

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW MEXICO

<p>In re:</p> <p>ROMAN CATHOLIC CHURCH OF THE DIOCESE OF GALLUP, a New Mexico corporation sole,</p> <p style="text-align: center;">Debtor.</p> <hr/> <p>Jointly Administered with:</p> <p>BISHOP OF THE ROMAN CATHOLIC CHURCH OF THE DIOCESE OF GALLUP, an Arizona corporation sole.</p> <p>This pleading applies to:</p> <p><input checked="" type="checkbox"/> All Debtors. <input type="checkbox"/> Specified Debtor.</p>	<p>Chapter 11</p> <p>Case No. 13-13676-t11</p> <p><b>Jointly Administered with:</b></p> <p>Case No. 13-13677-t11</p>
<p>Roman Catholic Church of the Diocese of Gallup,  Debtor(s).</p> <p>John M.H. Doe,  Plaintiff,</p> <p style="text-align: center;">v.</p> <p>Roman Catholic Church of the Diocese of Gallup, et al.,  Defendant(s).</p>	<p>Case No.: 13-13676-t11 Adversary No.: 14-01033-t</p> <p>Date: November 10, 2015 Time: 9:00 a.m. Place: Hearing Room 13102 U.S. Bankruptcy Court Dennis Chavez Federal Building 500 Gold Avenue, S.W., 13<sup>th</sup> Floor Albuquerque, NM 97102</p>
<p>Roman Catholic Church of the Diocese of Gallup,  Debtor(s).</p> <p>Alfred A. Moya,  Plaintiff,</p> <p style="text-align: center;">v.</p> <p>Roman Catholic Church of the Diocese of Gallup, et al.,  Defendant(s).</p>	<p>Case No.: 13-13676-t11 Adversary No.: 14-01034-t</p> <p>Date: November 10, 2015 Time: 9:00 a.m. Place: Hearing Room 13102 U.S. Bankruptcy Court Dennis Chavez Federal Building 500 Gold Avenue, S.W., 13<sup>th</sup> Floor Albuquerque, NM 97102</p>

**DECLARATION OF JAMES I. STANG IN SUPPORT OF  
OFFICIAL COMMITTEE OF UNSECURED CREDITORS'  
MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT  
OF PLAINTIFFS' MOTIONS TO REMAND ACTIONS TO STATE COURT**

I, James I. Stang, hereby declare:

1. I am a partner with the firm of Pachulski Stang Ziehl & Jones LLP ("PSZJ" or the "Firm"), and maintain an office at 10100 Santa Monica Boulevard, 13th Floor, Los Angeles, CA 90067. I am duly admitted to practice law in the State of California and the United States District Courts for the Southern, Eastern, Central and Northern Districts of California. I am authorized to submit this declaration (the "Declaration") in support of the *Official Committee of Unsecured Creditors' Memorandum of Points and Authorities in Support of Plaintiffs' Motions to Remand Actions to State Court*. I have personal knowledge of the matters stated herein.

2. On November 12, 2013 (the "Petition Date"), the Roman Catholic Church of the Diocese of Gallup (the "Diocese") and the Bishop of the Roman Catholic Church of the Diocese of the Gallup (collectively, the "Debtor") filed petitions under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

3. The Office of the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee") in this case on December 17, 2013 [Docket No. 118]. The Court entered an order approving the Firm's employment as counsel to the Committee on March 3, 2014 [Docket No. 185].

4. On April 27, 2015, the Court ordered the major parties-in-interest in the chapter 11 case to begin mediation. The Debtor, the Committee, The Catholic Mutual Relief Society of America and The Catholic Relief Insurance Company of America ("Catholic Mutual"), the New Mexico Guaranty Fund ("NMGF"), St. Bonaventure Indian School and

Mission, representatives of certain parishes, the Province of St. John the Baptist of the Order of Friars Minor (the “Franciscans”) participated. The Committee worked diligently to make sure all of the parties were fully informed when they came to the negotiation table. Prior to commencement of the mediation on June 10, 2015, the parties completed substantial due diligence of the Debtor’s assets and liabilities. The Committee, working with the Debtor, identified all of the Debtor’s real property and valued some of those properties through appraisals and broker opinions. The Debtor and the Committee investigated the existence of liability insurance with the assistance of professional insurance archeologists. The Committee, the Debtor and (presumably) the Franciscans evaluated liability coverage after consideration of written exchanges with Catholic Mutual and NMGF regarding coverage defenses. The Committee worked closely with state court counsel representing childhood sex abuse survivors to value the filed proofs of claims of represented and *pro se* survivors.

5. The parties failed to reach a mediated settlement of the chapter 11 case, the Committee believes, because the Debtor and its insurance carriers, despite sworn depositions of individual survivors of clergy sex abuse conducted no fair, independent claims evaluation. The last in-person mediation ended on June 11, 2015.

6. Given the failure of mediation and the need to resolve the sex abuse claims to facilitate a resolution of these chapter 11 cases, two abuse survivors, Alfred A. Moya and John M.H. Doe, determined that the actions they had filed pre-petition in Arizona state court against the Diocese (and others) for injuries they sustained as a result of clergy sex abuse should go forward (the “State Court Actions”) and the Committee concurred.<sup>1</sup>

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<sup>1</sup> Prior to their removal, the State Court Actions were pending as follows: (1) On August 12, 2010, Mr. Moya sued the Diocese, Our Lady of Guadalupe Church & Parish and the Estate of Clement Hageman in the Superior Court in the State of Arizona (Coconino County) (Case No. CV2010-00713). (2) On May 30, 2013, Mr. Doe sued the Diocese and Raul Sanchez in the Superior Court in the State of Arizona (Coconino County) (Case No. CV2013-

7. Accordingly, on July 8, 2015, Mr. Moya and Mr. Doe each filed a *Motion for Relief from Stay* (the “Stay Motions”) and the Committee filed its *Memorandum of Points and Authorities in Support of Stay Relief Motions*. The Court held a preliminary hearing on the Stay Motions on August 14, 2015; a final hearing is scheduled for November 10, 2015.

8. When the Stay Motions were filed, counsel to the Committee did not recall that the Debtor had previously removed the State Court Actions to the bankruptcy court.

9. On October 9, 2015, Mr. Moya and Mr. Doe each filed a *Motion to Remand Action to State Court* (the “Remand Motions”), pursuant to which they seek to have their cases remanded to state court where they will go forward should the Court grant the Stay Motions. The Committee supports the Movant’s request to remand the State Court Actions.

10. Clement Hageman is the named perpetrator in eighteen abuse claims filed against the Diocese, including the claim filed by Mr. Moya. Raul Sanchez is the named perpetrator in two abuse claims filed against the Diocese, including the claim filed by Mr. Doe.

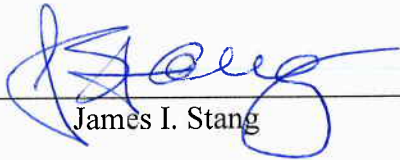
11. PSZJ served as counsel to the Official Committee of Unsecured Creditors in the chapter 11 bankruptcy case of the Catholic Diocese of Wilmington. There, the debtor had obtained a bankruptcy stay of abuse litigation against non-debtor affiliates. While the stay was in effect, the committee obtained a ruling that \$120 million of pooled investment funds was property of the estate. *See Official Committee of Unsecured Creditors v. Catholic Diocese of Wilmington, Inc. (In re Catholic Diocese of Wilmington, Inc.)*, 432 B.R. 135 (Bankr. D. Del. 2010), *reconsideration denied*, 437 B.R. 488 (Bankr. D. Del. 2010). Notwithstanding that ruling, the parties still could not settle. In the summer of 2010, Judge Sontchi refused to renew the stay for certain cases, the first of which, *John Vai v. St. Elizabeth’s Parish*, resulted in a multi-million

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state court verdict against the parish in December of 2010. Settlement of the entire chapter 11 case came quickly on the heels of that verdict.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 24<sup>th</sup> day of September 2015.

  
James I. Stang