

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

In re:

BISHOP OF THE ROMAN CATHOLIC
CHURCH OF THE DIOCESE OF GALLUP,
an Arizona corporation sole,

Debtor.

Chapter 11

Case No. 13-13677-t11

**DEBTOR'S APPLICATION FOR AN ORDER AUTHORIZING THE EMPLOYMENT
OF QUARLES & BRADY LLP AS GENERAL REORGANIZATION AND
RESTRUCTURING COUNSEL FOR THE DEBTOR AND DEBTOR-IN-POSSESSION**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The Bishop of the Roman Catholic Church of the Diocese of Gallup, an Arizona corporation sole, the debtor and debtor-in-possession (the "**Arizona Entity**") 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, 329 and 1107, Fed. R. Bankr. P. 2014 and 2016, NM LBR 2016-1.1 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 law firm of Quarles & Brady LLP ("**Q&B**") as general reorganization and restructuring counsel for the Arizona Entity in this Reorganization Case.

This Application is supported by the verified statement of Susan G. Boswell, a partner of Q&B (the "**Boswell Statement**"), which is 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, the Arizona Entity represents as follows:

1. On November 12, 2013 (the “**Petition Date**”), the Arizona Entity filed its Chapter 11 petition for relief, thereby commencing the Reorganization Case. As of the Petition Date, the Arizona Entity is operating its business and managing its affairs as a debtor-in-possession pursuant to 11 U.S.C. §§ 1107(a) and 1108.

2. It is essential to the Arizona Entity’s reorganization efforts that it be represented by counsel in the Reorganization Case who have not only bankruptcy expertise, but also expertise in numerous other practice specialties (including, but not limited to, exempt organizations law, finance and commercial law, corporate law, the evaluation and conduct of commercial and personal injury litigation and bankruptcy law as it applies to religious organizations). Among general administrative matters, the Arizona Entity may need legal services regarding: (i) negotiation and refinement of the plan of reorganization; (ii) selection and coordination of the efforts of the expert(s) which may be employed by the Arizona Entity to ascertain the value(s) of the Arizona Entity’s assets, and to perform such other analyses as may be presented by the creditors and other interested parties in the Reorganization Case; (iii) evaluation of real and personal property issues, including insurance available to pay claims; (iv) evaluation and advice on the unique aspects of the Reorganization Case and the relationship between the Bankruptcy Code and applicable law and the religious law governing the activities and business of a Roman Catholic Diocese; (v) evaluation and prosecution, where appropriate, of any claims which should be asserted by the Arizona Entity; and (vi) such other activities as it may be reasonable and proper for the Arizona Entity to undertake in order to properly administer the Arizona Entity’s assets that are related to the administration of the Arizona Entity’s estate and to confirm a plan of reorganization.

3. As evidenced by the Boswell Statement, Q&B has the accessibility, experience, expertise, and resources that enable it to provide the multi-faceted legal services needed by the Arizona Entity in its reorganization matters. Of particular relevance to the Arizona Entity is the unique and extensive experience that Ms. Boswell and the team she has assembled have in representing distressed Catholic Dioceses throughout the United States in negotiating settlements of sexual abuse tort claims, and with out-of-court and bankruptcy court supervised restructurings. In addition to representing various Dioceses throughout the United States in their out-of-court restructuring and settlement of tort claims, Ms. Boswell and her team at Q&B also represented the Roman Catholic Diocese of Tucson and the Catholic Bishop of Northern Alaska in their Chapter 11 reorganizations which each successfully confirmed a plan of reorganization. Q&B also represented the Roman Catholic Bishop of San Diego which resulted in a settlement of a large portion of abuse claims, and an ultimate consensual dismissal of the bankruptcy case. Through this unique work, Ms. Boswell and her team at Q&B have tremendous knowledge and work experience with all aspects of a Chapter 11 reorganization case of a Roman Catholic Diocese. Therefore, the Arizona Entity wants to employ Q&B as its counsel and has asked Q&B to represent the Arizona Entity in such capacity.

4. The Arizona Entity has made arrangements for employment of Q&B as its counsel, for professional compensation of Q&B, and for reimbursement of Q&B's costs, disbursements and expenses, subject to approval by the Bankruptcy Court. Such arrangements regarding Q&B are described in the Boswell Statement and the exhibit thereto, and these are the only arrangements between Q&B and the Arizona Entity regarding this matter. By the signature of the authorized representative for the Arizona Entity on this Application, the Arizona Entity

expressly acknowledges, understands, and agrees to all of such arrangements, subject only to approval by the Bankruptcy Court.

5. As set forth in the Boswell Statement, the Arizona Entity has paid Q&B for its pre-petition services and costs in accordance with the terms of the letter of engagement, as amended, which is attached to the Boswell Statement as **Exhibit “1”** (the “**Engagement Letter**”).

6. As explained more fully in the Boswell Statement and in the addendum to the Engagement Letter, although the Engagement Letter references a retainer to be paid to Q&B, no retainer was paid and none is being held by Q&B. All amounts paid pre-petition to Q&B were paid for pre-petition services performed and costs incurred.

7. Subject to approval of the Bankruptcy Court, the Arizona Entity and Q&B have made the following agreements regarding employment of Q&B, compensation of Q&B for professional services rendered and reimbursements of Q&B for costs, disbursements, and other expenses which it incurs in this matter:

a. The Arizona Entity has agreed that Q&B is employed as its general restructuring counsel (effective as of the Petition Date, unless the Bankruptcy Court otherwise directs);

b. The Arizona Entity and Q&B have agreed that Q&B will charge for its professional services at hourly rates set forth in the Boswell Statement and the exhibit thereto, and that Q&B will be paid for its costs incurred in representing the Arizona Entity in this matter. The Engagement Letter is the only agreement of the Arizona Entity and Q&B 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 attorneys and legal assistants in order to adequately address and respond to the various matters and issues in the Reorganization Case. Q&B will attempt to avoid, to the extent possible, duplication of effort by the attorneys assigned to the Reorganization Case. In accordance with their respective years of experience and hourly rates, and subject to their schedules and other commitments, Q&B will allocate the services of Ms. Boswell, Ms. Lori Winkelman and Ms. Elizabeth Fella to provide the greatest benefit to the Arizona Entity (and the estate) in the most cost-effective manner.

d. In addition to the involvement of the foregoing attorneys, other Q&B attorneys 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 attorneys may be utilized, where appropriate and as needed, to assist with case management and administration; to assist in specialized matters such as litigation issues; to research and analyze discrete bankruptcy issues; and to prepare pleadings. However, to the extent attorneys 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 research projects or for basic drafting of pleadings. Moreover, to the extent it may be necessary to utilize new attorneys 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 attorneys in becoming familiar with the Reorganization Case.

e. In addition to the attorneys who will be used in the Reorganization Case, Q&B will provide services to the Arizona Entity through the use of legal assistants. The legal assistant services will be for substantive legal services rendered in conjunction with the Reorganization Case and will not be for clerical services.

8. The Arizona Entity is authorized to pay Q&B on a monthly basis, upon receipt of Q&B's billing statements and prior to the Court's approval of Q&B'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 the Arizona Entity will make Interim Payments to Court-approved professional persons retained by the Arizona Entity and any official committee on a pro rata basis. Such payments are to be made from funds of the estate. The Arizona Entity may make Interim Payments to Q&B based on services charged at the hourly rates set forth in the Boswell Statement.

9. The services provided by Q&B will not duplicate or overlap the efforts of any other professional retained by the Arizona Entity. In particular, the Arizona Entity has sought or will be seeking to employ the following professionals:

- (a) Walker & Associates, P.C. as New Mexico co-counsel
- (b) Keegan, Linscott & Kenon, P.C. as financial consultants and accountant

10. Q&B has been retained by the Arizona Entity (subject to Court approval) to serve as its general restructuring counsel in the Reorganization Case. Walker & Associates, P.C. has been or will be retained (subject to Court approval) as New Mexico co-counsel in the

Reorganization Case. Keegan, Linscott & Kenon, P.C. will be retained (subject to Court approval) as accountants and financial consultants for the Arizona Entity. 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 each is essential to the Arizona Entity's reorganization efforts.

11. By the signature of Bishop James S. Wall on this Application, the Arizona Entity expressly acknowledges, understands and agrees to all of the arrangements referenced in the Boswell Statement and the exhibit thereto, subject only to approval by the Bankruptcy Court.

12. Except as may be disclosed in the Boswell Statement and to the best of the Arizona Entity's knowledge, information and belief, Q&B does not have any connections with the Arizona Entity in the Reorganization Case, the creditors of the Arizona Entity'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. To the best of the Arizona Entity's understanding, the information disclosed by Q&B in the attached Boswell Statement does not preclude Q&B from representing the Arizona Entity under applicable law and ethical rules. To the extent that Q&B has been able to determine, Q&B does not have any connection to any of the creditors or other parties in interest in the Reorganization Case except as disclosed in the Boswell Statement. As further reflected in the Boswell Statement and in accordance with 11 U.S.C. §§ 101(14), 327, and 328, Q&B is "disinterested"; Q&B does not represent any entity in the Reorganization Case which has any interest adverse to the Arizona Entity; Q&B does not hold an interest adverse to the Arizona Entity in the Reorganization Case; and Q&B will not represent any such other entity which may have an interest adverse to the Arizona Entity or its estate in the Reorganization Case during Q&B's employment as counsel for the Arizona Entity.

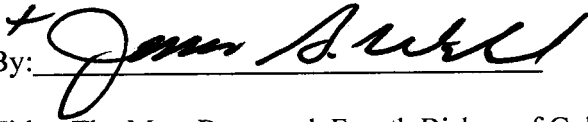
As stated in the Boswell Statement, Q&B will continue to follow its established procedures for determining whether any additional disclosures should be made as the case progresses and will update its disclosures as required during the pendency of the Reorganization Case.

13. The Arizona Entity respectfully requests immediate consideration of this Application. The continuance of the Arizona Entity's operations and negotiations with creditors, as well as the Arizona Entity's obligations under the Bankruptcy Code, require that the Arizona Entity have the immediate and substantial assistance of counsel in the Reorganization Case.

WHEREFORE, the Arizona Entity respectfully requests that the Bankruptcy Court enter its Order: (i) granting the relief requested by the Arizona Entity in this Application; (ii) authorizing the employment of Q&B as counsel for the Arizona Entity 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.

BISHOP OF THE 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 Quarles & Brady LLP as General Reorganization and Restructuring Counsel for 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:

BISHOP OF THE ROMAN CATHOLIC
CHURCH OF THE DIOCESE OF GALLUP,
an Arizona corporation sole,

Debtor.

Chapter 11

Case No. 13-13677-t11

**VERIFIED BANKRUPTCY RULE 2014(a) AND 2016(b) STATEMENT OF SUSAN G.
BOSWELL WITH RESPECT TO DEBTOR'S APPLICATION FOR AN ORDER
AUTHORIZING THE EMPLOYMENT OF QUARLES & BRADY LLP AS GENERAL
REORGANIZATION AND RESTRUCTURING COUNSEL FOR THE DEBTOR AND
DEBTOR-IN-POSSESSION**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

I, Susan G. Boswell, 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 a practicing lawyer, and a partner in the law firm of Quarles & Brady LLP (“**Q&B**”) which has offices in Arizona, Wisconsin, Illinois, Florida, Washington, D.C. and China. I am duly authorized by Q&B to make all statements which I have made herein on behalf of Q&B and with respect to the “Debtor’s Application for an Order Authorizing the Employment of Quarles & Brady LLP as General Reorganization and Restructuring Counsel for the Debtor and Debtor-In-Possession” (the “**Application**”) and this Verified Statement in support of the Application (the “**Boswell Statement**”) filed in the Chapter 11 reorganization case (the “**Reorganization Case**”) of the Bishop of the Roman Catholic Church of the Diocese of Gallup, an Arizona corporation sole (the “**Arizona Entity**”).

3. Since 1977, I have been licensed to practice law before all state and federal courts sitting in Arizona, including the Arizona Supreme Court and the United States District Court

(and Bankruptcy Court) for the District of Arizona. I am also licensed to practice before the state and federal courts of Nevada. I am admitted to practice before the United States Court of Appeals for the Ninth Circuit. I and other members of Q&B have been admitted to practice *pro hac vice* in proceedings before Bankruptcy Courts and United States District Courts sitting in a number of districts outside of Arizona.

4. In 2000, the firm of Streich Lang, P.A. (the “**Streich Firm**”) merged with Quarles & Brady LLP and the firm in Arizona became known as Quarles & Brady Streich Lang LLP. In 2007, all offices of Quarles & Brady LLP, including the Arizona offices, became known as Quarles & Brady LLP. I practiced law with the Streich Firm from 1987 until the merger and I have practiced law with Q&B since the merger. I have concentrated my practice in bankruptcy law, particularly in complex business bankruptcy reorganization cases, since approximately 1980. I also have extensive experience in commercial litigation both in and out of Bankruptcy Court. Consequently, I have provided broad bankruptcy and Chapter 11 representation in innumerable business bankruptcy cases.

5. Q&B is a general practice law firm of approximately 450 lawyers whose specialty practice areas include, among other things bankruptcy, exempt organizations, commercial finance, insurance litigation, corporate finance and securities, environmental, financial institutions and banking, intellectual property, labor and employment, litigation, and real estate.

6. In addition to the Q&B bankruptcy department’s extensive experience providing representation in commercial bankruptcy cases throughout the United States, the attorneys in Q&B’s bankruptcy and creditor’s rights section, like myself, have substantial experience representing Roman Catholic Dioceses throughout the United States with respect to out-of-court and bankruptcy court supervised restructurings, as well as on issues of structure and operations

in a civil and canon law context. In addition to representing various Dioceses throughout the United States in their out-of-court restructuring and related issues, I, along with a team from Q&B also represented the Roman Catholic Diocese of Tucson and the Catholic Bishop of Northern Alaska in their Chapter 11 reorganizations each of which resulted in a confirmed plan of reorganization. Q&B also represented the Roman Catholic Bishop of San Diego, which resulted in a settlement and an ultimate consensual dismissal of the Chapter 11 case. Through those experiences, attorneys at Q&B have gained extensive experience with all aspects of a diocesan reorganization and related law, including, but not limited to, the First Amendment and related constitutional issues as they pertain to a religious entity in a Chapter 11 case.

7. Prior to the commencement of the Reorganization Case, Q&B performed services and incurred costs in the representation of the Arizona Entity for which Q&B was paid in accordance with the terms of the agreement between the Arizona Entity and Q&B as set forth in more detail in the Engagement Letter dated August 6, 2013 and amended as of November 11, 2013, a correct copy of which is attached hereto as **Exhibit “1”** and by this reference incorporated herein (the “**Engagement Letter**”). Q&B has not received any retainer from the Arizona Entity.

8. In accordance with 11 U.S.C. § 504 and as required by Fed. R. Bankr. P. 2016, I hereby expressly confirm that no agreement or understanding exists between Q&B and any other person for the sharing of any of Q&B’s compensation for professional services rendered or to be rendered to the Arizona Entity in, or in connection, with the Reorganization Case; furthermore, Q&B 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. All

agreements related to the representation of the Arizona Entity by Q&B and the hourly rates and charges for costs to be reimbursed are as disclosed in the Engagement Letter.

9. Q&B 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 Q&B incurs. The hourly rates to be charged to the Arizona Entity are consistent with (and in most cases lower than) the rates Q&B charges in bankruptcy and non-bankruptcy matters of this type. I will be the senior attorney responsible for the Reorganization Case with the assistance of Lori L. Winkelman and Elizabeth S. Fella. Ms. Winkelman, a partner at Q&B, has substantial experience in Chapter 11 cases and was involved in the Catholic Bishop of Northern Alaska and Roman Catholic Bishop of San Diego Diocese cases. Ms. Fella also has significant experience in Chapter 11 cases and assisted with the Catholic Bishop of Northern Alaska case. Ms. Fella also clerked for the Honorable Sarah S. Curley prior to her employment at Q&B. The rate structure agreed upon between the Arizona Entity and Q&B for this matter is as follows: Senior Partner: \$375 per hour; Junior Partner: \$300 per hour; Senior Associate: \$250 per hour; Junior Associate: \$200 per hour; and Paralegal: \$125 per hour. With respect to my rate, I will bill the Arizona Entity at the rate for a Senior Partner for the first 125 hours of my time spent on the Reorganization Case commencing on August 1, 2013. After I have billed 125 hours to matters for the Arizona Entity, my hourly rate will increase to \$495 per hour throughout the remainder of the representation. The Arizona Entity and Q&B understand that all fees and costs incurred in

representation of the Arizona Entity in the Reorganization Case are subject to Bankruptcy Court approval.

10. As with all matters in which Q&B is engaged, Q&B conducted a conflicts search in accordance with its policies and procedures and consistent with its ethical obligations. The investigation of disinterestedness made by Q&B prior to submitting this statement consisted of the following: Q&B followed its established procedures for conducting a conflicts search based upon information provided to it by the Arizona Entity's affiliate, the Roman Catholic Church of the Diocese of Gallup ("RCCDG"), a New Mexico corporation sole (because the Arizona Entity believes it has no creditors of its own) and consisting of, among other things, the master mailing list to be filed in the Reorganization Case for RCCDG (which will also be filed for the Arizona Entity out of an abundance of caution, even though RCCDG is unaware of any creditors of the Arizona Entity that are not also creditors of RCCDG). Q&B also searched a list of vendors provided by RCCDG (since the Arizona Entity has no vendors) with whom RCCDG had done business in the last year, without regard to whether such vendors were or might be creditors in the Reorganization Case. The search was conducted in accordance with procedures established at Q&B and utilized with respect to all matters in which Q&B has been requested to provide representation. Furthermore, as more information became available and additional potential creditors or connections were identified, Q&B followed this same procedure and updated its search. Following the employment of Q&B and through the pendency of the Reorganization Case, these same procedures will be followed and supplemental disclosure will be made to the Bankruptcy Court if necessary.

11. Based on the conflicts search conducted to date and described herein, to the best of my knowledge, neither I, Q&B, nor any partner, counsel or associate thereof, insofar as I have

been able to ascertain, has any connection with the Arizona Entity, its creditors or any other parties-in-interest, or their respective attorneys and accountants, nor with the United States Trustee or any person employed in the office of the United States Trustee.

12. Q&B 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 Q&B, its partners, counsel and associates:

- a. are not creditors or insiders of the Arizona Entity;
- b. are not and were not, within two years before the date of filing of the Reorganization Case, a director, officer, or employee of the Arizona Entity.

13. There is no connection between myself and any attorney at Q&B and any United States Bankruptcy Judge in this District, or to the United States Trustee for this District or any employee thereof.

14. As of the Petition Date, the Arizona Entity does not owe Q&B any amounts for legal services rendered before the Petition Date. All amounts paid were paid in the ordinary course of the business relationship between the Arizona Entity and Q&B and pursuant to agreement between the Arizona Entity and Q&B. Therefore, to the best of my knowledge, information and belief, such payment would not constitute a preference within the meaning of 11 U.S.C. § 547.

15. As stated above, Q&B does not believe that the Arizona Entity has any creditors.

16. Q&B will periodically review its files during the Reorganization Case to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise, Q&B will use reasonable efforts to identify any such further developments and will promptly file a supplemental affidavit as Fed. R. Bankr. P. 2014(a) requires.

17. The Arizona Entity and Q&B do not believe that any of the matters disclosed in the preceding paragraphs are materially adverse to the Arizona Entity's estate or any of its creditors nor do such matters present any actual or potential conflicts of interest affecting Q&B's representation of the Arizona Entity. In addition, pursuant to 11 U.S.C. § 327(c), Q&B is not disqualified from acting as Debtor's counsel merely because it represents certain creditors and other parties-in-interest in unrelated matters. As stated, Q&B has never represented any such potential creditors or parties-in-interest with respect to any matters involving the Arizona Entity. Furthermore, Q&B is a "disinterested person" within the meaning of 11 U.S.C. §§ 101(13), 328 and 1103(b).

18. To the best of Q&B's information and belief, Q&B is not a creditor. In addition, Q&B is not an insider of the Arizona Entity.

19. Upon information and belief, Q&B 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, the Arizona Entity, or for any other reason.

20. Subject to the court's authorization of the Arizona Entity's employment of Q&B, it has been agreed that Q&B will represent the Arizona Entity in the Reorganization Case and in other related matters.

21. Based upon the foregoing, Q&B is eligible to be employed as general reorganization and restructuring counsel for the Arizona Entity.

22. 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 Q&B in support of the Application and in compliance with Fed. R. Bankr. P. 2014(a) and 2016(b). If called to testify, I would testify as I have stated herein.

DATED: November 12, 2013.

/s/ Susan G. Boswell
SUSAN G. BOSWELL

EXHIBIT “1”



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Suite 1700
Tucson, Arizona 85701-1621
Tel 520.770.8700
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*Attorneys at Law in:
Phoenix and Tucson, Arizona
Naples, Florida
Chicago, Illinois
Milwaukee and Madison, Wisconsin*

Susan G. Boswell
Writer's Direct Dial: 520.770.8713
E-Mail: susan.boswell@quarles.com

August 6, 2013

PRIVILEGED AND CONFIDENTIAL

VIA HAND DELIVERY

Roman Catholic Church of the Diocese of Gallup
c/o The Most Reverend James S. Wall, Bishop of Gallup
711 South Puerco
Gallup, New Mexico 87301

RE: *Legal Representation*

Dear Bishop Wall:

We previously sent the Roman Catholic Church of the Diocese of Gallup ("Diocese of Gallup"), a New Mexico religious corporation sole, an engagement letter dated April 26, 2012, when our representation of the Diocese of Gallup commenced (the "Original Engagement Letter"). You accepted the Original Engagement Letter, and we have been providing legal services to the Diocese of Gallup in connection with the financial affairs of the Diocese of Gallup and related matters. We have jointly determined that it may be in the best interests of the Diocese of Gallup to file a petition pursuant to Chapter 11 of the Bankruptcy Code in order to facilitate the Diocese of Gallup's reorganization of its financial affairs (the "Reorganization Case"). Therefore, given the present circumstances and the impending Reorganization Case, we have jointly determined that it is appropriate to modify the terms of our engagement. We, again, thank you for your expression of confidence in Quarles & Brady LLP ("Q&B" or "we"). This letter serves to amend and supplement the Original Engagement Letter.

1. *Client; Scope of Representation.* In addition to the services we have been providing to the Diocese of Gallup, our services for the Diocese of Gallup will now also include the consideration of, and if necessary, initiation and prosecution of the Reorganization Case.

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Bishop James S. Wall
August 6, 2013
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2. *Costs.* We will continue to provide services in the Reorganization Case as we have previously, on the basis of hourly rate multiplied by the time spent on your behalf, measured generally in tenths of an hour. However, we have agreed to the following rate structure: Senior Partner: \$375 per hour; Junior Partner: \$300 per hour; Senior Associate: \$250 per hour; Junior Associates: \$200 per hour and Paralegal: \$125 per hour. With respect to my rate, I will bill the Diocese of Gallup the rate for a Senior Partner for the first 125 hours of my time spent on the Diocese of Gallup matter commencing on August 1, 2013. After I have billed 125 hours to matters for the Diocese of Gallup, my hourly rate will increase to \$495 per hour throughout the remainder of the representation.

As you know, we cannot be a creditor of the Diocese of Gallup at the time the Reorganization Case is filed. Therefore, because of the possibility of a Reorganization Case, it is necessary to have a fee arrangement that will allow Q&B to not only bill on a more frequent basis, but also to be paid for time based upon an estimate. This letter will confirm our agreement that you have provided (or will provide) Q&B with a total retainer of \$200,000 (the "Retainer"). This letter will also confirm that the Diocese of Gallup has agreed, in exchange for the contemporaneous services we are and will be rendering, that we will pay the bills immediately out of the Retainer. We will then send the bills to you showing the amount billed, the amount of the Retainer applied, and the amount of the Retainer remaining.

In addition, this letter will confirm that just prior to filing the Reorganization Case, we can estimate the number of hours that will be worked up to the time of filing and that such estimate will be paid out of the Retainer. If, for any reason the estimated hours (and corresponding amount) are less than the amount applied, the balance remaining will become a credit for the Diocese of Gallup to be held and applied in accordance with the requirements of the Bankruptcy Code, the Bankruptcy Rules and any orders of the Bankruptcy Court.

After the Reorganization Case commences, Q&B will apply to the Bankruptcy Court, from time to time, for allowance of its professional compensation and expense reimbursements. Subject to orders of the Bankruptcy Court, Q&B will have the right and option (exercisable in its sole and absolute discretion): (i) to apply the balance of the Retainer wholly or partially to pay its allowed professional compensation and expense reimbursements; and/or (ii) to obtain such payment from available assets of the Diocese of Gallup's estate. Also, we may ask the Bankruptcy Court to approve a procedure which will allow Q&B to bill and be paid on a monthly basis.

3. *Conflicts.* Based on our current knowledge, we are not aware of anything which precludes Q&B from undertaking this representation in accordance with the applicable provisions of the Bankruptcy Code and applicable rules of ethics for our profession. We will continue to review information to be provided to Q&B regarding actual or potential creditors ("Potential Creditors"). At this point, we do not know if any of the Potential Creditors will actually be creditors or parties-in-interest in the Reorganization Case. Generally, the interests of

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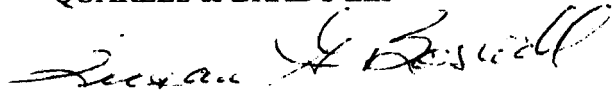
Bishop James S. Wall
August 6, 2013
Page 3

the Potential Creditors and the Diocese of Gallup in the Reorganization Case are not and likely will not become adverse. However, if those circumstances change, so that an actual conflict arises, we would not represent either any of the Potential Creditors or the Diocese of Gallup, and the Diocese of Gallup would be represented in that instance by other counsel.

This letter agreement amends the Original Engagement Letter and, except as amended and supplemented by this letter agreement, the Original Engagement Letter and the terms of the other engagement of Q&B by the Diocese of Gallup is hereby confirmed. If you are in agreement with the terms of this letter, please sign below and return this letter to me.

Very truly yours,

QUARLES & BRADY LLP



Susan G. Boswell

ACCEPTED AND AGREED

The undersigned, by duly authorized signature below, agrees to engage Quarles & Brady LLP pursuant to the terms set forth in this letter.

Roman Catholic Church of the Diocese of Gallup

By James S. Wall

Its Bishop of Gallup

James S. Wall

(Print Name)

24 September 2013

(Date)

ADDENDUM TO ENGAGEMENT LETTER DATED AUGUST 6, 2013

This Addendum relates to the engagement letter dated August 6, 2013, between the Diocese of Gallup and Q&B (the "August 6th Engagement Letter"). Unless otherwise defined herein, all capitalized terms shall have the same meaning as set forth in the August 6th Engagement Letter.


Pursuant to the August 6th Engagement Letter, the Diocese of Gallup agreed to provide the Retainer and pay on a current basis for fees and costs incurred by Q&B prior to the filing of the Chapter 11, and Q&B agreed to provide services and bill for such services. By signing below, the Diocese of Gallup and Q&B acknowledge, notwithstanding the reference in the August 6th Engagement Letter, the Diocese of Gallup did not provide the Retainer, but did pay all prepetition amounts owing to QB for prepetition services and costs.

Further, the August 6th Engagement Letter is amended as follows: the definition of the Diocese of Gallup also includes the Roman Catholic Church of the Diocese of Gallup, a New Mexico corporation sole, and the Bishop of the Roman Catholic Church of the Diocese of Gallup, an Arizona corporation sole.

All other provisions of the August 6th Engagement Letter, unless specifically addressed herein, remain in full force and effect.

Accepted and Agreed:

The undersigned, by duly authorized signature below, agrees to the provision of this Addendum.

By 
Its Bishop of Gallup
Print name: James S. Wall

Dated: November 11, 2013.