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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- PCW11**
Chapter **11**

**NARRATIVE SUMMARY IN SUPPORT
OF *SECOND* INTERIM APPLICATION
FOR COMPENSATION AND
REIMBURSEMENT OF EXPENSES
PURSUANT TO 11 USC 330
(Paine, Hamblen, Coffin, Brooke & Miller
LLP, Attorneys for Debtor)**

PAINE, HAMBLLEN, COFFIN, BROOKE & MILLER LLP has served as counsel for the CATHOLIC BISHOP OF SPOKANE, a/k/a THE CATHOLIC DIOCESE OF SPOKANE, ("Diocese" or "Debtor") since the filing of the Petition for Relief under Chapter 11 on December 6, 2004.

The Second Interim Application for Compensation (the "Second Application") filed by Paine, Hamblen, Coffin, Brooke & Miller, LLP as counsel for Debtor encompasses the time period from April 1, 2005 through September 30, 2005. During that period, the services performed by Paine, Hamblen, Coffin, Brooke & Miller LLP on behalf of Debtor related to the following:

I. BACKGROUND OF THE CASE

On December 6, 2004, ("Petition Date"), Debtor filed a voluntary petition in this Court for relief under Chapter 11 of Title 11 of the Bankruptcy Code. Debtor continues to operate its

business and manage its properties as debtor-in-possession pursuant to § 1107 (a) and 1108 of the Bankruptcy Code. The background of the Debtor's bankruptcy case is set forth in the Diocese' Motion for Order Authorizing and Approving Payment of Pre-Petition Wages filed under Docket Number 6, which Motion is incorporated herein by reference.

II. FINANCIAL CONDITION OF THE ESTATE

A. **Profit and Loss.** For the month of September 2005 the Diocese reported total income of \$221,401.00 and expenses of \$413,347.00. Through September 30, 2005, year to date (fiscal) income was \$587,938.00 and expenses were \$1,093,130.00.

B. **Amount of Cash on Hand or on Deposit.** As of September 30, 2005, the Diocese was holding cash deposits totaling \$1,590,160.00.

C. **Amount of Accrued Unpaid Administrative Expenses.** There are no unpaid approved administrative expenses.

D. **Amount of Unencumbered Funds in the Estate.** The Diocese believes that there are no liens on the above-referenced funds.

III. STATUS OF THE CASE

This Chapter 11 case was filed on December 6, 2004. Since that time, Debtor has served as a Debtor in Possession under the Code, and has been authorized to conduct its affairs in the ordinary course of business. The Debtor filed its Plan and Disclosure Statement on October 10, 2005.

IV. DESCRIPTION OF TASKS OR PROJECTS FOR WHICH COMPENSATION IS SOUGHT

A. **Asset Analysis & Recovery.** 110.30 hours of attorney time were categorized under matters relating to asset analysis and recovery. This category includes time expended gaining an understanding of the nature and value of various assets owned by the Debtor.

B. **Asset Disposition.** 4.20 hours of attorney time were categorized under asset disposition. This category includes time expended reviewing offers to purchase assets. It also includes time expended developing procedures for the sale of assets.

C. **Business Operations.** 108.10 hours of attorney time were categorized under business operations. This category includes time expended with issues related to debtor-in-possession operational issues, including issues arising from more routine employment issues, media and communications issues and other day-to-day business activities.

D. **Case Administration.** 369.70 hours of attorney time were categorized under case administration. This category includes time expended on numerous administrative issues, including but not limited to the following: 1) routine communications with Diocesan employees, the Office of the United States Trustee, the Creditors Committees' counsel and other counsel with regard to the status of the Chapter 11 proceedings and general matters pertaining to the administration of the estate; 2) strategies with regard to responses to various motions, division of labor among counsel, and negotiations with regard to numerous contested matters and adversary proceedings; and 3) time that does not fit within other categories.

E. **Claims Administration and Objections.** 489.50 hours of attorney time were categorized under claims administration and objections. This category includes time expended on issues regarding the assertion of claims against the Diocese, including issues associated with motions to remand; the appointment of an unknown claims representative; bar date, notice and claim forms issues; and other related issues.

F. **Employee Benefits/Pensions.** No hours of attorney time were categorized under this matter relating to retirement plan issues.

G. **Fee/Employment Applications.** 62.40 hours were categorized under matters

relating to fee/employment applications. This category includes time expended on the preparation of materials relating to the applications for compensation and application to employ BMC, Inc. as notice agent for the Debtor.

H. **Fee/Employment Objections.** 70.70 hours were categorized under matters relating to fee/employment objections. This category includes time related to issues regarding the objections to employment and applications for compensation.

I. **Financing.** No attorney time was categorized under financing relating to matters under § 363 and § 364

J. **Meetings of Creditors.** No attorney time was categorized under meeting of creditors.

K. **Plan & Disclosure Statement.** 306.30 hours of attorney time were categorized under plan and disclosure statement. The time in this category consisted primarily of time spent researching and developing plan strategies and obtaining an extension of the exclusivity periods.

L. **Relief from Stay Proceedings.** .50 hours of attorney time were categorized under relief from stay proceedings and primarily relate to a motion by U.S. Bank for stay relief.

M. **Adversary Proceeding No. 04-00291; Shea v. Catholic Bishop of Spokane.** 52.90 hours of time were categorized in this matter and relates to the above-described adversary proceeding. This matter involves issues concerning the scope of the Diocese's assets.

N. **Adversary Proceeding No. 05-80024; Pacific Insurance Company, et al. v. Catholic Bishop of Spokane, et al..** 590.70 hours of time were categorized under this matter and relates to issues concerning insurance coverage associated with the sex abuse adversary proceedings.

O. **Jurisdictional Issues on Sexual Abuse Trials.** 147.80 hours of time were categorized under this matter and relate to jurisdictional issues concerning various adversary proceedings. Time associated with notices of removal, motions to remand and objections thereto are categorized here.

P. **Adversary Proceeding No. 05-80038; Tort Litigants Committee v. Catholic Diocese of Spokane, et al.** 1,649.90 hours of time were categorized in this matter which addresses the Diocese's response to the Tort Litigant's Committees complaint to determine the scope of the Diocese's assets and consolidation of the assets of the Diocese with the assets of various parishes, schools and other organizations.

Q. **Tort Claimants' Committee Appeal re Intervention.** 5.20 hours of time were categorized in this matter regarding the Tort Claimants' Committee's appeal of the Court's decision to deny its motion to intervene in the property of the estate matter.

V. IF A CHAPTER 11 CASE

A. **Status of the Plan and Disclosure Statement.** The Debtor filed a motion seeking the extension of the exclusivity period. On August 3, 2005 the Court entered an order extending the exclusivity period to forty-five (45) days from the date the Court enters its decision on the property of the estate issues in Adversary Proceeding Nos. 04-00291 and 05-80038. The Court entered its decision on the property of the estate issues in Adversary Proceeding Nos. 04-00291 and 05-80038 on August 26, 2005. The Debtor filed its Disclosure Statement and Plan on October 10, 2005.

B. **Status of Submission of Monthly Operating Statements.** The Debtor has filed and served Monthly Operating Reports for all reporting periods through August 2005.

C. **Payment of Quarterly U.S. Trustee Fees.** The Diocese is current with its quarterly U. S. Trustee fees.

VI. OTHER INFORMATION

None at this time.

DATED this 20th day of October, 2005.

PAINE, HAMBLIN, COFFIN,
BROOKE & MILLER, LLP

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