MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS LP
Form 4
October 09, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS LP

(Last) (First) (Middle)

C/O MATLINPATTERSON GLOBAL ADVISERS LLC, 520 MADISON AVENUE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Huntsman CORP [HUN]

3. Date of Earliest Transaction (Month/Day/Year)
10/07/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/07/2009		S (1)		935,164	D	$ 8.7437 (2)	0	D	
Common Stock								1,783,701	I	By HMP Equity Trust (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control

SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS LP C/O MATLINPATTERSON GLOBAL ADVISERS LLC 520 MADISON AVENUE NEW YORK, NY 10022		X		

Signatures

MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS L.P. BY: MATLINPATTERSON GLOBAL ADVISERS, LLC, ITS INVESTMENT ADVISOR, BY: /s/ ROBERT H. WEISS, GENERAL COUNSEL	10/07/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Reflects a sale of shares held by the reporting person in an open market transactions. The reporting person contributed the shares to the HMP Equity Trust in 2005 and the trust returned the shares in September 2009. Prior to such return, the reporting person had an indirect beneficial ownership interest in the shares as a beneficiary of such trust.

(2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $8.700 per share to $8.860 per share. The Reporting Person undertakes to provide, upon request by the Commission staff, the Issuer, or any security holder of the Issuer, full information regarding the number of shares purchased at each separate price within the range set forth in this footnote to this Form 4.

(3) The reporting person shares dispositive power over certain shares held by HMP Equity Trust. The reporting person disclaims beneficial ownership of the shares held by HMP Equity Trust except to the extent of its pecuniary interest therein, and the reporting of the shares held by HMP Equity Trust in Table I above by the reporting person shall not be deemed to be an admission of beneficial ownership of any such shares for purposes of Section 16 or for any other purpose.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

 Income (loss) from operations

6.3

%

3.6

%

2.8

%

0.0

%

Interest expense, net

3.3

%

2.7

%

3.6

%

2.5

%

Loss on extinguishment of debt

0.9

1.1

0.5

0.6

Income (loss) before taxes

2.1

%

Explanation of Responses:

(0.2)

%

(1.3)

%

(3.1)

%

Provision (benefit) for income taxes

0.6

%

0.2

%

(0.5)

%

(1.0)

%

Net income (loss)

1.4

%

(0.4)

%

(0.8)

%

(2.1)

%

Operating data:

Comparable store sales growth for the period (1)

1.3

%

1.9

%

2.9

%

0.4

%

Number of stores open at end of period

92

88

92

88

Non GAAP measures (2):

Adjusted EBITDA (3)

$

24,347

$

26,516

$

36,738

$

32,946

Adjusted net income (4)

$

4,748

$

5,544

$

736

$

70

Adjusted net income per common share—diluted (4)

Explanation of Responses:

$

0.10

$

0.12

$

0.02

$

$
0.00

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(1) A store is included in the comparable store sales calculation on the first day of the sixteenth full fiscal month following the store's opening. Comparable store sales reflect the point at which merchandise and service orders are fulfilled and delivered to customers, excluding shipping and delivery, and are net of discounts and returns. When a store is relocated, we continue to consider net sales from that store to be comparable store sales. Website, call center and business-to-business net sales are also included in calculations of comparable store sales.

(2) We have presented EBITDA, Adjusted EBITDA, adjusted net income, and adjusted net income per diluted share as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. These non-GAAP measures should not be considered as alternatives to net income (loss) as a measure of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. These non-GAAP measures are key metrics used by management, our board of directors, and LGP to assess our financial performance. We present these non-GAAP measures because we believe they assist investors in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance and because we believe it is useful for investors to see the measures that management uses to evaluate the Company. These non-GAAP measures are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. In evaluating these non-GAAP measures, you should be aware that in the future we will incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these non-GAAP measures should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying on our GAAP results in addition to

using non-GAAP measures supplementally. Our non-GAAP measures are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation. Please refer to footnotes (3) and (4) of this table for further information regarding why we believe each non-GAAP measure provides useful information to investors regarding our financial condition and results of operations, as well as the additional purposes for which management uses each non-GAAP financial measure.

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Additionally, this Management's Discussion and Analysis also refers to Elfa third-party net sales after the conversion of Elfa's net sales from Swedish krona to U.S. dollars using the prior year's conversion rate. The Company believes the disclosure of Elfa third-party net sales without the effects of currency exchange rate fluctuations helps investors understand the Company's underlying performance.

(3) EBITDA and Adjusted EBITDA have been presented in this Quarterly Report on Form 10-Q as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, taxes, depreciation, and amortization. Adjusted EBITDA is calculated in accordance with our Secured Term Loan Facility and the Revolving Credit Facility and is one of the components for performance evaluation under our executive compensation programs. Adjusted EBITDA reflects further adjustments to EBITDA to eliminate the impact of certain items, including certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance from period to period as discussed further below.

EBITDA and Adjusted EBITDA, are included in this Quarterly Report on Form 10-Q because they are key metrics used by management, our board of directors and LGP to assess our financial performance. In addition, we use Adjusted EBITDA in connection with covenant compliance and executive performance evaluations, and we use Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. We believe it is useful for investors to see the measures that management uses to evaluate the Company, its executives and our covenant compliance, as applicable. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are not GAAP measures of our financial performance or liquidity and should not be considered as alternatives to net income (loss) as a measure of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not reflect certain cash requirements such as tax payments, debt service requirements, capital expenditures, store openings and certain other cash costs that may recur in the future. EBITDA and Adjusted EBITDA contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the adjustments in this presentation, such as pre-opening costs and stock compensation expense. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying on our GAAP results in addition to using EBITDA and Adjusted EBITDA supplementally. Our measures of EBITDA and Adjusted EBITDA margin are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA is set forth below:

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	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income (loss)	$ 3,241	$ (875)	$ (3,523)	$ (8,552)
Depreciation and amortization	9,128	9,505	18,465	19,047
Interest expense, net	7,377	5,873	15,285	10,098
Income tax provision (benefit)	1,417	517	(2,063)	(4,068)
EBITDA	21,163	15,020	28,164	16,525
Pre-opening costs (a)	881	1,418	1,227	2,804
Non-cash rent (b)	(581)	(276)	(1,218)	(737)
Stock-based compensation (c)	769	510	1,355	1,004
Loss on extinguishment of debt (d)	2,082	2,369	2,082	2,369
Foreign exchange losses (e)	9	130	47	54
Optimization Plan implementation charges (f)	—	6,786	4,864	10,320
Elfa manufacturing facility closure (g)	—	517	—	517
Other adjustments (h)	24	42	217	90
Adjusted EBITDA	$ 24,347	$ 26,516	$ 36,738	$ 32,946

(a) Non-capital expenditures associated with opening new stores and relocating stores, including rent, marketing expenses, travel and relocation costs, and training costs. We adjust for these costs to facilitate comparisons of our performance from period to period.

(b) Reflects the extent to which our annual GAAP rent expense has been above or below our cash rent payment due to lease accounting adjustments. The adjustment varies depending on the average age of our lease portfolio (weighted for size), as our GAAP rent expense on younger leases typically exceeds our cash cost, while our GAAP rent expense on older leases is typically less than our cash cost.

(c) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on volume and vesting timing of awards. We adjust for these charges to facilitate comparisons from period to period.

(d) Loss recorded as a result of the amendments made to the Senior Secured Term Loan Facility in September 2018 and the amendments made to the Senior Secured Term Loan Facility and the Revolving Credit Facility in August 2017, which we do not consider in our evaluation of our ongoing operations.

(e) Realized foreign exchange transactional gains/losses our management does not consider in our evaluation of our ongoing operations.

(f) Charges incurred to implement our Optimization Plan, which include certain consulting costs recorded in selling, general and administrative expenses in the first quarter of fiscal 2018 and the first and second quarters of fiscal 2017, cash severance payments associated with the elimination of certain full-time positions at the TCS segment recorded in other expenses in the first and second quarters of fiscal 2017, and cash severance payments associated with organizational realignment at the Elfa segment recorded in other expenses in the first and second quarters of fiscal 2017, which we do not consider in our evaluation of ongoing performance.

(g) Charges related to the closure of an Elfa manufacturing facility in Lahti, Finland in December 2017, recorded in other expenses, which we do not consider in our evaluation of our ongoing performance.

(h) Other adjustments include amounts our management does not consider in our evaluation of our ongoing operations, including certain severance and other charges.

(4) Adjusted net income and adjusted net income per diluted share have been presented in this Quarterly Report on Form 10-Q as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define adjusted net income as net income (loss) before distributions accumulated to preferred

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shareholders, stock-based compensation and other costs in connection with our IPO, restructuring charges, impairment charges related to intangible assets, losses on extinguishment of debt, certain gains on disposal of assets, certain management transition costs incurred and benefits realized, charges incurred as part of the implementation of our Optimization Plan, charges associated with an Elfa manufacturing facility closure, and the tax impact of these adjustments and other unusual or infrequent tax items. We define adjusted net income per diluted share as adjusted net income divided by the diluted weighted average common shares outstanding. We use adjusted net income and adjusted net income per diluted share to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. We present adjusted net income and adjusted net income per diluted share because we believe they assist investors in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance and because we believe it is useful for investors to see the measures that management uses to evaluate the Company.

A reconciliation of the GAAP financial measures of net income (loss) and net income (loss) per diluted share to the non-GAAP financial measures of adjusted net income and adjusted net income per diluted share is set forth below:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Numerator:				
Net income (loss)	$ 3,241	$ (875)	$ (3,523)	$ (8,552)
Elfa manufacturing facility closure (a)	—	517	—	517
Loss on extinguishment of debt (b)	2,082	2,369	2,082	2,369
Optimization Plan implementation charges (c)	—	6,786	4,864	10,320
Taxes (d)	(575)	(3,253)	(2,687)	(4,584)
Adjusted net income	$ 4,748	$ 5,544	$ 736	$ 70
Denominator:				
Weighted-average common shares outstanding—diluted	48,519,166	48,058,231	48,138,907	48,053,084
Net income per common share—diluted	$ 0.07	$ (0.02)	$ (0.07)	$ (0.18)
Adjusted net income per common share—diluted	$ 0.10	$ 0.12	$ 0.02	$ 0.00

(a) Charges related to the closure of an Elfa manufacturing facility in Lahti, Finland in December 2017, recorded in other expenses, which we do not consider in our evaluation of our ongoing performance.

(b) Loss recorded as a result of the amendments made to the Senior Secured Term Loan Facility in September 2018 and the amendments made to the Senior Secured Term Loan Facility and the Revolving Credit Facility in August 2017, which we do not consider in our evaluation of our ongoing operations.

(c) Charges incurred to implement our Optimization Plan, which include certain consulting costs recorded in selling, general and administrative expenses in the first quarter of fiscal 2018 and the first and second quarters of fiscal 2017, cash severance payments associated with the elimination of certain full-time positions at the TCS segment recorded in other expenses in the first and second quarters of fiscal 2017, and cash severance payments associated with organizational realignment at the Elfa segment recorded in other expenses in the first and second quarters of fiscal 2017, which we do not consider in our evaluation of ongoing performance.

(d) Tax impact of adjustments to net income (loss), as well as the estimated impact of the Tax Cuts and Jobs Act enacted in fiscal 2017 and the tax benefit recorded in the first quarter of fiscal 2018 as a result of a reduction in the Swedish tax rate, which are considered to be unusual or infrequent tax items, all of which we do not consider in our evaluation of ongoing performance.

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Thirteen Weeks Ended September 29, 2018 Compared to Thirteen Weeks Ended September 30, 2017

Net sales

The following table summarizes our net sales for each of the thirteen weeks ended September 29, 2018 and September 30, 2017:

	September 29, 2018	% total		September 30, 2017	% total	
TCS net sales	$ 208,915	93.1	%	$ 202,321	92.6	%
Elfa third party net sales	15,538	6.9	%	16,089	7.4	%
Net sales	$ 224,453	100.0	%	$ 218,410	100.0	%

Net sales in the thirteen weeks ended September 29, 2018 increased by $6,043, or 2.8%, compared to the thirteen weeks ended September 30, 2017. This increase is comprised of the following components:

	Net sales
Net sales for the thirteen weeks ended September 30, 2017	$ 218,410
Incremental net sales increase (decrease) due to:	
Comparable stores (including a $3,082, or 18.4%, increase in online sales)	2,639
New stores	3,850
Elfa third party net sales (excluding impact of foreign currency translation)	934
Impact of foreign currency translation on Elfa third party net sales	(1,485)
Shipping and delivery	105
Net sales for the thirteen weeks ended September 29, 2018	$ 224,453

In the thirteen weeks ended September 29, 2018, comparable stores generated a $2,639, or 1.3%, increase in net sales. Additionally, six new stores generated $3,850 of incremental net sales, four of which were opened during fiscal 2017 and two of which were opened in the first twenty-six weeks of fiscal 2018. Elfa third party net sales decreased $551 in the thirteen weeks ended September 29, 2018. After converting Elfa's third party net sales from Swedish krona to U.S. dollars using the prior year's conversion rate for both the thirteen weeks ended September 29, 2018 and thirteen weeks ended September 30, 2017, Elfa third party net sales increased $934 primarily due to higher net sales in Nordic markets.

Gross profit and gross margin

Gross profit in the thirteen weeks ended September 29, 2018 increased by $4,201, or 3.3%, compared to the thirteen weeks ended September 30, 2017. The increase in gross profit was primarily the result of increased consolidated net sales, combined with an increase in consolidated gross margin. The following table summarizes the gross margin for the thirteen weeks ended September 29, 2018 and September 30, 2017 by segment and total. The segment gross margins include the impact of inter-segment net sales from the Elfa segment to the TCS segment:

	September 29, 2018		September 30, 2017	
TCS gross margin	57.8	%	57.1	%
Elfa gross margin	34.9	%	38.2	%
Total gross margin	58.2	%	57.9	%

TCS gross margin increased 70 basis points primarily due to lower cost of goods associated with the Optimization Plan, partially offset by higher promotional activities and increased costs associated with shipping services. Elfa gross margin decreased 330 basis points primarily due to higher direct materials costs attributable to a shift in product mix and a weaker Swedish krona during the quarter. In total, gross margin increased 30 basis points primarily due to the increase in TCS gross margin during the quarter.

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Selling, general and administrative expenses

Selling, general and administrative expenses (“SG&A”) in the thirteen weeks ended September 29, 2018 decreased by $676, or 0.6%, compared to the thirteen weeks ended September 30, 2017. As a percentage of consolidated net sales, SG&A decreased by 160 basis points. The following table summarizes SG&A as a percentage of total net sales for the thirteen weeks ended September 29, 2018 and September 30, 2017:

	September 29, 2018 % of Net sales		September 30, 2017 % of Net sales	
TCS selling, general and administrative	44.1	%	45.0	%
Elfa selling, general and administrative	3.0	%	3.7	%
Total selling, general and administrative	47.1	%	48.7	%

TCS selling, general and administrative expenses decreased by 90 basis points as a percentage of consolidated net sales. This was primarily due to consulting costs incurred as part of the implementation of the Optimization Plan in the second quarter of fiscal 2017, which contributed 310 basis points to the decrease in the second quarter of fiscal 2018. This was partially offset by a 220 basis points increase in SG&A expense as a percentage of net sales, primarily due to increased marketing expense associated with the branding campaign launch in the second quarter of fiscal 2018, as well as higher payroll and self-insurance costs. Elfa selling, general and administrative expenses decreased by 70 basis points as a percentage of consolidated net sales, primarily due to ongoing savings and efficiency efforts.

Pre-opening costs

Pre-opening costs decreased by $537, or 37.9%, in the thirteen weeks ended September 29, 2018 to $881, as compared to $1,418 in the thirteen weeks ended September 30, 2017. The decrease is primarily due to the incurrence of pre-opening costs in the second quarter of fiscal 2017 for two stores that opened early in the third quarter of fiscal 2017. We opened one store in the thirteen weeks ended September 29, 2018, and we opened one store in the thirteen weeks ended September 30, 2017.

Other expenses

Other expenses of $24 were recorded in the thirteen weeks ended September 29, 2018, as compared to $623 in the thirteen weeks ended September 30, 2017. The $599 decrease in other expenses is primarily due to expenses incurred in the first half of fiscal 2017 in connection with the closure of the Elfa manufacturing facility in Lahti, Finland in December 2017.

Interest expense and loss on extinguishment of debt

Interest expense increased by $1,504, or 25.6%, in the thirteen weeks ended September 29, 2018 to $7,377, as compared to $5,873 in the thirteen weeks ended September 30, 2017. On September 14, 2018, we entered into a fifth amendment (the “Fifth Amendment”) to the Credit Agreement dated as of April 6, 2012 (“Senior Secured Term Loan Facility”). The Fifth Amendment amended the Senior Secured Term Loan Facility to, among other things, decrease the applicable interest rate margin to 5.00% for LIBOR loans and 4.00% for base rate loans. The lower interest expense as a result of the Fifth Amendment partly offset the higher interest expense resulting from a previous amendment in August 2017, which increased the applicable interest rate margins. As a result of entering the Fifth Amendment, we expect to incur approximately $28,000 of total interest expense in fiscal 2018.

Additionally, we recorded a loss on extinguishment of debt of $2,082 and $2,369 in the second quarters of fiscal 2018 and 2017, respectively, as a result of the amendments to the Senior Secured Term Loan Facility.

Taxes

The provision for income taxes in the thirteen weeks ended September 29, 2018 was $1,417 as compared to $517 in the thirteen weeks ended September 30, 2017. The effective tax rate for the thirteen weeks ended September 29, 2018 was

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30.4%, as compared to -144.4% in the thirteen weeks ended September 30, 2017. The increase in the effective tax rate is primarily due to the impact of a pre-tax income position in the second quarter of fiscal 2018, as compared to a pre-tax loss position in the second quarter of fiscal 2017.

Twenty-Six Weeks Ended September 29, 2018 Compared to Twenty-Six Weeks Ended September 30, 2017

Net sales

The following table summarizes our net sales for each of the twenty-six weeks ended September 29, 2018 and September 30, 2017:

	September 29, 2018	% total		September 30, 2017	% total	
TCS net sales	$ 388,997	92.6	%	$ 369,380	92.0	%
Elfa third party net sales	31,279	7.4	%	32,098	8.0	%
Net sales	$ 420,276	100.0	%	$ 401,478	100.0	%

Net sales in the twenty-six weeks ended September 29, 2018 increased by $18,798, or 4.7%, compared to the twenty-six weeks ended September 30, 2017. This increase is comprised of the following components:

	Net sales
Net sales for the twenty-six weeks ended September 30, 2017	$ 401,478
Incremental net sales increase (decrease) due to:	
Comparable stores (including a $6,710, or 21.9%, increase in online sales)	10,368
New stores	9,129
Elfa third party net sales (excluding impact of foreign currency translation)	423
Impact of foreign currency translation on Elfa third party net sales	(1,243)
Shipping and delivery	121
Net sales for the twenty-six weeks ended September 29, 2018	$ 420,276

In the twenty-six weeks ended September 29, 2018, comparable stores generated a $10,368, or 2.9%, increase in net sales. Additionally, six new stores generated $9,129 of incremental net sales, four of which were opened during fiscal 2017 and two of which were opened in the first twenty-six weeks of fiscal 2018. Elfa third party net sales decreased $820 in the twenty-six weeks ended September 29, 2018. After converting Elfa's third party net sales from Swedish krona to U.S. dollars using the prior year's conversion rate for both the twenty-six weeks ended September 29, 2018 and twenty-six weeks ended September 30, 2017, Elfa third party net sales increased $423 primarily due to higher net sales in Nordic markets.

Gross profit and gross margin

Gross profit in the twenty-six weeks ended September 29, 2018 increased by $15,362, or 6.7%, compared to the twenty-six weeks ended September 30, 2017. The increase in gross profit was primarily the result of increased consolidated net sales, combined with an increase in consolidated gross margin. The following table summarizes the gross margin for the twenty-six weeks ended September 29, 2018 and September 30, 2017 by segment and total. The segment gross margins include the impact of inter-segment net sales from the Elfa segment to the TCS segment:

	September 29, 2018		September 30, 2017	
TCS gross margin	57.9	%	56.8	%
Elfa gross margin	36.0	%	38.6	%
Total gross margin	58.4	%	57.3	%

TCS gross margin increased 110 basis points primarily due to lower cost of goods associated with the Optimization Plan, partially offset by increased costs associated with shipping services and higher promotional activities. Elfa gross margin decreased 260 basis points primarily due to higher direct materials costs attributable to a shift in product mix and a

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weaker Swedish krona during the first half of fiscal 2018. In total, gross margin increased 110 basis points primarily due to the increase in TCS gross margin during the first half of fiscal 2018.

Selling, general and administrative expenses

SG&A in the twenty-six weeks ended September 29, 2018 increased by $9,289, or 4.6%, compared to the twenty-six weeks ended September 30, 2017. As a percentage of consolidated net sales, SG&A decreased by 10 basis points. The following table summarizes SG&A as a percentage of total net sales for the twenty-six weeks ended September 29, 2018 and September 30, 2017:

	September 29, 2018		September 30, 2017	
	% of Net sales		% of Net sales	
TCS selling, general and administrative	47.0	%	46.4	%
Elfa selling, general and administrative	3.5	%	4.2	%
Total selling, general and administrative	50.5	%	50.6	%

TCS selling, general and administrative expenses increased by 60 basis points as a percentage of consolidated net sales. The increase is primarily due to increased marketing expense associated with the branding campaign launch in the second quarter of fiscal 2018, as well as higher self-insurance and payroll costs during the first half of the year. These increases were partially offset by a 50 basis points decrease related to consulting costs as part of the implementation of the Optimization Plan in the first twenty-six weeks of fiscal 2018 compared to the prior year comparable period. Elfa selling, general and administrative expenses decreased by 70 basis points as a percentage of consolidated net sales, primarily due to ongoing savings and efficiency efforts.

Pre-opening costs

Pre-opening costs decreased by $1,577, or 56.2%, in the twenty-six weeks ended September 29, 2018 to $1,227, as compared to $2,804 in the twenty-six weeks ended September 30, 2017. We opened two stores in the twenty-six weeks ended September 29, 2018, and we opened two stores in the twenty-six weeks ended September 30, 2017. The decrease is primarily due to the incurrence of pre-opening costs in the twenty-six weeks ended September 30, 2017 for two stores that opened early in the third quarter of fiscal 2017.

Other expenses

Other expenses of $217 were recorded in the twenty-six weeks ended September 29, 2018, as compared to $4,157 in the twenty-six weeks ended September 30, 2017. The $3,940 decrease in other expenses is primarily due to severance costs incurred in the first twenty-six weeks of fiscal 2017 associated with the Optimization Plan.

Interest expense and loss on extinguishment of debt

Interest expense increased by $5,187, or 51.4%, in the twenty-six weeks ended September 29, 2018 to $15,285, as compared to $10,098 in the twenty-six weeks ended September 30, 2017. The increase is primarily due to the amendment of our Senior Secured Term Loan Facility in the second quarter of fiscal 2017, which increased the applicable interest rate margins.

Additionally, we recorded a loss on extinguishment of debt of $2,082 and $2,369 in the second quarters of fiscal 2018 and 2017, respectively, as a result of the amendments to the Senior Secured Term Loan Facility.

Taxes

The benefit for income taxes in the twenty-six weeks ended September 29, 2018 was $2,063 as compared to a benefit of $4,068, in the twenty-six weeks ended September 30, 2017. The effective tax rate for the twenty-six weeks ended September 29, 2018 was 36.9%, as compared to 32.2% in the twenty-six weeks ended September 30, 2017. The increase

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in the effective tax rate is primarily due to the benefit for the remeasurement of deferred tax balances recorded in the first quarter of fiscal 2018 as a result of a change in the Swedish tax rate.

Liquidity and Capital Resources

We rely on cash flows from operations, our $100,000 asset-based revolving credit agreement (the “Revolving Credit Facility” as further discussed under “Revolving Credit Facility” below), and the SEK 140.0 million (approximately $15.8 million as of September 29, 2018) 2014 Elfa revolving credit facility (the “2014 Elfa Revolving Credit Facility” as further discussed under “2014 Elfa Senior Secured Credit Facilities” below) as our primary sources of liquidity. Our primary cash needs are for merchandise inventories, direct materials, payroll, store rent, capital expenditures associated with opening new stores and updating existing stores, as well as information technology and infrastructure, including our existing and future distribution centers, and Elfa manufacturing facility enhancements. The most significant components of our operating assets and liabilities are merchandise inventories, accounts receivable, prepaid expenses and other assets, accounts payable, other current and non-current liabilities, taxes receivable and taxes payable. Our liquidity fluctuates as a result of our building inventory for key selling periods, and as a result, our borrowings are generally higher during these periods when compared to the rest of our fiscal year. Our borrowings generally increase in our second and third fiscal quarters as we prepare for Our Annual Shelving Sale, the holiday season, and Our Annual elfa® Sale. We believe that cash expected to be generated from operations and the availability of borrowings under the Revolving Credit Facility and the 2014 Elfa Revolving Credit Facility will be sufficient to meet liquidity requirements, anticipated capital expenditures, and payments due under our existing credit facilities for at least the next 12 months. In the future, we may seek to raise additional capital, which could be in the form of loans, bonds, convertible debt or equity, to fund our operations and capital expenditures. There can be no assurance that we will be able to raise additional capital on favorable terms.

At September 29, 2018, we had $7,212 of cash, of which $3,327 was held by our foreign subsidiaries. In addition, we had $58,945 of additional availability under the Revolving Credit Facility and approximately $14,641 of additional availability under the 2014 Elfa Revolving Credit Facility as of September 29, 2018. There were $3,852 in letters of credit outstanding under the Revolving Credit Facility and other contracts at that date.

Pursuant to the Tax Act, we will be required to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred. We recorded a provisional amount of $8,521 for the one-time transition tax in fiscal 2017, which is required to be paid in installments over 8 years. Future amounts earned in our foreign subsidiaries are not expected to be subject to federal income taxes upon transfer to the United States. However, if these funds were transferred to the United States, we may be required to pay taxes in certain international jurisdictions as well as certain states. It is our intent to indefinitely reinvest these funds outside the United States.

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Cash flow analysis

A summary of our operating, investing and financing activities are shown in the following table:

	Twenty-Six Weeks Ended	
	September 29, 2018	September 30, 2017
Net cash provided by operating activities	$ 8,136	$ 22,956
Net cash used in investing activities	(10,662)	(13,111)
Net cash provided by (used in) financing activities	1,774	(10,824)
Effect of exchange rate changes on cash	(435)	388
Net decrease in cash	$ (1,187)	$ (591)
Free cash flow (Non-GAAP)(1)	$ (2,533)	$ 9,827

(1) See below for a discussion of this non-GAAP financial measure and reconciliation to its most directly comparable GAAP financial measure

Net cash provided by operating activities

Cash from operating activities consists primarily of net income (loss) adjusted for non-cash items, including depreciation and amortization, deferred taxes and the effect of changes in operating assets and liabilities.

Net cash provided by operating activities was $8,136 for the twenty-six weeks ended September 29, 2018. Non-cash items of $20,433 were partially offset by net loss of $3,523 and a net change in operating assets and liabilities of $8,774. The net change in operating assets and liabilities is primarily due to an increase in merchandise inventory and a decrease in income taxes payable, partially offset by a decrease in accounts payable and accrued liabilities during the twenty-six weeks ended September 29, 2018.

Net cash provided by operating activities was $22,956 for the twenty-six weeks ended September 30, 2017. Non-cash items of $19,664 and a net change in operating assets and liabilities of $11,844, primarily due to an increase in accounts payable and accrued liabilities, were partially offset by net loss of $8,552 during the twenty-six weeks ended September 30, 2017.

Net cash used in investing activities

Investing activities consist primarily of capital expenditures for new store openings, existing store remodels, infrastructure, information systems, and our distribution centers.

Our total capital expenditures for the twenty-six weeks ended September 29, 2018 were $10,669 with new store openings, relocations and existing store remodels accounting for slightly less than half of spending at $5,099. We opened two stores during the twenty-six weeks ended September 29, 2018. The remaining capital expenditures of $5,570 were primarily for investments in our distribution centers and information technology.

Our total capital expenditures for the twenty-six weeks ended September 30, 2017 were $13,129 with new store openings, relocations and existing store remodels accounting for more than half of spending at $7,844. We opened two new stores during the twenty-six weeks ended September 30, 2017. The remaining capital expenditures of $5,285 were primarily for investments in information technology, our corporate offices and distribution center enhancements.

Net cash provided by financing activities

Financing activities consist primarily of borrowings and payments under the Senior Secured Term Loan Facility, the Revolving Credit Facility, and the Elfa Revolving Credit Facility.

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Net cash provided by financing activities was $1,774 for the twenty-six weeks ended September 29, 2018. This included proceeds of $25,000 from borrowings under the Revolving Credit Facility combined with net proceeds of $1,137 from borrowings under the 2014 Elfa Revolving Credit Facility to support higher working capital needs. The net proceeds of the revolver borrowings were partially offset by net payments of $21,997 for repayment of long-term indebtedness, debt issuance costs of $2,244, and $122 for taxes paid with the withholding of shares upon vesting of restricted stock awards.

Net cash used in financing activities was $10,824 for the twenty-six weeks ended September 30, 2017. This included $11,234 for payment of debt issuance costs, net payments of $19,551 for repayment of long-term indebtedness, and $39 for taxes paid with the withholding of shares upon vesting of restricted stock awards partially offset by net proceeds of $20,000 from borrowings under the Revolving Credit Facility.

As of September 29, 2018, TCS had a total of $58,945 of unused borrowing availability under the Revolving Credit Facility, and $25,000 of borrowings outstanding under the Revolving Credit Facility.

As of September 29, 2018, Elfa had a total of $14,641 of unused borrowing availability under the 2014 Elfa Revolving Credit Facility and $1,128 borrowings outstanding under the 2014 Elfa Revolving Credit Facility.

Free cash flow (Non-GAAP)

We present free cash flow, which we define as net cash provided by (used in) operating activities in a period minus payments for property and equipment made in that period, because we believe it is a useful indicator of the Company's overall liquidity, as the amount of free cash flow generated in any period is representative of cash that is available for debt repayment, investment, and other discretionary and non-discretionary cash uses. Accordingly, we believe that free cash flow provides useful information to investors in understanding and evaluating our liquidity in the same manner as management. Our definition of free cash flow is limited in that it does not solely represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our Consolidated Statements of Cash Flows. Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by our management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.

Our free cash flow fluctuates as a result of seasonality of net sales, building inventory for key selling periods, and timing of investments in new store openings, existing store remodels, infrastructure, information systems, and our distribution center, among other things. Historically, our free cash flow has been lower in the first half of the fiscal year, due to lower net sales, operating income, and cash flows from operations, and as such, is not necessarily indicative of the free cash flow for the full year.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow:

	Twenty-Six Weeks Ended	
	September 29, 2018	September 30, 2017
Net cash provided by operating activities	$ 8,136	$ 22,956
Less: Additions to property and equipment	(10,669)	(13,129)
Free cash flow	$ (2,533)	$ 9,827

Senior Secured Term Loan Facility

On April 6, 2012, The Container Store Group, Inc., The Container Store, Inc. and certain of our domestic subsidiaries entered into the Senior Secured Term Loan Facility. On September 14, 2018 (the "Effective Date"), the Company entered into a Fifth Amendment to the Senior Secured Term Loan Facility. The Fifth Amendment amended the Senior

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Secured Term Loan Facility to, among other things, (i) extend the maturity date of the loans under the Senior Secured Term Loan Facility to September 14, 2023, (ii) decrease the applicable interest rate margin to 5.00% for LIBOR loans and 4.00% for base rate loans and, beginning from the date that a compliance certificate is delivered to the administrative agent for the fiscal year ending March 30, 2019, allow the applicable interest rate margin to step down to 4.75% for LIBOR loans and 3.75% for base rate loans upon achievement of a consolidated leverage ratio equal to or less than 2.75:1.00, and (iii) impose a 1.00% premium if a voluntary prepayment is made from the proceeds of a repricing transaction within 12 months after the Effective Date.

In connection with the Fifth Amendment, we repaid $20,000 of the outstanding loans under the Senior Secured Term Loan Facility, which reduced the aggregate principal amount of the Senior Secured Term Loan Facility to $272,500. We drew down a net amount of approximately $10,000 on our revolving credit facility in connection with the closing of the Fifth Amendment.

The Senior Secured Term Loan Facility is secured by (a) a first priority security interest in substantially all of our assets (excluding stock in foreign subsidiaries in excess of 65%, assets of non-guarantors and certain other exceptions) (other than the collateral that secures the Revolving Credit Facility described below on a first-priority basis) and (b) a second priority security interest in the assets securing the Revolving Credit Facility described below on a first-priority basis. Obligations under the Senior Secured Term Loan Facility are guaranteed by The Container Store Group, Inc. and each of The Container Store, Inc.'s U.S. subsidiaries. The Senior Secured Term Loan Facility contains a number of covenants that, among other things, restrict our ability, subject to specified exceptions, to incur additional debt; incur additional liens and contingent liabilities; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve ourselves, engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the financing agreements contain certain cross-default provisions and also require certain mandatory prepayments of the Senior Secured Term Loan Facility, among these an Excess Cash Flow requirement (as such term is defined in the Senior Secured Term Loan Facility). As of September 29, 2018, we were in compliance with all covenants and no Event of Default (as such term is defined in the Senior Secured Term Loan Facility) had occurred.

Revolving Credit Facility

On April 6, 2012, The Container Store Group, Inc., The Container Store, Inc. and certain of our domestic subsidiaries entered into an asset-based revolving credit agreement with the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, and Wells Fargo Bank, National Association, as Syndication Agent (as amended, the "Revolving Credit Facility"). The maturity date of the loans under the Revolving Credit Facility is the earlier of (i) August 18, 2022 and (ii) May 18, 2021 if any portion of the Senior Secured Term Loan Facility remains outstanding on such date and the maturity date of the Senior Secured Term Loan Facility is not extended.

The aggregate principal amount of the facility is $100,000. Borrowings under the Revolving Credit Facility accrue interest at LIBOR+1.25%. In addition, the Revolving Credit Facility includes an uncommitted incremental revolving facility in the amount of $50,000, which is subject to receipt of lender commitments and satisfaction of specified conditions.

The Revolving Credit Facility provides that proceeds are to be used for working capital and other general corporate purposes, and allows for swing line advances of up to $15,000 and the issuance of letters of credit of up to $40,000.

The availability of credit at any given time under the Revolving Credit Facility is limited by reference to a borrowing base formula based upon numerous factors, including the value of eligible inventory, eligible accounts receivable, and reserves established by the administrative agent. As a result of the borrowing base formula, the actual borrowing availability under the Revolving Credit Facility could be less than the stated amount of the Revolving Credit Facility (as reduced by the actual borrowings and outstanding letters of credit under the Revolving Credit Facility).

The Revolving Credit Facility is secured by (a) a first-priority security interest in substantially all of our personal property, consisting of inventory, accounts receivable, cash, deposit accounts, and other general intangibles, and (b) a second-priority security interest in the collateral that secures the Senior Secured Term Loan Facility on a first-priority

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basis, as described above (excluding stock in foreign subsidiaries in excess of 65%, and assets of non-guarantor subsidiaries and subject to certain other exceptions). Obligations under the Revolving Credit Facility are guaranteed by The Container Store Group, Inc. and each of The Container Store, Inc.'s U.S. subsidiaries.

The Revolving Credit Facility contains a number of covenants that, among other things, restrict our ability, subject to specified exceptions, to incur additional debt; incur additional liens and contingent liabilities; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve ourselves, engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the financing agreements contain certain cross-default provisions. We are required to maintain a consolidated fixed-charge coverage ratio of 1.0 to 1.0 if excess availability is less than $10,000 at any time. As of September 29, 2018, we were in compliance with all covenants and no Event of Default (as such term is defined in the Revolving Credit Facility) had occurred.

2014 Elfa Senior Secured Credit Facilities

On April 1, 2014, Elfa entered into a master credit agreement with Nordea Bank AB ("Nordea"), which consists of a SEK 60.0 million (approximately $6,758 as of September 29, 2018) term loan facility (the "2014 Elfa Term Loan Facility") and a SEK 140.0 million (approximately $15,769 as of September 29, 2018) revolving credit facility (the "2014 Elfa Revolving Credit Facility," and together with the 2014 Elfa Term Loan Facility, the "2014 Elfa Senior Secured Credit Facilities"). The 2014 Elfa Senior Secured Credit Facilities term began on August 29, 2014 and matures on August 29, 2019, or such shorter period as provided by the agreement. The remaining balance of the 2014 Elfa Term Loan Facility was paid on February 18, 2018, which was prior to the maturity date. Elfa was required to make quarterly principal payments under the 2014 Elfa Term Loan Facility in the amount of SEK 3.0 million (approximately $338 as of September 29, 2018). The 2014 Elfa Revolving Credit Facility bears interest at Nordea's base rate + 1.4%. In the fourth quarter of fiscal 2016, Elfa and Nordea agreed that the stated rates would apply through maturity.

The 2014 Elfa Senior Secured Credit Facilities contain a number of covenants that, among other things, restrict Elfa's ability, subject to specified exceptions, to incur additional liens, sell or dispose of assets, merge with other companies, engage in businesses that are not in a related line of business and make guarantees. In addition, Elfa is required to maintain (i) a consolidated equity ratio (as defined in the 2014 Elfa Senior Secured Credit Facilities) of not less than 30% in year one and not less than 32.5% thereafter and (ii) a consolidated ratio of net debt to EBITDA (as defined in the 2014 Elfa Senior Secured Credit Facilities) of less than 3.2, the consolidated equity ratio tested at the end of each calendar quarter and the ratio of net debt to EBITDA tested as of the end of each fiscal quarter. As of September 29, 2018, Elfa was in compliance with all covenants and no Event of Default (as defined in the 2014 Elfa Senior Secured Credit Facilities) had occurred.

Critical accounting policies and estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. A summary of our significant accounting policies is included in Note 1 to our annual consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, filed with the SEC on May 31, 2018.

Certain of our accounting policies and estimates are considered critical, as these policies and estimates are the most important to the depiction of our consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, filed with the SEC on May 31, 2018. As of September 29, 2018, there were no significant changes to any of our critical accounting policies and estimates, with the exception of the adoption of ASU 2014-09, Revenue from Contracts with Customers, as discussed in Note 1 of our unaudited consolidated financial statements.

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Contractual obligations

There have been no material changes to our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, filed with the SEC on May 31, 2018, other than those shown in the table below, as a result of the Fifth Amendment to our Senior Secured Term Loan Facility executed in the second quarter of fiscal 2018. The table below has been updated to reflect our contractual obligations as of September 29, 2018 related to the Fifth Amendment.

	Payments due by period				
	Total	Within 1 Year	1 3 Years	3 5 Years	After 5 Years
Recorded contractual obligations					
Term loans	$ 272,500	$ 6,813	$ 20,439	$ 245,248	$ —
Revolving loans	26,128	1,128	25,000	—	—
Unrecorded contractual obligations					
Estimated interest (1)	93,877	20,448	56,652	16,777	—
Total	$ 392,505	$ 28,389	$ 102,091	$ 262,025	$ —

(1) For purposes of this table, interest has been estimated based on interest rates in effect for our indebtedness as of September 29, 2018, and estimated borrowing levels in the future. Actual borrowing levels and interest costs may differ.

Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements.

Recent Accounting Pronouncements

Please refer to Note 1 of our unaudited consolidated financial statements for a summary of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk profile as of September 29, 2018 has not materially changed since March 31, 2018. Our market risk profile as of March 31, 2018 is disclosed in our Annual Report on Form 10-K filed with the SEC on May 31, 2018. See Note 8 of Notes to our unaudited consolidated financial statements included in Part I, Item 1, of this Form 10-Q, for disclosures on our foreign currency forward contracts.

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and

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procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 29, 2018.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 29, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims, including employment claims, wage and hour claims, intellectual property claims, contractual and commercial disputes and other matters that arise in the ordinary course of business. While the outcome of these and other claims cannot be predicted with certainty, management does not believe that the outcome of these matters will have a material adverse effect on our business, results of operations or financial condition on an individual basis or in the aggregate.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors as previously disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, filed with the SEC on May 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of The Container Store Group, Inc.	10-Q	001-36161	3.1	1/10/14	
3.2	Amended and Restated By-laws of The Container Store Group, Inc.	10-Q	001-36161	3.2	1/10/14	
10.1	Amendment No. 5 to Term Facility Credit Agreement, dated as of September 14, 2018 among The Container Store, Inc., the guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent and the lenders from time to time party thereto	8-K	001-36161	10.1	9/17/18	
10.2	Amendment No. 6 to Term Facility Credit Agreement, dated as of October 8, 2018 among The Container Store, Inc., the guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent and the lenders from time to time party thereto					*
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)					*
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)					*
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350					**
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350					**
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Calculation Linkbase Document					*

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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	XBRL Taxonomy Extension Presentation	*

* Filed herewith.

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Container Store Group, Inc.

(Registrant)

Date: November 1, 2018 \s\ Jodi L. Taylor
Jodi L. Taylor
Chief Financial Officer and Chief Administrative Officer (duly authorized officer and Principal Financial Officer)

Date: November 1, 2018 \s\ Jeffrey A. Miller
Jeffrey A. Miller
Chief Accounting Officer (Principal Accounting Officer)