



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

January 21, 2011

Orchard Brands files for Bankruptcy

Clothing retailer Orchard Brands has filed for bankruptcy protection in US bankruptcy court in Wilmington, Delaware. Orchard's owners, Golden Gate Capital Corp had tried to sell the company to avoid filing for Chapter 11 but the sale failed to materialize.

Orchard Brands is a clothing retailer that specializes in clothes for those aged 55 and older. In bankruptcy papers filed in court, the retailer revealed liabilities amounting to about \$1 billion as compared to assets worth about \$500 million.

Besides clothing, Orchard Brands also sell home products to men and women through brands such as Gold Violin, Haband and Norm Thompson.

The company is based in Beverly, Massachusetts and operates stores under their Appleseed's and Draper's and Damon's brands. It had an annual turnover of about \$1 billion while its pre-tax profit without depreciation, amortization and interests was about \$50 million a year.

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Orchard worked out a financing plan with their secured lenders in the Chapter 11 filing in which they agreed to lend \$40 million in new financing and \$120 million in exit financing. At the same time, the company is also seeking court approval for another \$140 million in debtor-in-possession financing.

The company issued a statement that it had arrived at agreements with 80% of their first-lien secured lenders and 100% of their second-lien secured lenders on the terms of the reorganization of the company.

These agreements would eliminate about \$420 million or 55% of its debts. After the reorganization process, Orchard will be left with debts of about \$310 million.

The 50 largest consolidated creditors without collateral backing are owed more than \$120 million in total. Orchard's largest creditor is American Capital Ltd. that is based in Bethesda, Maryland. They are owed about \$73.4 million in loans. American Capital has already substantially written down the value of the loans.

Throughout the bankruptcy Orchard expects business to be conducted as usual with no interruptions or changes in management.

The case is *In re Appleseed's Intermediate Holdings*, 11-10160, U.S. Bankruptcy Court, District of Delaware (Wilmington).

If you or your company are facing financial difficulties, consider filing for bankruptcy protection. Call us at (813) 200-4133 for a free consultation.

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