

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

IN RE: §  
LACK’S STORES, INCORPORATED, §  
*ET AL.*,<sup>1</sup> §  
DEBTORS. §  
CASE NO. 10-60149  
(Chapter 11)  
(Jointly Administered)

**EXPEDITED MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF ENTRY INTO SETTLEMENT WITH BEXAR APPRAISAL DISTRICT, INCLUDING PAYMENT OF RELATED PROFESSIONAL FEES AND EXPENSES**

A HEARING WILL BE CONDUCTED ON THIS MATTER ON NOVEMBER 2, 2011 AT 2:30 P.M. IN COURTROOM 600, UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS, 515 RUSK AVENUE, HOUSTON, TEXAS, 77002.

IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND IN WRITING, SPECIFICALLY ANSWERING EACH PARAGRAPH OF THIS PLEADING. YOU MUST FILE YOUR RESPONSE WITH THE CLERK OF THE BANKRUPTCY COURT ON OR BEFORE OCTOBER 31, 2011. IN ADDITION TO FILING YOUR RESPONSE WITH THE CLERK, YOU MUST GIVE A COPY OF YOUR RESPONSE TO THE PERSON WHO SENT YOU THE NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

**REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEYS**

Lack’s Stores, Incorporated and its affiliated debtor entities, as debtors and debtors in possession (collectively, the “Debtors”), hereby file this *Expedited Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of Entry into Settlement with Bexar Appraisal District, Including Payment of Related Professional Fees and Expenses* (the “Motion”), and in support thereof respectfully state as follows:

<sup>1</sup> The Debtors and the last four digits of their tax identification numbers are Lack’s Stores, Incorporated (6528),



## I. JURISDICTION AND VENUE

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion concerns the administration of the estates and is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

## II. FACTUAL AND PROCEDURAL BACKGROUND

### A. **The Bankruptcy Cases**

2. On November 16, 2010 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), thereby commencing the above-referenced cases (collectively, the "Cases").

3. Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

4. On November 30, 2010, the United States Trustee appointed an official committee of unsecured creditors (the "Committee") in these Cases [Dkt. No. 96].

5. On October 5, 2011, the Debtors filed their *Joint Plan of Reorganization for the Debtors* [Dkt. No. 1250] (the "Plan") and *Disclosure Statement for the Joint Plan of Reorganization for the Debtors* [Dkt. No. 1251] (the "Disclosure Statement").

### B. **The Mediated Settlement**

6. By this Motion, the Debtors seek authority to enter into a settlement with the Bexar Appraisal District (the "Appraisal District") to resolve that certain lawsuit styled *Lack's Stores, Incorporated v. Bexar Appraisal District*, Case No. 2008-CI-15433 pending in the 37<sup>th</sup> Judicial District Court in Bexar County, Texas (the "Tax Suit"). The settlement relates to the

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Merchandise Acceptance Corporation (0972), Lack's Furniture Centers, Inc. (9468), and Lack Properties, Inc. (8961).

valuation of inventory previously located at store numbers 120 (SW Military Drive, San Antonio), 125 (Perrin Beitel Road, San Antonio), 133 (Bandera Road, Leon Valley), 147 (Bandera Road, San Antonio), and 148 (Blanco Road, San Antonio) and warehouse number 898 (Rittiman Road, San Antonio) (collectively the “Appraised Properties”).

7. In 2008, Lack’s sued the Appraisal District, appealing the Appraisal District’s valuation of inventory held at the Appraised Properties for tax year 2008 and attempting retroactive reductions of the valuations of inventory for tax years 2003 through 2006. Challenges to tax years 2009 and 2010 were subsequently added to suit. Lack’s specifically challenges the Appraisal District’s policy for appraising retail inventory and argued that the Appraisal District’s policy violates the Texas Constitution and depreciation requirements related to appraisal of inventory, and that the values produced by the Appraisal District’s methodology exceeded the “market values” of the subject inventory. During the pendency of the Tax Suit, the trial court dismissed Lack’s challenge to tax years 2003 through 2006. On October 10, 2011, Lack’s and the Appraisal District entered into mediation to facilitate final resolution of this dispute.

8. As a result of successful mediation, and subject to Court approval, Lack’s and the Appraisal District entered into a Memorandum of Settlement (the “Settlement,” attached hereto as **Exhibit A**) and prepared an Agreed Final Judgment (the “Agreed Judgment,” attached hereto as **Exhibit B**) settling all disputes between Lack’s and the Appraisal District for tax years 2008 through 2010. The proceedings in the Tax Suit have been abated pending this Court’s consideration of the Settlement.

9. The Settlement provides that the market value of the accounts related to the Appraised Properties for years 2008, 2009, and 2010 will be adjusted in the Appraisal District's tax rolls to the amounts set forth in the "Settled Appraised Value" column in the chart below:<sup>2</sup>

Store Number	Taxable Year	Initial Appraised Value	Settled Appraised Value
Store No. 120	2008	\$576,630	\$335,740
Store No. 120	2009	\$463,800	\$303,240
Store No. 120	2010	\$409,700	\$366,570
Store No. 125	2008	\$741,260	\$346,680
Store No. 125	2009	\$598,880	\$296,940
Store No. 125	2010	\$399,360	\$357,700
Store No. 133	2008	\$498,840	\$335,250
Store No. 133	2009	\$413,070	\$327,570
Store No. 133	2010	\$392,620	\$351,920
Store No. 147	2008	\$691,230	\$345,810
Store No. 147	2009	\$570,760	\$336,240
Store No. 147	2010	\$409,080	\$366,010
Store No. 148	2008	\$693,790	\$404,280
Store No. 148	2009	\$576,510	\$377,060
Store No. 148	2010	\$432,160	\$387,290
Warehouse No. 898	2008	\$5,886,170	\$4,253,420
<b>Total for Tax Years 2008 – 2010</b>		<b>\$13,753,860</b>	<b>\$9,491,720</b>

10. Due to the reductions in the appraised values, Lack's anticipates receipt of an aggregate tax refund for tax years 2008, 2009, and 2010 of approximately \$90,000 to \$115,000.<sup>3</sup>

<sup>2</sup> The Initial Appraised Value amounts and Settled Appraised Value amounts include a small component attributable to non-inventory furniture, fixtures, and equipment held by Lack's. Lack's did not dispute the valuation of this component of the appraised values. On average, the non-inventory amount accounts for approximately 3.5% of each Initial Appraised Value amount and approximately 5% of each Settled Appraised Value amount reflected in the chart.

<sup>3</sup> Lack's and the Appraisal District are continuing to reconcile the exact amount of the refund.

Once entered, the Agreed Judgment will be the final adjudication of the appraised value of Lack's inventory and related business personal property for tax years 2003, 2004, 2005, 2006, 2008, 2009, and 2010.

**C. Payment of Professional Fees**

11. In connection with the Settlement, all parties have agreed to bear their own legal costs and fees. Pursuant to the *Debtors' Expedited Motion for Authority to Retain and Compensate Professionals Used in the Ordinary Course of Business* [Dkt. No. 187], approved by order of the Court dated January 13, 2011 [Dkt. No. 368] (the "Ordinary Course Professionals Order"), the Debtors employed the Law Offices of L. Terry George (the "George Firm") for purposes of, *inter alia*, prosecuting the Tax Suit. As set forth in its declaration in support of ordinary course employment [Dkt. No. 187-3, p.11, attached hereto as Exhibit C] (the "George Declaration"), the George Firm's compensation is contingent upon the successful outcome of the Tax Suit. Based on the outcome of the Tax Suit and subject to Court approval, the Debtors have agreed to pay 37% of the settled tax refund amount as compensation to the George Firm with such amount to be paid directly from the tax refund received by the Debtors as a result of the Tax Suit.

12. As further set forth in the George Declaration, the George Firm entered into an agreement (the "Compensation Agreement") to share its compensation with Mr. Joseph M. Harrison, IV,<sup>4</sup> an attorney with Harrison, Doggett & Duncan PLLC ("HD&D") for the prosecution of the Tax Suit. HD&D is to be paid by the George Firm based on the Compensation Agreement, resulting in no additional costs to the estates.

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<sup>4</sup> Although the Compensation Agreement was detailed in the George Declaration, Mr. Harrison has nonetheless filed a declaration in support of ordinary course employment [Dkt. No. 1263].

13. The Debtors are currently authorized to pay professionals employed pursuant to the Ordinary Course Professionals Order up to \$10,000 per month, not to exceed \$50,000 during the Cases. Due to the proposed settled refund amount, however, the compensation proposed to be paid to the George Firm will exceed the monthly cap. As such, through this Motion, the Debtors request authority to pay all amounts owing to the George Firm related to the Settlement in the ordinary course of business.

### III. RELIEF REQUESTED

14. The Debtors seek to enter into the Settlement pursuant to Bankruptcy Rule 9019(a). Bankruptcy Rule 9019(a) empowers a bankruptcy court to approve compromises and settlements if they are “fair and equitable and in the best interest of the estate.” *In re Cajun Elec. Power Coop., Inc.*, 119 F.3d 349, 355 (5th Cir. 1997). In determining whether a proposed settlement agreement is fair and equitable, bankruptcy courts are to consider “all...factors relevant to a full and fair assessment of the wisdom of the proposed compromise.” *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 425 (1968).<sup>5</sup>

15. “Compromises are favored in bankruptcy” because they minimize the costs of litigation and further the parties’ interest in expediting administration of a bankruptcy estate. *See In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996). Furthermore, approval of a settlement is within the sound discretion of the Court. The proposed settlement need not result in the best possible outcome for the debtor, but must not “fall below the lowest point in the range of reasonableness.”

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<sup>5</sup> In particular, bankruptcy courts routinely consider the following factors: (a) the probability of success on the merits; (b) the complexity and likely duration of the litigation; (c) the cost of pursuing litigation; (d) the competency and experience of counsel who support the settlement; (e) the extent to which the settlement is the product of arm's length negotiation; and (f) the paramount interest of unsecured creditors. *See, e.g. In re RFE Indus., Inc.*, 283 F.3d 159, 165 (3<sup>rd</sup> Cir. 2002); *In re Jackson Brewing Co.*, 624 F.2d 605 (5<sup>th</sup> Cir. 1980).

*In re Drexel Burnham Lambert Group, Inc.*, 134 B.R. 499, 505 (Bankr. S.D.N.Y. 1991); *See* 9 COLLIER ON BANKRUPTCY ¶ 9019.02 (15th ed. Rev. 2001).

#### IV. **CAUSE FOR GRANTING RELIEF**

16. If Lack's does not settle with the Appraisal District, the Debtors will be forced to participate in potentially lengthy and expensive litigation, which is currently set to commence the week of November 14, 2011. The Tax Suit is complex, seeking the potential modification of the Appraisal District's policies and appraisal methods. Therefore, if trial commences in this matter, not only will the Debtors and the Appraisal District be required to litigate whether the Appraisal District properly appraised Lack's inventory under its current policies, but also whether the Appraisal District's policies are in continuing violation of the Texas Constitution and Texas Tax Code. Recognizing the potential expense of continuing litigation, the parties entered into mediation with the assistance of competent counsel to work towards resolving this matter without the need for a trial.

17. The Debtors have evaluated their alternatives and have determined in their business judgment that the Settlement is in the best interests of the estate. The Settlement avoids lengthy and expensive litigation, secures funds for the estates, and thus facilitates the Debtors' administration of their estates and, ultimately, confirmation of their proposed plan. The terms of the Settlement were reached through mediation and have been negotiated at arms-length and in good faith. The Debtors believe that the terms are fair and equitable and represent a good faith compromise of the matters involved. Accordingly, the Debtors submit that sufficient cause exists for the Court to approve the Settlement.

**V. NEED FOR EXPEDITED CONSIDERATION**

18. Trial is currently scheduled in the Tax Suit for November 14, 2011. Although all matters are abated while this Motion is pending, to expeditiously resolve this matter, the parties may seek to proceed at the November 14, 2011 trial setting in the event this Court does not approve the Settlement. Accordingly, the Debtors seek the Court's consideration of this Settlement at the currently scheduled November 2, 2011 omnibus hearing, so that if the relief requested herein is denied, the parties may prepare for trial to resolve this matter as soon as possible. The Debtors have not delayed in filing this Motion.

**PRAYER**

WHEREFORE the Debtors respectfully request this Court enter an Order, substantially in the form of that attached hereto, that (1) authorizes and approves the Debtors' Settlement with the Appraisal District (2) authorizes the Debtors' payment of all fees and expenses associated with the Settlement, and (3) grants such other and further relief as is just and proper.

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Dated: October 20, 2011

Respectfully submitted,

**VINSON & ELKINS LLP**

By: /s/ Ginny A. Maslin

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**ATTORNEYS FOR THE DEBTORS**

Exhibit A

Cause No. 2008 CI 15433

October 10, 2011

MEMORANDUM OF SETTLEMENT

Plaintiff(s), Lack's Stores, Incorporated agree(s) to settle any and all claims and/or causes of action(s) against the Defendant(s) Bexar Appraisal District in consideration of an appraised value of \$ 9,411,257.00 for tax year(s) 2008-2010 by Defendant(s). This settlement is a release of any and all causes of action and/or claim(s) that Plaintiff(s) and/or Defendant(s) may have which relate to the claims described in the Plaintiff's Original Petition/complaint or any amended petitions/complaints. Said complaint(s) are incorporated into this Memorandum of Settlement by reference.

Defendant(s) agree(s) to submit settlement funds to the Plaintiff(s) within 30 days. Defendant(s) will draft all appropriate settlement and release of all claims documents to include dismissal documents. All parties will agree to cooperate in finalizing these documents and obtaining appropriate signatures at the time of payment. All taxable court costs including mediators fee of \$500.00 will be paid by each party.

This Memorandum of Settlement is a binding agreement on all parties to this controversy. This Memorandum of Settlement may be filed with the court as a binding Rule 11 agreement by any party. A duly filed photo copy will be substituted for the original which will be maintained by the mediator. This Memorandum of Settlement incorporates the general conditions and terms of settlement and contemplates a more thorough document to be drafted by the parties.

The parties represent and warrant that: (i) they have carefully reviewed this Settlement Agreement; (ii) they have consulted with their attorneys concerning this Settlement Agreement; (iii) any questions that they have pertaining to this Settlement Agreement have been answered and fully explained by their attorneys; (iv) their decision to execute this Settlement Agreement was not based on any statement or representation, either written or oral, made by any person or entity other than those statements contained in this Settlement Agreement, and specifically was not based on any statement or representation made by any opposing party or its counsel; (v) this Settlement Agreement constitutes the entire agreement and understanding between the parties; (vi) they have entered into this Settlement Agreement of their own free will; and (vii) all prior and contemporaneous agreements, understanding, representations and statements, whether written or oral, are merged herein.

DMH  
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7 1 of 3

Other essential elements of the settlement of this matter are:

The undersigned parties shall, as soon as possible, following execution of this Agreement, do or cause their attorneys to do whatever is reasonably necessary to effect this Agreement. Bexar Appraisal District shall advise the appropriate tax assessor-collector to (1) change the tax roll and other appropriate records according to the terms of this Agreement; (2) prepare and deliver a corrected supplemental tax bill as required by Chapters 31 and 42, Texas Tax Code; and (3) refund to Plaintiff any amount due pursuant to Section 42.43, Texas Tax Code, except for any interest on the refund which is hereby waived by Plaintiff so long as the refund is issued within 90 days of the change being certified to the Tax Assessor-Collector.

Each party will bear all their own costs, including attorney's fees.

I UNDERSTAND AND AGREE TO THE TERMS OF THIS MEMORANDUM OF SETTLEMENT.

Plaintiff: [Signature]  
Plaintiff's attorney: [Signature]

Defendant: [Signature]  
Defendant Representative: [Signature]  
Defendant's attorney: [Signature]

Mediator: [Signature]

Tax I.D. No.: \_\_\_\_\_  
Drafting instructions: \_\_\_\_\_

411  
STATEMENT INCLUDE REWORK OF CLAIMS FOR 2003-2006 TAX YEARS - no change on roll  
TAX YEARS 2000, 2009, 2010  
PID #11  
099 174  
099 175  
099 176  
099 181  
099 184  
099 185  
SEE P 3

↑ 3073

LACKS MEDIATION YEARS 2008/2009/2010

<u>PID</u>	<u>GEO ID</u>	<u>TAX YEAR</u>	<u>OFFER VALUE</u>
899174	91202-077-3870	2008	\$404,280
899174	91202-077-3870	2009	\$377,060
899174	91202-077-3870	2010	\$387,290
899175	91202-077-4300	2008	\$345,810
899175	91202-077-4300	2009	\$336,240
899175	91202-077-4300	2010	\$366,010
899176	91202-078-0000	2008	\$4,253,420
899181	91202-078-0010	2008	\$346,680
899181	91202-078-0010	2009	\$296,940
899181	91202-078-0010	2010	\$357,700
899184	91202-078-0100	2008	\$335,250
899184	91202-078-0100	2009	\$327,570
899184	91202-078-0100	2010	\$351,920
899185	91202-078-0110	2008	\$335,740
899185	91202-078-0110	2009	\$303,240
899185	91202-078-0110	2010	\$366,570

\$9,491,720

4) Parties agree to abate all proceedings  
in this suit, 2008-01-15433-TX state  
court, while TT presents the settlement (2008-10-  
and release (2003-06) to U.S. Bankruptcy  
for approval

WPH

*[Signature]*

**Exhibit B**

**CAUSE NO. 2008-CI-15433**

<b>LACK'S STORES, INCORPORATED</b>	§	<b>IN THE DISTRICT COURT</b>
Plaintiff	§	
	§	
	§	
v.	§	<b>37TH JUDICIAL DISTRICT</b>
	§	
	§	
<b>BEXAR APPRAISAL DISTRICT</b>	§	
Defendant	§	<b>BEXAR COUNTY, TEXAS</b>

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**AGREED FINAL JUDGMENT**

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ON THIS DAY CAME TO BE HEARD, **LACK'S STORES, INCORPORATED**, *Plaintiff*, and **BEXAR APPRAISAL DISTRICT**, *Defendant*, appearing by and through their respective attorneys of record, and announced to the Court that the parties desired to resolve and settle the matters in controversy in order to avoid the trouble, expense and uncertainty of litigation.

**THEREFORE**, the parties announced to the Court — as evidenced by their respective signatures herein — that they have reached a full settlement regarding all issues of law and fact concerning the appraised value of certain property accounts owned by Plaintiff and specifically listed and agreed herein and made final by this Agreed Final Judgment.

**FURTHERMORE**, the parties announced to the Court — as evidenced by their respective signatures herein — that the totality of the settlement is contained within this Agreed Final Judgment; that all parties hereto agree to the terms and conditions set forth herein in consideration of the mutual promises and covenants contained herein; and, that the terms of this Agreed Final Judgment are contractual and not mere recitals.

**THEREFORE**, having heard these announcements and reviewed the pleadings, motions, and other documents on file with the Court, together with the evidence and arguments offered by Counsel of Record, the Court is of the

opinion and does **FIND** that such terms and conditions are **AGREED** by the parties herein, are well taken and should form the basis of this Agreed Final Judgment.

1. **IT IS, THEREFORE, ORDERED, ADJUDGED, AND DECREED** that pursuant to Section 42.41 of the Texas Tax Code, the Bexar Appraisal District shall revise the **Tax Year 2008, 2009 and 2010** appraisal rolls to reflect the market values for the accounts subject to this Agreed Final Judgment as follows:

**Property ID: 899174**

**Situs Address: 18603 Blanco Rd**

**Geo ID: 91202-077-3870**

\$11,330	Furniture & Fixtures
\$385,490	Inventory
\$2,100	Leasehold Improvement
\$4,310	Machine & Equipment
\$1,050	Supplies
<hr/>	
<b>\$404,280</b>	<b>2008 Market Value</b>
\$9,940	Furniture & Fixtures
\$360,800	Inventory
\$1,780	Leasehold Improvement
\$3,650	Machine & Equipment
\$890	Supplies
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<b>\$377,060</b>	<b>2009 Market Value</b>

\$8,540 Furniture & Fixtures  
\$373,920 Inventory  
\$1,480 Leasehold Improvement  
\$3,020 Machine & Equipment  
\$330 Supplies

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**\$387,290 2010 Market Value**

**Property ID: 899175**

**Situs Address: 11791 Bandera Rd**

**Geo ID: 91202-077-4300**

\$9,250 Furniture & Fixtures  
\$329,580 Inventory  
\$2,340 Leasehold Improvement  
\$4,390 Machine & Equipment  
\$250 Supplies

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**\$345,810 2008 Market Value**

\$4,580 Furniture & Fixtures  
\$325,730 Inventory  
\$250 Leasehold Improvement  
\$3,960 Machine & Equipment  
\$1,720 Supplies

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**\$336,240 2009 Market Value**

\$3,290 Furniture & Fixtures  
\$358,840 Inventory  
\$210 Leasehold Improvement  
\$3,070 Machine & Equipment  
\$600 Supplies

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**\$366,010 2010 Market Value**



**Property ID: 899176**

**Situs Address: 6361 Rittiman Rd**

**Geo ID: 91202-078-0000**

\$16,440	Furniture & Fixtures
\$3,648,900	Inventory
\$1,830	Leasehold Improvement
\$117,050	Machine & Equipment
\$8,480	Supplies
\$460,720	Vehicle
<hr/>	
<b>\$4,253,420</b>	<b>2008 Market Value</b>

**Property ID: 899181**

**Situs Address: 8611 Perrin Beitel**

**Geo ID: 91202-078-0010**

\$28,710	Furniture & Fixtures
\$310,110	Inventory
\$3,430	Leasehold Improvement
\$2,820	Machine & Equipment
\$1,610	Supplies
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<b>\$346,680</b>	<b>2008 Market Value</b>
\$2,250	Furniture & Fixtures
\$282,950	Inventory
\$3,850	Leasehold Improvement
\$6,350	Machine & Equipment
\$1,540	Supplies
<hr/>	
<b>\$296,940</b>	<b>2009 Market Value</b>

\$1,920 Furniture & Fixtures  
\$347,190 Inventory  
\$3,340 Leasehold Improvement  
\$4,610 Machine & Equipment  
\$640 Supplies

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**\$357,700 2010 Market Value**

**Property ID: 899184**

**Situs Address: 6838 Bandera Rd**

**Geo ID: 91202-078-0100**

\$13,140 Furniture & Fixtures  
\$316,110 Inventory  
\$2,120 Leasehold Improvement  
\$3,090 Machine & Equipment  
\$790 Supplies

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**\$335,250 2008 Market Value**

\$8,750 Furniture & Fixtures  
\$312,650 Inventory  
\$1,620 Leasehold Improvement  
\$3,610 Machine & Equipment  
\$940 Supplies

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**\$327,570 2009 Market Value**

\$8,550 Furniture & Fixtures  
\$339,180 Inventory  
\$1,400 Leasehold Improvement  
\$2,510 Machine & Equipment  
\$280 Supplies

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**\$351,920 2010 Market Value**

**Property ID: 899185**

**Situs Address: 2600 SW Military Dr**

**Geo ID: 91202-078-0110**

\$21,180	Furniture & Fixtures
\$304,510	Inventory
\$330	Leasehold Improvement
\$6,120	Machine & Equipment
\$3,600	Supplies
<hr/>	
<b>\$335,740</b>	<b>2008 Market Value</b>
\$150	Furniture & Fixtures
\$289,440	Inventory
\$290	Leasehold Improvement
\$10,050	Machine & Equipment
\$3,310	Supplies
<hr/>	
<b>\$303,240</b>	<b>2009 Market Value</b>
\$130	Furniture & Fixtures
\$359,390	Inventory
\$240	Leasehold Improvement
\$6,380	Machine & Equipment
\$430	Supplies
<hr/>	
<b>\$366,570</b>	<b>2010 Market Value</b>

**FURTHERMORE**, the **Tax Year 2003, 2004, 2005, and 2006** appraisal rolls for the properties that are subject of this lawsuit as identified below shall remain unchanged and the values will remain as follows:

**Property ID: 899174**

**Situs Address: 18603 Blanco Rd**

**Geo ID: 91202-077-3870**

\$472,690 **2004 Market Value**

\$463,960 **2005 Market Value**

\$458,780 **2006 Market Value**

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**Property ID: 899175**

**Situs Address: 11791 Bandera Rd**

**Geo ID: 91202-077-4300**

\$556,280 **2003 Market Value**

\$394,380 **2004 Market Value**

\$467,910 **2005 Market Value**

\$449,350 **2006 Market Value**

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**Property ID: 899176**

**Situs Address: 6361 Rittiman Rd**

**Geo ID: 91202-078-0000**

\$5,203,419 **2003 Market Value**

\$4,085,920 **2004 Market Value**

\$4,208,660 **2005 Market Value**

\$4,775,700 **2006 Market Value**

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**Property ID: 899181**

**Situs Address: 8611 Perrin Beitel**

**Geo ID: 91202-078-0010**

\$478,490 **2003 Market Value**

\$463,030 **2004 Market Value**

\$443,720 **2005 Market Value**

\$446,490 **2006 Market Value**

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**Property ID: 899184**

**Situs Address: 6838 Bandera Rd**

**Geo ID: 91202-078-0100**

\$478,710 **2003 Market Value**

\$377,590 **2004 Market Value**

\$440,800 **2005 Market Value**

\$416,280 **2006 Market Value**

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**Property ID: 899185**

**Situs Address: 2600 SW Military Dr**

**Geo ID: 91202-078-0110**

\$509,720 **2003 Market Value**

\$438,270 **2004 Market Value**

\$453,200 **2005 Market Value**

\$402,100 **2006 Market Value**

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2. **IT IS, FURTHERMORE, ORDERED, ADJUDGED AND DECREED** that the undersigned parties shall, within a reasonable period of time following execution of this Agreement, do or cause their attorneys to do whatever is reasonably necessary to effect this Agreement. Bexar Appraisal District shall

advise the appropriate-collector to (1) change the tax roll and other appropriate records according to the terms of this agreement; (2) prepare and deliver a corrected supplemental tax bill as required by Chapters 31 and 42 of the Texas Tax Code; and (3) refund to Plaintiff all amounts due pursuant to Section 42.43 of the Texas Tax Code, except for any interest on the refund which is hereby waived by Plaintiff so long as the refund is issued within 90 days of the date that the change is certified to the tax assessor- collector.

3. **IT IS, FURTHERMORE, ORDERED, ADJUDGED AND DECREED** that all costs and attorneys' fees are to be borne by the party incurring same.

4. **IT IS, FURTHERMORE, ORDERED, ADJUDGED AND DECREED** that this Agreed Final Judgment is enforceable as both a contract and a judgment.

5. **IT IS, FINALLY, ORDERED, ADJUDGED AND DECREED** that this Agreed Final Judgment fully and finally adjudicates the aforementioned accounts listed at Paragraph "1" hereinabove for **Tax Years 2003, 2004, 2005, 2006, 2008, 2009 and 2010**; that this Agreed Final Judgment is a final judgment; and that all other relief not expressly granted herein is **DENIED**.

**SIGNED, ORDERED, AND ENTERED** this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
JUDGE PRESIDING

**APPROVED AS TO FORM AND SUBSTANCE:**

**HARRISON DOGGETT & DUNCAN PLLC**

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By: \_\_\_\_\_

Joseph M. Harrison IV  
State Bar No. 09116150

- And -

L. Terry George  
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Telephone: (210) 408-8271  
Facsimile: (210) 408-8293

*ATTORNEYS FOR PLAINTIFF*

**APPROVED AS TO FORM AND SUBSTANCE:**

**BEXAR APPRAISAL DISTRICT**

411 North Frio, Second Floor  
San Antonio, Texas 78207  
Telephone: (210) 242-2409  
Facsimile: (210) 242-2451

By: \_\_\_\_\_

William P. Durland  
State Bar No. 06287070

*ATTORNEY FOR DEFENDANT*

**Exhibit C**

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

**IN RE:** §  
§ **CASE NO. 10-60149**  
**LACK'S STORES, INCORPORATED,** §  
**ET AL.,<sup>1</sup>** § **(Chapter 11)**  
§ **Jointly Administered**  
**DEBTORS.** §

**DECLARATION OF L. TERRY GEORGE,  
ON BEHALF OF LAW OFFICES OF L. TERRY GEORGE**

**STATE OF TEXAS** §  
§  
**COUNTY OF BEXAR** §

1. My name is L. Terry George. I am an attorney at law, licensed to practice in Texas, located at 1715 Hadbury Lane , San Antonio, Texas 78248 (the "Firm").

2. Lack's Stores, Incorporated ("Lacks"), and its affiliated debtors, as debtors and debtors in possession (collectively, the "Debtors"), have requested that the Firm provide legal services to the Debtors, and the Firm has consented to provide such services. Specifically, the Firm will complete lawsuits already filed on behalf of the Debtors in Bexar, Gregg and Wichita Counties, Texas, against the Appraisal Districts and Appraisal Review Boards in those counties through final judgments, and appeals if necessary. All legal fees resulting from those suits that may be or become due to the Firm are contingent upon successful outcomes in those suits.

3. The Firm may have performed services in the past and may perform services in the future, in matters unrelated to these chapter 11 cases, for persons that are parties in interest in the Debtors' chapter 11 cases. As part of its customary practice, the Firm is retained in cases, proceedings, and transactions involving many different parties, some of whom may represent or be claimants or employees of the Debtors, or other parties in interest in these chapter 11 cases. The Firm does not perform services for any such person in connection with these chapter 11 cases. In addition, the Firm does not have any relationship with any such person, their attorneys, or accountants that would be adverse to the Debtors or their estates.

4. The Firm has agreed to share a portion of the compensation to be received from the Debtors with the undersigned, and such shared compensation will be borne entirely by the Firm so that the Debtor will not have any cost or expense greater than that already agreed to with me or the Firm. Mallory L. Miller, for legal work already done, or to be done in the future, will

---

<sup>1</sup> The Debtors and the last four digits of their tax identification numbers are Lack's Stores, Incorporated (6528), Merchandise Acceptance Corporation (0972), Lack's Furniture Centers, Inc. (9468), and Lack Properties, Inc. (8961).

**DECLARATION OF ORDINARY COURSE PROFESSIONALS**



receive 25 per cent of the compensation expected from the case in Gregg County, Texas, and 75 per cent of the compensation received, if any, from the case in Wichita County, Texas. Joseph M. Harrison, IV will receive a sliding percentage of the case in Bexar County, Texas, ranging from 10 per cent to 50 per cent of the compensation received, if any, depending upon whether early settlement is reached, or the case is taken through trial, and/or appeal.


5. Neither I, nor any of the undersigned, nor any principal of, or professional employed by the Firm, or the firms of the undersigned, insofar as we have been able to ascertain, holds or represents any interest adverse to the Debtors or their estates.

6. The Debtors do not owe the Firm or any of the undersigned any amount for prepetition services except for contingent fees that may result from lawsuits already filed in Bexar, Gregg and Wichita Counties, Texas.

7. As necessary, the Firm is conducting further inquiries regarding its retention by any creditors of the Debtors, and upon conclusion of that inquiry, or at any time during the period of its employment, if the Firm should discover any facts bearing on the matters described herein, the Firm will supplement the information contained in this Declaration.

I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.

Signed, this 8th day of December, 2010

  
L. Terry George  
SBN 07806000

AGREED and DECLARED:

\_\_\_\_\_  
Mallory L. Miller  
SBN 14132000

\_\_\_\_\_  
Joseph M. Harrison IV  
SBN 09116150

DECLARATION OF ORDINARY COURSE PROFESSIONALS

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

IN RE: §  
LACK'S STORES, INCORPORATED, § CASE NO. 10-60149  
ET AL.,<sup>1</sup> §  
DEBTORS. § (Chapter 11)  
§ Jointly Administered  
§

DECLARATION OF L. TERRY GEORGE,  
ON BEHALF OF LAW OFFICES OF L. TERRY GEORGE

STATE OF TEXAS §  
COUNTY OF BEXAR §

1. My name is L. Terry George. I am an attorney at law, licensed to practice in Texas, located at 1715 Hadbury Lane, San Antonio, Texas 78248 (the "Firm").

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7. As necessary, the Firm is conducting further inquiries regarding its retention by any creditors of the Debtors, and upon conclusion of that inquiry, or at any time during the period of its employment, if the Firm should discover any facts bearing on the matters described herein, the Firm will supplement the information contained in this Declaration.

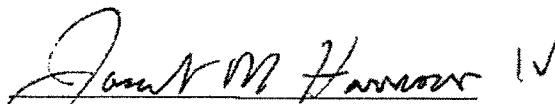
I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.

Signed, this 8th day of December, 2010

\_\_\_\_\_  
L. Terry George  
SBN 07806000

AGREED and DECLARED:

  
\_\_\_\_\_  
Mallory L. Miller  
SBN 14132000

  
\_\_\_\_\_  
Joseph M. Harrison IV  
SBN 09116150

DECLARATION OF ORDINARY COURSE PROFESSIONALS

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

<b>IN RE:</b>	§	
	§	<b>CASE NO. 10-60149</b>
<b>LACK’S STORES, INCORPORATED,</b>	§	
	§	<b>(Chapter 11)</b>
<b>ET AL.,<sup>1</sup></b>	§	<b>(Jointly Administered)</b>
	§	
<b>DEBTORS.</b>	§	

**ORDER GRANTING EXPEDITED MOTION PURSUANT TO  
FED. R. BANKR. P. 9019 FOR APPROVAL OF ENTRY INTO  
SETTLEMENT WITH BEXAR APPRAISAL DISTRICT, INCLUDING  
PAYMENT OF RELATED PROFESSIONAL FEES AND EXPENSES**

**[Related to Docket No. \_\_\_\_]**

The Court has considered the *Expedited Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of Entry into Settlement with Bexar Appraisal District, Including Payment of Related Professional Fees and Expenses* (the “Motion”)<sup>2</sup> filed by the above-referenced debtors (collectively, the “Debtors”). The Court finds that (a) the request for expedited consideration complies with Local Rules and demonstrates that sufficient cause exists for expedited consideration of the Motion, (b) it has jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. § 1334(b), (c) based on the complexity and likely duration of litigation, the cost of pursuing such litigation, the extent to which the settlement is the product of arm’s length negotiation, and the paramount interest of unsecured creditors, the Settlement is fair and equitable and in the best interests of the Debtors and their respective estates, creditors, and equity

---

<sup>1</sup> The Debtors and the last four digits of their tax identification numbers are Lack’s Stores, Incorporated (6528), Merchandise Acceptance Corporation (0972), Lack’s Furniture Centers, Inc. (9468), and Lack Properties, Inc. (8961).

<sup>2</sup> All capitalized terms used herein, but not otherwise defined, shall have the meaning ascribed to such terms in the Motion.

**ORDER GRANTING EXPEDITED MOTION PURSUANT TO FED. R. BANKR. P. 9019  
FOR APPROVAL OF ENTRY INTO SETTLEMENT WITH BEXAR APPRAISAL DISTRICT,  
INCLUDING PAYMENT OF RELATED PROFESSIONAL FEES AND EXPENSES**

security holders, (d) entry in to the Settlement is a valid exercise of the Debtors' sound business judgment, (e) proper and adequate notice of the Motion and hearing thereon has been given and that no other or further notice is necessary, and (f) good and sufficient cause exists for the granting of the relief requested in the Motion. Therefore, it is hereby:

**ORDERED** that the Motion is granted in its entirety; it is further

**ORDERED** that the Settlement attached hereto as **Exhibit A** is authorized and approved in all respects; it is further

**ORDERED** that, in the ordinary course of business and without further approval by this Court, the Debtors are authorized to pay all professional fees and expenses owing to the George Firm on account of the Settlement; it is further

**ORDERED** that all objections not otherwise withdrawn or resolved by the terms of this Order are overruled; it is further

**ORDERED** that the Debtors are authorized to take all actions necessary and appropriate to implement the terms Settlement; it is further

**ORDERED** that the Settlement is binding on all parties thereto, all creditors of the Debtors and all other parties in interest in the Bankruptcy Cases; it is further

**ORDERED** that the Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and/or enforcement of this Order.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

---

**THE HONORABLE JEFF BOHM**  
**UNITED STATES BANKRUPTCY JUDGE**

**ORDER GRANTING EXPEDITED MOTION PURSUANT TO FED. R. BANKR. P. 9019  
FOR APPROVAL OF ENTRY INTO SETTLEMENT WITH BEXAR APPRAISAL DISTRICT,  
INCLUDING PAYMENT OF RELATED PROFESSIONAL FEES AND EXPENSES**

Submitted by:

**VINSON & ELKINS LLP**

By: /s/ Ginny A. Maslin

Ginny A. Maslin, SBT #24055918

Kirk S. Cheney, SBT #24076307

1001 Fannin Street, Suite 2500

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- and -

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Dallas, Texas 75201

Tel: 214.220.7700; Fax: 214.999.7787

mcrocker@velaw.com

**ATTORNEYS FOR THE DEBTORS**

**ORDER GRANTING EXPEDITED MOTION PURSUANT TO FED. R. BANKR. P. 9019  
FOR APPROVAL OF ENTRY INTO SETTLEMENT WITH BEXAR APPRAISAL DISTRICT,  
INCLUDING PAYMENT OF RELATED PROFESSIONAL FEES AND EXPENSES**

Exhibit A

Cause No. 2008 CI 15433

October 10, 2011

MEMORANDUM OF SETTLEMENT

Plaintiff(s), Lack's Stores, Incorporated agree(s) to settle any and all claims and/or causes of action(s) against the Defendant(s) Bexar Appraisal District in consideration of an appraised value of \$ 9,411,257.00 for tax year(s) 2008-2010 by Defendant(s). This settlement is a release of any and all causes of action and/or claim(s) that Plaintiff(s) and/or Defendant(s) may have which relate to the claims described in the Plaintiff's Original Petition/complaint or any amended petitions/complaints. Said complaint(s) are incorporated into this Memorandum of Settlement by reference.

Defendant(s) agree(s) to submit settlement funds to the Plaintiff(s) within 30 days. Defendant(s) will draft all appropriate settlement and release of all claims documents to include dismissal documents. All parties will agree to cooperate in finalizing these documents and obtaining appropriate signatures at the time of payment. All taxable court costs including mediators fee of \$500.00 will be paid by each party.

This Memorandum of Settlement is a binding agreement on all parties to this controversy. This Memorandum of Settlement may be filed with the court as a binding Rule 11 agreement by any party. A duly filed photo copy will be substituted for the original which will be maintained by the mediator. This Memorandum of Settlement incorporates the general conditions and terms of settlement and contemplates a more thorough document to be drafted by the parties.

The parties represent and warrant that: (i) they have carefully reviewed this Settlement Agreement; (ii) they have consulted with their attorneys concerning this Settlement Agreement; (iii) any questions that they have pertaining to this Settlement Agreement have been answered and fully explained by their attorneys; (iv) their decision to execute this Settlement Agreement was not based on any statement or representation, either written or oral, made by any person or entity other than those statements contained in this Settlement Agreement, and specifically was not based on any statement or representation made by any opposing party or its counsel; (v) this Settlement Agreement constitutes the entire agreement and understanding between the parties; (vi) they have entered into this Settlement Agreement of their own free will; and (vii) all prior and contemporaneous agreements, understanding, representations and statements, whether written or oral, are merged herein.

DMH  
9/10/11  
10/11

7 1 of 3

Other essential elements of the settlement of this matter are:

The undersigned parties shall, as soon as possible, following execution of this Agreement, do or cause their attorneys to do whatever is reasonably necessary to effect this Agreement. Bexar Appraisal District shall advise the appropriate tax assessor-collector to (1) change the tax roll and other appropriate records according to the terms of this Agreement; (2) prepare and deliver a corrected supplemental tax bill as required by Chapters 31 and 42, Texas Tax Code; and (3) refund to Plaintiff any amount due pursuant to Section 42.43, Texas Tax Code, except for any interest on the refund which is hereby waived by Plaintiff so long as the refund is issued within 90 days of the change being certified to the Tax Assessor-Collector.

Each party will bear all their own costs, including attorney's fees.

I UNDERSTAND AND AGREE TO THE TERMS OF THIS MEMORANDUM OF SETTLEMENT.

Plaintiff: [Signature]  
Plaintiff's attorney: [Signature]

Defendant: [Signature]  
Defendant Representative: [Signature]  
Defendant's attorney: [Signature]

Mediator: \_\_\_\_\_

Tax I.D. No.: \_\_\_\_\_  
Drafting instructions: \_\_\_\_\_

STATEMENT INCLUDE REMOVE OF CLAIMS FOR 2003-2006 TAX YEARS - no change on roll

4) TAX YEARS 2000, 2009, 2010  
P.I.D #11  
099 174  
099 175  
099 176  
099 181  
099 184  
099 185  
SEE P 3



↑ 3073

LACKS MEDIATION YEARS 2008/2009/2010

<u>PID</u>	<u>GEO ID</u>	<u>TAX YEAR</u>	<u>OFFER VALUE</u>
899174	91202-077-3870	2008	\$404,280
899174	91202-077-3870	2009	\$377,060
899174	91202-077-3870	2010	\$387,290
899175	91202-077-4300	2008	\$345,810
899175	91202-077-4300	2009	\$336,240
899175	91202-077-4300	2010	\$366,010
899176	91202-078-0000	2008	\$4,253,420
899181	91202-078-0010	2008	\$346,680
899181	91202-078-0010	2009	\$296,940
899181	91202-078-0010	2010	\$357,700
899184	91202-078-0100	2008	\$335,250
899184	91202-078-0100	2009	\$327,570
899184	91202-078-0100	2010	\$351,920
899185	91202-078-0110	2008	\$335,740
899185	91202-078-0110	2009	\$303,240
899185	91202-078-0110	2010	\$366,570

\$9,491,720

4) Parties agree to abate all proceedings  
in this suit, 2008-01-15433-TX state  
court, while TT presents the settlement (2008-10-  
and release (2003-06) to U.S. Bankruptcy  
for approval

WPH

*[Signature]*