

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	CASE NO. 19-31484
	§	
LASALLE GROUP, INC et al.,	§	CHAPTER 11
	§	
Debtor	§	Jointly Administered

TEXAS TAXING ENTITIES’ LIMITED OBJECTION TO DEBTORS’ EXPEDITED MOTION FOR ORDERS (1) APPROVING SALE OF CERTAIN OF THE DEBTORS’ ASSETS AND OTHER INTERESTS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, (2) AUTHORIZING THE ASSUMPTION, ASSIGNMENT AND SALE OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (3) APPROVING BIDDING PROCURES IN ADVANCE OF SALE, (4) SETTING RELATED DEADLINES AND HEARINGS AND (5) GRANTING RELATED RELIEF (Relates to Docket #244 and 270)

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

COMES NOW Crowley Independent School District, *et al*, secured creditors and parties in interest (the “Texas Taxing Entities”)¹ and file this Limited Objection to Debtors’ Expedited Motion for Orders (1) Approve the Sale of Certain of the Debtors’ Assets and Other Interests Free and Clear of All Liens, Claims, and Encumbrances, (2) Authorizing the Assumption, Assignment and Sale of Certain Executory Contracts and Unexpired Leases, (3) Approving Bidding Procedures in Advance of Sale, (4) Setting Related Deadlines and Hearings and (5) Granting Related Relief (the “Sale Motion”) and will show as follows;

Background

1. The Texas Taxing Entities are political subdivisions of the State of Texas, authorized and required by the Texas Constitution and laws to levy and collect taxes on taxable property within their boundaries, in order to operate and discharge their public purposes.

¹ Texas Taxing Entities include Crowley ISD, Arlington ISD, City of Haltom City, Dallas County Utility & Reclamation District, Richardson ISD, Brazoria County Tax Office, Fort Bend ISD, Fort Bend County MUD #115, Cinco MUD #12, Randall County Tax Office, and Harris County ID #4.

2. The Texas Taxing Entities hold secured pre-petition tax claims for the 2019 tax years in the approximate amount of \$707,511.79 (the “Tax Claims”). The Tax Claims are secured by tax liens on the real and tangible business personal property of the Debtors.

3. The Texas Taxing Entities’ tax liens (the “Tax Liens”) are superior to any other secured claim against the property as provided by Article VIII, Section 15 of the Texas Constitution, and Sections 32.01 and Section 32.05(b) of the Texas Property Tax Code, including but not limited to the interests of Origin Bank, Green Bank, and First National Bank (the “Pre-Petition Lenders”). See also Stanford v. Butler, 826 F.2d 353 (5th Cir. 1987); Universal Seismic Associates, Inc. 288 F.3d 205 (5th Cir. 2002); In Re Winn’s Stores, Inc. 177 B.R. 253 (Bkcty W.D. Tex. 1995).

4. The Debtors’ filed the Sale Motion on July 26, 2019, and this Court signed an order approving bidding procedures on August 2, 2019. A final hearing solely on the sale is set for August 28, 2019. The Texas Taxing Entities object only to this portion of the Sale Motion.

Limited Objection to the Sale of Debtors’ Assets Free and Clear

5. The Texas Taxing Entities object to the Sale Motion in that it seeks to sell assets that are encumbered by the liens of the Texas Taxing Entities, free and clear without the consent of the Texas Taxing Entities and without providing adequate protection in the form of segregated funds.

6. The Texas Taxing Entities object to the entry of a final order to the extent that does not provide for adequate protection of the Tax Liens on the tangible personal property upon the sale of such assets.

7. The sale of assets as proposed by the Sale Motion will create cash collateral proceeds to which the Texas Taxing Entities’ liens attach.

8. The Texas Taxing Entities object to the use of their cash collateral and the payment of proceeds from the sale of their collateral to any party whose interest is inferior to their Tax Liens, unless and until they are adequately protected.

9. Pursuant to 11 U.S.C. §363(c)(4), absent consent of a party with interest in the cash collateral, a segregated account shall be established to segregate the non-consenting party's cash collateral.

10. In cases that propose liquidation, creditors such as the Texas Taxing Entities risk falling to the bottom of a long list of creditors, including DIP lenders and debtors' counsel, all of whom get paid prior to the Texas Taxing Entities, despite their lien status and the proper priority of distribution. The Texas Taxing Entities risk estate money dissipating with no assurance that their claims will ever be paid. Under these circumstances, the Texas Taxing Entities have the concern that the Debtor and certain other constituents have agreements in place for the distribution of estate assets even without the proposal or confirmation of a plan. The Texas Taxing Entities should not be required to object to motions to pay administrative claims to ensure funds are available at the appropriate time to fully pay their secured tax claims.

11. The Texas Taxing Entities request adequate protection in the form of a final order that provides sufficient funds to pay their claims, plus interest at the applicable non-bankruptcy rate, set aside in a segregated account for the sole purpose of paying the Tax Claims. The Texas Taxing Entities further request that the Court enter an order that the segregated funds not be paid to any other party until the Tax Claims have been paid in full.

12. Counsel for the Texas Taxing Entities have conferred with counsel for the Debtors, but an agreement has not been reached.

Prayer

WHEREFORE, Crowley Independent School District, *et al* (the Texas Taxing Entities) respectfully requests that the Court require that the Final Order on the Sale Motion provide sufficient funds to pay their claims, plus interest at the applicable non-bankruptcy rate, set aside in a segregated account for the sole purpose of paying its claims. The Texas Taxing Entities further requests that the Court enter an order that the segregated funds not be paid to any other party until the claims of The Texas Taxing Entities have been paid in full and grant them such other and further relief as is just and proper.

Respectfully submitted,

/s/ Melissa E. Valdez

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ATTORNEYS FOR THE TAXING ENTITIES

CERTIFICATE OF SERVICE

I hereby certify that on this the 21 day of August 2019, I sent a true and correct copy of this Texas Taxing Entities' Limited Objection to Debtors' Expedited Motion for Orders (1) Approve the Sale of Certain of the Debtors' Assets and Other Interests Free and Clear of All Liens, Claims, and Encumbrances, (2) Authorizing the Assumption, Assignment and Sale of Certain Executory Contracts and Unexpired Leases, (3) Approving Bidding Procedures in Advance of Sale, (4) Setting Related Deadlines and Hearings and (5) Granting Related Relief to the following parties by the following means:

COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION – VIA ECF and EMAIL

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ALL PARTIES ENTITLED TO ECF NOTIFICATION

/s/ Melissa E. Valdez
Melissa E. Valdez