

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

In re:)	Chapter 11
)	
STAGE STORES, INC)	Case No. 20-32564
)	
Debtors.)	Joint Administration

**THE TEXAS TAXING AUTHORITIES’ RESPONSE TO THE AGREED INTERIM
ORDER (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**

TO THE HONORABLE BANKRUPTCY JUDGE:

COMES NOW The County of Anderson, Texas, The County of Bastrop, Texas, The County of Brazos, Texas, Calhoun CAD, Texas, The County of Cherokee, Texas, Cherokee CAD, Texas, The County of Comal, Texas, The County of Coryell, Texas, Harrison CAD, Texas, The County of Harrison, Texas, The County of Limestone, Texas, Midland CAD, Texas, The County of Williamson, Texas, Bowie CAD, Texas, Brown CAD, Texas, Burnet CAD, Texas, The County of Erath, Texas, The County of Guadalupe, Texas, The County of Hardin, Texas, The County of Hays, Texas, The County of Henderson, Texas, Eastland CAD, Texas, The County of Jasper, Texas, McCulloch CAD, Texas, City of Waco *et al.*, The County of Medina, Texas, The County of Milam, Texas, Reeves County Tax Districts, Texas, Taylor County CAD, Texas, Terry CAD, Texas, The County of Wharton, Texas (“The Texas Taxing Authorities” and files their Response to the Agreed Interim Order (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 (hereinafter, “Cash Collateral”), and will show the Court as follows:



1. The Texas Taxing Authorities are political subdivisions of the State of Texas. As of January 1, liability arose and a senior lien attached to the real and business personal property of the Debtors for the 2019-2020 taxes estimated to be in the amount of \$720,379.92.

2. These taxes are secured with a security interest that is superior to that of any other secured claim under the Texas Constitution, Article VIII, Section 15, and the Texas Property Tax Code, Section 32.01 and Section 32.05(b). *Stanford v. Butler*, 826 F.2d 353 (5th Cir. 1987), 11 USC § 506; *Universal Seismic Associates, Inc.*, 288 F.3d 205 (5th Cir. 2002); *In Re Winn's Stores, Inc.*; 177 B.R. 253 (Bkcty W.D. Tex 1995). In addition, the lien is a lien *in solido* and attaches to all personal property of the debtors. Texas Property Tax Code Section 32.01(b).

3. The Cash Collateral Order does not adequately protect the tax liens and claims as required by 11 U.S.C. § 363 (e). The proceeds from the sale of The Texas Taxing Authorities collateral constitutes their cash collateral, and they object to the use of the collateral to pay any other creditors of this estate. Pursuant to 11 U.S.C. § 363(c) (4), absent consent by The Texas Taxing Authorities or an order of the Court permitting use of the cash collateral, the Debtor “shall segregate and account for any cash collateral” in its possession. Accordingly, absent consent, a segregated account must be established from the sale proceeds to comply with the requirement of § 363(c) (4). These proceeds from the sale of The Texas Taxing Authorities’ collateral should not be distributed to any other party unless and until its claims, including any interest thereon as allowed under 11 U.S.C. §§ 506(b), 511 and 1129, are paid in full.

4. The inclusion of the following language in the Orders authorizing the Debtor to use cash collateral would be adequate to enable The Texas Taxing Authorities to withdraw their response to this Motion:

a. Notwithstanding any other provisions included in the Interim Order or Final Order, or any agreements approved hereby, any statutory liens (hereinafter, the “Tax Liens”), including real and business personal property liens, of The Texas Taxing Authorities shall not be primed by nor made subordinate to any liens granted to any party hereby to the extent such Tax Liens

are valid, senior, perfected, and unavoidable, and all parties' rights to object to the priority, validity, amount, and extent of the claims and liens asserted by The Texas Taxing Authorities are fully preserved. Furthermore, from the proceeds of the sale of any of the affected locations in the state of Texas, the amount of \$720,379.92 shall be set aside by the Debtors in a segregated account as adequate protection for the asserted secured claims of the Texas Taxing Authorities prior to the distribution of any proceeds to any other creditor. The liens of the Texas Taxing Authorities, if any, shall attach to these proceeds to the same extent and with the same priority as the liens they now hold against the property of the Debtors. These funds shall be on the order of adequate protection and shall constitute neither the allowance of the claims of The Texas Taxing Authorities, nor a cap on the amounts they may be entitled to receive

WHEREFORE, The Texas Taxing Authorities do not object to the foregoing Order but request this Court order the inclusion of such provisions in the Final Order as would protect the lien position of The Texas Taxing Authorities.

Dated: May 15, 2020

Respectfully submitted,

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ALLEN, P.C.**

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on May 15, 2020, a true and correct copy of the foregoing document was served to those parties listed on the Court's Notice of Electronic Filing System for the Southern District of Texas, Houston Division.

/s/ Tara LeDay
Tara LeDay

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