debtor or the other Protected Parties from any obligation that such entities may have under the Non-Settling Insurer Policies. Nothing contained in Section 6.7(b)(1) of the Plan will affect the rights and remedies of a Person who is not a Protected Party but is an insured or additional insured with the Diocese or is asserting rights under a Non-Settling Insurer Policy.

2. In the event that a Final Order is entered holding that: (a) the assignment of the Transferred Insurance Interests, or (b) the appointment of the Trustee as the Diocese's and the Estate's representative are invalid or would defeat or impair the insurance coverage issued by the Non-Settling Insurers, then the assignment and/or appointment, as the case may be, will be deemed not to have been made, and the Diocese, the Reorganized Debtor, and each of the Protected Parties will retain their Interests under each Non-Settling Insurer Policy.

(i) At the request of the Trust, the Reorganized Debtor and the other Protected Parties will assert their Interests against a Non-Settling Insurer, including, but not limited to, by filing a lawsuit for recovery of policy proceeds. All recoveries by

the Reorganized Debtor and the other Protected Parties will be paid to the Trust. The Reorganized Debtor and the other Protected Parties will select and retain counsel to pursue their Interests against Non-Settling Insurers pursuant to Section 6.7(b) of the Plan, subject to the Trustee's approval, which approval will not be unreasonably withheld.

(ii) The Trust will pay the reasonable attorneys' fees, costs and expenses that are incurred by the Reorganized Debtor and the other Protected Parties in pursuing, pursuant to Section 6.7(b) of the Plan, its Interests against Non-Settling Insurers.

(iii) The Trust will, in addition to reasonable attorneys' fees, costs and expenses provided for in Section 6.7(b) of the Plan, reimburse the Reorganized Debtor and each of the Protected Parties for any reasonable out of pocket costs and expenses it incurs as a direct consequence of pursuing its Interests against Non-Settling Insurers, but will not compensate the Reorganized Debtor or any other Protected Party for any time any of its employees expend. Upon receipt by the Reorganized Debtor or other Protected Party, all recoveries received by the Reorganized Debtor or other Protected Party from Non-Settling Insurers will be deemed to be held in trust for the benefit of the Trust and will be remitted by the Reorganized Debtor or other Protected Party to the Trust as soon as practicable following the Reorganized Debtor's or other Protected Party's receipt of such recoveries.

H. SPECIAL DISTRIBUTION CONDITIONS

1. With respect to Class 3, the Trust will maintain sufficient funds to pay any potential reimbursements to Medicare and will complete the following "Medicare Procedures":

(1) It is the position of DoW that none of DoW Entities, the Trust, or the Settling Insurers will have any reporting obligations in respect of their contributions to the Trust, or in respect of any payments, settlements, resolutions, awards, or other Claim liquidations by the Trust, under the reporting provisions of MSP or MMSEA. Prior to making any payments to any claimants, the Trust shall seek a statement or ruling from the United States Department of Health and Human Services ("**HHS**") that none of the Trust, DoW Entities, or Settling Insurers has any reporting obligations under MMSEA with respect to payments to the Trust by the DoW Entities or Settling Insurers or payments by the Trust to Claimants. Unless and until there is definitive regulatory, legislative, or judicial authority (as embodied in a final non-appealable decision from the United States Court of Appeals for the Eighth Circuit or the United States Supreme Court), or a letter from the Secretary of confirming that none of the DoW Entities or the Settling

Insurers has any reporting obligations under MMSEA with respect to any settlements, payments, or other awards made by the Trust or with respect to the contributions the DoW Entities and the Settling Insurers have made or will make to the Trust, the Trust shall, at its sole expense, in connection with the implementation of the Plan, act as a reporting agent for the DoW Entities and Settling Insurers, and shall timely submit all reports that would be required to be made by any DoW Entity or Settling Insurer under MMSEA on account of any Claims settled, resolved, paid, or otherwise liquidated by the Trust or with respect to contributions to the Trust, including reports that would be required if the payments to the Trust by a DoW Entity or Settling Insurer were determined to be made pursuant to "applicable plans" for purposes of MMSEA, or any DoW Entity or Settling Insurer were otherwise found to have MMSEA reporting requirements. The Trust, in its role as reporting agent for the DoW Entities and Settling Insurers, shall follow all applicable guidance published by CMS to determine whether or not, and, if so, how, to report to CMS pursuant to MMSEA.

(2) If the Trust is required to act as a reporting agent for any DoW Entity or Settling Insurer pursuant to this Section H.1(2), the Trust shall provide a written certification to each DoW Entity and Settling Insurer within ten (10) Business Days following the end of each calendar quarter, confirming that all reports to CMS required by Section H.1(1) have been submitted in a timely fashion, and identifying (a) any reports that were rejected or otherwise identified as noncompliant by CMS, along with the basis for such rejection or noncompliance; and (b) any payments to Medicare Beneficiaries that the Trust did not report to CMS.

(3) With respect to any reports rejected or otherwise identified as noncompliant by CMS, the Trust shall, upon request by any DoW Entity or Settling Insurer, promptly provide copies of the original reports submitted to CMS, as well as any response received from CMS with respect to such reports; provided, however, that the Trust may redact from such copies the Redacted Information. With respect to any such reports, the Trust shall undertake to remedy any issues of noncompliance identified by CMS, resubmit such reports to CMS, and, upon request by any DoW Entity or Settling Insurer, provide each DoW Entity and Settling Insurer copies of such resubmissions; provided, however, that the Trust may redact the Redacted Information. If the Trust is unable to remedy its noncompliance, the provisions of Section H.1(7) shall apply.

(4) If the Trust is required to act as a reporting agent for a DoW Entity or Settling Insurer pursuant to the provisions of Section H.1(1), with respect to each Channeled Claim of a Medicare Beneficiary paid by the Trust and not disclosed to CMS, the Trust shall, upon request by any DoW Entity or Settling Insurer, promptly provide the Redacted Information and any other information that may be necessary in the reasonable judgment of any DoW

Entity or Settling Insurer to satisfy their obligations, if any, under MMSEA, as well as the basis for the Trust's failure to report the payment. In the event any DoW Entity or Settling Insurer informs the Trust that it disagrees with the Trust's decision not to report a Claim paid by the Trust, the Trust shall promptly report the payment to CMS. All documentation relied upon by the Trust in making a determination that a payment did not have to be reported to CMS shall be maintained for a minimum of six (6) years following such determination.

(5) If the Trust is required to act as a reporting agent for any DoW Entity, or Settling Insurer pursuant to the provisions of Section H.1(1), the Trust shall make the reports and provide the certifications required by Sections H.1(1) and (2) until such time as such DoW Entity or Settling Insurer determines, in its reasonable judgment, that it has no further legal obligation under MMSEA or otherwise to report any settlements, resolutions, payments, or liquidation determinations made by the Trust or contributions to the Trust. Furthermore, following any permitted cessation of reporting, or if reporting has not previously commenced due to the satisfaction of one or more of the conditions set forth in Section H.1(1), and if any DoW Entity or Settling Insurer reasonably determines, based on subsequent legislative, administrative, regulatory, or judicial developments, that reporting is required, then the Trust shall promptly perform its obligations under Sections H.1(1) and (2).

(6) Section H.1(1) is intended to be purely prophylactic in nature, and does not imply, and shall not constitute an admission, that the DoW Entities and/or Settling Insurers have made payments pursuant to "applicable plans" within the meaning of MMSEA, or that they have any legal obligation to report any actions undertaken by the Trust or contributions to the Trust under MMSEA or any other statute or regulation.

(7) If CMS concludes that reporting done by the Trust in accordance with Section H.1(1) is or may be deficient in any way, and has not been corrected to the satisfaction of CMS in a timely manner, or if CMS communicates to the Trust, any DoW Entity or Settling Insurer a concern with respect to the sufficiency or timeliness of such reporting, or there appears to any DoW Entity or Settling Insurer a reasonable basis for a concern with respect to the sufficiency or timeliness of such reporting or non-reporting based upon the information received pursuant to Section H.1(2), (3), or (4), or other credible information, then each DoW Entity and Settling Insurer shall have the right to submit its own reports to CMS under MMSEA, and the Trust shall provide to any Entity that elects to file its own reports such information as the electing party may require in order to comply with MMSEA, including the full reports filed by the Trust pursuant to Section H.1(1), without any redactions. The DoW Entities and Settling Insurers shall keep any information they receive from the Trust pursuant to

this Section H.1(2) confidential and shall not use such information for any purpose other than meeting obligations under MMSEA.

(8) Notwithstanding any other provisions hereof, the Trust shall not be required to report as required by this Section H.1 until the Person on whose behalf the Trust is required to report shall have provided its Medicare Reporting Number, if one exists. Moreover, the Trust shall have no indemnification obligation under (11) of this Section to such Person for any penalty, interest, or sanction with respect to a Claim that may arise solely on account of such Person's failure timely to provide its Medicare Reporting Number, if one exists, to the Trust in response to a timely request by the Trust for such Medicare Reporting Number. However, nothing relieves the Trust from its reporting obligations with respect to each Person who provides the Trust with its Medicare Reporting Number. The Trust shall indemnify each DoW Entity and Settling Insurer for any failure to report payments to Medicare eligible Tort Claimants on behalf of Persons who have supplied Medicare Reporting Numbers, if any exists.

(9) Prior to remittance of funds to any Channeled Claimant or counsel therefor, the Trustee shall obtain in respect of any Channeled Claim a certification from the Claimant that said Claimant has or will provide for the payment and/or resolution of any obligations owing or potentially owing under MSP relating to such Channeled Claim. The Trust shall withhold payment from any Claimant the funds sufficient to assure that all obligations owing or potentially owing under MSP relating to such Tort Claim are paid to CMS. The Trust shall provide a quarterly certification of its compliance with this Section H.1 to each DoW Entity and Settling Insurer, and permit reasonable audits by such Persons, no more often than quarterly, to confirm the Trust's compliance with this Section H.1. For the avoidance of doubt, the Trust shall be obligated to comply with the requirements of this Section H.1 regardless of whether any DoW Entity or Settling Insurer elects to file its own reports under MMSEA pursuant to Section H.1(7).

(10) Compliance with the provisions of this Section H.1 shall be a material obligation of the Trust under the Plan, in favor of the Settling Insurers under the Plan.

(11) The Trust shall defend, indemnify, and hold harmless the DoW Entities and Settling Insurers from any Medicare Claims reporting and payment obligations relating to its payment of Channeled Claims, including any obligations owing or potentially owing under MMSEA or MSP, and any Claims related to the Trust's obligations under this Section.

(12) The Social Security Administration may change (or may have already changed) its processes and/or procedures in a manner that is inconsistent with the foregoing. The Trustee shall make best efforts to comply meaningfully with the foregoing while adhering to the Social

Security Administration's most recent processes, procedures, and requirements.

I. INVESTMENT POWERS; PERMITTED CASH EXPENDITURES. All funds held by the Trust will be invested in cash or short-term highly liquid investments that are readily convertible to known amounts of cash as more particularly described in the Trust Agreement. The Trustee may expend the cash of the Trust.

J. REGISTRY OF BENEFICIAL INTERESTS. To evidence the beneficial interest in the Trust of each holder of such an interest, the Trustee will maintain a registry of beneficiaries.

K. NON-TRANSFERABILITY OF INTERESTS. Any transfer of an interest in the Trust will not be effective until and unless the Trustee receives written notice of such transfer.

L. TERMINATION. The Trust will terminate after its liquidation, administration, and distribution of the Trust Assets in accordance with the Plan and its full performance of all other duties and functions set forth herein or in the Trust Agreement. The Trust will terminate no later than the sixth (6th) anniversary of the Effective Date.

M. IMMUNITY; LIABILITY; INDEMNIFICATION

1. Neither the Reorganized Debtor or its respective members, designees, or professionals, nor the Trustee or any duly designated agent or representative of the Trustee, nor their respective employees, will be liable for the acts or omissions of any other member, designee, agent, or representative of such Trustee, except that the Trustee will be liable for his/her/its specific acts or omissions resulting from such Trustee's misconduct, gross negligence, fraud, or breach of the fiduciary duty of loyalty. The Trustee may, in connection with the performance of his/her/its functions and in his/her/its sole and absolute discretion, consult with his/her/its attorneys, accountants, financial advisors, and agents, and will not be liable for any act taken, omitted to be taken, or suffered to be done in accordance with advice or opinions rendered by such Persons. Notwithstanding such authority, the Trustee will not be under any obligation to consult with his/her/its attorneys, accountants, financial advisors, or agents, and his/her/its determination not to do so will not result in the imposition of liability on the Trustee unless such determination is based on the Trustee's recklessness, gross negligence, willful misconduct, or fraud.

2. No recourse will ever be had, directly or indirectly, against the Trustee personally, or against any employee, contractor, agent, attorney, accountant, or other professional retained in accordance with the terms of the Trust Agreement or the Plan by the Trustee, by legal or equitable proceedings or by virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or Trust Agreement whatsoever executed by the Trustee in implementation of the Trust Agreement or the Plan, it being expressly understood and agreed that all such liabilities, covenants, and Trust Agreements of the Trust whether in writing or otherwise, will be enforceable only against and be satisfied only out of the Trust Assets or such part thereof as will under the term of any such Trust Agreement be liable therefore or will be evidence only of a right of payment out of the Trust Assets. Notwithstanding the foregoing, the Trustee may be held liable for his/her/its recklessness, gross negligence, willful misconduct,

knowing and material violation of law, or fraud; and if liability on such grounds is established, recourse may be had directly against the Trustee. The Trust will not be covered by a bond.

3. The Trust will defend, indemnify, and hold harmless the Trustee, his/her/its officers, directors, agents, representatives, and employees to the fullest extent that a corporation or trust organized under the laws of Minnesota is entitled to indemnify and defend its directors, trustees, officers, and employees against any and all liabilities, expenses, Claims, damages or losses incurred by them in the performance of their duties hereunder.

1. Additionally, the Reorganized Debtor, and each of its respective agents, who was or is a party, or is threatened to be made a party to any threatened or pending judicial, administrative, or arbitrative action, by reason of any act or omission of the Trust or Trustee or respective agents, with respect to: (i) the Chapter 11 case and any act or omission undertaken by them prior to the commencement thereof, (ii) the assessment or liquidation of any Class 3 and Class 4B Claims, (iii) the administration of the Trust and the implementation of the Trust Distribution Plan, or (iv) any and all activities in connection with the Trust Agreement, will be indemnified and defended by the Trust, to the same extent that a corporation or trust organized under the laws of Minnesota is from time to time entitled to indemnify and defend its own officers, directors, trustees, and employees, against reasonable expenses, costs and fees (including attorneys' fees and costs), judgments, awards, amounts paid in settlement and liabilities of all kinds incurred by the Debtor or Reorganized Debtor, and their respective professionals, officers, and directors, in connection with or resulting from such action, suit or proceeding, provided that, with respect to amounts paid in settlement, the Trust has approved such amounts in advance, such approval not to be unreasonably withheld.

2. Reasonable expenses, costs, and fees (including attorneys' fees and costs) incurred by or on behalf of a Trustee, the Debtor, the Reorganized Debtor, and their respective agents in connection with any action, suit, or proceeding, whether civil, administrative, or arbitrative, from which they are entitled to be indemnified by the Trust, will be paid by the Trust in advance of the final disposition thereof upon receipt of an undertaking, by or on behalf of such Trustee, the Debtor, the Reorganized Debtor, and their respective agents, to repay such amount in the event that it will be determined ultimately by Non-Appealable Order that such Trustee, the Debtor, the Reorganized Debtor, and their respective professionals, officers, and directors is not entitled to be indemnified by the Trust.

N. TREATMENT OF TORT CLAIMS

1. Trust Liability. On the Effective Date, the Trust will automatically and without further act or deed assume: (i) all liability, if any, of the Protected Parties and the Settling Insurers in respect of Channeled Claims, subject to section 16.4 of the Plan; (ii) the responsibility for preserving, managing and distributing Trust Assets pursuant to the Trust Distribution Plan; and (iii) the right to pursue the Transferred Insurance Interests. Except as otherwise provided in the Plan, the Trust does not assume any liabilities of the Diocese or Reorganized Debtor, in whole or in part, in regards to any Tort Claims that are not released nor the liabilities of the Settling Insurers.

2. Assessment of Tort Claims.

1. Each Tort Claim will be assessed by the Tort Claims Reviewer in accordance with the Trust Distribution Plan to determine whether the Tort Claimant is entitled to a distribution under the Trust. The Diocese or the Reorganized Debtor will reasonably cooperate with the Tort Claims Reviewer and the Trustee as requested by the Tort Claims Reviewer or the Trustee in connection with any inquiries by either in the administration of the Trust Distribution Plan, but will not be required to act in any way that violates any duty to cooperate with a Non-Settling Insurer. Under no circumstance will the Tort Claims Reviewer's review of a Class 3 or Class 4B Claim or a determination regarding a distribution thereon have any effect on the rights of a Non-Settling Insurer.

2. Each Tort Claimant may elect, in lieu of assessment by the Tort Claims Reviewer, to have his Tort Claim treated pursuant to the convenience Claim process as provided by the Trust Distribution Plan ("**Convenience Claim**").

3. Election. No later than thirty (30) days after a Tort Claimant is notified of the amount of the award under the Trust Distribution Plan, the Tort Claimant will elect in writing one of the following treatment alternatives:

1. Receiving a payment from the Trust in the amount determined by the Tort Claims Reviewer pursuant to the Trust Distribution Plan ("**Distribution Plan Claim**"). A Tort Claimant who elects to receive a distribution for a Distribution Plan Claim (a "**Distribution Plan Claimant**") must execute the release of all his or her Tort Claims against the Settling Insurers and the Protected Parties as set forth in Plan **Exhibit E** or Plan **Exhibit F**, as applicable, and waives his right to pursue a direct action under Minn. Stat. § 60A.08, subd. 6 or other applicable law against any Non-Settling Insurer; or

2. Treatment of the Tort Claim as a Litigation Claim. A Tort Claimant electing treatment as a Litigation Claim ("**Litigation Claimant**") will have rights, to the extent set forth in the Trust Distribution Plan, to initial and future distributions from the Trust. Each Litigation Claimant also retains the right to: (i) pursue his or her Tort Claim for its full amount according to proof in order to determine the liability of any Protected Party for purposes of recovering against any Non-Settling Insurer that is or may be liable on the Tort Claim and (ii) proceed in a direct action against any Non-Settling Insurer to the extent allowed by applicable law, including Minn. Stat. § 60A.08, subd. 6 (each a "**Litigation Claim**"). A Litigation Claimant's recovery on a Litigation Claim is limited as provided herein. The Settling Insurers will not be obligated to defend or indemnify any Person in connection with a Litigation Claim and the Settling Insurers will not have any other duties or obligations to any Person in connection with a Litigation Claim. Under no circumstances will a Tort Claimant or any other Person be able to recover any amount from the Settling Insurers in connection with a Litigation Claim.

4. Modification of Treatment Election.

1. If a Tort Claimant does not make one of the elections in Section 6.14(c) of the Plan, the Tort Claimant will be treated as a Litigation Claimant.

2. Upon written notice to the Trustee, subject to the Trustee's sole and absolute discretion, a Tort Claimant may rescind the election to be treated as a Litigation Claimant

in favor of being treated as a Distribution Plan Claimant. Notwithstanding the foregoing, the Trustee will consent to a Tort Claimant's rescission if such written notice of rescission is given prior to entry of an order of dismissal or a final judgment on the Litigation Claim in favor of a Protected Party.

3. No later than sixty (60) days after being notified of the amount of their award under the Trust Distribution Plan, a Tort Claimant may rescind the election to be treated as a Distribution Plan Claimant in favor of being treated as a Litigation Claimant.

5. Legal Effect of Estimation of Claims and Distributions under Trust Distribution Plan. The Tort Claims Reviewer's determinations are for estimation purposes only and will not be a finding or fixing of the fact or liability or the amount payable for any Tort Claim with any binding legal effect, other than for distribution purposes by the Trust pursuant to the Trust Distribution Plan. The determination of qualification, estimation of claims, and payment of distributions is not an admission of liability by any Protected Party or the Trust with respect to any Tort Claims and has no res judicata or collateral estoppel effect on any Protected Party, the Trust, or any Non-Settling Insurer. Any payments by the Trust to Tort Claimants in connection with their Tort Claims is not a release of the Debtor nor an accord or novation of the Debtor's liability on account of the Class 3 and Class 4B Claims. The Trust's act of making a distribution is immaterial to, and will not be construed as, a determination or admission of the Diocese's, the Reorganized Debtor's, or any other Protected Party's liability for, or damages with respect to, any Class 3 or Class 4B Claim. The determination of qualification, estimation of claims, and payment of distributions is not a settlement, release, accord, or novation of Class 3 or Class 4B Claims and cannot be used by any third party as a defense to any alleged joint liability. The determination of qualification, estimation of claims, and payment of partial distributions does not impair a Litigation Claimant's rights to obtain a judgment, including a judgment based on joint and several liability, against a Protected Party or any Non-Settling Insurer or other Person, for purposes of establishing the Protected Party's liability on the Tort Claim, but any such judgment awarded to a Litigation Claimant will be reduced by the amount of distributions already paid by the Trust to such Litigation Claimant on his or her Tort Claim(s). Neither the Tort Claims Reviewer's review of a Tort Claim and determination of qualification, nor the Trust's estimation of claims or payment of distributions will (1) constitute a trial, an adjudication on the merits, or evidence of liability or damages in any litigation with the Protected Parties, Non-Settling Insurers, or any other Person, or (2) constitute, or be deemed, a determination of the reasonableness of the amount of any Tort Claim, either individually or in the aggregate with other Tort Claims, in any coverage litigation with any Non-Settling Insurers. The Trust's estimation of claims and payment of distributions does not constitute a triggering event for liability under any Non-Settling Insurer Policy nor does it create an admission of the fact of liability or the extent of damages on behalf of the Protected Parties.

6. Release and Discharge of Tort Claims. No Tort Claimant will receive any payment on any award unless and until such Tort Claimant has executed the Release attached as **Exhibit E** or **Exhibit F** to the Plan, as applicable. Each Tort Claimant must execute a release of all claims against the Settling Insurers and must release all claims against the Diocese, the Reorganized Debtor, and the other Protected Parties that do not implicate insurance coverage under Non-Settling Insurer Policies. To preserve coverage under Non-Settling Insurer Policies, Tort Claimants specifically reserve, and do not release, any and all claims that they may have against the Protected Parties that implicate coverage under Non-Settling Insurer Policies, but recourse is

limited to the proceeds of Non-Settling Insurer Policies and all other damages (including extra-contractual damages), awards, judgments in excess of policy limits, penalties, punitive damages and attorney's fees and costs that may be recoverable against any Non-Settling Insurers because of their conduct concerning insurance coverage for, or defense or settlement of, any Tort Claim, and any such judgments or awards will be turned over to the Trust and handled in accordance with Sections 6.14(i) and (j) of the Plan.

The Tort Claims will not be released or enjoined as against the Protected Parties for any Abuse that may be covered under Non-Settling Insurer Policies until such claims are settled with the Protected Parties and their Non-Settling Insurers, or are fully adjudicated, resolved, and subject to Final Order, unless the Tort Claimant elects to proceed as a Distribution Plan Claimant, but recourse will be limited as described above.

With respect to all other Claims, except as otherwise provided in the Plan, the Debtor's liability on account of such Claims will be discharged pursuant to the provisions of 1141(d). The Tort Claimants' release, in whole or in part, of their Class 3 or Class 4B Claims will be pursuant to the principles set forth in *Pierringer v. Hoger*, 124 N.W.2d 106 (Wis. 1963) and *Frey v. Snelgrove*, 269 N.W.2d 918 (Minn. 1978). The Class 3 and Class 4B Claimants will expressly reserve their rights against other Persons (other than Protected Parties), including joint tortfeasors, who will remain severally liable on any Class 3 and Class 4B Claims. Any Person (other than a Protected Party) that is, or was alleged to be a joint tortfeasor with any of the Protected Parties in connection with the Abuse that forms the basis of a Tort Claim will not be liable for any Protected Party's share of causal liability or fault.

7. Trust Rights Against Non-Settling Insurers. The Trust retains the right to pursue Non-Settling Insurers for coverage of the Diocese's, the Reorganized Debtor's, and any other Protected Party's liability to Tort Claimants regardless of whether the Tort Claimants elect treatment as Distribution Plan Claimants or Litigation Claimants.

8. Distributions to Tort Claimants. A Tort Claimant electing to be treated as a Distribution Plan Claimant, and who the Tort Claims Reviewer determines to be entitled to a distribution, will receive a distribution from the Trust in the amount(s) and at the time(s) provided for in the Trust Distribution Plan. Any payment on a Tort Claim constitutes payment for damages on account of personal physical injuries or sickness arising from an occurrence, within the meaning of Section 104(a)(2) of the Internal Revenue Code of 1986, as amended.

9. Litigation Claims. If necessary in the Trustee's discretion, the Trustee may establish a reserve for payment of a claim held by a Litigation Claimant in the amount that would have been awarded to the Litigation Claimant if such Claimant had elected to proceed under the Trust Distribution Plan. The creation and existence of this reserve is not a settlement, release, accord or novation of the Litigation Claims and cannot be used by any third party as a defense to any alleged joint liability with any Protected Party. For avoidance of doubt, the creation and existence of this reserve does not affect, diminish or impair a Litigation Claimant's rights to collect a judgment, including a judgment based on joint and several liability, against any Non-Settling Insurer or Person that is not a Protected Party, except as expressly provided herein. The Trustee may establish one reserve for all of the Litigation Claims but no Litigation Claimant will have any interest in any portion of the reserve in excess of the amount determined for that Litigation

Claimant under the Trust Distribution Plan, and then only in the event that the Litigation Claimant prevails on his Litigation Claim. Neither the Trust's payment of, or reserving monies on account of, the Tort Claims nor the Tort Claims Reviewer's review of a Tort Claim, will: (1) constitute a trial, an adjudication on the merits, or evidence of liability or damages in any litigation with the Protected Parties, Non-Settling Insurers, or any other Person, or (2) constitute, or be deemed, a determination of the reasonableness of the amount of any Tort Claim, either individually or in the aggregate with other Tort Claims, in any coverage litigation with any Non-Settling Insurers.

1. In the event that a Litigation Claimant obtains a judgment against any Protected Party and no Non-Settling Insurer is implicated by the Litigation Claim, the judgment will be satisfied by the Trust in the amount of such judgment against such Protected Party, up to the amount of any reserve set for that Litigation Claimant's Litigation Claim plus an additional $1,000.

2. In the event that any Non-Settling Insurer is implicated by the Litigation Claim, and either a settlement is achieved with such Non-Settling Insurer(s) as to such Litigation Claim or the Litigation Claimant obtains a judgment against a Protected Party and either the Trust or the Litigation Claimant obtains a recovery from any such Non-Settling Insurer(s) as to such judgment, then such recovery will be turned over to the Trust for handling pursuant to the Plan. Such recovery will first go to reimburse the Trust or the Litigation Claimant, as the case may be, for all costs (including attorneys' fees) incurred in connection with pursuing the recovery against the Non-Settling Insurer(s) relating to the Litigation Claim, so long as such amounts are reasonable and were agreed to in advance by the Trust. Any amount remaining will be distributed in a manner consistent with the Trust Distribution Plan.

10. The Trust's payment to a Litigation Claimant that has recovered a judgment or settlement does not affect, diminish or impair the Trust's right to collect the policy proceeds respecting such Class 3 or Class 4B Claim from any Non-Settling Insurer, nor does it affect, diminish or impair the Trust's right to bring any claims against the Non-Settling Insurer that have been assigned to the Trust or that belong to the Trust by operation of law.

11. If a Non-Settling Insurer has refused to defend a Protected Party with respect to any Litigation Claim, the Trust will advance or reimburse the Protected Party for reasonable and necessary attorneys' fees and other expenses incurred in defending the Litigation Claim. If any Non-Settling Insurer has refused to indemnify a Protected Party with respect to any settlement or judgment of a Litigation Claim, the Trust will advance or reimburse the Protected Party for any judgment or settlement incurred by the Protected Party on such Litigation Claim, provided the Trust has consented in advance to any such settlement, such consent not to be withheld unreasonably. If all insurers that could potentially have responsibility to defend and/or indemnify for a Tort Claim have denied coverage, that Litigation Claimant must sign a covenant not to execute against that Protected Party's assets (other than Non-Settling Insurer Policies or proceeds or other assigned rights or interests), under which the Litigation Claimant will agree to seek recovery only from Non-Settling Insurers for any judgment the Litigation Claimant obtains against any Protected Party, in exchange for a stipulated judgment and assignment of insurance rights, as authorized by law. If any judgment on any Tort Claim is within the retention of any Non-Settling Insurer Policy, and all insurers have denied indemnity for such judgment, then the Trust will fund the judgment. The Trust's advancement or reimbursement of the Protected Party for such

defense costs and/or judgment or settlement payments, and any distributions made by the Trust to the Litigation Claimant and other Class 3 Claimants, will not affect, diminish or impair the Trust's right to bring any claims against any Non-Settling Insurers for refusing to defend and/or indemnify the Protected Party, including but not limited to claims for payment of policy proceeds, bad faith, wrongful failure to settle, and extra-contractual damages authorized by law.

12. As of the Effective Date, the Trustee will be deemed to have the right to join or intervene into the Insurance Coverage Adversary Proceeding and to pursue recoveries against any Non-Settling Insurers.

13. Nothing in the Plan, Confirmation Order or any Plan Document will impose any obligation on any Non-Settling Insurer to provide a defense for, settle, or pay any judgment with respect to, any Tort Claim, or grant to any Person any right to sue any Non-Settling Insurer directly, in connection with a Tort Claim. All such obligations with respect to Non-Settling Insurers will be determined by and in accordance with the terms of the Non-Settling Insurer Policies and with applicable non-bankruptcy law. Nothing provided for in the Plan, the Trust Agreement, or the Trust Distribution Plan constitutes an endorsement of a Class 3 or Class 4B Claimant's right to pursue their remedies under Minn. Stat. § 60A.08.

14. If the Litigation Claimant fails to prosecute his Litigation Claim to final judgment or settlement of the claim, or a Final Order is entered finding that no Protected Party has liability to such Tort Claimant on account of his Tort Claim, any reserve maintained by the Trust on account of such Tort Claim will revert to the non-reserved assets of the Trust and the Litigation Claimant will have no recourse against the Trustee, the Trust, any Protected Party, or any Settling Insurer.

O. OBJECTIONS AND LITIGATION AFTER THE EFFECTIVE DATE.

1. Regardless of whether a Class 3 or Class 4B Claimant elects treatment as a Distribution Plan Claimant or a Litigation Claimant, the Trustee may object to that Class 3 or Class 4B Claimant's Claim. The Trustee's right to object to a Class 3 or Class 4B Claimant's Claim after the Effective Date will not affect or impair any right the Diocese, the Reorganized Debtor, other Protected Parties, and/or Non-Settling Insurers may have under the Non-Settling Insurer Policies or applicable law to object to such Class 3 and Class 4B Claims. In addition, the Reorganized Debtor may object to any Class 4B Claimant’s Claim and reserves all of its rights and defenses with respect to such Claims.

2. The Protected Parties will comply with all obligations under the Non-Settling Insurer Policies and applicable law. The Trustee, to the extent required by the Non-Settling Insurer Policies implicated by such Tort Claims and applicable law, will also cooperate with the Non-Settling Insurer in the defense of such judicial proceeding contemplated in Section 6.13(p)(1) of the Plan. In the event of a dispute between a Non-Settling Insurer and the Trustee regarding whether the Trustee must allow such Non-Settling Insurer to control the defense of such Tort Claim, or the extent of anyone's duty to cooperate, such dispute will be resolved by the Bankruptcy Court and the Bankruptcy Court will retain jurisdiction over such disputes. In the event the Non-Settling Insurer fails to seek a determination from the Bankruptcy Court over the existence and

extent of the Trustee's obligation to cooperate, or the Non-Settling Insurer's right to control the defense, the Non-Settling Insurer will be deemed to have waived such claim.

P. CLAIM WITHDRAWAL. A Tort Claimant may withdraw his or her Tort Claim at any time on written notice to the Trustee. If withdrawn, (a) the Tort Claim will be withdrawn with prejudice and may not be reasserted, and such Tort Claimant will still be subject to Section 13.2 of the Plan, the Channeling Injunction, and the Supplemental Settling Insurer Injunction as provided by the Plan; and (b) any reserve maintained by the Trust on account of such Tort Claim will revert to the Trust as a Trust Asset for distribution in accordance with the Plan and Trust Distribution Plan. Each Protected Party, Non-Settling Insurer, Settling Insurer, and the Trust will retain any and all defenses that may exist in respect to such Tort Claim.

X.
SETTLING INSURERS

A. SETTLING INSURER SETTLEMENT AGREEMENT. Upon satisfaction of the conditions precedent to the LMI/Interstate Settlement Agreement becoming effective, including the Confirmation Order and the order approving the LMI/Interstate Settlement Agreement becoming Non-Appealable Orders, the LMI/Interstate Settlement Agreement will be fully binding on the Trust, Protected Parties, the Reorganized Debtor, the Committee, LMI/Interstate, the Tort Claimants, and parties in interest, and any of the foregoing Persons' successors.

B. SALE FREE AND CLEAR OF INTERESTS OF SETTLING INSURER POLICIES. To the extent provided in the LMI/Interstate Settlement Agreement and effective on the later of (i) the Effective Date of the Plan or (ii) the payment by each Settling Insurer of the settlement payment(s) due under such agreement, each and every Settling Insurer Policy issued by LMI or Interstate will be sold to the issuing Settling Insurer pursuant to Sections 105, 363, and 1123 of the Bankruptcy Code, free and clear of all liens, Claims and Interests, including those of the Diocese, Diocesan Parishes, and Tort Claimants. As set forth in the LMI/Interstate Settlement Agreement and the corresponding Approval Order, LMI and Interstate are good faith purchasers of such insurance policies and certificates of insurance within the meaning of Section 363(m) of the Bankruptcy Code, the consideration exchanged constitutes a fair and reasonable settlement of the Parties' disputes and of their respective rights and obligations relating to each such Settling Insurer Policy and constitutes reasonably equivalent value, the releases in the LMI/Interstate Settlement Agreement and the policy buyback comply with the Bankruptcy Code and applicable non-bankruptcy laws, and each such Settling Insurer Policy will be terminated and be of no further force and effect with the issuing Settling Insurer having fully and completely performed any and all obligations under each such Settling Insurer Policy, including any performance owed to the Diocese and Diocesan Parishes, and all limits of liability of each such Settling Insurer Policy will be exhausted.

C. RESOLUTION OF CLAIMS INVOLVING SETTLING INSURERS. The Confirmation Order will provide that within 20 days after receipt of the settlement payment required by the LMI/Interstate Settlement Agreement, the Diocese and LMI/Interstate will effect dismissal with prejudice of their Claims against each other in the Insurance Coverage Adversary Proceeding, and will be prohibited from pursuing the claims therein against each other at any time, with each side

to bear its own fees and costs. The Diocese will not be required to dismiss the Insurance Coverage Adversary Proceeding as against any Non-Settling Insurers.

D. **THE SETTLING INSURERS' PAYMENTS**. LMI/Interstate will pay to the Trust the sums set forth in the LMI/Interstate Settlement Agreement within the time set forth in the LMI/Interstate Settlement Agreement.

E. **JUDGMENT REDUCTION**

1. In any proceeding, suit, or action, including the Insurance Coverage Adversary Proceeding, to recover or obtain insurance coverage or proceeds from a Non-Settling Insurer for a Tort Claim, the following will apply:

1. If a Non-Settling Insurer has asserted, asserts, or could assert, any Contribution Claim against a Settling Insurer, then any judgment or award obtained by any Protected Party, the Trust, or a Tort Claimant against such Non-Settling Insurer will be automatically reduced by the amount, if any, that a court or arbitrator determine such Settling Insurer would have been liable to pay such Non-Settling Insurer as a result of its Contribution Claim, so that the Contribution Claim is thereby satisfied and extinguished entirely ("**Reduction Amount**"). In any action by a Protected Party, the Trust or a Tort Claimant against a Non-Settling Insurer to obtain insurance coverage or proceeds for a Tort Claim, where the Settling Insurers are not parties, the Non-Settling Insurers' Contribution Claim may be asserted as a defense, and to the extent the Non-Settling Insurers' Contribution Claim against a Settling Insurer is determined to be valid by the court presiding over such action, the liability of the Non-Settling Insurer will be reduced dollar for dollar by the amount so determined. In the event that a reduction is not made as described above, then any Contribution Claim by any Non-Settling Insurer against any Settling Insurer will be determined by the court or arbitration proceeding in which such Contribution Claim is filed. To the extent possible, no Settling Insurer will be required to answer or otherwise respond to a complaint alleging a Contribution Claim against such Settling Insurer until such Reduction Amount is determined by such court or arbitrator(s). If, notwithstanding the foregoing, a court refuses to reduce the liability of the Non-Settling Insurer, then once the order establishing the Settling Insurer's liability for the Contribution Claim is a Final Order, the Trust will promptly indemnify and hold harmless the Settling Insurer for such amount of any such Abuse-Related Contribution Claim. In addition, to the extent that a judgment reduction as contemplated in this section does not satisfy an Abuse-Related Contribution Claim in its entirety, such Abuse-Related Contribution Claim (including for defense costs) shall attach to the proceeds of the sale of the Settling Insurer Policies.

2. As provided in the LMI/Interstate Settlement Agreement, each Settling Insurer agrees that it will not pursue any contribution claim that it might have against any other Insurer (a) whose Contribution Claim against LMI/Interstate is satisfied and extinguished entirely; or (b) that does not make a Contribution Claim against LMI/Interstate, or any of them. If, in the future, a Non-Settling Insurer releases its Contribution Claims, if any such exist, that it may have against Interstate and/or a London Market Insurer, then such released Settling Insurer shall release its Contribution Claims against such releasing Insurer. To the extent that the Trust indemnifies the Settling Insurers, or if any Insurer asserts a Claim directly against the Trust arising from or concerning the Settling Insurer Policies, any Contribution Claim of the Settling Insurers shall be

transferred to the Trust, and the Trust shall be authorized to assert the Contribution Claims of such Settling Insurer against such other Insurer.

F. FURTHER ASSURANCES; NON-MATERIAL MODIFICATIONS. From and after the Effective Date, the Reorganized Debtor and the Settling Insurers will be authorized to enter into, execute, adopt, deliver, or implement all notes, contracts, security agreements, instruments, releases, and other agreements or documents necessary to effectuate or memorialize the settlements contained in Article VII of the Plan without further order of the Bankruptcy Court. The Reorganized Debtor and the Settling Insurers may make technical or immaterial alterations, amendments, modifications, waivers, or supplements to the terms of any Insurance Settlement Agreement. A class of Claims that has accepted the Plan will be deemed to have accepted the Plan, as altered, amended, modified, or supplemented under Section 7.6 of the Plan, if the proposed alteration, amendment, modification, or supplement does not materially and adversely change the treatment of the Claims within such class. An order of the Bankruptcy Court approving any amendment or modification made pursuant to Section 7.6 of the Plan will constitute an order in aid of consummation of the Plan and will not require the re-solicitation of votes on the Plan.

G. INDEMNIFICATION OBLIGATIONS. With respect to the indemnification obligations of the Trust or the Reorganized Debtor, including with respect to Tort Claims made by Persons over whom the Diocese or Diocesan Parishes do not have control, including any other Person who asserts Tort Claims against or right to coverage under the Settling Insurer Policies, The Settling Insurers may undertake the defense of any Claim on receipt of such Claim without affecting such indemnification obligations. The Settling Insurers shall notify the Trust or Reorganized Debtor, as applicable, as soon as practicable of any such Claims identified in this section and of their choice of preferred counsel. The obligation of the Trust or Reorganized Debtor, as applicable, to indemnify the Settling Insurer under Section 7.7 of the Plan will not exceed the settlement amount set forth in the Insurance Settlement Agreement as actually paid by the corresponding Settling Insurer. In defense of any such Claims, the Settling Insurers may settle or otherwise resolve a Claim consistent with the terms of this Plan and with the prior consent of the indemnifying party, which consent shall not be unreasonably withheld. Any such indemnification obligations with respect to Tort Claims will be channeled to and paid by the Trust.

H. WAIVER/ CONSENT

1. In consideration of the releases and Channeling Injunction, the Supplemental Settling Insurer Injunction, and other covenants set forth herein, subject to the occurrence of the Effective Date and the satisfaction of the other conditions precedent to the effectiveness of the LMI/Interstate Settlement Agreement, and upon receipt by the Trust of the settlement payment required by the LMI/Interstate Settlement Agreement, each of the Protected Parties:

1. Irrevocably and unconditionally, without limitation, releases, acquits, forever discharges, and waives any Claims and/or Interests it has or might have now or in the future against the other Protected Parties and the Settling Insurers with respect to any contribution, subrogation, indemnification, or other similar Claim arising from or relating to released Tort Claims covered or alleged to be covered under the Settling Insurer Policies, and any Settling Insurer Policies; and

2. Consents to the sale of the Protected Parties' Claims and/or Interests, if any, in the Settling Insurer Policies issued by LMI and Interstate in accordance with the LMI/Interstate Settlement Agreement and to the contribution of the proceeds from such sale and settlement to the Trust, as provided in the Plan.

2. Nothing in Section 7.8 of the Plan will be construed to bar either (i) a Claim based on Abuse against a Person who is not a Protected Party or a Settling Insurer or (ii) a Claim by such Person for insurance coverage in connection with a Claim described in the foregoing subsection (i) under an insurance policy other than the Settling Insurer Policies.

I. DEBTOR WAIVER AND RELEASE OF CLAIMS. In consideration of any payments to be made by the Settling Insurers and other consideration provided by each Settling Insurer, upon payment by the Settling Insurers of their respective settlement amounts under the LMI/Interstate Settlement Agreement, the Diocese irrevocably and unconditionally, without limitation, releases, acquits, forever discharges, and waives any Interests it has or might have now or in the future (i) under the Settling Insurer Policies issued by LMI and Interstate to the extent those Settling Insurer Policies are bought back under the LMI/Interstate Settlement Agreement and the Plan; (ii) against LMI/Interstate with respect to any Tort Claim; and (iii) against the other Protected Parties with respect to any Channeled Claim. For the avoidance of doubt, the Diocese irrevocably and unconditionally, without limitation, releases, acquits, forever discharges, and waives any Interests it has or might have now or in the future under the Settling Insurer Policies issued by, subscribed to, or underwritten by LMI and/or Interstate, which are bought back under the terms of the LMI/Interstate Settlement Agreement and the Plan.

J. SUPPLEMENTAL SETTLING INSURER INJUNCTION.

1. Supplemental Injunction Preventing Prosecution of Claims Against Settling Insurers. Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and in consideration of the undertakings of the Settling Insurers pursuant to the Insurance Settlement Agreements, including LMI's and Interstate's purchases of insurance policies or Interests in insurance policies free and clear of all interests pursuant to Section 363(f) of the Bankruptcy Code:

Any and all Persons who have held, now hold or who may in the future hold any Interests (including all debt holders, all equity holders, governmental, tax and regulatory authorities, lenders, trade and other creditors, Tort Claimants, perpetrators, and all others holding Interests of any kind or nature whatsoever, including those Claims released or to be released pursuant to the Insurance Settlement Agreements) against any of the Settling Insurers, or any other Person covered or allegedly covered under the Settling Insurer Policies, including (i) Claims relating to the Settling Insurer Policies, including Tort Claims, Direct Action Claims, Indirect Claims, and Released Claims; (ii) the payment of any of the Claims identified in (i), including Contribution Claims and Medicare Claims; (iii) Extra-Contractual Claims; (iv) Unimpaired Unknown Tort Claims; and (v) Unimpaired Unknown Contingent Claims, are hereby permanently stayed, enjoined, barred, and restrained from taking any action, directly or indirectly, to assert, enforce or attempt to assert or enforce any such Interest against the Settling Insurers or the Settling Insurer Policies:

1. Commencing or continuing in any manner any action or other proceeding against the Settling Insurers or the property of the Settling Insurers;

2. Enforcing, attaching, collecting, or recovering, by any manner or means, any judgment, award, decree or order against the Settling Insurers or the property of the Settling Insurers;

3. Creating, perfecting, or enforcing any lien of any kind against the Settling Insurers or the property of the Settling Insurers;

4. Asserting or accomplishing any setoff, right of indemnity, subrogation, contribution, or recoupment of any kind against any obligation due the Settling Insurers or the property of the Settling Insurers; and

5. Taking any action, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan.

For the avoidance of doubt, this Supplemental Settling Insurer Injunction bars the above-referenced actions against the Settling Insurers and the Settling Insurer Policies but against no other person or thing. The foregoing injunctive provisions are an integral part of the Plan and are essential to its implementation.

XI.
NON-SETTLING INSURERS

A. PRESERVATION OF RIGHTS AND OBLIGATIONS

1. In the event: (i) a Tort Claim is pursued in state or federal court by a Tort Claimant against a Protected Party or Non-Settling Insurer, or (ii) the Trust or the Reorganized Debtor asserts an objection to or otherwise seeks a determination of liability as to a Tort Claim, then the Protected Parties, the Trust and each Non-Settling Insurer will retain any and all legal and factual defenses that may exist in respect to such Tort Claim and, except as set forth in Section 8.1 of the Plan, all coverage defenses. The rights, duties and obligations of each Non-Settling Insurer under the Non-Settling Insurer Policies with respect to Tort Claims are not impaired, altered, reduced, or diminished by: (a) the discharge in bankruptcy of the Debtor; (b) any distribution to Tort Claimants pursuant to the Plan, the Trust Agreement, and the Trust Distribution Plan; (c) the transfer of the Protected Parties' Transferred Insurance Interests; (d) protections granted to Protected Parties and the Settling Insurers under the Plan; or (e) any other provision of the Plan, the Trust Agreement, or the Trust Distribution Plan. Non-Settling Insurers retain any defenses that they would be able to raise if the claim for coverage were brought by the Diocese, the Reorganized Debtor, or any other Protected Party, except any defense (1) related to the transfer of Transferred Insurance Interests to the Trust; or (2) effected by operation of bankruptcy law as a result of confirmation.

2. The rights and obligations of the Diocese, the Reorganized Debtor, and other insureds and every Non-Settling Insurer under the terms of the Non-Settling Insurer Policies and at law (including without limitation any duty of an insured to cooperate) will not be affected by the assessment of any Tort Claim and will be treated as if the Tort Claim had never been assessed for distribution purposes by the Trust.

3. Each Non-Settling Insurer will be entitled to all rights as are provided under the terms of its Non-Settling Insurer Policies as if the Tort Claim had never been assessed for distribution purposes by the Trust.

4. After the Effective Date, upon consent of the Trustee, a Person may become a Settling Insurer if the Bankruptcy Court, after notice and hearing, approves the agreement between the Person, the Reorganized Debtor and the Trustee. After the Effective Date, the Trustee will have the exclusive authority to seek approval of such agreement. Upon the Bankruptcy Court's entry of a Final Order approving such agreement, **Exhibit N** of the Plan will be amended by the Trustee to include such Person. Any such Person will have all of the rights, remedies and duties of a Settling Insurer notwithstanding that such Person originally may have been a Non-Settling Insurer under any provision of the Plan. Such rights, remedies and duties will include the terms and conditions of the Channeling Injunction and Supplemental Settling Insurer Injunction. The Bankruptcy Court's retained jurisdiction to approve an agreement under Article XIII of the Plan will include jurisdiction to determine the adequacy of notice of a motion to approve such an agreement.

B. ESTIMATIONS/ASSESSMENTS ARE NOT BINDING. Estimations of Class 3 and Class 4B Claims for purposes of voting, and the determination of qualification, assignment of points, and payment of distributions of Tort Claims under the Trust Distribution Plan:

1. Will not (i) constitute an admission of liability by any Person with respect to such Claims; (ii) have any res judicata or collateral estoppel effect on any Person; (iii) constitute a settlement, release, accord, satisfaction, or novation of such Claims; (iv) be used by any third-party as a defense to any alleged joint liability; or (v) otherwise prejudice any rights of the Trust, Protected Parties, Settling Insurers, Non-Settling Insurers, and Claimants in all other contexts or forums;

2. Will be without prejudice to any and all rights of the Trust, the Diocese, the Reorganized Debtor, other Protected Parties, the Non-Settling Insurers and Tort Claimants in all other contexts and forums and will not be deemed to be a determination of liability of the Diocese or a determination of whether, or the extent to which, such claim is covered under any Non-Settling Insurer Policy. The fact that a claim has been estimated for distribution purposes has no res judicata or collateral estoppel effect and is not a binding determination on any issue or the creation of a liquidated non-bankruptcy claim. The assessment by the Tort Claims Reviewer under the Trust Distribution Plan will have no effect upon any "no action" provisions contained in any Non-Settling Insurer Policy to the extent any such provision remains enforceable by a Non-Settling Insurer under applicable law. Rather, the liability of the Diocese, the Reorganized Debtor, or any other Protected Party and the amount owed by the Diocese, the Reorganized Debtor, other Protected Parties, and any Non-Settling Insurer on any Class 3 or Class 4B Claim, will be determined by: (i) the amount of any court judgment obtained by the Class 3 or Class 4B Claimant; or (ii) through a settlement agreement either to which such Non-Settling Insurer has consented or, if such Non-Settling Insurer has not consented, a settlement agreement which does not breach any duty of the Trust, Trustee, Diocese, the Reorganized Debtor, or any other Protected Party to the Non-Settling Insurer under the respective Non-Settling Insurer Policy or applicable law.

C. RIGHTS UNDER INSURANCE SETTLEMENT AGREEMENTS. The rights of the parties under any Insurance Settlement Agreement will be determined exclusively under the applicable Insurance Settlement Agreement and those provisions of the Approval Order approving such Insurance Settlement Agreements, the Plan and the Confirmation Order.

D. THE PLAN IS NEUTRAL AS TO NON-SETTLING INSURER POLICIES. For the avoidance of doubt, solely with respect to the Non-Settling Insurers, nothing in the Plan, the Trust Agreement, the Trust Distribution Plan, the Confirmation Order, or any other order of the Bankruptcy Court to the contrary (including any other provision that purports to be preemptory or supervening or grants a release): (i) will affect, impair, or prejudice the rights and defenses of any Non-Settling Insurer, any Protected Party, the Trust, or any other insureds under Non-Settling Insurer Policies in any manner, including any defenses to any claim for insurance; (ii) will constitute a settlement or resolution of any Protected Party's liability to a Tort Claimant; (iii) will in any way operate to, or have the effect of, impairing or having any res judicata, collateral estoppel, or other preclusive effect on, any party's legal, equitable, or contractual rights or obligations under any Non-Settling Insurer Policy; or (iv) will otherwise determine the applicability or nonapplicability of any provision of any Non-Settling Insurer Policy and any such rights and obligations will be determined under the Non-Settling Insurer Policy and applicable law.

E. THE DIOCESE'S OBLIGATIONS SURVIVE. Notwithstanding the transfer of the Transferred Insurance Interests to the Trust, the Diocese will not be relieved of its duties or obligations under any Non-Settling Insurer Policies (except as provided to the contrary in any subsequent Insurance Settlement Agreement), and will continue to perform such duties as required by such Non-Settling Insurer Policies and applicable law. If the Trust asserts any claim that the Diocese has breached such duties or obligations under the Non-Settling Insurer Policies resulting in a loss of coverage, it will give the Diocese notice and an opportunity to cure any alleged breach, and in any event, the Diocese will not be liable for any alleged breach resulting in a loss of coverage except to the extent that (i) the breach relates to post-Effective Date conduct of the Diocese, and (ii) the Diocese willfully or intentionally fails to comply with its continuing obligations under the Non-Settling Insurer Policies. In addition, any such claim will not be automatically allowed; the Diocese will have the right to defend against such claim.

F. TRUST POWERS WITH RESPECT TO TORT CLAIMS AND NON-SETTLING INSURERS

1. A Tort Claimant or the Trust, as applicable, may enter into a settlement of a Tort Claim allowed by applicable non-bankruptcy law including but not limited to settlements consistent with *Miller v. Shugart*, 316 N.W.2d 729 (Minn. 1982) or *Drake v. Ryan*, 514 N.W.2d 785 (Minn. 1994), and may enter into an arrangement with Tort Claimant's counsel providing such counsel will receive reasonable compensation from any recovery from a Non-Settling Insurer as provided in Section 4.3 of the Plan.

2. The Trustee may use the Trust Assets to prosecute litigation against the Non-Settling Insurers.

3. If the Trust successfully resolves an insurance coverage dispute with a Non-Settling Insurer or otherwise receives a recovery of insurance proceeds relating to Tort Claim(s)

from a Non-Settling Insurer, such proceeds will become Trust Assets available to pay, and will increase the amount available to pay, Tort Claims, pursuant to the Trust Distribution Plan. In such event, and on a periodic basis accumulating all such recoveries, the Trust will make supplemental payments to Tort Claimants in accordance with the Trust Agreement and Trust Distribution Plan.

XII.
INSURANCE POLICIES

A. CONTINUATION OF INSURANCE POLICIES. Except to the extent any Diocese Entity Insurance Policies are bought back as set forth in and pursuant to any Insurance Settlement Agreement or as otherwise provided by the terms of the Plan, all Diocese Entity Insurance Policies (including, without limitation, any Non-Implicated Insurance Policies) will, as applicable, either be deemed assumed by the Reorganized Debtor pursuant to Sections 365, 1123(a)(5)(A), and 1123(b)(2) of the Bankruptcy Code to the extent such Diocese Entity Insurance Policy is or was an executory contract of the Diocese, or continued in accordance with its terms pursuant to Section 1123(a)(5)(A) of the Bankruptcy Code, to the extent such Diocese Entity Insurance Policy is not an executory contract of the Diocese, such that each of the parties' contractual, legal, and equitable rights under each such Diocese Entity Insurance Policy will remain unaltered. All known Diocese Entity Insurance Policies are listed on Plan **Exhibit I**. To the extent that any or all such Diocese Entity Insurance Policies are considered to be executory contracts, then the Plan will constitute a motion to assume such Diocese Entity Insurance Policies in connection with the Plan. Subject to the occurrence of the Effective Date, the Confirmation Order will approve such assumption pursuant to §§ 365(a), 1123(a)(5)(A), and 1123(b)(2) of the Bankruptcy Code and include a finding by the Bankruptcy Court that each such assumption is in the best interest of the Debtor, the Estate, and all parties in interest in this Chapter 11 case. Unless otherwise determined by the Bankruptcy Court pursuant to an order which becomes a Non-Appealable Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of the Diocese existing as of the Effective Date with respect to any Diocese Entity Insurance Policy. The Diocese reserves the right to seek rejection of any Diocese Entity Insurance Policy or other available relief prior to the Effective Date.

B. THE PLAN IS NEUTRAL AS TO NON-IMPLICATED INSURANCE POLICIES. For the avoidance of doubt, solely with respect to the Non-Implicated Insurer, nothing in the Plan, the Trust Agreement, the Trust Distribution Plan, the Confirmation Order, or any other order of the Bankruptcy Court to the contrary (including any other provision that purports to be preemptory or supervening or grants a release): (i) will affect, impair, or prejudice the rights and defenses of the Non-Implicated Insurer, any Protected Party, or any other insureds under Non-Implicated Insurance Policies in any manner, including any defenses to any claim for insurance; (ii) will constitute a settlement or resolution of any Protected Party's liability to a Class 4A Claimant; (iii) will in any way operate to, or have the effect of, impairing or having any res judicata, collateral estoppel, or other preclusive effect on, any party's legal, equitable, or contractual rights or obligations under any Non-Implicated Insurance Policy; or (iv) will otherwise determine the applicability or nonapplicability of any provision of any Non-Implicated Insurance Policy and any such rights and obligations will be determined under the Non-Implicated Insurance Policy and applicable law.

XIII.
PROCEDURES FOR GENERAL CLAIMS ADMINISTRATION

A. **RESERVATION OF RIGHTS TO OBJECT TO NON-TORT CLAIMS**. Unless a Claim is expressly described as an allowed Claim pursuant to or under the Plan, or otherwise becomes an allowed Claim prior to the Effective Date, upon the Effective Date, the Reorganized Debtor or the Trustee, as applicable, will be deemed to have a reservation of any and all rights, Interests, and objections of the Diocese, the Committee, or the Estate to any and all Claims and motions or requests for the payment of or on account of Claims, whether administrative expense, priority, secured, or unsecured, including any and all rights, Interests and objections to the validity or amount of any and all alleged Claims, Liens, and Interests, whether under the Bankruptcy Code, other applicable law, or contract. The failure to object to any Claim in this Chapter 11 case will be without prejudice to the Reorganized Debtor's or the Trustee's, as applicable, right to contest or otherwise defend against such Claim in the Bankruptcy Court as set forth Section 10.1 of the Plan when and if such Claim is sought to be enforced by the holder of such Claim.

B. **OBJECTIONS TO NON-TORT CLAIMS**. Prior to the Effective Date, the Diocese will have the authority to pursue any objection to the allowance of any non-Tort Claim. From and after the Effective Date, the Reorganized Debtor will retain responsibility for administering, disputing, objecting to, compromising, or otherwise resolving and making distributions, if any, with respect to non-Tort Claims (including those Claims that are subject to objection by the Diocese as of the Effective Date); provided, however, that nothing in Section 10.2 of the Plan will affect the right of any party-in-interest (including the Reorganized Debtor and the Trustee) to object to any non-Tort Claim to the extent such objection is otherwise permitted by the Bankruptcy Code, the Bankruptcy Rules, and the Plan. Unless otherwise provided in the Plan or by order of the Bankruptcy Court, any objections to non-Tort Claims will be filed and served not later than thirty (30) days after the later of: (i) the Effective Date, or (ii) the date such Claim is filed. Such deadline or any Bankruptcy Court approved extension thereof, may be extended upon request by the Reorganized Debtor by filing a motion without any requirement to provide notice to any Person, based upon a reasonable exercise of the Reorganized Debtor's business judgment. A motion seeking to extend the deadline to object to any Claim will not be deemed an amendment to the Plan. Notwithstanding the foregoing, there will be no deadline for the Reorganized Debtor to object to Class 4A or Class 6 Claims.

C. **DETERMINATION OF CLAIMS**. From and after the Effective Date, any Claim that is not a Tort Claim, and as to which a Proof of Claim or motion or request for payment was timely filed in this Chapter 11 case, or deemed timely filed by order of the Bankruptcy Court, may be determined and (so long as such determination has not been stayed, reversed, or amended, as to which determination (or any revision, modification, or amendment thereof) the time to appeal or seek review or rehearing has expired, (and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending)), liquidated pursuant to: (i) an order of the Bankruptcy Court; (ii) applicable bankruptcy law; (iii) agreement of the parties without the need for Bankruptcy Court approval; (iv) applicable non-bankruptcy law; or (v) the lack of (a) an objection to such Claim, (b) an application to equitably subordinate such Claim, and (c) an application to otherwise limit recovery with respect to such Claim, filed by the Diocese, the Reorganized Debtor, or any other party in interest on or prior to any applicable deadline for filing such objection or application with respect to such Claim. Any such Claim so determined and liquidated will be

deemed to be an allowed Claim for such liquidated amount and will be satisfied in accordance with the Plan. Nothing contained in Section 10.3 of the Plan will constitute or be deemed a waiver of any Claims, rights, Interests, or Causes of Action that the Debtor or the Reorganized Debtor may have against any Person in connection with or arising out of any Claim or Claims, including any rights under 28 U.S.C. § 157.

D. NO DISTRIBUTIONS PENDING ALLOWANCE. No payments or distributions will be made with respect to a Disputed Claim, or any portion thereof, unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by an order which has become a Non-Appealable Order, and the Disputed Claim has become an allowed Claim.

E. CLAIM ESTIMATION. To effectuate distributions pursuant to the Plan and avoid undue delay in the administration of the Chapter 11 case, with respect to Disputed Claims, the Diocese (if prior to the Effective Date) and the Reorganized Debtor (on and after the Effective Date), after notice and a hearing (which notice may be limited to the holder of such Disputed Claim), will have the right to seek an order of the Bankruptcy Court or the District Court, pursuant to Section 502(c) of the Bankruptcy Code, estimating or limiting the amount of: (i) property that must be withheld from or reserved for distribution purposes on account of such Disputed Claim(s), (ii) such Claim for allowance or disallowance purposes, or (iii) such Claim for any other purpose permitted under the Bankruptcy Code; provided, however, that the Bankruptcy Court or the District Court, as applicable, will determine: (y) whether such Claims are subject to estimation pursuant to Section 502(c) of the Bankruptcy Code, and (z) the timing and procedures for such estimation proceedings, if any, such matters being beyond the scope of the Plan.

XIV.
DISTRIBUTIONS UNDER THE PLAN

A. PAYMENT DATE. Whenever any payment or distribution to be made under the Plan will be due on a day other than a business day, such payment or distribution will instead be made, without interest, on the immediately following business day.

B. UNDELIVERABLE DISTRIBUTIONS. If payment or distribution to the holder of an allowed non-Tort Claim under the Plan is returned for lack of a current address for the holder or otherwise, the Reorganized Debtor will file with the Bankruptcy Court the name, if known, and last known address of the holder and the reason for its inability to make payment. All allowed Claims paid as provided in Section 11.2 of the Plan will be deemed addressed to the same extent as if payment or distribution had been made to the holder of the allowed Claim with no recourse to the Reorganized Debtor or property of the Reorganized Debtor. If, after the passage of six (6) months, the payment or distribution still cannot be made, the Reorganized Debtor will make the payment to the Trust. All allowed Claims paid as provided in Section 11.2 of the Plan will be deemed satisfied and released, with no recourse to the Reorganized Debtor or property of the Reorganized Debtor upon payment to the Trust, to the same extent as if payment or distribution has been made to the holder of the allowed Claim.

C. SETOFFS. The Reorganized Debtor or the Trustee, as applicable, may, to the extent permitted under applicable law, set off against any allowed Claim and the distributions to be made pursuant to the Plan on account of such allowed Claim, the Claims, rights and Causes of Action of

any nature that the Reorganized Debtor or the Trustee, as applicable, may hold against the holder of such allowed Claim that are not otherwise waived, released or compromised in accordance with the Plan; provided, however, that neither such a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the Reorganized Debtor or the Trustee, as applicable, of any such Claims, rights, and Causes of Action that the Reorganized Debtor or the Trustee, as applicable, possesses against such holder.

D. NO INTEREST ON CLAIMS. Unless otherwise specifically provided for in the Plan, the Confirmation Order, or a post-petition agreement in writing between a claimant and the Diocese, the Reorganized Debtor, or the Trust, and approved by an order of the Bankruptcy Court, postpetition interest will not accrue or be paid on any Claim, and claimants will not be entitled to interest accruing on or after the Petition Date on any Claim. In addition, and without limiting the foregoing or any other provision of the Plan, Confirmation Order, or Trust Agreement, interest will not accrue on or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made when and if such Disputed Claim becomes an allowed Claim.

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

XV.
CONDITIONS TO EFFECTIVE DATE

A. CONDITIONS TO OCCURRENCE OF EFFECTIVE DATE. The Plan will not become effective unless and until each of the following conditions will have been satisfied in full in accordance with the provisions specified below:

1. Entry of Confirmation Order. The Confirmation Order has become a Non-Appealable Order;

2. All Schedules and Exhibits to the Plan will have been duly completed by the Plan Proponents and filed with the Court and all agreements and releases referred to in the Plan will have been duly executed by all parties thereto and filed with the Court, in each case in form and substance satisfactory to the Debtor, the Committee, and LMI/Interstate; and

3. The Trust. The Trust will have been formed.

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

C. EFFECT OF NON-OCCURRENCE OF CONDITIONS. If substantial consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the disclosure statement will: (i) constitute a waiver or release of any Claims by or against the Protected Parties or the Settling Insurers; (ii) prejudice in any manner the rights of the Protected Parties, the Trust or the Settling Insurers; or (iii) constitute an admission, acknowledgement, offer, or undertaking by the Protected Parties or the Settling Insurers in any respect, including but not limited to, in any proceeding or case against the Debtor; or (iv) be admissible in any action, proceeding or case against the Protected Parties or Settling Insurers in any court or other forum.

XVI.
EFFECT OF PLAN CONFIRMATION

THE DISCHARGE AND INJUNCTIONS CONTAINED IN THE PLAN AND THE RELEASES PROVIDED UNDER THE PLAN AND THE LMI/INTERSTATE SETTLEMENT AGREEMENT DO NOT RELEASE OR IMPAIR A TORT CLAIMANT'S RIGHT TO RECOVER ON ANY TORT CLAIM AGAINST (1) ANY PERPETRATOR OF SEXUAL ABUSE; (2) ANY PARTY THAT IS NOT A PROTECTED PARTY; (3) ANY PROTECTED PARTY WITH RESPECT TO ANY CLAIM NOT RELEASED OR ENJOINED UNDER THE PLAN (BUT RECOURSE IS LIMITED AS DESCRIBED ABOVE); AND (4) ANY SUCCESSOR OF THE DEBTOR AFTER THE EFFECTIVE DATE OF THE PLAN FOR ACTS OF ABUSE THAT ARE INDEPENDENT OF THE LIABILITY OF THE DEBTOR OR ANY PROTECTED PARTY.

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

B. DISCHARGE AND INJUNCTION. Except as otherwise expressly provided in the Plan or in the Confirmation Order, on the Effective Date, the Diocese will be discharged from, and its liability will be extinguished completely in respect to, any Claim and debt, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or future, based on conduct occurring before the Confirmation Date, including, without limitation, all interest, if any, on any such Claims and debts, whether such interest accrued before or after the Petition Date, and including all Claims and debts of the kind specified in Bankruptcy Code Sections 502(g), 502(h), and 502(i), whether or not a Proof of Claim is filed or is deemed filed under the Bankruptcy Code Section 501, such Claim is allowed under Bankruptcy Code Section 502, or the holder of such Claim has accepted the Plan.

Tort Claimants and the Trust will be permitted to name the Diocese in any proceeding to resolve whether the Diocese has liability for Tort Claims and the amount of any such liability,

solely for the purpose of obtaining insurance coverage from Non-Settling Insurers. The discharge does not apply to, and will not limit in any way the obligations of Non-Settling Insurers to defend and pay the Diocese's liability for Tort Claims under Non-Settling Insurer Policies. The limitations otherwise set forth in the Plan on a Tort Claimant's recovery will not in any way limit the Non-Settling Insurers' obligations under the Non-Settling Insurer Policies or the Tort Claimants' and/or Trust's recoveries against the Non-Settling Insurers for the Non-Settling Insurers' conduct in connection with the defense or settlement of a Tort Claim, including on any judgments in excess of the limits of a Non-Settling Insurer Policy.

C. CHANNELING INJUNCTION. Channeling Injunction Preventing Prosecution of Channeled Claims Against Protected Parties and Settling Insurers. In consideration of the undertakings of the Protected Parties and Settling Insurers under the Plan, their contributions to the Trust, and other consideration, and pursuant to their respective settlements with the Debtor and to further preserve and promote the agreements between and among the Protected Parties and any Settling Insurers, and pursuant to Section 105 of the Bankruptcy Code:

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

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

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

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

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

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

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

(ii) any of the Protected Parties or Settling Insurers; or

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

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

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

Notwithstanding anything to the contrary specifically in Article XIII of the Plan, or anything generally in the Plan, Tort Claimants and the Trust will be permitted to name the Diocese and any other Protected Party in any proceeding to resolve whether the Diocese or such other Protected Party has liability for a Tort Claim, and the amount of any such liability, for the purpose of obtaining insurance coverage from Non-Settling Insurers under the Non-Settling Insurer Policies, but recourse is limited to the proceeds of Non-Settling Insurer Policies and all other damages (including extra-contractual damages), awards, judgments in excess of policy limits, penalties, punitive damages and attorney's fees and costs that may be recoverable against any Non-Settling Insurers because of their conduct concerning insurance coverage for, or defense or settlement of, any Tort Claim, and any such judgments or awards will be turned over to the Trust for handling in accordance with Sections 6.14(i) and (j) of the Plan.

The Channeling Injunction is an integral part of the Plan and is essential to the Plan's consummation and implementation. It is intended that the channeling of the Channeled Claims as provided in Section 13.3 of the Plan will inure to the benefit of the Protected Parties and Settling Insurers. In a successful action to enforce the injunctive provisions of this Section in response to a willful violation thereof, the moving party may seek an award of costs (including reasonable attorneys' fees) against the non-moving party, and such other legal or equitable remedies as are just and proper, after notice and a hearing.

D. SUPPLEMENTAL SETTLING INSURER INJUNCTION. Supplemental Injunction Preventing Prosecution of Claims Against Settling Insurers. Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and in consideration of the undertakings of the Settling Insurers pursuant to any Insurance Settlement Agreement, including LMI's and Interstate's purchases of insurance policies or Interests in insurance policies free and clear of all interests pursuant to Section 363(f) of the Bankruptcy Code:

Any and all Persons who have held, now hold or who may in the future hold any Interests (including all debt holders, all equity holders, governmental, tax and regulatory authorities, lenders, trade and other creditors, Tort Claimants, perpetrators, and all others holding Interests of any kind or nature whatsoever, including those Claims released or to be released pursuant to any Insurance Settlement Agreement) against any of the Settling Insurers, or any other Person covered or allegedly covered under the Settling Insurer Policies, including

Contribution Claims, Extra-Contractual Claims, and Indirect Claims, are hereby permanently stayed, enjoined, barred, and restrained from taking any action, directly or indirectly, to assert, enforce or attempt to assert or enforce any such Interest against the Settling Insurers or the Settling Insurer Policies issued by LMI or Interstate:

1. Commencing or continuing in any manner any action or other proceeding against the Settling Insurers or the property of the Settling Insurers;

2. Enforcing, attaching, collecting, or recovering, by any manner or means, any judgment, award, decree or order against the Settling Insurers or the property of the Settling Insurers;

3. Creating, perfecting, or enforcing any lien of any kind against the Settling Insurers or the property of the Settling Insurers;

4. Asserting or accomplishing any setoff, right of indemnity, subrogation, contribution, or recoupment of any kind against any obligation due the Settling Insurers or the property of the Settling Insurers; and

5. Taking any action, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan.

For the avoidance of doubt, this Supplemental Settling Insurer Injunction bars only the above-referenced actions against the Settling Insurers or the Settling Insurer Policies issued by LMI or Interstate. The foregoing injunctive provisions are an integral part of the Plan and are essential to its implementation.

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

Under the Plan, "Exculpated Parties" means collectively, (i) the Diocese, the Estate, and the Committee; (ii) the respective officers, directors, employees, members, attorneys, financial advisors, members of subcommittees of the board of directors, volunteers, and

members of consultative bodies and councils formed under Canon Law of the persons identified in the preceding clause including with respect to their service or participation in an outside board on which they serve at the request of the Diocese or the Bishop, in their capacity as such; (iii) the Settling Insurers with respect to their Settling Insurer Policies; and (iv) professionals of a Person identified in the preceding clause (i) through (iii).

F. TIMING. The injunctions, releases, and discharges (including the Channeling Injunction and Supplemental Insurer Injunction) to which any Settling Insurer is entitled pursuant to such Insurance Settlement Agreement, the Plan, the Confirmation Order, the Approval Orders, and the Bankruptcy Code will only become effective when the Trust receives payment in full from the corresponding Settling Insurer pursuant to the terms of such Settling Insurer's Insurance Settlement Agreement, and the other conditions to effectiveness of the Insurance Settlement Agreement are fully met.

G. NO BAR ON CERTAIN CLAIMS. Notwithstanding the foregoing, nothing in the Plan will be construed to bar (a) a Claim based on Abuse against a Person who is not a Protected Party or a Settling Insurer (b) a Claim by such Person for insurance coverage in connection with a Claim described in the foregoing clause under an insurance policy other than the Settling Insurer Policies; or (c) a Tort Claim against a Protected Party that is not released or enjoined under the Plan, to the extent set forth in the Plan.

XVII.
CHILD PROTECTION PROTOCOLS

The Child Protection Protocols are incorporated into the Plan and are attached to the Plan as Exhibit K.

XVIII.
THE REORGANIZED DEBTOR

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

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

Confirmation Order. The Reorganized Debtor is expressly authorized, as of the Effective Date, to transfer legal title to the Inadvertently Titled Real Property to the respective equitable title owners of such properties without further order of the Bankruptcy Court.

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

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

XIX.
CERTAIN OTHER GENERAL PROVISIONS OF THE PLAN

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

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

B. RETENTION OF JURISDICTION .

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

1. over disputes concerning the ownership of Claims;

2. over disputes concerning the distribution or retention of assets under the Plan;

3. over objections to Claims, motions to allow late-filed Claims, and motions to estimate Claims;

4. over proceedings to determine the extent, validity, or priority of any Lien asserted against property of the Diocese, the Estate, or Trust, or property abandoned or transferred by the Diocese, the Estate, or the Trust;

5. over motions to approve any insurance settlement agreements entered into after the Effective Date by the Trustee;

6. over matters related to the assets of the Estate or of the Trust, including the terms of the Trust, or the recovery, liquidation, or abandonment of Trust Assets;

7. the removal of the Trustee and the appointment of a successor Trustee;

8. over matters relating to the subordination of Claims;

9. to enter and implement such orders as may be necessary or appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

10. to consider and approve modifications of or amendments to the Plan, to cure any defects or omissions or to reconcile any inconsistencies in any order of the Bankruptcy Court, including the Confirmation Order;

11. to issue orders in aid of execution, implementation, or consummation of the Plan, including the issuance of orders enforcing any and all releases and injunctions issued under or pursuant to the Plan and any Insurance Settlement Agreement;

12. over disputes arising from or relating to the Plan, the Confirmation Order, or any agreements, documents, or instruments executed in connection therewith;

13. over requests for allowance of payment of Claims entitled to priority under Sections 507(a)(2) and 503(b)(9) of the Bankruptcy Code and any objections thereto;

14. over all Fee Applications;

15. over matters concerning state, local, or federal taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code;

16. over conflicts and disputes among the Trust, the Reorganized Debtor, and holders of Claims, including holders of Class 3, Class 4A or Class 4B Claims;

17. over disputes concerning the existence, nature, or scope of the Diocese's discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

18. to issue injunctions, provide declaratory relief, or grant such other legal or equitable relief as may be necessary or appropriate to restrain interference with the Plan,

the Diocese or its property, the Reorganized Debtor or its property, the Estate or its property, the Trust or its property, Trustee, the Professionals, or the Confirmation Order;

19. to enter a Final Decree closing the Chapter 11 case;

20. to enforce all orders previously entered by the Bankruptcy Court; and

21. over any and all other suits, adversary proceedings, motions, applications, and contested matters that may be commenced or maintained pursuant to this Chapter 11 case or the Plan, including, but not limited to, disputes arising out of or related to the Transferred Insurance Interests or the rights and obligations of the Non-Settling Insurers on and after the Effective Date.

2. By the District Court. Pursuant to Sections 105, 1123(a)(5), and 1142(b) of the Bankruptcy Code, and 28 U.S.C. Section 1334, on and after the Effective Date, the District Court will retain original, but not exclusive, jurisdiction to hear and determine all matters arising under the Bankruptcy Code or arising in or related to this Chapter 11 case.

3. Actions to Collect Amounts Owed Pursuant to the Plan. Notwithstanding anything to the contrary in Section 16.1 of the Plan, the Diocese, the Reorganized Debtor and the Trustee may, but are not required to, commence an adversary proceeding to collect amounts owed pursuant to the Plan for any settlements embodied in the Plan or later approved by the Bankruptcy Court, which are not paid in accordance with the Plan. Any such action may be commenced by filing a motion in aid of confirmation with the Bankruptcy Court.

4. Case Closure. The existence and continued operation of the Trust will not prevent the Bankruptcy Court from closing this Chapter 11 case. In an action involving the Trust, any costs incurred in reopening the Chapter 11 case, including any statutory fees will be paid by the Trustee from the Trust Assets in accordance with an order of the Bankruptcy Court.

C. REVOCATION OF THE PLAN. The Plan Proponents reserve the right to revoke and withdraw the Plan prior to the Confirmation Date.

D. NON-SEVERABILITY. Except as specifically provided in the Plan, the terms of the Plan constitute interrelated compromises and are not severable, and no provision of the Plan may be stricken, altered, or invalidated, except by amendment of the Plan by the Plan Proponents.

E. SECTION 1146 EXEMPTION. Pursuant to Section 1146 of the Bankruptcy Code, the delivery or recording of an instrument of transfer on or after the Confirmation Date shall be deemed to be made pursuant to and under the Plan, including any such acts by the Diocese (if prior to the Effective Date), and the Reorganized Debtor (if on or after the Effective Date), including any subsequent transfers of property by the Reorganized Debtor, including without limitation the transfer by the Reorganized Debtor of title to the Inadvertently Titled Real Property as referenced in Section 15.2 of the Plan, and shall not be taxed under any law imposing a stamp tax, transfer tax, state deed tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city, or governmental unit in which any instrument hereunder is to be recorded will, pursuant to the Confirmation Order and the Plan, be ordered and directed to

accept such instrument, without requiring the payment of any documentary stamp, tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

F. **MANAGEMENT OF THE REORGANIZED DEBTOR**. The Reorganized Debtor will continue to be managed by current management. Those managers, their titles and salaries consist of:

Most Rev. John M. Quinn, Bishop and President of Diocese Civil Corporation - Salary $33,372 (full time; amount excludes housing and other allowances);

Very Rev. William D. Thompson, Vicar General and Vice President of Diocese Civil Corporation - Salary $14,784 (part-time (50%); amount excludes housing and other allowances);

Very Rev. Glenn K. Frerichs, Chancellor, Judicial Vicar and Secretary of Diocese Civil Corporation - Salary $17,442 (part-time (50%); amount excludes housing and other allowances);

Mr. Andrew D. Brannon, Chief Operating Officer, Chief Financial Officer and Treasurer of Diocese Civil Corporation - Salary $123,624 (full-time); and

Mr. Timothy McManimon, Director At-Large of Diocese Civil Corporation (Volunteer, No Salary).

XX.
CONFIRMATION PROCEDURES

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

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

Classes 3 and 4B will be deemed to have accepted the Plan if the Plan is accepted by holders of at least two-thirds in dollar amount and more than one-half in number of the Claims in that Class that has cast Ballots on the Plan and that are eligible to vote for or against the Plan. The Debtor will file a motion to approve solicitation and voting procedures, which motion will propose to estimate Class 3 Claims at $1.00 each and Class 4B Claims at $1.00 for voting purposes only. The

actual amount payable to holders of Allowed Claims in such classes may exceed $1.00. This is consistent with the procedure followed in other mass tort bankruptcy cases.

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

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

1. The Plan complies with the applicable provisions of the Bankruptcy Code.

2. The Plan Proponents have complied with the applicable provisions of the Bankruptcy Code.

3. The Plan has been proposed in good faith and not by any means proscribed by law.

4. Any payment made or promised by the Debtor for services or for costs and expenses in, or in connection with, this Chapter 11 case, or in connection with the Plan and incident to the Chapter 11 case, has been approved by, or is subject to approval of, the Bankruptcy Court as reasonable.

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

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

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

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

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

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

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

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

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

1. The Plan incorporates the Trust Distribution Plan, which was negotiated by counsel representing in excess of 85% of Tort Claimants. There is likelihood that a Chapter 7 Trustee will be unable to implement the Trust Distribution Plan or a similar plan in the absence of a confirmed Chapter 11 Plan. As such, substantial estate resources would likely be expended adjudicating or analyzing Tort Claims in a Chapter 7 case.

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

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

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

D. FEASIBILITY. The Bankruptcy Code requires that confirmation of a Plan is not likely to be followed by liquidation or the need for further financial reorganization. The Plan provides that the Debtor will pay the sum of $13,560,000 (minus (i) amounts paid by the Debtor for certain administrative expenses paid after February 29, 2020 and (ii) counseling expenses for Tort Claimants paid by the Debtor) to the Trust within five days after the Effective Date of the Plan (which payment shall constitute substantial consummation of the Plan). It further provides for the Debtor to pay an additional $7,746,000 to the Trust as soon as practical but in no event more than 12 months after the order confirming the Plan becomes final and non-appealable. In addition, the Debtor has agreed to pay up to an additional $750,000 to fund the Impaired Unknown Tort Claim Reserve Fund. The Debtor currently has sufficient funds on hand to make the initial cash payment required by the Plan, and the Plan provides the Debtor up to 12 months to make the second cash payment, which the Debtor believes is sufficient time to raise such funds via the sale or financing of certain assets and contributions from certain non-Diocesan entity resources. Accordingly, the Plan Proponents believe the Plan is feasible.

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

The Bankruptcy Code sets forth specific guidelines for determining whether a Plan is fair and equitable with respect to a particular Class of Claims. For unsecured Claims, as are those in all impaired Classes, a Plan must provide that equity interest holders do not receive or retain any property on account of their interest. The Debtor submits that this test which is applied to traditional corporations is inapplicable because the Debtor, as a not-for-profit entity, does not have any equity holders.

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

XXI.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan Proponents believe the Plan is in the best interests of creditors and should accordingly be accepted and confirmed. If the Plan as proposed, however, is not confirmed, the following two alternatives may be available: (A) an alternative plan of reorganization may be proposed and confirmed or (B) the Debtor's Chapter 11 case may be dismissed. As discussed below, a third option, liquidation under Chapter 7, is not a viable alternative in this Chapter 11 case.

A. ALTERNATIVE CHAPTER 11 PLANS. If the Plan is not confirmed, the Plan Proponents, either jointly or separately, may propose a different plan, which might involve an

alternative means for reorganization of the Diocese. However, the Plan Proponents believe that the terms of the Plan provide for the best result for the Diocese's creditors. The negotiation and drafting required for a different plan would likely add substantially greater administrative expenses with no guarantee of a better result for the Diocese's creditors. For these reasons, the Plan Proponents do not believe that alternative plans of reorganization are preferable alternatives to the Plan.

B. DISMISSAL OF THE CHAPTER 11 CASE. If the Plan is not confirmed, the Debtor or another party in interest may seek to dismiss the Chapter 11 case. After appropriate notice and a hearing, the Bankruptcy Court may grant the request and dismiss the Chapter 11 case. Dismissal of the Debtor's Chapter 11 case would have the effect of restoring, or attempting to restore, all parties to the position they were in immediately prior to the Petition Date.

Upon the dismissal of the Debtor's Chapter 11 case, the protection of the Bankruptcy Code would be lost, resulting in the expensive and time-consuming process of negotiation and protracted litigation between the Diocese and individual Tort Claimants and the Diocese and its insurers. In addition to the expense and delay, the Plan Proponents believe that these actions would lead to an unfair distribution to Tort Claimants, with the first Tort Claimants to obtain and enforce a judgment against the Diocese depleting the Diocese's assets and resulting in insufficient assets to satisfy any further judgments. Therefore, the Plan Proponents believe that dismissal of the Diocese's Chapter 11 case is not a preferable alternative to the Plan.

C. CONVERSION TO CHAPTER 7 NOT A VIABLE ALTERNATIVE. Under the Bankruptcy Code, it is also possible for a Chapter 11 case to be converted to a case under Chapter 7, in which event a Trustee would be elected or appointed to liquidate the Debtor's assets for distribution to its creditors in accordance with the priorities established by the Bankruptcy Code. However, under § 1112(c) of the Bankruptcy Code, if a debtor is "not a moneyed, business, or commercial corporation," the debtor's Chapter 11 case cannot be converted to a Chapter 7 case without the debtor's consent. The Diocese, as a non-profit entity, may not be forced to convert its Chapter 11 case to a Chapter 7 case. The Diocese will not consent to a conversion because the Diocese must continue to carry out the mission of the Catholic Church in the Region that it serves. Moreover, the Diocese believes that liquidation under Chapter 7 would result in smaller distributions being made to creditors than those provided for under the Plan because the Debtor's cash contribution under the Plan is well in excess of the liquidation value of the Debtor's unencumbered and unrestricted assets, particularly when taking into account (1) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a Chapter 7 Trustee and professional advisors to such Chapter 7 Trustee and (2) the erosion in value of assets in the context of the expeditious liquidation required under Chapter 7 and the "forced sale" environment in which such a liquidation would likely occur. Thus, conversion to a Chapter 7 case is not a viable alternative to the Plan.

XXII.
CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

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

3. The Trust is a trust under state law.

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

i. The Trust must use a calendar taxable year and the accrual method of accounting.

ii. If the Debtor funds the Trust with appreciated property, the Debtor is deemed to sell the property to the Trust. Accordingly, any gain or loss from the deemed sale must be reported by the Debtor.

iii. The Trust takes a fair market value basis in property contributed to it by the Debtor.

iv. The Trust's gross income less certain modifications is taxable at the highest federal tax rate applicable to trusts and Estate (currently 35%). The Debtor's funding of the Trust with cash and other property is not reported by the Trust as taxable income. However, earnings recognized from, for example, the short-term investment of the Trust's funds will be subject to tax.

v. The Trust may deduct from its gross income a limited number of administrative expenses; the Trust in not entitled to deduct distributions paid to its beneficiaries.

vi. The Trust will have a separate taxpayer identification number and will be required to file annual tax returns (which are due on March 15). The Trust will also be required to comply with a number of other administrative tax rules including filing information returns (generally IRS Form 1099) when approved payments are made to claimants.

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

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

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

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

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

XXIII.
VOTING INSTRUCTIONS

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

XXIV.
CONCLUSION

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

Dated: June 28, 2021

[Signature page for Disclosure Statement]

THE DIOCESE OF WINONA-ROCHESTER

/e/Very Rev. William D. Thompson
Very Rev. William D. Thompson

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ATTORNEYS FOR THE DIOCESE OF WINONA-ROCHESTER

[Signature page for Disclosure Statement]

Respectfully submitted,

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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By: James W. Keenan
Its: Chairperson

and

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ATTORNEYS FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR THE DIOCESE OF WINONA-ROCHESTER

EXHIBIT A

Corrected Third Amended Joint Chapter 11 Plan of Reorganization
of the Diocese of Winona-Rochester (Filed as a Separate Document)

EXHIBIT B

Order Approving the Disclosure Statement

(see attached)

EXHIBIT C

Liquidation Analysis

(see attached)

DIOCESE OF WINONA-ROCHESTER
Liquidation Analysis

	Plan of Reorganization	Hypothetical Chapter 7 Liquidation[1]
Initial Cash Contribution from Debtor	$13,560,000	$13,560,000
(Less Certain Administrative Claims paid after 2/29/20)[2]	($1,961,973)	($1,803,428)
Additional Cash Contributions	$7,746,000[3]	-
Real Property	-	$1,799,900[4]
Other Non-Cash Assets	-	$2,990,516[5]
LMI/Interstate Settlement	$6,500,000	-
Recoveries from Non-Settling Insurers[6]	TBD	TBD
TOTAL	**$25,844,027**	**$16,546,988**
Waterfall		
Total Distributable Assets	**$25,844,027**	**$16,546,988**
Less Administrative Claims		
Chapter 7 Administrative Expenses	N/A	$496,409[7]
Chapter 7 Trustee Fees	N/A	$519,659[8]
Net Distributable Assets	**$25,844,027**	**$15,530,919**
Secured Claim Distributions		
Class 7 (Minnesota Department of Commerce)	N/A – Claimant retains its lien	N/A – Claimant retains its lien
Class 8 (Community Bank of Mankato)	N/A – Claimant retains its lien	N/A – Claimant retains its lien
Unsecured Claim Distributions[9]		
Class 3 Tort Claims	Share of $25,844,027 determined by Tort Claims Reviewer	Pro Rata Share of $15,530,919
Class 4A Unimpaired Unknown Tort Claims	100% of Claims	Pro Rata Share of $15,530,919
Class 4B Impaired Unknown Tort Claims	Share of $25,844,027 determined by Tort Claims Reviewer	Pro Rata Share of $15,530,919
Class 5 General Unsecured Claims	100% of Claims	Pro Rata Share of $15,530,919
Class 6 Unimpaired Unknown Contingent Claims	100% of Claims	Pro Rata Share of $15,530,919

[1] Debtor would have to consent to conversion to Chapter 7 and would not do so because of its obligation to carry out the mission of the Catholic Church in the region that it serves.
[2] Figure is as of February 28, 2021. The figure in the "Plan of Reorganization" column is higher because it also includes $158,545 in counseling expenses for Tort Claimants paid prior to February 28, 2020.
[3] This amount could be as much as $750,000 higher, because Debtor has also agreed to fund the Impaired Unknown Tort Claim Reserve up to that amount.
[4] Figure from Debtor's amended schedules. Does not include Holy Spirit Parish real estate; instead, note receivable from Holy Spirit Parish is included in Other Non-Cash Assets.
[5] Unrestricted assets only; includes accounts receivable and note receivable from Holy Spirit Parish as of 2/28/21. Other amounts are from Debtor's amended schedules.
[6] Amount of recoveries from Non-Settling Insurers is unknown. It is assumed that the amount will be the same or similar whether under the Plan or in a hypothetical Chapter 7.
[7] Estimated at 3% of Total Distributable Assets.
[8] Calculated under 11 U.S.C. § 326(a) based on Total Distributable Assets.
[9] Distributions to unsecured creditors in the context of a hypothetical Chapter 7 liquidation do not reflect the expenses of adjudicating the Tort Claims, which expenses may be significant.