

**AGREED TERMS OF SETTLEMENT REGARDING LAY PENSION CLAIMS  
AND LAY PENSION PLAN REAFFIRMATION AGREEMENT**

This term sheet (the "Term Sheet") dated June 21, 2011, sets forth the agreement of Catholic Diocese of Wilmington (the "Debtor") and the Official Committee of Lay Employees (the "LEC") and, together with the Debtor, the "Parties") regarding the LEC's objection to confirmation of the Debtor's Second Amended Chapter 11 Plan of Reorganization (the "Chapter 11 Plan"). Capitalized terms not otherwise defined in this Term Sheet have the meanings ascribed to them in the Chapter 11 Plan. The terms of the settlement set forth herein are subject to final documentation by the parties and shall be memorialized in the Chapter 11 Plan and/or the Lay Pension Plan Reaffirmation Agreement, as applicable, subject to approval by the Bankruptcy Court.

**I. Treatment of Class 3B Claims in a Settlement Plan.** If the Chapter 11 Plan is confirmed as a Settlement Plan, then in addition to the treatment of Class 3B Claims currently set forth in Section 4.4(a) of the Chapter 11 Plan,<sup>1</sup> the Lay Pension Plan Trust shall receive a fully-secured, unsubordinated promissory note in the amount of fifteen million dollars (\$15,000,000) executed by the Reorganized Debtor (the "Default Note"). The Default Note shall be payable, without interest, upon demand in the event the Lay Pension Plan Trust has insufficient assets to make benefit payments as and when due under the Lay Pension Plan.<sup>2</sup> Any such demand shall be limited to the estimated amount of benefits payable under the Lay Pension Plan for the twelve (12)-month period immediately following such demand. The Default Note shall be canceled and returned to the Reorganized Debtor upon the Lay Pension Plan Trust's receipt of a written report from an independent actuary that the Lay Pension Plan is fully funded on a termination basis. DSD

**II. Terms of Lay Pension Plan Reaffirmation Agreement in a Settlement Plan.** If the Chapter 11 Plan is confirmed as a Settlement Plan, then the Lay Pension Plan Reaffirmation Agreement shall contain the following terms, which shall supersede the terms set forth in Section 17.5(a)(1) of the Chapter 11 Plan.

**A. "Hard Freeze" of Benefits under Lay Pension Plan**

1. No further benefits under the Lay Pension Plan shall accrue as of December 31, 2011 (the "Freeze Date"), and salary increases following the Freeze Date shall not be considered for purposes of calculating the benefit payable under the Lay Pension Plan.

2. Participants in the Lay Pension Plan who have accrued, but unvested benefits as of the Freeze Date will be permitted to vest upon the satisfaction of the ordinary conditions for vesting.

---

<sup>1</sup> Section 4.4(a) provides that, on the Effective Date of the Chapter 11 Plan, \$5 million and the Lay Pension Fund (valued at approximately \$4.9 million) shall be contributed to the Lay Pension Plan Trust, increasing the total assets of the Lay Pension Plan Trust to approximately \$14.8 million.

<sup>2</sup> All references to the "Lay Pension Plan" in this Term Sheet refer to "the Lay Pension Plan, as modified by the Lay Pension Plan Reaffirmation Agreement."

3. The Reorganized Debtor's obligation to provide benefits under the Lay Pension Plan shall not be limited to the amount of benefits that are funded.

#### **B. Funding of the Lay Pension Plan**

1. The Reorganized Debtor shall fully fund the Lay Pension Plan on an actuarial basis by June 30, 2060.

2. No later than December 31, 2011, the Reorganized Debtor shall contribute to the Lay Pension Plan Trust additional cash in the amount of five million dollars (\$5,000,000).

3. No later than June 30, 2013, the Reorganized Debtor shall contribute to the Lay Pension Plan Trust additional cash in an amount not less than two million dollars (\$2,000,000).

4. No later than June 30, 2014, the Reorganized Debtor shall contribute to the Lay Pension Plan Trust additional cash in an amount not less than two million, one-hundred thousand dollars (\$2,100,000).

5. No later than June 30, 2015, the Reorganized Debtor shall contribute to the Lay Pension Plan Trust additional cash in an amount not less than two million, two-hundred thousand dollars (\$2,200,000).

6. The Reorganized Debtor shall contribute to the Lay Pension Plan Trust cash proceeds from a capital campaign to be conducted by the Diocese no later than December 31, 2015, in the amount of (i) five million dollars (\$5,000,000) no later than December 31, 2016, and (ii) an additional five million dollars (\$5,000,000) no later than December 31, 2017.

7. For fiscal years 2016 and later, the term "Baseline Contribution" shall refer to two million, two-hundred thousand dollars (\$2,200,000) plus 2.5% for each fiscal year after 2016. Beginning in fiscal year 2016,<sup>3</sup> the Reorganized Debtor shall make annual contributions to the Lay Pension Plan Trust equal to the *lesser* of (i) the Baseline Contribution and (ii) the amount recommended by the Lay Pension Plan Advisory Committee based on an amortization schedule that assumes full funding of the Lay Pension Plan on an actuarial basis as of June 30, 2060, which schedule shall be subject to annual adjustment based on actual experience.

8. The Reorganized Debtor shall use reasonable best efforts to conduct additional fundraising to address any future shortfalls in the Lay Pension Plan Trust.

#### **C. Administrative Provisions**

1. At all times, all assets of the Lay Pension Plan will be held in the Lay Pension Plan Trust. The trustee of the Lay Pension Plan Trust shall be the trustee of the Lay Pension Plan (in such capacity, the "Trustee") and shall perform all responsibilities delegated

---

<sup>3</sup> Fiscal year 2016 commences on July 1, 2015 and ends June 30, 2016.

pursuant to, and have all such powers enumerated under, the Lay Pension Plan Reaffirmation Agreement. The Trustee shall hold the Default Note and shall have standing to foreclose upon collateral securing such note.

2. All Lay Pension Plan participants shall be intended third-party beneficiaries of the Lay Pension Plan Reaffirmation Agreement.

3. Any surplus in the Lay Pension Plan Trust upon the payment of all benefits to participants in the Lay Pension Plan shall revert to the Reorganized Debtor.

4. A Lay Pension Plan Advisory Committee will be constituted and will always include at least three (3) Beneficiaries of the Lay Pension Plan. The Lay Pension Plan Advisory Committee shall perform all responsibilities delegated pursuant to, and have all such powers enumerated under, the Lay Pension Plan Reaffirmation Agreement.

5. From and after approval of the Lay Pension Plan Reaffirmation Agreement, no amendment will be made to the Lay Pension Plan, the Lay Pension Plan Trust or any other document governing the operation or administration of the Lay Pension Plan that would reduce the rights of Participants or the obligations of the Reorganized Debtor under the Lay Pension Plan.

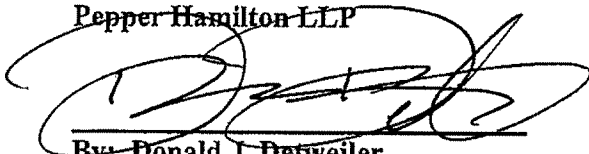
### III. Additional Agreements.

A. The Parties will use best efforts to minimize Estate professional fees going forward from the date of this Term Sheet.

B. The LEC agrees that, if the Chapter 11 Plan is confirmed as a Settlement Plan, then effective on the Effective Date, the Lay Pension Litigation shall be dismissed, with prejudice.

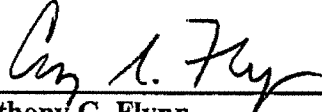
C. This Term Sheet may be executed electronically (including via facsimile or PDF) and in counterparts, each of which shall be deemed an original document and all such counterparts, together, shall constitute a single document.

~~Pepper Hamilton LLP~~



By: Donald J. Detweiler  
Counsel to the Official Committee  
of Lay Employees

Young Conaway Stargatt & Taylor, LLP



By: Anthony G. Flynn  
Counsel to Catholic Diocese of Wilmington, Inc.