

**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**

**CLAIMS ADMINISTRATION PROCEDURES**

Pursuant to Paragraphs I. D. 1 and I. C. 3 of the May 17, 2005 Memorandum of Understanding and Paragraph I. F. 8 of the July 18, 2005 Supplement thereto, the Diocese of Covington and Class Counsel have established the following procedures for the submission, review, verification, and disposition of claims; the administration of the settlement funds made available for the payment of awards; and the funding of other obligations under the settlement agreements entered into by the Diocese and the Class and by the Diocese, the Class, and the Diocese's insurers, The American Insurance Company, the Catholic Relief Insurance Company of America, and the Catholic Mutual Relief Society of America, respectively.

In accordance with the Court's Order dated March 3, 2006, the parties are submitting as detailed a Claims Administration Procedure as they are capable of putting into place at this time. Based on counsels' discussions with the Special Masters, some final details cannot be determined until after the Special Masters have begun reviewing Claim Forms and contemplating awards. The parties shall therefore supplement this Claims Administration Procedure as appropriate.

## **I. Definitions**

**“Allocated Subject Claim Award”** shall mean a Subject Claim Award adjusted to reflect the portion of such award applicable to the Catholic Mutual Coverage Period.

**“Authorized Class Claimants”** shall mean claimants who have been determined by the Special Masters to be entitled to a specific award from the Escrow Fund.

**“Catholic Mutual”** shall mean the Catholic Relief Insurance Company of America and the Catholic Mutual Relief Society of America.

**“Catholic Mutual Coverage Period”** shall mean each and all annual periods beginning with the annual period from August 7, 1968 through September 1, 1969 and ending with the annual period from January 1, 2005 through December 31, 2005.

**“Class Settlement Funds”** shall mean the funds deposited in the Escrow Account by American Insurance Company, Catholic Mutual, and the Roman Catholic Diocese of Covington.

**“Diocese”** shall mean the Roman Catholic Diocese of Covington.

**“Draw Notice”** shall mean a document completed by the Special Masters and co-signed by counsel for the parties, authorizing a draw on the Escrow Fund to pay a specific award to an Authorized Class Claimant or to pay administrative expenses.

**“Escrow Agent”** shall mean the U.S. Bank National Association, a national bank.

**“Escrow Fund”** shall mean the U.S. Bank Escrow Account designated as “Doe Class Settlement Fund, Boone Circuit Court Kentucky, Case No. 03-CI-0081”.

**“Matrix Category Award”** shall mean the maximum sum of money authorized by the Special Masters as compensation for a claim within a Matrix category.

## **II. Claims Preparation Procedures by Class Counsel**

**A.** Each person who filed a Census Form shall be personally interviewed. Class counsel shall endeavor to obtain sufficient information from the class member regarding the class member's personal history and the factual basis for the class member's claim to permit a preliminary investigation by the parties regarding the credibility of the claim. During the interview, the entire settlement and claims process shall be explained to the claimant, and family members where applicable, including the matrix categories and the special funds, and Class Counsel shall ensure that the claimant has received a Confidential Claim Form.

**B.** All supporting documentation, including school records, church records, law enforcement records, government agency records, Catholic Social Services records, photographs, letters, and any other relevant records shall be obtained. All records shall be reviewed, Bates stamped and catalogued.

**C.** Medical authorizations shall be obtained from each claimant, where appropriate, formal medical records requests shall be made, medical records shall be obtained, and medical records shall be summarized to support the claim. Where appropriate, narrative reports shall be obtained from mental health providers.

**D.** During the litigation phase of the case, subpoenas were issued where appropriate to obtain supporting documentation, including school records, church records, law enforcement records, government agency records, Catholic Social Services records, photographs, letters, and any other relevant records. All records were reviewed, Bates stamped and catalogued.

**E.** After the relevant records have been obtained for a particular class member and any additional background check performed, Class Counsel shall make such information available to Counsel for the Diocese.

**F.** For each class member, Class Counsel shall make available to the Special Masters and to Counsel for the Diocese the initial interview statement in which the class member first provided the essential facts regarding his or her abuse, as the class member then recalled it.

**G.** Investigations shall be conducted regarding every person accused of sexual abuse by a claimant. Reviews shall be made of all documents received during the discovery phase of the case, and of all information obtained in deposition proceedings. Information on each alleged abuser shall be entered into a database, and chronologies shall be prepared. In appropriate cases, documentation of the abusers' illegal activities shall be obtained. Information from each claimant shall be entered into the database to add to the information on alleged abusers. Histories of each abuser shall be prepared, but not shown to claimants. These histories shall be submitted to the Special Masters to corroborate claims.

**H.** Claimants shall be assisted, upon request, in referrals to mental health providers and in obtaining pastoral counseling from either Fr. Thomas Doyle or Bishop Foys.

**I.** Claimants, including those with private attorneys, shall be assisted in the completion of claim forms.

**J.** Each claimant shall be provided a formal income tax opinion letter prepared by an expert tax attorney with a masters' degree in taxation.

**K.** Each potential legal representative of a claimant shall be assisted in appropriate proceedings in the appropriate probate court to formally be appointed as legal representative of the claimant.

**L.** Upon request, claimants shall be referred to experts for the preparation of wills, trusts, and/or annuities.

At the time this document is drafted, Class Counsel have spent three years completing the aforementioned tasks. All but 28 class members have been personally interviewed. Over 100 claims forms have been drafted, with supporting documentation, awaiting final review prior to signature.

### **III. Claims Administration**

#### **A. Submission of Claims**

1. Unless extended by the Court, each class member who wishes to apply for a monetary award from the Class Settlement Funds must submit a sworn Confidential Claim Form by June 15, 2006, to the Covington Diocese Settlement Claim Forms Repository, which shall be maintained at the offices of Class Counsel, Waite, Schneider, Bayless & Chesley Co., L.P.A. The mailing address of the Covington Diocese Settlement Claim Forms Repository shall be: Doe Class Settlement Fund, P.O. Box 2239, Cincinnati, Ohio 45201-2239.

2. Upon receipt of a completed Confidential Claim Form from a class member, Class Counsel shall (a) cause an electronic copy to be made of the completed Confidential Claim Form; (b) transmit a copy of the class member's Confidential Claim Form to Counsel for the Diocese, by electronic mail and/or overnight carrier, as the parties shall agree; (3) cause the original signed

Confidential Claim Form to be maintained in a secure file and made available to Counsel for the Diocese and/or the Special Masters promptly upon their request

3. Counsel for the Diocese shall be responsible for providing Catholic Mutual with a copy of each Claim Form submitted by a class member whose claim is based, in whole or in part, on abuse which occurred on or after August 7, 1968. Such forms shall be provided to Catholic Mutual within 10 days after they are received by Counsel for the Diocese, along with copies of all information submitted by or on behalf of each such claimant in support of his or her claim. All such information shall be kept strictly confidential. Any person who is to have access to such information regarding claims must sign a confidentiality agreement prior to receiving the information.

4. Counsel for the Diocese shall have a reasonable opportunity to investigate and verify a class member's claim prior to the claim being presented to the Special Masters for an award.

5. Class Counsel and Counsel for the Diocese shall thereafter transmit a copy of the relevant confidential claim materials to the Special Masters, along with the claim file and their respective proposed award forms setting forth the parties' recommendation with respect to eligibility, credibility, and compensation. The Diocese shall have the right to supplement the claim file prepared by Class Counsel, should other relevant documentation exist, but shall first apprise Class Counsel of its intention to supplement the file and allow Class Counsel an opportunity to submit any responsive comments for inclusion in the claim file. The parties shall coordinate with the Special Masters to provide such

documentation in a timely way and in a form and manner that will provide for the most efficient review of the claims.

6. Incomplete, unsworn, or otherwise deficient claim forms shall be returned to the class member with a notice setting forth in plain and simple language the nature of the deficiency, what steps the class member must take to cure the deficiency, and the consequences of failing to cure the deficiency. Such notice shall be sent to the class member by the Special Masters, after consultation with counsel for the parties. Upon request by the Special Masters, Class Counsel and Counsel for the Diocese shall jointly prepare draft notices of deficiency and transmit them to the Special Masters for their review and revision, as appropriate.

**B. Role and Authority of the Special Masters**

1. Judge Thomas Lambros and Mr. William Burleigh have been designated by the parties and appointed by the Court as Special Masters to review, verify, and assess the relative value of claims made by class members and persons claiming to be class members, and thereafter to make settlement awards pursuant to the matrix agreed to by the parties in the May 17, 2005 Memorandum of Understanding. In the performance of these duties, they shall serve as completely independent neutrals. Neither counsel, the parties, the Court, nor any other person shall interfere, or attempt to interfere, with the Special Masters' performance of the duties they have undertaken.

2. The Special Masters, in conjunction with Class Counsel and Counsel for the Diocese, shall establish procedures to resolve disputes regarding

eligibility of persons to be members of the class and regarding the amount each qualified claimant should receive within the appropriate matrix category.

3. The Special Masters shall each review all claims submitted by class members or purported class members.

4. If either Special Master feels that the information provided in the Claim Form and the claim file is insufficient to permit them to determine whether the claimant qualifies for an award and, if so, what that award should be, they shall notify counsel that they need additional information. Counsel for the Class and for the Diocese shall cooperate in attempting to obtain the additional information. In addition, the Special Masters shall have full authority to meet with claimants and/or interview them by telephone and to make whatever other inquiries they believe necessary to a fair disposition of the claim.

5. After reviewing a completed Claim Form, the claim file, and any additional information provided by counsel for the parties or obtained by their own inquiries, the Special Masters shall confer, either in person or by telephone, and determine an appropriate award.

6. Awards shall be made in accordance with the matrix category into which the claimant's injuries place him or her.

7. Compensation and expenses of the Special Masters shall be paid from the Escrow Fund. The Special Masters shall be compensated at their customary hourly rate, plus reasonable expenses. They shall record their time spent on this matter in half-hour increments. Periodically, Counsel for the Diocese and the Class shall jointly present a petition for approval of interim



compensation on behalf of the Special Masters. Upon the Court's approval of the fee application, counsel shall present the Court's Order and other necessary documentation to U.S. Bank for payment of the approved fees.

**C. Eligibility.** The parties shall, either separately or jointly, identify claimants they believe to be ineligible to participate in the settlement fund because the claimants so identified do not fall within the Class Definition, opted out of the Class, failed to submit a timely census form without a valid reason, submitted a claim which is not credible, or for any other reason. The Special Masters shall jointly make the initial determination of ineligibility and shall notify the claimant and counsel for the parties. Any claimant who believes that the Special Masters' determination of ineligibility is in error shall have the right to have his or her eligibility reviewed by the Court. Counsel for the parties shall from time to time present to the Court the Special Masters' joint determinations of ineligibility and shall request entry of an Order, under seal, finding that the named claimants are not eligible to participate in the settlement fund, along with a brief statement of the basis for the determination.

**D. Late Filed Census Forms.** The parties shall submit any census forms filed after November 10, 2005 to the Court, along with a statement by claimant of the reason for late filing. The Court will determine whether to permit the person to participate in the claims process.

**E. Notice of Proposed Awards.**

1. Upon determination of an award, the Special Masters shall communicate the proposed award to Counsel for the Class and for the Diocese.

2. If the abuse on which the claim is based, in whole or in part, occurred on or after August 7, 1968, Counsel for the Diocese shall transmit a copy of the proposed award to Catholic Mutual within 14 days of receiving notice of the proposed award from the Special Masters.

3. The parties shall cooperate in presenting any objections to the proposed award in a timely way. The Special Masters shall consider any objections made by the parties, but shall have sole discretion with respect to the award to be entered.

4. Catholic Mutual shall raise its objection, if any, to the proposed award within 15 days following its receipt of the notice of proposed award.

5. Catholic Mutual may present its arguments to the Special Masters regarding its objection to a proposed award in the same format as the Diocese and Class Counsel have reserved for themselves.

6. Catholic Mutual shall be bound by the Special Masters' decisions regarding all awards, except to the extent that they exceed the matrix plus any enhancement the Court may award to Class Representatives.

7. The findings and conclusions of the Special Masters determining the members of the class, their abuse category, and their respective settlement awards shall be final unless they are appealed to the Appeals Master within 30 days after a Notification of Award is issued and mailed to the class member.

**F. Appeals.**

1. Counsel for the parties, in consultation with the Special Masters, shall select a qualified person to serve as an Appeals Master to hear and determine any appeals of settlement awards.

2. Upon receiving notice that a party intends to appeal the award as determined by the Special Masters, the parties shall convey the Claim File to the Appeals Master for review and decision as to whether the award is substantively or procedurally unfair or an abuse of the Special Masters' discretion. Counsel for the parties shall cooperate in obtaining and providing to the Appeals Master any additional information the Appeals Master believes necessary to determine the appeal. The Appeals Master shall have the right to interview the claimant in person or by telephone if the Appeals Master believes that would assist him or her in reaching a decision with respect to the claim.

3. The decision of the Appeals Master shall be final and nonappealable.

**G. Individual Releases.**

Before receiving a settlement award or any settlement distribution, an individual class member shall execute a release of all claims against the Settlement Fund, the Special Masters, the Appeals Master, U.S. Bank, N.A., the Diocese, the Diocese's insurers, and any other Released Parties named or described therein.

**H. Interim Distributions.** The Special Masters are authorized to, and encouraged to, make interim distributions as soon as practicable after the Matrix Category Award is determined for a particular claimant. Class Counsel shall provide the

Special Masters with their database records on each claimant so that the Special Masters may calculate an Interim Distribution amount that will result in a substantial payment to an Authorized Class Claimant without jeopardizing any other Matrix Category Award to the remaining claimants.

**I. Reserve For Administrative Expenses.** For every six month period that the Escrow Fund is in existence, the Special Masters are authorized to establish a reasonable amount of money to hold in reserve for administrative expenses for that period. Administrative expenses include, but are not limited to, postage, telephone charges, overhead and Special Master fees. The Special Masters shall execute a Draw Notice to be presented to the Escrow Agent for payment of said funds. The Draw Notice must be co-signed by counsel for the parties.

**J. Minors' Fund.** The Escrow Agent shall maintain a database allocating five percent (5%) of the lesser of (a) the Settlement Sum of Eighty-Four Million Dollars (\$84,000,000) 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 to the Minors' Fund, which must be maintained until November 10, 2015. This Fund will pay claims of any class members born after October 21, 1985 and who submit a valid claim at any time prior to the earlier of (a) the class member's 23rd birthday or November 10, 2015. The Special Masters shall segregate all Claim Forms submitting claims that qualify for the Minors' Fund. Draw Notices for payments from the Minors' Fund shall be allocated by Escrow Agent to reduce the balance of said fund. Any funds remaining allocated to the Minors' Fund when it terminates on November 10, 2015 shall revert to the Diocese or Catholic Mutual unless

members of the 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, at which time any remaining funds, less costs or expenses associated with the creation or maintenance of the Minors' Fund, shall revert to the Diocese or Catholic Mutual.

**K. Release of Attorneys' Fees.** Attorneys' fees awarded to Class Counsel by the Court shall be paid as follows:

1. The percentage of each award to be paid to Class Counsel for their work on behalf of the class shall be established by the Court in a written order.

2. The percentage approved by the Court shall be deducted from each class member's award and the remaining amount shall constitute the amount to be paid to the class member. In the event that interim distributions are made, the approved percentage shall be deducted from each class member's interim award. Any attorneys' fees attributable to the Counseling Fund or the Minors Fund shall be paid immediately.

**L. Extraordinary Fund.** The extraordinary Injury Fund shall be administered as set forth in the parties' May 17, 2005 Memorandum of Understanding. It is understood that the percentage of the Settlement Sum described as the Extraordinary Injury Fund is a maximum amount that could be awarded for such purposes, rather than a "set aside" or "reserve" that is not available to pay matrix awards to class members generally. The parties agree, in the interests of fairness, that no extraordinary awards shall be paid out until all class members have received full payment of their "non-extraordinary" matrix awards. Thereafter, those class members deemed eligible to

receive an extraordinary award and to whom such awards have been made by the Special Masters shall be paid such amounts as have been awarded or, if the remaining funds are insufficient to pay all such awards, their prorated extraordinary award.

**M. Administration of Counseling Fund.**

1. The May 17, 2005 Memorandum of Understanding, Section I.C.1 provides that 5% of the total Settlement Fund shall be reserved to pay for mental health treatment and related medications for any persons who were sexually abused by a priest, religious, seminarian, lay teacher, or any other person employed by or under the supervision of the Diocese or any Diocesan parish or institution at the time of the abuse.

2. The Escrow Agent shall maintain a database allocating five percent of the total Settlement Fund, or \$4.2 million, to constitute the Counseling Fund, which amount shall be separately accounted for by U.S. Bank, N.A. as for the Minors Fund.

3. In accordance with Section I.C.2. of the May 17, 2006 Memorandum of Understanding, applications for payment of counseling or related expenses may be made by the victim directly or by Class Counsel or the Diocese on behalf of a victim. Requests are to be directed to the Diocese's Victim's Assistance Coordinator, P.O. Box 1550, Covington, Kentucky 41015-0550, telephone: (859) 392-1515, who shall pay counseling and other qualified invoices directly to the provider. In the event that reimbursement for medication or other expenses paid directly by the applicant is sought, the applicant shall be

reimbursed upon providing satisfactory evidence that the expense qualifies for reimbursement and has, in fact, been paid by the applicant.

4. The Diocese's Victims' Assistance Coordinator shall at the end of each month, present to the Escrow Agent a consolidated report of the counseling and related expenses advanced by the Diocese during that period, shall certify that the expenses qualify for reimbursement, and shall request reimbursement by the Escrow Agent. The Escrow Agent shall pay the request within 21 days after presentment.

5. The Diocese has, since the May 17, 2005 Memorandum of Understanding was executed, been advancing funds to pay for counseling, medications, and drug and alcohol rehabilitation services for class members and other persons within the definition set forth above. The parties agreed that the Diocese would be reimbursed for this interim funding after the proposed class settlement was approved and the Counseling Fund escrow was established. The Diocese shall present to the Special Masters and to Class Counsel a consolidated report of the counseling and related expenses advanced by the Diocese since May 17, 2005, along with a certification that the expenses qualify for reimbursement. If the request appears to be in order, the Special Masters and counsel for the parties shall jointly direct the Escrow Agent to reimburse the Diocese in the amount requested within 21 days after presentment. The Diocese estimates that during the period May 17, 2005 through February 8, 2006, it advanced approximately \$99,122.00 for counseling expenses and related medications and

treatments. It has continued to advance counseling expenses and related costs since February 8, 2005 and will submit a separate invoice for those expenses.

**N. Reversion of excess funds.** When all settlement awards to qualified class members have been paid in full and all approved fees and expenses have been paid, any remaining funds shall be returned to the Diocese or to Catholic Mutual, based on an accounting of their respective interests in the funds. In the event of a dispute between the Diocese and Catholic Mutual over their rights to those funds, the dispute shall be resolved by the Special Masters, jointly. At the option of the Special Masters, Catholic Mutual, or the Diocese, the person designated as Appeals Master may participate in the determination of rights to the remaining funds. The decision of the Special Masters shall be final and non-appealable.

**O. Periodic Reports to the Court.**

The parties, the Special Masters, and the Escrow Agent shall make periodic reports to the Court regarding the following matters:

1. the allowance and disallowance of claims submitted to the Special Masters for review since the last report;
2. settlement awards issued;
3. appeals, if any;
4. current amount held in the settlement escrow account(s);
5. interest earned since the last report;
6. overall status of the claims administration process
7. any special matters or anticipated difficulties which should be brought to the attention of the Court.



#### **IV. Matters Relating to Escrow Fund**

##### **A. Creation and Administration of the Escrow Fund.**

1. The Class Settlement Funds shall be deemed and considered to be *in custodia legis* of the Boone Circuit Court Kentucky and shall remain subject to the jurisdiction of said Court until such time as such funds shall be distributed pursuant to the Final Order approving the settlement matrix categories and the Claims Administration Procedures respectively, and/or further order(s) of the Boone Circuit Court.

2. The Class Settlement Funds shall be treated at all times as a “qualified settlement fund” within the meaning of Treas. Reg. §1.468B-1. The Escrow Agent shall be directed by the law firm Graf Stiebel Moyers, L.P.A. of Cincinnati, Ohio, retained by Class Counsel, to timely make such elections as necessary or advisable to fulfill the requirements of such Treasury Regulation including the “relation-back election” back to the earliest permitted date and the “grantor trust election” permitting the income earned by the Escrow Fund to be tax exempt. For purposes of §468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the “administrator” of the Class Settlement Funds shall be the Escrow Agent.

3. Graf Stiebel Moyers, L.P.A. shall timely and properly prepare and deliver to all necessary parties for signature, and file all necessary documentation for any elections required under Treas. Reg. §1.468B-1 and any informational and other tax returns necessary or advisable with respect to the Class Settlement Funds and the distributions and payments therefrom including without limitation the returns described in Treas. Reg. §1.468B-2(k), and to the extent applicable

Treas. Reg. §1.468B-2(1). Escrow Agent shall act as the Escrow Administrator and shall timely and properly review, sign and file all necessary documentation for any elections required under Treas. Reg. §1.468B-1 and any informational and other tax returns necessary or advisable with respect to the Class Settlement Funds and the distributions and payments therefrom including without limitation the returns described in Treas. Reg. §1.468B-2(k), and to the extent applicable Treas. Reg. §1.468B-2(1). The Escrow Administrator shall promptly take all steps necessary so that the Escrow Fund qualifies as a “Qualified Settlement Fund” within the meaning of Treasury Regulation Section 1.468B-1. These steps include, without limitation, the following:

(a) The Escrow Administrator will promptly prepare a "Regulation Section 1.468B-3 Statement" fulfilling the requirements of Treasury Regulation Section 1.468B-3(e) on behalf of the Escrow Fund and promptly provide copies to Class Counsel and Counsel for the Diocese for review and approval.

(b) Counsel for the Diocese will promptly prepare an election by the Roman Catholic Diocese of Covington to treat the Qualified Settlement Fund known as the Doe Class Settlement Fund, Boone County, Circuit Court, Kentucky Case Number 03-CI-0081, FEIN 20-4329435 as a Grantor trust under Internal Revenue Code Section 671 as provided under Treasury Regulation §1.468B-1(k). The Escrow Administrator will attach the Grantor trust election to the Escrow Fund’s timely filed income tax return for the taxable year 2006, in which the Escrow Fund is treated as

coming into existence. The Escrow Administrator will forward a copy of the Grantor trust election to Class Counsel within 30 days after receipt.

(c) The Escrow Administrator will timely prepare and timely file on behalf of the Settlement Fund (i) federal tax returns, including without limitation information returns in accordance with Treasury Regulation Section 1.468B-2 and the other provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) all necessary state, local and foreign tax returns.

(d) Notwithstanding any effort, or failure, of the Escrow Administrator and the parties hereto to treat the Escrow Fund as a "Qualified Settlement Fund" within the meaning of Treasury Regulation Section 1.468B-1 effective as of the date Hereof, any additional tax liability, interest payable to any taxing authority, or penalties incurred by Escrow Agent resulting from income earned by the Escrow Fund shall be reimbursed from the Escrow Fund in an amount that will make Escrow Agent whole on an after-tax basis. An accounting of each such reimbursement shall be provided simultaneous to Class Counsel and Counsel for the Diocese.

(e) Upon written authorization from the Special Masters appointed by the Boone Circuit Court and by Class Counsel and Counsel for the Diocese, Escrow Agent is authorized to withdraw from the Escrow Fund monies for payment of (i) all applicable federal, state, local or foreign taxes and any interest or penalties thereon which the Escrow Fund

owes or is estimated to owe; (ii) all professional fees and expenses of Graf Stibel Moyers, L.P.A., retained in connection with the administration of the Escrow Fund to provide assistance, preparation, and/or advice regarding the tax estimates and tax returns referred to herein; (iii) any reimbursements to Escrow Agent as described in subparagraph (d)(4); (iv) any fees and costs as awarded by the Court, including attorney fees and expenses and any incentive award for the class representatives, or any other disbursement ordered by the Court; (v) distribution of funds for purposes of making payment to claimants in accordance with Claims Administration Procedures; and (vi) all other payments or distributions pursuant to the orders of the Court. All orders of the Court awarding fees or costs or otherwise authorizing a payment or distribution from the Escrow Fund must be provided by Class Counsel and Counsel for the Diocese to the Escrow Agent. All taxes and tax expenses shall be treated as and considered to be a cost of administration of the Escrow Fund and Escrow Agent shall timely pay such taxes and tax expenses out of the Escrow Fund without prior order of the Boone Circuit Court.

(f) The Escrow Agent may sell or present for redemption any investment, whenever it shall be necessary in order to provide funds to meet any payment required pursuant to this Escrow Agreement or the Final Order.

(g) Class Counsel and Counsel for the Diocese shall have the authority to appoint a Successor Escrow Agent and to direct that all funds

be transferred to the Successor Escrow Agent, which Successor Escrow Agent shall not be U.S. Bank National Association or an affiliate thereof. Escrow Agent or Successor Escrow Agent shall distribute the Escrow Fund in accordance with the terms of this agreement and any applicable Court orders.

(h) In the event the Escrow Fund is terminated in accordance with the Claims Administration Procedures, the Escrow Agent shall, subject only to the expiration of any time deposit investment(s) not to exceed ninety days, return to the Diocese or Catholic Mutual the remaining Escrow Fund including all interest thereon, less any taxes, costs, and expenses within five (5) days of written notice to the Escrow Agent by Class Counsel and Counsel for the Diocese.

(i) Escrow Agent may rely upon any notice, certificate, instrument, request, paper or other document, reasonably believed by it to be genuine and to have been made, sent or signed by Class Counsel or Counsel for the Diocese in accordance with this Escrow Agreement and shall not be liable for any action taken or omitted by it, consistent with the terms hereof, in connection with the performance by it of its duties pursuant to the provisions of this Escrow Agreement, except for its own default, gross negligence or breach of the terms of this Escrow Agreement.

(j) Escrow Agent's acceptance and administration of the Escrow Fund shall constitute the submission of the Escrow Agent to the

jurisdiction of the Court in the above-described litigation for the purpose of carrying out this Escrow Agreement.

(k) Escrow Agent has been appointed in compliance with this Escrow Agreement and is subject to the orders of the Court.

**B. Investment of Escrow Funds.** Pending distribution of awards to class members, payment of approved expenses, and the reversion of any funds to the Diocese or its insurers, the Class Settlement Funds shall be held by U.S. Bank, N.A., as escrow agent. The Escrow Agent shall invest the Class Settlement Funds in instruments backed by the full faith and credit of the United States Government or any agency thereof, preferably Treasury Bills, as required by the Boone Circuit Court, in the name of the “Doe Class Settlement Fund, Boone Circuit Court Kentucky, Case No. 03-CI-0081.” Because Treasury Bills are purchased in One Thousand Dollar (\$1,000) increments, there will always be remaining funds in the Escrow Account that are available to invest. The Escrow Agent shall invest all remaining funds in the First American Fund Treasury Obligation Fund so that every dollar in the Escrow Account is invested. The Escrow Agent shall reinvest the proceeds of these instruments as they mature in similar instruments at their then current market rates, or in the First American Fund Treasury Obligation Fund as appropriate. The First American Fund Treasury Obligation Fund will have no upfront charge for purchases but does institute a management fee of .45% of the assets of the fund. The fee is embedded in the yield of the fund and is not deducted from the interest earnings that are credited to the account on a monthly basis. The return of this fund as of March 3, 2006 was 4.14%. In determining the term of the securities in which the funds are invested, the Escrow Agent shall seek to maximize the return to the

Settlement Fund while still maintaining sufficient liquidity to make interim distributions from time to time and to make final payments of settlement awards.

**C. Modification of the Escrow.** The parties have tried to anticipate, to the extent possible, future events and circumstances that may arise in connection with the implementation of the settlement. Should unanticipated matters arise that require modification of the Escrow Fund or the terms under which the escrowed funds are held, managed, or disbursed, Class Counsel, the Diocese, and Catholic Mutual shall cooperate in seeking leave of Court to implement such modifications as shall then appear necessary and appropriate.

Respectfully submitted,

/s/ Carrie K. Huff

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