

**UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND DIVISION**

IN RE: §
§
KIRKLAND BROS., INC § **Case No. 15-70099**
§
Debtor § **CHAPTER 11**

SHELDON INDEPENDENT SCHOOL DISTRICT, ALIEF INDEPENDENT SCHOOL DISTRICT, HUFFMAN INDEPENDENT SCHOOL DISTRICT, KLEIN INDEPENDENT SCHOOL DISTRICT, SPRING BRANCH INDEPENDENT SCHOOL DISTRICT, TOMBALL INDEPENDENT SCHOOL DISTRICT, CITY OF HOUSTON, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 276, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 230, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53’ OBJECTION TO CONFIRMATION OF DEBTORS’ AMENDED COMBINED DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION
(Relates to doc. # 162)

**To: The Honorable Ronald B. King:
United States Bankruptcy Judge**

Sheldon Independent School District, Alief Independent School District, Huffman Independent School District, Klein Independent School District, Spring Branch Independent School District, Tomball Independent School District, City of Houston, Harris County Municipal Utility District 276, Harris County Municipal Utility District 230, Harris County Municipal Utility District 365, Harris County Municipal Utility District 53, and Harris County Water Control Improvement District No. 155 (the “Taxing Entities”), secured creditors and parties in interest, file the following Objection to the Debtor’s First Amended Combined Disclosure Statement and Plan of Reorganization filed on May 19, 2016 (doc. # 162) (the “Plan”), and respectfully show as follows:

Jurisdiction

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334, *et seq.*

This is a core proceeding under 28 U.S.C. § 157(b)(2)(L). This Objection is designated as a contested matter under Bankruptcy Rule 9014.

Background

2. The Taxing Entities are political subdivisions of the State of Texas, authorized and required by the Constitution and laws of the State of Texas to levy and collect ad valorem taxes and assessments on taxable property within its boundaries in order to discharge their statutory duties.

3. The Taxing Entities filed claims for taxes, penalties, and interest assessed pre-petition for tax years 2014 and 2015 together with interest at the applicable non-bankruptcy rate until paid in full.

4. The Taxing Entities' claims are secured by paramount prior perfected continuing enforceable liens on the Property, as provided by Sections 32.01 and 32.05(b) of the Texas Property Tax Code.

5. It was recently learned that additional taxing were added¹ to the tax roll for the 2015 tax year, and others were dropped² for the 2015 tax year. Those who were dropped will amend or withdraw their claims as appropriate, but those that were added will now have claims.

6. Additionally, it appears that the claims of some taxing entities have been paid³.

Proposed Plan Treatment

7. It appears that the claims of the Taxing Entities are to be treated as Priority Tax Claims under Article VI. Class 1B. of the Plan as follows:

¹ Klein Independent School District, Spring Branch, Tomball, and Harris County Municipal Utility District No.'s 276, 230, and 365. Claims have not been filed yet, but will be shortly.

² Sheldon Independent School District and Harris County Water Control Improvement District No. 155.

³ Barker Cypress Municipal Utility District, Channelview Independent School District, Galena Park Independent School District, and Humble Independent School District.

Class IB the claim* of the County and City Taxing Authorities which arises from a pre-petition priority claim which total \$20,108.84. These claim will be paid over 24 months a 12.00% interest beginning August 15, 2016, with total monthly payments of \$2,013.07. All claims will accrue interest from the date of filing; i.e. June 15, 2015. Subsequent payments will be made on the 15th of each month thereafter. Such payments will result in the entire claim being paid in full in 1 year and will be made until the entire claim is paid in full. The respective County and City taxing authorities preserve all of its respective rights to enforce this treatment. The respective will receive the following monthly payments:

	Claim	Payment
a. Alief Independent School District	\$310.16	\$31.05
b. Barker-Cypress Municipal Utility District	\$112.42	\$11.25
c. Channelview Independent School District	\$280.52	\$28.08
d. City of Houston	\$88.97	\$8.91
e. Cypress Fairbanks Independent School District	\$1,057.54	\$105.88
f. Galena Park Independent School District	\$144.92	\$14.51
g. Harris County et al	\$7,311.52	\$732.01
h. Harris County Municipal Utility District #53	\$157.03	\$15.56
i. Harris County W.C.I.D. #155	\$17.72	\$1.77
j. Huffman Independent School District	\$223.84	\$22.41
k. Humble Independent School District	\$299.22	\$29.96
l. Midland County	\$158.13	\$15.83
m. Sheldon Independent School District	\$9,946.85	\$995.85

8. It appears that Sheldon Independent School District and Harris County Water Control Improvement District No. 155 were dropped from the tax roll for the 2015 tax year (although they will retain claims for the 2014 tax year), and that Klein Independent School District, Spring Branch Independent School District, Tomball Independent School District, and Harris County Municipal Utility Districts 276, 230, and 365 will all now have claims for the 2015 tax year by virtue of recent action by the Harris County Appraisal District.

Objections

9. The Taxing Entities object to the confirmation of the Plan to the extent it fails to provide for the retention of their tax liens until their claims are paid in full.

10. The School District objects to the confirmation of the Plan to the extent it unfairly discriminates against the Taxing Entities by providing disparate treatment to similarly situated creditors.

11. The Taxing Entities object to the confirmation of the Plan to the extent it fails to provide for the payment of the 2016 taxes in the ordinary course of business.

12. The Taxing Entities vote against confirmation of the Plan.

Certificate of Conference

WHEREFORE, PREMISES CONSIDERED, Sheldon Independent School District, Alief Independent School District, Huffman Independent School District, Klein Independent School District, Spring Branch Independent School District, Tomball Independent School District, City of Houston, Harris County Municipal Utility District 276, Harris County Municipal Utility District 230, Harris County Municipal Utility District 365, Harris County Municipal Utility District 53, and Harris County Water Control Improvement District No. 155 respectfully request that the Court sustain their Confirmation of the Debtor's First Amended Combined Disclosure Statement and Plan of Reorganization, that it deny confirmation of the proposed Plan, and that they be granted such other and further relief, at law or in equity, as is just.

Respectfully submitted,

**PERDUE, BRANDON, FIELDER,
COLLINS & MOTT, L.L.P.**

/s/ Owen M. Sonik

Owen M. Sonik

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CERTIFICATE OF SERVICE

I hereby certify that on this the 6th day of July, 2016, I sent a true and correct copy of the above and foregoing document all parties receiving notice via the Court's Electronic Filing System.

/s/ Owen M. Sonik
Owen M. Sonik

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