

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

IN RE:

Stage Stores, *et al*

Debtors

§
§
§
§
§
§

CASE NO. 20-32564

Chapter 11

Jointly Administered

**LIMITED OBJECTION OF CERTAIN TEXAS TAXING ENTITIES TO DEBTORS'
EMERGENCY MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (I)
AUTHORIZING THE DEBTORS TO CLOSE STORES AND WIND-DOWN
OPERATIONS, (II) AUTHORIZING THE DEBTORS TO ASSUME AND PERFORM
UNDER THE CONSULTING AGREEMENT RELATED TO THE STORE CLOSINGS,
(III) APPROVING PROCEDURES FOR STORE CLOSING SALES, (IV) APPROVING
MODIFICATIONS TO CERTAIN CUSTOMER PROGRAMS,
AND (V) GRANTING RELATED RELIEF
(Relates to docket #27)**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

COMES NOW Lubbock County Appraisal District *et al.*¹, secured creditors and parties in interest (the “Certain Texas Taxing Entities”) and file this Limited Objection to Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Close Stores and Wind-Down Operations, (II) Authorizing the Debtors to Assume and Perform Under the Consulting Agreement Related to the Store Closings, (III) Approving Procedures for Store Closing Sales, (IV) Approving Modifications to Certain Customer Programs, and (V) Granting Related Relief (the “Store Closing Motion”).

Background

¹ The full inclusion of Certain Texas Taxing Entities is still undergoing review but will include all taxing entities represented by Perdue Brandon Fielder Collins and Mott LP including those attached on Exhibit A.



1. The Certain Texas Taxing Entities are political subdivisions of the State of Texas, authorized and required by the Texas Constitution and laws to levy and collect taxes on taxable personal and real property within their boundaries, in order to operate and discharge their public purposes.
2. The Certain Texas Taxing Entities hold secured pre-petition tax claims for the 2020 tax years in the estimated amount of \$833,591.09² (the “Tax Claims”). These claims are secured by tax liens on tangible personal property of the Debtors within their boundaries.
3. The Texas Taxing Entities’ tax liens are superior to any other secured claim in this case as provided by Article VIII, Section 15 of the Texas Constitution, and Sections 32.01 and Section 32.05(b) of the Texas Property Tax Code.
4. A final hearing on the Store Closing Motion is set for June 10, 2020 at 10:00 am.
5. The Store Closing Motion and the Interim Order signed on May 13, 2020, at docket entry number 144 (the “Interim Order”) propose to sell the assets of the Debtors free and clear of all liens, encumbrances, and other interests under 11 U.S.C. §363(f).

Limited Objection to Store Closing Sale

6. The Certain Texas Taxing Entities object to the Store Closing Motion in that it seeks to sell assets that are encumbered by the liens of the Certain Texas Taxing Entities, free and clear without the consent of the Certain Texas Taxing Entities and without providing adequate protection in the form of segregated funds.
7. The Certain Texas Taxing Entities object to the entry of a final order to the extent that it does not provide for adequate protection of the Certain Texas Taxing Entities liens on the tangible personal property upon the sale of such assets.

² Due diligence remains ongoing and the estimated amount due to all Certain Texas Taxing Entities may change.

8. The sale of assets as proposed by the Store Closing Motion will create cash collateral proceeds to which the Certain Texas Taxing Entities' liens attach.

9. The Certain Texas Taxing Entities object to the use of their cash collateral and the payment of proceeds from the sale of their collateral to any party whose interest is inferior to its tax lien, unless and until they are adequately protected.

10. Pursuant to 11 U.S.C. §363(c)(4), absent consent of a party with interest in the cash collateral, a segregated account shall be established to segregate the non-consenting party's cash collateral.

11. In cases that propose liquidation, creditors such as the Certain Texas Taxing Entities risk falling to the bottom of a long list of creditors, including DIP lenders and debtors' counsel, all of whom get paid prior to the Certain Texas Taxing Entities, despite their lien status and the proper priority of distribution. The Certain Texas Taxing Entities risk estate money dissipating with no assurance that their claims will ever be paid despite the best intentions of the Debtors. Under these circumstances the Certain Texas Taxing Entities have the concern that the Debtor and certain other constituents have agreements in place for the distribution of estate assets even without the proposal or confirmation of a plan. The Certain Texas Taxing Entities should not be required to object to motions to pay administrative claims to ensure funds are available at the appropriate time to fully pay their secured tax claims.

12. The Certain Texas Taxing Entities request adequate protection in the form of a final order that provides sufficient funds to pay their claims, plus interest at the applicable non-bankruptcy rate, set aside in a segregated account for the sole purpose of paying its claims. The Certain Texas Taxing Entities further requests that the Court enter an order that the segregated funds not

be paid to any other party until the claims of The Certain Texas Taxing Entities have been paid in full.

13. The Certain Texas Taxing Entities request the addition of language substantially similar to the following:

As adequate protection for the claims of the Certain Texas Taxing Entities³, the Debtors will fund a segregated account (the "Tax Account") in an amount of \$ _____ (TBD) from the proceeds of the sale of any assets located in the state of Texas. The liens asserted by the Certain Texas Taxing Entities (the "Tax Liens") shall attach to the Tax Account to the same extent and with the same priority as the liens the Certain Texas Taxing Entities assert against such assets of the Debtors. The Tax Account shall be maintained solely for the purpose of providing adequate protection for the Tax Liens prior to the distribution of any proceeds to any other creditor and shall constitute neither the allowance of the claims of the Certain Texas Taxing Entities (the "Tax Claims"), nor a floor or cap on the amounts the Certain Texas Taxing Entities may be entitled to receive. All parties' rights to object to the priority, validity, amount and extent of the Tax Claims and the asserted Tax Liens are fully preserved. Funds in the Tax Account may be distributed upon agreement between the Certain Texas Taxing Entities and the Debtors, or by subsequent order of the Court, duly noticed to the Certain Texas Taxing Entities.

14. Counsel for the Certain Texas Taxing Entities have conferred with counsel for the Debtors, but an agreement has not been reached.

Prayer

WHEREFORE, Lubbock County Appraisal District, *et al.* respectfully requests that a final order approving the Store Closing Motion provide sufficient funds to pay their claims, plus

³ For the purposes of the final order, Certain Texas Taxing Entities is defined as all taxing entities represented by Perdue Brandon Fielder Collins & Mott LLP.

interest at the applicable non-bankruptcy rate, set aside in a segregated account for the sole purpose of paying its claims. The Certain Texas Taxing Entities further requests that the Court enter an order that the segregated funds not be paid to any other party until the claims of The Certain Texas Taxing Entities have been paid in full, and grant them such other and further relief as is just and proper.

Dated: May 28, 2020

Respectfully submitted,

PERDUE, BRANDON, FIELDER,
COLLINS & MOTT, L.L.P.
Attorneys for Certain Texas Taxing Entities
1235 North Loop West, Suite 600
Houston, Texas 77008
(713) 862-1860 (phone)
(713) 862-1429 (fax)

/s/Melissa E. Valdez
Melissa E. Valdez
Texas State Bar No. 24051463
Owen M. Sonik
Texas State Bar No. 18847250

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing has been sent to the parties listed below by the method indicated on this the _____ day of May 2020

CO-COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION

Jackson Walker L.L.P

Matthew D Cavanaugh via email: mcavanaugh@jw.com
Jennifer F. Wertz via email: jwertz@jw.com

Kirkland Ellis LLP

Joshua A. Sussberg via email: joshua.sussberg@kirkland.com
Neil B. Herberman via email: neil.herbman@kirkland.com
Joshua M. Altman via email: Josh.altman@kirkland.com

COUNSEL FOR THE CREDITIOR COMMITTEE

Cole Schotz PC

Michael D. Warner via email: mwarner@coleschotz.com

UNITED STATES TRUSTEE

Hector Duran, Jr, Via Email: Hector.Duran.Jr@usdoj.gov
Stephen Douglas Statham Via Email: stephen.statham@usdoj.gov

And all other parties via CM/ECF-enotice.

/s/ Melissa E. Valdez
Melissa. E. Valdez

EXHIBIT A**Perdue Brandon Fielder Collins and Mott, LLP**

*Claim amounts and taxing entities are still undergoing review and are subject to change

Taxing Entity	2019	Est. 2020	Total
City of Weslaco		\$9,149.41	\$9,149.41
Weslaco ISD		\$14,034.70	\$14,034.70
City of Mercedes		\$1,574.99	\$1,574.99
Mercedes ISD		\$2,702.64	\$2,702.64
Andrews ISD		\$7,956.58	\$7,956.58
Andrews TO		\$2,268.76	\$2,268.76
Dawson CCAD		\$9,485.15	\$9,485.15
Gaines CAD		\$14,348.32	\$14,348.32
Hockley County Tax Office		\$7,871.07	\$7,871.07
Lamb CAD		\$3,195.20	\$3,195.20
Lubbock CAD	\$64,989.62	\$53,276.68	\$118,266.30
Scurry County Tax Office		\$12,636.19	\$12,636.19
Alpine ISD		\$6,938.58	\$6,938.58
City of Alpine		\$2,847.31	\$2,847.31
Howard County Tax Office		\$21,458.60	\$21,458.60
Midland County		\$328.32	\$328.32
Presidio County Tax Office		\$7,702.63	\$7,702.63
Wichita County		\$1,990.70	\$1,990.70
Burburnett ISD		\$6,416.75	\$6,416.75
Cooke County		\$9,639.60	\$9,639.60
City of Azle		\$4,314.69	\$4,314.69
City of Grapevine		\$2,353.38	\$2,353.38
Grapevine-Colleyville		\$10,983.24	\$10,983.24
Johnson County		\$2,903.98	\$2,903.98
City of Cleburne		\$4,782.54	\$4,782.54
Cleburne ISD		\$9,453.05	\$9,453.05
Johnson County		\$2,177.64	\$2,177.64
City of Burleson		\$3,689.17	\$3,689.17
Burleson ISD		\$8,035.98	\$8,035.98
Nolan County		\$3,685.88	\$3,685.88
City of Sweetwater		\$2,072.37	\$2,072.37
Sweetwater ISD		\$4,343.85	\$4,343.85
Palo Pinto County		\$4,163.17	\$4,163.17
City of Mineral Wells		\$3,837.71	\$3,837.71
Mineral Wells ISD		\$7,765.93	\$7,765.93
Copperas Cove ISD		\$6,246.85	\$6,246.85
Colorado County		\$4,170.75	\$4,170.75
Colorado County		\$12,210.81	\$12,210.81
Fayette County		\$10,934.36	\$10,934.36
Kendall County		\$12,541.61	\$12,541.61
Kerr County		\$1,580.04	\$1,580.04
Kerrville ISD		\$1,705.72	\$1,705.72
Cameron ISD		\$1,955.36	\$1,955.36

Cass County		\$1,224.56	\$1,224.56
Houston County		\$2,813.40	\$2,813.40
City of Greenville		\$2,234.00	\$2,234.00
Mineola ISD		\$5,666.52	\$5,666.52
Nacogdoches County, et al.		\$10,577.00	\$10,577.00
Panola County		\$11,118.00	\$11,118.00
Tyler ISD		\$9,435.00	\$9,435.00
Moore County Tax Office		\$14,657.68	\$14,657.68
Hutchinson County Tax Office		\$11,093.21	\$11,093.21
Hale County Appraisal District		\$21,633.23	\$21,633.23
Dallam County Appraisal District		\$2,386.22	\$2,386.22
Hartley County Appraisal District		\$1,151.17	\$1,151.17
Gray County Tax Office		\$15,521.01	\$15,521.01
Ochiltree County Appraisal District		\$11,600.84	\$11,600.84
Randall County Tax Office		\$6,034.40	\$6,034.40
Potter County Tax Office		\$23,544.20	\$23,544.20
Alief ISD		\$16,600.45	\$16,600.45
Austin CAD		\$8,553.06	\$8,553.06
Bay City ISD		\$12,270.70	\$12,270.70
Brazoria County Tax Office		\$64,910.59	\$64,910.59
Bridgestone MUD		\$2,690.24	\$2,690.24
City of Cleveland		\$4,335.71	\$4,335.71
City of Houston		\$11,771.79	\$11,771.79
City of Rosenberg		\$2,852.89	\$2,852.89
City of Tomball		\$1,826.44	\$1,826.44
Clear Creek ISD		\$11,682.40	\$11,682.40
Crosby ISD		\$4,049.57	\$4,049.57
Crosby MUD		\$1,281.56	\$1,281.56
Dickinson ISD		\$6,711.93	\$6,711.93
FBC MUD 115		\$4,405.28	\$4,405.28
FBC MUD 35		\$5,325.95	\$5,325.95
Fort Bend ISD		\$36,941.01	\$36,941.01
Galena Park ISD		\$10,436.20	\$10,436.20
Grand Lakes WCID		\$877.22	\$877.22
HC MUD 132		\$444.37	\$444.37
Humble ISD		\$15,898.66	\$15,898.66
Klein ISD		\$12,988.92	\$12,988.92
Pasadena ISD		\$17,933.56	\$17,933.56
Tomball ISD		\$6,900.19	\$6,900.19
Uvalde CAD		\$23,691.05	\$23,691.05
Walker CAD		\$10,801.03	\$10,801.03
			\$0.00
		Total	\$833,591.09