

EXHIBIT C

4.03 *Establishment of Claims Office/Claims-Processing Functions.*

(a) ***Claims Office.*** All Settling Personal Injury Claims shall be reviewed, processed and resolved by the Claims Office, which shall be administered by the Claims Administrator. As more specifically described herein, the Claims Office shall operate using the claims-processing procedures and quality control process applied by the Initial MDL Claims Administrator. The Claims Administrator has discretion to modify those procedures to conform to procedures or interpretations established by the MDL 926 Claims Office any time after the Confirmation Date. The Claims Administrator is also expressly authorized to rely on procedures and interpretations contained in the Claims Administrator's guidelines and claims-processing system as of February 2003 and is not required to change those procedures and interpretations. It is expressly intended that the Settling Breast Implant Claims shall be processed in substantially the same manner in which claims filed with the MDL 926 Claims Office under the Revised Settlement Program were processed except to the extent criteria or processing guidelines are modified by this Settlement Facility Agreement or the Claims Resolution Procedures, or this Section 4.03, and that the Claims Office shall manage its operations to the extent feasible as they have been conducted under the Revised Settlement Program. The Claims Administrator, the Claimants' Advisory Committee and the Debtor's Representatives shall seek all necessary orders from the MDL 926 Court authorizing the use of the MDL 926 Claims Office materials and any other orders necessary to implement the provisions of this Settlement Facility Agreement. The Finance Committee shall enter into such agreements as are necessary and appropriate to arrange for payment for use of the MDL 926 Claims Office and to assure appropriate processing schedules. The Settlement Facility shall pay the costs and expenses of the Claims Office in accordance with the directives of the Finance Committee, subject to approval of the District Court and subject to the terms of this Agreement. The Claims Administrator, the Claimants' Advisory Committee, and the Debtor's Representatives shall have authority to cooperate with the MDL 926 Claims Office in an effort to maintain consistent interpretations as appropriate.

(b) ***Claims Operations Manager.*** A Claims Operations Manager shall be selected by the Claims Administrator, subject to input from the Finance Committee, the Claimants' Advisory Committee and the Debtor's Representatives and to the approval of the District Court. The Claims Operations Manager shall, subject to the review, supervision and direction of the Claims Administrator, assume responsibility for the management of staff and daily operations of the Claims Office functions relating to or concerning the processing and resolution of Claims.

4.04 *Financial Advisor.* The Finance Committee working with the Debtor and the Tort Claimants' Committee (the Debtor and the Tort Claimants' Committee collectively, the "Plan Proponents") or the Debtor's Representatives and the Claimants' Advisory Committee shall select a Financial Advisor, which appointment shall be subject to the approval of the District Court. The Financial Advisor shall be a large, reputable institution or entity with experience and expertise in financial management and shall have primary responsibility for overseeing the investment of all funds paid to and held by the Trust, for providing investment instructions to the Trust, for overseeing the preparation of financial statements as specified at Sections 7.03(d), 7.03(e), and 8.04, and for the accounting statements and audit as specified at Section 8.05. The Financial Advisor will be responsible for determining the available assets of the Trust, including the available funds in the Litigation Fund and the Settlement Fund, and for matching the assets to claim payment needs as determined by the Independent Assessor (as defined in Section 4.05 below).

period covered by the report, and from the end of the prior month to the end of the period covered by the report; and

(ix) the number of Claims with multiple manufacturers (Bristol, Baxter, 3M) and the number of such claims subject to the fifty (50)-percent multiple manufacturer reduction.

The Finance Committee, the Independent Assessor, the Financial Advisor, the Claimants' Advisory Committee, the Debtor's Representatives, or the District Court may request any additional reports. Prior to the Effective Date reports will be provided to the Independent Assessor and the Financial Advisor as reasonably necessary for them to perform their tasks. As soon as practicable, and prior to the production of the first reports, the Claims Administrator shall present a proposed format for the reporting to the Claimants' Advisory Committee and the Debtor's Representatives for their review and comment. Prior to the Effective Date, the Claims Administrator shall provide periodic reports to the Plan Proponents on the status of claims processing.

The Claims Administrator shall maintain (but shall not file with any court) records of all individual payments and settlements concerning Claims. The Claims Office shall provide such records to the Debtor's Representatives and the Claimants' Advisory Committee in computer readable format. The records shall include the dates of implantation, proof of manufacturer, the amount and date of payments distributed and settlement options approved and denied. Such records shall be redacted to preserve Claimant confidentiality.

(b) *Requests for Data.* The Reorganized Dow Corning and Shareholders along with their Insurers shall at their request and expense, and pursuant to procedures approved by the Claims Office, be afforded access to and permitted to inspect all documentation and other supporting evidence submitted by any Settling Claimants who have been paid as may be necessary for the Debtor and the Shareholders to receive benefits under insurance policies. The Reorganized Dow Corning, Shareholders, and Insurers shall maintain the confidentiality of the Claims information to protect the identity of the Claimants.

5.04 *Quality Control and Audit Procedures.*

(a) *Prevention and Detection of Fraud.*

(i) The Claims Administrator and Claims Operations Manager shall have the authority and obligation to institute claim-auditing procedures and other procedures designed to detect and prevent the payment of fraudulent Claims. To the extent applicable and otherwise consistent with this Settlement Facility Agreement, it is intended that the Claims Administrator will generally apply and maintain any procedures established by the MDL 926 Claims Administrator to detect fraudulent claims. Nothing herein is intended to limit the authority and discretion of the Claims Administrator to institute other appropriate procedures.

(ii) To deter potential fraud, all Claims must be signed under penalties of perjury. The submission of fraudulent Claims will violate the criminal laws of the United

States including the criminal provisions applicable to Bankruptcy Crimes, 18 U.S.C. § 152, and subject those responsible to criminal prosecution in the federal courts.

(iii) The Claims Administrator shall institute proceedings for appropriate review and relief in the event of fraud or abuse of the Claims Resolution Procedures. If any review supports a finding of intentional abuse of the Claims Resolution Procedures or fraud, the Claims Administrator shall deny the Claim.

(iv) The District Court shall have authority to enforce these provisions as appropriate.

(b) **Quality Control/General.** The Claims Administrator shall have the plenary authority and obligation to institute procedures to assure an acceptable level of reliability and quality control of Claims and to assure that payment is distributed only for Claims that satisfy the Claims Resolution Procedures. Such procedures shall include the authority to require (as a condition to payment of a Claim) the examination of a Claimant, or the review of a Claim, by a physician selected by the Claims Office or to require additional laboratory testing of the Claimant conducted by a laboratory selected by the Claims Office. The Claims Office shall use its best efforts to identify laboratories and physicians who are qualified and who are located in the city, region, or country of the Claimant's residence so as to minimize the travel time and expenses for re-evaluation and re-testing. The Claims Office shall bear the expense of any such examination or testing conducted at the request of the Claims Office. Such procedures shall include the authority to obtain independent operation audits.

(c) **Quality Control Supervisor.** The Claims Administrator shall maintain a Quality Control Supervisor. The Quality Control Supervisor shall institute procedures to evaluate the claims-processing functions to assure that Claims are processed accurately and in accordance with the Claims Resolution Procedures. The Quality Control Supervisor may, to the extent applicable, use procedures applied in the Revised Settlement Program to assure appropriate quality control. The Quality Control Supervisor may simultaneously be employed by the MDL Claims Office. The Quality Control Supervisor may, with the approval of the Finance Committee, employ independent auditors to review Claims operations. The Claimants' Advisory Committee and the Debtor's Representatives may participate in a joint training session for the purpose of implementing procedures and guidelines in the Dow Corning Settlement Program.

(d) **Quality Control — Operations and Procedures.** The Claims Administrator shall institute mechanisms and shall cause the Quality Control Supervisor to develop and maintain procedures to assure that all procedures and claims-processing protocols applied by the Initial MDL 926 Claims Administrator as interpreted by the Settlement Facility as of February 2003 with respect to the Revised Settlement Program are applied by the Claims Office with respect to the Breast Implant Claims except to the extent modified by this Settlement Facility Agreement and the Claims Resolution Procedures, except as modified by written agreement of the Claimants' Advisory Committee and the Debtor's Representatives and provided to the Claims Administrator.

(e) **Quality Control/Operations Audits.** To assure the accuracy of claims-processing functions, the Claims Administrator shall have prepared periodic quality control/operations audits conducted by an internal Quality Control Supervisor and by outside auditors. The audits

**ARTICLE VII
FUND ALLOCATION/PAYMENT DISTRIBUTION PROCEDURES/
COURT APPROVALS**

7.01 *Timing of Disbursements/Prioritization of Payments.*

(a) *Categories of Payment Defined.*

(i) *First Priority Payments.* Payments identified on the Settlement Grid, Annex B hereto, as Expedited Release Payments (for both Settling Breast Implant and Covered Other Products Claims), Explantation Payments, Disease Base Payments (for Breast Implant Claims), Rupture Base Payments (for Breast Implant Claims), Medical Condition Payments for Covered Other Products, and Silicone Material Payments, along with related administrative costs, are defined as "First Priority Payments." Payments to be distributed to or for the benefit of Allowed Claims of Settling Claimants in Classes 4A, 6A, 6B, 6C and 6D, Classes 14 and 15 (as described at Article III), and, to the extent provided in the Litigation Facility Agreement, Litigated Shareholder Claims shall also be defined as First Priority Payments.

(ii) *Settlement Fund Other Payments.* Payments for Allowed Claims of Non-Settling Claimants in Classes 11, 13, 14, 14A, 15 and 17 along with related administrative costs shall be defined as Settlement Fund Other Payments and shall be First Priority Payments.

(iii) *Second Priority Payments.* Payments identified on the Settlement Grid as "Premium Payments" for Breast Implant Disease Payment Option Claims and Rupture Payment Option Claims and for Covered Other Products Claims and payments for increased severity of disease or disability under the Breast Implant Disease Payment Option (for both Disease Payment Option I and Disease Payment Option II) as outlined shall be defined as Second Priority Payments. Payments made to Class 16 Claimants in respect of the obligations in Sections 6.16.5 and 6.16.6 of the Plan that are to be paid by the Settlement Facility shall also be defined as Second Priority Payments.

(iv) *Litigation Payments.* Payments to be distributed to Non-Settling Personal Injury Claims, Allowed Claims of Claimants in Class 12, Assumed Third Party Claims, and, to the extent provided in the Litigation Facility Agreement, Litigated Shareholder Claims along with Litigation Facility Expenses shall be defined as "Litigation Payments."

(b) *General Principles Regarding Distribution of the Settlement Fund and the Litigation Fund.*

(i) The Settlement Fund is to be distributed in accordance with the terms of this Agreement and the guidelines specified at Section 7.03 regarding the prioritization of payments. Second Priority Payments shall only be made as specified at Section 7.01(c) and/or Section 7.03(a).

(ii) The Litigation Fund is to be distributed in accordance with the terms of this Agreement, the Litigation Facility Agreement, and the Case Management Order. The Litigation Fund shall be used solely for the payment of Litigation Payments (as defined herein), except that the Litigation Fund may be used to pay First Priority Payments under the conditions set forth at Section 7.03(b).

(iii) Distributions from the Settlement Fund and the Litigation Fund shall not exceed the aggregate amount of each such Fund as defined herein.

(c) *Priority of Payment for Claims.*

(i) *General Principles.* All categories of payment are subject to reduction if necessary to assure payment in full of First Priority Payments (subject to the limits of the Settlement Fund and the Litigation Fund). The Settlement Fund and the Litigation Fund shall be distributed in accordance with the priorities stated below.

(ii) *First Priority Payments/Settlement Fund Other Payments.* The Claims Administrator shall distribute First Priority Payments in respect of Allowed Claims as soon as reasonably practicable following approval. The Claims Administrator shall distribute payments in respect of Allowed Settlement Fund Other Payments as soon as reasonably practicable following Allowance.

(iii) *Litigation Payments.* Litigation Payments shall be paid solely from the amount defined as the Litigation Fund and shall not in the aggregate exceed the Litigation Fund. Litigation Payments are subject to deferral or reduction in the event that the District Court determines, after submission of a recommendation and findings of the Finance Committee, that payment of all Allowed or allowable Non-Settling Personal Injury Claims would exceed the aggregate amount of the Litigation Fund.

(iv) *Second Priority Payments.* Premium Payments shall be deemed "Second Priority Payments." Second Priority Payments may not be distributed unless and until the District Court determines that all other Allowed and allowable Claims, including Claims subject to resolution under the terms of the Litigation Facility Agreement, have either been paid or adequate provision has been made to assure such payments.

(v) *Timing.* Nothing herein shall be interpreted as limiting the discretion of the Finance Committee with the approval of the District Court to pay lower priority payments and higher priority payments contemporaneously, so long as the ability to make timely payments of higher priority claims is reasonably assured.

(d) *Procedures for Determining Assets Available for Distribution to Claimants.*

(i) *Settlement Facility Projections.* In conjunction with the Independent Assessor, the Finance Committee shall, commencing the first quarter after the conclusion of the opt-out process and on a quarterly basis thereafter or at the request of the District Court, prepare projections of the likely amount of funds required to pay in full all pending, previously Allowed but unpaid and projected future First Priority Payments.

Such projections shall, to the extent known or knowable, be based upon and take into account all data (as of the date of the analysis) regarding (i) the number of Claims filed with the Settlement Facility, (ii) the rate of Claim filings in the Settlement Facility, (iii) the average resolution cost of Claims in the Settlement Facility, (iv) the pending Claims in the Settlement Facility, and (v) projected future filings with the Settlement Facility. Such projections shall also state the anticipated time period for the resolution and payment of such Claims.

Projections made during the first twelve (12) months of the operation of the Settlement Facility may take into account, in addition to the above, the claims resolution experience of the MDL 926 Claims Office. These projections are not a pre-requisite to paying First Priority Payments, and nothing in this subsection is intended to delay the payment of First Priority Payments in respect of Allowed Claims.

(ii) *Litigation Projections.* In conjunction with the Independent Assessor, the Finance Committee shall, at the request of the Manager or the District Court, and in any event no less than quarterly, commencing the first quarter after conclusion of the opt-out process, prepare projections of the likely amount of funds required in order to pay all Claims and expenses subject to the Litigation Fund. Such projections shall be based upon and take into account all data regarding (i) Claims paid from the Litigation Fund, (ii) expenses incurred, (iii) pending Claims, (iv) projected number of Claims certified or likely to be certified for trial, (v) past and projected costs of litigating claims certified for trial and (vi) past and projected future resolution costs of Claims in pre-trial settlements. On the basis of such projections, the Finance Committee shall state the funds projected to be available for the payment of unpaid Claims subject to the Litigation Fund ("Available Litigation Funds") taking into account any projected need to access the Litigation Fund for purposes of payment of First Priority Payments pursuant to Section 7.03(b). The projection shall also state the estimated time period for the resolution of such Claims.

(iii) *Distribution of Reports.* The projections described above in subparagraphs (d)(i) and (d)(ii) shall be provided to the District Court, the Debtor's Representatives, the Shareholders, and the Claimants' Advisory Committee.

7.02 *Distribution to Claimants.*

(a) *Distribution of Payments to Claimants.*

(i) *Claims Resolved by Settlement Facility.* First Priority Payments and Settlement Fund Other Payments shall be distributed as soon as practicable after approval of the Allowed Claim.

(ii) *Claims Resolved by Litigation Facility.* The Litigation Facility Manager shall on a monthly basis notify the Finance Committee of the Allowed amount of Claims resolved by the Litigation Facility. The Finance Committee shall direct the paying agent to distribute payments for Allowed Claims resolved by the Litigation Facility,