

Eboney Cobb (*pro have vice pending*)
Texas State Bar No. 24048397
Perdue Brandon Fielder Collins & Mott, LLP
500 East Border, Suite 640
Arlington Texas 76010
Telephone: (817) 461-3344
Facsimile: (817) 860-6509
Linda D. Reece
Texas State Bar No. 24065471
Perdue Brandon Fielder Collins & Mott, LLP
1919 Shiloh Road, Suite 301, LB 40
Garland, Texas 75042
Telephone: (972) 278-8282
Facsimile: (972) 278-8222
Counsel for Arlington ISD , et al

Paul A. Driscoll
Virginia State Bar No. 33476
Zemanian Law Group
223 East City Hall Avenue, Suite 201
Norfolk, VA 23510
Telephone: (757) 622-0090
Facsimile: (757) 622-0096
E-mail: paul@zemanianlaw.com
Local Counsel for Arlington ISD, et al

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

IN RE: § Case No. 20-34656 (KRH)
§
GUITAR CENTER, INC. *et al.*¹ § Chapter 11
§
§ Jointly Administered
Debtors §

**LIMITED OBJECTION OF CERTAIN TEXAS TAXING ENTITIES TO THE JOINT
PRE-PACKAGED CHAPTER 11 PLAN OF REORGANIZATION
OF GUITAR CENTER, INC. *ET AL.***

COMES NOW Arlington ISD , *et al.*², secured creditors and parties in interest (the
“Certain Texas Taxing Entities”) and file this Limited Objection to the Joint Pre-Packaged
Chapter 11 plan of reorganization of Guitar Center Inc. et al. (the “PLAN”) [ECF No. 16]:

¹ A complete list of each of the Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Guitar Center Holdings, Inc. (3262 ; Guitar Center Gift Card Company, Guitar Center, Inc, (3928); Guitar Center Inc., (4340), GTRC Services, Inc., (9503), GC Business Solutions, Inc., Music & Arts Instructor Services, LLC (7811); and AVDG, LLC (4440), The Debtors Service address is 5795 Lindero Canyon Rd., Westlake Village , CA 91362.

² The full inclusion of Certain Texas Taxing Entities is still undergoing review but will include all taxing entities represented by Perdue Brandon Fielder Collins and Mott LLP.

Background

1. The Certain 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.
2. The Certain Texas Taxing Entities hold secured pre-petition tax claims for the 2020 tax year. The tax claims are secured by tax liens on the real and tangible business personal property of the Debtor.
3. The Certain Texas Taxing Entities' tax liens are senior to any other secured claim in this case as provided by Article VIII, Section 15 of the Texas Constitution, and Section 32.01 and Section 32.05(b) of the Texas Property Tax Code. 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).

Proposed Plan Treatment

4. The Plan appears to treat the claims of the Certain Texas Taxing Entities under Section II. 2.3 PRIORITY TAX CLAIMS as set out below:

2.3 Treatment of Priority Tax Claims.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and final satisfaction of such Allowed Priority Tax Claim, at the sole option of the Debtors or the Reorganized Debtors, as applicable, (i) Cash in an amount equal to such Allowed Priority Tax Claim on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the first Business Day that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, and (c) the date such Allowed Priority Tax Claim is due and payable in the ordinary course, or (ii) such other treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code.

Limited Objections

5. The Certain Texas Taxing Entities object to confirmation of the Plan to the extent it purports to treat their senior secured tax claims as Priority Tax Claims without express retention of their liens until paid, the payment of interest as required under applicable non-bankruptcy law.

6. The Certain Texas Taxing Entities objects to confirmation of the Plan to the extent it fails to provide for the retention of their pre- and post- petition liens on its collateral. The Plan should not be confirmed unless and until it specifically provides for the Certain Texas Taxing Entities pre- and post-petition liens to remain on the Debtor's real and tangible personal property until the pre- and post-petition taxes are paid in full.

7. The Certain Texas Taxing Entities object to the confirmation of the Plan to the extent it fails to provide for the payment of interest on their claims at the applicable non-bankruptcy rate from date of delinquency until paid in full as required by 11 U.S.C. § 511 and Texas law.

8. The Certain Texas Taxing Entities object to confirmation of the Plan to the extent it provides the Debtors an option to return collateral securing the claims of the members of the Other Secured Claims class of creditor which would result in preferential treatment of the claims of junior secured creditors.

9. The Certain Texas Taxing Entities object to confirmation of the Plan to the extent it fails to comply with the requirements of 11 U.S.C. § 1129(a)(9)(C) and (D) by failing to provide for regular installment payments commencing on a date certain over a period ending not later than 5 years after the date of the order for relief.

10. The Certain Texas Taxing Entities object to confirmation of the Plan to the extent it unfairly discriminates in the treatment of the claims of similarly situated creditors.

Prayer

WHEREFORE, Arlington ISD, *et al*, by counsel, respectfully request that the Court deny confirmation of the Plan, until and unless the Objection is remedied, and grant them such other and further relief as is just.

Dated: December 10, 2020

Arlington ISD, *et al*

By: /s/ Ebony Cobb

By: /s/ Paul A. Driscoll

Ebony D. Cobb (*pro hac vice pending*)
Texas State Bar No. 24048397
Perdue Brandon Fielder Collins & Mott,
LLP
500 East Border, Suite 640
Arlington, Texas 76010
Telephone: (817) 461-3344
Facsimile: (817) 860-6509
Linda D. Reece
Texas State Bar No. 24065471
Perdue Brandon Fielder Collins & Mott,
LLP
1919 Shiloh Road, Suite 301, LB 40
Garland, Texas 75042
Telephone: (972) 278-8282
Facsimile: (972) 278-8222
Counsel for Arlington ISD, et al

Paul A. Driscoll
Virginia State Bar No. 33476
Zemanian Law Group
223 East City Hall Avenue, Suite 201
Norfolk, VA 23510
Telephone: (757) 622-0090
Facsimile: (757) 622-0096
E-mail: paul@zemanianlaw.com
Local Counsel for Arlington ISD, et al.

CERTIFICATE OF SERVICE

I certify that the original thereof was filed electronically with the Clerk on December 10, 2020 with service via ECF on all necessary parties and by first class mail upon:

Guitar Center, Inc.
5795 Lindero Canyon Road
Westlake Village, CA 91362

Attn: Michael Pendleton

/s/Paul A. Driscoll