

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

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

**DECLARATION OF STEPHEN COULOMBE,  
MANAGING DIRECTOR OF THE BERKELEY RESEARCH GROUP,  
IN SUPPORT OF THE DEBTORS’ CASH COLLATERAL MOTION**

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I, Stephen Coulombe, hereby declare under penalty of perjury:

1. I am a Managing Director at the Berkeley Research Group, LLC (“BRG”), financial advisor to the above-captioned debtors and debtors in possession (collectively, the “Debtors”).

2. BRG’s practice consists of senior financial, management consulting, accounting, and other professionals who specialize in providing financial, business, and strategic assistance, typically in distressed business settings. BRG serves troubled companies, debtors, secured and unsecured creditors, equity holders, and other parties in both in-court and out-of-court engagements. Prior to the Petition Date, BRG was engaged by the Debtors help manage their liquidity.<sup>2</sup>

3. I have approximately 23 years of experience serving as a financial advisor and Chief Restructuring Officer and providing restructuring and performance improvement services to

<sup>1</sup> 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.

<sup>2</sup> Capitalized terms used but not otherwise defined in this section shall have the meanings ascribed to them in the Cash Collateral Motion.



corporations, various creditor classes, equity owners, and directors of underperforming companies. Prior to joining BRG in May 2016, I was a Senior Managing Director at FTI Consulting, Inc. (“FTI”). Upon terminating my employment with FTI, I began my role as Managing Director of BRG.

4. I submit this declaration (this “Declaration”) in support of the *Debtors’ Motion Seeking Entry of Interim and Final Orders (I) Authorizing Use of Cash Collateral and Affording Adequate Protection; (II) Modifying the Automatic Stay; (III) Scheduling A Final Hearing; and (IV) Granting Related Relief* (the “Cash Collateral Motion”).

5. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon my personal knowledge of the Debtors’ employees, operations, and finances, information learned from my review of relevant documents, information supplied to me by other members of the Debtors’ management and their advisors, including BRG employees working under my supervision, or my opinion based on my experience, knowledge, and information concerning the Debtors’ operations, financial affairs, and initiatives. I am over the age of 18, and I am authorized to submit this Declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

### **Background**

6. I understand that the timing of these chapter 11 cases was driven in large part by increasing agitation from the Debtors’ landlords. The Debtors did not pay the majority of rent due in March, April, and May, leading the Debtor’s landlords to send default notices, which notices have been arriving with increasing frequency. Additionally, in early May, some landlords started taking “self-help” measures to lock the Debtors out of their stores and have threatened to dispose of the Debtors’ inventory.

7. To facilitate a speedy entrance into chapter 11 and mitigate landlord disruption, the Debtors needed to quickly procure financing for these chapter 11 cases. The Debtors and the Prepetition Agents agreed that consensual use of cash collateral—not a new debtor-in-possession financing facility—was appropriate. Accordingly, the Debtors reached an agreement with the Prepetition Agents regarding the terms of consensual use of their cash collateral on the terms set forth in the proposed Interim Order. Prior to filing, the Prepetition Lenders allowed the Debtors to draw down approximately \$13.5 million under their Prepetition Credit Agreement, of which approximately 10.3 million remains available for the Debtors to use. Based on current projections and estimates, I believe this amount, along with the proceeds of sales, will be sufficient to fund these chapter 11 cases, subject in all respects to the terms of the Interim Order and the Budget. To the extent additional cash is needed, the Debtors may seek such entry into a postpetition financing facility at another time.

### **The Cash Collateral Motion**<sup>3</sup>

8. Pursuant to the Cash Collateral Motion, the Debtors seek entry of interim and final orders (the “Cash Collateral Orders”) authorizing the Debtors to access Cash Collateral and provide adequate protection to the Prepetition Secured Parties. Importantly, the Prepetition Secured Parties consent to the Debtors’ use of their Cash Collateral on the terms and conditions set forth in the Cash Collateral Orders and the Budget. The relief requested in the Interim Order granting the Cash Collateral Motion clearly delineates the cash collateral needs of the Debtors and

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<sup>3</sup> Many of the financial figures presented in this Declaration are unaudited and potentially subject to change, but reflect the Debtors’ most recent review of their businesses. The Debtors reserve all rights to revise and supplement the figures presented herein.

the adequate protection to be provided to the Prepetition Secured Parties. In addition, a summary form of the Budget is attached as Exhibit A to the Interim Order.

9. I believe the use of Cash Collateral to fund the continued operation of the Debtors' businesses will facilitate the preservation of the Prepetition Collateral while maximizing the value of the Debtors' enterprise to the benefit of all stakeholders. Among other things, access to Cash Collateral is essential to allow the Debtors to: generate revenue, operate their businesses, and pay their employees, vendors, and suppliers; and enable the Debtors to pursue a value-maximizing sale or orderly wind-down of operations. The Debtors' ability to continue making such payments during these chapter 11 cases is essential to the preservation of their assets during the pendency of these cases. More specifically, access to Cash Collateral will allow the Debtors to fund operational expenses, procure goods and services integral to their business operations, and allow the Debtors to maintain favorable relationships with their vendors, suppliers, service providers, customers, and landlords. I believe without access to Cash Collateral prior to entry of the Final Order, the Debtors would likely have to abruptly suspend operations which could prevent the Debtors from consummating a sale and would prevent the Debtors from winding down their business in an orderly manner. As such, I believe failure to obtain access to Cash Collateral would result in immediate and irreparable harm to the Debtors and their stakeholders, and would diminish the value of the Debtors' estates.

10. The Debtors, with the assistance of their advisors, developed the Budget governing their use of Cash Collateral during the period for which the Budget was prepared. As reflected in the Budget, as of the Petition Date, the Debtors have approximately \$10.3 million in cash on hand, all of which is encumbered by liens in favor of the Prepetition Agent. As such, there is no unencumbered cash sufficient to support the Debtors' ordinary course business operations, let

alone the added costs of administering these chapter 11 cases. The Budget contains line items for each category of cash flow anticipated to be received or disbursed during this period. I believe that the Budget includes all reasonable, necessary, and foreseeable expenses to be incurred in connection with the operation of the Debtors' business for the period set forth in the Budget. Further, I believe that the Budget establishes that the Debtors will have adequate liquidity during this period. Both the Budget and the terms of the Interim Order are a product of extensive negotiations conducted in good faith and at arm's length among the Debtors and the Required Lenders. I believe that the terms of the Interim Order (and the Debtors' use of Cash Collateral thereunder) are fair and reasonable, and reflect the Debtors' exercise of prudent business judgment.

11. Because the Debtors' access to Cash Collateral is fundamental to the Debtors' continued business operations and the success of these chapter 11 cases, I believe the relief requested in the Interim Order is necessary and appropriate to avoid immediate and irreparable harm to the Debtors' estates, and should be approved by this Court.

*[Remainder of page intentionally left blank.]*

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: May 11, 2020

*/s/ Stephen Coulombe*

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Stephen Coulombe  
Managing Director  
Berkeley Research Group, LLC