

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

In re:)
) Chapter 11
)
STAGE STORES, INC., et al.,1) Case No. 20-32564 (DRJ)
)
Debtors.) (Joint Administration Requested)
) (Emergency Hearing Requested)

DEBTORS' EMERGENCY MOTION FOR ENTRY OF
INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO
(A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM AND
MAINTAIN EXISTING BANK ACCOUNTS AND (B) CONTINUE TO PERFORM
INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF

EMERGENCY RELIEF HAS BEEN REQUESTED. A HEARING WILL BE CONDUCTED ON THIS
MATTER ON MAY 11, 2020, AT 3:00 P.M. (CENTRAL TIME) IN COURTROOM 404, 4TH FLOOR,
515 RUSK STREET, HOUSTON, TEXAS 77002. IF YOU OBJECT TO THE RELIEF REQUESTED
OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST
EITHER APPEAR AT THE HEARING OR FILE A WRITTEN RESPONSE PRIOR TO THE
HEARING. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND
GRANT THE RELIEF REQUESTED.
RELIEF IS REQUESTED NOT LATER THAN MAY 11, 2020.
PLEASE NOTE THAT ON MARCH 24, 2020, THROUGH THE ENTRY OF GENERAL ORDER
2020-10, THE COURT INVOKED THE PROTOCOL FOR EMERGENCY PUBLIC HEALTH OR
SAFETY CONDITIONS.
IT IS ANTICIPATED THAT ALL PERSONS WILL APPEAR TELEPHONICALLY AND ALSO
MAY APPEAR VIA VIDEO AT THIS HEARING.
AUDIO COMMUNICATION WILL BE BY USE OF THE COURT'S REGULAR DIAL-IN NUMBER.
THE DIAL-IN NUMBER IS +1(832)-917-1510. YOU WILL BE RESPONSIBLE FOR YOUR OWN
LONG-DISTANCE CHARGES. YOU WILL BE ASKED TO KEY IN THE CONFERENCE ROOM
NUMBER. JUDGE JONES'S CONFERENCE ROOM NUMBER IS 205691.
PARTIES MAY PARTICIPATE IN ELECTRONIC HEARINGS BY USE OF AN INTERNET
CONNECTION. THE INTERNET SITE IS WWW.JOIN.ME. PERSONS CONNECTING BY
MOBILE DEVICE WILL NEED TO DOWNLOAD THE FREE JOIN.ME APPLICATION.
ONCE CONNECTED TO WWW.JOIN.ME, A PARTICIPANT MUST SELECT "JOIN A
MEETING". THE CODE FOR JOINING THIS HEARING BEFORE JUDGE JONES IS "JUDGE
JONES". THE NEXT SCREEN WILL HAVE A PLACE FOR THE PARTICIPANT'S NAME IN THE
LOWER LEFT CORNER. PLEASE COMPLETE THE NAME AND CLICK "NOTIFY". HEARING
APPEARANCES SHOULD BE MADE ELECTRONICALLY AND IN ADVANCE OF THE
HEARING. YOU MAY MAKE YOUR ELECTRONIC APPEARANCE BY:
1) GOING TO THE SOUTHERN DISTRICT OF TEXAS WEBSITE;
2) SELECTING "BANKRUPTCY COURT" FROM THE TOP MENU;
3) SELECTING JUDGES' PROCEDURES AND SCHEDULES;

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.



4) SELECTING “VIEW HOME PAGE” FOR JUDGE DAVID R. JONES;
5) UNDER “ELECTRONIC APPEARANCE” SELECT “CLICK HERE TO SUBMIT ELECTRONIC APPEARANCE;”
6) SELECT IN RE STAGE STORES, INC., *ET AL.* FROM THE LIST OF ELECTRONIC APPEARANCE LINKS; AND
7) AFTER SELECTING IN RE STAGE STORES, INC., *ET AL.* FROM THE LIST, COMPLETE THE REQUIRED FIELDS AND HIT THE “SUBMIT” BUTTON AT THE BOTTOM OF THE PAGE.
SUBMITTING YOUR APPEARANCE ELECTRONICALLY IN ADVANCE OF THE HEARING WILL NEGATE THE NEED TO MAKE AN APPEARANCE ON THE RECORD AT THE HEARING.

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) state as follows in support of this motion (this “Motion”):²

Relief Requested

1. The Debtors seek entry of interim and final orders, substantially in the forms attached hereto (the “Interim Order” and the “Final Order,” respectively), (a) authorizing the Debtors to (i) operate their cash management system, as described herein and as illustrated on **Exhibit A** attached hereto, and maintain their existing bank accounts, including honoring certain prepetition obligations related thereto, and (ii) continue intercompany transactions and funding consistent with the Debtors’ historical practices, subject to the terms described herein, and (b) granting related relief. In addition, the Debtors request that the Court schedule a final hearing within twenty-five days of the commencement of these chapter 11 cases, or as soon thereafter as is convenient for the Court, to consider approval of this Motion on a final basis.

Jurisdiction and Venue

2. The United States Bankruptcy Court for the Southern District of Texas (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b). The Debtors confirm their consent, pursuant

² The facts and circumstances supporting this Motion are set forth in the *Declaration of Elaine D. Crowley, Chief Restructuring Officer of Stage Stores Inc., in Support of Debtors’ Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), filed contemporaneously with this Motion and incorporated by reference herein.

to rule 7008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), to the entry of a final order by the Court.

3. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

4. The bases for the relief requested herein are sections 105, 345, 362, 363, and 553 of title 11 of the United States Code (the “Bankruptcy Code”), Bankruptcy Rules 6003 and 6004, and rules 1075-1 and 9013-1 of the Local Bankruptcy Rules for the Southern District of Texas (the “Local Rules”).

Background³

5. The Debtors are apparel, accessories, cosmetics, footwear, and home goods retailers that operate department stores under the Bealls, Goody’s, Palais Royal, Peebles, and Stage brands and off-price stores under the Gordmans brand. The Debtors employ approximately 14,694 employees, who operate approximately 700 stores across forty-two states. The Debtors’ department stores predominately serve small towns and rural communities, and the Debtors’ off-price stores are mostly located in mid-sized Midwest markets. The Debtors’ 2019 revenue was approximately \$1.6 billion.

6. On May 10, 2020, (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors have concurrently filed a motion requesting procedural consolidation and joint administration of these chapter 11 cases pursuant to

³ As more fully described in the First Day Declaration, as a result of the global pandemic caused by COVID-19, the majority of the Debtors’ employees remain on furlough as of the date hereof and certain of the Debtors’ accounting and reporting systems are not fully up to date. All estimated figures utilized in this Motion are based on the best currently-available information.

Bankruptcy Rule 1015(b). No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no committees have been appointed or designated.

The Cash Management System

I. Overview.⁴

7. The Debtors maintain an integrated cash management system in the ordinary course of business to facilitate the efficient operation of their business operations (the “Cash Management System”), which is summarized on **Exhibit A** attached hereto. The Cash Management System is typical of multi-store retail operations and comparable to the centralized cash management systems used by other similarly sized retail companies to manage the cash flow of operating units in a cost-effective, efficient manner. The Debtors use their Cash Management System in the ordinary course of business to transfer and distribute funds and to facilitate cash monitoring, forecasting, and reporting. The Debtors’ treasury department maintains daily oversight over the Cash Management System and implements cash management controls for entering, processing, and releasing funds, including in connection with intercompany transactions. Additionally, the Debtors’ corporate accounting and cash forecasting departments regularly reconcile the Debtors’ books and records to ensure that all transfers are accounted for properly.

8. Given the economic and operational scale of the Debtors’ businesses, any disruption to the Cash Management System would have an immediate adverse effect on the Debtors’ businesses and operations to the detriment of their estates and numerous stakeholders. Accordingly, to minimize the disruption caused by these chapter 11 cases and to maximize the value of the Debtors’ estates, the Debtors request authority to continue to utilize their existing Cash

⁴ In the ordinary course of business, the Debtors may close existing accounts or open new accounts to facilitate their Cash Management requirements.

Management System during the pendency of these chapter 11 cases, subject to the terms described herein.

II. The Cash Management System.

9. As of the Petition Date, the Cash Management System includes a total of 169 bank accounts (collectively, the “Bank Accounts”), which are held at 142 banks (collectively, the “Cash Management Banks”). The Debtors propose to continue using the Bank Accounts, described above and hereinafter and listed on Exhibit B, after the Petition Date, subject to their right to close certain accounts and open new accounts. As of the Petition Date, the Debtors have approximately \$10.1 million in cash on hand.

A. The Collection Process.

10. *Cash Collections.* Revenue from brick-and-mortar retail operations is collected into individual store depository accounts (the “Store Depository Accounts”). In many instances, store managers deposit cash directly into the respective Store Depository Account on a weekly basis, or whenever cash in store exceeds a certain amount.⁵ Funds from these accounts are swept, generally twice a week, and flow directly into a concentration depository account (the “Depository Account”).

11. In other instances, the Debtors contract with armored car services (the “Armored Car Services”) to facilitate the deposit of cash collected at the Debtors’ brick and mortar locations, into the Store Depository Accounts. As of the Petition Date, the Debtors estimate that they owe \$20,000.00 to the Armored Car Services (the “Armored Car Service Fees”). Any disruption to the

⁵ As of the Petition Date, the Debtors have cash in certain of their stores that will be moved into Store Depository Accounts as soon as reasonably practicable.

services provided by the Armored Car Services would not only jeopardize the Debtors' Cash Management System, but, could also jeopardize the safety of the Debtors' employees.

12. ***Credit Card Collections.*** Credit card sales at the Debtors' brick and mortar locations transactions are processed through a third-party processor (the "Credit Card Processor") and the proceeds are deposited, net of fees, chargebacks, and returns, into the Depository Account. Any disruption to the services provided by the Credit Card Processor would not only jeopardize the Debtors' Cash Management System, but could also jeopardize the Debtors' ability to conduct its business and complete sales in the ordinary course of business.

B. Disbursement Process.

13. Historically, the Debtors used a majority of their cash on hand to pay down outstanding amounts under the prepetition Superpriority Revolving Credit Facility (the "Prepetition Revolving Credit Facility"). The Debtors requested daily draws on the Prepetition Revolving Credit Facility to fund daily operations and satisfy obligations owing to landlords, vendors, employees, and various taxing authorities, among other entities, as needed. The amount the Debtors were able to draw was determined by reference to the then-applicable borrowing base. The requested amounts are transferred into a central operating account (the "Master Operating Account").

14. The funds in the Master Operating Account are transferred into four disbursement accounts that fund daily operations, including accounts payable, payroll, and employee obligations, among others (the "Disbursement Accounts"). The Debtors also maintain two Disbursement Accounts that are funded by the Master Operating Account on an as-needed basis, which disburses funds to satisfy sales and property tax obligations and payroll tax obligations. Postpetition, these arrangements will continue largely the same under the Debtors' postpetition financing.

III. The Bank Accounts.

15. The Bank Accounts generally fall into one of a number of categories, each of which is briefly described in the following table:⁶

Account	Account Description
Master Operating Account (1596)	The Master Operating Account is funded by interim draws on the Prepetition Revolving Credit Facility. Prior to the Debtors entering cash dominion as described below, this account was also funded by the Depository Account. Funds from the Master Operating Account are transferred to the Disbursement Accounts (defined below) on an ad hoc basis to fund operations.
Depository Account (2416)	The Depository Account is funded by the Store Depository Accounts. Funds from these accounts are swept daily to pay down the Prepetition Revolving Credit Facility. Prior to the Debtors entering cash dominion, cash deposits in the Depository Account were swept daily into the Master Operating Account. The Depository Account maintains a zero balance.
Sales/Property Tax Account (1638)	The Sales/Property Tax Account is used to make disbursements on account of the Debtors' sales and property taxes.
Payroll-Miscellaneous Checks Account (5653)	The Payroll-Miscellaneous Checks Account is used to make disbursements on account of payroll direct deposit and check deposits.
Payroll Taxes Account (1604)	The Payroll Taxes Account is used to make disbursements on account of the Debtors' payroll taxes.
Postage Account (1612)	The Postage Account disburses funds to satisfy operating expenses related to postage.
Merchandise Account (0038)	The Merchandise Account is used to make disbursements for purchasing merchandise.
Expenses Account (0042)	The Expenses Account is used to make disbursements on account of the Debtors' various expenses not separately provided for in a separate disbursement account.

⁶ These descriptions of Bank Account types are for illustrative purposes only. A single Bank Account may fall into more than one of the categories described above.

Account	Account Description
Store Depository Accounts	The Store Depository Accounts are funded by in-store purchases. Store managers deposit cash, either themselves or via third-party armored car, into the respective Store Depository Account twice per week, or whenever cash in store exceeds a certain amount. The funds in these accounts are typically swept into the Depository Account on a daily basis.
Cash Vault Accounts (5830), (5958), (5990)	The Cash Vault Accounts are used to make low dollar amount disbursements to stores in need of easy access to cash.

16. The Debtors incur periodic service charges and other fees in connection with the maintenance of the Cash Management System (the “Bank Fees”). On a monthly basis, the Debtors pay approximately \$88,000.00 in Bank Fees to the Cash Management Banks. The Debtors estimate that they owe approximately \$90,000.00 on account of Bank Fees as of the Petition Date and request authority to pay outstanding Bank Fees, including any prepetition amounts, in the ordinary course of business on a postpetition basis.

IV. Compliance with the U.S. Trustee Guidelines and the Bankruptcy Code.

A. U.S. Trustee Authorized Depositories.

17. The *Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees* (the “U.S. Trustee Guidelines”) generally require chapter 11 debtors to, among other things, deposit all estate funds into an account with an authorized depository that agrees to comply with the requirements of the Office of the United States Trustee for the Southern District of Texas (the “U.S. Trustee”). Six of the Cash Management Banks, including Wells Fargo Bank, N.A., where the Debtors maintain nine of their Bank Accounts—have branches that are authorized depositories under the U.S. Trustee Guidelines, while the remaining Cash Management Banks and branches—at which the Debtors maintain 152 of the Bank Accounts—are not.

18. Of those 152 Bank Accounts, all are Store Depository Accounts, which, as noted above, receive regular deposits from the Debtors’ stores. The banks at which the Store Depository

Accounts are maintained are typically the only bank located nearby these stores, and if the Debtors are not permitted to maintain these store level accounts, the stores that make daily deposits into such accounts will likely have to submit their required daily deposits by other means, creating additional operational and administrative burdens and expenses to the detriment of the Debtors' business and their estate.

19. Although there are 135 Cash Management Banks that are not designated as authorized depositories by the U.S. Trustee Guidelines, each of these institutions are well-capitalized institutions that are insured by the Federal Deposit Insurance Corporation (the "FDIC") and therefore, the Debtors' maintenance of the Bank Accounts will not jeopardize any party in interest.

20. Each Bank Account that is a deposit account is maintained at a bank that is insured by the FDIC. Of the Debtors' 169 Bank Accounts, none have deposits in excess of FDIC limits.

21. The Cash Management System is complex and critical to the ongoing stability of the Debtors' businesses and transition into chapter 11. Requiring the Debtors to transfer any of the above-described Bank Accounts to a designated authorized depository would place a needless and excessive administrative burden on the Debtors and impose significant, value-destructive costs to the Debtors' estates. In any event, the Debtors will work in good faith with the U.S. Trustee to address any concerns regarding the continued use of these accounts on a postpetition basis.

B. Compliance with U.S. Trustee Guidelines as to Business Forms.

22. As part of the Cash Management System, the Debtors use a variety of preprinted business forms (including checks, letterhead, correspondence forms, invoices, and other business forms) in the ordinary course of business (collectively, the "Business Forms"). The Debtors also maintain books and records to document their financial results and a wide array of operating information (collectively, the "Books and Records"). To avoid a significant disruption to their

business operations and to minimize administrative expense to their estates, the Debtors request authorization to continue using all of the Business Forms and Books and Records in a manner consistent with prepetition practice, without reference to the Debtors' status as chapter 11 debtors in possession.

V. The Debtors' Intercompany Transactions.

23. In the ordinary course of business, the Debtors engage in routine business relationships with each other (collectively, the "Intercompany Transactions"), which may result in intercompany receivables and payables (the "Intercompany Claims"). At any given time, there may be Intercompany Claims owing by one Debtor to another Debtor. Other Intercompany Claims are created through various ordinary course operations.

24. Intercompany Claims are reflected as journal entry receivables and payables, as applicable, in the respective Debtors' accounting systems. The Debtors track all fund transfers in their respective accounting system and can ascertain, trace, and account for all Intercompany Transactions. Discontinuing the Intercompany Transactions would unnecessarily disrupt the Cash Management System and the Debtors' operations to the detriment of the Debtors, their creditors, and other stakeholders. The Debtors' submit that Intercompany Transactions that occur between Debtors are *de minimis* in nature. Out of an abundance of caution, the Debtors seek the authority to continue the Intercompany Transactions in the ordinary course of business consistent with past practice.

Basis for Relief

I. The Court Should Approve the Debtors' Continued Use of the Cash Management System as Essential to the Debtors' Operations and Restructuring Efforts.

25. The U.S. Trustee Guidelines require debtors in possession to, among other things: (a) close all existing bank accounts and open new debtor in possession bank accounts; (b) establish

one debtor in possession account for all estate monies required for payment of taxes including payroll taxes; (c) physically set aside all monies required by law to be withheld from employees or collected from others for taxes; (d) open a new set of books and records as of the commencement date of the case; (e) use new business forms indicating the debtor in possession status of the chapter 11 debtor, including checks that bear the designation “debtor in possession” and reference the bankruptcy case number and type of account on such checks; and (f) make all disbursements of estate funds by check with a notation representing the reason for the disbursement. *See the Region 7 Guidelines for Debtors-in-Possession.* These requirements are intended to provide a clear line of demarcation between prepetition and postpetition transactions and operations and to prevent inadvertent payment of prepetition claims. Considering, however, the breadth and complexity of the Debtors’ businesses and financial affairs and the sheer volume of collections, disbursements, and movement of funds through the Cash Management System on a daily basis, enforcement of these provisions of the U.S. Trustee Guidelines during these chapter 11 cases would severely disrupt, if not cripple, the Debtors’ operations. Accordingly, the Debtors request that the Court allow them to operate each of the Bank Accounts that comprise the Cash Management System as each was maintained in the ordinary course of business before the Petition Date and as described herein.

26. Continuation of the Cash Management System is permitted pursuant to section 363(c)(1) of the Bankruptcy Code, which authorizes the debtor in possession to “use property of the estate in the ordinary course of business without notice or a hearing.” Bankruptcy courts treat requests for authority to continue utilizing existing cash management systems as a relatively “simple matter,” *see In re Baldwin-United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987), and have recognized that an integrated cash management system “allows efficient

utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash.” *In re Columbia Gas Sys. Inc.*, 136 B.R. 930, 934 (Bankr. D. Del. 1992), *aff’d in part and rev’d in part*, 997 F.2d 1039 (3d Cir. 1993). As a result, courts have concluded that the requirement to maintain all accounts separately “would be a huge administrative burden and economically inefficient.” *Columbia Gas*, 997 F.2d at 1061; *see also In re Southmark Corp.*, 49 F.3d 1111, 1114 (5th Cir. 1995) (cash management system allows debtor “to administer more efficiently and effectively its financial operations and assets”).

27. Here, requiring the Debtors to adopt a new, segmented cash management system during these chapter 11 cases would be expensive, burdensome, and unnecessarily disruptive to the Debtors’ operations. Importantly, the Cash Management System provides the Debtors with the ability to, among other things, quickly assess the location and amount of funds, which, in turn, allows management to track and control such funds, ensure cash availability to companies located throughout the world, and reduce administrative costs through a centralized method of coordinating the collection and movement of funds. In light of the size and complexity of the Debtors’ operations, any disruption of the Cash Management System could have a severe adverse effect on the Debtors’ restructuring efforts, the cost of which would ultimately be borne by the Debtors’ creditors and other stakeholders. By contrast, maintaining the current Cash Management System will facilitate the Debtors’ smooth transition into chapter 11 by, among other things, minimizing delays in paying postpetition debts and eliminating administrative inefficiencies. Finally, maintaining the current Cash Management System will allow the Debtors’ treasury and accounting employees to focus on their daily responsibilities as opposed to the non-accretive task of reconstructing the Cash Management System.

28. Parties in interest will not be harmed by the Debtors' maintenance of the Cash Management System, including maintenance of the Bank Accounts and the Intercompany Transactions, because the Debtors have implemented appropriate mechanisms to ensure that Debtor entities will not make unauthorized payments on account of prepetition obligations. In light of such protective measures, and consent of the relevant parties, maintaining the Cash Management System is in the best interests of their estates and creditors.

29. The Debtors further request that the Court authorize and direct the Cash Management Banks to receive, process, honor, and pay, to the extent funds are available in each applicable Bank Account, any and all checks, electronic fund transfer, credit card, ACH payments and other instructions, and drafts payable through, or drawn or directed on, such Bank Accounts after the Petition Date by holders, makers, or other parties entitled to issue instructions with respect thereto, irrespective of whether such checks, drafts, electronic fund transfers, credit card, or ACH payments are dated prior or subsequent to the Petition Date. The Debtors also request that, to the extent a Cash Management Bank honors a prepetition check or other item drawn on any account that is the subject of this Motion, either at the direction of the Debtors or in a good-faith belief that the Court has authorized such prepetition check or item to be honored, such Cash Management Bank will not be deemed to be liable to the Debtors or to their estates on account of such prepetition check or other item honored postpetition. Such relief is reasonable and appropriate because the Cash Management Banks are not in a position to independently verify or audit whether the Debtors may pay a particular item in accordance with a Court order or otherwise. Considering the breadth and complexity of their operations, the Debtors need to conduct transactions by debit, electronic fund, ACH payments, and other similar methods. If the Debtors are denied the opportunity to conduct transactions by debit, electronic fund, ACH payments, or other methods used in the

ordinary course of business, the Debtors likely would have difficulty performing on their contracts and the Debtors' business operations would be disrupted unnecessarily, burdening the Debtors and their creditors with additional costs.

30. Finally, the Debtors request that the Court authorize the Cash Management Banks to (a) continue to charge the Debtors the Bank Fees, as applicable, and (b) charge-back returned items to the Bank Accounts, whether such items are dated before, on, or subsequent to the Petition Date, in the ordinary course of business. The Debtors further request that the Court authorize the Debtors to pay any Bank Fees and Armored Car Service Fees, including prepetition amounts. The Debtors further request that the Court order that liens on any of the Bank Accounts granted to creditors will not have priority over the Bank Fees of the respective bank at which the Bank Account is located.

II. The Debtors Should Be Granted Authority to Use Existing Business Forms.

31. To avoid disruption of the Cash Management System and unnecessary expense, the Debtors request that they be authorized to continue to use their Business Forms, substantially in the form existing immediately before the Petition Date, without reference to their status as debtors in possession. Given the limited nature of the preprinted Business Forms, parties in interest will not be prejudiced if the Debtors are authorized to continue to use their Business Forms substantially in the forms existing immediately before the Petition Date. Parties doing business with the Debtors undoubtedly will be aware of their status as debtors in possession and, thus, changing forms such as letterhead would be an unnecessary additional expense and unduly burdensome.

III. The Court Should Authorize the Debtors to Continue Engaging in Postpetition Intercompany Transactions and Grant Administrative Expense Status to Postpetition Intercompany Balances Between Debtors.

32. Allowing the Debtors to engage in postpetition Intercompany Transactions is in the best interests of the Debtors' estates and their creditors, and the Debtors seek authority to enter into such Intercompany Transactions in the ordinary course of business. The Debtors will continue to maintain records of Intercompany Transactions, including records of all current intercompany accounts receivables and payables. If the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted to the Debtors' and their estates' detriment. The Intercompany Transactions that occur between Debtors are *de minimis* in nature. Out of an abundance of caution, the Debtors request the authority to continue conducting the Intercompany Transactions in the ordinary course of business without need for further Court order.

33. To ensure each individual Debtor will not, at the expense of its creditors, fund the operations of another entity, the Debtors request, pursuant to section 503(b)(1) of the Bankruptcy Code, that all postpetition payments between or among a Debtor and another Debtor on account of an Intercompany Transaction be accorded administrative expense status.⁷ This relief will ensure that each entity receiving payments from a Debtor will continue to bear ultimate repayment responsibility for such ordinary course transactions, thereby reducing the risk that these transactions would jeopardize the recoveries available to each Debtor's respective creditors.

⁷ Notwithstanding the administrative expense status requested for the Intercompany Transactions, all Debtors reserve their rights to dispute any Intercompany Transaction (or payment made on account of an Intercompany Transaction) on any ground, including the methodology for calculation of such transaction or payment, and to claw back or avoid such transactions and/or payments.

IV. Cause Exists for Waiving the U.S. Trustee Guidelines Regarding Authorized Depositories on an Interim and Final Basis.

34. The Debtors further seek a waiver of the deposit and investment requirements set forth in section 345 of the Bankruptcy Code. Section 345(a) of the Bankruptcy Code authorizes deposit or investment of money of estates, such as cash, as “will yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment.” For deposits that are not “insured or guaranteed by the United States or by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States,” section 345(b) of the Bankruptcy Code provides that the estate must require from the entity with which the money is deposited or invested a bond in favor of the United States secured by the undertaking of a corporate security, “unless the court for cause orders otherwise.” Additionally, under the U.S. Trustee Guidelines, debtors in possession must, among other things, close prepetition bank accounts and open new “debtor in possession” operating, payroll, and tax accounts at one or more authorized depositories.

35. Courts may waive compliance with the Bankruptcy Code section 345 and the U.S. Trustee Guidelines for “cause.” In evaluating whether “cause” exists, courts have considered a number of factors such as:

- i. the sophistication of the debtor’s business;
- ii. the size of the debtor’s business operations;
- iii. the amount of the investments involved;
- iv. the bank ratings (Moody’s and Standard & Poor) of the financial institutions where the debtor in possession funds are held;
- v. the complexity of the case;
- vi. the safeguards in place within the debtor’s own business for ensuring the safety of the funds;

- vii. the debtor's ability to reorganize in the face of a failure of one or more of the financial institutions;
- viii. the benefit to the debtor;
- ix. the harm, if any, to the debtor;
- x. the harm, if any, to the estate; and
- xi. the reasonableness of the debtor's request for relief from section 345(b) requirements in light of the overall circumstances of the case.

See In re Serv. Merch. Co., Inc., 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999).

36. Because the Bank Accounts are vital to the Cash Management System, requiring the Debtors to transfer funds to other banks would be unduly burdensome to the Debtors' operations and potentially cause severe tax consequences to the detriment of the Debtors' estates. The Bank Accounts are maintained at well-capitalized, highly-rated banks, hold cash under the FDIC limits, and/or are otherwise necessary for the Debtors to transact in certain jurisdictions. Therefore, cause exists to waive the U.S. Trustee Guidelines and section 345(b) of the Bankruptcy Code and allow the Debtors to continue to maintain the Bank Accounts in the ordinary course of business.

Processing of Checks and Electronic Fund Transfers Should Be Authorized

37. The Debtors have sufficient funds to pay the amounts described in this Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks or wire transfer requests as relating to authorized payments in respect of the Bank Fees, Intercompany Transactions, and Armored Car Service Fees. Accordingly, the Debtors believe that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently. Therefore, the Debtors request that the

Court authorize and direct all applicable financial institutions, when requested by the Debtors, to receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief requested in this Motion.

Emergency Consideration

38. Pursuant to Bankruptcy Rule 6003, which empowers a court to grant relief within the first twenty-one days after the commencement of a chapter 11 case “to the extent that relief is necessary to avoid immediate and irreparable harm,” and Local Rule 9013-1(i), the Debtors respectfully request emergency consideration of this Motion. An immediate and orderly transition into chapter 11 is critical to the viability of the Debtors’ operations and any delay may hinder the Debtors’ operations and cause irreparable harm. Furthermore, the failure to receive the requested relief during the first twenty-one days of these chapter 11 cases would severely disrupt the Debtors’ operations at this critical juncture and imperil the Debtors’ restructuring. Accordingly, the Debtors have satisfied the “immediate and irreparable harm” standard of Bankruptcy Rule 6003 and request that the Court approve the relief requested in this Motion on an emergency basis.

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

39. To implement the foregoing successfully, the Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the fourteen-day stay period under Bankruptcy Rule 6004(h).

Reservation of Rights

40. Nothing contained herein or any actions taken pursuant to such relief requested is intended or shall be construed as: (a) an admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors’ or any other party in interest’s right to dispute any claim on any

grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Motion or any order granting the relief requested by this Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors', or any other party in interest's, rights under the Bankruptcy Code or any other applicable law; or (h) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to the relief requested in this Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens. If the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should not be construed as an admission as to the validity of any particular claim or a waiver of the Debtors' or any other party in interest's rights to subsequently dispute such claim.

Notice

41. The Debtors will provide notice of this Motion to: (a) the U.S. Trustee for the Southern District of Texas; (b) the holders of the fifty largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to Wells Fargo Bank, National Association, as Agent under the Debtors' prepetition credit agreement; (d) the United States Attorney's Office for the Southern District of Texas; (e) the Internal Revenue Service; (f) the United States Securities and Exchange Commission; (g) the state attorneys general for states in which the Debtors conduct business; (h) the Cash Management Banks; and (i) any party that has requested notice pursuant to

Bankruptcy Rule 2002. In light of the nature of the relief requested, no other or further notice need be given.

[Remainder of page intentionally left blank.]

WHEREFORE, the Debtors request that the Court enter interim and final orders, granting the relief requested in this Motion and granting such other and further relief as is appropriate under the circumstances.

Houston, Texas
May 10, 2020

/s/ Matthew D. Cavanaugh

JACKSON WALKER L.L.P.

Matthew D. Cavanaugh (TX Bar No. 24062656)
Jennifer F. Wertz (TX Bar No. 24072822)
Kristhy M. Peguero (TX Bar No. 24102776)
Veronica A. Polnick (TX Bar No. 24079148)
1401 McKinney Street, Suite 1900
Houston, Texas 77010
Telephone: (713) 752-4200
Facsimile: (713) 752-4221
Email: mcavanaugh@jw.com
jwertz@jw.com
kpeguero@jw.com
vpolnick@jw.com

*Proposed Co-Counsel to the Debtors
and Debtors in Possession*

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

Joshua A. Sussberg, P.C. (*pro hac vice* pending)
Neil E. Herman (*pro hac vice* pending)
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Email: joshua.sussberg@kirkland.com
neil.herman@kirkland.com

-and-

Joshua M. Altman (*pro hac vice* pending)
300 North LaSalle Street
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200
Email: josh.altman@kirkland.com

*Proposed Co-Counsel to the Debtors
and Debtors in Possession*

Certificate of Service

I certify that on May 10, 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

Matthew D. Cavanaugh

EXHIBIT A

Cash Management System Schematic

Account structure

*WF Capital Finance reserves the right to discontinue ZBA to Operating Account and transfer funds to Line of Credit via Automatic Standing Wire.
Note: Dotted line reflects flow of funds in the event Lender gives notice.

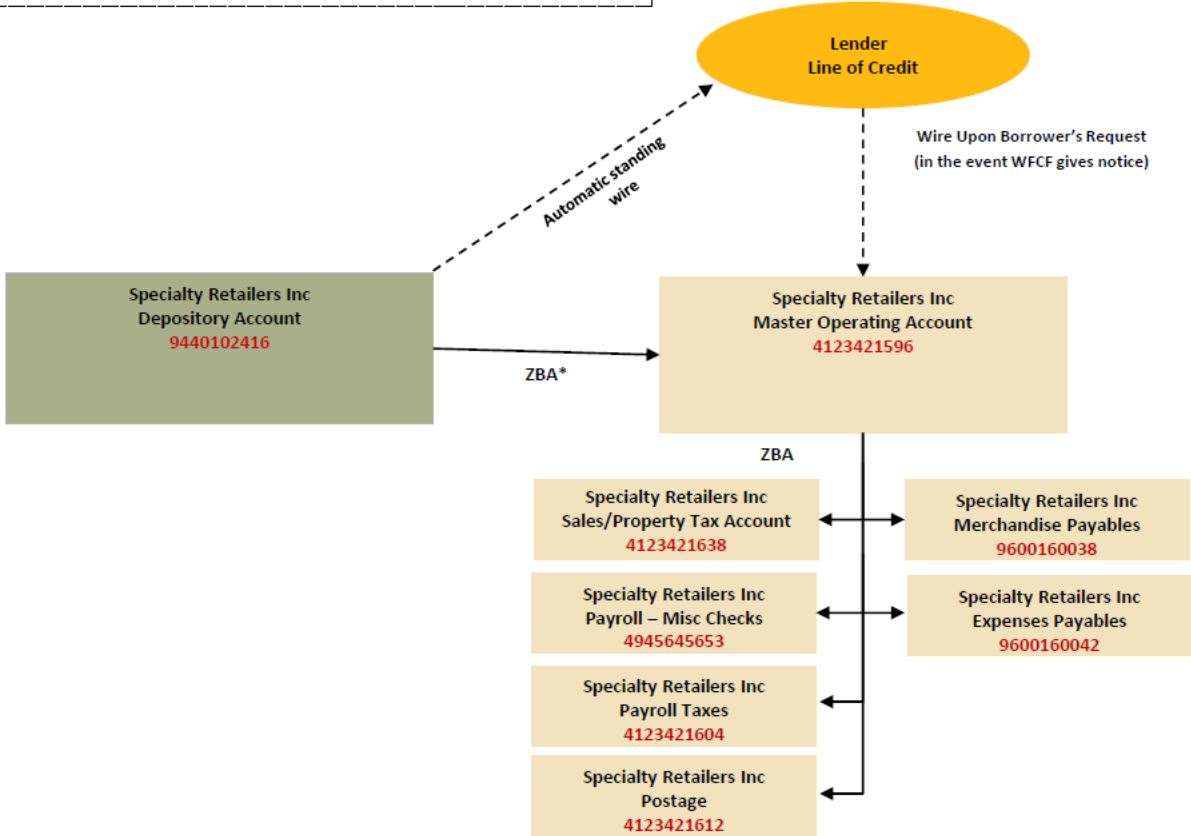


EXHIBIT B

Bank Accounts

Bank Name	Bank Account No.	Account Type
Alamosa State Bank	170575	Store Depository
American National Bank of Texas	2300017007	Store Depository
Arvest	87424	Store Depository
Arvest Bank	570381020	Store Depository
Banc Central	112138	Store Depository
Bancfirst	0091097143	Store Depository
Bancorp South	640008-444-5	Store Depository
Bank ESB	694285969	Store Depository
Bank Midwest	1705405480	Store Depository
Bank of America	3750073614	Store Depository
Bank of Commerce & Trust Co	50900506	Store Depository
Bank of Cushing	31419774	Store Depository
Bank of Eastman	148174	Store Depository
Bank of Hazlehurst	1141291	Store Depository
Bank of Oklahoma	19900014	Store Depository
Bank of the West	32119651	Store Depository
Bank OZK	2109100061	Store Depository
BB&T	0005134453739	Store Depository
BBVA Compass	0077251510	Store Depository
BMO Harris Bank	0039353633	Store Depository
Cadence Bank	0013259379	Store Depository
Capital City Bank	2318790901	Store Depository
CB&S Bank	8140492706	Store Depository
CBT Bank	1993	Store Depository
CBT Bank	11009381	Store Depository
Centera Bank	450839	Store Depository
Century Next Bank	130168	Store Depository
Chase	593685958	Cash Vault
Chase	593685990	Cash Vault
Chase	000001883803387	Store Depository
Chemical Bank	8016546	Store Depository
Chemical Bank	2430051355	Store Depository
Choice One Bank	111001464	Store Depository
Citizens Bank	238007	Store Depository
Citizens Bank	440151-383-3	Store Depository
Citizens Bank & Trust	25747	Store Depository
Citizens Bank & Trust	105262	Store Depository
City Bank & Trust Co	1133527	Store Depository
City National Bank	1961	Store Depository
Classic Bank	100172	Store Depository

Bank Name	Bank Account No.	Account Type
Colony Bank	3902	Store Depository
Columbus State Bank	7811780	Store Depository
Commerce Bank	116053218	Store Depository
Community Bank	21307559	Store Depository
Community Bank	1420211011	Store Depository
Community National Bank	10011900	Store Depository
Community Trust Bank	3004031	Store Depository
Connection Bank	26518	Store Depository
Crossroads Bank	540025921	Store Depository
Equity Bank	104167	Store Depository
Equity Bank	9500839293	Store Depository
Essex Bank	246742112	Store Depository
Exchange Bank of Missouri	360759	Store Depository
Extraco Bank	2030872	Store Depository
First Bank	4072189	Store Depository
First Bank Southwest	303058145	Store Depository
First Choice Bank	153845	Store Depository
First Citizens Bank	510006366701	Store Depository
First Citizens Community Bank	1123104102	Store Depository
First Commonwealth Bank	7302008490	Store Depository
First Community Bank	100004725	Store Depository
First Federal Community Bank	165310201	Store Depository
First Federal Community Bank	11035350108	Store Depository
First Financial Bank	4001982	Store Depository
First Financial Bank	10012660801	Store Depository
First Financial Bank	31110073488	Store Depository
First National Bank	3128807	Store Depository
First National Bank	20704179	Store Depository
First National Bank	400601789	Store Depository
First National Bank	3000055801	Store Depository
First National Bank of Gilmer	12501	Store Depository
First Oak Bank	20478	Store Depository
First Southern National Bank	1000006239	Store Depository
First State Bank	230588	Store Depository
First State Bank	1064290	Store Depository
First State Bank	1415816	Store Depository
First State Bank	7804072	Store Depository
First State Bank & Trust Co	28002	Store Depository
First Texoma National Bank	2001025	Store Depository
First Volunteer Bank	2000168761	Store Depository

Bank Name	Bank Account No.	Account Type
Five Star Bank	751302236	Store Depository
FNCB Bank	56-901361-6	Store Depository
Forcht Bank	10124977	Store Depository
Fort Davis State Bank	916595	Store Depository
Four Corners Community Bank	22987301	Store Depository
Franklin Bank	2003000383	Store Depository
Frazer Bank	670157	Store Depository
Grundy National Bank	87165	Store Depository
Hancock Whitney	1306510	Store Depository
Hancock Whitney	45529794	Store Depository
Happy State Bank	4843	Store Depository
Herring Bank	7032420	Store Depository
IBC Bank	32859	Store Depository
Jonesboro State Bank	11831101	Store Depository
Kennett National Bank	740675	Store Depository
Kentucky Bank	2329573	Store Depository
Lafayette State Bank	22901601	Store Depository
Landmark National Bank	35904	Store Depository
Landmark National Bank	2030001271	Store Depository
Limestone Bank	170049902	Store Depository
Louisa Community Bank	2001030	Store Depository
M&T Bank	9841475743	Store Depository
Malvern National Bank	37966	Store Depository
Mercantile Bank of Michigan	6800057603	Store Depository
Merchants & Farmers Bank	5056306	Store Depository
Mineola Community Bank	0394	Store Depository
Mountain Valley Bank	1019198	Store Depository
National Bank of Andrews	110056	Store Depository
National Bank of Arizona	240010099	Store Depository
NBT Bank	7001943434	Store Depository
New Mexico Bank & Trust	227506	Store Depository
Northway Bank	5328386	Store Depository
OceanFirst Bank	4179	Store Depository
Old National Bank	122565842	Store Depository
One South Bank	829515	Store Depository
Pecos County State Bank	100167	Store Depository
Peoples Bank	2108015511	Store Depository
People's Community Bank	49116712	Store Depository
Peoples State Bank	6111377	Store Depository
People's United Bank	524517930	Store Depository

Bank Name	Bank Account No.	Account Type
Pioneer Bank	1164988	Store Depository
Pioneer Bank	3391574	Store Depository
PNC Bank	5570078478	Store Depository
Prosperity Bank	5840101	Store Depository
Queensborough National Bank & Trust	3053406	Store Depository
RCB Bank	0163333	Store Depository
Regional Missouri Bank	186450501	Store Depository
Regions	36785830	Cash Vault
Regions Bank	8010189552	Store Depository
Sabine State Bank	620007439	Store Depository
Security Bank Solutions	201251	Store Depository
Simmons Bank	3156	Store Depository
SNA Bank	400077477	Store Depository
Southeastern Bank	7427	Store Depository
Southern Bank	5772006270	Store Depository
Southern Michigan Bank & Trust	1198910	Store Depository
State Bank & Trust Company	3028800	Store Depository
Steuben Trust Company	1237387	Store Depository
SunTrust Bank	0000205362834	Store Depository
Synovus	1003915673	Store Depository
Tennessee State Bank	1184769	Store Depository
The Cottonport Bank	40091694	Store Depository
The First	815000401	Store Depository
The First National Bank	0124	Store Depository
The First National Bank in Trinidad	71366	Store Depository
The Huntington National Bank	01172109524	Store Depository
The Lamesa National Bank	10154	Store Depository
The Peoples Bank	301305	Store Depository
Tower Community bank	3575001	Store Depository
TrustCo Bank	33873835	Store Depository
Union Bank	31053	Store Depository
United Community Bank	2023117399	Store Depository
United Cumberland Bank	28140613	Store Depository
US Bank	000823224878	Store Depository
Verabank	1041165704	Store Depository
Wells Fargo	412341596	Master Operating Account
Wells Fargo	4123421604	Payroll Taxes
Wells Fargo	4123421612	Postage
Wells Fargo	4123421638	Sales/Property Tax Account
Wells Fargo	4945645653	Payroll - Misc Checks

Bank Name	Bank Account No.	Account Type
Wells Fargo	9440102416	Store Depository
Wells Fargo	9600160038	Merchandise Payables
Wells Fargo	9600160042	Expense Payables
West Texas National Bank	108359	Store Depository
Wilson & Muir Bank	7517165	Store Depository
WoodForest National Bank	1126004140	Store Depository
YNB	700898880	Store Depository
Yoakum National Bank	1038769	Store Depository

**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.)	(Joint Administration Requested)
)	
)	Re: Docket No. ___

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO
(A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM AND
MAINTAIN EXISTING BANK ACCOUNTS AND (B) CONTINUE TO PERFORM
INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for the entry of an interim order (this “Interim Order”) (a) authorizing the Debtors to (i) continue to operate their cash management system and maintain their existing bank accounts, including honoring certain prepetition obligations related thereto and (ii) continue intercompany transactions and funding consistent with historical practice, as modified as set forth herein, (b) granting related relief, and (c) scheduling a final hearing to consider approval of the Motion on a final basis, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion

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 and not defined herein have the meanings ascribed to them in the Motion.

is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The final hearing (the "Final Hearing") on the Motion shall be held on _____, 2020, at __: __ .m., prevailing Central Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Central Time, on _____, 2020.

2. Subject to the limitations of this Interim Order, the Debtors are authorized, but not directed, to: (a) continue using the Cash Management System as described in the Motion and honor any prepetition obligations related to the use thereof; (b) designate, maintain, close, and continue to use on an interim basis any or all of their existing Bank Accounts, including, but not limited to, the Bank Accounts identified on Exhibit B attached to the Motion, in the names and with the account numbers existing immediately before the Petition Date; (c) deposit funds in and withdraw funds from the Bank Accounts by all usual means, including checks, electronic fund transfers, ACH transfers, and other debits or electronic means; (d) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts; and (e) open new debtor in possession Bank Accounts; *provided* that the Debtors shall give notice within ten (10) days to the U.S. Trustee, Wells Fargo Bank, National Association, as administrative agent and collateral agent under Debtors' prepetition senior secured financing arrangements (the "Prepetition Agent"), and any

statutory committee appointed in these Chapter 11 Cases of the opening or closing of any Bank Accounts and such opening or closing shall be timely indicated on the Debtors' monthly operating reports.

3. The Debtors are authorized to continue using, in their present form, the Business Forms, as well as checks and other documents related to the Bank Accounts existing immediately before the Petition Date, and maintain and continue using, in their present form, the Books and Records; *provided*, that once the Debtors' existing check stock has been exhausted, the Debtors shall include, or direct others to include, the designation "Debtor-in-Possession" and the corresponding bankruptcy case number on all checks as soon as it is reasonably practicable to do so; *provided further*, that with respect to any Business Forms that exist or are generated electronically, the Debtors shall ensure that such electronic Business Forms are clearly labeled "Debtor In Possession" within 10 business days.

4. Except as otherwise provided in this Interim Order and only to the extent funds are available in each applicable Bank Account, all Cash Management Banks at which the Bank Accounts are maintained are authorized to continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course, and to receive, process, honor, and pay any and all checks, drafts, electronic fund transfers, and ACH transfers issued, whether before or after the Petition Date, and drawn on the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be. For the avoidance of doubt, all Cash Management Banks and other payroll check processors are authorized to receive, process, honor, and pay, to the extent funds are available in each applicable Bank Account, any and all payroll checks that were issued prior to and remain outstanding as of the Petition Date.

5. Those certain prepetition deposit, cash management, treasury services agreements, and credit card processing agreements existing between the Debtors, the Cash Management Banks, and various Credit Card Processors shall continue to govern the postpetition cash management and credit card transaction processing relationships between the Debtors, the Cash Management Banks, and the credit card processors. Subject to applicable bankruptcy or other law, all of the provisions of such agreements, including the termination, fee provisions, rights, benefits, offset rights and remedies afforded under such agreements shall remain in full force and effect absent further order of the Court or, with respect to any such agreement with any Credit Card Process and Cash Management Bank (including, for the avoidance of doubt, any rights of a Cash Management Bank to use funds from the Bank Accounts to remedy any overdraft of another Bank Account to the extent permitted under the applicable deposit agreement), unless the Debtors and such Credit Card Processor or Cash Management Bank agree otherwise, and any other legal rights and remedies afforded to the Credit Card Processor and Cash Management Banks under applicable law shall be preserved, subject to applicable bankruptcy law.

6. The Credit Card Processors and Cash Management Banks are authorized to charge, and the Debtors are authorized and directed to pay, honor, or allow any Bank Fees, card transaction processing fees, or charges associated with the Bank Accounts, and charge back returned items to the Bank Accounts in the ordinary course, including any prepetition amounts. Any fees, costs, charges, and expenses, including Bank Fees, or charge-backs or any other reimbursement or payment obligations payable to the banks are hereby accorded priority as administrative expenses pursuant to section 503(b)(1) of the Bankruptcy Code.

7. Each Cash Management Bank is authorized to debit the Bank Accounts held at such Cash Management Bank in the ordinary course of business without the need for any further order

of this Court for: (a) all checks drawn on the Bank Accounts which are cashed at the applicable Cash Management Bank's counters or exchanged for cashier's checks by the payees thereof prior to or after the Petition Date; (b) all checks or other items deposited in one of the Bank Accounts with such Cash Management Bank prior to or after the Petition Date which have been dishonored or returned unpaid for any reason, including returned items that result from wire transfers, ACH transactions, or other electronic transfers of any kind, together with any fees and costs in connection therewith, to the same extent the Debtor was responsible for such items prior to or after the Petition Date; (c) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Cash Management Bank as service charges for the maintenance of the Cash Management System, including any Bank Fees incurred in the ordinary course of business; and (d) any postpetition amounts due and owing to the Cash Management Bank as service charges for the maintenance of the Cash Management System, including any Bank Fees incurred in the ordinary course of business.

8. As soon as practicable after entry of this Interim Order, the Debtors shall serve a copy of this Interim Order on the Cash Management Banks.

9. The Debtors are authorized, but not directed to: (a) pay undisputed prepetition amounts outstanding as of the Petition Date, if any, owed in the ordinary course to the Credit Card Processors and Cash Management Banks as service charges for the maintenance of credit card transaction processing and the Cash Management System; and (b) reimburse the Cash Management Banks for any claims arising before or after the Petition Date in connection with customer checks deposited with the Cash Management Banks that have been dishonored or returned as a result of insufficient funds in the Bank Accounts in the ordinary course of business, to the same extent the Debtors were responsible for such items prior to the Petition Date.

10. The Debtors are authorized, but not directed, to enter into and engage in the Intercompany Transactions and to take any actions related thereto on the same terms as, and materially consistent with, the Debtors' operation of the business in the ordinary course during the prepetition period. All postpetition Intercompany Transactions are hereby accorded administrative expense priority status.

11. The Debtors are authorized to set off mutual postpetition obligations relating to intercompany receivables and payables through the Cash Management System consistent with prepetition practices. The Debtors shall continue to maintain current records with respect to all transfers of cash so that all transactions, including Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts. The Debtors shall make such records available upon request by the U.S. Trustee and any statutory committee.

12. The Debtors and the Cash Management Banks may, without further order of the Court, agree and implement changes to the policies and procedures related to the Cash Management System in the ordinary course of business; *provided* that the Debtors or the Cash Management Banks shall provide notice to the Prepetition Agent, the U.S. Trustee, and any statutory committee.

13. The Debtors are authorized to open new bank accounts so long as (a) any such new account is with one of the Debtors' existing Cash Management Banks or with a bank that is (i) insured with the FDIC or the Federal Savings and Loan Insurance Corporation, (ii) designated as an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee's Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees, and (iii) with a bank that agrees to be bound by the terms of this Order; and (b) the Debtors provide notice to the U.S. Trustee, any statutory committee, and the Notice Parties of the opening of such account;

provided that all accounts opened by any of the Debtors on or after the Petition Date at any bank shall, for purposes of this Interim Order, be deemed a Bank Account as if it had been listed on Exhibit B attached to the Motion; *provided*, that the Debtors shall give notice within ten (10) days to the U.S. Trustee, the Prepetition Agent, and any statutory committee.

14. The relief granted in this Interim Order is extended to any new bank account opened by the Debtors after the date hereof, which account shall be deemed a Bank Account, and to the bank at which such account is opened, which bank shall be deemed a Cash Management Bank. As required herein, to the extent the Debtors open a new bank account, they shall provide reasonable written notice to the Prepetition Agent, the U.S. Trustee and any statutory committee.

15. To the extent any of the Debtors' Bank Accounts are not in compliance with section 345(b) of the Bankruptcy Code or any of the U.S. Trustee's requirements or guidelines, the Debtors shall have until June 26, 2020, without prejudice to seeking an additional extension, to either come into compliance with section 345(b) of the Bankruptcy Code and any of the U.S. Trustee's requirements or guidelines; provided that nothing herein shall prevent the Debtors or the U. S. Trustee from seeking further relief from the Court to the extent that an agreement cannot be reached. The Debtors may obtain a further extension of the 45-day time period referenced above by entering into a written stipulation with the U.S. Trustee and filing such stipulation on the Court's docket without the need for further Court order.

16. Notwithstanding the relief granted in this Interim Order and any actions taken pursuant to such relief, nothing in this Interim Order shall be deemed: (a) an admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors' or any other party in interest's right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; (d) an

implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested by the Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors', or any other party in interest's, rights under the Bankruptcy Code or any other applicable law; or (h) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to the relief requested in this Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens.

17. Notwithstanding any other provision of this Interim Order, should a Cash Management Bank honor a prepetition check or other item drawn on any account that is the subject of this Interim Order (a) at the direction of the Debtors to honor such prepetition check or item, including the Debtors' failure to stop payment on any such check or item, (b) in a good faith belief that the Court has authorized such prepetition check or item to be honored, or (c) as the result of an innocent mistake made despite implementation of customary item handling procedures, the Cash Management Bank shall not be deemed to be nor shall be liable to the Debtors or their estates or otherwise be in violation of this Interim Order. Without limiting the foregoing, any of the Cash Management Banks may rely on the representations of the Debtors with respect to whether any check or other payment order drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to this or any other order of the Court, and such Cash Management Bank shall

not have any liability to any party for relying on such representations by the Debtors as provided for herein.

18. Any payment from a Bank Account made by any Cash Management Bank arising from a request of the Debtors or a third party payee made before or on the Petition Date (including any ACH transfer such Cash Management Bank is or becomes obligated to settle), or any instruments issued by any of the Cash Management Banks on behalf of the Debtors pursuant to a “midnight deadline” or otherwise (solely for purposes of the automatic stay), shall be deemed to be paid prepetition, whether or not actually debited from such Bank Account prepetition; *provided, however,* that unless ordered by the Court, no checks, drafts, ACH transfers or other items presented, issued or drawn on the Bank Accounts on account of a claim against the Debtors arising before the Petition Date shall be honored.

19. Cash Management Banks shall not be liable to any party on account of: (a) following Debtors’ representations, instructions, or presentations as to any order of this Court (without any duty of further inquiry); or (b) the honoring of any prepetition checks, drafts, wires, or ACH payments in a good faith belief or upon a representation by the Debtors that this Court has authorized such prepetition check, draft, wire, or ACH payments.

20. Nothing contained herein shall prevent the Debtors from closing any Bank Accounts as they may deem necessary and appropriate, to the extent consistent with any orders of this Court relating thereto, any relevant bank is authorized to honor the Debtors’ requests to close such Bank Accounts, and the Debtors shall provide reasonable prior written notice of the closure of any account to the U.S. Trustee and any statutory committee.

21. Notwithstanding entry of this Interim Order, nothing herein shall create, or is intended to (a) create, any rights in favor of or enhance the status of any claim held by any party

or (b) alter or impair any security interest or perfection thereof, in favor of any person or entity, that existed as of the Petition Date.

22. All time periods set forth in this Interim Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

23. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

24. Notice of the Motion satisfies the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

25. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

26. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Interim Order in accordance with the Motion.

27. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Houston, Texas

Dated: _____, 2020

DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

**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.)	(Joint Administration Requested)
)	
)	Re: Docket No. ___

**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO
(A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM AND
MAINTAIN EXISTING BANK ACCOUNTS AND (B) CONTINUE TO PERFORM
INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for the entry of a final order (this “Final Order”) (a) authorizing the Debtors to (i) continue to operate their cash management system and maintain their existing bank accounts, including honoring certain prepetition obligations related thereto and (ii) continue intercompany transactions and funding consistent with historical practice, as modified as set forth herein, and (b) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that

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 and not defined herein have the meanings ascribed to them in the Motion.

the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. Subject to the limitations of this Final Order, the Debtors are authorized, but not directed, to: (a) continue using the Cash Management System as described in the Motion in the ordinary course of business and honor any prepetition obligations related to the use thereof; (b) designate, maintain, close, and continue to use on a final basis any or all of their existing Bank Accounts, including, but not limited to, the Bank Accounts identified on Exhibit B attached to the Motion, in the names and with the account numbers existing immediately before the Petition Date; (c) deposit funds in and withdraw funds from the Bank Accounts by all usual means, including checks, electronic fund transfers, ACH transfers, and other debits or electronic means; (d) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts; and (e) open new debtor in possession Bank Accounts; *provided* that the Debtors shall give notice within ten (10) days to the U.S. Trustee, Wells Fargo Bank, National Association, as administrative agent and collateral agent under Debtors' prepetition senior secured financing arrangements (the "Prepetition Agent"), and any statutory committee appointed in these Chapter 11 Cases of the opening or closing of any Bank Accounts and such opening or closing shall be timely indicated on the Debtors' monthly operating reports.

2. The Debtors are authorized, but not directed, to continue using, in their present form, the Business Forms, as well as checks and other documents related to the Bank Accounts existing immediately before the Petition Date, and maintain and continue using, in their present form, the Books and Records; *provided*, that once the Debtors' existing check stock has been exhausted, the Debtors shall include, or direct others to include, the designation "Debtor-in-Possession" and the corresponding bankruptcy case number on all checks as soon as it is reasonably practicable to do so; *provided further*, that with respect to any Business Forms that exist or are generated electronically, the Debtors shall ensure that such electronic Business Forms are clearly labeled "Debtor In Possession" within 10 business days.

3. Except as otherwise provided in this Final Order and only to the extent funds are available in each applicable Bank Account, all Cash Management Banks at which the Bank Accounts are maintained are authorized to continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course, and to receive, process, honor, and pay any and all checks, drafts, electronic fund transfers, and ACH transfers issued, whether before or after the Petition Date, and drawn on the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be. For the avoidance of doubt, all Cash Management Banks and other payroll check processors are directed to receive, process, honor, and pay, to the extent funds are available in each applicable Bank Account, any and all payroll checks that were issued prior to and remain outstanding as of the Petition Date.

4. Those certain prepetition deposit, cash management, treasury services agreements, and credit card processing agreements existing between the Debtors, the Cash Management Banks, and various Credit Card Processors shall continue to govern the postpetition cash management and credit card transaction processing relationships between the Debtors, the Cash Management Banks,

and credit the Credit Card Processors. Subject to applicable bankruptcy or other law, all of the provisions of such agreements, including the termination, fee provisions, rights, benefits, offset rights and remedies afforded under such agreements shall remain in full force and effect absent further order of the Court or, with respect to any such agreement with any Credit Card Processor or Cash Management Bank (including, for the avoidance of doubt, any rights of a Cash Management Bank to use funds from the Bank Accounts to remedy any overdraft of another Bank Account to the extent permitted under the applicable deposit agreement), unless the Debtors and such Credit Card Processor or Cash Management Bank agree otherwise, and any other legal rights and remedies afforded to the Credit Card Processor and Cash Management Banks under applicable law shall be preserved, subject to applicable bankruptcy law.

5. The Credit Card Processors and Cash Management Banks are authorized to charge, and the Debtors are authorized and directed to pay, honor, or allow any Bank Fees, card transaction processing fees, or charges associated with the Bank Accounts, and charge back returned items to the Bank Accounts in the ordinary course. Any fees, costs, charges, and expenses, including Bank Fees, or charge-backs or any other reimbursement or payment obligations payable to the banks are hereby accorded priority as administrative expenses pursuant to section 503(b)(1) of the Bankruptcy Code.

6. Each Cash Management Bank is authorized to debit the Bank Accounts held at such Cash Management Bank in the ordinary course of business without the need for any further order of this Court for: (a) all checks drawn on the Bank Accounts which are cashed at the applicable Cash Management Bank's counters or exchanged for cashier's checks by the payees thereof prior to or after the Petition Date; (b) all checks or other items deposited in one of the Bank Accounts with such Cash Management Bank prior to or after the Petition Date which have been dishonored

or returned unpaid for any reason, including returned items that result from wire transfers, ACH transactions, or other electronic transfers of any kind, together with any fees and costs in connection therewith, to the same extent the Debtor was responsible for such items prior to or after the Petition Date; (c) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Cash Management Bank as service charges for the maintenance of the Cash Management System, including any Bank Fees incurred in the ordinary course of business; and (d) any postpetition amounts due and owing to the Cash Management Bank as service charges for the maintenance of the Cash Management System, including any Bank Fees incurred in the ordinary course.

7. As soon as practicable after entry of this Final Order, the Debtors shall serve a copy of this Final Order on the Cash Management Banks.

8. The Debtors are authorized, but not directed to: (a) pay undisputed prepetition amounts outstanding as of the Petition Date, if any, owed in the ordinary course to the Credit Card Processors and Cash Management Banks as service charges for the maintenance of credit card transaction processing and the Cash Management System; and (b) reimburse the Cash Management Banks for any claims arising before or after the Petition Date in connection with customer checks deposited with the Cash Management Banks that have been dishonored or returned as a result of insufficient funds in the Bank Accounts in the ordinary course of business, to the same extent the Debtors were responsible for such items prior to the Petition Date.

9. The Debtors are authorized, but not directed, to enter into and engage in the Intercompany Transactions and to take any actions related thereto on the same terms as, and materially consistent with, the Debtors' operation of the business in the ordinary course during the

prepetition period. All postpetition Intercompany Transactions are hereby accorded administrative expense priority status.

10. The Debtors are authorized to set off mutual postpetition obligations relating to intercompany receivables and payables through the Cash Management System consistent with prepetition practices. The Debtors shall continue to maintain current records with respect to all transfers of cash so that all transactions, including Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts. The Debtors shall make such records available upon request by the U.S. Trustee and any statutory committee.

11. The Debtors shall continue to maintain current records with respect to all transfers of cash so that all transactions, including the postpetition Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts, and shall provide such records upon request to the U.S. Trustee.

12. The Debtors and the Cash Management Banks may, without further order of the Court, agree and implement changes to the policies and procedures related to the Cash Management System in the ordinary course of business; *provided* that the Debtors or the Cash Management Banks shall provide notice to the Prepetition Agent, the U.S. Trustee, and any statutory committee.

13. The Debtors are authorized to open new bank accounts so long as (a) any such new account is with one of the Debtors' existing Cash Management Banks or with a bank that is (i) insured with the FDIC or the Federal Savings and Loan Insurance Corporation, (ii) designated as an authorized depository by the U.S. Trustee pursuant to the U.S. Trustee's Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees, and (iii) with a bank that agrees to be bound by the terms of this Order; and (b) the Debtors provide notice to the

U.S. Trustee and the Notice Parties of the opening of such account; *provided* that all accounts opened by any of the Debtors on or after the Petition Date at any bank shall, for purposes of this Final Order, be deemed a Bank Account as if it had been listed on Exhibit B attached to the Motion; *provided*, that the Debtors shall give notice within ten (10) days to the U.S. Trustee, the Prepetition Agent, and any statutory committee.

14. The relief granted in this Final Order is extended to any new bank account opened by the Debtors after the date hereof, which account shall be deemed a Bank Account, and to the bank at which such account is opened, which bank shall be deemed a Cash Management Bank. As required herein, to the extent the Debtors intend to open a new bank account, they shall provide reasonable prior written notice to the Prepetition Agent, the U.S. Trustee, and any statutory committee.

15. To the extent any of the Debtors' Bank Accounts are not in compliance with section 345(b) of the Bankruptcy Code or any of the U.S. Trustee's requirements or guidelines, the Debtors shall have until June 26, 2020, without prejudice to seeking an additional extension, to either come into compliance with section 345(b) of the Bankruptcy Code and any of the U.S. Trustee's requirements or guidelines; *provided* that nothing herein shall prevent the Debtors or the U. S. Trustee from seeking further relief from the Court to the extent that an agreement cannot be reached. The Debtors may obtain a further extension of the 45-day time period referenced above by entering into a written stipulation with the U.S. Trustee and filing such stipulation on the Court's docket without the need for further Court order.

16. Notwithstanding the relief granted in this Final Order and any actions taken pursuant to such relief, nothing in this Final Order shall be deemed: (a) an admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code

or other applicable nonbankruptcy law; (b) a waiver of the Debtors' or any other party in interest's right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested by the Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors', or any other party in interest's, rights under the Bankruptcy Code or any other applicable law; or (h) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to the relief requested in this Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens..

17. Notwithstanding any other provision of this Final Order, should a Cash Management Bank honor a prepetition check or other item drawn on any account that is the subject of this Final Order (a) at the direction of the Debtors to honor such prepetition check or item, (b) in a good faith belief that the Court has authorized such prepetition check or item to be honored, or (c) as the result of an innocent mistake made despite implementation of customary item handling procedures, the Cash Management Bank shall not be deemed to be nor shall be liable to the Debtors or their estates or otherwise be in violation of this Final Order. Without limiting the foregoing, any of the Cash Management Banks may rely on the representations of the Debtors with respect to whether any check or other payment order drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to this or any other order of the Court, and such Cash

Management Bank shall not have any liability to any party for relying on such representations by the Debtors as provided for herein.

18. Any payment from a Bank Account made by any Cash Management Bank arising from a request of the Debtors or a third party payee made before or on the Petition Date (including any ACH transfer such Cash Management Bank is or becomes obligated to settle), or any instruments issued by any of the Cash Management Banks on behalf of the Debtors pursuant to a “midnight deadline” or otherwise (solely for purposes of the automatic stay), shall be deemed to be paid prepetition, whether or not actually debited from such Bank Account prepetition; *provided*, however, that unless ordered by the Court, no checks, drafts, ACH transfers, or other items presented, issued, or drawn on the Bank Accounts on account of a claim against the Debtors arising before the Petition Date shall be honored.

19. Cash Management Banks shall not be liable to any party on account of: (a) following Debtors’ representations, instructions, or presentations as to any order of this Court (without any duty of further inquiry); or (b) the honoring of any prepetition checks, drafts, wires, or ACH payments in a good faith believe or upon a representation by the Debtors that this Court has authorized such prepetition check, draft, wire, or ACH payments.

20. Nothing contained herein shall prevent the Debtors from closing any Bank Accounts as they may deem necessary and appropriate, to the extent consistent with any orders of this Court relating thereto, any relevant bank is authorized to honor the Debtors’ requests to close such Bank Accounts, and the Debtors shall provide reasonable prior written notice of the intent to close any account to the U.S. Trustee and any statutory committee.

21. Notwithstanding entry of this Final Order, nothing herein shall create, or is intended to (a) create, any rights in favor of or enhance the status of any claim held by any party or (b) alter

or impair any security interest or perfection thereof, in favor of any person or entity, that existed as of the Petition Date.

22. All time periods set forth in this Final Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

23. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

24. Notice of the Motion satisfies the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

25. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final Order are immediately effective and enforceable upon its entry.

26. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Final Order in accordance with the Motion.

27. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

Houston, Texas

Dated: _____, 2020

DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE