

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

| | | |
|--|---|----------------------------------|
| |) | |
| In re: |) | Chapter 11 |
| |) | |
| STAGE STORES, INC., <i>et al.</i> , ¹ |) | Case No. 20-32564 (DRJ) |
| |) | |
| Debtors. |) | (Joint Administration Requested) |
| |) | (Emergency Hearing Requested) |

**DEBTORS’ EMERGENCY MOTION FOR ENTRY OF AN
ORDER (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE
INSURANCE COVERAGE ENTERED INTO PREPETITION AND SATISFY
PREPETITION OBLIGATIONS RELATED THERETO, (B) RENEW, AMEND,
SUPPLEMENT, EXTEND, OR PURCHASE INSURANCE POLICIES, AND (C)
CONTINUE TO PAY BROKERAGE FEES AND (II) GRANTING RELATED RELIEF**

EMERGENCY RELIEF HAS BEEN REQUESTED. A HEARING WILL BE CONDUCTED ON THIS MATTER ON MAY 11, 2020, AT 3:00 P.M. (CENTRAL TIME) IN COURTROOM 404, 4TH FLOOR, 515 RUSK STREET, HOUSTON, TEXAS 77002. IF YOU OBJECT TO THE RELIEF REQUESTED OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST EITHER APPEAR AT THE HEARING OR FILE A WRITTEN RESPONSE PRIOR TO THE HEARING. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

RELIEF IS REQUESTED NOT LATER THAN MAY 11, 2020.

PLEASE NOTE THAT ON MARCH 24, 2020, THROUGH THE ENTRY OF GENERAL ORDER 2020-10, THE COURT INVOKED THE PROTOCOL FOR EMERGENCY PUBLIC HEALTH OR SAFETY CONDITIONS.

IT IS ANTICIPATED THAT ALL PERSONS WILL APPEAR TELEPHONICALLY AND ALSO MAY APPEAR VIA VIDEO AT THIS HEARING.

AUDIO COMMUNICATION WILL BE BY USE OF THE COURT’S REGULAR DIAL-IN NUMBER. THE DIAL-IN NUMBER IS +1(832)-917-1510. YOU WILL BE RESPONSIBLE FOR YOUR OWN LONG-DISTANCE CHARGES. YOU WILL BE ASKED TO KEY IN THE CONFERENCE ROOM NUMBER. JUDGE JONES’S CONFERENCE ROOM NUMBER IS 205691.

PARTIES MAY PARTICIPATE IN ELECTRONIC HEARINGS BY USE OF AN INTERNET CONNECTION. THE INTERNET SITE IS WWW.JOIN.ME. PERSONS CONNECTING BY MOBILE DEVICE WILL NEED TO DOWNLOAD THE FREE JOIN.ME APPLICATION.

ONCE CONNECTED TO WWW.JOIN.ME, A PARTICIPANT MUST SELECT “JOIN A MEETING”. THE CODE FOR JOINING THIS HEARING BEFORE JUDGE JONES IS “JUDGE JONES”. THE NEXT SCREEN WILL HAVE A PLACE FOR THE PARTICIPANT’S NAME IN THE LOWER LEFT CORNER. PLEASE COMPLETE THE NAME AND CLICK “NOTIFY”. HEARING APPEARANCES SHOULD BE MADE ELECTRONICALLY AND IN ADVANCE OF THE HEARING. YOU MAY MAKE YOUR ELECTRONIC APPEARANCE BY:

1) GOING TO THE SOUTHERN DISTRICT OF TEXAS WEBSITE;

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Stage Stores, Inc. (6900) and Specialty Retailers, Inc. (1900). The Debtors’ service address is: 2425 West Loop South, Houston, Texas 77027.



2) SELECTING “BANKRUPTCY COURT” FROM THE TOP MENU;
3) SELECTING JUDGES’ PROCEDURES AND SCHEDULES;
4) SELECTING “VIEW HOME PAGE” FOR JUDGE DAVID R. JONES;
5) UNDER “ELECTRONIC APPEARANCE” SELECT “CLICK HERE TO SUBMIT ELECTRONIC APPEARANCE;”
6) SELECT IN RE STAGE STORES, INC., *ET AL.* FROM THE LIST OF ELECTRONIC APPEARANCE LINKS; AND
7) AFTER SELECTING IN RE STAGE STORES, INC., *ET AL.* FROM THE LIST, COMPLETE THE REQUIRED FIELDS AND HIT THE “SUBMIT” BUTTON AT THE BOTTOM OF THE PAGE.
SUBMITTING YOUR APPEARANCE ELECTRONICALLY IN ADVANCE OF THE HEARING WILL NEGATE THE NEED TO MAKE AN APPEARANCE ON THE RECORD AT THE HEARING.

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) state the following in support of this motion (this “Motion”):²

Relief Requested

1. The Debtors seek entry of an order (the “Order”), substantially in the form attached hereto: (a) authorizing the Debtors to (i) continue insurance coverage entered into prepetition and satisfy prepetition obligations related thereto in the ordinary course of business,³ (ii) renew, amend, supplement, extend, or purchase insurance coverage in the ordinary course of business on a postpetition basis, (iii) satisfy payment of prepetition obligations on account of and continue to pay Brokerage Fees (as defined herein) and (b) granting related relief.

Jurisdiction and Venue

2. The United States Bankruptcy Court for the Southern District of Texas (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b). The Debtors confirm their consent,

² The facts and circumstances supporting this Motion are set forth in the *Declaration of Elaine D. Crowley, Chief Restructuring Officer of Stage Stores Inc., in Support of Debtors’ Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), filed contemporaneously with this Motion and incorporated by reference herein.

³ Nothing herein shall be deemed an admission of any payments due or past due under or related to any of the Insurance Policies.

pursuant to rule 7008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), to the entry of an order by the Court.

3. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

4. The bases for the relief requested herein are sections 105(a), 363(b), 363(c), 503, 1107(a), and 1108 of title 11 of the United States Code (the “Bankruptcy Code”), Bankruptcy Rule 6004, and rules 1075-1, 4002-1, and 9013-1 of the Local Bankruptcy Rules for the Southern District of Texas (the “Local Rules”).

Background⁴

5. The Debtors are apparel, accessories, cosmetics, footwear, and home goods retailers that operate department stores under the Bealls, Goody’s, Palais Royal, Peebles, and Stage brands and off-price stores under the Gordmans brand. The Debtors employ approximately 14,694 employees, who operate approximately 700 stores across forty-two states. The Debtors’ department stores predominately serve small towns and rural communities, and the Debtors’ off-price stores are mostly located in mid-sized Midwest markets. The Debtors’ 2019 revenue was approximately \$1.6 billion.

6. On May 10, 2020, (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors have concurrently filed a motion requesting procedural consolidation and joint administration of these chapter 11 cases pursuant to

⁴ As more fully described in the First Day Declaration, as a result of the global pandemic caused by COVID-19, the majority of the Debtors’ employees remain on furlough as of the date hereof and certain of the Debtors’ accounting and reporting systems are not fully up to date. All estimated figures utilized in this Motion are based on the best currently-available information.

Bankruptcy Rule 1015(b). No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no committees have been appointed or designated.

Insurance Policies, Insurance Brokers, and Related Payment Obligations

7. In the ordinary course of business, the Debtors maintain approximately eighty insurance policies (collectively, the “Insurance Policies”)⁵ with approximately twenty seven third-party insurance carriers (collectively, the “Insurance Carriers”). These policies provide coverage for, among other things, the Debtors’ property, certain potential losses, general liability, employer’s liability, products liability, directors’ and officers’ liability, automobile liability, and workers’ compensation insurance. The aggregate annual premium for the Insurance Policies is approximately \$5.5 million, not including applicable taxes and surcharges, deductibles, broker and consulting fees, and commissions. A schedule of the Insurance Policies is attached as Exhibit 1 to the Order and incorporated herein by reference.

8. The Debtors prepay the entire yearly premiums for most of the Insurance Policies on or around the start of each policy period. For the property Insurance Policies, the Debtors pay the premiums in quarterly installments. The Insurance Policies generally are one year in length (although certain policies may be longer or shorter than one year based on market conditions and availability at the time) and renew at various times throughout the year. The Debtors estimate that,

⁵ The descriptions of the Insurance Policies set forth in this Motion constitute a summary only. The actual terms of the Insurance Policies and related agreements will govern in the event of any inconsistency with the description in this Motion. Although Exhibit 1 to the proposed Order is intended to be comprehensive, the Debtors may have inadvertently omitted Insurance Policies from Exhibit 1. The Debtors request authority to honor existing Insurance Policies and renew Insurance Policies, as applicable, regardless of whether the Debtors inadvertently failed to include a particular Insurance Policy on Exhibit 1, and any such omitted Insurance Policy is hereby included in the defined term “Insurance Policies” as used herein and in the proposed Order. Moreover, and in addition to the Insurance Policies listed on Exhibit 1 to the Order, the Debtors maintain numerous insurance policies with respect to, among other things, workers’ compensation, employee health, disability, and life insurance benefits. These programs are described, and relief is requested with respect to such programs, in the *Debtors’ Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs and (II) Granting Related Relief*, filed contemporaneously herewith.

as of the Petition Date, there are \$80,000 in aggregate outstanding premiums due on account of the Insurance Policies. To ensure uninterrupted coverage under the Insurance Policies, the Debtors seek authority to pay any outstanding prepetition amounts owed in connection with the Insurance Policies and to continue to honor their obligations under the Insurance Policies as they come due in the ordinary course of business on a postpetition basis, without further order of the Court.

9. The Debtors obtain the Insurance Policies primarily through the following brokers: Alliant Insurance Services, Inc. (“Alliant”), which provides management liability policies (excluding directors’ and officers’ liability policies); CAC Specialty (“CAC”), which provides directors’ and officers’ liability policies; and Beecher Carlson Insurance Services, LLC (“Beecher,” and together with Alliant and CAC, the “Brokers”), which provides casualty and property policies. The Brokers assist the Debtors in obtaining comprehensive insurance coverage for their operations in the most cost-effective manner, negotiating policy terms, provisions, and premiums, assisting the Debtors with claims, and providing ongoing support throughout the applicable policy periods. The Brokers collect fees or commission payments for services rendered in addition to or as part of the premiums paid on the Insurance Policies (the “Brokerage Fees”). In the twelve months immediately preceding the Petition Date, the Debtors paid an aggregate amount of approximately \$400,000 in Brokerage Fees to the Brokers. As of the Petition Date, the Debtors do not believe they owe any amounts to the Brokers on account of prepetition Brokerage Fees.

10. The Debtors also employ ESIS, Inc. (the “Insurance Administrator”) as a third-party claims administrator for certain of the Insurance Policies, alleviating the burden on the Debtors that would result from needing to administer the claims process for these claims. The Insurance Administrator receives, settles, adjusts, and otherwise handles claims under several of the Insurance Policies. The Insurance Administrator then pays such claims on behalf of the

Debtors, utilizing funds from a pre-funded account the Debtors maintain for purposes of facilitating the Insurance Administrator's claims resolution process (the "Claims Escrow Account"). On account of such claims, the Debtors pay the Insurance Administrator a fixed annual fee as well as a monthly fee, in arrears (the "Administrator Fees," and together with the Brokerage Fees, collectively, the "Third Party Fees"), the latter of which is dependent on the number of claims asserted against the Debtors. The Debtors pay approximately \$70,000 annually for these services. In fiscal year 2019, the Debtors paid approximately \$3,314,822 in claims (including liability and expenses), \$3,120,639 of which were paid through the Insurance Administrator. As of the Petition Date, the Debtors do not believe they owe any amounts to the Insurance Administrator on account of prepetition services.

11. Continuation of the Insurance Policies and entry into new insurance policies is essential to the preservation of the value of the Debtors' businesses and operations. In many instances, the coverage provided by the Insurance Policies is required by the regulations, laws, credit documents, customer contracts, and other arrangements that govern the Debtors' operations, as well as the Bankruptcy Code and the requirements of the United States Trustee for the Southern District of Texas (the "U.S. Trustee") as provided in the *Region 7 Guidelines for Debtors-in-Possession* (the "U.S. Trustee Guidelines"). Maintenance of comprehensive insurance is particularly important in the current economic environment, which has become increasingly uncertain due to the global COVID-19 pandemic. The Debtors request authority to maintain their existing Insurance Policies, to pay any prepetition obligations related thereto, and to renew, supplement, or enter into new insurance policies as applicable, in the ordinary course of business on a postpetition basis, to ensure uninterrupted coverage under their Insurance Policies.

Basis for Relief

I. Continuation of the Insurance Policies Is Required by the Bankruptcy Code and U.S. Trustee Guidelines.

12. The Insurance Policies provide a comprehensive range of protection for the Debtors' businesses, properties, and assets. It is essential that the Debtors' insurance coverage continues in full force and effect during the course of these chapter 11 cases. Section 1112(b)(4)(C) of the Bankruptcy Code provides that "failure to maintain appropriate insurance that poses a risk to the estate or to the public" is "cause" for mandatory conversion or dismissal of a chapter 11 case. 11 U.S.C. § 1112(b)(4)(C). Certain of the Insurance Policies are required by various state and federal regulations. In addition, in many instances, the coverage provided under the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the U.S. Trustee Guidelines.

13. To ensure that the Debtors comply with section 1112(b)(4)(C) of the Bankruptcy Code, applicable state and federal regulations, and the U.S. Trustee Guidelines, the Debtors request the authority to satisfy obligations related to the Insurance Policies in the ordinary course of business, including those prepetition amounts due in connection with the premiums and Third Party Fees, and, if necessary, renew, supplement, or purchase insurance coverage on a postpetition basis in the ordinary course of business.⁶

⁶ The Debtors believe that continuation of the Insurance Policies and the ability to supplement, amend, extend, renew, or replace such Insurance Policies is authorized in the ordinary course. 11 U.S.C. § 363(c)(1). The Debtors therefore seek such relief out of an abundance of caution given the importance of the Insurance Policies to the protection of their estates.

II. Renewing, Supplementing, Purchasing, or Entering Into New Insurance Policies and Paying Obligations Related to the Insurance Policies in the Ordinary Course of Business Is Warranted.

14. In authorizing payments of prepetition insurance obligations, courts have relied on several legal theories rooted in sections 105(a), 363(b), 503, 1107(a), and 1108 of the Bankruptcy Code. Pursuant to these sections of the Bankruptcy Code, the Court may authorize the Debtors to maintain the Insurance Policies, renew Insurance Policies, and enter into new policies on a postpetition basis because the relief requested is consistent with the value preservation policy of chapter 11.

15. Sections 1107(a) and 1108 of the Bankruptcy Code provide that debtors in possession are fiduciaries “holding the bankruptcy estate[s] and operating the business[es] for the benefit of [their] creditors and (if the value justifies) equity owners.” *See, e.g., In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the fiduciary duties of any debtor in possession is the obligation to “protect and preserve the estate, including an operating business’s going concern value.” *Id.* Courts in the Fifth Circuit have recognized that it is appropriate to authorize the payment of prepetition obligations where necessary to protect and preserve the estate, including an operating business’s going-concern value. *See, e.g., id.* Section 503(b)(1)(A) of the Bankruptcy Code provides that: “After notice and a hearing, there shall be allowed, administrative expenses[,] including . . . the actual, necessary costs and expenses of preserving the estate.” The Court, therefore, can authorize the Debtors to use estate funds to pay any obligations under the Insurance Policies arising during or relating to the period after the Petition Date.

16. Further, the Court may authorize payment of prepetition claims in appropriate circumstances based on section 105(a) of the Bankruptcy Code. Section 105(a), which codifies the inherent equitable powers of the bankruptcy court, empowers the bankruptcy court to “issue

any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” Under section 105(a), courts may permit payments of prepetition obligations when essential to the continued operation of a debtor’s business. This Court’s power under section 105(a) to authorize payment of prepetition obligations is popularly referred to as the “necessity of payment” rule (also referred to as the “doctrine of necessity”).

17. The “doctrine of necessity” or the “necessity of payment” rule has long been recognized as precedent within the Fifth Circuit. *See CoServ*, 273 B.R. at 492–93. The rationale for the necessity of payment rule—the rehabilitation of a debtor in reorganization cases—is the paramount policy and goal of chapter 11. *Id.* at 493; *see also In re Scotia Development, LLC*, 2007 WL 2788840 at *1 (Bankr. S.D. Tex. Sept. 21, 2007); *In re Mirant Corp.*, 296 B.R. 427, 429 (Bankr. N.D. Tex. 2003) (noting that non-payment of prepetition claims may seriously damage a debtor’s business); 2 Collier on Bankruptcy, 105.02[4][a] (16th ed. rev. 2015) (discussing cases in which courts have relied on the “doctrine of necessity” or the “necessity of payment” rule to pay prepetition claims immediately).

18. The necessity of payment rule applies here because failure to pay the insurance premiums and the other related insurance expenses when they come due, including Third Party Fees, would harm the Debtors’ estates. More specifically, if the Debtors fail to timely honor any outstanding prepetition obligations on account of the Insurance Policies, the Insurance Carriers would likely refuse to renew the Insurance Policies and the Debtors would be required to obtain replacement policies and reconfigure their risk management program. Obtaining replacement policies would require the Debtors to commit significant resources and would likely result in less favorable coverage or terms from the Insurance Carriers. The Insurance Carriers also could attempt to terminate the Debtors’ existing policies or deny coverage. Continuation of the Insurance

Policies is essential to preserving the value of the Debtors' assets and minimizing exposure to risk during the pendency of these chapter 11 cases. Given that uninterrupted continuation of the Insurance Policies is an essential part of preserving the value of the Debtors' estates, the Debtors should be authorized to pay any prepetition obligations related thereto.

19. It is also in the best interests of the Debtors' estates for the Debtors to have the ability to revise, extend, supplement, or change insurance coverage, as necessary, on a postpetition basis. In the event any of the Insurance Policies lapse or new coverage is required, it is imperative that the Debtors be able to renew, supplement, purchase, or enter into new insurance coverage on a postpetition basis in the ordinary course of business.

Processing of Checks and Electronic Fund Transfers Should Be Authorized

20. The Debtors have sufficient funds to pay the amounts described in this Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks or wire transfer requests as relating to an authorized payment in respect of the Insurance Policies. Accordingly, the Debtors believe that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently. Therefore, the Debtors request that the Court authorize and direct all applicable financial institutions, when requested by the Debtors, to receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief requested in this Motion.

Emergency Consideration

21. Pursuant to Bankruptcy Rule 6003, which empowers a court to grant relief within the first twenty-one days after the commencement of a chapter 11 case "to the extent that relief is necessary to avoid immediate and irreparable harm," and Local Rule 9013-1(i), the Debtors respectfully request emergency consideration of this Motion. An immediate and orderly transition

into chapter 11 is critical to the viability of the Debtors' operations and any delay may hinder the Debtors' operations and cause irreparable harm. Furthermore, the failure to receive the requested relief during the first twenty-one days of these chapter 11 cases would severely disrupt the Debtors' operations at this critical juncture and imperil the Debtors' restructuring. Accordingly, the Debtors have satisfied the "immediate and irreparable harm" standard of Bankruptcy Rule 6003 and request that the Court approve the relief requested in this Motion on an emergency basis.

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

22. To implement the foregoing successfully, the Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the fourteen-day stay period under Bankruptcy Rule 6004(h).

Reservation of Rights

23. Nothing contained herein or any actions taken pursuant to such relief requested is intended or shall be construed as: (a) an admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors' or any other party in interest's right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Motion or any order granting the relief requested by this Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors', or any other party in interest's, rights under the Bankruptcy Code or any other applicable law; or

(h) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to the relief requested in this Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens. If the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should not be construed as an admission as to the validity of any particular claim or a waiver of the Debtors' or any other party in interest's rights to subsequently dispute such claim.

Notice

24. The Debtors will provide notice of this Motion to: (a) the U.S. Trustee for the Southern District of Texas; (b) the holders of the fifty largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to Wells Fargo Bank, National Association, as Agent under the Debtors' prepetition credit agreement; (d) the United States Attorney's Office for the Southern District of Texas; (e) the Internal Revenue Service; (f) the United States Securities and Exchange Commission; (g) the state attorneys general for states in which the Debtors conduct business; (h) the Insurance Carriers; (i) the Insurance Brokers; (j) the Insurance Administrator; and (k) any party that has requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, no other or further notice need be given.

[Remainder of page intentionally left blank.]

WHEREFORE, the Debtors request that the Court enter, granting the relief requested in this Motion and granting such other and further relief as is appropriate under the circumstances.

Houston, Texas
May 10, 2020

/s/ Matthew D. Cavanaugh

JACKSON WALKER L.L.P.

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*Proposed Co-Counsel to the Debtors
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*Proposed Co-Counsel to the Debtors
and Debtors in Possession*

Certificate of Service

I certify that on May 10, 2020, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Matthew D. Cavanaugh

Matthew D. Cavanaugh

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

| | | |
|--|---|----------------------------------|
| In re: |) | |
| |) | Chapter 11 |
| |) | |
| STAGE STORES, INC., <i>et al.</i> , ¹ |) | Case No. 20-32564 (DRJ) |
| |) | |
| Debtors. |) | (Joint Administration Requested) |
| |) | |
| |) | Re: Docket No. ___ |

**ORDER (I) AUTHORIZING THE DEBTORS TO
(A) CONTINUE INSURANCE COVERAGE ENTERED INTO
PREPETITION AND SATISFY PREPETITION OBLIGATIONS
RELATED THERETO, (B) RENEW, AMEND, SUPPLEMENT,
EXTEND, OR PURCHASE INSURANCE POLICIES, AND (C) CONTINUE
TO PAY BROKERAGE FEES AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order (this “Order”), (a) authorizing the Debtors to (i) continue insurance coverage entered into prepetition and satisfy prepetition obligations related thereto in the ordinary course of business; (ii) renew, amend, supplement, extend, or purchase insurance coverage in the ordinary course of business on a postpetition basis; and (iii) continue to pay brokerage fees, and (b) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and that this Court may enter an order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Stage Stores, Inc. (6900) and Specialty Retailers, Inc. (1900). The Debtors’ service address is: 2425 West Loop South, Houston, Texas 77027.

² Capitalized terms used and not defined herein have the meanings ascribed to them in the Motion.

district is permissible pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Debtors are authorized, but not directed, to continue the Insurance Policies including, without limitation, the Insurance Policies identified on Exhibit 1, and to pay any prepetition or postpetition obligations related to the Insurance Policies, including any Brokerage Fees and Third Party Fees, if any.

2. The Debtors are authorized, but not directed, to renew, amend, supplement, extend, or purchase insurance policies to the extent that the Debtors determine that such action is in the best interest of their estates; *provided* that the Debtors will notify the U.S. Trustee and any statutory committee appointed in these chapter 11 cases if the Debtors increase or decrease existing coverage, change carriers, enter into any new premium financing agreements, or purchase additional coverage.

3. The Debtors shall maintain a matrix/schedule of payments made pursuant to this Order, including the following information: (a) the names of the payee; (b) the date and amount of the payment; and (c) the category or type of payment, as further described and classified in the

Motion. Debtors shall provide a copy of such matrix/schedule to the U.S. Trustee and any statutory committee appointed in these chapter 11 cases every thirty days beginning upon entry of this Order.

4. Notwithstanding the relief granted herein or any actions taken hereunder, nothing contained in this Order shall create any rights in favor of, or enhance the status of any claim held by, any person to whom any obligations under the Insurance Policies are owed.

5. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Order.

6. Notwithstanding the relief granted in this Order and any actions taken pursuant to such relief, nothing in this Order shall be deemed: (a) an admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors' or any other party in interest's right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested by the Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors', or any other party in interest's, rights under the Bankruptcy Code or any other

applicable law; or (h) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to the relief requested in this Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens.

7. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with any Insurance Policies.

8. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a), and the Local Rules are satisfied by such notice.

9. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

10. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

11. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Order in accordance with the Motion.

12. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Houston, Texas

Dated: _____, 2020

DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1**Insurance Policies¹**

| Type of Insurance | Carrier | Policy Number | Policy Term Date ² |
|--|---|-------------------|-------------------------------|
| Primary Directors & Officers Liability | Illinois National Insurance Company (AIG) | 23820501 | 11/1/2019 - 11/1/2020 |
| Excess D&O | ACE American Insurance Company | DOXG26813062006 | 11/1/2019 - 11/1/2020 |
| Excess D&O | XL Specialty Insurance Company | ELU164669-19 | 11/1/2019 - 11/1/2020 |
| Excess D&O | Underwriters at Lloyd's (ANV) | ANV134318A | 11/1/2019 - 11/1/2020 |
| Excess D&O | Axis Insurance Company | MNN769057/01/2019 | 11/1/2019 - 11/1/2020 |
| Excess D&O | Beazley Insurance Company | V20B2F190301 | 11/1/2019 - 11/1/2020 |
| Excess D&O | Freedom Specialty Insurance Co. | XMF1909343 | 11/1/2019 - 11/1/2020 |
| Excess D&O | Canopius Insurance Services | CUAI0322-00 | 11/1/2019 - 11/1/2020 |
| Excess D&O | Wesco Insurance Company | EUW180635200 | 11/1/2019 - 11/1/2020 |
| Excess D&O | The North River Insurance Co. | 5771005983 | 11/1/2019 - 11/1/2020 |
| Excess D&O - Lead Side A | Allied World Insurance Company | 3048933 | 11/1/2019 - 11/1/2020 |
| Excess D&O - Side A | Old Republic Insurance Company | ORPRO43500 | 11/1/2019 - 11/1/2020 |
| Excess D&O - Side A | XL Specialty Insurance Company | ELU16467219 | 11/1/2019 - 11/1/2020 |
| Excess D&O - Side A | Illinois National Insurance Co. | 23820660 | 11/1/2019 - 11/1/2020 |
| Primary Employment Practices Liability | Beazley Insurance Company, Inc. | V15VED191101 | 11/1/2019 - 11/1/2020 |
| EPL - Puni Wrap | Aria (SAC) Limited | B60112WRAP19 | 11/1/2019 - 11/1/2020 |
| Excess EPL | Axis Insurance Company | MNN642418/01/2019 | 11/1/2019 - 11/1/2020 |
| Puni Wrap | Axis Specialty Limited | 1146640119QA | 11/1/2019 - 11/1/2020 |
| Crime | XL Specialty Insurance Company | ELU164677-19 | 11/1/2019 - 11/1/2020 |
| Employed Lawyers Liability | Illinois National Insurance Co. | 23820655 | 11/1/2019 - 11/1/2020 |
| Fiduciary Liability | Illinois National Insurance Co. | 23822821 | 11/1/2019 - 11/1/2020 |
| Cyber | Beazley thru Lloyd's | PH1902370 | 11/1/2019 - 11/1/2020 |
| Special Risk | U.S. Specialty Insurance Company | U718-88075 | 11/1/2018 - 11/1/2021 |
| General Liability | Arch Insurance Company | 41GPP0515704 | 05/01/20-11/01/20 |
| Business Auto | Arch Insurance Company | 41CAB0515804 | 05/01/20-11/01/20 |

¹ The Debtors request authority to honor existing Insurance Policies and renew Insurance Policies, as applicable, regardless of whether the Debtors inadvertently failed to include a particular Insurance Policy on this exhibit.

² Prior to the Petition Date, the Debtors purchased and prepaid all premiums on account of tail coverage for the following Insurance Policies: (a) Primary Directors & Officers Liability; and (b) Excess D&O.

| Type of Insurance | Carrier | Policy Number | Policy Term Date ² |
|--|--|--------------------|-------------------------------|
| Workers' Compensation (All Other States) | Arch Insurance Company | 41WCI0515604 | 05/01/20-11/01/20 |
| Workers' Compensation (IL, IN, KY, MD, MN, MO, NC, OR, PA) | Arch Indemnity Insurance Company | 44WCI1002904 | 05/01/20-11/01/20 |
| Workers' Compensation (TX Non-Subscriber) | North American Specialty | EPG1000026-11 | 05/01/20-11/01/20 |
| Umbrella Liability | Travelers Property Casualty Company Of America | ZUP-16N51251-20-NF | 05/01/20-11/01/20 |
| Excess Umbrella | American Guarantee And Liability Insurance Company | AEC 0593761-01 | 05/01/20-11/01/20 |
| Excess Umbrella | Ace Property And Casualty Insurance Company | XCQ G71517123 002 | 05/01/20-11/01/20 |
| Foreign Commercial Package | The Insurance Company Of The State Of Pittsburgh, Pennsylvania (AIG) | WR10007074 | 05/01/20-05/01/21 |
| Flood - Cut Off, LA | American Bankers Insurance Co. of Florida | #6900128757 | 10-29-2019 - 10-29-2020 |
| Flood - Chalmette, LA | American Bankers Insurance Co. of Florida | #6900128756 | 10-29-2019 - 10-29-2020 |
| Flood - Denham Springs, LA | American Bankers Insurance Co. of Florida | #6900128755 | 10-29-2019 - 10-29-2020 |
| Flood - Liberty, TX | American Bankers Insurance Co. of Florida | #6900128758 | 10-29-2019 - 10-29-2020 |
| Flood - Belen, NM | American Bankers Insurance Co. of Florida | #6010027749 | 07-23-2019 - 07-23-2020 |
| Flood - Weslaco, TX | American Bankers Insurance Co. of Florida | #6010034537 | 11-12-2019 - 11-12-2020 |
| Flood - Orange, TX | American Bankers Insurance Co. of Florida | #6010032550 | 08-20-2019 - 08-20-2020 |
| Flood - Marrero, LA | American Bankers Insurance Co. of Florida | #6010034529 | 11-12-2019 - 11-12-2020 |
| Flood - Sulfur, LA | American Bankers Insurance Co. of Florida | #6010031764 | 08-12-2019 - 08-12-2020 |
| Flood - Pocomoke City, MD | American Bankers Insurance Co. of Florida | #6010037588 | 11-12-2019 - 11-12-2020 |
| Flood - Houston, TX | American Bankers Insurance Co. of Florida | #6010027752 | 07-22-2019 - 07-22-2020 |
| Flood - Galveston, TX | American Bankers Insurance Co. of Florida | #6010027750 | 07-20-2019 - 07-20-2020 |
| Flood - Crowley, LA | American Bankers Insurance Co. of Florida | #6010027747 | 07-21-2019 - 07-21-2020 |
| Flood - Crystal City, MO | Hartford Insurance Co. of the Midwest | #9905625315 | 07-14-2019 - 07-14-2020 |
| Flood - Marietta, OH | Hartford Insurance Co. of the Midwest | #9905625326 | 07-14-2019 - 07-14-2020 |
| Flood - Pasadena, TX | Hartford Insurance Co. of the Midwest | #9905625324 | 07-14-2019 - 07-14-2020 |
| Flood - Moultrie, GA | Hartford Insurance Co. of the Midwest | #9905625318 | 07-14-2019 - 07-14-2020 |
| Flood - Conroe, TX | Hartford Insurance Co. of the Midwest | #9905625319 | 07-14-2019 - 07-14-2020 |

| Type of Insurance | Carrier | Policy Number | Policy Term Date ² |
|---|---|----------------|-------------------------------|
| Flood - Pleasanton, TX | Hartford Insurance Co. of the Midwest | #8705625330 | 08-16-2019 - 08-16-2020 |
| Flood - Seminole, OK | Hartford Insurance Co. of the Midwest | #8705625331 | 08-16-2019 - 08-16-2020 |
| Flood - Mt. Pleasant, TX | Hartford Insurance Co. of the Midwest | #8705625327 | 08-16-2019 - 08-16-2020 |
| Flood - West Memphis, AR | Wright National Flood Ins. Co | #031151670241 | 08-29-2019 - 08-29-2020 |
| Flood - Junction City, KS | Wright National Flood Ins. Co | #151151670212 | 08-29-2019 - 08-29-2020 |
| Flood - West Monroe, LA | Wright National Flood Ins. Co | #171151670245 | 08-29-2019 - 08-29-2020 |
| Flood - La Place, LA | Wright National Flood Ins. Co | #171151670254 | 08-29-2019 - 08-29-2020 |
| Flood - Monroe, LA | Wright National Flood Ins. Co | #171151670268 | 08-29-2019 - 08-29-2020 |
| Flood - New Iberia, LA | Wright National Flood Ins. Co | #171151670269 | 08-29-2019 - 08-29-2020 |
| Flood - Cleveland, MS | Wright National Flood Ins. Co | #231151670229 | 08-29-2019 - 08-29-2020 |
| Flood - Fremont, NE | Wright National Flood Ins. Co | #261151670208 | 08-29-2019 - 08-29-2020 |
| Flood - Marion, NC | Wright National Flood Ins. Co | #321151670230 | 08-29-2019 - 08-29-2020 |
| Flood - Sand Springs, OK | Wright National Flood Ins. Co | #351151670235 | 08-29-2019 - 08-29-2020 |
| Flood - Lufkin, TX | Wright National Flood Ins. Co | #421151670221 | 08-29-2019 - 08-29-2020 |
| Flood - Gainesville, TX | Wright National Flood Ins. Co | #421151670227 | 08-29-2019 - 08-29-2020 |
| Flood - Bastrop, TX | Wright National Flood Ins. Co | #421151670233 | 08-29-2019 - 08-29-2020 |
| Flood - Houston, TX | Wright National Flood Ins. Co | #421151670242 | 08-29-2019 - 08-29-2020 |
| Flood - Wharton, TX | Wright National Flood Ins. Co | #421151670244 | 08-29-2019 - 08-29-2020 |
| Flood - Saint Albans, WV | Wright National Flood Ins. Co | #471151670225 | 08-29-2019 - 08-29-2020 |
| Flood - Springfield, VT | Wright National Flood Ins. Co | #441151670203 | 08-29-2019 - 08-29-2020 |
| Flood - Houma, LA | Wright National Flood Ins. Co | #171151674330 | 09-08-2019 - 09-08-2020 |
| Flood - Houston, TX | Wright National Flood Ins. Co | #4201151670206 | 08-29-2019 - 08-29-2020 |
| Flood - Abbeville, LA | Wright National Flood Ins. Co | #171151670257 | 08-29-2019 - 08-29-2020 |
| Flood - Moline, IL | Wright National Flood Ins. Co | #121151670218 | 08-29-2019 - 08-29-2020 |
| Flood - Brownsville, TX | Wright National Flood Ins. Co | #421151670258 | 08-29-2019 - 08-29-2020 |
| Flood - Sterling, CO | Wright National Flood Ins. Co | #051151670260 | 08-29-2019 - 08-29-2020 |
| Flood - Pennsville, NJ | Wright National Flood Ins. Co | #291151670278 | 08-29-2019 - 08-29-2020 |
| Flood - Jacksonville, TX RTV/CC Center | Wright National Flood Ins. Co | #1151931363 | 02-28-2020 - 02-24-2021 |
| All-Risk Property | Zurich American Insurance Company | #MLP0147494-01 | 05/31/2019 - 05/31/2020 |
| Stock Throughput | Lloyd's of London, Starr, Aspen, RSUI and Various Markets | Various | 05/31/2019 - 05/31/2020 |