

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION**
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IN RE:

Chapter 11 Cases

RED LOBSTER MANAGEMENT LLC,¹

Case No. 6:24-bk-02486-GER
Lead Case

RED LOBSTER RESTAURANTS LLC,
RLSV, INC.,
RED LOBSTER CANADA, INC.,
RED LOBSTER HOSPITALITY LLC,
RL KANSAS LLC,
RED LOBSTER SOURCING LLC,
RED LOBSTER SUPPLY LLC,
RL COLUMBIA LLC,
RL OF FREDERICK, INC.,
RED LOBSTER OF TEXAS, INC.,
RL MARYLAND, INC.,
RED LOBSTER OF BEL AIR, INC.,
RL SALISBURY, LLC,
RED LOBSTER INTERNATIONAL HOLDINGS LLC,

Jointly Administered with
Case No. 6:24-bk-02487-GER
Case No. 6:24-bk-02488-GER
Case No. 6:24-bk-02489-GER
Case No. 6:24-bk-02490-GER
Case No. 6:24-bk-02491-GER
Case No. 6:24-bk-02492-GER
Case No. 6:24-bk-02493-GER
Case No. 6:24-bk-02494-GER
Case No. 6:24-bk-02495-GER
Case No. 6:24-bk-02496-GER
Case No. 6:24-bk-02497-GER
Case No. 6:24-bk-02498-GER
Case No. 6:24-bk-02499-GER
Case No. 6:24-bk-02500-GER

Debtors.

_____/

**JOINT LIMITED OBJECTION OF THE TEXAS TAXING AUTHORITIES TO
DEBTORS' MOTION FOR ENTRY OF ORDER APPROVING THE SALE
OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS,
CLAIMS, INTERESTS AND ENCUMBRANCES
(Relates to Document No. 49)**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are Red Lobster Management LLC (6889); Red Lobster Sourcing LLC (3075); Red Lobster Supply LLC (9187); RL Kansas LLC (2396); Red Lobster Hospitality LLC (5297); Red Lobster Restaurants LLC (4308); RL Columbia LLC (7825); RL of Frederick, Inc. (9184); RL Salisbury, LLC (7386); RL Maryland, Inc. (7185); Red Lobster of Texas, Inc. (1424); Red Lobster of Bel Air, Inc. (2240); RLSV, Inc. (6180); Red Lobster Canada, Inc. (4569); and Red Lobster International Holdings LLC (4661). The Debtors' principal offices are located at 450 S. Orange Avenue, Suite 800, Orlando, FL 32801.

The Texas Taxing Authorities,² secured creditors and parties in interest, file this joint limited objection to the *Debtors' Motion for Entry of Order Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances* (Doc No. 49) (the "Motion"), and respectfully show as follows:

Background

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

2. The Texas Taxing Authorities hold secured pre-petition tax claims which are secured by statutory tax liens on the tangible personal property of the Debtors within their taxing boundaries (the "Tax Liens"). The Tax Liens attach to the taxpayer's property on January 1 of each tax year.

² The Texas Taxing Authorities include all taxing authorities represented by Linebarger Goggan Blair & Sampson, Perdue Brandon Fielder Collins & Mott, and McCreary Veselka Bragg & Allen including but not limited to: Bexar County, Cameron County, Cypress-Fairbanks Independent School District, Dallas County, Ector CAD, City of El Paso, Fort Bend County, City of Frisco, Grayson County, Greenville Independent School District, Gregg County, Harris County Emergency Service District #11, Harris County Emergency Service District #28, Hidalgo County, City of Houston (where represented by Linebarger Goggan Blair & Sampson), Houston Community College System, City of Humble, Irving Independent School District, Lewisville Independent School District, Lone Star College System, City of McAllen, McLennan County, Montgomery County, Nueces County, City of Pasadena, San Marcos CISD, Smith County, Tarrant County, Victoria County, City of Webster, Potter County Tax Office, Lubbock Central Appraisal District, Brazoria County, et al, City of Katy - Fort Bend and Waller Counties, Katy Management District # 1, Humble Independent School District, Alief Independent School District, City of Houston (where represented by Perdue Brandon), Spring Independent School District, Clear Creek Independent School District, Pasadena Independent School District, Brownsville Independent School District, Plano Independent School District, Frisco Independent School District, City of Burleson, Burleson Independent School District, Richardson Independent School District, Crowley Independent School District, Tyler Independent School District, Hunt County, et al., Wichita County Tax Office, Bell County Tax Appraisal District, Bowie Central Appraisal District, Denton County, Hays County, Taylor County Central Appraisal District, City of Waco and Waco Independent School District and Williamson County.

3. The Tax Liens are superior to any other secured claim in this case as provided by Article VIII, Section 15 of the Texas Constitution, and Sections 32.01, 32.04, 32.05(b) of the Texas Property Tax Code.

Limited Objection to Motion

4. The Texas Taxing Authorities do not object to the sale itself but do object to a sale that is free and clear of their 2024 ad valorem tax liens (the “Tax Liens”). Since the 2024 taxes (the “Taxes”) are not due until January 2025, the Texas Taxing Authorities request that the sale of the Purchased Assets be made subject to the Tax liens. Unless the Tax Liens are expressly retained, it may prove impossible for the Texas Taxing Authorities to collect the Taxes if they should become delinquent subsequent to January 31, 2025.

5. Further, in the event of a credit bid, the property should be sold subject to the Tax Liens, with the credit bidder explicitly assuming the responsibility for paying the Taxes. A credit bid by a lienholder with liens that are junior to the Tax Liens is an attempt to avoid the consequences of foreclosing/seizing the property under applicable non-bankruptcy law which would require it to take the property subject to the Tax Liens. There is no legal or equitable basis for thus subordinating or avoiding the Tax Liens.

6. Language substantially similar to the following in the Order approving the Motion would resolve the Texas Taxing Authorities’ objection.

For the avoidance of doubt, and notwithstanding anything to the contrary in this Sale Order or any asset purchase agreement, to the extent any of the Debtors’ property in Texas subject to any ad valorem prepetition tax claim(s) held by any of the Texas Taxing Authorities is to be sold, the Purchaser assumes the 2024 tax liability and shall be responsible for paying the ad valorem taxes in full, in the ordinary course of businesses, when due. If not timely paid, the Texas Taxing Authorities may proceed with non-bankruptcy collections against the Purchaser without leave or approval of the Court. In the event of any proration of taxes attributable to periods of ownership between the Debtors and the Purchaser, any dispute regarding such proration of the ad valorem taxes shall have no effect on Purchaser’s responsibility to pay the 2024 ad valorem taxes. The

Texas Taxing Authorities shall retain their respective liens against the Purchased Assets, as applicable, until paid in full, including any applicable penalties or interest.

7. Counsel for the Texas Taxing Authorities will attempt to confer with counsel for the Debtors regarding the relief sought in an attempt to reach an agreement.

WHEREFORE, the Texas Taxing Authorities respectfully request that the sale of the Debtors' assets be sold subject to the ad valorem tax liens with the purchaser assuming the 2024 tax liability, and that they be granted such other and further relief as is just and proper.

Dated: July 12, 2024

Respectfully submitted,

BAST AMRON LLP

/s/ Jeffrey P. Bast

Jeffrey P. Bast (FBN 996343)

Hunter J. Grasso (FBN 1031416)

One Southeast Third Avenue, Suite 2410

Miami, Florida 33131

Telephone: 305.379.7904

Email: jbast@bastamron.com

hgrasso@bastamron.com

-and-

MCCREARY VESELKA

BRAGG & ALLEN, P.C.

Julie A. Parsons

Texas State Bar No. 00790358

700 Jeffrey Way #100

Round Rock, Texas 78665

Telephone (512) 323-3200

Email: julie.parsons@mvalaw.com

-and-

PERDUE BRANDON FIELDER

COLLINS & MOTT, L.L.P.

Melissa E. Valdez

Texas State Bar No. 24051463

1235 North Loop West, Suite 600
Houston, Texas 77008
Telephone (713) 862-1860
Email: mvaldez@pbfc.com

-and-

**LINEBARGER GOGGAN
BLAIR & SAMPSON, LLP**
Tara L. Grundemeier
Texas State Bar No. 24036691
4828 Loop Central Drive, Suite 600
Houston, Texas 77081
Telephone: (713) 844-3478
Email: tara.grundemeier@lgbs.com

Counsel for the Texas Taxing Authorities

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on July 12, 2024, a true and correct copy of the foregoing has been served electronically upon all parties of record registered to receive notice via CM/ECF.

By: /s/ Jeffrey P. Bast