

Orchard Supply Hardware Stores has filed for bankruptcy protection...

Let's see what the reporting history shows!

Orchard Supply Hardware Stores Corp

6450 Via Del Oro

Phone: (408) 281-3500

San Jose, CA 95119 United States

Ticker: [OSH](#)

Filed for Bankruptcy on 6/17/2013

Case #13-11565, filed in the U.S. Bankruptcy Court for the District of Delaware

Latest Financial Statements as of 2/2/2013

Business Summary

Orchard Supply Hardware Stores Corporation, together with Orchard Supply Hardware LLC, its wholly owned operating company subsidiary, and its other directly or indirectly owned subsidiaries (collectively Orchard), is a specialty retailer primarily focused on homeowners with repair, maintenance and improvement needs. The Company operates in one segment and provides a merchandise mix, which consists of various product categories, including repair and maintenance, lawn and garden and in-home products. The Company's repair and maintenance category consists of plumbing, electrical, paint, tools, hardware, and industrial products. Its lawn and garden category consists of nursery, garden, outdoor power and seasonal products. The Company's in-home category consists mainly of the Company's housewares and appliances products. Its spin-off from Sears Holdings Corporation was completed, on December 30, 2011. Orchard re-launched two San Jose Stores, on October 6, 2012.

Employees: 5,360 (as of 2/2/2013)

Credit Scores

FRISK® Score 1 6/16/2013
Probability of bankruptcy range: 10.34% - 50.00%
Z" Score -6.16 (Fiscal danger) 2/2/2013

Auditor Information

Last Audit: 2/2/2013
Auditors: Deloitte & Touche LLP
Opinion: **Unqualified with Explanation**

Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Watch
Moody's	Caa2	Negative		OFF

Days Sales Outstanding

0.00 0.00 0.00 0.00
1/12 7/12 10/12 2/13

DBT Index

3/2013	4/2013	5/2013
8	8	8

(Includes DBT Indexes from Subsidiaries)

Fourth Quarter and Year-to-Date Results

Sales for the 14 weeks ended 2/2/2013 increased 8.13% to \$153.09 million, compared to \$141.58 million for the same period last year. Sales for the 53 weeks ended 2/2/2013 decreased \$660.47 million for the same period last year.

Gross profit margin decreased 4.37% for the period to 29.3% (33.17% of revenues) for the same period last year. Gross profit margin for the period to \$206.45 million (31.41% of revenues) from \$219.44 million (33.22% of revenues) for the same period last year.

Selling, general and administrative expenses for the period increased 0.98% to \$46.09 million for the same period last year. Selling, general and administrative expenses for the period to \$187.67 million from \$173.66 million for the same period last year.

Operating income for the period decreased 648.33% to (\$49.41) million compared to \$6.60 million for the same period last year. Operating income for the year-to-date period to (\$125.15) million compared with operating income of (\$1.91) million for the same period last year.

Net loss for the period increased 363.47% to (\$33.57) million compared with net loss of (\$7.24) million for the same period last year. Net loss for the year-to-date period increased 719.21% to (\$118.38) million compared with net loss of (\$14.45) million for the equivalent 52 weeks last year.

Net cash from operating activities was (\$29.52) million for the 53 week period, compared to net cash from operating activities of \$31.89 million for last year's comparable period.

Working capital at 2/2/2013 of (\$101.91) million decreased 256.60% from the prior year end's balance of \$65.07 million.

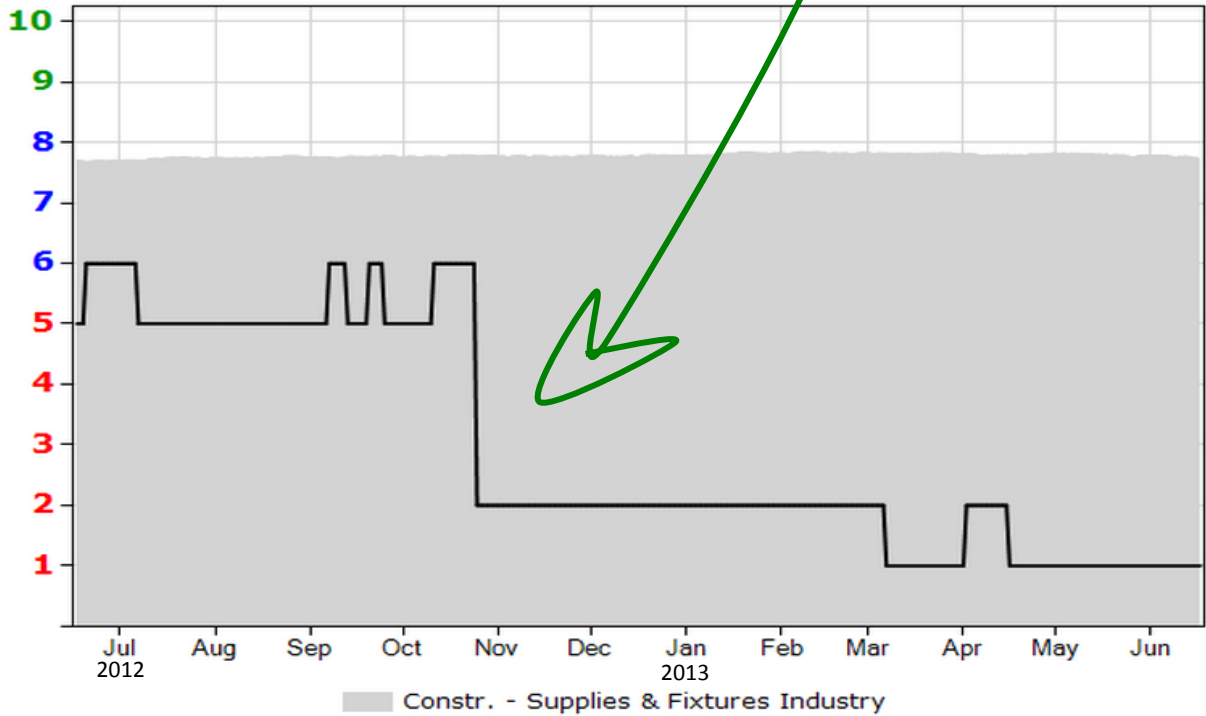
Inventories increased by \$13.71 million for the year-to-date period, compared to a \$14.38 million decrease in the prior year's comparable period.

Accounts payable decreased by \$9.47 million for the year-to-date period, compared to a \$10.50 million decrease in the prior year's comparable period.

Public companies often make consistent payments, right up to a bankruptcy... here, Orchard Supply Hardware Stores was paying 11-20 days past due

The FRISK® moved down from a "6" to a "2"... Time for IMMEDIATE ACTION

The current FRISK® score is 1 (probability of bankruptcy* 10.34% - 50%), below its 13-month average and below its industry average.



The FRISK® score is reported on a 1 to 10 scale:

	FRISK®	Probability of bankruptcy within 12 months	
		From	To
Best	10	0.00%	0.11%
	9	0.11%	0.23%
	8	0.23%	0.38%
	7	0.38%	0.54%
	6	0.54%	1.05%
	5	1.05%	1.74%
	4	1.74%	3.15%
	3	3.15%	5.05%
	2	5.05%	10.34%
Worst	1	10.34%	50.00%

The Altman Z" has been signaling trouble for an extended period of time...

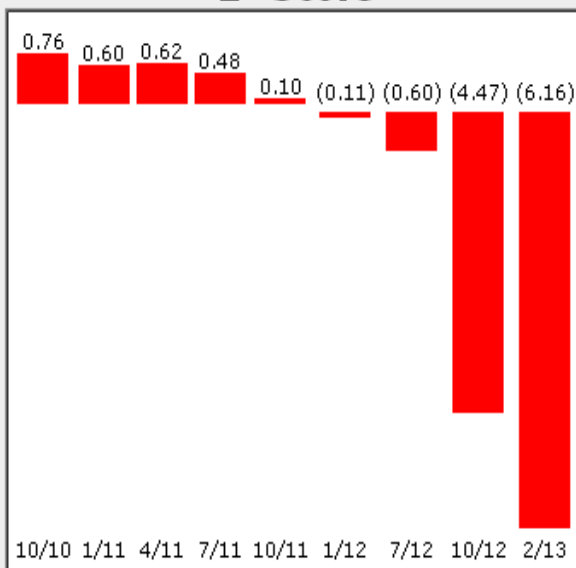
LEGEND:

Financially sound: 2.60 or higher

Neutral: 1.10 to 2.60

Fiscal danger: less than 1.10

Z" Score



Stock Performance

Detailed Quote

Last: **2.03**

Change: **+0.15 (+7.97%)**

Volume: **2,772,406**

Open: **2.55**
 Close: **1.88**
 High: **2.55**
 Low: **1.85**
 Bid: **2.03**
 Ask: **2.04**
 Yield: **0.00**
 P/E Ratio: **N/**
 EPS: **19.64**
 Dividend: **0.00**
 Shares Out: **4.8 M**
 Market Cap: **9.8 M**
 52wk High: **20.41**
 52wk Low: **1.41**

ORCHARD SUPPLY HARDWARE STORES
 as of 6/14/2013



...plus looking at our News Alerts you would have seen...

News Summary (CRMZ selected Moody's Fitch All)				Next Page
#	Date	Source	Headline	
1	6/17/2013	SourceMedia	Lowes Buys Bankrupt Orchard Supply Stores for \$205M [Mergers & Acquisitions, The Dealmaker's Journal (]	The company files Chapter 11 to facilitate the sale to Lowe's Companies and restructure its balance sheet.
2	6/17/2013	Business Wire	Orchard Supply Hardware Reaches Acquisition Agreement with Lowe's as Part of Company's Voluntary Chapter 11 Filing	
3	6/10/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing, Change in Directors or Principal Officer	In talks with lenders to restructure about \$261 MM in debt and capital lease obligations
4	6/10/2013	CRMZ News Service	Orchard Supply Said to Consider Bankruptcy Filing	
5	6/3/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP: a Form 10-K/A has been Filed with the SEC	Receives going concern opinion
6	5/17/2013	CRMZ News Service	Orchard Supply Hardware Stores Corp -- updated financials available	
7	5/13/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing	Amendment to Credit Agreement to increase the size of the credit facility by \$17.5 MM. The Lenders also agreed to waive a default event that would occur due to non-compliance with the maximum adjusted leverage ratio covenant.
8	5/3/2013	CRMZ News Service	Orchard Supply Hardware Stores Corp Receives Going Concern Opinion	
9	5/3/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP: a Form 10-K has been Filed with the SEC	Downgrades
10	5/3/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Results of Operations and Financial Condition, Financial Statements and Exhibits	
11	5/3/2013	Business Wire	Orchard Supply Hardware Stores Corporation Reports Fourth Quarter and Full Year Fiscal 2012 Financial Results	Amendments to terms of existing Credit Agreement
12	4/26/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Entry into a Material Definitive Agreement	
13	4/26/2013	Business Wire	Orchard Supply Hardware Stores Corporation Provides Update on Term Loan Lender Negotiations and First Quarter Fiscal 2013 Comparable Store Sales	Termination of two SVPs
14	3/8/2013	CRMZ News Service	Orchard Supply Hardware Stores Corp -- updated Moody's rating available	
15	3/7/2013	Moody's Investors Service	Moody's lowers Orchard Supply's CFR to Caa2, negative outlook	Fiscal 2012 Net loss of \$ 118.4 MM
16	2/15/2013	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Results of Operations and Financial Condition, Creation of a Direct Financial Obligation or an Ob	
17	12/31/2012	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Termination of a Material Definitive Agreement, Change in Directors or Principal Officers, Financial Statements and Exhibits	Deadline of May 1 st to reach agreement with lenders to address the Company's capital structure is extended to June 30 th
18	12/12/2012	CRMZ News Service	Orchard Supply Hardware Stores Corp -- updated financials available	
19	12/11/2012	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP: a Form 10-Q has been Filed with the SEC	No longer is compliance with NASDAQ listing standards.
20	12/10/2012	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Results of Operations and Financial Condition, Regulation FD Disclosure, Financial Statements and Exhibits	
21	10/31/2012	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement	The company files Chapter 11 to facilitate the sale to Lowe's Companies and restructure its balance sheet.
22	10/25/2012	CRMZ News Service	Orchard Supply Hardware Stores Corp -- updated Moody's rating available	
23	10/24/2012	Moody's Investors Service	Moody's downgrades Orchard Supply Hardware's Corporate Family Rating to Caa1 from B3	In talks with lenders to restructure about \$261 MM in debt and capital lease obligations
24	10/23/2012	CRMZ News Service	ORCHARD SUPPLY HARDWARE STORES CORP FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement	

Note: this company was spun-off from Sears Holdings Corporation on December 30, 2011.

...need more depth? Look at the Performance Ratios

Not Profitable...

Performance Ratios - Sequential Quarters (Thousands of U.S. Dollars)

Period Ended	14 weeks 2/2/2013	13 weeks 10/27/2012	26 weeks 7/28/2012	13 weeks 4/28/2012	13 weeks 1/28/2012
Net Sales \$	\$153,093	\$155,163	\$349,057	n/a	\$141,579
% change	-1.33%	n/a	n/a	n/a	-10.78%
Gross Margin \$	\$44,906	\$45,011	\$116,535	n/a	\$46,959
% change	-0.23%	n/a	n/a	n/a	-8.84%
% of sales	29.33%	29.01%	33.39%	n/a	33.17%
change as % of incremental sales	n/m	n/a	n/a	n/a	n/m
SG&A \$	\$46,546	\$45,476	\$95,644	n/a	\$46,092
% change	2.35%	n/a	n/a	n/a	12.87%
% of sales	30.40%	29.31%	27.40%	n/a	32.56%
change as % of incremental sales	n/m	n/a	n/a	n/a	n/m
Operating margin \$	(\$49,412)	(\$74,210)	(\$1,523)	n/a	(\$6,603)
% change	33.42%	n/a	n/a	n/a	41.84%
% of sales	-32.28%	-47.83%	-0.44%	n/a	-4.66%
change as % of incremental sales	n/m	n/a	n/a	n/a	n/m
EBITDA \$	(\$40,938)	(\$65,565)	\$13,848	n/a	\$397
% change	37.56%	n/a	n/a	n/a	110.93%
% of sales	-26.74%	-42.26%	3.97%	n/a	0.28%
change as % of incremental sales	n/m	n/a	n/a	n/a	n/m
Pre-tax income \$	(\$55,862)	(\$78,150)	(\$15,851)	n/a	(\$13,171)
% change	28.52%	n/a	n/a	n/a	22.88%
% of sales	-36.49%	-50.37%	-4.54%	n/a	-9.30%
change as % of incremental sales	n/m	n/a	n/a	n/a	n/m
Net income (loss) \$	(\$33,569)	(\$53,571)	(\$31,236)	n/a	(\$7,243)
% change	37.34%	n/a	n/a	n/a	28.34%
% of sales	-21.93%	-34.53%	-8.95%	n/a	-5.12%
change as % of incremental sales	n/m	n/a	n/a	n/a	n/m
Tax expense \$	(\$22,293)	(\$24,579)	\$15,385	n/a	(\$5,928)
Effective tax rate	39.91%	31.45%	-97.06%	n/a	45.01%
Depreciation expense \$	\$8,474	\$8,645	\$15,371	n/a	\$7,000
% of sales	5.54%	5.57%	4.40%	n/a	4.94%
% of capital expenses	269.02%	163.33%	231.32%	n/a	165.09%
% of PP&E, net (annualized)	18.62%	17.66%	15.45%	n/a	12.67%
Capital expenditures \$	\$3,150	\$5,293	\$6,645	\$3,492	\$4,240
% change	-40.49%	n/a	n/a	-17.64%	-15.20%
% of PP&E, net (annualized)	6.92%	10.81%	6.68%	6.77%	7.67%
% of working capital (annualized)	-11.60%	-81.17%	19.90%	20.62%	24.41%
Interest coverage ratio	(6.35)	(16.64)	0.97	n/a	0.06
% change	61.86%	n/a	n/a	n/a	109.52%
Free cash flow \$	(\$32,561)	(\$20,041)	\$7,997	(\$596)	(\$8,614)
% change	-62.47%	n/a	n/a	93.08%	-186.59%
Source:	10-K 5/3/2013	10-Q 12/11/2012	10-Q 12/11/2012	10-Q 12/11/2012	10-K 4/27/2012

Negative Cash Flow...

CreditRiskMonitor

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...need more depth? Look at the Leverage Ratios

Negative tangible net worth...

Alarming increase in the Total Debt to Equity Ratio due to declining stockholders' equity...

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	2/2/2013	10/27/2012	7/28/2012	4/28/2012	1/28/2012
Total debt \$	\$261,442	\$228,414	\$226,796	\$266,013	\$262,421
% change	14.46%	0.71%	-14.74%	1.37%	-13.81%
Stockholders' equity \$	(\$30,610)	\$2,505	\$55,583	\$81,993	\$86,299
% change	-1,321.96%	-95.49%	-32.21%	-4.99%	-5.21%
Total debt to equity ratio	n/a	91.18	4.08	3.24	3.04
% change	n/a	2,134.72%	25.77%	6.69%	-13.50%
Tangible net worth \$	(\$60,360)	(\$64,613)	(\$75,337)	(\$50,425)	(\$47,617)
% change	6.58%	14.23%	-49.40%	-5.90%	1.54%
Total assets \$	\$407,413	\$484,738	\$564,550	\$569,125	\$546,503
% change	-15.95%	-14.14%	-0.80%	4.14%	-9.29%
Total debt to assets ratio	0.64	0.47	0.40	0.47	0.48
% change	36.18%	17.30%	-14.06%	-2.67%	-9.60%
Net tangible assets \$	\$377,663	\$417,620	\$433,630	\$436,707	\$412,587
% change	-9.57%	-3.69%	-0.70%	5.85%	-10.90%
Short-term debt \$	\$214,494	\$179,930	\$15,527	\$9,526	\$8,269
% change	19.21%	1,058.82%	63.00%	15.20%	-80.21%
Short-term debt % of total debt	82.04%	78.77%	6.85%	3.58%	3.15%
% change	4.15%	1,050.62%	91.18%	13.65%	-75.86%
Short-term debt % of working capital	-210.48%	-155.99%	24.58%	13.54%	12.71%
% change	-34.93%	-734.75%	81.55%	6.52%	-77.53%
Total liabilities \$	\$438,023	\$482,233	\$508,967	\$487,132	\$460,204
% change	-9.17%	-5.25%	4.48%	5.85%	-10.02%
Total liabilities to equity ratio	n/a	192.51	9.16	5.94	5.33
% change	n/a	2,002.33%	54.13%	11.41%	-5.07%
Source:	10-K 5/3/2013	10-Q 12/11/2012	10-Q 9/11/2012	10-Q 6/12/2012	10-K 4/27/2012

Due to non-compliance with the leverage covenant in their Credit Facility, the Company has reflected its outstanding debt under this agreement as current

CreditRiskMonitor

(845) 230-3000
info@crmz.com

...need more depth? Look at the Liquidity Ratios and Rates of Return

Declining working capital...

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	2/2/2013	10/27/2012	7/28/2012	4/28/2012	1/28/2012
Current assets \$	\$200,059	\$211,867	\$229,207	\$226,754	\$193,732
% change	-5.57%	-7.57%	1.08%	17.05%	-14.69%
% of short-term debt	93.27%	117.75%	1,476.18%	2,380.37%	2,342.87%
Current liabilities \$	\$301,968	\$327,215	\$166,025	\$156,378	\$128,658
% change	-7.72%	97.09%	6.17%	21.55%	-16.03%
Working capital \$	(\$101,909)	(\$115,348)	\$63,182	\$70,376	\$65,074
% change	11.65%	-282.56%	-10.22%	8.15%	-11.91%
% of sales (annualized)	-16.64%	-18.59%	9.05%	n/a	11.49%
Cash \$	\$6,532	\$10,472	\$33,918	\$22,354	\$8,148
% change	-37.62%	-69.13%	51.73%	174.35%	-74.84%
% of short-term debt	3.05%	5.82%	218.45%	234.66%	98.54%
Cash ratio	0.02	0.03	0.20	0.14	0.06
% change	-45.0%	-84.34%	42.97%	125.75%	-70.04%
Current ratio	0.66	0.65	1.38	1.45	1.51
% change	2.32%	-53.10%	-4.79%	-3.71%	1.60%
Source:	10-K 5/3/2013	10-Q 12/11/2012	10-Q 9/11/2012	10-Q 6/12/2012	10-K 4/27/2012

Poor cash ratio...

Rates of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	14 weeks 2/2/2013	13 weeks 10/27/2012	26 weeks 7/28/2012	13 weeks 4/28/2012	13 weeks 1/28/2012
Return on equity	-1,340.08%	-96.38%	-38.10%	n/a	-7.96%
% change	-1,290.41%	n/a	n/a	n/a	20.43%
Return on total assets	-7.53%	-10.21%	-5.51%	0.00%	-1.26%
% change	26.30%	n/a	n/a	100.00%	24.19%
Return on net tangible assets	-8.44%	-12.59%	-7.18%	0.00%	-1.65%
% change	32.93%	n/a	n/a	100.00%	23.54%
Source:	10-K 5/3/2013	10-Q 12/11/2012	10-Q 12/11/2012	10-Q 12/11/2012	10-K 4/27/2012

Negative rates of return...

...need more depth? Look at the Peer Analysis

Peer Analysis

Calendar Year/Quarter: 2012.4

Peer Group: Sector: Capital Goods, Industry: Constr. - Supplies & Fixtures

Refresh

[Sector: Capital Goods] [Industry: Constr. - Supplies & Fixtures] [Calendar Year/Quarter: 2012.4]

[Sector: Capital Goods] [Industry: Const. Supplies & Mtrs.] [Calendar Year/Quarter: 2012.1]						
Businesses in Peer Group: 1,489	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings:						
ZScore -- Current Quarter	328	339	(6.16)	(494.13)	3.20	27.04
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	20	42	153,093.00	0.00	150,459.00	7,387,000.00
Gross Margin % of Sales -- Current Quarter	124	397	29.33	(219.23)	22.18	67.35
Gross margin % of Sales -- TTM	111	404	31.41	(28.89)	23.03	3,515.16
SG&A % of Sales -- Current Quarter	349	383	30.40	0.12	14.42	9,461.79
SG&A % of Sales -- TTM	356	396	28.55	1.09	14.25	6,100.37
Operating Margin % of Sales -- Current Quarter	392	405	(32.28)	(9,361.79)	3.74	397.68
Operating Margin % of Sales -- TTM	390	410	(19.04)	(6,000.37)	4.17	43,903.83
EBITDA Margin % of Sales -- Current Quarter	333	348	(26.74)	(8,424.18)	6.13	413.10
EBITDA Margin % of Sales -- TTM	388	408	(14.10)	(5,751.72)	7.03	42,918.49
Net Profit Margin % of Sales -- Current Quarter	379	405	(21.93)	(9,361.79)	2.35	288.61
Net Profit Margin % of Sales -- TTM	387	410	(18.01)	(5,845.29)	2.89	44,211.76
Pre-tax Income % of Sales -- Current Quarter	394	405	(36.49)	(9,361.79)	3.28	388.99
Effective Tax Rate	339	403	39.91	(1,668.56)	18.32	1,413.71
Depreciation % Of Prop/Plant/Equipment	316	352	18.62	(21,468.26)	9.31	193.38
CapitalExpense % Of Prop/Plant/Equipment	73	246	6.92	0.03	12.36	509.09
Interest Coverage -- Current Quarter	292	312	(6.35)	(85,189.85)	3.77	39,209.50
Interest Coverage -- TTM	363	387	(3.75)	(85,189.85)	3.99	42,607.38
Liquidity ratios:						
Cash Ratio	331	361	0.02	0.00	0.26	5.16
Quick Ratio	N/A	362	N/A	0.00	0.88	7.57
Current Ratio	347	364	0.66	0.19	1.65	17.10
Efficiency ratios:						
Accounts Receivable Turnover	N/A	389	N/A	0.00	5.27	107.55
Days Sales Outstanding	5	386	0.00	0.00	66.94	514.58
% Inventory Financed by Vendors -- Current Quarter	281	346	27.90	0.69	60.91	7,880.87
% Inventory Financed by Vendors -- TTM	302	392	31.29	0.69	59.24	3,888.38
Inventory Turnover (annualized) -- Current Quarter	284	390	2.51	0.00	3.95	184.17
Inventory Turnover -- TTM	286	391	2.65	(2.81)	4.02	262.40
Days Sales in Inventory	284	378	145.57	1.98	90.81	14,940.11
Inventory to Working Capital	333	362	(1.68)	(227.96)	0.65	154.03
Accounts Payable Turnover (annualized) -- Current Quarter	124	377	8.01	0.00	5.92	264.36
Accounts Payable Turnover -- TTM	136	380	7.20	(1.06)	5.75	186.63
Leverage & debt coverage:						
Total Debt to Equity Ratio	N/A	331	N/A	0.00	0.53	17.93
Debt to Tangible Equity Ratio	N/A	322	N/A	0.00	0.64	24.23
Total Debt to Assets Ratio	329	339	0.64	0.00	0.26	2.45
Short-Term Debt % of Total Debt	228	326	82.04	0.00	62.03	100.00
Short-Term Debt % of Working Capital	307	329	(210.48)	(23,030.68)	27.16	44,953.01
Liabilities to Net Worth Ratio	N/A	348	N/A	0.04	1.09	32.37
Total Liabilities to Equity Ratio	N/A	357	N/A	0.04	0.99	44.37
TTM = trailing 12 months N/A = Not Available	<div>Green - Ranked in Upper Quartile of Peer Group</div> <div>White - Ranked in the Middle Two Quartiles of Peer Group</div> <div>Red - Ranked in Lower Quartile of Peer Group</div> <div>Grey - Data is Not Available</div>					

Bottom quartile in nearly ALL ratios vs. Constr. - Supplies & Fixtures Industry Peers

In the MD&A issued in December the Company tells us that they do not expect to be in compliance with the leverage ratio covenant in the Senior Secured Term Loan. Non-compliance with this covenant would result in a default event that could cause the Lenders to declare outstanding indebtedness due and payable.

CreditRiskMonitor (CRMZ)

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Report

Orchard Supply Hardware Stores Corp

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San Jose, CA 95119 United States

Ticker: [OSH](#)

Overview ▶

Phone: (408) 281-3500

Company News

Filed for Bankruptcy on 6/17/2013

Risk Ratings ▶

Case # 13-11565, filed in the U.S. Bankruptcy Court for the District of Delaware

Important Information

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Management Discussion and Analysis

For the period ended 10/27/2012

We expect that we will not be in compliance with our leverage ratio covenant in our Senior Secured Term Loan as of the next measurement date, which is February 2, 2013, in part due to the decline in our operating results during fiscal 2012, coupled with continued economic weakness in the markets in which we operate. Non-compliance with the leverage ratio covenant as of the next measurement date would cause a default under the financing arrangements if we are unable to otherwise restructure or repay the term loan by that time or otherwise obtain a waiver from the term loan debt holders. A default could result in our lenders under the Senior Secured Term Loan declaring the outstanding indebtedness (\$127.7 million as of October 27, 2012) to be due and payable, by accelerating the current maturity dates of December 21, 2013 (\$55.2 million) and December 21, 2015 (\$72.5 million). As a result of the cross-default provisions in our debt agreements, a default under the Senior Secured Term Loan could result in a default under, and the acceleration of, payments in our Senior Secured Credit Facility. A default could result in our lenders under the Senior Secured Credit Facility declaring the outstanding indebtedness (\$46.0 million as of October 27, 2012) to be due and payable. In addition, the Company's lenders would be entitled to proceed against the collateral securing the indebtedness. As a result, the amounts owing under the Senior Secured Term Loan and Senior Secured Credit Facility are presented as Current Liabilities in the consolidated balance sheet as of October 27, 2012.

Finally, in the MD&A issued in February we learn they were not in compliance with the covenant. The lenders have temporarily waived compliance, providing that the Company can achieve a mutually acceptable agreement to modify its capital structure... which may require "a comprehensive financial reorganization," or sale or merger of the Company.
...and in June, the bankruptcy... clearing the way for sale of the company.

CreditRiskMonitor (CRMZ)

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Report

Orchard Supply Hardware Stores Corp

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San Jose, CA 95119 United States

Ticker: [OSH](#)

Phone: (408) 281-3500

Filed for Bankruptcy on 6/17/2013

Case #13-11565, filed in the U.S. Bankruptcy Court for the District of Delaware

Management Discussion and Analysis

For the period ended 2/2/2013

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At the end of the 2012 fiscal year, we were not in compliance with the leverage ratio covenant under the Senior Secured Term Loan. On February 14, 2013, the lenders under the Senior Secured Term Loan waived compliance with the leverage ratio covenant with respect to our quarter ended February 2, 2013, as well as for the first fiscal quarter of 2013 ending May 4, 2013, subject to our continued compliance with the terms and conditions of the waiver, including achieving a mutually acceptable agreement with the lenders by June 30, 2013, as described below. Under the provisions of the waiver, and subject to our continued compliance with the terms and conditions of the waiver, our next applicable measurement date for the leverage ratio covenant compliance is August 3, 2013.

In connection with the waiver obtained on February 14, 2013, the Senior Secured Term Loan lenders imposed several requirements upon us, including achieving a mutually acceptable agreement with them by May 1, 2013 with regard to refinancing or modifications to our capital structure. On April 26, 2013, such date was extended by the lenders to June 30, 2013. We continue to explore all financial and strategic alternatives to maintain our business as a going concern including, but not limited to, one or more transactions that may include a comprehensive financial reorganization of our company or a transaction such as a sale or merger of the Company. We may also acquire funding through the issuance of debt, equity, additional real estate sale or sale leaseback transactions, or a combination of these items.