

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re: Chapter 11

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

Debtor.

**APPLICATION FOR AN ORDER AUTHORIZING THE DEBTOR TO EMPLOY
GRANITE CITY REAL ESTATE LLC AS REAL ESTATE BROKER**

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 in this case, hereby applies, pursuant to 11 U.S.C. §§ 327(a), 328(a), and 330, Bankruptcy Rule 2014, and Local Rules 2014-1 and 9013-4, for an order authorizing the debtor to employ Granite City Real Estate LLC (the “**Broker**”) as real estate broker for the debtor.

This application is supported by the verified statement of Kate Hanson, attached hereto as **Exhibit A** and incorporated herein by this reference, and by the record in this reorganization case. In further support of this application, the debtor respectfully states as follows:

1. This court has jurisdiction over 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. Obtaining real estate brokerage services is essential to the debtor’s reorganization because of the need to sell certain buildings located at 214 3rd Avenue South, St. Cloud, Minnesota

(the “**Chancery Property**”)¹ and the real property located at 1726 7th Avenue South, St. Cloud, Minnesota (the “**Children’s Home Property**” and, together with the Chancery Property, the “**Properties**”). The debtor may seek to sell all or a portion of the Properties. The sale of the Properties will allow the debtor to generate funds that it will contribute to the plan of reorganization. The plan will, among other things, provide compensation to the tort claimants in this case.

5. As evidenced by the Hanson statement, the Broker has the experience, expertise, and resources to identify purchasers and successfully close transactions for the sale of the Properties.

6. The debtor retained the Broker prepetition as a real estate broker to market the Properties, and now wishes to have the Broker continue its work postpetition, subject to the court’s approval. Although the Broker previously marketed other properties for the debtor, those sales closed and the all of the Broker’s related fees were paid prepetition. No amounts are owed to the Broker at this time. The debtor’s arrangement for the Broker’s retention is described in the Hanson statement and is the only arrangement between the Broker and the debtor regarding sale of the Properties.

7. Subject to court approval, the debtor and the Broker have made the following arrangements regarding the Broker’s employment and compensation:

- a. The Broker is employed as the debtor’s real estate broker.
- b. The Broker will market and negotiate a sale of the Properties that will maximize their value.

¹ The debtor’s property at 214 3rd Avenue South, St. Cloud, Minnesota is comprised of approximately 86,125 square feet of land on which sits one office building and three residential buildings. At this time, the debtor only seeks to sell, and the Broker will only market, the three residential buildings, which are referred to as the Chancery Property for purposes of this application. Once a purchaser is identified, the debtor will seek to partition the property so that the Chancery Property can be sold as a separate lot. The debtor reserves the right to seek to sell the office building, and this application seeks employment of the Broker for that purpose.

c. The Broker will be compensated pursuant to the terms of the listing agreement for each of the Properties, both of which provide for compensation equal to 6% of the final gross sale price. Copies of the listing agreements are attached hereto as **Exhibits B** and **Exhibit C**.

8. The services provided by the Broker will not duplicate or overlap the efforts of any other professional retained by the debtor.

9. The debtor has reviewed the Hanson statement and believes that the Broker 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), and does not hold or represent any interest adverse to the debtor or the debtor’s estate with respect to the matters for which the Broker will provide services.

10. In accordance with Bankruptcy Rule 2014(a), this application and the Hanson statement set forth: (i) the facts establishing the necessity for the Broker’s employment; (ii) the reasons for the debtor’s selection of the Broker as its real estate broker; (iii) the professional services to be provided; (iv) the arrangements with respect to compensation and why such compensation is reasonable; and (v) to the best of the debtor’s knowledge, the nature and extent of the Broker’s relationship with certain parties in interest in this case.

11. In the event the United States Trustee, the official committee of unsecured creditors, or any other party in interest objects to the employment of the Broker, the debtor requests that the court schedule a hearing on this application.

WHEREFORE, debtor requests entry of an order approving the Broker's employment as real estate broker for the debtor.

Dated: July 13, 2020.

QUARLES & BRADY LLP

/s/ Michael Galen

Susan G. Boswell (AZ Bar No. 004791)

Jason D. Curry (AZ Bar No. 026511)

Michael Galen (AZ Bar No. 035044)

Admitted Pro Hac Vice

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Counsel for the Debtors

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re: Chapter 11

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

Debtor.

**VERIFIED STATEMENT OF KATE HANSON IN SUPPORT OF APPLICATION
FOR AN ORDER AUTHORIZING THE DEBTOR TO EMPLOY GRANITE
CITY REAL ESTATE LLC AS REAL ESTATE BROKER**

I, Kate Hanson, declare under penalty of perjury as follows:

1. I am an adult person residing in the City of Annandale, Wright County, Minnesota.
2. I am a real estate broker licensed in the State of Minnesota and am employed by Granite City Real Estate LLC, located at 3900 Roosevelt Road #125, St. Cloud, MN 56301. I am duly authorized by the Granite City firm to make all statements that I have made herein on behalf of the Granite City firm and with respect to the application and this verified statement in support of the application.
3. I submit this verified statement pursuant to Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).
4. The Granite City firm is a full-service commercial real estate brokerage with significant experience in all types of commercial real estate in the St. Cloud, Minnesota area.
5. The Granite City firm has agreed to provide professional services to the debtor in this case, subject to approval by the court. The services include marketing and negotiating the sale of certain buildings located at 214 3rd Avenue South, St. Cloud, Minnesota and all or portions of the real property located at 1726 7th Avenue South, St. Cloud, Minnesota.

6. All agreements related to the Granite City firm's representation of the debtor by are disclosed in Paragraph 8 herein. In accordance with 11 U.S.C. § 504 and as required by Bankruptcy Rule 2016, no agreement or understanding exists or will be made between the Granite City firm and any other person or entity for the sharing of any of the Granite City firm's compensation for professional services rendered or to be rendered to the debtor in or in connection with the reorganization case, other than that set forth in Paragraph 8 herein and subject to the court's approval. Additionally, the Granite City firm will not make any other agreement prohibited by 11 U.S.C. § 504 or 18 U.S.C. § 155.

7. The Granite City firm will receive compensation equal to six percent (6%) of the final gross sale price of each property, or portions thereof, and will be paid through escrow upon the closing of the sale of each property, or portion thereof.

8. The Granite City firm believes that it 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), in that neither the Granite City firm nor its employees:

- a. are creditors or insiders of the debtor;
- b. are and were not, within two years before the petition date, directors, officers, or employees of the debtor; and
- c. have any connection, or are materially adverse to any other person or entity, related to the debtor, the debtor's bankruptcy estate, or this reorganization case, or with respect to the Granite City firm's representation of the debtor.

9. I do not believe that any of the disclosures identified in this statement render the Granite City firm not "disinterested," or otherwise impact its ability to effectively provide real estate brokerage services to the debtor.

10. The Granite City firm will periodically review its files during the course of its employment by the debtor to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise, the Granite City firm will make reasonable efforts to identify any such further developments and will promptly file a supplemental statement as required by Fed. R. Bankr. P. 2014(a).

11. Based on the foregoing, the Granite City firm is eligible to be employed as the debtor's real estate broker.

12. 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 Granite City Real Estate LLC in support of its application to be employed in this case, and in compliance with Bankruptcy Rule 2014(a). If called to testify, I would testify as I have stated herein.

Dated: July 9, 2020.

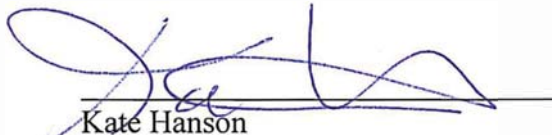

Kate Hanson
Vice President - Brokerage

EXHIBIT B



58 10th Ave S | Waite Park, MN 56387
Office: 320.253.0003 | Fax: 320.253.0006

Exclusive Sale Listing Agreement

January 14, 2019

Under this Agreement, Granite City Real Estate LLC (hereinafter referred to as "BROKER") shall undertake to sell the property listed below, now owned or controlled by **Diocese of St. Cloud** (hereinafter referred to as the SELLER).

The Property is located at 214 3rd Avenue South in Saint Cloud, Minnesota. The Property is identified by parcel ID numbers 82.51588.0000. The Property is commonly referred to as the Chancery Office Campus, and is comprised of approximately 86,125 square feet of land area, one office building, three residential buildings. Exhibit A: Legal descriptions.

The term of this Agreement shall be from the date hereof through and January 14, 2020, after which time the Agreement will automatically renew on a month to month basis, until terminated by either party, by written 30 day notice.

Broker shall undertake to sell or contract to sell the Property for the sum of

One Million One Hundred Twenty Thousand, (\$1,120,000.00) upon the following terms:

Cash to SELLER, or at any other price, terms or exchange to which SELLER may consent.

SELLER understands that BROKER may list other properties during the term of this Agreement which may compete with SELLER'S property for potential buyers.

SELLER'S OBLIGATIONS

It is agreed that SELLER shall promptly furnish BROKER with complete information concerning any person who during the period of this Agreement makes inquiry to SELLER regarding the sale, exchange or lease of the Property.

SELLER further agrees to promptly notify BROKER of any notices pertaining to the Property which are hereafter received during the term of this Agreement.

COMMISSION

It is further agreed that SELLER shall pay BROKER a brokerage fee of 6% of the final sale price. **Seller shall pay such brokerage upon the occurrence of any of the following conditions:**

- 1) The sale, contract for sale, exchange, or conveyance of the Property during the period of this Agreement by BROKER or any other person, including but not limited to SELLER, or any other agent or broker not a party to this Agreement, in accordance with the price, terms or exchange as set forth herein or as otherwise consented to by SELLER.
- 2) If a Buyer is procured, whether by BROKER, SELLER or anyone else, who is ready, willing, and able to purchase the Property at the price and terms set forth above and SELLER refuses to sell.
- 3) If SELLER agrees to sell the Property before this contract expires, and SELLER refuses to close the sale.
- 4) If within 180 days after the end of this Agreement, SELLER sells or agrees to sell the Property to anyone who has made an affirmative showing of interest in the Property by responding to an advertisement or by contacting the BROKER or salesperson involved or has been physically shown the Property by the BROKER or salesperson. It is understood that BROKER shall not seek to enforce collection of commission under this Paragraph unless the name of the prospect is on a written list given to SELLER within 72 hours after expiration of this Listing Agreement. (The Protection Period)

Notice: THE COMPENSATION FOR THE SALE, LEASE, RENTAL OR MANAGEMENT OF REAL PROPERTY SHALL BE DETERMINED BETWEEN EACH INDIVIDUAL BROKER AND THE BROKERS CLIENT. (MN Dept. of Commerce required disclosure statement)

SELLER'S REPRESENTATIONS

SELLER has full legal right to sell or lease the Property.

SUB-AGENTS AND BUYER'S BROKERS

I hereby permit you to share part of your commission with other real estate brokers, including brokers only representing the Buyer.

MISCELLANEOUS

- 1) This Agreement is binding upon the heirs, successors, and assigns of the parties.
- 2) All of the representations and covenants of this Agreement shall survive and be enforceable after termination of the Agreement.
- 3) This Agreement constitutes the complete agreement between the parties and supersedes any prior oral and written agreements between the parties relative to the provisions herein. No amendment, modification or extension of this Agreement shall be valid or binding unless made in writing and signed by both SELLER and BROKER.

- 4) This contract shall be governed by the laws of the State of Minnesota.
- 5) As security for Brokers commission, Seller hereby grants to Broker a security interest in the proceeds from the sale or lease of the property described herein and any title company or other closer who conducts the closing on the sale or lease of the property described herein is directed to disburse the Brokers commission provided hereunder to the Broker at the time of closing.

Agreed to on the date indicated below:

SELLER: DIOCESE OF ST. CLOUD

Rev. Robert Ruffes 1-23-19
Date

Rev. Robert Ruffes Vicar General
Printed Name and Title

BROKER: GRANITE CITY REAL ESTATE, LLC

Kate Hanson, VP, Primary Broker

58 10th Ave South
Waite Park, MN 56.379
320-253-0003

EXHIBIT A

ALL OF BLOCK O LESS PART FOR HIGHWAY Block 000 SubdivisionCd 82232
SubdivisionName WILSON'S SURVEY

(Full Legal to Govern)

EXHIBIT C



58 10TH AVENUE SOUTH
WAITE PARK, MN 56387
PHONE: (320) 253-0003
FAX: (320) 253-0006
WWW.GRANITECITYPROPERTIES.COM

Exclusive Sale Listing Agreement

April 23, 2018

Under this Agreement, Granite City Real Estate LLC (hereinafter referred to as "BROKER") shall undertake to sell the property listed below, now owned or controlled by **Diocese of St. Cloud**. (hereinafter referred to as the SELLER. The Property is located at 1726 7th Ave. South, St. Cloud Minnesota. The Property is identified by parcel ID numbers 82.44894.0054 and .0055. The Property is commonly referred to as the St. Cloud Childrens Home, and is comprised of approximately 40.25 acres of land area and multiple buildings. This Agreement includes all land area and improvements, including the Children Home Campus, a single family home and a newer building referred to as "New Cottage Two". A site map is attached for reference. Legal descriptions are lengthy and on file.

The term of this Agreement shall be from the date hereof through and April 22, 2019, after which time the Agreement will automatically renew on a month to month basis, until terminated by either party, by written 30 day notice.

Broker shall undertake to sell or contract to sell the Property for the sum of

Five Million One Hundred Thousand (\$5,100,000) upon the following terms: Cash to SELLER, or at any other price, terms or exchange to which SELLER may consent.

SELLER understands that BROKER may list other properties during the term of this Agreement which may compete with SELLER'S property for potential buyers.

SELLER'S OBLIGATIONS

It is agreed that SELLER shall promptly furnish BROKER with complete information concerning any person who during the period of this Agreement makes inquiry to SELLER regarding the sale, exchange or lease of the Property.

SELLER further agrees to promptly notify BROKER of any notices pertaining to the Property which are hereafter received during the term of this Agreement.

COMMISSION

It is further agreed that SELLER shall pay BROKER a brokerage fee of 6 % of the final sale price. **Seller shall pay such brokerage upon the occurrence of any of the following conditions:**

- 1) The sale, contract for sale, exchange, or conveyance of the Property during the period of this Agreement by BROKER or any other person, including but not limited to SELLER, or any other agent or broker not a party to this Agreement, in accordance with the price, terms or exchange as set forth herein or as otherwise consented to by SELLER.
- 2) If a Buyer is procured, whether by BROKER, SELLER or anyone else, who is ready, willing, and able to purchase the Property at the price and terms set forth above and SELLER refuses to sell.
- 3) If SELLER agrees to sell the Property before this contract expires, and SELLER refuses to close the sale.
- 4) If within 180 days after the end of this Agreement, SELLER sells or agrees to sell the Property to anyone who has made an affirmative showing of interest in the Property by responding to an advertisement or by contacting the BROKER or salesperson involved or has been physically shown the Property by the BROKER or salesperson. It is understood that BROKER shall not seek to enforce collection of commission under this Paragraph unless the name of the prospect is on a written list given to SELLER within 72 hours after expiration of this Listing Agreement. (The Protection Period)

Notice: THE COMPENSATION FOR THE SALE, LEASE, RENTAL OR MANAGEMENT OF REAL PROPERTY SHALL BE DETERMINED BETWEEN EACH INDIVIDUAL BROKER AND THE BROKERS CLIENT. (MN Dept. of Commerce required disclosure statement)

SELLER'S REPRESENTATIONS

SELLER has full legal right to sell or lease the Property.

SUB-AGENTS AND BUYER'S BROKERS

I hereby permit you to share part of your commission with other real estate brokers, including brokers only representing the Buyer.

MISCELLANEOUS

- 1) This Agreement is binding upon the heirs, successors, and assigns of the parties.
- 2) All of the representations and covenants of this Agreement shall survive and be enforceable after termination of the Agreement.
- 3) This Agreement constitutes the complete agreement between the parties and supersedes any prior oral and written agreements between the parties relative to

the provisions herein. No amendment, modification or extension of this Agreement shall be valid or binding unless made in writing and signed by both SELLER and BROKER.

- 4) This contract shall be governed by the laws of the State of Minnesota.
- 5) As security for Brokers commission, Seller hereby grants to Broker a security interest in the proceeds from the sale or lease of the property described herein and any title company or other closer who conducts the closing on the sale or lease of the property described herein is directed to disburse the Brokers commission provided hereunder to the Broker at the time of closing.
- 6) Only if approved in writing, SELLER shall allow BROKER to place for sale or "available" signs, at it's expense, on the property and remove or cause to be removed all other broker signs on the property. (If any)

Agreed to on the date indicated below:

SELLER: DIOCESE OF ST. CLOUD

May 3, 2018 Date

Donald J. Kettler
Printed Name and Title

Bishop, Diocese of St. Cloud
Donald J. Kettler

BROKER: GRANITE CITY REAL ESTATE, LLC

[Signature]
Jim Pfeipsen, President/Associate Broker

[Signature]
Kate Hanson, VP, Primary Broker

58 10th Ave South
Waite Park, MN 56.379
320-253-0003

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re: Chapter 11

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

Debtor.

**ORDER APPROVING EMPLOYMENT OF GRANITE CITY REAL
ESTATE LLC AS REAL ESTATE BROKER FOR THE DEBTOR**

Based on the application to employ Granite City Real Estate LLC as real estate broker for the debtor, filed on July 13, 2020, by the debtor in possession pursuant to 11 U.S.C. § 327(a);

IT IS ORDERED:

1. The employment by the debtor in possession of Granite City Real Estate LLC as its real estate broker is approved.
2. The proposed commission payable to Granite City Real Estate LLC pursuant to terms of its listing agreements with the debtor, as set forth in the employment application, is approved and may be paid from the sale proceeds of an approved sale, without further order of this court.

ROBERT J. KRESSEL
UNITED STATES BANKRUPTCY JUDGE

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

Chapter 11

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

Case No. 20-60337

Debtor.

CERTIFICATE OF SERVICE

I, Michael Galen, declare under penalty of perjury that on July 13, 2020, I caused to be served the foregoing *Application for an Order Authorizing the Debtor to Employ Granite City Real Estate LLC as Real Estate Broker* to each entity named below at the e-mail address or mailing address stated for each entity:

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District Counsel
Internal Revenue Service
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St. Paul, MN 55101

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Internal Revenue Service
Centralized Insolvency
Operations Unit
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Philadelphia, PA 19101

Office of the Attorney General
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St. Paul, MN 55101

Secretary of State
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St. Paul, MN 55103

Office of the U.S. Attorney
600 U.S. Courthouse
300 S. Fourth Street
Minneapolis, MN 55415

Dated: July 13, 2020.

QUARLES & BRADY LLP

/s/ Michael Galen

Susan G. Boswell (AZ Bar No. 004791)

Jason D. Curry (AZ Bar No. 026511)

Michael Galen (AZ Bar No. 035044)

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michael.galen@quarles.com

Counsel for the Debtors