June 30, 2011

Thomas S. Leatherbury
Vinson & Elkins
2001 Ross Avenue # 3700
Dallas, Texas 75201

Re: Supersedeas Order – The Episcopal Church, et al v. Salazar, et al

Dear Counsel:

My co-counsel and I have not had a chance until yesterday to confer on your letter of June 24, 2011, and the subsequent Motion to Tender Orders, which arrived while I was out of state. I will address your letter first, and then your motion and proposed supersedeas bond order accompanying the motion.

Your recollection of our conference on May 19 as expressed in your June 24 letter differs from ours. We recall that we initially spent almost no time discussing an amount of a bond. We seemed to all accept Judge Chupp's statements that something nominal at best was appropriate under his final judgment. You should recall that we suggested during the hearing that an agreed injunction is an alternative to a supersedeas bond to protect your clients. All of us quickly focused on injunctive provisions to protect the property ordered transferred and toward the end of the meeting a request was made for All Saints to be released to your clients. Mr. Weaver said he was not authorized to respond to the request, but it might be a part of a total settlement of the suit. We agreed to provide financial information, which is regularly prepared in the ordinary course of business for the Diocese. The meeting concluded with you telling us you needed to run our proposal by your clients and you would get back to us. There was never any discussion of a supersedeas bond in an amount like you have now requested. We understood that the "middle-ground" you mention had to do with injunctive provisions, not a bond amount. Your current injunctive proposal is far from a "middle-ground" of what we discussed.

The allegations contained in your letter are provocative and disappointing. They are counter-productive to good faith negotiations. You should know that our clients have the highest regard for their testimony as Christians. Therefore, they will not engage and have not engaged in any conduct that is unlawful or unbiblical. Moreover, our clients expect to prevail in the litigation and are taking the utmost care of the property that Judge Chupp has ordered transferred to your clients. Accusing our clients of not being good stewards of the property is both unfounded and counter-productive. The fact that all of the monies involved are independently

audited and these independent auditors have found nothing of the kind of conduct described in the findings in your proposed order to set supersedeas bond should be given great weight by you, your co-counsel and clients. The so-called missing money and alleged dissipation of funds is a false creation of yours that the financial records do not support. The failure to discovery this was not Mrs. Parrott's fault, but the failure to ask the proper questions. Additionally, the Louisiana account established with post-separation funds is not improper. It is, also, not a basis for injunctive relief. Judge Chupp has given no indication our clients have acted improperly with regard to any of their properties. Lastly, our clients do have the legal right to use their property resources to defend themselves. Judge Chupp has so stated.

The fact that, thus far, our clients have been able to defend themselves with a minimum impact on the property values is to your clients' benefit. Instead of this being appreciated, an attempt has been made to use this against our clients. Therefore, let us go forward, with you respecting the integrity of our clients and their commitment to protect the property and use that property only to the extent absolutely necessary to defend themselves and to conduct their ministry and business in the ordinary course as always.

It seems to us that if we can reach agreement on the language of an order, which protects the property Judge Chupp has ordered transferred to your clients, then a supersedeas bond is unnecessary. Normally, there is either a reasonable supersedeas bond or an injunctive order that accomplishes the purpose of a supersedeas bond, but not both. Judge Chupp expressed a complete lack of regard for your witness you tried to use to support a high supersedeas bond. He indicated his testimony was a waste of money.

Considering the value of the property ordered to be transferred and the comments of Judge Chupp during the May 19 hearing, measured by the law related to supersedeas bonds, it would seem that our best efforts should be directed towards reaching an agreement on an agreed injunctive order pending the appeal even though there is no conduct to support an injunction without our agreement. Additionally, the restrictions your proposed order contains render it virtually impossible to obtain a supersedeas bond.

Accompanying this letter is a proposed order. It is not what was previously delivered to you. You will notice that it is, in the main, identical to your original order and adds much from your proposed order. Concerning the reports, I have made some modifications that do not defeat the spirit of your language. Also, considering the other restrictions in the order, six months verification should be acceptable.

We do hope that we can reach agreement on an order that provides the protection to which your clients are entitled and that avoids unreasonable micromanagement of the property in

question. After you and your co-counsel have reviewed this letter and the proposed order, I believe a conference call would be productive.

Very truly yours,

J. Shelby Sharpe

JSS:klg
Enclosure

cc:

Scott A. Brister
R. David Weaver
Kendall M. Gray
Frank Hill
David Booth Beers
Mary E. Kostel
Sandra Liser
Kathleen Wells
Jonathan D.F. Nelson