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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In re:	)	Case No. 04-08822 PCW11
	)	Chapter 11
THE CATHOLIC BISHOP OF SPOKANE a/k/a THE CATHOLIC DIOCESE OF SPOKANE	)	
	)	[Re: Docket no. 94, 128]
Debtor.	)	

RESPONSE OF THE UNITED STATES TRUSTEE
TO THE DEBTOR'S PROPOSED CASE MANAGEMENT ORDER

The United States Trustee, by and through her attorney, Gary W. Dyer, responds to the Debtor's Propose Case Management Order as follows:

1. CASH MANAGEMENT MOTION AND ORDER:

The reservation of rights of the § 541 issues in the Case Management Order is sufficient, and the imposition of binding provisions in the Cash Management Order on those issues simply is misplaced. The ordinary course expenses, and the use of designated funds (gifts restricted by the donor's intent) pursuant to Washington law, should not be restricted but a full accounting may, in the future, be required, depending on the ruling on the § 541 issues.

2. CLAIMS BAR DATE:

The United States Trustee will be happy to work with the parties on this issue,

and the appropriate notice for the bar date. The deadline for any bar date must consider the appointment of a future claim representative, and allow that person to meaningfully participate in those matters.

3. PROOFS OF CLAIMS:

Two different issues are presented with the proofs of claims. The protocol for the proofs of claims needs to be clear and unequivocal, and the protocol for the review of the claims and any objections to the claims be clearly set up. The estate does not need the privacy or anonymity of the claimants violated by other parties, but needs a methodical, practical approach for the review of the claims and any objections.

4. FUTURE CLAIMS REPRESENTATIVE:

The appointment of an independent, disinterested party to represent the future claimants appears to be appropriate. While we do not pass, one way or another, on the issues of repressed memory or recovered memory, which will be the subject of litigation or mediation, those are issues better reserved for a different day for each claimant.

5. THE § 541 ISSUES AND OTHER LITIGATION:

As these issues dominate the current negotiations over the cash management order, the parties need to remember all of those issues are fully reserved until decided by the court, and no orders between now and that decision will affect the issues. There is no need to spend precious time or attorneys fees continually battling over the language of an order to preserve the issues. They are preserved.

The priority of the litigation needs to be decided. Then the appropriate protocol for the litigation to proceed with a minimum of cost and battles needs to be decided.

6. PLAN:

There is no suggested date for filing a plan. If a battle will occur over the exclusivity time period and thus the right to file a plan, it should be included in the case management order.

7. VALUATION OF ESTATE ASSETS:

There is no proposal for valuing the estate properties, under any theory of the case and section 541, to facilitate the parameters of settlement discussions. A joint effort of obtaining the opinion of values would reduce the costs and perhaps mutually set the threshold issues for any plan confirmation.

8. BUDGETS:

The court might consider placing the administrative expenses on a monthly budget to help predict the ebb and flow of cash flow and costs for the debtor in possession. The parties to the litigation and under any administrative fee payment order should submit budgets for the court's consideration.

9. COOPERATION AMONG THE COMMITTEES

The court should consider ordering the committees to meet and discuss a sharing of duties on common ground, and to prevent unilateral activity outside the case management order and to help reduce duplication of administrative costs. The present adversary proceeding regarding the § 541 issues was filed only by the Committee of Tort Litigants as plaintiff, but more folks are involved and will be involved. This will only increases the costs. Other parties will now have to intervene, resulting in other responses and motions. Such premature, unilateral actions should be strongly discouraged as they are disrespectful of the court's deliberately considered case management process.

Dated this 9th day of February 2005.

Respectfully submitted,

ILENE J. LASHINSKY
United States Trustee

___/s/ Gary W. Dyer_____
GARY W. DYER
Attorney for the United States Trustee