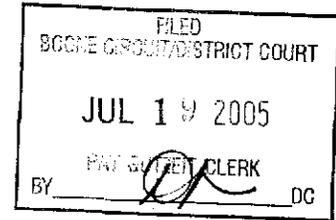


**COMMONWEALTH OF KENTUCKY
BOONE CIRCUIT COURT
CASE NO: 03-CI-181
JUDGE: JOHN POTTER**



JOHN DOE, et al.,

PLAINTIFFS

vs.

ROMAN CATHOLIC DIOCESE OF COVINGTON, et al.,

DEFENDANTS

**SUPPLEMENT TO JOINT MOTION FOR PRELIMINARY APPROVAL
OF CLASS ACTION SETTLEMENT**

The Plaintiffs and the Defendants jointly submit to the Court this supplement to their Joint Motion For Preliminary Approval of Class Action Settlement. Attached hereto as Exhibit A is the May 17, 2005 Memorandum of Understanding between The Roman Catholic Diocese of Covington and John Doe, et al., on behalf of the Class Certified on October 21, 2003 in Boone Circuit Court Case No. 03-CI-00181. Attached hereto as Exhibit B is a Supplement To The May 17, 2005 Memorandum of Understanding between The Roman Catholic Diocese of Covington and John Doe, et al., on behalf of the Class Certified on October 21, 2003 in Boone Circuit Court Case No. 03-CI-00181. Both documents, taken together, constitute the settlement agreement between the parties.

Respectfully submitted,



Stanley M. Chesley (KY-11810)(OH-0000852)

Robert A. Steinberg, Esq. (OH-0032932)

**WAITE, SCHNEIDER, BAYLESS
& CHESLEY CO., L.P.A.**

1513/ Central Trust Tower

Fourth & Vine Streets

Cincinnati, Ohio 45202

(513) 621-0267

bobsteinberg@wsbclaw.cc

Counsel for Plaintiffs

and



Carrie K. Huff

MAYER, BROWN ROWE & MAW, L.L.P.

71 S. Wacker Drive

Chicago, IL 60606

312-701-7037

chuff@mayerbrownrowe.com

Counsel for The Diocese of Covington

And Bishop Roger J. Foys

EXHIBIT A

MEMORANDUM OF UNDERSTANDING

between

The Roman Catholic Diocese Of Covington

and

John Doe et al., on behalf of the Class Certified on October 21, 2003
in Boone Circuit Court Case No. 03-CI-00181

This Memorandum of Understanding summarizes the terms of an agreement to resolve pending claims asserted on behalf of the class that was certified on October 21, 2003 in Boone Circuit Court Case No. 03-CI-00181 ("Doe Class").

I. Settlement Sum: \$120 million

A. Assets comprising the Settlement Sum

1. Coverage under relevant insurance policies issued by Fireman's Fund Insurance Company, The Catholic Mutual Relief Society of America and The Catholic Relief Insurance Company of America and, potentially, others (the "Insurers") to the Roman Catholic Diocese of Covington ("the Diocese") for claims alleging the failure of the Diocese to properly supervise and discipline priests, among other things, valued at the Settlement Sum of \$120 million.
 - a. The Diocese agrees to pursue insurance coverage for the Settlement Sum of \$120 million in an action to be filed forthwith by the Diocese in Boone County Circuit Court in Kentucky. The Diocese recognizes that the Doe Class may choose to intervene in this action to preserve its rights to this insurance coverage as a beneficial party in interest.
 - b. Any settlement of the action referred to in paragraph (a) above must be approved by counsel to the Doe Class, such approval not to be unreasonably withheld. The Diocese agrees to maintain this action until a final result is reached through litigation if the action is not resolved by settlement.
2. Real property owned by the Roman Catholic Diocese of Covington or cash or cash-equivalent (at the Diocese's sole discretion) valued at \$40 million is to be deposited in an escrow account maintained under the jurisdiction of the court ("Escrow Fund").

- a. Amounts in the Escrow Fund are to be released and returned to the Diocese thirty (30) days after the Insurers have paid the Settlement Sum in full to the Doe Class.
 - b. If the Diocese and the Insurers resolve issues related to coverage for the claims of the Doe Class for an amount less than the Settlement Sum (an "Insurance Settlement"), then an Amount in the Escrow Fund equal to the difference between the Settlement Sum and the amount that the Insurers paid to resolve issues related to coverage for the claims of the Doe Class against the Diocese shall be made available to pay class claims; amounts in the Escrow Fund in excess of the amount necessary to satisfy the Settlement Sum, if any, shall be released and returned to the Diocese thirty (30) days after the Settlement Sum has been satisfied by a combination of payments by the Insurers and the Escrow Fund.
 - c. If the Diocese and the Insurers reach an Insurance Settlement for an amount less than the Settlement Sum, and the amounts in the Escrow Fund when combined with the Insurance Settlement are insufficient to satisfy the Settlement Sum, then both the Insurance Settlement and the Escrow Fund shall be made available to pay class claims.
3. If, after all Doe Class claims and other settlement costs, including court-ordered attorneys fees, have been paid, amounts remain from the Settlement Sum, then those amounts will revert.
 4. At any time prior to the final sale of any Diocesan property that has been deposited in the Escrow Fund as part of the Diocese's commitment of \$40 million, the Diocese may on reasonable notice substitute cash or cash equivalent for the property, and the title to the property shall promptly be returned to the Diocese with no further encumbrance.

B. Other Claimants

1. The parties shall jointly seek certification of a subclass defined as "All persons who, while still minors at any time prior to January 1, 1956, were subjected to acts of sexual abuse or sexual misconduct by any priest or member of a religious order who, at the time of such abuse or misconduct, was assigned to or employed by the Diocese of Covington or any Diocesan parish or institution."
2. The Diocese shall receive a credit against the Settlement Sum for any person who, though qualifying as a member of the subclass defined above, opts out of the subclass, up to the maximum amount the claimant could have received under the matrix, as determined by the Special Master.

3. In the event that class members who have the right to opt out of the settlement exercise that right, the Diocese shall have the option, at the Diocese's sole discretion, of withdrawing from the settlement and terminating this agreement.
4. In the class definition, it is intended by the parties that minors who suffered sexual abuse or sexual misconduct by teachers or other persons employed by or under the supervision of the Diocese or any Diocesan institution are to be included as class members.

C. Counseling Fund

1. Five percent (5%) of the lesser of (a) the Settlement Sum or (b) the amount of any Insurance Settlement combined with the amount made available from the Escrow Fund to pay class claims under Paragraph D(2) below shall be reserved to pay for mental health treatment and related medications for any person who was sexually abused by a priest, religious, seminarian, lay teacher, or other person employed by or under the supervision of the Diocese or any Diocesan parish or institution at the time of the abuse, without regard to whether the abused person is eligible to participate in the Settlement or submits a monetary claim.
2. Applications for counseling assistance may be made by the victim directly or by Class Counsel or the Diocese on behalf of a victim, including victims whose counseling costs are currently being paid by the Diocese.
3. Class Counsel and the Diocese shall agree on reasonable procedures for the administration of the Counseling Fund.

D. Compensation Amounts

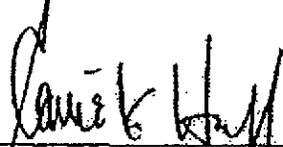
1. The parties shall agree on a reasonable procedure for the administration and verification of claims.
2. Class claims and other settlement costs, including Court-ordered attorneys' fees and expenses, will be paid out of the gross Settlement Sum. All class claims will be paid in accordance with the matrix set forth on Exhibit A. All payments in accordance with the matrix are gross amounts to be reduced by attorneys' fees, expenses, and other settlement costs, in an amount to be determined by the Court. For example, if the Court determines that class counsel are entitled to X% of the Settlement Sum in attorneys' fees and costs, a class member whose award was determined by the Special master to be \$100,000 would receive \$100,000 minus x% of \$100,000.

E. Non-Monetary Relief

1. The parties agree that the settlement of this case will not provide for injunctive relief of any type.

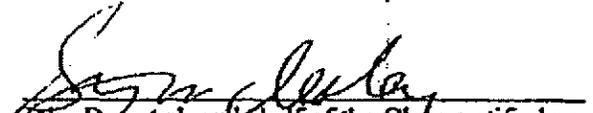
F. Consents/Waivers from Lenders

1. It is understood that the Diocese must obtain waivers from its Lenders of certain covenants and conditions in order to avoid defaults under its existing credit agreements. The parties will cooperate to obtain such waivers promptly.



Most Rev. Roger J. Foys, Bishop of the Roman Catholic Diocese of Covington

May 17, 2005



John Doe et al. on behalf of the Class certified on October 21, 2003 in Boone Circuit Court Case No. 03-CI-00181, by Class Counsel, Stan Chesley

May 17, 2005

EXHIBIT A

Sexual Abuse Categories And Ranges of Awards

CATEGORY 1

<u>Abuse Category 1</u>	<u>Category 1 Range</u>
<ul style="list-style-type: none">• Individualized remarks about a minor's genitals, breasts, buttocks, or specific sexual matters under circumstances that produced humiliation or a reasonable fear that speaker intended to sexually abuse him or her. (Generalized inappropriate statements regarding sexual matters made to a group of minors are not eligible for compensation.)• Kissing, hugging, or caressing of a minor under circumstances that produced a reasonable fear of sexual abuse• Sexual stalking behavior (i.e., multiple instances of following, cornering, or otherwise intimidating a minor under circumstances that produced a reasonable fear that the stalker intended to sexually abuse the minor)	\$5,000 - \$45,000

Initial: SMC

CHJ

CATEGORY 2

<u>Abuse Category 2</u>	<u>Category 2 Range</u>
<ul style="list-style-type: none">• staring at naked minor or at a minor's exposed breasts, buttocks, or genitals under circumstances that resulted in humiliation or a reasonable fear that the person intended to sexually abuse the minor.• photographing a minor's exposed breasts, buttocks, or genitals• fondling of a minor's breasts, buttocks, or genitals over the clothing	\$15,000 – 150,000

Initial: SMC

1
QWH

CATEGORY 3

<u>Abuse Category 3</u>	<u>Category 3 Range</u>
<ul style="list-style-type: none">• fondling a minor's breasts, buttocks, or genitals inside his or her clothing• masturbation of perpetrator by minor• masturbation of minor by perpetrator• single instance of penetration of minor's vagina or anus with the abuser's finger or any foreign object	<p>\$150,000 – 350,000*</p> <p>* plus ability to apply to Special Fund for Extraordinary Injuries¹ in cases where the claimant's injury is determined by the Extraordinary Injury Fund Panel to be extraordinary as compared with other Category 3 claims.</p>

Initial: S.M.C.

CHT

CATEGORY 4

<u>Abuse Category 4</u>	<u>Category 4 Range</u>
<ul style="list-style-type: none">• oral sex on minor by perpetrator• oral sex by minor on perpetrator• penetration of minor's anus or vagina with penis• multiple instances of penetration of minor's vagina or anus with fingers or a foreign object	\$300,000 - \$450,000*
	* plus ability to apply to Special Fund for Extraordinary Injuries in cases where the claimant's injury is determined by the Extraordinary Injury Fund Panel to be extraordinary as compared with other Category 4 claims.

Initial. SMC CH

Awards to Claimants

1. Range values may overlap in certain categories, reflecting the fact that the least severe incident in a higher category may be compensated at a rate lower than the most severe incident in a lower category.
2. Values within the ranges for each category shall be determined by the severity of the abusive activity, with reference to the following factors:
 - (a) Nature of the abuse;
 - (b) Duration of Abuse (Number of incidents of abusive activity -- one or two instances of abuse vs. repeated or habitual abuse over several years);
 - (c) Age of child at time of abuse (the younger the child, the more aggravating the circumstances);
 - (d) Use of drugs, alcohol, or pornography to lessen the minor's resistance to the abuse.
 - (e) Particularly heinous circumstances or behavior beyond the sexual act itself.
 - (f) Whether the abused child was mentally retarded, a slow learner, or otherwise more frail and susceptible to abuse than the average child.

Initial: SAC

duh

Extraordinary Injury Fund:

1. Eighteen percent (18%) of the lesser of (a) the Settlement Sum or (b) the amount of any Insurance Settlement combined with the amount made available from the Escrow Fund to pay class claims under Paragraph (2)(b) above shall be set aside as a special fund for extraordinary injuries ("Extraordinary Injury Fund").

2. Claimants in Categories 3 and 4 whose injuries are determined by the Extraordinary Injury Fund Panel to be extraordinary as compared with other Category 3 and Category 4 claims, respectively, may apply for supplemental compensation from the Extraordinary Injury Fund.

3. The Extraordinary Injury Fund Panel shall be comprised of the following persons: (1) one or more Special Masters, to be selected jointly by Class Counsel Stanley Chesley and Counsel for the Diocese, Carrie Huff; (2) Stanley Chesley on behalf of the Class and (3) Carrie Huff on behalf of the Diocese. In the event that any member of the panel shall become incapacitated or otherwise unable to fulfill his or her responsibilities, a replacement may be designated, subject to the approval and consent of the other members of the panel.

4. The parties shall agree on a process for determining which applicants shall be awarded supplemental compensation from the Extraordinary Injury Fund, but the Special Master(s) alone shall determine the amount of any supplemental award. The parties, in consultation with the Special Master(s), shall agree on a review process by which either party may request review of the Special Master's determination with respect to a particular supplemental award.

5. In no event shall any award from the Extraordinary Injury Fund exceed the amount of \$550,000.

Initial: SMC

CH

EXHIBIT #B

EXHIBIT B

SUPPLEMENT

TO

MAY 17, 2005 MEMORANDUM OF UNDERSTANDING

between

The Roman Catholic Diocese Of Covington

and

**John Doe et al., on behalf of the Class Certified on October 21, 2003
in Boone Circuit Court Case No. 03-CI-00181**

This Agreement supplements and amends that certain Memorandum of Understanding between the Roman Catholic Diocese of Covington and John Doe et al., on behalf of the class that was certified on October 21, 2003 in Boone Circuit Court Case No. 03-CI-00181 ("Doe Class").

I. Section I.B of the Memorandum of Understanding ("Other Claimants") is hereby amended and supplemented as follows:

B. Other Claimants

1. The parties shall jointly seek expansion of the Doe Class to include the following persons:
 - (a) all persons who, while still minors at any time prior to January 1, 1956, were subjected to acts of sexual abuse or sexual misconduct by any priest or member of a religious order who, at the time of such abuse or misconduct, was assigned to or employed by the Diocese of Covington or any Diocesan parish or institution; and
 - (b) all persons who, while still minors, were subjected to acts of sexual abuse or sexual misconduct by teachers or other persons employed by or under the supervision of the Diocese or any Diocesan parish or institution.
2. The Diocese shall receive a credit against the Settlement Sum for any person who, though qualifying as a class member by virtue of the expansion of the class provided for in the preceding paragraph, elects to opt out of the subclass, up to the maximum amount the claimant could have received under the matrix, as determined by the Special Master.
3. In the event that any class member who has the right to opt out of the settlement exercises that right, the Diocese shall have the option, at the

Diocese's sole discretion, of withdrawing from the settlement and terminating the agreement reflected in the Memorandum of Understanding and this Supplement.

II. Section I of the Memorandum of Understanding is hereby amended and supplemented to include the following additional term:

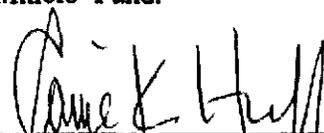
F. Special Procedures Applicable To Claims By Persons Who Were Born After October 21, 1980:

1. Class members who were born after October 21, 1980 and who submit a valid Confidential Census Form on or before November 10, 2005, as required by the Court's Order Granting Preliminary Approval, Authorizing Notice of Proposed Settlement and Setting Fairness Hearing, shall have the right to opt out of the class settlement, provided that they submit a valid opt out form on or before November 20, 2005.
2. The Diocese shall receive a credit against the Settlement Sum for any class member born after October 21, 1980 who elects to opt out of the class settlement, up to the maximum amount the claimant could have received under the matrix, as determined by the Special Master.
3. In the event that any class member born after October 21, 1980 who has the right to opt out of the settlement exercises that right, the Diocese shall have the option, at the Diocese's sole discretion, of withdrawing from the settlement and terminating the agreement reflected in the Memorandum of Understanding and this Supplement.
4. Any Class member born after October 21, 1985 who fails to submit a timely Confidential Census Form or the required documentation to make a claim by the applicable deadline shall nevertheless be permitted to submit a claim at any time prior to the earlier of the class member's 23rd birthday or November 10, 2015, but shall thereafter be forever barred from making a claim or otherwise pursuing any legal or equitable remedy against the Diocese, any Diocesan parish or institution, or any officer, agent, or representative of the Diocese. Awards to class members who submit claims pursuant to this paragraph shall be paid from the Minors' Fund described in the next paragraph.
5. Five percent (5%) of the lesser of (a) the Settlement Sum or (b) the amount of any Insurance Settlement combined with the amount made available from the Escrow Fund to pay class claims under Paragraph D.2 of the Memorandum of Understanding shall be reserved to pay claims of any class members who were born after October 21, 1985 and who submit a valid claim within the time set forth in paragraph 4 above. The funds set aside pursuant to this paragraph (the "Minors' Fund") shall be placed in escrow for a period of ten years following final approval of the class

settlement. During this ten year period, funds may be withdrawn from the Minors' Fund to make partial payment of awards made to persons who were born after October 21, 1985, as the parties shall from time to time agree, taking into account the need to retain sufficient amounts in the Minors' Fund to make awards to other claimants who may submit valid claims prior to the applicable deadlines.

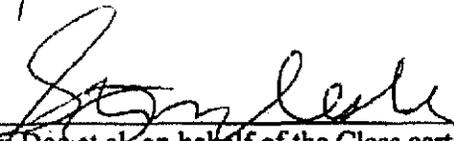
6. The Minors' Fund shall terminate on November 10, 2015, and no claims shall thereafter be permitted. Any funds remaining in the Minors' Fund on November 10, 2015 shall revert to the Diocese or its insurers unless members of the Doe Class have not yet received full payment of their awards, in which case the remaining funds shall be distributed to class members pro rata until all awards have been paid in full, after which time any remaining funds, less any costs or expenses associated with the creation or maintenance of the Minors' Fund, shall revert to the Diocese or its insurers.
7. All awards made from the Minors' Fund shall be in accordance with the matrix set forth on Exhibit A to the Memorandum of Understanding. In the event that matrix awards made to persons born after October 21, 1985 who have submitted claims pursuant to Paragraph II. F.4 above exceed the total amount designated as the Minors' Fund, all awards paid from the Minors' Fund shall be adjusted accordingly, so that the total amount of such awards does not exceed the specified 5% reserve for claimants born after October 21, 1985 who make claims after the deadlines applicable to other members of the Doe class.
8. Class Counsel and the Diocese shall agree on reasonable procedures for the administration of the Minors' Fund.

July 18, 2005



Most Rev. Roger J. Foys, Bishop of the Roman
Catholic Diocese of Covington

July 18, 2005



John Doe et al. on behalf of the Class certified on
October 21, 2003 in Boone Circuit Court Case No.
03-CI-00181, by Class Counsel