

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

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In re: Chapter 11

THE DIOCESE OF ST. CLOUD, a Minnesota Case No. 20-60337  
religious corporation,

Debtor.

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**APPLICATION FOR AN ORDER AUTHORIZING THE DEBTOR TO EMPLOY  
QUARLES & BRADY LLP AS GENERAL REORGANIZATION AND  
RESTRUCTURING COUNSEL**

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TO: United States Bankruptcy Judge, the United States Trustee, and other parties in interest  
identified in Local Rule 2014-1

The Diocese of St. Cloud, the debtor and debtor in possession, hereby applies, pursuant to 11 U.S.C. §§ 327, 328, 329, and 1107, Bankruptcy Rules 2014 and 2016, and Local Rules 2014-1 and 2016-1, for an order authorizing the debtor to employ Quarles & Brady LLP as general reorganization and restructuring counsel in this case.

This application is supported by the verified statement of Susan G. Boswell, a partner at the Quarles firm, which is attached hereto as **Exhibit A** and incorporated herein by this reference, and by the record in this case. In further support of this application, the debtor represents as follows:

1. The court has jurisdiction to consider this application pursuant to 28 U.S.C. §§ 157(b) and 1334, Bankruptcy Rule 5005, and Local Rule 1070-1. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. On June 15, 2020 the debtor commenced this case by filing a voluntary Chapter 11 petition.

3. The debtor is operating its business and managing its estate as a debtor in possession pursuant to 11 U.S.C. §§ 1107(a) and 1108.

4. To succeed in its reorganization efforts, the debtor must be represented by counsel that not only has bankruptcy expertise but also expertise in numerous other practice areas (including, but not limited to, exempt organizations law, finance and commercial law, corporate law, and the evaluation and conduct of commercial and personal injury litigation, as it applies to religious organizations). The debtor may require general administrative legal services regarding: (i) negotiation and refinement of a plan of reorganization; (ii) selection and coordination of the efforts of any experts the debtor may employ to perform analyses requested by creditors or other parties in interest, or as otherwise required for a successful reorganization; (iii) evaluation of real and personal property issues, including restrictions on certain of the debtor's assets; (iv) evaluation and advice on the unique aspects of this case and the relationship between the Bankruptcy Code or otherwise applicable law, and the religious law governing the activities and business of a Roman Catholic diocese; (v) evaluation and prosecution, where appropriate, of any claims that may be asserted by the debtor; and (vi) such other activities that are reasonable and proper for the debtor to undertake to administer its assets, manage its estate, and confirm a plan of reorganization.

5. As evidenced by the verified statement, the Quarles firm has the experience, expertise, and resources necessary to provide the multi-faceted legal services that the debtor requires. Of particular relevance to the debtor is the unique and extensive experience of Ms. Boswell and the team she has assembled in representing distressed Catholic entities throughout the United States. Such representations included negotiating settlements of sexual abuse tort claims with both claimants and insurers in out-of-court and bankruptcy court supervised restructurings. In addition to representing various Roman Catholic dioceses and orders throughout

the United States in their out-of-court restructuring and settlement of tort claims, Ms. Boswell and her team at the Quarles firm also represented the Roman Catholic Diocese of Tucson, the Catholic Bishop of Northern Alaska, the Roman Catholic Church of the Diocese of Gallup, the Crosier Fathers and Brothers Province, Inc., the Crosier Fathers of Onamia, and The Crosier Community of Phoenix in their Chapter 11 reorganizations, which have each successfully confirmed a plan of reorganization. The Quarles firm also represented the Roman Catholic Bishop of San Diego, resulting in a settlement of a large portion of abuse claims and an ultimate consensual dismissal of the bankruptcy case. The Quarles firm represented the Ursuline Western Province in the reorganization case of the Roman Catholic Bishop of Helena, Montana, which also resulted in a confirmed plan. Through this unique work, Ms. Boswell and her team at the Quarles firm have acquired tremendous knowledge and experience regarding all aspects of a Roman Catholic entity's Chapter 11 reorganization case. Therefore, the debtor seeks to employ the Quarles firm as its reorganization and restructuring counsel.

6. The debtor has arranged for employment of the Quarles firm as its counsel, for professional compensation of the Quarles firm, and for reimbursement of the Quarles firm's costs, disbursements, and expenses, subject to court approval after application under 11 U.S.C. §§ 330 and 331. These arrangements are described in the verified statement and the exhibits thereto and are the only arrangements between the Quarles firm and the debtor regarding this case.

7. As set forth in the verified statement, the debtor has paid the Quarles firm for its prepetition services and costs in accordance with the terms of the engagement letters attached as an Exhibit 1 and 2 to the verified statement.

8. Subject to court approval, the debtor and the Quarles firm have made the following agreements regarding the Quarles firm's employment, compensation, and expense reimbursement:

a. The debtor will employ the Quarles firm as its general reorganization and restructuring counsel (effective as of the petition date, unless the court orders otherwise);

b. The Quarles firm will charge for its professional services at the hourly rates set forth in the verified statement and the exhibits thereto, and will receive compensation and expense reimbursement for representing the debtor in this case. The engagement letters are the only agreements between the debtor and the Quarles firm regarding professional compensation and expense reimbursement in this case.

c. Because of the size and complexity of this case, it will be necessary to staff this matter with a number of attorneys and paralegals in order to adequately address and respond to the various matters that arise. The Quarles firm will attempt to avoid, to the extent possible, duplication of effort by the attorneys assigned to this case. In accordance with their respective years of experience and hourly rates, and subject to their schedules and other commitments, the Quarles firm will allocate the services of Ms. Boswell, Mr. Jason Curry, and Mr. Michael Galen to provide the greatest benefit to the debtor (and the estate) in the most cost-effective manner.

d. In addition to the foregoing attorneys' involvement, other Quarles firm attorneys may be involved and render services in this case. Because of the numerous and complex issues, as well as the time parameters involved, the other attorneys may assist with case management and administration, specialized matters such as litigation issues, research and analysis of discrete bankruptcy issues, and preparation of pleadings. To the extent attorneys lacking in-depth familiarity with

the reorganization case are utilized, they will be assigned projects for which such knowledge is not necessary, to the greatest extent possible. To the extent it is necessary to bring such attorneys up to speed on the case, the estate will not be charged for such time.

e. In addition, paralegals at the Quarles firm will provide various services to the debtor. These will include substantive legal services rendered in conjunction with this case and will not include clerical services.

9. The Quarles firm will not duplicate or overlap the efforts of any other professional the debtor retains. In particular, the debtor has sought or will be seeking to employ the following professionals:

- (a) Janson Law Office, as an ordinary course professional;
- (b) Meier, Kennedy & Quinn, as special litigation counsel; and
- (c) Michael R. Hogan, as unknown claims representative.

10. The debtor will retain the Janson Law Office (subject to court approval), as an ordinary course professional, to continue his long-standing general counsel services to the debtor. The debtor will retain Meier, Kennedy & Quinn (subject to court approval) to handle matters related to prepetition, state-law actions involving abuse claims. The debtor will retain Michael R. Hogan (subject to court approval) to serve as the unknown claims representative. These professionals' services are separate and distinct from each other and the Quarles firm, but each professional is essential to the debtor's reorganization efforts.

11. The debtor expressly acknowledges, understands, and agrees to all of the arrangements referenced in the verified statement and the exhibits thereto, subject only to court approval.

12. Except as disclosed in the verified statement, and to the best of the debtor's knowledge, information, and belief, the Quarles firm does not have any connections with the debtor, the debtor's creditors, any other parties in interest or their respective attorneys or accountants, the United States Trustee, or any person employed by the Office of the United States Trustee. To the best of the debtor's understanding, the information disclosed by the Quarles firm in the verified statement does not preclude the Quarles firm from representing the debtor under applicable law and ethical rules.

13. As further reflected in the verified statement and in accordance with 11 U.S.C. §§ 101(14), 327, and 328, the Quarles firm is "disinterested." The Quarles firm does not represent any entity in this case with an interest adverse to the debtor. The Quarles firm does not hold an interest adverse to the debtor, nor will it represent any entity in connection with this case that may have an interest adverse to the debtor or the estate during its employment as the debtor's counsel. As set forth in the verified statement, the Quarles firm will continue to follow its established procedures to determine whether additional disclosures should be made as the case progresses and will update its disclosures as required during the pendency of this case.

14. The debtor respectfully requests immediate consideration of this application. The debtor needs the immediate and substantial assistance of counsel to continue its operations, negotiate with creditors, and comply with its obligations under the Bankruptcy Code.

WHEREFORE, the debtor respectfully requests that the court enter an order: (i) granting the relief requested in this application; (ii) authorizing the employment of the Quarles firm as counsel for the debtor, effective as of the petition date; and (iii) granting such other and further relief as is just and proper under the circumstances.

Dated: June 15, 2020



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Joseph Spaniol, Finance Officer for  
The Diocese of St. Cloud

Dated: June 15, 2020.

QUARLES & BRADY LLP

/s/ Susan G. Boswell

Susan G. Boswell (AZ Bar No. 004791)

Jason D. Curry (AZ Bar No. 026511)

Michael Galen (AZ Bar No. 035044)

*Pro Hac Vice Applications Pending*

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*Proposed Counsel for the Debtor*



# **EXHIBIT A**

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

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In re: Chapter 11

THE DIOCESE OF ST. CLOUD, a Minnesota Case No. 20-60337  
religious corporation,

Debtor.

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**VERIFIED STATEMENT OF SUSAN G. BOSWELL, PURSUANT TO  
BANKRUPTCY RULE 2014(a) AND 2016(b), IN SUPPORT OF THE DEBTOR'S  
APPLICATION TO EMPLOY QUARLES & BRADY LLP AS GENERAL  
REORGANIZATION AND RESTRUCTURING COUNSEL**

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I, Susan G. Boswell, declare under penalty of perjury as follows, pursuant to Bankruptcy Rule 2014(a) and 2016(b):

1. I am an adult person and a resident of Tucson, Pima County, Arizona.
2. I am a practicing lawyer and a partner at the law firm of Quarles & Brady LLP, which has offices in Arizona, Florida, Minnesota, Illinois, Indiana, Washington, D.C., and Wisconsin. The Quarles firm has authorized me to make all statements made herein on behalf of the Quarles firm and with respect to the debtor's application to employ the Quarles firm filed in the above-captioned case.
3. Since 1977, I have been licensed to practice law before all state and federal courts sitting in Arizona, including the Arizona Supreme Court and the United States District Court (and Bankruptcy Court) for the District of Arizona. I am also licensed to practice before the state and federal courts of Nevada and the United States Court of Appeals for the Ninth Circuit. I and other members of the Quarles firm have been admitted to practice *pro hac vice* in proceedings before

bankruptcy courts and United States District Courts sitting in a number of districts outside of Arizona. I was also admitted *pro hac vice* before this court in connection with the Chapter 11 reorganizations of the Crosier Fathers and Brothers Province, Inc., Crosier Fathers of Onamia, and The Crosier Community of Phoenix (Arizona).

4. The Quarles firm is a general practice law firm of approximately 450 lawyers whose specialty practice areas include, among other things, bankruptcy, exempt organizations, commercial finance, insurance litigation, corporate finance and securities, environmental, financial institutions and banking, intellectual property, labor and employment, litigation, and real estate.

#### **RELEVANT EXPERIENCE**

5. I have practiced law with the Quarles firm and its predecessors since 1987. I have concentrated my practice in bankruptcy law, particularly in complex business bankruptcy reorganization cases, since approximately 1980. I also have extensive experience in commercial litigation both in and out of bankruptcy court. Consequently, I have provided broad bankruptcy and Chapter 11 representation in innumerable business bankruptcy cases.

6. In addition to my (and other Quarles firm lawyers') extensive experience providing representation in commercial bankruptcy cases throughout the United States, I have substantial experience representing Roman Catholic entities throughout the United States with respect to out-of-court and bankruptcy court supervised restructurings, as well as on issues of structure and operations in a civil and canon law context. In addition to representing various Catholic entities throughout the United States in their out-of-court restructuring and related issues, I, along with a team from the Quarles firm, also represented the Roman Catholic Diocese of Tucson (Arizona), the Catholic Bishop of Northern Alaska (Fairbanks Diocese), the Roman Catholic Church of the

Diocese of Gallup (New Mexico), the Crosier Fathers and Brothers Province, Inc., Crosier Fathers of Onamia, and The Crosier Community of Phoenix (Arizona) in their Chapter 11 reorganizations. Each of these cases resulted in a confirmed plan of reorganization. The Quarles firm also represented the Roman Catholic Bishop of San Diego (California), which resulted in a settlement and an ultimate consensual dismissal of the Chapter 11 case, and the Ursuline Western Province, a division of the Ursuline Sisters, in the Chapter 11 reorganization of the Roman Catholic Bishop of Helena, Montana. Through those experiences, attorneys at the Quarles firm have gained extensive experience with all aspects of religious reorganization cases and related law, including, but not limited to, the First Amendment and related constitutional issues as they pertain to a religious entity in a Chapter 11 case.

#### **FINANCIAL DISCLOSURES**

7. Prior to the commencement of the reorganization case, the Quarles firm performed services and incurred costs in representing the debtor, for which the Quarles firm was paid in accordance with the terms of its engagement letter dated July 19, 2016. The engagement letter was subsequently amended and supplemented on May 22, 2020. A true and correct copy of each is attached hereto as **Exhibit 1** and **Exhibit 2**, respectively, and by this reference incorporated herein.

8. The Quarles firm is holding a prepetition retainer in the amount of \$78,893.50 from the debtor.

9. In accordance with 11 U.S.C. § 504 and as required by Bankruptcy Rule 2016, I expressly confirm that no agreement or understanding exists between the Quarles firm and any other person for the sharing of any of the Quarles firm's compensation for professional services rendered or to be rendered to the debtor in, or in connection with, the reorganization case. The

Quarles firm has not made, and will not make, any compensation sharing agreement or any other agreement prohibited by 11 U.S.C. § 504 or 18 U.S.C. § 155. The engagement letters disclose all agreements related to the Quarles firm's representation of the debtor including its hourly rates and terms of expense reimbursement.

10. The Quarles firm intends to apply for compensation for professional services rendered in connection with the reorganization case on an hourly basis, plus reimbursement of actual, necessary expenses and other charges that the Quarles firm incurs. Such applications will be subject to court approval and in compliance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the court's orders. The Quarles firm will charge hourly rates consistent with the rates it charges in other bankruptcy and non-bankruptcy matters of this type.

11. I am the senior attorney responsible for this reorganization case, and I will be assisted by Jason D. Curry and Michael Galen. Mr. Curry, a partner at the Quarles firm, has substantial experience in bankruptcy law and Chapter 11 cases. Mr. Galen, an associate at the Quarles firm, also has significant experience in large Chapter 11 reorganization cases. The rate structure agreed upon between the debtor and the Quarles firm for this matter is as follows: Susan G. Boswell: \$660 per hour; Jason D. Curry: \$415.00 per hour; Michael Galen: \$335.00 per hour; and Paralegal: \$225.00 per hour. The debtor and the Quarles firm understand that all fees and costs incurred in representing the debtor in the reorganization case are subject to court approval.

12. Subject to court approval of the Quarles firm's employment, the Quarles firm will represent the debtor in this reorganization case and related matters.

### **DISCLOSURES RELATING TO DISINTERESTED STATUS**

13. As with all matters in which the Quarles firm is engaged, the Quarles firm conducted a conflicts search in accordance with its policies and procedures and consistent with its ethical obligations. The Quarles firm's investigation of its disinterestedness prior to submitting this statement consisted of the following: the Quarles firm followed its established procedures for conducting a conflicts search based on information provided by the debtor, consisting of, among other things, the master mailing list to be filed in the reorganization case. The Quarles firm also searched a list of vendors provided by the debtor with whom the debtor did business in the last six (6) months, without regard to whether such vendors are or might be creditors in the reorganization case. The Quarles firm conducted this search in accordance with its established procedures utilized in all matters in which it may provide representation. As more information became available and additional potential creditors and connections were identified, the Quarles firm followed this same procedure and updated its search. Following approval of its employment, and through the pendency of this case, the Quarles firm will follow these same procedures and make supplemental disclosures to the court as necessary.

14. Based on the conflicts searches conducted to date and described herein, to the best of my knowledge, neither I, nor the Quarles firm, nor any partner, counsel, or associate thereof has any connection with the debtor, its creditors, or any other parties in interest or their respective attorneys and accountants, nor with the United States Trustee or any person employed in the Office of the United States Trustee, except as set forth in paragraphs 18 and 19 below.

15. The Quarles firm is a "disinterested person" as that term is defined in 11 U.S.C. § 101(14), as modified by 11 U.S.C. § 1107(b), because the Quarles firm and its partners, counsel, and associates:

- a. are not a creditor or insider of the debtor, and
- b. are not and were not, within two years of the petition date, a director, officer, or employee of the debtor.

16. There is no connection between myself or any attorney at the Quarles firm and any United States Bankruptcy Judge in this district, or the United States Trustee for this district or any employee thereof.

17. As of the petition date, the debtor does not owe the Quarles firm any amounts for legal services rendered before the petition date. The debtor paid all such amounts to the Quarles firm in the ordinary course of business and pursuant to the fee agreements. Therefore, to the best of my knowledge, information, and belief, such payment would not constitute a preference within the meaning of 11 U.S.C. § 547.

18. With respect to the Quarles firm's connection with the debtor, its creditors, and any other parties in interest or their respective attorneys or accountants, I hereby represent and confirm the following to the debtor and the bankruptcy court: to the best of my knowledge, information, and belief, based on an extensive review of the information provided to the Quarles firm regarding the debtor's vendors, creditors, and others with whom it does business, the following is a complete description of all of the Quarles firm's potential connections with the debtor, its professionals, and any persons holding canonical leadership positions within the debtor, the debtor's insiders, the debtor's creditors, and any other potential parties in interest:

- a. The Quarles firm currently represents or has in the past represented the following vendors with whom the debtor expects to continue doing business (collectively, the "**Vendors**")<sup>1</sup>: Office Depot; Ogletree Deakins f/k/a Ogletree

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<sup>1</sup> Entities that the Quarles firm currently represents (all in matters unrelated to the debtor) are designated with an asterisk.

Deakins Nash; Otis Elevator Company; CliftonLarsonAllen LLP;\* Coborn's Catering; First American Bank (f/k/a Bremer Bank)\*; Drury Hotels Company, LLC;\* Indus International; Quadient Finance USA Inc.\*; Apple Inc.; United States Postal Service; Staples, Inc.; United States Conference of Catholic Bishops; Johnson Controls;\* Verizon Wireless; Charter Communications (d/b/a Spectrum)\*; St. Mary's School, Inc.; U.S. Bank, N.A.\*; Charles Schwab Corporation.

b. The Quarles firm also represented the Crosier Fathers and Brothers Province, Inc., Crosier Fathers of Onamia, and The Crosier Community of Phoenix (Arizona), in connection with their Chapter 11 reorganizations under this court's supervision. Those entities have successfully reorganized, and they do not have an active connection to the debtor's case.

c. The Quarles firm currently represents U.S. Bank, N.A. in unrelated matters. U.S. Bank is the debtor's primary depository bank. It also holds an unsecured claim against the debtor based on a recent PPP loan made to the debtor. The SBA has fully guaranteed the PPP loan, and the debtor expects that the entire PPP loan amount will be forgiven in accordance with SBA regulations. The Quarles firm does not believe a current conflict exists between U.S. Bank and the debtor and the Quarles firm has never represented U.S. Bank in any matter related to the debtor nor has the Quarles firm ever represented the debtor in any matter involving U.S. Bank except as disclosed herein. Nevertheless, the Quarles firm has informed U.S. Bank and the debtor of the potential conflict, and both parties have consented to the Quarles firm's continued representation of the debtor in this matter. In the unlikely event that a conflict arises during this case, the Quarles firm has informed the debtor and U.S. Bank that it will not represent either party in connection with their discrete dispute. Under such circumstances, the debtor has



agreed to obtain special counsel to represent it in connection with any dispute it may have with U.S. Bank.<sup>2</sup>

d. The Quarles firm has in the past served as reorganization counsel for entities in Chapter 11 that retained The Honorable (Ret.) Michael Hogan (retained by the Roman Catholic Church of the Diocese of Gallup, Crosier Fathers and Brothers Province, Inc., Crosier Fathers of Onamia, and The Crosier Community of Phoenix) to act as the Unknown Claims Representative. The Quarles firm did not represent Judge Hogan in those matters and will not be representing him in this case.

19. The Quarles firm will periodically review its files during the case to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise (including with respect to any of the Vendors or other connections disclosed in this verified statement), the Quarles firm will use reasonable efforts to identify any such developments and will promptly file a supplemental affidavit, as Bankruptcy Rule 2014(a) requires.

20. The debtor and the Quarles firm do not believe that any information disclosed herein is materially adverse to the debtor's estate or any of its creditors, nor does such information present any actual or potential conflicts of interest affecting the Quarles firm's representation of the debtor. Pursuant to 11 U.S.C. § 327(c), the Quarles firm is not disqualified from acting as the debtor's counsel merely because it represents or has in the past represented certain creditors and

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<sup>2</sup> The debtor has requested retention of special litigation counsel as well as counsel who serves as the debtor's outside general counsel. Therefore, there are counsel whose retention is being requested who could represent the debtor in the unlikely event a conflict develops during the pendency of the case.

other parties in interest in unrelated matters. The Quarles firm is a “disinterested person” within the meaning of 11 U.S.C. §§ 101(14), 327 and 1107(b).

21. The Quarles firm is not a creditor of the debtor, to the best of its knowledge, information, and belief. Nor is the Quarles firm an insider of the debtor.

22. The Quarles firm, to the best of its knowledge, information, and belief, neither holds nor represents any interest materially adverse to the interests of the estate or of any class of creditors because of any direct or indirect relationship to, connection with, or interest in, the debtor, or for any other reason.

### **CONCLUSION**

23. Based upon the foregoing, the Quarles firm is eligible for employment as the debtor’s general reorganization and restructuring counsel.

24. After conducting or supervising the investigation described above, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief. I have made all of the foregoing statements on behalf of the Quarles firm in support of the debtor’s application to retain the Quarles firm, and in compliance with Bankruptcy Rule 2014(a) and 2016(b). If called to testify, I would testify as I have stated herein.

DATED: June 15, 2020.

/s/ Susan G. Boswell  
SUSAN G. BOSWELL

# **EXHIBIT 1**



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July 19, 2016

PRIVILEGED AND CONFIDENTIAL

VIA E-MAIL

Diocese of St. Cloud  
c/o The Most Reverend Donald J. Kettler  
Bishop of the Diocese of St. Cloud  
305 7th Avenue North  
St. Cloud, MN 56303

RE: *Legal Representation*

Dear Bishop Kettler:

It was good to see you again at our meeting. We are very pleased that the Diocese of St. Cloud ("Diocese of St. Cloud") has selected Quarles & Brady LLP for legal representation. We thank you for your expression of confidence in us. This letter confirms the basis for your engaging our firm and describes the basis upon which we will provide legal services to the Diocese of St. Cloud. If you have any questions about these provisions, or if you would like to discuss possible modifications, please contact me.

1. *Client; Scope of Representation.* The Diocese of St. Cloud will be our client in the matters discussed in this letter. Our work will include legal work for the Diocese of St. Cloud in connection with its current financial issues and, if necessary, the filing of a Chapter 11 petition pursuant to the United States Bankruptcy Code. You may limit or expand the scope of our representation from time to time, provided that we agree to any substantial expansion. This engagement letter only applies to the current engagement and our efforts to assist with financial issues that have arisen as a result of certain pending claims against the Diocese of St. Cloud. In the event that the scope of our representation expands or the filing of a Chapter 11 petition is to be made, we agree that we will enter into a new or amended engagement letter.

2. *Term of Engagement.* Either you or we may terminate the engagement at any time for any reason by written notice, subject on our part to applicable rules of professional conduct. In the event that we terminate the engagement, we will take reasonably practicable steps to protect your interests in the above matter. If you terminate our services, you will promptly pay us for all fees, charges and expenses incurred prior to the date of our receipt of the

The Most Reverend Donald J. Kettler  
July 19, 2016  
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termination and for any work required to effect a transition to new counsel. We reserve the right to withdraw from representing you if, among other things, you fail to honor the terms of this engagement letter -- including nonpayment of our bills, you fail to cooperate or follow our advice on a material matter, or we become aware of any fact or circumstance that would, in our view, render our continuing representation unlawful or unethical.

Unless previously terminated, our representation will terminate upon our sending you our final bill for services rendered. If you request, we will return your original papers and property to you promptly consistent with our need to ensure payment of any outstanding bills. We may retain copies of the documents. We will keep our own files, including attorney work product, pertaining to our representation of the Diocese of St. Cloud. For various reasons, including the minimization of unnecessary storage expenses, we may destroy or otherwise dispose of documents and materials a reasonable time after termination of the engagement.

3. *Client Responsibilities.* We will provide legal counsel and assistance to the Diocese of St. Cloud in accordance with this letter and will rely upon information and guidance you and other the Diocese of St. Cloud personnel provide to us. We will keep you reasonably informed of progress and developments, and respond to your inquiries.

In order to enable us to provide the services set forth in this letter, you will disclose fully and accurately all facts and keep us apprised of all developments relating to this matter. You agree to pay our bills for services and expenses in accordance with this engagement letter. You will also cooperate fully with us and be available to attend meetings, conferences, hearings and other proceedings on reasonable notice, and stay fully informed on all developments relating to this matter.

4. *Staffing.* I will be the attorney primarily responsible for the representation. It is our mission to provide the highest quality legal services in an efficient, economical manner. As a result, we involve attorneys and paralegals at our firm with the experience appropriate to the task at hand. If you have any questions or comments about our services, staffing, billings or other aspects of our representation, please contact me. It is important to me and to Quarles & Brady LLP that you are satisfied with our representation and responsiveness at all times.

5. *Fees and Expenses.* Our fees are based primarily upon the billing rate for each attorney and legal assistant devoting time to this matter. Each lawyer and legal assistant has an hourly billing rate based generally on his or her experience and special expertise. I will review your bills. The hourly rate multiplied by the time spent on your behalf, measured generally in tenths of an hour, is the primary basis for determining our fee. Our billing rates for attorneys currently range from \$240 to \$905 per hour. Time of legal assistants who may work on this matter is currently charged at billing rates ranging from \$100 to \$280 per hour. My agreed upon billing rate for this matter will be \$660 an hour. Lori Winkelman will also be working on this matter and her billing rate for this matter will be \$495 an hour. We adjust these billing rates from time to time to reflect changes in levels of experience and economic factors affecting our



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firm. When our rates change, the bills you receive from us after that time will reflect the rate adjustment.

Charges for services, while based primarily on hourly rates, are also determined after considering a variety of other factors, such as the novelty and difficulty of the issues involved, the skills needed to perform the legal services properly, special timing requirements and the results obtained. We are always pleased to discuss our bills with you to ensure that we both understand the basis for them and to avoid any misunderstanding.

We include separate charges on our bills for services such as photocopying, messenger and delivery service, computerized research, travel, facsimile and search and filing fees. We charge for these expenses at a standard rate per unit for each item. We do not currently separately charge for long distance domestic calls or regular U.S. mail delivery. We generally do not pay fees and expenses of others (such as consultants, appraisers, and local counsel). The provider of these services will bill you directly.

We generally bill on a monthly basis, which helps to keep you informed of the time devoted to and progress of your matter. Payment is due upon receipt by check payable to Quarles & Brady LLP. Please include your invoice number (listed on the bill) along with your payment. We will charge interest at the rate of 1.5% per month (18% per annum) on bills that remain unpaid 60 days. You agree to bear the costs we incur in collecting overdue accounts, including reasonable attorneys' fees and all other costs. If any statement remains unpaid for more than 90 days, we may cease performing services for you until we make arrangements with you for payment of outstanding bills and future bills. We may withdraw from representing you if you do not pay us.

6. *Opinions and Beliefs.* Since the outcome of negotiations (and litigation) is subject to factors that cannot always be foreseen, such as the uncertainties and risks inherent in the negotiation (and litigation) process, it is understood that we have made no promises or guarantees to you concerning the outcome of this or any other matter and cannot do so.

7. *Limited Liability Partnership.* Our firm is a limited liability partnership ("LLP"). Because we are an LLP, no partner of the firm has personal liability for any debts or liabilities of the firm except as otherwise required by law, and except that each partner can be personally liable for his or her own malpractice and for the malpractice of persons acting under his or her actual supervision and control. Please call me if you have any questions about our status as a limited liability partnership.

8. *Conflicts.* We represent many other companies and individuals. It is possible that during the time we are representing the Diocese of St. Cloud, some of our present or future clients will have disputes or transactions with you and/or your affiliates. You agree that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to our work for you even if the interests of such clients in

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July 19, 2016  
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those other matters are directly adverse to you. We ask for similar agreements from other clients to preserve our ability to represent the Diocese of St. Cloud when we are engaged by others. In addition, we understand that the Crosier Fathers and Brothers ("Crosiers") may be named as a co-defendant in some of the claims alleging damages for sexual abuse. We have advised you that we are currently representing the Crosiers in certain unrelated matters. We do not believe there is any legal conflict in our representation of the Diocese of St. Cloud and continued representation of the Crosiers. Nevertheless, by execution of this engagement letter, you agree to our continued representation of the Crosiers. We have asked for a similar consent from the Crosiers. We agree, however, that your prospective consent to conflicting representation contained in this paragraph shall not apply in any instance where, as a result of our representation of the Diocese of St. Cloud, we have obtained proprietary or other confidential information, that, if known to the other client, could be used by that client to your material disadvantage. We will not disclose to the other client(s), including the Crosiers, any confidential information received during the course of our representation of the Diocese of St. Cloud.


9. *Electronic Communications.* We communicate from time to time with our clients using telecopiers, mobile telephones and e-mail. These forms of communication are not completely secure against unauthorized access. There is some risk of disclosure and loss of attorney-client privilege in using these forms of communication because they do not ensure the confidentiality of their contents. If you object to our using any one or more of these forms of communication, please let me know immediately and we will attempt to honor that request.

10. *Records Retention.* The Firm's policy with respect to retention of client records is to retain such records for a period of six (6) years from the date a matter is closed. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such records retained by us at the end of the Firm's retention period, without further notice.

This letter agreement contains the entire agreement between Quarles & Brady LLP and the Diocese of St. Cloud regarding our representation of the Diocese of St. Cloud and the fees, charges, and expenses to be paid. If you are in agreement with the terms of this letter, please sign below and return this letter to me. We are pleased to have this opportunity to represent the Diocese of St. Cloud, and assure you that we will represent you as diligently and economically as possible.

Very truly yours,

QUARLES & BRADY LLP

  
Susan G. Boswell

The Most Reverend Donald J. Kettler  
July 19, 2016  
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**ACCEPTED AND AGREED**

The undersigned, by duly authorized signature below, agrees to engage you pursuant to the terms set forth in this letter.

**The Diocese of St. Cloud**

By Rev. Robert Rolfe

Its Vice-President

Rev Robert Rolfe  
(Print Name)

August 19, 2016  
(Date)



# **EXHIBIT 2**



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Jason D. Curry  
Writer's Direct Dial: 602-229-5626  
E-Mail: Jason.Curry@quarles.com

May 22, 2020

**VIA E-MAIL**

The Diocese of St. Cloud, a Minnesota religious corporation  
c/o The Most Reverend Donald J. Kettler  
Bishop of the Diocese of St. Cloud  
305 7th Avenue North  
St. Cloud, MN 56303

RE: *Legal Representation in Chapter 11 Proceedings*

Dear Bishop Kettler:

We previously sent The Diocese of St. Cloud, a Minnesota religious corporation ("Diocese of St. Cloud") an engagement letter dated July 19, 2016, when our representation of Diocese of St. Cloud commenced (the "Original Engagement Letter"). You accepted the Original Engagement Letter, and we have been providing legal services to Diocese of St. Cloud in connection with the financial affairs of Diocese of St. Cloud and related matters. We have jointly determined that it may be in the best interests of Diocese of St. Cloud to file a petition pursuant to Chapter 11 of the Bankruptcy Code in order to facilitate the Diocese of St. Cloud's reorganization of their financial affairs (the "Reorganization Case"). Therefore, given the present circumstances and the impending Reorganization Case, we have jointly determined that it is appropriate to modify the terms of our engagement. We, again, thank you for your expression of confidence in Quarles & Brady LLP ("Q&B" or "we"). This letter serves to amend and supplement, but not replace, the Original Engagement Letter.

1. *Client; Scope of Representation.* In addition to the services we have been providing to Diocese of St. Cloud, our services for the Diocese of St. Cloud will now also include the consideration of, and if necessary, initiation and prosecution of the Reorganization Case for the Diocese of St. Cloud.

Diocese of St. Cloud  
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2. *Fees and Expenses.* We will continue to provide services in the Reorganization Case based on the rates as set forth in the Original Engagement Letter. However, it should be noted that my current billing rate is \$415 an hour, Susan Boswell's current billing rate is \$660 an hour, Michael Galen's current billing rate is \$335 an hour, and Kelly Webster's current billing rate is \$225 an hour. We adjust these billing rates from time to time to reflect changes in levels of experience and economic factors affecting our firm. When our rates change, the bills you receive from us after that time will reflect the rate adjustment.

As you know, we cannot be a creditor of the Debtor at the time the Reorganization Case is filed. Therefore, it is necessary to have a fee arrangement that will allow Q&B to not only bill on a more frequent basis but also be paid for time based upon an estimate. This letter will confirm that just prior to filing the Reorganization Case, in addition to time already billed, we will estimate the number of hours that will be worked up to the time of filing and such estimate will be included in our final prepetition date bill to you. This letter will also confirm that the Diocese of St. Cloud has agreed, in exchange for the contemporaneous services we are and will be rendering, that it will pay any amounts outstanding (including the estimated amounts) immediately prior to the filing of the Reorganization Case. If for any reason the estimated hours (and corresponding amount) are less than the amount paid, the balance remaining will become a credit for the Diocese of St. Cloud to be held and applied in accordance with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and any orders of the Bankruptcy Court.

After the Reorganization Case commences, Q&B will apply to the Bankruptcy Court, from time to time, for allowance of its professional compensation and expense reimbursements. Subject to orders of the Bankruptcy Court, Q&B will have the right to obtain such payment from available assets of the Diocese of St. Cloud bankruptcy estate. Although this is not likely, we may also ask the Bankruptcy Court to approve a procedure which will allow Q&B to bill and be paid on a monthly basis.

3. *Conflicts.* Based on our current knowledge, we are not aware of anything which precludes Q&B from undertaking this representation in accordance with the applicable provisions of the Bankruptcy Code and applicable rules of ethics for our profession. We will continue to review information to be provided to Q&B regarding actual or potential creditors ("Potential Creditors"). At this point, we do not know if any of the Potential Creditors will actually be creditors or parties-in-interest in the Reorganization Case. Generally, the interests of the Potential Creditors and the Diocese of St. Cloud in the Reorganization Case are not and likely will not become adverse. However, if those circumstances change, so that an actual conflict arises, we would not represent either any of the Potential Creditors or the Diocese of St. Cloud, and the Diocese of St. Cloud would be represented in that instance by other counsel.

In addition, we understand that Crosier Fathers and Brothers ("Crosier") and Crosier Fathers of Onamia and Crosier Community of Phoenix (collectively, the "Crosier Entities") have been or may be named as a co-defendant in some of the claims alleging damages for sexual abuse. We have advised you that we represented the Crosier Entities in their reorganization cases, and,

Diocese of St. Cloud  
May 22, 2020  
Page 3

from time to time, we respond to inquiries or provide limited advice to the reorganized Crosier Entities related to their reorganization cases, but never in connection with issues within the scope of our representation of the Diocese of St. Cloud. We do not believe there is any legal conflict in our representation of the Crosier Entities and continued representation of the Diocese of St. Cloud. Nevertheless, as you previously agreed, and by execution of this engagement letter, you acknowledge and agree to our continued limited representation of the Crosier Entities, if any. We have obtained a similar consent from the Crosier Entities. We agree, however, that your prospective consent to conflicting representation contained in this paragraph shall not apply in any instance where, as a result of our representation of the Diocese of St. Cloud, we have obtained proprietary or other confidential information that, if known to the other client, could be used by that client to your material disadvantage. We will not disclose to the other client(s), including the Crosier Entities, any confidential information received during the course of our representation of the Diocese of St. Cloud.

This letter agreement amends the Original Engagement Letter and, except as amended and supplemented by this letter agreement, the Original Engagement Letter and the terms of that engagement of Q&B by Diocese of St. Cloud are hereby confirmed. If you are in agreement with the terms of this letter, please sign below and return this letter to me.

Very truly yours,

QUARLES & BRADY LLP



Jason D. Curry

JDC:lmc

**ACCEPTED AND AGREED**

The undersigned, by duly authorized signature below, agrees to engage Quarles & Brady LLP pursuant to the terms set forth in this letter.

**THE DIOCESE OF ST. CLOUD**, a Minnesota religious corporation

By Donald J. Kettler  
Its Bishop  
Donald J. Kettler  
(Print Name)  
May 28, 2020  
(Date)

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

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In re:

Chapter 11

THE DIOCESE OF ST. CLOUD, a Minnesota religious corporation,

Case No. 20-60337

Debtor.

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**ORDER AUTHORIZING THE EMPLOYMENT OF QUARLES & BRADY LLP AS THE  
DEBTOR'S GENERAL REORGANIZATION AND RESTRUCTURING COUNSEL**

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At Minneapolis, Minnesota, June \_\_\_, 2020.

Based on the application filed on June 15, 2020, by the debtor in possession pursuant to 11 U.S.C. § 327(a);

IT IS ORDERED:

The employment by the debtor in possession of Quarles & Brady LLP to represent the debtor in possession in carrying out its duties until Title 11 is approved.

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ROBERT J. KRESSEL  
UNITED STATES BANKRUPTCY JUDGE