

**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> , <sup>1</sup>	)	Case No. 20-32564 (DRJ)
	)	
Debtors.	)	(Jointly Administered)
	)	
	)	<b>Re: Docket Nos. 10, 702 &amp; 729</b>

**DEBTORS’ REPLY TO THE OBJECTION OF TGK PROPERTIES  
TO THE NOTICE OF REJECTION OF CERTAIN UNEXPIRED LEASES**

Stage Stores, Inc. and certain of its affiliates, as debtors and debtors in possession (collectively, the “Debtors”), hereby submit this reply to the *Objection of the Rejection of Unexpired Lease* (the “Objection”) [Docket No. 729], filed by TGK Properties LLC (“TGK”), and respectfully state as follows:

**Reply**

1. The rejection of the lease (the “Lease”) of the property at 9155 Dyer, Street, El Paso, TX, 79924 (the “Property”) is a sound exercise of the Debtors’ business judgment and should be approved. No party asserts otherwise and that should end the matter.<sup>2</sup>

2. In its Objection, TGK does not set forth any arguments why the Lease should be rejected. Nor could it. The Debtors are seeking to reject the lease as part of the wind-down of all business operations. Prior to the Rejection Date, the Debtors ceased all operations on the Property

<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> See *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1309 (5th Cir. 1985) (“It is well established that ‘the question whether a lease should be rejected . . . is one of business judgment.’” (quoting *Grp. of Institutional Inv’rs v. Chicago, M., St. P. & P. R. Co.*, 318 U.S. 523, 550 (1943))); see also *In re Texas Sheet Metals, Inc.*, 90 B.R. 260, 264 (Bankr. S.D. Tex. 1988) (“The traditional business judgment standard governs the rejection of ordinary executory contracts.”).



and vacated the Property. Because the Debtors no longer have a business purpose for the Lease or even occupy the Property, and the Debtors have determined assignment is not viable (or even something TGK has pushed for), rejection is not only a sound exercise of the Debtors' business judgment—it is the only option available.

3. Absent extraordinary circumstances, a rejection in the Debtors' business judgment should be "should be granted as a matter of course." See *In re Summit Land Co.*, 13 B.R. 310, 315 (Bankr. D. Utah 1981). There are no extraordinary circumstances here that would warrant heightened scrutiny nor has TGK even attempted to argue there is.

4. As TGK has been silent about its basis for objecting to the rejection of the Lease, it has also been silent about returning property of the estate. The Debtors inadvertently paid TGK over \$30,000 on account of an extra month of rent during the course of these chapter 11 cases. The Debtors have requested on several occasions that this amount be returned, but TGK has refused to return this overpayment for over two months. To the extent required, the Debtors will prepare the appropriate pleading seeking to enforce the automatic stay and the return of the property of the estate that TGK continues to hold to the detriment of all other stakeholders.

### **Conclusion**

5. For the reasons set forth herein, the Debtors respectfully request that the Court overrule the Objection filed by TGK and grant such other and further relief as the Court deems appropriate.

Houston, Texas  
October 5, 2020

*/s/ Matthew D. Cavanaugh*

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**CERTIFICATE OF SERVICE**

I certify that on October 5, 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*

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Matthew D. Cavanaugh