

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

<b>IN RE:</b>	§	<b>CASE NO. 24-90507</b>
	§	
<b>VERTEX ENERGY, INC, <i>et al.</i>,</b>	§	<b>Chapter 11</b>
	§	
<b>Debtors</b>	§	<b>Jointly Administered</b>

**JOINT LIMITED OBJECTION OF THE TEXAS TAXING AUTHORITIES TO THE  
DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) APPROVING THE BIDDING  
PROCEDURES AND AUCTION (II) SCHEDULING BID DEADLINES, AN AUCTION,  
OBJECTION DEADLINES, AND A SALE HEARING, (III) APPROVING THE  
ASSUMPTION AND ASSIGNMENT PROCEDURES (IV) APPROVING THE FORM  
AND MANNER OF NOTICE OF A SALE TRANSACTION, THE AUCTION, THE SALE  
HEARINGS, AND ASSUMPTION AND ASSIGNMENT PROCEDURES, AND (V)  
GRANTING RELATED RELIEF  
(Related to Document 5)**

**TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:**

COMES NOW The Texas Taxing Authorities<sup>1</sup>, secured creditors and parties in interest and file this Limited Objection to Motion of Debtors for Entry of an Order (I) Approving the Bidding Procedures and Auction (II) Scheduling Bid Deadlines, an Auction, Objection Deadlines, and a Sale Hearing, (III) Approving the Assumption and Assignment Procedures (IV) Approving the Form and Manner of Notice of a Sale Transaction the Auction, the Sale Hearings, and Assumption and Assignment Procedures, and (V) Granting Related Relief (the "Sale Motion"), and respectfully shows as follows.

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<sup>1</sup> The Texas Taxing Authorities include all entities represented by Perdue Brandon Fielder Collins & Mott LLP and by Linebarger Goggan Blair & Sampson LLP including but not limited to: Sabine Pass Independent School District, Clear Creek Independent School District, City of Houston, Clear Lake Water Authority, Chambers County, Bexar County, Jefferson County, Deer Park Independent School District, Harris County Emergency Service District #14, Camp CAD, and Nueces County



### 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 for delinquent and current ad valorem taxes (the “Tax Claims”). These claims are secured by tax liens on the real and tangible personal property of the Debtors within their taxing boundaries (the “Tax Liens”).
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 Section 32.01 and Section 32.05(b) of the Texas Property Tax Code. The priority of the Tax Claims is determined under applicable non-bankruptcy law. 11 U.S.C. §506; *Butner v. U.S.*, 440 U.S. 48, 55 (1979). The Tax Lien takes priority over the claim of any holder of a lien on property encumbered by the Tax Lien, whether or not the debt or lien existed before the attachment of the Tax Lien. *See* Texas Property Tax Code §32.05 (b); *See also Central Appraisal District of Taylor County v. Dixie-Rose Jewels, Inc.*, 894 S.W. 2d 841 (Tex. App. 1995) (bank’s foreclosure of its purchase money lien on personal property did not defeat or destroy the taxing unit’s statutory tax lien).
4. The Tax Lien arises on January 1 of each tax year and “floats” to after acquired property. *See City of Dallas v. Cornerstone Bank*, 879 S.W. 2d 264 (Tex. App. - Dallas 1994). The tax lien is a lien *in solido* and is a lien on all personal property of the Debtors. *See In re Universal Seismic*, 288 F.3d 205 (5th Cir. 2002). The tax lien is also unavoidable. *See In re: Winns*, 177 B.R. 253 (Bankr. W.D. Tex. 1995). The property taxes are due upon receipt pursuant to Texas Property Tax Code Sec. 31.02.

Limited Objection to the Sale Motion

5. The Texas Taxing Authorities object to the Sale Motion to the extent that it seeks to sell assets that are encumbered by the Tax Liens, free and clear of all liens, without the consent of the Texas Taxing Authorities and without providing adequate protection.
6. The sale of assets as proposed by the Sale Motion will create cash collateral proceeds to which the Tax Liens attach. 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.
7. The Texas Taxing Authorities 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 its Tax Liens, unless and until they are adequately protected.

Limited Objection to Credit Bid Sale

8. The Texas Taxing Authorities further object to any credit bid sale that purports to allow a junior secured creditor to purchase assets free and clear of liens without payment of the Tax Claims. In the event the credit bid does not provide sufficient proceeds to pay the Tax Claims, the liens should remain attached to the property.
9. The Texas Taxing Authorities will attempt to confer with counsel for the Debtors to reach an agreement.

Prayer

WHEREFORE, The Texas Taxing Authorities respectfully request that a final order approving the Sale Motion provide for (1) payment of the Tax Claims at closing, or funds sufficient to pay the Tax Claims, set aside in a segregated account and (2) express retention of all liens until paid in full. In the event of a credit bid sale, the Texas Taxing Authorities respectfully request that

their collateral not be sold free and clear unless the Tax Claims are paid in full, and grant them such other and further relief as is just and proper.

Dated: November 11, 2024

Respectfully submitted,

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

/s/ Melissa E. Valdez

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**Attorneys for The Texas Taxing Authorities**

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing Limited Objection has been sent to the parties listed below by email, first class mail, or by the Court's ECF notification system on this the 25<sup>th</sup> day of October 2024.

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And all other parties via CM/ECF e-notice.

/s/Melissa E. Valdez  
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