

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re:

ROMAN CATHOLIC CHURCH OF THE
DIOCESE OF GALLUP, a New Mexico
corporation sole,

Debtor.

Chapter 11

Case No. 13-13676-t11

**APPLICATION FOR AN ORDER AUTHORIZING THE EMPLOYMENT OF KEEGAN,
LINSOTT & KENON, P.C. AS ACCOUNTANT AND FINANCIAL CONSULTANT
FOR THE DEBTOR AND DEBTOR-IN-POSSESSION**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The Roman Catholic Church of the Diocese of Gallup, a New Mexico corporation sole, the debtor and debtor-in-possession (“**RCCDG**”) in the above-captioned Chapter 11 reorganization case (the “**Reorganization Case**”), by and through its proposed attorneys undersigned, hereby applies, pursuant to 11 U.S.C. §§ 327, 328 and 1107, Fed. R. Bankr. P. 2014, and the United States Trustee’s “Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees” as revised June 11, 2012 (the “**UST Guidelines**”), for an Order authorizing the employment of the firm of Keegan, Linscott and Kenon, P.C. (“**KLK**”) as professional accountants and financial consultants for RCCDG in this Reorganization Case.

This Application is supported by the verified statement of Christopher G. Linscott (the “**Linscott Statement**”), attached hereto as **Exhibit “A”** and incorporated herein by this reference and by the record of this Reorganization Case. In further support of this Application, RCCDG represents as follows:

1. On November 12, 2013 (the “**Petition Date**”), RCCDG filed its Chapter 11 petition for relief, thereby commencing the Reorganization Case. As of the Petition Date,

RCCDG is operating its business and managing its properties as a debtor-in-possession pursuant to 11 U.S.C. §§ 1107(a) and 1108.

2. It is essential to RCCDG's reorganization efforts that RCCDG obtain professional accounting and financial services to reorganize its business affairs and, among other things, formulate and confirm a feasible plan of reorganization that maximizes the value of RCCDG's estate.

3. As evidenced by the Linscott Statement, KLK has the experience, expertise, and resources that will enable it to provide the professional accounting and related financial services needed by RCCDG. Specifically, KLK is able to provide accountants and consultants who are familiar with the intricacies and issues associated with corporations sole and other religious non-profit corporations. KLK's experience in providing professional accounting and financial services to religious corporations was an integral part of the successful Chapter 11 reorganizations of both the Roman Catholic Church of the Diocese of Tucson and the Catholic Bishop of Northern Alaska. In addition, KLK was retained as the accountant in the Chapter 11 case of the Roman Catholic Bishop of San Diego, which resulted in a settlement in a large portion of abuse claims, and an ultimate consensual dismissal of the bankruptcy case. Moreover, KLK has considerable experience in other Chapter 11 cases, including extensive experience with non-profit corporations.

4. Quarles & Brady, LLP, proposed reorganization counsel for RCCDG, also hired KLK as a consulting expert pre-petition to assist, among other things, in preparing RCCDG's Schedules and Statements and providing certain accounting functions pre-petition, given RCCDG's Chief Financial Officer's retirement in June, 2013. KLK is therefore familiar with RCCDG's accounting system, finances, and business operations and can immediately provide

better-informed, more substantive accounting services than another consultant who would not be familiar with RCCDG's books and bookkeeping practices, and who would require additional time and expense in order to learn them. Consequently, RCCDG wishes to employ KLK as its financial consultants and has asked KLK to act as such.

5. The services that KLK will provide include, but are not limited to, analyzing the operations of RCCDG within the Reorganization Case, consulting with respect to RCCDG's accounting systems and procedures and providing accounting support, developing reorganization and liquidation models, analyzing financing and financial alternatives for RCCDG, and consulting on and assisting in developing a plan of reorganization. Because RCCDG believes that KLK is well-qualified to perform these services, RCCDG wishes to employ KLK as its accountants and consultants and has asked KLK to act as such.

6. As set forth in the Linscott Statement, KLK has agreed to provide its services at a heavily discounted rate. KLK has also not required a retainer to be paid to it from RCCDG, and is not holding any retainer. RCCDG has paid KLK pre-petition for prepetition services performed and costs incurred.

7. RCCDG has made arrangements for post-petition employment of KLK as its accountant and financial consultant, for professional compensation of KLK, and for reimbursement of KLK's costs, disbursements and expenses, subject to approval by the Bankruptcy Court. Such arrangements regarding KLK are described in the Linscott Statement, and these are the only arrangements between RCCDG and KLK regarding this matter. By the signature of the authorized representative for RCCDG on this Application, RCCDG expressly acknowledges, understands, and agrees to all of such arrangements, subject only to approval by the Bankruptcy Court.

8. Subject to approval of the Bankruptcy Court, RCCDG and KLK have made the following agreements regarding employment of KLK, compensation of KLK for professional services rendered and reimbursements of KLK for costs, disbursements, and other expenses which it incurs in this matter:

a. RCCDG has agreed that KLK is employed as its accountant and financial consultant (effective as of the Petition Date, unless the Bankruptcy Court otherwise directs);

b. RCCDG and KLK have agreed that KLK will charge for its professional services at the discounted hourly rates set forth in the Linscott Statement, and that KLK will be paid for its costs incurred in providing services to RCCDG in this matter. The agreement detailed in the Linscott Statement is the only agreement of RCCDG and KLK regarding professional compensation and reimbursement of costs.

c. Because of the size and complexity of the Reorganization Case, it will be necessary to staff this matter with a number of accountants and in order to adequately address and respond to the various matters and issues in the Reorganization Case. KLK will attempt to avoid, to the extent possible, duplication of effort by the accountants assigned to the Reorganization Case. In accordance with their respective years of experience and hourly rates, and subject to their schedules and other commitments, KLK will allocate the services of Mr. Linscott, Mr. John Gordon, Ms. Donna Williams, and Mr. Conan Bardwell to provide the greatest benefit to RCCDG (and the estate) in the most cost-effective manner.

d. In addition to the involvement of the foregoing accountants, other KLK accountants or employees may be involved and render services in the Reorganization Case. Because of the numerous and complex issues in the Reorganization Case as well as the time parameters involved, these other personnel may be utilized, where appropriate and as needed, to assist with case management and administration; to assist in specialized matters such as financing and trust issues; to assist in preparation of reorganization or financing models; and to assist in obtaining financing if necessary. However, to the extent personnel will be used who do not have a detailed and in-depth familiarity with the Reorganization Case, to the greatest extent possible they will be used in instances where a detailed and in-depth familiarity with the Reorganization Case will not be necessary, such as for discrete projects. Moreover, to the extent it may be necessary to utilize new personnel who did not have a familiarity with the Reorganization Case and to provide them with an understanding of the Reorganization Case, the estate will not be charged for any time spent by these personnel in becoming familiar with the Reorganization Case.

e. In addition to the accountants who will be used in the Reorganization Case, KLK will provide services to RCCDG through the use of administrative project assistants. The administrative project assistant services will be for substantive consulting services rendered in conjunction with the Reorganization Case and will not be for clerical services.

9. RCCDG is authorized to pay KLK on a monthly basis, upon receipt of KLK's billing statements and prior to the Court's approval of KLK's compensation (**"Interim**

Payments”) 75% of billed fees, 100% of reimbursable costs, and 100% of applicable gross receipts tax on paid fees and costs; provided, however, that RCCDG will make Interim Payments to Court approved professional persons retained by RCCDG and any official committee on a pro rata basis. Such payments are to be made from funds of the estate. RCCDG may make Interim Payments to KLK based on services charged at the hourly rates set forth in the Linscott Statement.

10. The services provided by KLK will not duplicate or overlap the efforts of any other professional retained by RCCDG. In particular, RCCDG has sought or will be seeking to employ the following professionals:

- (a) Quarles & Brady LLP as general reorganization and restructuring counsel
- (b) Walker & Associates, P.C. as New Mexico co-counsel
- (c) Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A. as special litigation counsel

11. Quarles & Brady LLP is a law firm that has been retained by RCCDG (subject to Court approval) to serve as its general reorganization and restructuring counsel in the Reorganization Case. Walker & Associates, P.C. is a law firm that is being employed (subject to Court approval) as local counsel for RCCDG. Stelzner, Winter, Warburton, Flores, Sanchez & Dawes P.A. is a law firm that has been retained (subject to Court approval) as special litigation counsel. The services to be provided by each of these professionals are separate and different from the services to be provided by the other professionals and all are essential to RCCDG’s reorganization efforts.

12. By the signature of Bishop James S. Wall on this Application, RCCDG expressly acknowledges, understands and agrees to all of the arrangements referenced in the Linscott Statement, subject only to approval by the Bankruptcy Court.

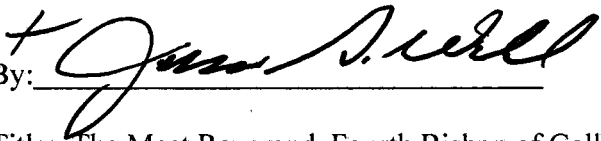
13. Except as may be disclosed in the Linscott Statement and to the best of RCCDG's knowledge, information and belief, KLK does not have any connections with RCCDG in the Reorganization Case, the creditors of RCCDG's estate any other parties-in-interest or their respective attorneys and accountants, the United States Trustee or any person employed by the Office of the United States Trustee. As further reflected in the Linscott Statement and in accordance with 11 U.S.C. §§ 101(14), 327, and 328, KLK is "disinterested"; KLK does not represent any entity in the Reorganization Case which has any interest adverse to RCCDG; KLK does not hold an interest adverse to RCCDG in the Reorganization Case; and KLK will not provide services to any such other entity which may have an interest adverse to RCCDG or its estate in the Reorganization Case during KLK's employment as accountant and financial consultant for RCCDG. Finally, as reflected in the Linscott Statement and to the best of RCCDG's knowledge, information, and belief, KLK has not entered into any compensation sharing agreement that is prohibited by 11 U.S.C. § 504.

14. RCCDG respectfully requests immediate consideration of this Application. The continuance of RCCDG's operations and negotiations with creditors, as well as RCCDG's obligations under the Bankruptcy Code, require that RCCDG have the immediate and meaningful assistance of professional accountants and financial consultants in the Reorganization Case.

WHEREFORE, RCCDG respectfully requests that the Bankruptcy Court enter its Order: (i) granting the relief requested by RCCDG in this Application; (ii) authorizing the employment of KLK as accountant and financial consultant for RCCDG effective as of the Petition Date; and (iii) granting such other and further relief as is proper and just concerning this Application.

RESPECTFULLY SUBMITTED this 12th day of November, 2013.

ROMAN CATHOLIC CHURCH OF THE
DIOCESE OF GALLUP

By: _____

Title: The Most Reverend, Fourth Bishop of Gallup

CERTIFICATE OF SERVICE

Pursuant to F.R.C.P. 5(b)(3), F.R.B.P. 9036 and NM LBR 9036-1(b), I hereby certify that service of the foregoing “Debtor’s Application for an Order Authorizing the Employment of Keegan, Linscott & Kenon, P.C., as Accountant and Financial Consultant for the Debtor and Debtor-in-Possession” was made on November 12, 2013 via e-mail, U.S. Mail or via the notice transmission facilities of the Bankruptcy Court’s case management and electronic filing system on the following parties:

U.S. Trustee
P.O. Box 608
Albuquerque, NM 87103
ustpregion20.aq.ecf@usdoj.gov

/s/ Susan G. Boswell _____
Susan G. Boswell

EXHIBIT "A"

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re:

ROMAN CATHOLIC CHURCH OF THE
DIOCESE OF GALLUP, a New Mexico
corporation sole,

Debtor.

Chapter 11

Case No. 13-13676-t11

**VERIFIED BANKRUPTCY RULE 2014(a) AND 2016(b) STATEMENT OF
CHRISTOPHER G. LINSOTT WITH RESPECT TO DEBTOR'S APPLICATION FOR
AN ORDER AUTHORIZING THE EMPLOYMENT OF KEEGAN, LINSOTT, &
KENON, P.C. AS ACCOUNTANT AND FINANCIAL CONSULTANT FOR THE
DEBTOR AND DEBTOR-IN-POSSESSION**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

I, Christopher G. Linscott, declare under penalty of perjury as follows, pursuant to Fed.

R. Bankr. P. 2014(a) and 2016(b):

1. I am an adult person, and I am a resident of Tucson, Pima County, Arizona.
2. I am an accountant licensed in the State of Arizona and a shareholder of Keegan, Linscott & Kenon, P.C. (“**KLK**”), located at 33 North Stone Avenue, Suite 1100, Tucson, Arizona 85701. I am duly authorized by KLK to make all statements which I have made herein on behalf of KLK and with respect to the “Application for an Order Authorizing the Employment of Keegan, Linscott, and Kenon, P.C., as Accountant and Financial Consultant for the Debtor and Debtor-In-Possession” (the “**Application**”) and this Verified Statement in support of the Application (the “**Linscott Statement**”) filed in the Chapter 11 reorganization case (the “**Reorganization Case**”) of the Roman Catholic Church of the Diocese of Gallup (“**RCCDG**”).

3. KLK has the experience, expertise, and resources that will enable it to provide the professional accounting and related services needed by RCCDG. Both I and KLK have done an

extensive amount of work for non-profit corporations, and, specifically, KLK has accounting and financial consultant experience with respect to corporations sole and other religious non-profit corporations. KLK was retained as the accountant for the Roman Catholic Diocese of Tucson and the Catholic Bishop of Northern Alaska in their Chapter 11 reorganizations, which each successfully concluded in confirmed plans of reorganization. KLK was also retained in the case of the Roman Catholic Bishop of San Diego, which resulted in settlement of a large portion of abuse claims, and an ultimate consensual dismissal of the bankruptcy case. In addition, KLK has done some work with RCCDG's finances prepetition (as referenced below) and is therefore familiar with RCCDG's accounting system and operations. Based on KLK's qualifications and unique experience, KLK believes that its employment is crucial to the reorganization of RCCDG in this case.

4. I make the following disclosures regarding prepetition funds received by KLK:

a. Prior to the commencement of the Reorganization Case, KLK was retained by Quarles & Brady LLP, RCCDG's proposed restructuring counsel, as a consulting expert to assist in analyzing RCCDG's financial affairs and preparing Schedules and Statements. KLK also provided some accounting services, because RCCDG's Chief Financial Officer had retired in June, 2013. KLK has neither required nor received a retainer.

b. RCCDG has paid KLK pre-petition for prepetition services performed and costs incurred.

5. No commitments have been made or received by KLK, nor any partner or associate thereof, as to compensation or payment in connection with these cases other than in accordance with the provisions of the Bankruptcy Code. KLK has no agreement with any other entity to share with such entity any compensation received by KLK in connection with this case.

6. KLK intends to apply for compensation for professional services rendered in connection with the Reorganization Case subject to approval of the Bankruptcy Court and in compliance with applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Bankruptcy Court's local rules and orders of the Bankruptcy Court, on an hourly basis, plus reimbursement of actual, necessary expenses and other charges that KLK incurs. The hourly rates to be charged to RCCDG are consistent with (and in most cases lower than) the rates KLK charges in bankruptcy and non-bankruptcy matters of this type. KLK has agreed to provide services to RCCDG at rates that are discounted by thirty percent (30%) from KLK's regular rates.

7. I will be the senior director responsible for the Reorganization Case with the assistance of John Gordon, a consulting manager, and Donna Williams and Conan Bardwell, Senior Consultants. The heavily discounted rate structure agreed upon for this matter is as follows, expressed in dollars per hour: Partner/Director: \$235; Manager: \$130; Supervisor: \$125; Senior: \$100; Associate: \$60; Administrative: \$35.

8. KLK knows of no conflict of interest arising from its pre-petition services to RCCDG that would outweigh the inherent efficiencies of retention by RCCDG in the Reorganization Case.

9. To the best of my knowledge, except as disclosed above, KLK has no connection with the United States Trustee, the United States Bankruptcy Judge assigned to this case, or any person employed by the Office of the United States Trustee, RCCDG's creditors or any other parties-in-interest, or their respective attorneys and accountants.

10. KLK is a "disinterested person" as that term is defined in 11 U.S.C. § 101(14), as modified by 11 U.S.C. § 1107(b), in that KLK, its partners, counsel and associates:

- a. are not creditors or insiders of RCCDG;

b. are not and were not, within two years before the date of filing of the Reorganization Case, a director, officer, or employee of RCCDG.

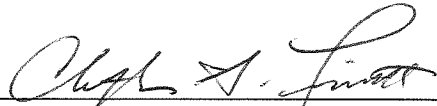
11. Upon information and belief, KLK neither holds nor represents any interest materially adverse to the interest of the estate or of any class of creditors, by reason of any direct or indirect relationship to, connection with, or interest in, RCCDG, or for any other reason. However, KLK reserves the right to supplement and amend this Verified Statement should KLK discover further pertinent relationships that require disclosure in this case.

12. In accordance with 11 U.S.C. § 504, KLK expressly confirms that no agreement or understanding exists between KLK and any other person for the sharing of any of KLK's compensation for professional services rendered or to be rendered in connection with representation of the Debtor in the Reorganization Case. Furthermore, KLK has not made and will not make any sharing of compensation, any agreement to share compensation, or any other agreement prohibited by 11 U.S.C. § 504 and/or 18 U.S.C. § 155.

13. Subject to the court's authorization of RCCDG's employment of KLK, it has been agreed that KLK will provide services to RCCDG in the Reorganization Case and in other related matters.

14. After conducting or supervising the investigation described above, I declare under penalty of perjury under the laws of the United States of America, that the foregoing is true and correct to the best of my knowledge, information and belief. I have made all of the foregoing statements on behalf of KLK in support of the Application and in compliance with Fed. R. Bankr. P. 2014(a). If called to testify, I would testify as I have stated herein.

DATED: November 12, 2013.


CHRISTOPHER G. LINSOTT