

**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 Jointly Administered with:
Jointly Administered with: BISHOP OF THE ROMAN CATHOLIC CHURCH OF THE DIOCESE OF GALLUP, an Arizona corporation sole. This pleading applies to: <input checked="" type="checkbox"/> All Debtors. <input type="checkbox"/> Specified Debtor.	Case No. 13-13677-t11

**DEBTORS' SECOND MOTION FOR ORDER EXTENDING
THE EXCLUSIVITY PERIODS**

Roman Catholic Church of the Diocese of Gallup (“**RCCDG**”) and Bishop of the Roman Catholic Church of the Diocese of Gallup (the “**Arizona Entity**,” and collectively with RCCDG, the “**Debtors**”) respectfully request that the Court enter an Order extending the Debtors’ exclusivity periods under Bankruptcy Code § 1121(b), (c)(2), and (c)(3) in the above-captioned, jointly administered Chapter 11 reorganization cases (the “**Reorganization Cases**”) through May 12, 2015 and July 10, 2015, respectively. As discussed more fully herein, extension of exclusivity will facilitate moving the case forward toward a cost-effective, fair, and equitable resolution.

MEMORANDUM OF POINTS AND AUTHORITIES

I. JURISDICTION.

The Court has jurisdiction over this Motion by virtue of 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). The grounds for the relief requested herein include 11 U.S.C. §§ 105 and 1121(d).

II. BACKGROUND.

On November 12, 2013 (the “**Petition Date**”), the Debtors’ commenced the Reorganization Cases by filing voluntary Chapter 11 petitions. The Debtors are debtors-in-possession under 11 U.S.C. §§ 1107 and 1108.

The organization and background of the Debtors, and the relationship among them, the Diocese, the Parishes and various other entities within the geographic territory of the Diocese are described in the “Declaration of Bishop James S. Wall in Support of Chapter 11 Petition and First Day Motions” [Dkt. No. 19] which is herein incorporated by this reference.

The Debtors filed the Reorganization Cases to help focus their efforts and limited financial resources to bring healing to those who were abused, parishioners, and others affected by the past acts of sexual abuse committed by clergy and others associated with the Diocese or who ministered within the geographic area of the Diocese. The Debtors seek to accomplish these goals by reorganizing their financial affairs pursuant to a plan of reorganization that will, among other things, fairly, justly, and equitably compensate those who were damaged because of sexual abuse by clergy or other workers in the Diocese, while allowing the Diocese to continue its ministry and mission, including providing counseling and other services to those who have been harmed and serving an underserved area and population with needed services.

On December 17, 2013, the US Trustee appointed an Unsecured Creditors’ Committee (the “**Committee**”). Even before that time (indeed, since the Petition Date), the Debtors have

endeavored to work with the attorney who was eventually appointed as counsel for the Committee to explore the possibility of a consensual plan of reorganization. In connection with this, the Debtors are working with the Committee on possible sources for funding a plan of reorganization and analysis of insurance coverage to maximize recovery to the creditors. On February 11, 2014, the Debtors applied for an extension of exclusivity because they needed additional time to continue to gather such information and provide it to the Committee, so that the parties could discuss a potential consensual plan in an informed and productive manner.

Since the Court granted the prior exclusivity period extension, the Debtors have retained an insurance archaeologist, obtained a claims bar date order and performed all required publishing and noticing related thereto, and produced a substantial amount of documents to the Committee pursuant to their informal document requests. The Debtors and the Committee have also agreed on a mediator for which they will be seeking approval from the Court and expect to conduct a mediation in an attempt to outline a consensual plan sometime in the fall of 2014.

While the Debtors have made progress toward identifying potential sources that might be used to fund a plan of reorganization, there is still work to be done and the Debtors hope that with more time, the Debtors and the Committee can agree on a consensual plan. In addition, until the universe of claims was determined, it was not possible to discuss what plan terms might be acceptable. The Debtors' exclusive period to file a plan of reorganization expires on September 8, 2014 (the "**Filing Period**") and the Debtors' exclusive period to solicit acceptances of such plan expires on November 10, 2014 (the "**Acceptance Period**").

Accordingly, the Debtors respectfully request that the Court enter an order extending the exclusive Filing Period through May 12, 2015, and the exclusive Acceptance Period through July

10, 2015. The relief requested in this Motion is a necessary step in bringing the Reorganization Cases to a successful conclusion.

III. ARGUMENT.

Under Bankruptcy Code § 1121(d), a debtor may request an extension of the time periods set forth in Bankruptcy Code § 1121(c), commonly referred to as the “exclusivity period,” on a showing of cause. In determining whether cause for an extension of exclusivity exists “a transcendent consideration is whether adjustment of exclusivity will facilitate moving the case forward toward a fair and equitable resolution.” *In re Henry Mayo Newhall Mem’l Hosp.*, 282 B.R. 444, 452 (B.A.P. 9th Cir. 2002).¹ Additionally, “cause may be measured by a more lenient standard” when determining whether to grant an extension of the exclusive solicitation period under Bankruptcy Code § 1121(c)(3). *In re Mid-State Raceway, Inc.*, 323 B.R. 63, 68 (Bankr. N.D.N.Y. 2005) (quoting *In re Perkins*, 71 B.R. 294, 299 (Bankr. W.D. Tenn. 1987)).

Among the factors in the Reorganization Cases which favor a finding of cause for an extension, as set forth in further detail below, are: (i) the Reorganization Cases have not been pending for an unreasonable amount of time given their complexity; (ii) the Debtors have proceeded expeditiously and in good faith; (iii) the Debtors have made satisfactory progress negotiating with key creditors and creditor constituencies; (iv) the Debtors continue to make

¹ Some courts consider the following factors in determining cause for an extension of exclusivity: (1) the size and complexity of the case; (2) the necessity of sufficient time to permit the debtor to negotiate a plan of reorganization and prepare adequate information to allow a creditor to determine whether to accept such plan; (3) the existence of good faith progress towards reorganization; (4) the fact that the debtor is paying its bills as they become due; (5) whether the debtor has demonstrated reasonable prospects for filing a viable plan; (6) whether the debtor has made progress in negotiations with its creditors; (7) the amount of time that has elapsed in the case; (8) whether the debtor is seeking an extension of exclusivity in order to pressure creditors to submit to the debtor’s reorganization demands; and (9) whether an unresolved contingency exists. *See In re Adelpia Commc’ns Corp.*, 352 B.R. 578, 586-87 (Bankr. S.D.N.Y. 2006) (citing *In re Dow Corning Corp.*, 208 B.R. 661, 664 (Bankr. E.D. Mich. 1997)).

significant progress in identifying potential insurance policies and coverage, determining property available for sale, and determining other means by which the Debtors may raise the funds required to effectuate a plan; and (v) the Debtors are not seeking an extension to pressure creditors. As described below, an analysis of these factors reveals that extending exclusivity periods in the Reorganization Cases will facilitate moving the cases forward toward a fair and equitable resolution. In light of the considerable progress thus far in the Reorganization Cases, sufficient cause exists to extend exclusivity, as requested herein.

As a preliminary matter, the Reorganization Cases have not been pending for an unreasonable amount of time, given their complexity. While these Debtors do not have significant assets, that does not make these cases any less complex. The Debtors have records spanning approximately 75 years of the Diocese's existence; many of those records are incomplete, requiring Debtors' counsel to look to other means in which to identify all the necessary information needed to begin meaningful discussions towards a consensual plan of reorganization.

The Debtors, their counsel and the Committee have gathered and received a substantial volume of records in which to sort through and evaluate. Additionally, much of the information needed has required working with a variety of third-parties. Given the challenges that have been described in prior pleadings, the parties are working to gather and evaluate all the information as expeditiously as possible.

The Debtors continue to engage in discussion with the Committee and to explore potential sources of the funds the Debtors will need to effectuate a plan. The Debtors are working harmoniously with the Committee to provide all documentation the Committee informally requested they provide. Their attorneys now engage in regular status calls to try to

work out anticipated issues economically and consensually, and to move the case forward. The Debtors and Committee were awaiting the expiration of the claims bar date, set for August 11, 2014 (which has only passed in the last day), in order to fully evaluate the realm of claims from all creditors. Once the Debtors and Committee evaluate the claims, the parties will have the information needed to participate in mediation and have meaningful discussions regarding a consensual plan.

The Debtors have also been working in good faith to determine the extent of the real property owned by the Debtors that is not used to carry out their mission and ministry and to figure out how to realize cash from such property. In addition, the Debtors have engaged Insurance Archaeology Group (“**IAG**”) to assist in obtaining a clear understanding of their insurance situation as well as identifying other entities that might have indemnification or contribution obligations to the Debtors for the abuse that occurred many decades ago.

Finally, it is clear from the foregoing that the Debtors have been proceeding expeditiously and in good faith. The extension is not sought to pressure creditors, but rather as means to allow the parties more time to complete the claims bar date process, evaluate the claims that are received, conclude the insurance investigation, allow the Committee time to process such information, conduct a meaningful mediation with the Committee and other constituencies, and allow the Debtors the ability to have all the information required to proposed a thorough and consensual plan of reorganization and disclosure statement.

IV. CONCLUSION.

The Debtors believe that extending exclusivity will facilitate further and more meaningful negotiations with key creditors and creditor constituencies as opposed to submitting a plan now that has not been previewed or discussed with the Committee. Also, based on the

experience of Debtors' counsel in these types of cases, a mediation in advance of submission of a plan can move the case forward and submission of a plan that has not been previewed or discussed with the Committee can sometimes be counterproductive. While the Debtors recognize that at some point it may be necessary to file a nonconsensual plan, now is not the time and could be detrimental to a consensual resolution at this time.

Based on the foregoing, and for good cause shown, the Debtors respectfully request the Court enter an Order:

- A. Extending the exclusive Filing Period through May 12, 2015, and the exclusive Acceptance Period through July 10, 2015; and
- B. Granting such other relief as is just under the circumstances.

RESPECTFULLY SUBMITTED this 12th day of August, 2014.

/s/ Susan G. Boswell

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CERTIFICATE OF SERVICE

Pursuant to F.R.C.P. 5(b)(3), F.R.B.P. 9036, NM LBR 9036-1(b), I hereby certify that service of the foregoing “Debtors’ Second Motion For Order Extending The Exclusivity Periods” was made on August 12, 2014 via e-mail and/or the notice transmission facilities of the Bankruptcy Court’s case management and electronic filing system on the following parties:

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