

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

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In re: : Chapter 11
: :
THE CONTAINER STORE GROUP, INC., *et al.*, : Case No. 24-90627 (ARP)
: :
Debtors.¹ : (Jointly Administered)
: :
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**DECLARATION OF ADAM DUNAYER IN SUPPORT OF (I) APPROVAL OF THE
DISCLOSURE STATEMENT AND (II) CONFIRMATION OF THE FIRST AMENDED
PREPACKAGED JOINT PLAN OF REORGANIZATION OF THE CONTAINER
STORE GROUP, INC. AND ITS DEBTOR AFFILIATES UNDER
CHAPTER 11 OF THE BANKRUPTCY CODE**

I, Adam Dunayer, hereby declare under penalty of perjury as follows:

1. I am a Managing Director in the Financial Restructuring Group at Houlihan Lokey Capital, Inc. (“*Houlihan*”), an investment banking and financial advisory firm. I am based out of Houlihan’s Dallas office, located at 2601 Olive Street, Suite 2500, Dallas, Texas 75201.

2. I submit this declaration (this “*Declaration*”) in support of confirmation of the *First Amended Prepackaged Joint Plan of Reorganization of The Container Store Group, Inc. and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, filed contemporaneously herewith (as amended, modified, or supplemented, the “*Plan*”) and the *Debtors’ Memorandum of Law in Support of (I) Approval of the Disclosure Statement and (II) Confirmation of the First Amended Prepackaged Joint Plan of Reorganization of The Container Store Group, Inc. and Its Debtor*

¹ The Debtors in these cases, together with the last four digits of each Debtor’s taxpayer identification number, are: The Container Store Group, Inc. (5401); The Container Store, Inc. (6981); C Studio Manufacturing Inc. (4763); C Studio Manufacturing LLC (5770); and TCS Gift Card Services, LLC (7975). The Debtors’ mailing address is 500 Freeport Parkway, Coppell, TX 75019.



Affiliates Under Chapter 11 of the Bankruptcy Code, filed contemporaneously herewith (the “**Confirmation Brief**”).²

3. Except as otherwise indicated, the statements in this Declaration are based upon: (a) my personal knowledge of the Debtors’ operations and finances; (b) my review of relevant documents; (c) information provided to me by Houlihan employees working under my supervision; (d) information provided to me by, or discussions with, members of the above-captioned debtors’ (collectively, the “**Debtors**”) management team, other employees, or the Debtors’ other advisors; (e) records kept in the ordinary course of business by the Debtors and provided by the Debtors or their representatives to Houlihan; and/or (f) my views and beliefs based upon my experience as a restructuring professional. I am not being specifically compensated for this testimony other than through the proposed compensation that Houlihan receives in its capacity as an advisor to the Debtors. I am over the age of 18 years and am authorized to submit this Declaration on behalf of the Debtors. If called upon to testify, I can and will testify competently as to the facts set forth herein.

BACKGROUND & QUALIFICATIONS

4. Houlihan is an internationally recognized investment banking and financial advisory firm, with offices worldwide and more than 2,000 global employees. Houlihan is a leader in providing such services to debtors, unsecured and secured creditors, acquirers, and other parties in interest involved with financially troubled companies, both in and outside of bankruptcy. Houlihan has been, and is, involved in some of the largest restructurings in the United States, both out of court and in chapter 11 cases. Houlihan has been retained to provide investment banking

² Defined terms used but not otherwise defined herein shall have the meanings given to them in the Plan or the *Declaration of Chad E. Coben, Chief Restructuring Officer, in Support of Chapter 11 Petitions and First Day Motions* [Docket No. 6], as applicable.

and financial advisory services in, among other cases: *In re Corsicana Bedding, LLC*, No. 22-90016 (Bankr. N.D. Tex. Aug. 9, 2022); *In re GVS Texas Holdings I, LLC*, No. 21-31121 (Bankr. N.D. Tex. Oct. 31, 2021); *In re Utex Indus., Inc.*, No. 20-34932 (Bankr. S.D. Tex. Dec. 3, 2020); *In re PHI, Inc.*, No. 19-30923 (Bankr. N.D. Tex. May 13, 2019); *In re Walter Inv. Mgmt. Corp.*, No. 17-13446 (Bankr. S.D.N.Y. Nov. 30, 2017); *In re Seadrill Ltd.*, No. 17-60079 (Bankr. S.D. Tex. Sep. 12, 2017); *In re Westinghouse Elec. Co. LLC*, No. 17-10751 (Bankr. S.D.N.Y. Mar. 29, 2017).

5. I am a member of Houlihan's Financial Restructuring Group. I have over 30 years of experience consummating transactions and providing strategic advice to companies and creditors in connection with in- and out-of-court special situations, mergers, acquisitions, and dispositions. I also have extensive experience raising debt and equity capital in public and private markets. My experience spans industries, including retail, energy and oilfield services, consumer products, food, healthcare, building products, general industrial, telecom, and technology.

6. Before joining Houlihan in 2002, I was a Managing Director with Bear, Stearns & Co. In addition, I was an Executive Vice President and Chief Financial Officer with Miller Industries, where I also served as President of the company's largest subsidiary.

HOULIHAN'S RETENTION

7. Houlihan was retained on September 4, 2024 to provide financial advisory and investment banking services to the Company. Since being retained, Houlihan has advised the Debtors in connection with strategic alternatives to manage liquidity, raise additional capital, and de-lever the Debtors' balance sheet.

8. Through the provision of its prepetition services to the Company, Houlihan has developed institutional knowledge regarding, among other things, the Debtors' operations and capital structure. Houlihan professionals have worked closely with the Debtors' management and

other professionals and have become well-acquainted with the Debtors' businesses and operations, debt structure, creditors and related matters, including by (1) working cooperatively with the Debtors' other professionals to explore various strategic alternatives to address the Debtors' liquidity needs; (2) reviewing the Debtors' business plan and operating assumptions; (3) reviewing the Debtors' debt and capital structure; (4) evaluating financing options; and (5) preparing for the commencement of the Chapter 11 Cases. In particular, I have participated in numerous meetings with the Debtors' Board and Restructuring Committee in order to, among other things, address the Debtors' need for, and access to, exit financing in the form of the Exit Term Loan Facility and the Exit ABL Facility (together, the "***Exit Facilities***").

9. Accordingly, Houlihan has developed significant relevant experience and expertise regarding the Debtors' businesses that will assist Houlihan in providing effective and efficient services in connection with the Chapter 11 Cases.³

THE TERMS OF THE EXIT FACILITIES ARE REASONABLE

10. Based on my experience with postpetition financing transactions, as well as my involvement in the negotiation of the Exit Facilities and pursuit of alternative postpetition financing proposals, I believe the Exit Facilities are fair and reasonable and represent the best available option under the circumstances.

11. **Exit Term Loan Facility.** I understand that the Plan provides the Debtors with access to the Exit Term Loan Facility, which provides for the issuance of first-out exit term loans (the "***First-Out Exit Term Loans***") in an amount equal to the New Money DIP Term Loans (inclusive of DIP Term Loans paid as part of the DIP Put Option Premium and the DIP

³ The Debtors filed *The Application of Debtors to Employ and Retain Houlihan Lokey Capital, Inc. as Financial Advisor and Investment Banker to the Debtors Effective as of the Petition Date* [Docket No. 110] on January 3, 2025 and approval is pending as of the date hereof.

Commitment Premium) and second-out exit term loans (the “*Second-Out Exit Term Loans*”) in an amount equal converted DIP Roll-Up Term Loans (collectively, the “*Exit Term Loans*”). The First-Out Exit Term Loans provide for payment of interest at a rate of SOFR + 6.50% per annum, to be paid monthly in cash, subject to a 2.00% SOFR floor; *provided*, that accrued interest payable on any First-Out Exit Term Loans up to 5.50% per annum may be paid in kind, in the form of additional First-Out Exit Term Loans; *provided, further*, that interest shall be paid in cash (and not in kind) after delivery of the financial statements for the first fiscal quarter in which LTM EBITDA reaches \$45 million for four consecutive quarters. The Second-Out Exit Term Loans provide for payment of interest at a rate of SOFR + 5.00% per annum, to be paid bi-annually in cash, subject to a 2.00% SOFR floor; *provided*, that accrued interest payable on any Second-Out Exit Term Loans up to 4.00% per annum may be paid in kind; *provided, further*, that with the consent of the Required Lenders all interest can be paid in kind.

12. **Exit ABL Facility.** I understand that the Plan also provides the Debtors with access to the Exit ABL Facility, which provides for a \$140 million senior secured asset based revolving credit facility providing for revolving loans consistent with the ABL Commitment Letter and the Transaction Support Agreement (the “*Exit ABL Loans*”). The Exit ABL Loans provide for payment of interest at a rate of Term SOFR + 4.25%, payable monthly.

13. I believe that the principal economic terms proposed in the Exit Facilities, including the contemplated fees and interest rates, are customary and usual for financings of these types, and are the best available options for the Debtors. The blended cost of capital of the Exit Financings, viewed on a combined basis, is generally consistent with the cost of exit financings in comparable circumstances. Moreover, the interest rates and fees associated with the Exit Facilities were the subject of arm’s-length and good-faith negotiations, are integral components of the overall terms

of the Exit Facilities, and were required by the Exit Term Lenders and the lenders under the Exit ABL Loans as consideration for the extension of the Exit Facilities.

14. Based on my experience and my involvement in the Chapter 11 Cases, I believe that the terms of the Exit Facilities, taken as a whole, are reasonable given the unique facts and circumstances of the Chapter 11 Cases. Further, I believe that the negotiation process in respect of such Exit Facilities—a process with which I was directly involved—was conducted at arm’s-length and in good faith.

**THE TRANSACTION SUPPORT AGREEMENT AND PAYMENT OF THE
PREMIUMS AND FEES IS APPROPRIATE**

15. The Transaction Support Agreement contains certain premiums and fee reimbursement provisions that are reasonable and appropriate under the circumstances. Specifically, pursuant to the Transaction Support Agreement, the Debtors have agreed to pay: (i) the DIP Put Option Premium,⁴ the DIP Commitment Premium,⁵ and the DIP Equity Premium⁶ (collectively, the “*Consent Premium*”); and (ii) the Restructuring Fees and Expenses.⁷ The Consent Premium, together with the Restructuring Fees and Expenses, were offered in

⁴ The DIP Put Option Premium is payable to certain Consenting Term Lenders backstopping the DIP Facilities in an amount equal to their pro rata share of a put option premium comprising 5% of the aggregate amount of the commitments to fund the First-Out DIP Term Loans under the DIP Term Loan Facility, payable in kind upon the initial funding of the First-Out DIP Term Loans in the form of additional First-Out DIP Term Loans.

⁵ The DIP Commitment Premium is payable to DIP Term Lenders in an amount equal to 2% of the aggregate principal amount of the First-Out DIP Term Loans.

⁶ The DIP Equity Premium is payable to Holders of Prepetition Term Loan Claims that fund the DIP Term Loans, in an amount equal to a pro rata amount of 64% of the New Equity Interests, subject to dilution only by the Management Incentive Plan.

⁷ “*Restructuring Fees and Expenses*” means all reasonable and documented fees and expenses of the (a) Agents; (b) Prepetition Term Loan Agent Advisors; (c) DIP Term Loan Agent Advisors; (d) Exit Facility Agent Advisors; and (e) Ad Hoc Group Advisors in each case, payable in accordance with the terms hereof, the applicable engagement and/or fee letters with the Debtors, the Transaction Support Agreement, the DIP Facilities Documents, the Prepetition Term Loan Documents, the DIP & Exit ABL Commitment Letter, and the Interim DIP/Cash Collateral Order, as applicable, and subject to any order of the Bankruptcy Court and any other applicable agreements by such party with respect thereto.

consideration of the various contributions and concessions made by the Ad Hoc Group during these negotiations.

16. The Debtors' assumption of the Transaction Support Agreement is integral to the Debtors' ability to effectuate the Restructuring Transactions contemplated by the Plan and to maximize value for all stakeholders, and the parties to the Transaction Support Agreement at all times engaged in arm's-length, good faith negotiations. The Consent Premium was the subject of arm's-length and good faith negotiations between the Debtors, the Consenting Stakeholders and, together with the Restructuring Fees and Expenses, are integral components of the Transaction Support Agreement and the Plan. The Ad Hoc Group has spent substantial time and expense negotiating the Restructuring Transactions with the Debtors. In addition, the Consenting Lenders have agreed to make substantial contributions under the Plan including, among other things, (a) compromising Claims and accepting impaired recoveries, (b) participating in raising new money debt, including the DIP Facilities, and (c) negotiating and supporting the Restructuring Transactions that maintain the Debtors' businesses and provide full recoveries to Holders of General Unsecured Claims. Based on my experience, fees and expense reimbursements of this kind are both customary in connection with transactions like those contemplated under the Plan and the Transaction Support Agreement and reasonable under the circumstances.

VALUATION ANALYSIS

17. As described in the Disclosure Statement, Houlihan also performed an analysis of the estimated range of total enterprise value (the "***Total Enterprise Value***") and range of implied equity value (the "***Equity Value***") of the Reorganized Debtors on a going concern basis and pro forma for the transactions contemplated by the Plan (the "***Valuation Analysis***"), which analysis is attached as Exhibit E to the Disclosure Statement. The Valuation Analysis was based on financial information and projections provided to Houlihan by the Debtors' management team, including

the financial projections attached to the Disclosure Statement as Exhibit C (the “*Financial Projections*”), and other publicly-available third-party information. The Valuation Analysis valued the Debtors as of December 22, 2024, with an assumed Effective Date of January 31, 2025.

18. Solely for the purposes of the Plan and the Disclosure Statement, the estimated range of Total Enterprise Value was determined to be between approximately \$184 million and approximately \$216 million, with a midpoint of approximately \$200 million. Based on assumed total funded indebtedness of approximately \$176 million (and no excess balance sheet cash), the Total Enterprise Value implies a post-Effective Date Equity Value range between approximately \$8 million and approximately \$41 million, with a midpoint of approximately \$24 million.

19. Impaired Claims under the Plan consist of Prepetition Term Loan Claims. My understanding is that the Prepetition Term Loan Claims total approximately \$163.1 million in aggregate principal amount, plus interest, fees, and other charges. Because these Claims exceed the estimated Total Enterprise Value (after considering the \$40.0 million New Money DIP Term Loans and \$80.0 million Prepetition ABL debt outstanding, among other things), there is no residual value available for distribution to Holders of Existing Equity Interests (though Holders of General Unsecured Claims are to be paid in full under the Plan).

20. The absence of value attributable to Holders of Existing Equity Interests is also supported by the fact that the Prepetition Term Lenders holding over 90% of the outstanding principal amount are signatories to the Transaction Support Agreement, despite estimated recoveries in respect of prepetition term loans not converted to DIP Roll-up Term Loans of 4.5 to 17.6%. Notably, I understand that, despite this impairment, none of the Prepetition Term Lenders has objected to the Plan. I also understand that, based on my review of relevant Financial Industry Regulatory Authority trade activity data, in the days before and after the Transaction Support

Agreement was signed, the Prepetition Term Loans transacted in the secondary market at prices between 66 and 73 cents for each dollar of principal amount.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: January 23, 2025

/s/ Adam Dunayer
Adam Dunayer
Managing Director
Houlihan Lokey Capital, Inc.