

**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.)	
)	(Jointly Administered)

**STIPULATION AND AGREED ORDER TO MODIFY THE AUTOMATIC STAY
 TO PERMIT PAYMENTS UNDER EXECUTIVE EDGE INSURANCE POLICY
NUMBER 02-382-05-01**

This stipulation and agreed order (the “Stipulation and Order”) is entered into by and between Steven Balasiano, in his capacity as Plan Administrator (“Plan Administrator”) for the chapter 11 estates of Stage Stores, Inc. (“Stage Stores”) and Specialty Retailers, Inc. (“Specialty Retailers”, and collectively with Stage Stores, the “Debtors”), and certain former executives of the Debtors represented by Baker & Hostetler LLP (the “Former Officers”). The Plan Administrator and the Former Officers will collectively be referred to as the “Parties” herein. This Stipulation and Order is based on the following facts and circumstances:

WHEREAS, on May 10, 2020 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court; and

WHEREAS, additional information about the Debtors’ business and the events leading up to the Petition Date can be found in the Disclosure Statement for the Amended Joint Chapter 11 Plan of Stage Stores, Inc. and Specialty Retailers, Inc. [Docket No. 535]; and

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).



WHEREAS, on August 13, 2020, the Debtors filed the Joint Second Amended Chapter 11 Plan of Stage Stores, Inc. and Specialty Retailers, Inc. [Docket No. 694] (the “Plan”); and

WHEREAS, on August 14, 2020, the Court entered the Order Confirming the Joint Second Amended Chapter 11 Plan of Stage Stores, Inc. and Specialty Retailers, Inc. [Docket No. 705] (the “Confirmation Order”); and

WHEREAS, the effective date of the Plan occurred on October 30, 2020 [Docket No. 898] (the “Effective Date”); and

WHEREAS, on the Effective Date, the Plan Administrator became the sole representative of the Debtors’ estates; and

WHEREAS, prior to the Petition Date, the Former Officers were employed by, and held officer positions with, Debtor Stage Stores, Inc.; and

WHEREAS, prior to the Petition Date, Stage Stores maintained the Executive Edge Insurance Policy Number 02-382-05-01, Policy Period of November 1, 2019 to November 1, 2020 (the “Primary Policy”) issued by Illinois National Insurance Company (“Illinois National”); and

WHEREAS, AIG Claims, Inc. (“AIG”) is the authorized representative of Illinois National; and

WHEREAS, the Primary Policy was assumed and assigned to the Debtors under the Plan; and

WHEREAS, Article V, Section E (Indemnification Obligations) of the Plan provides that the Debtors’ prepetition obligations to “indemnify, defend, reimburse, or limit the liability of the current and former ... officers” ...“against any Claims or Causes of Action under any indemnification provisions or applicable law, shall survive Confirmation”, however, the Plan expressly provides that “the Wind-Down Debtors’ obligation to fund such indemnification

obligations shall be limited to the extent of coverage available under any insurance policy assumed by the Debtors and assigned to the Wind-Down Debtors, including any D&O Liability Insurance Policies. For the avoidance of doubt, neither the Debtors nor the Estates shall have any obligation to reimburse such indemnity claims or expenses.” *See* Plan § V.E.; and

WHEREAS, the Declarations Page of the Primary Policy specifies an Aggregate Limit of Liability of Five Million Dollars (\$5,000,000) (inclusive of Defense Costs); and

WHEREAS, the Former Officers were served with subpoenas (“Subpoenas”) by the U.S. Securities and Exchange Commission (“SEC”); and

WHEREAS, in connection with the SEC investigation, the Former Officers submitted claims for coverage under the Primary Policy for attorneys’ fees and expenses they incurred arising from the SEC investigation (the “Claims”); and

WHEREAS, by letter dated November 4, 2022, the Former Officers requested indemnification from the Stage Stores’ bankruptcy estate (through the Plan Administrator) for legal fees and costs incurred by them arising from the SEC’s investigation (the “Defense Costs”); and

WHEREAS, by letter dated November 30, 2022, the Plan Administrator denied that request; and

WHEREAS, prior to any potential disbursement under the Primary Policy, Illinois National requires an order from this Court stating that the automatic stay does not apply to the Primary Policy or to the payment of funds under the Primary Policy’s limit of liability; and

WHEREAS, the Parties engaged in discussions regarding the request for payment of funds from the Primary Policy’s limit of liability and the need for an order from this Court as to the lifting of the automatic stay, to the extent applicable; and

NOW, THEREFORE, subject to Bankruptcy Court approval, in consideration of the mutual covenants, promises, and obligations set forth herein, the Parties to the Stipulation and Order agree as follows:

1. To the extent applicable, the automatic stay imposed by 11 U.S.C. § 362(a) is hereby modified to permit Illinois National under the terms of the Primary Policy to pay, reimburse, and/or advance insurance proceeds in connection with the payment and/or reimbursement of Defense Costs incurred by the Former Officers arising from the Subpoenas.

2. Nothing herein shall be deemed to be a finding or ruling by this Court as to any issue raised or which could have been raised in connection with the request for payment of the Defense Costs, including (i) whether the automatic stay restricts or limits the Former Officers' right to receive payments under the Primary Policy, (ii) whether the Primary Policy or its proceeds are property of the bankruptcy estate, (iii) whether and to what extent the Debtors' estate has a claim to or interest in the proceeds of the Primary Policy, or (iv) whether the Court has authority to implement certain safeguards and controls in connection with the stay relief sought in this Stipulation and Order.

3. No term or condition in this Stipulation and Order is intended to modify or change any of the terms, conditions, or provisions of the Primary Policy; or any of Illinois National's coverage letters/communications, including but not limited to the Illinois National letters dated May 23, 2022; July 29, 2022, October 21, 2022 and March 17, 2023;

4. On a monthly basis, counsel for the Former Officers shall provide to the Plan Administrator and his counsel, via electronic mail, a statement that identifies (i) the total amount of Defense Costs incurred, and (ii) the total amount of Defense Costs paid.

5. The terms of this Stipulation and Order are without prejudice to the filing of future motions with this Court or any other court having jurisdiction over this matter by the Former Officers, the Plan Administrator, or parties in interest seeking supplemental relief under this Stipulation and Order or to raise any other issues or grounds supporting or opposing the relief granted herein, with such positions being fully preserved.

6. The Parties understand and agree that payment by Illinois National to counsel for the Former Officers under the Primary Policy will reduce and may exhaust the limit of liability of the Primary Policy.

7. Nothing in this Stipulation and Order shall: (i) be deemed precedent to any future order from this Court concerning any issue raised herein, or (ii) alter the Parties' respective burdens in any ensuing litigation regarding these matters.

8. This Stipulation and Order does not constitute an agreement by the Former Officers or Illinois National that this Court has jurisdiction over any asserted or potentially asserted claims by the Plan Administrator against the Former Officers. The Parties and Illinois National preserve their respective rights to assert or contest jurisdiction of this Court with respect to such claims.

9. Nothing in this Stipulation and Order shall constitute a waiver, modification or limitation of the Debtors', the Plan Administrator's, the Former Officers', or Illinois National's reservation of all rights, remedies and defenses under the Primary Policy and/or applicable law, including in connection with any claim for indemnification, reimbursement and/or subrogation.

10. Nothing in this Stipulation and Order constitutes a determination of coverage by Illinois National under the Primary Policy, and Illinois National continues to reserve all rights under the Primary Policy. Illinois National expressly reserves all rights under the Primary Policy,

including the right to assert additional defenses to any claims for coverage and/or denial of coverage if subsequent information indicates that such action is warranted.

11. This Stipulation and Order may be executed in any number of counterparts, and each such counterpart is to be deemed an original for all purposes, but all counterparts shall collectively constitute one agreement. Further, electronic signatures or transmissions of an originally signed document by facsimile or Adobe.pdf shall be as fully binding on the parties as an original document.

12. Each of the Parties to the Stipulation and Order represents and warrants that it has full and requisite power and authority to execute, deliver and perform its obligations under this Stipulation and Order.

13. This Court shall retain jurisdiction with respect to implementation and enforcement of the terms of this Stipulation and Order, and all parties submit to the jurisdiction of this Court for purposes of implementing and enforcing this Stipulation and Order.

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14. This Stipulation and Order is immediately valid and fully effected upon its entry and the parties stipulate to the waiver of the 14-day stay pursuant to Federal Rule of Bankruptcy Procedure 4001(a).

Dated: _____, 2023
Houston, Texas

DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

Agreed to on May 23, 2023 by:

*STEVEN BALASIANO, IN HIS CAPACITY AS
PLAN ADMINISTRATOR FOR THE
CHAPTER 11 ESTATES OF STAGE
STORES, INC. AND SPECIALTY
RETAILERS, INC.*

*CERTAIN FORMER EXECUTIVES OF THE
DEBTORS*

By: COLE SHOTZ P.C.

By: BAKER & HOSTETLER LLP

s/ James W. Walker

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- and -

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Certificate of Service

I certify that on May 23, 2023, 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/ James W. Walker
James W. Walker