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

In re:	)	Chapter 11
Stage Stores, Inc., *et al.*	)	Case No. 20-32564 (DRJ)
Debtors.[1]	)	(Jointly Administered)

STATEMENT OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN SUPPORT OF CHAPTER 11 PLAN

The Official Committee of Unsecured Creditors (the "Committee") of Stage Stores, Inc. and Specialty Retailers, Inc. (together, the "Debtors") in the above-captioned chapter 11 cases (the "Chapter 11 Cases") hereby submits this statement (this "Statement") in support of confirmation of the *Joint Amended Chapter 11 Plan of Stage Stores, Inc. and Specialty Retailers, Inc.* [Docket No. 536] (as amended, supplemented or otherwise modified, the "Plan").[2] In support of the Plan, the Committee respectfully states as follows:

STATEMENT

Confirmation of the Plan will provide the best possible outcome for unsecured creditors in these Chapter 11 Cases. Since its appointment, the Committee has understood that the Debtors' ability to secure a value-maximizing going-concern bid in a highly unpredictable post-COVID-19 retail market was uncertain at best. The Debtors remain engaged in negotiations with a prospective going-concern buyer and the Committee will support a going-concern sale to the extent it is economically neutral or better with respect to projected recoveries for general

[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). The Debtors' service address is: 2425 West Loop South, Houston, Texas 77027.

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

unsecured creditors. But regardless of the outcome of these cases—be it a sale that provides for the continuation of the Stage Stores business or the conclusion of a full-chain liquidation—confirmation of the Plan will provide the highest possible recovery to unsecured creditors. Specifically, the Committee submits that the Plan should be confirmed for three primary reasons.

First, the Plan maximizes recoveries and minimizes potential liabilities for unsecured creditors through the following:

- Potential distributions to unsecured creditors. The Plan contemplates distributions being made pursuant to a waterfall priority scheme in accordance with the Bankruptcy Code. Unsecured creditors will receive their *pro rata* share of Distributable Cash, if any, after all senior classes of Claims are paid in full. *See* Plan § III.B.4. While the Plan does not guarantee monetary recoveries to unsecured creditors, it nonetheless preserves the possibility for such distributions after any remaining assets are monetized by the Plan Administrator after the Effective Date.

- Claims avoidance waivers to eligible unsecured creditors. The Plan provides for a release of estate claims—including potential preference claims—against unsecured creditors that either voted to accept the Plan or abstained from voting and did not affirmatively opt-out of granting the Plan releases. *See* Plan §§ I.A.91, VIII.C.[3] If the Plan is not confirmed, these creditors could face significant preference litigation exposure and, without the negotiated release of these claims embodied in the Plan, many unsecured creditors would incur, at a minimum, significant defense costs. Under circumstances where unsecured creditors may not receive a substantial monetary distribution from the Debtors' estates, this aspect of the Plan provides meaningful value to unsecured creditors in the form of liability protection that would not otherwise be available.

- An efficient and orderly Wind Down process. The Plan provides for an efficient and orderly Wind Down process designed to minimize costs and maximize value for all creditors. Specifically, the Plan contemplates the appointment of the post-confirmation Plan Administrator, selected by the Committee, to, among other things, wind-down the Debtors' estates, monetize remaining assets, reconcile and administer Claims, and make distributions as contemplated by the Plan. *See* Plan §§ IV.D, IV.E. Any alternative to the Plan would likely prolong the Debtors' stay in Chapter 11, resulting in significant delays and increased administrative costs that would threaten recoveries to all stakeholders.

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[3] The Plan also grants such releases for Holders of Administrative Claims, Priority Tax Claims, and Other Priority Claims that did not object to the Plan. *See* Plan §§ I.A.91, VIII.C.

Second, the Plan does not release any valuable claims that could be pursued to increase recoveries for unsecured creditors. Shortly after its appointment, the Committee commenced a thorough investigation of potential claims and causes of action to be released under the Plan, including potential claims against the Debtors' secured lenders, shareholders, directors, and officers. The Committee concluded that there were no viable claims that could be brought on behalf of these estates. Accordingly, confirmation of the Plan and the releases being provided therein will not result in diminished recoveries to unsecured creditors.

Third, of the Class 4 Holders of General Unsecured Claims that voted, the overwhelming majority voted to accept the Plan. *See Certification of P. Joseph Morrow IV with Respect to the Tabulation of Votes on the Joint Amended Chapter 11 Plan of Stage Stores, Inc. and Specialty Retailers, Inc.* [Docket No. 679] (the "Voting Report") (reporting that (i) on a numerosity basis, over 99% of voting unsecured creditors accepted the Plan, and (ii) on a dollar amount basis, over 94% of voting unsecured creditors accepted the Plan).[4] Class 4's support for the Plan confirms the Committee's view that confirmation of the Plan is in the best interests of creditors.

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[4] This calculation includes 6,749 individual votes for the aggregated amount of $34,832,644.77 against each Debtor with respect to the general unsecured claims of individuals from *Crosby et al. vs. Stage Stores Inc*. (18-CV-503 M.D. Tenn.). Voting Report, Exhibit A n. 1.

Dated: August 12, 2020

Respectfully submitted,

/s/ Michael D. Warner
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CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of August, 2020, a true and correct copy of the above and foregoing has been served by electronic transmission to all registered CM/ECF users appearing in these cases.

/s/ Michael D. Warner
Michael D. Warner