

ORCHARD SUPPLY HARDWARE STORES CORP

Form 10-Q

December 22, 2011

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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 29, 2011**
OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

COMMISSION FILE NO. 001-11679

Orchard Supply Hardware Stores Corporation

(Exact name of Registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	95-4214109 (I.R.S. Employer Identification Number)
6450 Via Del Oro San Jose, California (Address of principal executive offices)	95119 (Zip Code)
Registrant's telephone number, including area code: (408) 361-2536	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of December 21, 2011, the registrant had 6,000,000 shares of Class A Common Stock, 8,644 shares of Class B Common Stock and no shares of Class C Common Stock outstanding.

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ORCHARD SUPPLY HARDWARE STORES CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

QUARTERLY PERIOD ENDED OCTOBER 29, 2011

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORCHARD SUPPLY HARDWARE STORES CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF OCTOBER 29, 2011, JANUARY 29, 2011 AND OCTOBER 30, 2010****(In thousands, unaudited)**

	As of October 29, 2011	As of January 29, 2011	As of October 30, 2010
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 32,381	\$ 15,604	\$ 8,044
Restricted cash	556	556	557
Merchandise inventories	161,214	172,050	165,373
Deferred income taxes	18,181	16,444	15,341
Prepaid expenses and other current assets	14,766	11,253	12,677
Total current assets	227,098	215,907	201,992
PROPERTY AND EQUIPMENT Net	231,692	262,968	267,477
OTHER INTANGIBLE ASSETS	139,401	145,451	147,610
DEFERRED FINANCING COSTS	4,288	5,666	4,361
TOTAL ASSETS	\$ 602,479	\$ 629,992	\$ 621,440
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Merchandise payables	\$ 57,573	\$ 55,325	\$ 59,866
Accrued expenses and other liabilities	50,769	40,116	44,949
Current portion of long-term debt and capital lease obligations	41,781	19,292	7,348
Payable to Sears Holdings Corporation	3,100	12,458	1,480
Total current liabilities	153,223	127,191	113,643
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	278,269	318,928	321,594
OTHER LONG-TERM LIABILITIES	21,978	16,338	15,215
DEFERRED INCOME TAXES	57,969	69,503	69,499
COMMITMENTS AND CONTINGENCIES			
Total liabilities	511,439	531,960	519,951
STOCKHOLDERS' EQUITY			
Series A common stock	60	60	60
Series B common stock			
Additional paid in capital	262,990	262,775	262,805
Accumulated losses	(172,010)	(164,803)	(161,376)
Total stockholders' equity	91,040	98,032	101,489
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 602,479	\$ 629,992	\$ 621,440

See notes to condensed consolidated financial statements.

Table of Contents**ORCHARD SUPPLY HARDWARE STORES CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE 13 AND 39 WEEKS ENDED OCTOBER 29, 2011 AND OCTOBER 30, 2010****(In thousands, except for per share amounts, unaudited)**

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
NET SALES	\$ 158,688	\$ 154,487	\$ 518,893	\$ 519,171
COST OF SALES AND EXPENSES:				
Cost of sales (excluding depreciation and amortization)	107,174	102,755	346,411	337,975
Selling and administrative	40,836	40,321	131,092	125,395
Loss on sale of real property	14,310		14,310	
Depreciation and amortization	7,722	7,801	22,390	23,118
Total cost of sales and expenses	170,042	150,877	514,203	486,488
OPERATING (LOSS) INCOME	(11,354)	3,610	4,690	32,683
INTEREST EXPENSE, net	5,725	4,315	16,794	12,774
(LOSS) INCOME BEFORE INCOME TAXES	(17,079)	(705)	(12,104)	19,909
INCOME TAX (BENEFIT) EXPENSE	(6,971)	(275)	(4,897)	7,764
NET (LOSS) INCOME	\$ (10,108)	\$ (430)	\$ (7,207)	\$ 12,145
INCOME PER COMMON SHARE ATTRIBUTABLE TO STOCKHOLDERS				
Basic and diluted (loss) income per share	\$ (1.68)	\$ (0.07)	\$ (1.20)	\$ 2.02
Basic and diluted weighted average common shares outstanding	6,009	6,013	6,010	6,013

See notes to condensed consolidated financial statements.

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ORCHARD SUPPLY HARDWARE STORES CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE 39 WEEKS ENDED OCTOBER 29, 2011 AND OCTOBER 30, 2010

(In thousands, unaudited)

39 Weeks Ended

PROPOSAL NO. 2 APPROVAL OF THE COMMERCIAL VEHICLE GROUP, INC. 2014 EQUITY INCENTIVE PLAN

plan may not exceed \$100,000.

ce goals, together with the satisfaction of any other conditions (such as continued employment), as the Compensation Committee may determine.

section 162(m)(4)(C).

to end, no later than two and one-half months after the closing of the change in control).

NEW PLAN BENEFITS

100,000
40,000
23,924
23,919
18,732
0
0
0
0
206,575
308,226
56,196

PROPOSAL NO. 3 NON-BINDING, ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

PROPOSAL NO. 4 RATIFICATION OF APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EXECUTIVE COMPENSATION

ts upon termination, which are detailed under [Payments Upon Termination or Change in Control](#) below.

Business Unit

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2013 Summary Compensation Table

58,500
13,163
37,339
174,404
336,656
35,100
23,400
459,094
1,139,063
213,731
492,188
217,393
486,690
111,589
340,875

2013 All Other Compensation Table

31,852

7,026
15,872

40

2013 Grants of Plan-Based Awards Table

1,500,000

637,500
157,500

478,710
249,047

450,000
249,000

300,000
195,000

558,512

548,972

454,500

41

2013 Outstanding Equity Awards at Fiscal Year-End Table

**Option Awards
Equity
Incentive
Plan Awards:
Number of
Securities
Underlying
Unexercised
Unearned
Options
(#)**

27,000

90,800
70,032
02,507
73,927

73,891

36,182

2013 Option Exercises and Stock Vested Table

**Number of Shares
Acquired on Vesting
(#)**

2013 Pension Benefits Table

80,922
283,988

2013 Deferred Compensation Table

121,548
46,709

107,017
105,840
48,353
4,841

Potential Payments Upon Termination or Change-in-Control Table

500

000

500

162

800

962

140

140

000

000

000

000

47

pecified employee (within the meaning of Section 409A of the Internal Revenue Code) on the date of termination of his employment, any severance payments that

2013 Director Compensation Table

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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AUDIT COMMITTEE REPORT

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SUBMISSION OF STOCKHOLDERS' PROPOSALS AND ADDITIONAL INFORMATION

...between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such

OTHER MATTERS

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COMMERCIAL VEHICLE GROUP, INC.

2014 EQUITY INCENTIVE PLAN

A-1

A-2

f the date of award, except for travel reasonably required in the performance of the participant's responsibilities.

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A-6

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may include, without limitation, risk-based adjustments or adjustments for items that are unusual in nature or infrequent in occurrence. The Committee shall have the

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A-11

A-12

s that were granted hereunder and that are outstanding on the date of such event shall, on such terms as may be approved by the Committee prior to such event, be (a)

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A-14

Abstain

..

ALL STOCKHOLDERS ARE URGED TO VOTE THEIR PROXY AS EARLY AS POSSIBLE.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE