

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

In re: §
THE CONTAINER STORE GROUP, INC., § Chapter 11
et al.,¹ § Case No. 24-90627 (APR)
Debtors. § (Jointly Administered)

THE UNITED STATES TRUSTEE’S OBJECTION TO
THE REORGANIZED DEBTORS’ MOTION FOR ENTRY OF FINAL DECREE CLOSING
CERTAIN OF THE CHAPTER 11 CASES

Responds to the Motion filed at [ECF NO. 208]

TO THE HONORABLE ALFREDO R PÉREZ,
UNITED STATES BANKRUPTCY JUDGE:

Kevin M. Epstein, the United States Trustee for the Southern District of Texas (the “U.S. Trustee”), submits this objection to the *Reorganized Debtors’ Motion for Entry of Final Decree Closing Certain of the Chapter 11 Cases* (the “Motion”) filed by the Container Store Group, Inc., *et al.* (collectively referred to as the “Debtors”).

FACTUAL BACKGROUND

1. On December 22, 2024, the Debtors filed the above captioned cases under Chapter 11 of the Bankruptcy Code. On that same day, the Debtors filed their Prepacked Joint Plan of Reorganization (the “Plan”). ECF No. 19.

2. On December 23, 2024, the Court entered an order directing the joint administration of these cases. ECF No. 36.

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.



3. On January 21, 2025, the United States Trustee filed his objection to confirmation of the Plan (the “U.S. Trustee’s Objection”). ECF No. 150.

4. On January 23, 2025, the Debtors filed their First Amended Prepackaged Joint Plan of Reorganization (“First Amended Plan”). The First Amended Plan did not resolve the U.S. Trustee’s Objection. ECF No. 165.

5. On January 24, 2025, the Court entered an order confirming the First Amended Plan and granting final approval of the Disclosure Statement (“Confirmation Order”). The Court overruled the U.S. Trustee’s Objection at the confirmation hearing. ECF No. 181.

6. On January 28, 2025, four days after entry of the Confirmation Order, the Debtors filed a notice of (i) Entry of the Combined Order, (ii) Occurrence of the Effective Date, and (iii) Rejection Damages Claims Bar Date. ECF No. 200. The notice provided that “Each of the conditions precedent to the occurrence of the Effective Date, as set forth in Article VII, has been satisfied or waived in accordance therewith, and the [First Amended] Plan became effective and was substantially consummated on **January 28, 2025.**” (emphasis in original). *Id.*

7. On February 3, 2025, the Debtors filed the Motion requesting entry of a final decree closing certain of the Chapter 11 cases.

8. On February 3, 2025, the U.S. Trustee filed his Notice of Appeal and Statement of Election. ECF No. 209. That same day, the U.S. Trustee filed his Emergency Motion for a Stay of Confirmation Order Pending Appeal (the “Stay Motion”). ECF No. 209. The U.S. Trustee specifically requested that the Confirmation Order be stayed in its entirety or, in the alternative, that the First Amended Plan’s third-party release, injunctive, and gatekeeping provisions be stayed, pending the appeal before the United States District Court for the Southern District of Texas.

9. On February 4, 2025, the Debtors opposed the U.S. Trustee's emergency stay request. On that same day, the Court entered an order denying the U.S. Trustee's request for an emergency hearing on the Stay Motion. The Court subsequently scheduled, based on the parties' agreement, a hearing to determine whether the Confirmation Order should be stayed. The hearing on the Stay Motion is currently scheduled for March 11, 2025.

10. To minimize any prejudice to the Debtors, and the thousands of non-debtors who are precluded by the Confirmation Order from suing thousands of other non-debtors while the appeal is pending, the U.S. Trustee filed the *Brief of Appellant Kevin M. Epstein, United States Trustee*, on February 18, 2025. ECF No. 2, Case No. 25-00618. The U.S. Trustee's brief was filed well in advance of the 30-day deadline under Bankruptcy Rule 8018(a)(1). The U.S. Trustee further requested an agreed expedited briefing schedule from the Debtors, but the request was declined.

11. The U. S. Trustee objects to entry of the final decree closing certain of the Debtors' chapter 11 cases because all Debtors are affected by the pending appeal of the Confirmation Order, consequently, their cases are not fully administered.

ARGUMENT

12. Section 350(a) of the Bankruptcy Code allows for case closure "[a]fter an estate is fully administered." 11 U.S.C. § 350(a). This section is implemented by Bankruptcy Rule 3002, which states that in a chapter 11 case, "the court, on its own motion or on a motion of a party in interest, shall enter a final decree closing the case" after the estate is fully administered. Fed. R. Bankr. P. 3022.

13. The Bankruptcy Code does not define the phrase "fully administered." As such, the Supreme Court instructs that words should be given their ordinary, dictionary meaning. *Ransom*

v. FIA Card Services, N.A., 562 U.S. 61, 69 (2011). “Fully” means “entirely” or “wholly.” www.dictionary.com; *accord* American Heritage Dictionary (5th ed. 2019) (“totally or completely”). In the bankruptcy context, “administration” means “a judicial action in which a court undertakes the management and distribution of property. Examples include the administration of a trust, the liquidation of a company, and the realization and distribution of a bankruptcy estate.” Black’s Law Dictionary (10th ed. 2014).

14. The 1991 Advisory Committee Note to Fed. R. Bankr. P Rule 3022 provides six factors that Court should consider when determining whether a case is fully administered:

Entry of a final decree closing a chapter 11 case should not be delayed solely because the payments required by the plan have not been completed. Factors that the court should consider in determining whether the estate has been fully administered include (1) whether the order confirming the plan has become final, (2) whether deposits required by the plan have been distributed, (3) whether the property proposed by the plan to be transferred has been transferred, (4) whether the debtor or the successor of the debtor under the plan has assumed the business or the management of the property dealt with by the plan, (5) whether payments under the plan have commenced, and (6) whether all motions, contested matters, and adversary proceeding have been finally resolved.

1991 Advisory Comm. Note to Fed. R. Bankr. P. 3022. In considering whether the present cases are “fully administered,” the Court should look to factor 1 and factor 6: (1) “whether the order confirming the plan has become final,” and (6) “whether all motions, contested matters, and adversary proceeding have been finally resolved.”

15. The determination of whether a case is fully administered is reviewed on a case-by-case basis. *In re Necaise*, 443 B.R. 483, 493 (Bankr. S.D. Miss. 2010). Here, the Confirmation Order is not a final order under factor 1. According to the First Amended Plan, the Debtors define a “Final Order” as follows:

“Final Order” means an order entered by the Bankruptcy Court or other court of competent jurisdiction: (a) that has not been reversed, stayed, modified, amended, or revoked, *and as to which* (i) any right to appeal or seek leave to appeal, certiorari, review, reargument, stay, or rehearing has been waived or (ii) *the time to appeal* or seek leave to appeal, certiorari, review, reargument, stay, or rehearing *has expired and no appeal*, motion for leave to appeal, or petition for certiorari, review, reargument, stay, or rehearing *is pending* or (b) as to which an appeal has been taken, a motion for leave to appeal, or petition for certiorari, review, reargument, stay, or rehearing has been filed and (i) such appeal, motion for leave to appeal or petition for certiorari, review, reargument, stay, or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which leave to appeal, certiorari, review, reargument, stay, or rehearing was sought and (ii) the time to appeal (in the event leave is granted) further or seek leave to appeal, certiorari, further review, reargument, stay, or rehearing has expired and no such appeal, motion for leave to appeal, or petition for certiorari, further review, reargument, stay, or rehearing is pending; provided, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not preclude such order from being a Final Order.

First Amended Plan, ECF. 165, Art.I.A.92 (emphasis added).

16. In the Motion, the Debtors assert that “the Court’s order confirming the Plan is final by virtue of the Confirmation Order [having been] entered on January 24, 2025.” Motion, ¶ 13. This is incorrect. As defined in the First Amended Plan, the Confirmation Order is not final because the U.S. Trustee filed a timely appeal and his appeal is pending. Independently, the U.S. Trustee has not waived or otherwise untimely filed his appeal of the Confirmation Order. The U.S. Trustee filed the notice of appeal on February 3, 2025, well in advance of the deadline set forth in Bankruptcy Rule 8002. Based on the Debtors’ own definition and the U.S. Trustee’s timely notice of appeal, the Confirmation Order is not a final order.

17. Moreover, the U.S. Trustee is not appealing a ministerial order of the Court. Rather, the U.S. Trustee is seeking reversal on the Confirmation Order, the issuance of which affects all of these bankruptcy cases. The Confirmation Order is the very purpose for these bankruptcy cases. Importantly, appellate rights are built into the fabric of the Bankruptcy Code to protect the rights

of all parties. To ignore this appeal of the Confirmation Order—as if it does not exist or is a minor inconvenience to the issuance of a final decree and closure of the Debtors’ chapter 11 cases—is to set aside the rights of parties to seek appellate review of the Confirmation Order as ministerial and unimportant. Because “[t]he pending appeal[] represent[s] [a] contested matter[] that ha[s] not been finally resolved . . . the case is not fully administered.” *In re 1095 Commonwealth Avenue Corp.*, 213 B.R. 794, 795 (Bankr. D. Mass. 1997) (internal citations omitted). Thus, the present cases are not “fully administered” because an adverse ruling by the appellate courts may result in a reversal of the Confirmation Order. A reversal of the Confirmation Order will have a significant impact on all Debtors.

18. Additionally, “[p]ending adversary proceeding[s] and other contested matters, as well as the imminence of [] scheduled hearings, are not ‘minor ministerial functions.’” *In re Swiss Chalet, Inc.*, 485 B.R. 47, 52 (Bankr. D.P.R. 2012) (quoting Alan N. Resnick & Henry J Sommer, 3 *Collier on Bankruptcy* ¶ 350.02 (16th ed. 2012)). The U.S. Trustee has sought a stay of the entire Confirmation Order or, in the alternative, the third-party release and related injunction provisions. The Bankruptcy Court scheduled a hearing on the Stay Motion for March 11, 2025. A hearing to stay the plan is not a minor ministerial function. Factor 6 supports denial of the Motion because the pending appeal of the Confirmation Order and the Stay Motion are significant contested matters that have not been fully resolved by the Bankruptcy Court.

19. Under the circumstances of these cases, this Court should find that these cases are not fully administered and deny the Motion.

CONCLUSION

20. The U.S. Trustee requests that the Court deny the Motion, without prejudice to the Debtors to refile the motion when the Debtors’ cases have been fully administered and grant such other relief as may be just and proper.

Date: February 21, 2025

Respectfully Submitted,

KEVIN M. EPSTEIN
UNITED STATES TRUSTEE
REGION 7, SOUTHERN AND WESTERN
DISTRICTS OF TEXAS

By: /s/ Ha M. Nguyen

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CERTIFICATE OF SERVICE

I hereby certify that on February 21, 2025 a copy of the foregoing *The United States Trustee's Objection to the Reorganized Debtors' Motion for Entry of Final Decree Closing Certain of the Chapter 11 Cases*, was served by electronic means for all Pacer system participants requesting notice.

/s/ Ha M. Nguyen

Ha Nguyen