

Exhibit 3

TRUST DISTRIBUTION AGREEMENT FOR PLAN TRUST

This Trust Distribution Agreement for the Spokane Diocese Plan Trust (the “**TDA**”) is entered into between the Catholic Bishop of Spokane, a/k/a The Catholic Diocese of Spokane, a Washington corporation sole (“**Debtor**” or “**Reorganized Debtor**”) and the Plan Trustees for and on behalf of the Plan Trust created in connection with and pursuant to the Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code of the Diocese dated as of December 30, 2005, as the same may be amended, modified, or supplemented from time to time (the “**Plan**”) and which has become effective in accordance with its terms.

SECTION I. Definitions

1.1 Capitalized Terms. Capitalized terms used herein shall have the meanings assigned to them in the Plan, the Plan Trust Agreement or Bankruptcy Code, unless otherwise defined herein, and such definitions are incorporated herein by reference.

1.2 Specific Defined Terms.

(a) “**Abuse Criteria**” is the Credible and Competent Evidence which the holder of a Tort Claim must submit to the Claims Reviewers in support of his or her claim which would permit the Claims Reviewers to determine the type, nature and extent of abuse of the Tort Claimant which occurred and place the holder of a Tort Claim in an Abuse Category Level.

(b) “**Abuse Category Level**” is the level of abuse determined by the Claims Reviewers to have been sustained by a holder of an Allowed Tort Claim as follows:

“**Abuse Category Level I**” consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor by a perpetrator resulting from sexual intercourse between the perpetrator and the minor as presently defined by the State of Washington, including genital-genital, oral-genital, genital-anal, oral-anal, or penetration of the vagina or rectum by any object on one or more occasions.

“**Abuse Category Level II**” consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor by a perpetrator resulting from the perpetrator's touching of the minor's unclothed genitals, pubic, rectal or buttocks areas for purposes of masturbation that resulted in ejaculation of the perpetrator or the minor on one or more occasions.

“**Abuse Category Level III**” consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor

by a perpetrator resulting from the perpetrator's touching of the minor's unclothed genitals, pubic, rectal, or buttocks areas for the purpose of sexual stimulation of the perpetrator on one or more occasions.

"**Abuse Category Level IV**" consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor by a perpetrator resulting from the perpetrator's touching of the minor's clothed genitals, pubic, rectal or buttocks areas for the purpose of sexual stimulation of the perpetrator on one or more occasions.

"**Abuse Category Level V**" consists of all Tort Claims that demonstrate Credible and Competent Evidence of emotional trauma inflicted on a minor by a perpetrator resulting from sexually explicit conduct for sexual gratification of the perpetrator that invites, aids, or causes the minor to engage in sexually explicit conduct, such as the showing of sexually explicit magazines or photographs, or requesting to see a minor's genitals, pubic, anal or buttocks areas, on one or more occasions. Abuse Category Level V requires an affirmative act of the perpetrator for the purpose of sexual stimulation of the perpetrator.

(c) "**Allowed Tort Claim**" shall mean a Tort Claim for which, after considering and weighing the Exposure Evidence submitted by the claimant and any evidence submitted by the Reorganized Debtor regarding a Tort Claim, the Claims Reviewers determine there is Credible and Competent Evidence that the sexual abuse alleged in the Tort Claim more likely than not occurred and for which the Reorganized Debtor is legally liable.

(d) "**Claims Review Materials**" means the documents, including instructions and claim forms, developed by the Claims Reviewers and sent to persons holding Tort Claims which can be completed and submitted, along with supporting sworn depositions, affidavits, or declarations of the Tort Claimant and other witnesses, along with records, reports, documents, and photographs, to the Claims Reviewers by Tort Claimants in support of their Tort Claims.

(e) "**Claims Reviewers**" shall mean the three claims-handling individuals designated by the Plan Trustees pursuant to the Trust Agreement, comprised of independent, disinterested persons, one each from the legal, medical and mental health care professions, appointed by the Plan Trustees, and who are nominated by the Debtor, the AOP, the TLC, the TCC and/or the FCR, and approved by the Court.

(f) "**Compensable Abuse Matrix**" means the matrix set forth in Section 3.1(d) used to value and liquidate Allowed Tort Claims, which associates Liquidated Values with certain evidentiary criteria as defined by the Abuse Criteria and specified in an Abuse Category Level.

(g) "**Credible and Competent Evidence**" shall mean all direct or circumstantial evidence offered to prove a proposition and submitted in the form of sworn depositions, affidavits, or declarations of the Tort Claimant and witnesses, along with records, reports, documents, and photographs, which demonstrate characteristics or guarantees of trustworthiness and a tendency to establish that the proposition is more probably true than not true.

- (h) “**Exigent Hardship Claim**” shall have the meaning set forth in Section 3.1(f).
- (i) “**Expedited Review Process**” shall have the meaning set forth in Section 3.1.
- (j) “**Exposure Evidence**” shall mean Credible and Competent Evidence which a Tort Claimant must provide to the Claims Reviewers of exposure to sexual abuse by the Debtor’s agent for which the Debtor has legal liability.
- (k) “**FIFO**” shall mean first-in-first-out.
- (l) “**FIFO Payment Queue**” shall have the meaning set forth in Section 4.2.
- (m) “**FIFO Processing Queue**” shall have the meaning set forth in Section 3.1(b)(i).
- (n) “**Final Claims Filing Date**” shall be the date five (5) years after the Effective Date.
- (o) “**Initial Claims Filing Date**” shall be the date six months after the Effective Date.
- (p) “**Involved Insurer**” means any insurance company from which the Debtor affirmatively seeks coverage for all or part of a Tort Claim under an applicable insurance policy.
- (q) “**Liquidated Value**” means with respect to any Tort Claim the value of a Tort claim for claim liquidation purposes determined under either Section III or Section IV of the TDA.
- (r) “**Liquidated Value Judgment**” means with respect to any Tort Claim, the value of the Tort Claim determined pursuant to Section IV of the TDA for claim liquidation purposes in a trial, by jury or otherwise, in Superior Court, or any other court of competent jurisdiction or by agreed upon binding arbitration.
- (s) “**Liquidated Value Offer**” means with respect to any Tort Claim, the value of the Tort Claim determined pursuant to Section III of the TDA for claim liquidation purposes in accordance with the values associated with a particular Abuse Category Level set forth in the Compensable Abuse Matrix.
- (t) “**Maximum Scheduled Value**” means the maximum amount for which an Allowed Tort Claim for a particular Abuse Category Level may be liquidated pursuant to the Expedited Review Process, as set forth in the Compensable Abuse Matrix.
- (u) “**Minimum Scheduled Value**” means the minimum amount for which an Allowed Tort Claim for a particular Abuse Category Level may be liquidated pursuant to the Expedited Review Process, as set forth in the Compensable Abuse Matrix.

(v) **“Non-Compensatory Damages”** means any and all damages that are penal in nature, including, without limitation, punitive, exemplary, vindictive, imaginary, or presumptive damages or awards of attorneys fees and costs.

(w) **"Tort Claimant"** means the holder of a Tort Claim.

(x) **"Tort Claim Statute of Limitations Compromise Offer"** means an offer of settlement made by the Claims Reviewers after they have determined that, based on the evidence, abuse of a Tort Claimant more likely than not occurred for which the Reorganized Debtor would otherwise have been legally liable, but for a statute of limitations defense which would legally bar such a claim because it is untimely.

SECTION II.

Purpose and Interpretation

2.1 **Purpose.** The TDA is adopted pursuant to the Plan Trust Agreement. The TDA is designed to provide prompt determination of Tort Claims, including Future Tort Claims (any further reference to Tort Claims and/or Tort Claimants hereinafter shall be inclusive of all Future Tort Claims and/or Claimants, as well as all Tort Claims and Tort Claimants), to provide prompt payment of all Allowed Tort Claims, and to provide reasonable assurance that the Plan Trust will value and be in a financial position to pay similar Tort Claims in substantially the same manner. The TDA provides for processing, determining allowance, liquidating, and paying, if allowed, all Tort Claims. The Plan Trustees shall implement and administer the TDA in accordance with the Plan Trust Agreement.

2.2 **Submission of All Tort Claims.** All Tort Claims shall be submitted to the Plan Trust in accordance with the TDA, and the process set forth in the TDA shall constitute the sole and exclusive method by which the holder of Tort Claims against the Plan Trust or any party may pursue such Tort Claims. All Tort Claims shall be determined and liquidated pursuant to the procedure set forth in the TDA and the Liquidated Value thereof shall be paid by the Plan Trust in accordance with the Plan, the Plan Trust Agreement and the TDA. Tort Claims shall be liquidated by the Plan Trust after the Effective Date in accordance with the TDA and shall be payable by the Plan Trust in accordance with the TDA.

2.3 **General Principles.** A premise of the Plan Trust is to fairly and equitably compensate each holder of an Allowed Tort Claim. Simultaneously, the Plan Trustees must act in a manner designed to provide substantially the same treatment to holders of similar Tort Claims. In order to aid the Plan Trustees, the following general principles shall guide their decisions and actions:

(a) The Plan Trustees shall employ mechanisms, such as the review of estimates of the numbers and values of Tort Claims, or other comparable mechanisms, that provide reasonable assurance that the Plan trust will value, and be in a financial position to pay, Tort Claims that involve similar claims in substantially the same manner.

(b) There is uncertainty regarding the Debtor's total liabilities to holders of Allowed Tort Claims, as well as the total value of the Plan Trust Assets available to pay Allowed Tort Claims. Without the benefit of the TDA, there is also uncertainty as to whether similar amounts would be paid in respect of all similar Allowed Tort Claims. The Plan Trustees will make determinations and predictions about the amount and timing of the receipt of Plan Trust Assets and the proceeds thereof, as well as determinations and predictions about the amount and timing of payment of and cost of processing Tort Claims. In making those determinations, the Plan Trustees shall not prefer either present or future holders of Tort Claims over the other. Rather, the Plan Trustees shall make determinations based on their best estimates of total Plan Trust Assets available for the payment of Allowed Tort Claims, the Plan Trust Expenses, and related matters. The Plan Trustees will properly discharge their duties in this regard, and be protected from liability, by making reasonable determinations in light of the current information available at the time.

2.4 Interpretation. Nothing in the TDA shall be deemed to create a substantive right for any holder of a Tort Claim. The TDA is procedural and may be amended, pursuant to the terms of the Plan, the Plan Trust Agreement and the TDA.

SECTION III.

Determination of Allowance and Liquidated Value of Tort Claims

3.1 Expedited Review of Tort Claims.

(a) Each holder of a Tort Claim shall have his or her Tort Claim reviewed by the Claims Reviewers in an Expedited Review Process, as described below. The Expedited Review Process for Tort Claims will provide the Tort Claimant with a procedure for allowance and evaluation of his or her Tort Claim and is intended to result in payments equal to the Liquidated Value for each Allowed Tort Claim as set forth herein.

(b) Processing Order of Tort Claims.

(i) Establishment of the FIFO Processing Queue.

(1) The Plan Trustees through the Claims Reviewers will provide for the system for consideration of Tort Claims to be reviewed for processing purposes on a FIFO basis, except as otherwise provided herein (the "FIFO Processing Queue"). For all Tort Claims filed with the Plan Trust on or before the Initial Claims Filing Date, a claimant's position in the FIFO Processing Queue shall be determined as of the earlier of (i) the date prior to the Petition Date that the specific Tort Claim was either filed against the Debtor in the Superior Court or some other court of competent jurisdiction or was actually submitted to the Debtor with a demand or request for compensation; (ii) the date after the Petition Date, but before the Bar Date, that a proof of claim regarding the Tort Claim was filed against the Debtor in the Reorganization Case; (iii) the date after the Bar Date, but on or before the Initial Claims Filing Date, that the proof of claim was filed with the Plan Trustees; and (iv) the date after the Initial Claims Filing Date, but on or before the Final Claims Filing Date, that the Tort Claim was filed with the Plan Trustees. No Tort Claims shall be considered after the Final Claims Filing Date. If any Tort

Claims are received by the Plan Trustees on the same date, the Tort Claimant's position in the FIFO Processing Queue shall be further determined by the Tort Claimants' date of birth, with older Tort Claimants being given priority over younger Tort Claimants.

(2) Notwithstanding the FIFO Processing Queue, the Plan Trustees shall have the right to establish appropriate procedures to process Tort Claims which constitute Exigent Hardship Claims.

(3) The Plan Trustees through the Claims Reviewers shall provide for the chronological ordering of proofs of claims in accordance with 3.1(b)(i)(1) as they are received and shall provide each Tort Claimant with written notice at least ninety (90) days in advance of the date on which the Claims Reviewers expect to consider and review such Tort Claimant's Tort Claim in the FIFO Processing Queue. Along with this notice, the Plan Trustees shall provide to each Tort Claimant who has filed a proof of claim, a packet of Claims Review Materials for completion and submission back to the Claims Reviewer by the Tort Claimant. Following such notice such Tort Claimant shall promptly provide to the Claims Reviewers the completed Claims Review Materials with any additional evidence, such as sworn witness statements, deposition transcripts, medical or mental health records or reports or any other documents supporting his or her Tort Claim that was not provided with the original submission of such Tort Claimant's proof of claim form. If a Tort Claimant fails to provide such additional claim information pursuant to the Claims Reviewers' notice prior to the Claims Reviewers considering the Tort Claimant's Tort Claim in the FIFO Processing Queue, the Claims Reviewers will process, consider and liquidate the Tort Claim under the Expedited Review Process based solely on the information submitted by such Tort Claimant in the proof of claim form, along with any evidence submitted by the Reorganized Debtor pursuant to 3.1(b)(i)(4) below.

(4) Upon receipt of a proof of claim and Claims Material Packet, if any, submitted by a Tort Claimant, the Claims Reviewers shall provide notice to the Reorganized Debtor of the Tort Claim and the Reorganized Debtor, through its counsel and in consultation with any Involved Insurers, shall have the opportunity to review the Claims Review Materials and provide additional evidence to the Claim Reviewers regarding the Tort Claim on the issues of responsibility of the Reorganized Debtor for the claimed abuse, the extent of damages claimed by the Tort Claimant as a result of the abuse and/or the applicability of any state statute of limitations or other defense to the Tort Claim.

(5) The proofs of claim, any Claims Review Materials submitted by the Tort Claimant and any material pertaining to a claim submitted by the Reorganized Debtor to the Claims Reviewer regarding each claim shall be kept confidential by the Claims Reviewer and the Reorganized Debtor, except that the Reorganized Debtor will be allowed to share any such Tort Claim information with its Insurers. In any instance where the proof of claim and/or additional information submitted by a Tort Claimant or the Reorganized Debtor is shared with the Reorganized Debtor's Insurers for their review, such Insurers shall be required to keep such information confidential pursuant to the applicable confidentiality agreements entered in the Bankruptcy Action involving the Debtor and the insurance coverage action pending in Federal

District Court, under Cause No. 05-CV-00075-JLQ, before the Honorable Justin L. Quackenbush.

(c) Claim Allowance Determination. For each claim, the Claims Reviewers shall initially make a determination, based on the Exposure Evidence submitted by the Tort Claimant and any evidence submitted by the Reorganized Debtor, in consultation with any Involved Insurer, including any defense based on a state statute of limitations, whether there is Credible and Competent Evidence that the abuse claimed more likely than not occurred and the Tort Claim should be allowed. The holder of a Tort Claim must provide Credible and Competent Evidence of exposure to sexual abuse by the Debtor's agent for which the Debtor has legal liability. Exposure Evidence can be established by deposition testimony, affidavits, and other evidence acceptable to the Claims Reviewers pursuant to the evidentiary standards set forth herein. If it is determined by the Claims Reviewers, based on the evidence submitted, that the Tort Claim should be allowed, the Claims Reviewers shall provide notice of that allowance determination to the Tort Claimant and the Reorganized Debtor, who shall provide notice of the information to any Involved Insurer. The Reorganized Debtor, in consultation with any Involved Insurer, shall be entitled to object to the allowance of a Tort Claim by the Claims Reviewers. If the Reorganized Debtor, in consultation with any Involved Insurer, does not object to the allowance of such Tort Claim, then the Claims Reviewers shall determine the amount of compensation which should be allocated to the Tort Claimant for the Allowed Tort Claim in accordance with the Abuse Criteria and based on the Compensable Abuse Matrix in Section 3.1(d). Nothing in this Section shall be deemed to provide that any Involved Insurer is bound by any determination made by the Claims Reviewers, factual or otherwise, or has waived any rights related to whether such Tort Claim may be covered under any applicable insurance policy. If the Claims Reviewers determine a Tort Claim should not be allowed, or if the Reorganized Debtor, in consultation with any Involved Insurer, objects to the allowance of the Tort Claim, then the Tort Claimant may elect to proceed with the processing of his or her Tort Claim as provided in Section 3.2.

(d) Compensable Abuse Matrix. The Claims Reviewers shall use the Compensable Abuse Matrix set forth in this Section 3.1(d) to resolve Allowed Tort Claims as expeditiously as possible. Based on the Exposure Evidence and Abuse Criteria presented by a Tort Claimant, along with any evidence concerning the claim submitted by the Reorganized Debtor, in consultation with any Involved Insurer, the Claims Reviewers will place an Allowed Tort Claim in the most serious applicable Abuse Category Level warranted by the Exposure Evidence and Abuse Criteria. In those instances where the Tort Claim involves one instance of abuse conduct, the Tort Claimant should generally be allowed the Minimum Scheduled Value provided in the particular Abuse Category Level which describes the nature and type of abuse which occurred. In those cases where the abuse occurred more than once, over a period of time, and/or in the opinion of the Claims Reviewers, based on the evidence submitted, there are other aggravating circumstances which warrant additional consideration, the Claims Reviewers can consider those circumstances in allocating additional amounts within the particular Abuse Category Level where the abuse is classified, up to the Maximum Scheduled Value for that Abuse Category Level. A Tort Claim will be classified in only one Abuse Category Level, but that level should be the highest level supported by the Abuse Criteria. The Scheduled Values in an Abuse Category Level set forth in the Compensable Abuse Matrix are intended to represent equitable

settlement values for most Tort Claims that meet the Abuse Criteria associated with an Abuse Category Level set forth in the Compensable Abuse Matrix.

COMPENSABLE ABUSE MATRIX

Abuse Category Level	Minimum Scheduled Value	Maximum Scheduled Value
Level I	\$750,000	\$1,500,000
Level II	\$300,000	\$749,999
Level III	\$150,000	\$299,999
Level IV	\$75,000	\$149,999
Level V	\$15,000	\$74,999

(e) Liquidation Offer in Expedited Review Process.

(i) To receive an offer for one of the five Abuse Category Levels, the holder of a Tort Claim must provide Credible and Competent Evidence which satisfies the Abuse Criteria applicable to the associated Abuse Category Level set forth as follows:

(1) Abuse Category Level I consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor by a perpetrator resulting from sexual intercourse between the perpetrator and the minor as presently defined by the State of Washington, including genital-genital, oral-genital, genital-anal, oral-anal, or penetration of a minor's vagina or rectum by any object on one or more occasions.

(2) Abuse Category Level II consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor by a perpetrator resulting from the perpetrator's touching of the minor's unclothed genitals, pubic, rectal or buttocks areas for purposes of masturbation that resulted in ejaculation of the perpetrator or the minor on one or more occasions.

(3) Abuse Category Level III consists of all Tort Claims that demonstrate Credible and Competent Evidence of physical abuse and emotional trauma inflicted on a minor by a perpetrator resulting from the perpetrator's touching of the minor's unclothed genitals, pubic, rectal or buttocks areas for the purpose of sexual stimulation of the perpetrator on one or more occasions.

(4) Abuse Category Level IV consists of all Tort Claims that demonstrate Credible and Competent Evidence and physical abuse and emotional trauma

inflicted on a minor by a perpetrator resulting from the perpetrator's touching of the minor's clothed genitals, pubic, rectal or buttocks areas for the purpose of sexual stimulation of the perpetrator on one or more occasions.

(5) Abuse Category Level V consists of all Tort Claims that demonstrate Credible and Competent Evidence of emotional trauma inflicted on a minor by a perpetrator resulting from sexually explicit conduct for sexual gratification of the perpetrator that invites, aids, or causes the minor to engage in sexually explicit conduct, such as the showing of sexually explicit magazines or photographs, or requesting to see a minor's genitals, pubic, anal or buttocks areas, on one or more occasions. Abuse Category Level V requires an affirmative act of the perpetrator for the purpose of sexual stimulation of the perpetrator.

(ii) The Liquidated Values assigned to a particular Abuse Category Level are established for settlement purposes only and, pursuant to Evidence Rule 408, are not to be taken as evidence of or an admission by the Reorganized Debtor or any Involved Insurer of any liability for or the validity of any Tort Claim, including whether such Tort Claim is covered under any applicable insurance policy.

(f) In considering a Tort Claim, the Claims Reviewers can take into account Credible and Competent Evidence of factors that affect the liability of the Debtor and damages to the Tort Claimant, including but not limited to:

- the applicability of any statute of limitations defenses available to the Debtor;
- notice or lack of notice to the Debtor of the perpetrator's propensities to sexually abuse minors;
- evidence that the Tort Claimant's damages were or were not caused by abuse, including other abuse sustained by a Tort Claimant for which the Debtor has no legal liability;
- the severity of damages to a Tort Claimant taking into account factors such as the claimant's age, disability, employment status, disruption of household, family or recreational activities, dependencies, special damages, pain and suffering, and/or the failure of the Tort Claimant to mitigate his or her damages;
- the strength of the Tort Claimant's documentation of injuries.

(g) Offer of Liquidation If the Claims Reviewers make a determination that Exposure Evidence is sufficient to allow a Tort Claim and if an Abuse Category Level is determined by Credible and Competent Evidence, the Claims Reviewers shall tender to the Tort Claimant a Liquidated Value Offer for the relevant Abuse Category Level based upon the Compensable Abuse Matrix, together with a form of release approved by the Plan Trustees. At the time of the tender of the Liquidated Value Offer to the Tort Claimant, the Claims Reviewers will also provide notice of the offer to the Reorganized Debtor, which in turn shall provide notice of that offer to the Insurers. The Reorganized Debtor, in consultation with any Involved Insurer, can object to the Liquidated Value Offer. If the Reorganized Debtor, in consultation with an

Involved Insurer, objects, the Tort Claimant will be notified of said objection. If there is no objection by the Reorganized Debtor, in consultation with any Involved Insurer, and if the Tort Claimant accepts the Liquidated Value Offer and returns the release properly executed, the Tort Claim on that date shall become liquidated and shall be paid in accordance with the procedure set out in Section IV. Nothing in this Section shall be deemed to provide that any Involved Insurer is bound by any determination made by the Claims Reviewers in connection with making or tendering such Liquidated Claim Offer, or has waived any rights related to whether such Tort Claim may be covered under any applicable insurance policy. If the Tort Claimant rejects or the Reorganized Debtor, in consultation with an Involved Insurer, objects to a Liquidated Value Offer, the Tort Claimant may elect to proceed with the processing of his or her Tort Claim as provided in Section 3.2 and the Claims Reviewers will provide notice of the Tort Claimant's decision to the Debtor, which in turn shall provide notice to the Insurers of the Tort Claimant's election.

(h) Exigent Hardship Claims. If a Tort Claim in the Abuse Category Levels of Level I, II, or III meets the Exposure Evidence and Abuse Criteria for the applicable Abuse Category Level, and the Claims Reviewers, in their sole discretion, determine (i) that the Tort Claimant needs financial assistance immediately based upon his or her expenses and all sources of available income, and (ii) that there is a causal connection between the Tort Claimant's dire financial condition and the abuse experienced by the Tort Claimant, then, notwithstanding any other provision herein, such a Tort Claim can be considered as an Exigent Hardship Claim, and at any time the Claims Reviewers may liquidate and pay such Tort Claim as set forth in this Section 4.1(h) subject to the approval of the Liquidated Value Offer by the Tort Claimant and the Reorganized Debtor. The Claims Reviewers shall consider all Exigent Hardship Claims separately no matter what the order of processing otherwise would have been for such Tort Claims under the TDA. An Exigent Hardship Claim, following the Liquidation Value offer, if accepted by the Tort Claimant and the Reorganized Debtor, shall be placed first in the FIFO Payment Queue ahead of all other liquidated Allowed Tort Claims.

(i) Statute of Limitations Compromise Offers. If the Claims Reviewers determine that, based on the evidence, abuse of the Tort Claimant more likely than not occurred for which the Debtor would otherwise have been legally liable but for a statute of limitations defense, in lieu of disallowing such Tort Claim, the Claims Reviewers shall offer to said Tort Claimant a Tort Claim Statute of Limitation Compromise of \$10,000, together with a form of release approved by the Plan Trustees. At the time of the tender of a Tort Claim Statute of Limitation Compromise offer, the Claims Reviewers will also provide notice of the offer to the Debtor, which in turn shall provide notice of that offer to any involved Insurer. If the Reorganized Debtor, in consultation with any Involved Insurer, objects to the Statute of Limitations Compromise Offer, the Tort Claimant will be notified of said objection. If there is no objection by the Reorganized Debtor, in consultation with any Involved Insurer, and if the Tort Claimant accepts the Tort Claim Statute of Limitation Compromise and returns the release properly executed, the Tort Claim on that date shall become liquidated and shall be paid in accordance with the procedure set out in Section IV. Nothing in this Section shall be deemed to provide that any Involved Insurer is bound by any determination made by the Claims Reviewers in connection with making or tendering such Tort Claim Statute of Limitations Compromise Offer, or has waived any rights related to whether such Tort claim may be covered under any applicable

insurance policy. If the Tort Claimant rejects or the Reorganized Debtor, in consultation with an Involved Insurer, objects to a Tort Claim Statute of Limitation Compromise Offer, the Tort Claimant may elect to proceed with the processing of his or her Tort Claim as provided in Section 3.2 and the Claims Reviewers will provide notice of the Tort Claimant's election to the Debtor, which in turn shall provide notice to the Insurers.

(j) Application of the Rules of Evidence. The extent to which Rules of Evidence will be applied by the Claims Reviewers in assessing the credibility and competency of evidence shall be determined in the exercise of the discretion of the Claims Reviewers. The Rules of Evidence, to the extent determined by the Claims Reviewers to be applicable in their determination of the credibility and competency of evidence, should be liberally construed in order to promote justice.

3.2 Trial or Arbitration of Tort Claim.

(a) Tort Claimants who dispute the disallowance determination of their Tort Claim, a Tort Claim Statute of Limitations Compromise Offer, the Liquidation Value Offer of their Tort Claim or the objection by the Reorganized Debtor to the allowance or payment of a Tort Claim through the Expedited Review Process, retain the right to a trial (including the right to a trial by jury) or arbitration. Arbitration will be allowed only if agreed to by a Tort Claimant and the Reorganized Debtor, in consultation with any Involved Insurer, but an arbitration award would be limited to the amount mandated by Court Rule for Mandatory Arbitrations, \$50,000 or less. All other Tort Claimants shall have and shall be deemed to have irrevocably waived any right to a trial (including the right to a trial by jury).

(b) All claims and defenses (including, with respect to the Plan Trustees, claims and defenses which could have been asserted by the Debtor) that exist under applicable law shall be available to both sides at trial. Any settlement offers of the Claims Reviewers to any Tort Claimants or any discussions of settlement during the Expedited Claims Review Process which occurred prior to any trial or arbitration shall not be admissible for any purpose at trial by any party, Insurer or third party, and they are expressly determined not to be admissions by any party, Insurer or third party.

(c) If necessary, the Plan Trustees may apply for and obtain an order from the Superior Court, or any other court of competent jurisdiction, incorporating an offer of judgment to liquidate the amount of a Tort Claim, scheduling discovery and trials in such a fashion as not to create an undue burden on the Plan Trust, limiting the number of Tort Claimants for any trial, or containing any other provisions, in order to ensure that the Plan Trust fulfills its obligations in accordance with the principles set forth in the Plan Trust Agreement.

(d) The Plan Trust shall provide for and fund the defense of the Tort Claim either from the Plan Trust Assets or through tender of the defense to the Insurer or Insurers which insured the Debtor for the time period or periods in which the events of each claim occurred.

(e) If, and when, a Tort Claimant obtains a Liquidated Value Judgment in the tort system in accordance with the TDA, such Liquidated Value Judgment shall be placed in the

FIFO Payment Queue based on the date on which the Liquidated Value Judgment becomes final, after all allowed appeals have been taken and exhausted by either party to the litigation, which date is the liquidation date. Thereafter, the claimant shall be paid in accordance with the procedure set out in Section IV. The sole remedy for an Allowed Tort Claim holder shall be payment from the Plan Trust. Any judgment obtained in Superior Court shall not constitute a lien on any property owned by the Reorganized Debtor or the Parishes.

3.3 Non-Binding Mediation. Tort Claimants and the Reorganized Debtor, in consultation with any Involved Insurer, may at any time agree to engage in non-binding mediation to resolve a Tort Claim or Tort Claims.

3.4 Releases for Allowed Tort Claims. A holder of an Allowed Tort Claim who accepts and receives payment for a Tort Claim shall execute and deliver to the Plan Trustees a written release in a form satisfactory to the Plan Trustees.

SECTION IV. **Payment of Allowed Claims**

4.1 Payment of Tort Claims.

(a) The amount of any Tort Claim payment under Section III to the respective holder of an Allowed Tort Claim shall be the Liquidated Value of such holder's Tort Claim. The timing, order, and method of all such payments shall be determined by the Plan Trustees in a manner consistent with the principles of this TDA. The Plan Trustees shall determine the timing and the appropriate method for making payments, subject to the requirements and general principles of the TDA, including but not limited to this Section IV. Methods for making payments in respect of Tort Claims will normally be made in five equal annual installments or, in the discretion of the Plan Trustees, sooner if funds are available.

(b) Notwithstanding any provision in the TDA to the contrary, all amounts to be distributed in respect of Allowed Tort Claims shall be held and distributed by the Plan Trust pursuant only to the powers of administration found in Article 5 of the Plan Trust Agreement, and shall be paid and distributed by the Plan Trust in accordance with the principles set forth in the Plan Trust Agreement.

(c) In the event the Plan Trust faces periods of limited liquidity, the Plan Trustees may defer, delay, limit, or suspend altogether, payments or a portion thereof until the Plan Trust is sufficiently funded.

(d) Where the Tort Claimant is deceased or incompetent, and the settlement and payment of his or her Tort Claim must be approved by a court of competent jurisdiction or through a probate process prior to acceptance of a Liquidated Value Offer made by the Plan Trust in respect of such Tort Claim to the Tort Claimant's representative, such Liquidated Value Offer shall remain open so long as proceedings before such court or in such probate process remain pending, provided that the Plan Trust has been furnished with evidence that such Liquidated Value Offer has been timely submitted to such court or probate process for approval.

If such Liquidated Value Offer is ultimately approved by the court or through the probate process and accepted by such Tort Claimant's representative, the Plan Trust shall pay such claim in the amount so offered.

4.2 Order of Payment of Claims. Payment of all Allowed Tort Claims shall be paid in the FIFO order based on the date their liquidation became final (the "FIFO Payment Queue"). If any Tort Claims are liquidated on the same date, each such Tort Claimant's position in the FIFO Payment Queue shall be determined by the date of the Tort Claimants' birth, with older Tort Claimants given priority over the younger Tort Claimants.

SECTION V.

Claims Review Materials

5.1 Claims Review Materials. The content of the Claims Review Materials will be developed by the Claims Reviewers. The Plan Trust shall send the Claims Review Materials to a Tort Claimant or the Tort Claimant's attorney at the time the Plan Trust sends notice to the Tort Claimant that their Tort Claim is within three (3) months of review for consideration in the FIFO Processing Queue, as required in Section 3.1.(b)(i)(3). The Plan Trust may send Claims Review Materials to one or more Tort Claimants represented by the same attorney or law firm. In case of such attorney or law firm representing such Tort Claimant(s), the requirements of this Section 5.1 will be satisfied if the Plan Trust mails to such attorney or law firm one copy of the Claims Review Materials.

5.2 Confidentiality. All Tort Claims materials, records and information submitted by holders of Tort Claims or the Debtor in relation to such Tort Claims to the Claims Reviewers are confidential, except as provided herein.

SECTION VI.

General Guidelines

6.1 Non-Compensatory Damages and Other Theories of Liability. In determining the value of any Tort Claim, Non-Compensatory Damages shall not be considered or allowed, notwithstanding their availability in the tort system. Further, the Plan Trust shall not (i) pay claims based upon conspiracy, concerted action, or any other theories of liability that do not meet the criteria for eligibility for payment articulated in Section III or (ii) pay interest on Tort Claims.

6.2 Releases. The Plan Trustees shall determine the form and nature of the releases given to the Plan Trust by Tort Claimants in order to maximize recovery for Tort Claimants against other tortfeasors, without increasing the risk or amount of claims for indemnification or contribution from the Plan Trust. Furthermore, the endorsing of a check or draft for payment by or on behalf of a Tort Claimant shall constitute such a release. In addition, and as a prerequisite to receiving payment, the Tort Claimant shall execute any documents necessary (i) for the Plan Trust to perfect its claims, if any, against Insurers of the Reorganized Debtor or any other entity to receive indemnity for payments of Tort Claims, (ii) to release any Tort Claim the Tort Claimant may have against the Insurer, and (iii) for the Plan Trust to receive and keep any and all payments made by such Insurer for payment of such Tort Claim.

6.3 Withdrawal or Deferral of Claims. A Tort Claimant can withdraw a Tort Claim at any time upon written notice to the Plan Trustees and file another Tort Claim subsequently, but any Tort Claim filed after such withdrawal shall be given a FIFO date based on such subsequent filing. Except for Tort Claims held by representatives of deceased or incompetent Tort Claimants for which court or probate approval of the Plan Trust's Liquidated Value Offer is required, a Tort Claim will be deemed to have been withdrawn if the Tort Claimant does not accept or reject an offer of settlement, or initiate the procedure for determination of their Tort Claim by trial or arbitration under Section 3.2 herein, within three (3) months of the Plan Trust's offer of payment of a Tort Claim Statute of Limitations Compromise Offer, a Liquidated Value Offer, or the rejection of the allowance of a Tort Claim. Upon written request and good cause, the Plan Trustees may extend either the deferral or withdrawal period for an additional three (3) months.

6.4 Third Party Services. Nothing in this TDA shall preclude the Plan Trust from contracting with medical, psychological, legal, economic, and accounting professionals to provide services to the Plan Trust so long as decisions about the allowability and value of Tort Claims are based on the provisions of the TDA and the Compensable Abuse Matrix.

6.5 Managing Administrative Costs. Notwithstanding any provision of the TDA to the contrary, the Plan Trustees shall always give appropriate consideration to the cost of investigating and uncovering invalid Tort Claims so that the payment of Allowed Tort Claims is not further impaired by such processes. In issues related to the allowability of Tort Claims, e.g., exposure to abuse for which the Reorganized Debtor has legal liability, the Plan Trustees shall have the latitude to make judgments regarding the amount of transaction costs to be expended by the Plan Trust so that Allowed Tort Claims are not further impaired by the costs of additional investigation. Nothing herein shall prevent the Plan Trustees, in appropriate circumstances, from contesting the allowability of any Tort Claim, whatever the costs.

SECTION VII. **Miscellaneous**

7.1 Amendments. The Plan Trustees may amend, modify, delete, or add to the TDA (including, without limitation, amendments to conform the procedures set forth herein to advances in scientific or medical knowledge, developments in the law, or other changes in circumstances), *provided* they obtain the prior written consent of the Court. Notwithstanding anything contained herein to the contrary, the TDA shall not be modified or amended in any way

which could jeopardize, impair, or modify the applicability of Section 524(g) of the Bankruptcy Code, the efficacy or enforceability of the Injunctions, and/or the Plan Trust's qualified settlement fund status under Section 468B of the IRC.

7.2 Severability. Should any provision contained in the TDA be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of the TDA.

7.3 Governing Law. The TDA shall be governed by, and construed in accordance with, the laws of the State of Washington without regard to Washington conflict of laws principles.

7.4 Controlling Document. In the event of any inconsistency or conflict between the provisions of the TDA, the Plan Trust Agreement and the Plan, the Plan shall be the controlling document.

IN WITNESS WHEREOF, the Trustor and the Trustees have caused this Agreement to be duly executed by them or their respective authorized representatives.

Dated: _____

THE CATHOLIC BISHOP OF SPOKANE
a/k/a THE CATHOLIC DIOCESE OF
SPOKANE, a Washington Corporation Sole

By: _____

Name: _____

Title: _____

Dated: _____

TRUSTEES:

Name: _____

Name: _____