MICHAEL J. PAUKERT
SHAUN M. CROSS
PAINE, HAMBLEN, COFFIN,
BROOKE & MILLER LLP
717 W. Sprague Avenue Suite 1200
Spokane, WA 99201-3505
(509) 455-6000
Attorneys for the Debtor

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF WASHINGTON

In Re: THE CATHOLIC BISHOP OF SPOKANE a/k/a THE CATHOLIC DIOCESE OF SPOKANE, a Washington corporation sole, Debtor.	Case No. 04-08822-PCW-11 **ORDER GRANTING MOTION FOR ORDER ESTABLISHING INTERIM FEE APPLICATION AND EXPENSE REIMBURSEMENT PROCEDURE**

This matter came before the Court on **Motion for Order Establishing Interim Fee Application and Expense Reimbursement Procedure [Docket #21]** of The Catholic Bishop or Spokane, a Washington corporation sole and the debtor and debtor in possession (the "Diocese" or "Debtor") in the above captioned Chapter 11 case (the "Reorganization Case"). In the Motion, the Debtor requests that the Court enter an order authorizing a procedure for professionals to: (i) receive payments of interim compensation on a monthly basis; and (ii) file periodic applications for approval of interim reimbursement of expenses

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T.S. McGREGOR, CLERK
U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

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incurred pursuant to Bankruptcy Code §331. There were no objections to the Motion filed with the Court.

Therefore, based upon the Motion, the arguments of counsel, and the entire record before the Court in this Chapter 11 case; and for good cause appearing,

IT IS ORDERED as follows:

A. The Motion is granted in all respects except as specifically modified in this Order.

B. All attorneys, financial consultants, and other professionals employed by the Debtor or the Official Committee of Tort Claimants (docket #91 herein the "Committee") that are subject to Bankruptcy Code provisions relating to the employment and compensation of professionals (hereinafter referred to individually as a "Professional") may seek compensation and reimbursement of expenses under the following procedure:

1. On or before the 25th day of each month commencing January, 2005, and continuing every calendar month thereafter, all counsel, financial consultants and other professionals ("Professional") seeking interim compensation for services provided in the previous calendar month shall submit a monthly statement (a "Monthly Statement") by first class U. S. Mail and also by facsimile or email to: (i) the Diocese of Spokane, 1023 W. Riverside, P.O. Box 1453, Spokane, Washington 99210-1453, Attn: Mike Miller; (facsimile) 509-358-7302; (email) mmiller@dioceseofspokane.org, (ii) counsel for the Diocese, Paine, Hamblen, Coffin, Brooke & Miller, LLP, 717 W. Sprague Avenue, Suite 1200, Spokane, Washington 99201, Attn: Michael J. Paukert; (facsimile) 509-838-0007; (email) michael.paukert@painehamblen.com, (iii) the Office of the United States Trustee, 593 U. S. District Courthouse, 920 W. Riverside Avenue, Spokane, Washington 99201, Attn: Gary Dyer; (facsimile) 509-353-3124; (email) gary.w.dyer@usdoj.gov, and (iv)

counsel for the Official Committee of Tort Claimants, Riddell Williams P.S., Suite 4500, 1001 Fourth Avenue, Seattle, Washington, Attn: Joseph E. Shickich, (facsimile) 206-389-1708, (email) jshickich@riddellwilliams.com (collectively the "Notice Parties").

2. Each Monthly Statement shall contain a detailed itemization of each service provided and shall identify the person who provided the service, the time expended by the person who provided the service, the date the service was provided as well as a detailed list of the disbursements and costs made and incurred by the Professional in connection with the services provided. The Notice Parties who receive a Monthly Statement shall have fourteen (14) calendar days after its receipt by facsimile or e-mail to serve notice of any objection such Notice Parties may have to the Monthly Statement ("Notice of Objection to Monthly Statement") in accordance with paragraph 3 below. If no objection is timely served, then the Monthly Statement shall be deemed approved on an interim basis and the Diocese is authorized to pay eighty percent (80%) of the fees and one hundred percent (100%) of the expenses described in each Monthly Statement. If an objection is timely served by one or more Notice Parties in accordance with paragraph 3, below, then the Diocese, nevertheless, is authorized to pay the appropriate percentage of those undisputed amounts requested in the Monthly Statement.

3. In the event one or more of the Notice Parties objects to the compensation or reimbursement sought in any particular Monthly Statement, the objecting Notice Parties shall, within fourteen (14) calendar days of receipt of the facsimile or e-mail copy of the Monthly Statement, serve upon (i) the Professional whose statement is objected to, and (ii) the other Notice Parties a written Notice of Objection to Monthly Statement with an Affidavit or Declaration setting forth the precise nature of the objection and the amount at issue. Thereafter, the objecting party or parties and the Professional whose Monthly

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SPOKANE, WA 99201 PHONE: (509) 455-6000

Statement is objected to shall attempt to reach an agreement regarding the correct payment to be made. If the parties are unable to reach an agreement on the objection within fourteen (14) calendar days after receipt of such objection, the Professional whose Monthly Statement is objected to shall have an option of (i) filing a request for payment of the disputed amount with the Court, along with a copy of any objection(s); or (ii) foregoing payment of the disputed amount until the next interim fee application hearing, at which time the Court will consider and dispose of the objection if payment of the disputed amount is requested. The Diocese will be authorized to pay any portion of the fees and disbursements requested in a Monthly Statement that is no longer the subject of a Notice of Objection to Fee Statement if such objection has been withdrawn. Additionally, the pendency of a disputed Monthly Statement or the entry of an order that a payment of compensation or reimbursement of expenses was improper as to a particular Monthly Statement will not disqualify a Professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court.

4. The first Monthly Statement may be submitted on or before January 25, 2005 and shall cover the period from the Petition Date through December 31, 2004.

5. Payments made to Professionals are not subject to disgorgement unless the fees or expenses of such Professionals are disallowed under 11 U.S.C. §§ 330 or 331.

6. Notwithstanding the fee requests and payments thereof pursuant to Monthly Statements, within thirty (30) days after the end of each four (4) month period, commencing with the period that ends April 5, 2005, each Professional who has elected to serve and submit a Monthly Statement or is otherwise seeking interim compensation shall file with the Court, and serve on the Notice Parties, an interim fee application with a

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summary of the activities of the Professional (the "Interim Application"), in accordance with 11 U.S.C. § 331, Federal Rule of Bankruptcy Procedure 2002(a)(6) and 2016, and Local Bankruptcy Rule 2016-1(b). The Interim Application will seek approval of one hundred percent (100%) (including the twenty percent (20%) held back from monthly payments) of the requested interim compensation and reimbursement of expenses made pursuant to Monthly Statements submitted during the prior four (4) month period.

7. Within ten (10) days following the last day for filing Interim Applications with respect to a particular four (4) month period, the reorganization counsel for the Debtor will file with the Court and serve on the Notice Parties and those persons and entities entitled to notice pursuant to Fed. R. Bankr. P. 2002(a)(6), a notice concerning the Interim Application that complies with Local Bankruptcy Rule 2016-1(a).

8. The Court will hold the hearing on the first Interim Application in April, 2005, the precise date to be ordered by the Court. The Court will hold a hearing on Interim Applications for each subsequent four (4) month periods on a date not less than thirty (30) days after the last date on which any Professional gives notice pursuant to Paragraph 6, with such date being fixed at the hearing on the Interim Application for the prior four (4) month period. Counsel for the Diocese and the Committee shall make reasonable attempts to coordinate the scheduling of all hearings on Interim Applications and related notice requirements. At these hearings, any party in interest who has timely filed a written objection will be entitled to be heard upon its objection, as will the Professional whose fees or expenses are the subject of such objection. If an objection is sustained, or the Court otherwise orders, the applicant will disgorge to the Debtor any payments it may have received for fees or costs with respect to which an objection is

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sustained. If an objection is not sustained and the fees or expenses are approved, any unpaid amount may be promptly paid by the Debtor.

C. In connection with the administration of the estate, Debtor or the Committee may, from time to time, seek to employ attorneys, accountants, and other professionals for a finite period of time or for a limited purpose. In those instances, such persons may, subject to this Court's approval, be employed on terms and conditions different from those set forth herein, including, without limitation, on a retainer, a fixed hourly fee, or contingent basis.

D. Pursuant to the Court's authority under Bankruptcy Code §102(1), compliance with the interim fee procedures set forth herein will be deemed to satisfy Federal Rule of Bankruptcy Procedure 2016 and Bankruptcy Code §330. Nothing in this Order shall relieve any Professional from the obligation to file final applications for allowance of fees pursuant to Bankruptcy Code §330.

DATED: Feb 2, , 2005.

Patricia C Williams
UNITED STATES BANKRUPTCY
JUDGE

PRESENTED BY:

PAINE, HAMBLEN, COFFIN,
BROOKE & MILLER, LLP

By: _____
Michael J. Paukert
Shaun M. Cross
Attorneys for Debtor
The Catholic Bishop of Spokane
a/k/a The Catholic Diocese of Spokane