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

In re:	:	Chapter 11
THE CONTAINER STORE GROUP, INC., *et al.*,	:	Case No. 24-90627 (ARP)
Reorganized Debtors.[1]	:	(Jointly Administered)

REPLY OF REORGANIZED DEBTORS IN SUPPORT OF MOTION FOR ENTRY OF FINAL DECREE CLOSING CERTAIN OF THE CHAPTER 11 CASES
[Relates to Docket Nos. 208 and 231]

The above-captioned reorganized debtors (collectively, the "***Reorganized Debtors***," as applicable) submit the following reply in support of the *Reorganized Debtors' Motion for Entry of Final Decree Closing Certain of the Chapter 11 Cases* [Docket No. 208] (the "***Motion***")[2] and in response to the objection thereto [Docket No. 231] (the "***Objection***") filed by the United States Trustee for the Southern District of Texas (the "***U.S. Trustee***") and respectfully state as follows:

1. The U.S. Trustee's appeal of the Confirmation Order (the "***Appeal***") is not a reason to deny the relief requested in the Motion. The Motion seeks only to close certain of the Chapter 11 Cases while leaving the Remaining Case of Debtor The Container Store Group, Inc. (which is the lead case of the jointly administered Chapter 11 Cases) open. As set forth in the Motion, the purpose of closing the Affiliate Cases is not to foreclose any party's substantive rights, but to

[1] The Reorganized Debtors in these cases, together with the last four digits of each Reorganized 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 Reorganized Debtors' mailing address is 500 Freeport Parkway, Coppell, TX 75019.

[2] Capitalized terms used but not defined herein have the meanings given to them in the Motion.

alleviate the financial and administrative burdens of maintaining open chapter 11 cases that have been fully administered.

2. Granting the relief requested in the Motion will not, in any way, prejudice or impair the substantive rights of the U.S. Trustee or any other party. The closing of the Affiliate Cases is an administrative procedure that will not impact the Appeal at all. The U.S. Trustee will still be able to prosecute the Appeal to the fullest extent regardless of whether the Affiliate Cases are closed. In the unlikely event (given the strong precedent against him) the U.S. Trustee prevails in the Appeal **and** the relevant appellate court orders relief that requires the Affiliate Cases to be open, they can be reopened quickly and easily. But these two eventualities are both highly speculative, and, to the extent they occur at all, could occur many months or even years in the future. Indeed the U.S. Trustee fails to point to any specific harm that would result from the closing of the Affiliate Cases.

3. Conversely, requiring the Affiliate Cases to remain open would subject the Reorganized Debtors to continued reporting requirements and significant fee obligations at a time when they should be focused on building their business thanks to the fresh start afforded by the Bankruptcy Code and this Court. As this Court is aware, appeals can take time. In many cases, appeals are not finally disposed of until several years after entry of the order being appealed. The Court should not require an operating business that has emerged from bankruptcy to continue to face these reporting and fee requirements, possibly for several years, particularly when there is no good reason to do so.

4. The only basis for denying the Motion stated in the Objection is that "all [Reorganized] Debtors are affected by the pending appeal of the Confirmation Order, [and] consequently, their cases are not fully administered." Objection ¶ 11. This is incorrect. As set

forth in the Motion, there a number of factors to be considered in determining whether a case has been fully administered, and not all the factors need to be present. Motion ¶ 12. Even with the pending Appeal (which had not been filed when the Reorganized Debtors filed the Motion), a majority of these factors continue to weigh in favor of full administration of the Affiliate Cases: (a) the Effective Date of the Plan has occurred, and occurred before the filing of the Appeal; accordingly, the transactions contemplated in the Plan were already consummated, distributions and payments required under the Plan have been made or will be made consistent with the timing anticipated under the Plan; (b) property has vested in the Reorganized Debtors under the Plan and any property to be transferred pursuant to the Plan has been transferred; (c) the Reorganized Debtors have assumed management and operation of the reorganized businesses; and (d) the Reorganized Debtors have fully paid or have commenced paying administrative and priority claims under the Plan, including to professionals.

5. Most importantly, the Objection completely fails to address the critical fact that the Plan has been substantially consummated. Substantial consummation of the plan is a key factor in considering whether issuing a final decree is appropriate. *See, e.g.*, *In re JCP Properties, Ltd.*, 540 B.R. 596, 605 (Bankr. S.D. Tex. 2015) (noting that "substantial consummation is the pivotal question here to determine the propriety of closing the [case]"); *In re McDonnell Horticulture, Inc.*, No. 12-09009-8-DMW, 2015 WL 1344254, at *2 (Bankr. E.D.N.C. Mar. 20, 2015) (noting the significant overlap between the factors for full administration and substantial consummation); *In re Valence Tech., Inc.*, No. 12-11580-CAG, 2014 WL 5320632, at *3 (Bankr. W.D. Tex. Oct. 17, 2014) ("Thus, the Reorganized Debtor has substantially consummated the Plan, and the case is, for all intents and purposes, fully administered."); *In re A.H. Robins Co.*, 219 B.R. 145, 149 (Bankr. E.D. Va. 1998) (noting that "[a] number of cases have held that a case is 'fully

administered' at the point of substantial consummation" and citing cases). As noted in the Motion, the Plan has been substantially consummated, and the Reorganized Debtors are now operating their go-forward business with all the contemplated transactions under the Plan complete. There is no practical purpose to keeping the Affiliate Cases open as the only matters that still need to be resolved, the Appeal and the Remaining Matters, can be administered in the Remaining Case, or, if necessary, the Affiliate Cases can be reopened.

6. Courts consistently hold that chapter 11 cases may be closed notwithstanding ongoing litigation, even appeals. For example, in *In re Valence Technology*, the court noted that "it is well-established that the continuation of an adversary proceeding is insufficient by itself to keep a case from being considered fully administered." *In re Valence Tech, Inc.* 2014 WL 5320632 at *4 (cleaned up) (citing cases). Continuing that logic, the court went on to hold that existence of appeals of certain orders "should not prevent entry of a final decree closing this case." *Id.*; *see also In re Provident Fin., Inc.*, No. ADV.10-00001, 2010 WL 6259973, at *9 (B.A.P. 9th Cir. Oct. 12, 2010), *aff'd*, 466 F. App'x 672 (9th Cir. 2012) (holding that pendency of appeal in chapter 11 case did not prevent bankruptcy court from entering final decree). The Fifth Circuit has also noted that "entry of a final decree should not be delayed because the bankruptcy court's jurisdiction might be required in the future." *In re Clayton*, 101 F.3d 697 (5th Cir. 1996) (unpublished table decision) (internal quotations omitted).

7. While none of these cases featured an appeal of a confirmation order, the Debtors submit that the facts and circumstances of these Chapter 11 Cases warrant closure of the Affiliate Cases notwithstanding the Appeal. Specifically, there is nothing more that needs to be done in the Affiliate Cases that warrant keeping them open beyond the outside possibility that the U.S. Trustee will succeed in the Appeal and that the relevant appellate court will order relief that requires the

Affiliate Cases to be open. Both of these eventualities are speculative and can easily be addressed by reopening the cases. What is certain to occur is that the Affiliate Debtors will continue to have to file reports and incur quarterly fee obligations. In particular, Affiliate Debtor The Container Store, Inc. is the main operating entity of the Reorganized Debtors and makes hundreds of millions of dollars in disbursements each month. Accordingly, The Container Store, Inc. will be required to pay the maximum $250,000 fee every quarter its case remains open. This would require payment of over $1 million in fees if the Appeal lasts for only one year. The U.S. Trustee is essentially asking the Reorganized Debtors to fund the Appeal against their own Confirmation Order for as long as the Appeal remains pending.[3]

8. Keeping the Affiliate Cases open after they have been substantially consummated will impose ongoing burdens on the Reorganized Debtors for no valid purpose. Such a result is inequitable, and the Court should overrule the Objection and grant the Motion.

[3] At least one court has held that a chapter 11 case should not be closed while there is pending appeal of its confirmation order. *See In re SLI, Inc.*, No. 02-12608 (WS), 2005 WL 1668396, at *2 (Bankr. D. Del. June 24, 2005). However, the appeal in that case explicitly sought full reversal of the confirmation order. Here, the U.S. Trustee requests only that the district court "strike the third-party release and related injunction from the confirmation order and plan." Appellants' Br. at 2-3 [S.D. Tex., Case No. 25-cv-618, Docket No. 2]. Further, at the time that case was decided, the estimated amount of fees the debtors would be required to pay was only $5,000 per quarter. The court took this into consideration when determining whether the cases should be closed *See Id.* *3 ("Furthermore, in the context of Debtors' multimillion dollar business, the amount (an estimated $5,000 per quarter) is relatively insignificant."). Given that the appeal in *SLI* sought broader relief than the U.S. Trustee seeks here and that the quarterly fees are now several orders of magnitude greater, the Debtors submit that this case offers very little persuasive authority.

Dated: February 26, 2025
Houston, Texas

Respectfully submitted,

/s/ Timothy A. ("Tad") Davidson II

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Certificate of Service

I certify that on February 26, 2025, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas on those parties registered to receive electronic notices.

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