BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-Q
June 14, 2011

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2011

OR

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

For the transition period from to .

Commission File Number 1-37917

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	20-4663833 (I.R.S. Employer Identification No.)
1830 Route 130 North Burlington, New Jersey (Address of Principal Executive Offices)	08016 (Zip Code)

Registrant's Telephone Number, Including Area Code: (609) 387-7800

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

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 of Regulation S-T 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 the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨

Non-Accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company ¨

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

As of June 14, 2011, the registrant has 1,000 shares of common stock outstanding, all of which are owned by Burlington Coat Factory Holdings, Inc., registrant’s parent holding company, and are not publicly traded.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(All amounts in thousands)

	April 30, 2011	January 29, 2011	May 1, 2010
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 67,536	$ 30,214	$ 237,179
Restricted Cash and Cash Equivalents	37,274	30,264	2,595
Accounts Receivable, Net of Allowances for Doubtful Accounts	33,763	49,875	32,405
Merchandise Inventories	688,985	644,228	634,008
Deferred Tax Assets	22,174	24,835	29,813
Prepaid and Other Current Assets	37,402	36,109	50,081
Prepaid Income Taxes	25,169	16,447	9,416
Assets Held for Disposal	2,156	2,156	521
Total Current Assets	914,459	834,128	996,018
Property and Equipment - Net of Accumulated Depreciation	849,606	857,589	840,492
Tradenames	238,000	238,000	238,000
Favorable Leases - Net of Accumulated Amortization	382,474	389,986	413,267
Goodwill	47,064	47,064	47,064
Other Assets	98,765	91,241	90,869
Total Assets	$ 2,530,368	$ 2,458,008	$ 2,625,710
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities:			
Accounts Payable	$ 489,481	$ 190,460	$ 504,501
Income Taxes Payable	3,403	4,429	20,329
Other Current Liabilities	218,597	208,515	208,907
Current Maturities of Long Term Debt	10,788	14,264	15,449
Total Current Liabilities	722,269	417,668	749,186
Long Term Debt	1,451,636	1,358,021	1,264,484

Other Liabilities		214,347		215,528		175,547
Deferred Tax Liabilities		274,508		279,279		276,698
Commitments and Contingencies (Notes 3 and 11)						
Stockholder’s (Deficit) Equity:						
Common Stock (Par Value $0.01; 1,000 Shares Issued and Outstanding at April 30, 2011, January 29, 2011 and May 1, 2010)		-		-		-
Capital in Excess of Par Value		467,907		466,754		464,722
Accumulated Deficit		(600,299)		(279,242)		(304,927)
Total Stockholder’s (Deficit) Equity		(132,392)		187,512		159,795
Total Liabilities and Stockholder’s (Deficit) Equity	$	2,530,368	$	2,458,008	$	2,625,710

See Notes to Condensed Consolidated Financial Statements.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited)
(All amounts in thousands)

	Three Months Ended	
	April 30, 2011	May 1, 2010
REVENUES:		
Net Sales	$ 929,081	$ 894,678
Other Revenue	7,250	7,280
Total Revenue	936,331	901,958
COSTS AND EXPENSES:		
Cost of Sales (Exclusive of Depreciation and Amortization)	577,303	552,353
Selling and Administrative Expenses	288,828	278,528
Restructuring and Separation Costs	-	963
Depreciation and Amortization	36,620	36,729
Impairment Charges – Long-Lived Assets	9	185
Other Income, Net	(2,809)	(2,966)
Loss on Extinguishment of Debt	37,764	-
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Agreements)	30,854	27,365
Total Costs and Expenses	968,569	893,157
(Loss) Income Before Income Tax (Benefit)Expense	(32,238)	8,801
Income Tax (Benefit) Expense	(11,181)	3,588
Net (Loss) Income	$ (21,057)	$ 5,213
Total Comprehensive (Loss) Income	$ (21,057)	$ 5,213

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(All amounts in thousands)

	Three Months Ended	
	April 30, 2011	May 1, 2010
OPERATING ACTIVITIES		
Net (Loss) Income	$ (21,057)	$ 5,213
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	36,620	36,729
Impairment Charges – Long-Lived Assets	9	185
Amortization of Debt Issuance Costs	2,552	3,070
Accretion of New Senior Notes and Existing Senior Notes and Discount Notes	358	174
Interest Rate Cap Agreement - Adjustment to Market	1,252	4,592
Provision for Losses on Accounts Receivable	448	549
Provision for Deferred Income Taxes	(2,110)	(6,706)
Loss on Retirement of Fixed Assets	168	172
Loss on Extinguishment of Debt – Write-off of Deferred Financing Fees	16,435	-
Excess Tax Benefit from Stock Based Compensation	(448)	-
Non-Cash Stock Compensation Expense	705	233
Non-Cash Rent Expense	(1,165)	(827)
Changes in Assets and Liabilities:		
Accounts Receivable	(3,283)	(1,115)
Merchandise Inventories	(44,757)	(20,713)
Prepaid and Other Current Assets	(9,588)	(25,212)
Accounts Payable	299,021	364,700
Other Current Liabilities and Income Tax Payable	15,616	4,004
Deferred Rent Incentives	18,995	3,684
Other Long Term Assets and Long Term Liabilities	788	407
Net Cash Provided by Operating Activities	310,559	369,139
INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(33,118)	(22,160)

(Loss)/Proceeds Received from Sale of Property and Equipment	(50)	39
(Increase) Decrease in Restricted Cash and Cash Equivalents	(7,010)	10
Lease Acquisition Costs	(72)	(79)
Other	22	9
Net Cash Used in Investing Activities	(40,228)	(22,181)
FINANCING ACTIVITIES		
Proceeds from Long Term Debt – ABL Line of Credit	153,000	-
Proceeds from Long Term Debt – Notes Payable	450,000	-
Proceeds from Long Term Debt – Term Loan	990,000	-
Principal Payments on Long Term Debt – ABL Line of Credit	(321,600)	(121,200)
Principal Payments on Long Term Debt – Senior Discount Notes	(99,309)	-
Principal Payments on Long Term Debt – Senior Notes	(302,056)	-
Principal Payments on Long Term Debt	(205)	(193)
Principal Payments on Long Term Debt – Term Loan	(780,050)	(12,202)
Payment of Dividends	(297,917)	-
Excess Tax Benefit from Stock Based Compensation	448	-
Debt Issuance Costs	(25,320)	(934)
Net Cash Used in Financing Activities	(233,009)	(134,529)
Increase in Cash and Cash Equivalents	37,322	212,429
Cash and Cash Equivalents at Beginning of Period	30,214	24,750
Cash and Cash Equivalents at End of Period	$ 67,536	$ 237,179
Supplemental Disclosure of Cash Flow Information		
Interest Paid	$ 27,185	$ 32,524
Net Income Tax Payments	$ 301	$ 8,746
Non-Cash Investing Activities:		
Accrued Purchases of Property and Equipment	$ 8,453	$ 5,202
Notes Receivable from Sale of Assets Held for Sale	$ -	$ (2,000)

See Notes to Condensed Consolidated Financial Statements.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2011
(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Coat Factory Investments Holdings, Inc. and all of its subsidiaries (Company or Holdings). Holdings has no operations and its only asset is all of the stock of Burlington Coat Factory Warehouse Corporation. All discussions of operations in this report relate to Burlington Coat Factory Warehouse Corporation and its subsidiaries (BCFWC), which are reflected in the financial statements of Holdings. The Condensed Consolidated Financial Statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of operations for the interim periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011 (Fiscal 2010 10-K). The balance sheet at January 29, 2011 has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2010 10-K. Because the Company's business is seasonal in nature, the operating results for the three month period ended April 30, 2011 are not necessarily indicative of results for the fiscal year ending January 28, 2012 (Fiscal 2011).

Accounting policies followed by the Company are described in Note 1 to the audited Consolidated Financial Statements contained in the Fiscal 2010 10-K.

There were no new accounting standards that had an impact on the Company’s Condensed Consolidated Financial Statements during the first quarter ended April 30, 2011 and there were no new accounting pronouncements that were issued but not yet effective as of April 30, 2011 that the Company expects to have a material impact upon becoming effective.

2. Stockholder’s (Deficit) Equity

Activity for the three month periods ended April 30, 2011 and May 1, 2010 in the Company’s common stock, capital in excess of par value, accumulated deficit, and total stockholder’s (deficit) equity are summarized below:

	(in thousands)			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 29, 2011	$ -	$ 466,754	$ (279,242)	$ 187,512
Net Loss	-	-	(21,057)	(21,057)

Excess Tax Benefit from Stock Based Compensation		448	-	448
Stock Based Compensation	-	705	-	705
Dividends (a)	-	-	(300,000)	(300,000)
Balance at April 30, 2011	$-	$467,907	$ (600,299)	$(132,392)

	(in thousands)			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 30, 2010	$-	$464,489	$ (309,989)	$154,500
Net Income	-	-	5,213	5,213
Stock Based Compensation	-	233	-	233
Dividends (a)	-	-	(151)	(151)
Balance at May 1, 2010	$-	$464,722	$ (304,927)	$(159,795)

(a) Represents dividends declared to the equity holders of Burlington Coat Factory Holdings, Inc. (Parent), in conjunction with the Company’s debt refinancing, of which $297.9 million was paid as of April 30, 2011, as further discussed in Note 3 of the Company’s Condensed Consolidated Financial Statements entitled “Long Term Debt.” The remaining $2.1 million is recorded in “Current Liabilities” on the Company’s Condensed Consolidated Balance Sheets as of April 30, 2011. The $0.2 million of dividends declared at May 1, 2010 was recorded in "Current Liabilities" in the Company's Condensed Consolidated Balance Sheets as of May 1, 2010.

3. Long Term Debt

Long term debt consists of:

	(in thousands)		
	April 30, 2011	January 29, 2011	May 1, 2010
$1,000,000 Senior Secured Term Loan Facility, LIBOR (with a floor of 1.50%) plus 4.75% due in quarterly payments of $2,500 from April 30, 2011 to January 28, 2017, matures on February 23, 2017.	$ 987,799	$ -	$ -
$450,000 Senior Notes, 10%, due at maturity on February 15, 2019, semi-annual interest payments on August 15 and February 15, from August 15, 2011 to February 15, 2019.	450,000	-	-
$900,000 Senior Secured Term Loan Facility, LIBOR plus 2.3%.	-	777,550	852,550
$721,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires February 4, 2014. (a)	-	168,600	-
Senior Notes, 11.1%.	-	301,997	301,439
Senior Discount Notes, 14.5%.	-	99,309	99,309
Industrial Revenue Bonds, 6.1%.	-	-	1,210
Promissory Note, non-interest bearing, due in monthly payments of $17 through January 1, 2012.	150	200	350
Promissory Note, 4.4% due in monthly payments of $8 through December 23, 2011.	60	82	146
Capital Lease Obligations	24,415	24,547	24,929
Total debt	1,462,424	1,372,285	1,279,933
Less: current maturities	(10,788)	(14,264)	(15,449)
Long-term debt, net of current maturities	$ 1,451,636	$ 1,358,021	$ 1,264,484

(a) The $721 million ABL Line of Credit is effective through May 31, 2011, at which time the facility is reduced to a $600 million ABL Line of Credit. The $600 million ABL Line of Credit expires February 4, 2014. Additional

information regarding the ABL Line of Credit is included below.

Senior Notes Offering

On February 24, 2011, BCFWC completed its sale of $450.0 million aggregate principal amount of 10% Senior Notes due 2019 at an issue price of 100% (the Notes) in a private offering that is exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), to qualified institutional buyers in accordance with Rule 144A and to persons outside of the United States pursuant to Regulation S under the Securities Act. The Notes were issued pursuant to an indenture, dated February 24, 2010 (the Indenture), among BCFWC, the guarantors signatory thereto and Wilmington Trust FSB, governing the Notes.

The Notes are senior unsecured obligations of BCFWC and are guaranteed on a senior basis by BCFWC, the Company and each of BCFWC's U.S. subsidiaries to the extent such guarantor is a guarantor of BCFWC's obligations under the New Term Loan Facility (as defined below). Interest is payable on the Notes on each February 15 and August 15, commencing August 15, 2011. BCFWC may redeem some or all of the Notes at any time prior to February 15, 2015 at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, and an applicable make-whole premium. On or after February 15, 2015, BCFWC may redeem some or all of the Notes at redemption prices set forth in the Indenture. In addition, at any time prior to February 15, 2014, BCFWC may redeem up to 35% of the aggregate principal amount of the Notes, at a specified redemption price with the net cash proceeds of certain equity offerings.

The Indenture contains covenants that, among other things, restrict the ability of BCFWC and the ability of the Company and certain of its subsidiaries to: incur, assume or guarantee additional indebtedness; pay dividends or redeem or repurchase capital stock; make other restricted payments; incur liens; redeem debt that is junior in right of payment to the Notes; sell or otherwise dispose of assets, including capital stock of subsidiaries; enter into mergers or consolidations; and enter into transactions with affiliates. These covenants are subject to a number of exceptions and qualifications.

Tender Offer and Redemption

In connection with the offering of the Notes, the application of proceeds therefrom and the previously announced early settlement of the cash tender offers of BCFWC and the Company for any and all of the 11.1% Senior Notes (Existing Senior Notes) and 14.5% Senior Discount Notes (Existing Senior Discount Notes), respectively, on February 24, 2011, BCFWC entered into a Second Supplemental Indenture, dated February 24, 2011 between BCFWC, the guarantors signatory thereto and Wilmington Trust FSB, relating to an Indenture (as amended, supplemented or otherwise modified, the BCF Indenture), dated April 13, 2006, between BCFWC, the guarantors signatory thereto and the Wilmington Trust FSB (as successor trustee to Wells Fargo Bank, N.A.), and the Company entered into a First Supplemental Indenture, dated February 24, 2011 (the First Supplemental Indenture), between the Company and Wilmington Trust FSB, relating to an Indenture, dated April 13, 2006 (as amended, supplemented or otherwise modified, the Holdings Indenture), between the Company and the Wilmington Trust FSB (as successor trustee to Wells Fargo Bank, N.A.), to eliminate substantially all of the restrictive covenants, certain affirmative covenants, certain events of default and substantially all of the restrictions on the ability of BCFWC or the Company, as applicable, to merge, consolidate or sell all or substantially all of their properties or assets contained in each indenture and the related Existing Notes (as defined below).

In addition, in connection with the early tender and settlement of 100% of the Senior Discount Notes by the noteholders of the Senior Discount Notes on February 24, 2011, the Company satisfied and discharged its obligations under the Holdings Indenture and with respect to the Senior Discount Notes.

Further, on February 24, 2011, BCFWC delivered a notice of redemption for the remaining principal amount not purchased in the early tender and settlement of the Existing Senior Notes, and irrevocably deposited with Wilmington Trust FSB an amount of funds sufficient to pay the redemption price of the Existing Senior Notes to satisfy and discharge its obligations under the BCF Indenture and with respect to the Existing Senior Notes. On April 15, 2011, BCFWC redeemed the remaining principal amount outstanding of the Existing Senior Notes at a redemption price equal to 102.781% of the aggregate principal amount of the Existing Senior Notes to be redeemed, plus accrued and unpaid interest on the Existing Senior Notes to the redemption date.

$1 Billion Senior Secured Term Loan Facility

In connection with the offering of the Notes, on February 24, 2011, BCFWC refinanced its $900 Million Senior Secured Term Loan Facility (the Existing Term Loan Facility) with the proceeds of a new $1.0 Billion Senior Secured Term Loan Facility (New Term Loan or New Term Loan Facility).

On February 24, 2011, BCFWC and the Company and the U.S. and Puerto Rican subsidiaries of BCFWC from time to time party thereto, as facility guarantors (collectively, the Term Loan Guarantors) entered into a new credit agreement (the New Term Loan Credit Agreement) with JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the Term Loan Administrative Agent) and as collateral agent, the lenders party thereto, J.P. Morgan Securities LLC and Goldman Sachs Lending Partners LLC, as joint bookrunners and J.P. Morgan Securities LLC, Goldman Sachs Lending Partners LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint arrangers, governing the terms of the New Term Loan Facility.

Like the Existing Term Loan Facility, the New Term Loan Facility is secured by (a) a perfected first priority lien on substantially all real and personal property of BCFWC and the Term Loan Guarantors and (b) a perfected second priority lien on all inventory, accounts and personal property related to inventory and accounts of BCFWC and the Term Loan Guarantors, in each case subject to various limitations and exceptions. The New Term Loan Facility requires BCFWC to maintain a minimum consolidated interest coverage ratio and a maximum consolidated leverage ratio (each measured quarterly). The New Term Loan Facility also contains limitations on BCFWC's ability to, among other things, incur indebtedness and liens, make investments, capital expenditures and restricted payments, sell assets and prepay certain indebtedness.

The New Term Loan Facility is to be repaid in quarterly payments of $2.5 million from April 30, 2011 to January 28, 2017, with the balance of the New Term Loan Facility due upon maturity on February 23, 2017. Beginning with the fiscal year ending on January 28, 2012, at the end of each fiscal year, the Company is required to make a payment based on its available free cash flow (as defined in the credit agreement governing the New Term Loan Facility). This payment offsets future mandatory quarterly payments.

The Company's New Term Loan Facility contains financial, affirmative and negative covenants and requires that the Company, among other things, maintain on the last day of each fiscal quarter a consolidated leverage ratio not to exceed a maximum amount and maintain a consolidated interest coverage ratio of at least a certain amount. Specifically, the consolidated leverage ratio is our total debt to Adjusted EBITDA, as each term is defined in the new credit agreement governing the New Term Loan, for the trailing twelve months most recently ended on or prior to such date, that may not exceed 6.75 to 1 through October 27, 2012; 6.25 to 1 through November 2, 2013; 5.5 to 1 through November 1, 2014; 5.00 to 1 through October 31, 2015; and 4.75 to 1 at January 30, 2016 and thereafter. The consolidated interest coverage ratio is our consolidated interest expense to Adjusted EBITDA, as each term in defined in the new credit agreement governing the New Term Loan, for the trailing twelve months most recently ended on or prior to such date, that must exceed 1.75 to 1 through October 27, 2012; 1.85 to 1 through November 2, 2013; 2.00 to 1 through October 31, 2015; and 2.10 to 1 at January 30, 2016 and thereafter. Adjusted EBITDA is a non-GAAP financial measure of our liquidity. Adjusted EBITDA, as defined in the credit agreement governing our Term Loan, starts with consolidated net (loss) income for the period and adds back (i) depreciation, amortization, impairments and other non-cash charges that were deducted in arriving at consolidated net (loss) income, (ii) the (benefit) provision for taxes, (iii) interest expense, (iv) advisory fees, and (v) unusual, non-recurring or extraordinary expenses, losses or charges as reasonably approved by the administrative agent for such period.

The interest rates for the New Term Loan Facility are based on: (i) for LIBO rate loans for any interest period, at a rate per annum equal to (a) the greater of (x) the LIBO rate as determined by the Term Loan Administrative Agent, for such interest period multiplied by the Statutory Reserve Rate (as defined in the New Term Loan Credit Agreement) and (y) 1.50% (the Term Loan Adjusted LIBO Rate), plus an applicable margin; and (ii) for prime rate loans, a rate per annum equal to the highest of (a) the variable annual rate of interest then announced by JPMorgan Chase Bank, N.A. at its head office as its "prime rate," (b) the federal funds rate in effect on such date plus 0.50% per annum, and (c) the Term Loan Adjusted LIBO Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin. The interest rate on the New Term Loan Facility was 6.25% as of April 30, 2011.

In addition, the New Term Loan Facility provides for an uncommitted incremental term loan facility of up to $150.0 million that is available subject to the satisfaction of certain conditions. The New Term Loan Facility has a six year maturity, except that term loans made in connection with the incremental term loan facility or extended in connection with the extension mechanics of the New Term Loan Facility have the maturity dates set forth in the amendments applicable to such term loans.

BCFWC used the net proceeds from the offering of the Notes, together with borrowings under the New Term Loan Facility and the ABL Line of Credit, to (i) repurchase any and all of the outstanding Existing Senior Notes and Existing Senior Discount Notes, pursuant to cash tender offers commenced by BCFWC and the Company on February 9, 2011, and to redeem any Existing Notes that remained outstanding after the completion of the cash tender offers, and pay related fees and expenses, including tender or redemption premiums and accrued interest on the Existing Notes, (ii) to repay the indebtedness under Existing Term Loan Facility and (iii) to pay a special cash

dividend of approximately $300.0 million in the aggregate to the equity holders of the Parent on a pro rata basis, and to pay related fees and expenses.

In accordance with ASC Topic No. 470-50, “Debt – Modifications and Extinguishments” (Topic 470), the transactions noted above were determined to be an extinguishment of the existing debt and an issuance of new debt. As a result, the Company recorded a loss on the extinguishment of debt in the amount of $37.8 million in the line item “Loss on Extinguishment of Debt” in its Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. Of the $37.8 million loss on the extinguishment of debt, $21.4 million represented early call premiums that the Company paid to the holders of its Existing Senior Notes and Existing Senior Discount Notes as a result of repurchasing both notes prior to their maturity. The remaining $16.4 million represented the write off of deferred financing fees related to the extinguished debt facilities.

In conjunction with the issuance of the new debt facilities, the Company paid $25.3 million of legal, consulting, audit related and placement fees. These costs were all deferred and recorded in the line item “Other Assets” in the Company’s Condensed Consolidated Balance Sheets and will be amortized through the line item “Interest Expense” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income over the respective lives of the new debt facilities using the interest method.

ABL Line of Credit

The ABL Line of Credit carries an interest rate of LIBOR plus a spread which is determined by the Company's annual average borrowings outstanding. Commitment fees of 0.75% to 1.0%, based on the Company's usage of the line of credit, were charged on the unused portion of the facility and were included in the line item "Interest Expense" on the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income.

In connection with the offering of the Notes and the refinancing of the Term Loan Facility, on February 24, 2011, BCFWC entered into a first amendment (the First Amendment) to the Amended and Restated Credit Agreement, dated January 15, 2010 (as amended, supplemented and otherwise modified, the Amended ABL Credit Agreement), among BCFWC, as lead borrower, the borrowers party thereto, the facility guarantors party thereto, Bank of America, N.A. as administrative agent and collateral agent, the lenders party thereto, Wells Fargo Retail Finance, LLC and Regions Bank as co-syndication agents, J.P. Morgan Securities Inc. and UBS Securities LLC as co-documentation agents and General Electric Capital Corporation, US Bank, National Association and SunTrust Bank as senior managing agents, governing the ABL Line of Credit to permit BCFWC to, among other things, (i) issue and guarantee the Notes, (ii) incur additional indebtedness in connection with the refinancing of the Existing Term Loan Facility by increasing the limitation on term loan indebtedness from $900.0 million to $1.0 billion, (iii) have additional flexibility to make investments, capital expenditures, and dividends and other distributions with respect to equity interests and (iv) make a cash dividend of approximately $300.0 million in the aggregate to the equity holders of Parent, on a pro rata basis.

As a result of these debt refinancing transactions, the Existing Senior Notes and Existing Senior Discount Notes, with carrying values at February 24, 2011 of $302.0 million and $99.3 million, respectively, were eliminated and replaced with a $450.0 million aggregate principal amount of 10% Senior Notes (the Notes) due 2019 at an issue price of 100%. Additionally, the Existing Term Loan with a carrying value of $777.6 million at February 24, 2011 was replaced with the $1,000.0 million New Term Loan Facility with a $10 million original issue discount. This original issue discount will accrete over the life of the New Term Loan Facility. Borrowings on the ABL Line of Credit related to the refinancing transactions were $101.6 million. As a result of these refinancing transactions, the Company incurred various fees and charges of approximately $63 million. In connection with the offering of the Notes and the refinancing of the Term Loan facility, a cash dividend of approximately $300.0 million in the aggregate was paid to the equity holders of Parent, on a pro rata basis.

At April 30, 2011, the Company had $388.9 million available under the ABL Line of Credit and no outstanding borrowings. The maximum borrowings under the facility during the three month period ended April 30, 2011 amounted to $184.9 million. Average borrowings during the three month period ended April 30, 2011 amounted to $72.7 million at an average interest rate of 4.5%. At January 29, 2011, $168.6 million was outstanding under this credit facility.

At May 1, 2010, the Company had $306.6 million available under the ABL Line of Credit and no borrowings outstanding. The maximum borrowings under the facility during the three month period ended May 1, 2010 amounted to $121.2 million. Average borrowings during the three month period ended May 1, 2010 amounted to $19.5 million at an average interest rate of 2.9%.

Both the New Term Loan and the ABL Line of Credit are fully, jointly, severally, unconditionally, and irrevocably guaranteed by all of the Company's subsidiaries (with the exception of one immaterial non-guarantor subsidiary). The ABL Line of Credit is collateralized by a first lien on the Company's inventory and receivables and a second lien on the Company's real estate and property and equipment. The New Term Loan is collateralized by a first lien on the Company's real estate, favorable leases, and machinery and equipment and a second lien on the Company's inventory and receivables.

Holdings and all of the Company's subsidiaries fully and unconditionally guarantee BCFWC's obligations under the $721 million ABL Line of Credit and the $1,000 million New Term Loan Facility. These guarantees are both joint and several.

As of April 30, 2011, the Company was in compliance with all of its debt covenants. The agreements regarding the ABL Line of Credit and the New Term Loan Facility, as well as the indenture governing the Notes, contain covenants that, among other things, limit the Company's ability, and the ability of the Company's restricted subsidiaries, to pay dividends on, redeem or repurchase capital stock; make investments; incur additional indebtedness or issue preferred stock; create liens; permit dividends or other restricted payments by the Company's subsidiaries; sell all or substantially all of the Company's assets or consolidate or merge with or into other companies; and engage in transactions with affiliates.

The Company had $35.5 million, $29.2 million and $38.2 million in deferred financing fees, net of accumulated amortization, as of April 30, 2011, January 29, 2011 and May 1, 2010, respectively, related to its debt instruments recorded in the line item "Other Assets" on the Company's Condensed Consolidated Balance Sheets. Amortization of deferred financing fees amounted to $2.6 million and $3.1 million for the three month periods ended April 30, 2011 and May 1, 2010, respectively, and is included in the line item "Interest Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. During the three months ended April 30, 2011, the Company recorded $25.3 million of new deferred financing costs related to the New Term Loan Facility and the Notes described above and wrote off $16.4 million of previously capitalized deferred debt costs related to the Existing Term Loan and the Existing Senior Notes and Existing Senior Discount Notes which were all settled in connection with the refinancing transactions described above.

4. Fair Value Measurements

The Company accounts for fair value measurements in accordance with ASC Topic No. 820, "Fair Value Measurements and Disclosures," (Topic No. 820) which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurements. Topic No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price), and classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Pricing inputs that are unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the assets and liabilities.

The inputs into the determination of fair value require significant management judgment or estimation.

Financial Assets

The Company's financial assets as of April 30, 2011 included cash equivalents, interest rate cap agreements and a note receivable. The Company's financial liabilities are discussed below. The carrying value of cash equivalents approximates fair value due to its short-term nature. The fair values of the interest rate cap agreements are determined using quotes that are based on models whose inputs are observable LIBOR forward interest rate curves. To comply with the provisions of Topic No. 820, the Company incorporates credit valuation adjustments to appropriately reflect both the Company's non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of the Company's interest rate cap agreements for the effect of non-performance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. As a result, the Company has determined that the inputs used to value this investment fall within Level 2 of the fair value hierarchy.

The fair value of the note receivable is based on a discounted cash flow analysis whose inputs are unobservable, and therefore it falls within Level 3 of the fair value hierarchy.

Although the Company has determined that the majority of the inputs used to value its interest rate cap agreements fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's interest rate cap agreements utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. As of April 30, 2011, the Company recorded credit valuation adjustments of less than $0.1 million to the overall valuation of the Company's interest rate cap agreements. The credit valuation adjustment is not considered significant to the valuation of each of the individual interest rate cap agreements and as a result, the Company has determined that its interest rate cap agreement valuations in their entirety are classified as Level 2 within the fair value hierarchy.

The fair values of the Company’s financial assets and the hierarchy of the level of inputs are summarized below:

	(in thousands) Fair Value Measurements at		
	April 30, 2011	January 29, 2011	May 1, 2010
Assets:			
Level 1			
Cash equivalents (including restricted cash)	$ 69,754	$ 30,331	$ 214,051
Level 2			
Interest rate cap agreements (a)	$ 2,027	$ 3,279	$ 4,186
Level 3			
Note Receivable (b)	$ 1,099	$ 1,090	$ 1,407

(a) Included in “Other Assets” within the Company’s Condensed Consolidated Balance Sheets (refer to Note 5 of the Company’s Condensed Consolidated Financial Statements, entitled “Derivative Instruments and Hedging Activities” for further discussion regarding the Company's interest rate cap agreements).

(b) Included in “Prepaid and Other Current Assets” and “Other Assets” on the Company’s Consolidated Balance Sheets. The change in fair value of the Company’s Level 3 note receivable from January 29, 2011 to April 30, 2011 is related to unrealized gains. The change in fair value of the Company’s Level 3 note receivable from May 1, 2010 to January 29, 2011 is related to the Company receiving a partial payment in the amount of $0.5 million, which was partially offset by unrealized gains of $0.2 million.

Financial Liabilities

The fair value of the Company’s debt as of April 30, 2011, January 29, 2011 and May 1, 2010 is noted in the table below:

	(in thousands)					
	April 30, 2011		January 29, 2011		May 1, 2010	
	Carrying Amount (c)	Fair Value (c)	Carrying Amount (c)	Fair Value (c)	Carrying Amount (c)	Fair Value (c)
$1,000,000 Senior Secured Term Loan Facility, 6.25% due in quarterly payments of 2,500 from April 30, 2011 to January 28, 2017, matures on February 23, 2017.	$ 987,799	$ 988,622	$ -	$ -	$ -	$ -
$450,000 Senior Notes, 10% due at maturity on February 15, 2019, semi-annual interest payments on August 15 and February 15, from August 15, 2011 to February 15, 2019.	450,000	456,750	-	-	-	-
$900,000 Senior Secured Term Loan Facility, LIBOR plus 2.3%.	-	-	777,550	773,986	852,550	802,818
$721,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on	-	-	168,600	168,600	-	-

average outstanding balance, expires February 4, 2014. (a)						
Senior Notes, 11.1%.	-	-	301,997	313,322	301,439	308,975
Senior Discount Notes, 14.5%.	-	-	99,309	104,274	99,309	98,316
Other debt (b)	210	210	282	282	1,706	1,706
Total debt	$1,438,009	$1,445,582	$1,347,738	$ 1,360,464	$ 1,255,004	$1,211,815

(a) The carrying value of the ABL Line of Credit approximates its fair value due to its short term nature (borrowings are typically done in increments of 30 days or less) and its variable interest rate.

(b) Other debt includes the industrial revenue bonds and both promissory notes, as further described in Note 3 of the Company's Condensed Consolidated Financial Statements entitled "Long Term Debt."

(c) Capital lease obligations are excluded from the table above.

As of April 30, 2011, the fair value of the Company's debt, exclusive of capital leases, was $1,445.6 million compared to the carrying value of $1,438.0 million. The fair values presented herein are based on estimates using quoted market prices for the same or similar issues and other pertinent information available to management as of the respective period end dates. Although management is not aware of any factors that could significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these Condensed Consolidated Financial Statements since April 30, 2011, and current estimates of fair value may differ from amounts presented herein.

5. Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with ASC Topic No. 815 "Derivatives and Hedging" (Topic No. 815). Topic No. 815 provides disclosure requirements to provide users of financial statements with an enhanced understanding of: (i) How and why an entity uses derivative instruments; (ii) How derivative instruments and related hedged items are accounted for under Topic No. 815 and its related interpretations; and (iii) How derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

The Company is exposed to certain risks relating to its ongoing business operations, including market risks relating to fluctuations in interest rates. The Company's senior secured credit facilities contain floating rate obligations and are subject to interest rate fluctuations. The Company uses interest rate cap agreements, which are designated as economic hedges, to manage interest rate risk associated with the Company's variable-rate borrowings and to minimize the negative impact of interest rate fluctuations on its earnings and cash flows, thus reducing the Company's exposure to variability in expected future cash flows attributable to the changes in LIBOR rates.

Topic No. 815 requires recognition of all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company does not monitor its interest rate cap agreements for hedge effectiveness and therefore does not designate its interest rate cap agreements as cash flow hedges of certain future interest payments on variable-rate debt. Instead, the interest rate cap agreements are adjusted to market on a quarterly basis. As a result, gains or losses associated with the interest rate cap agreements are recorded in the line item "Interest Expense" on the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income and in the line item "Interest Rate Cap Contract – Adjustment to Market" on the Company's Condensed Consolidated Statements of Cash Flows.

As of April 30, 2011, January 29, 2011 and May 1, 2010, the Company was party to four outstanding interest rate cap agreements to manage the interest rate risk associated with future interest payments on variable-rate debt.

(in thousands)
Fair Values of Derivative Instruments
Asset Derivatives

	April 30, 2011		January 29, 2011		May 1, 2010	
Derivatives Not Designated as Hedging Instruments Under Topic No. 815	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Cap Agreements	Other Assets	$ 2,027	Other Assets	$ 3,279	Other Assets	$ 4,186

Liability Derivatives

	April 30, 2011		January 29, 2011		May 1, 2010	
Derivatives Not Designated as Hedging	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value

Instruments Under Topic No. 815								
Interest Rate Cap Agreements	Other Liabilities	$	-	Other Liabilities	$	-	Other Liabilities	$ -

(Gain) Loss on Derivatives Instruments

Derivatives Not Designated as Hedging Instruments Under Topic No. 815	Location of (Gain) or Loss Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives	
		Three Months Ended	
		April 30, 2011	May 1, 2010
Interest Rate Cap Agreements	Interest Expense	$ 1,252	$ 4,592

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One of the four interest rate cap agreements became effective on May 12, 2006. It has a notional principal amount of $300 million with a cap rate of 7.0% and terminated on May 31, 2011. Upon the effective date, the Company determined that it would not monitor this interest rate cap agreement for hedge effectiveness. The Company adjusts this interest rate cap agreement to fair value on a quarterly basis and records all gains and losses associated with this contract in the line item "Interest Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

On December 20, 2007, the Company entered into an additional interest rate cap agreement. The agreement has a notional principal amount of $600 million with a cap rate of 7.0% and terminated on May 31, 2011. The agreement became effective on May 29, 2009 upon the termination of an expiring $700 million interest rate cap agreement. As of the effective date, the Company determined that it would not monitor this interest rate cap agreement for hedge effectiveness. Instead, the Company adjusts the interest rate cap to fair value on a quarterly basis and records all gains and losses associated with this contract in the line item "Interest Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

On January 16, 2009, the Company entered into two additional interest rate cap agreements, each of which became effective on May 31, 2011 upon termination of the Company's existing $300 million and $600 million interest rate cap agreements described above. Each agreement has a notional principal amount of $450 million with a cap rate of 7.0% and terminates on May 31, 2015. As of the effective date, the Company determined that it would not monitor them for hedge effectiveness. The Company will adjust these interest rate cap agreements to fair value on a quarterly basis and as a result, gains or losses associated with these agreements will be included in the line item "Interest Expense" on the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income and in the line item "Interest Rate Cap Contract – Adjustment to Market" on the Company's Condensed Consolidated Statements of Cash Flows.

6. Income Taxes

As of April 30, 2011, the Company had a current deferred tax asset of $22.2 million and a non-current deferred tax liability of $274.5 million. As of January 29, 2011, the Company had a current deferred tax asset of $24.8 million and a non-current deferred tax liability of $279.3 million. As of May 1, 2010, the Company had a current deferred tax asset of $29.8 million and a non-current deferred tax liability of $276.7 million. Current deferred tax assets consisted primarily of certain operating costs and
inventory related costs not currently deductible for tax purposes. Non-current deferred tax liabilities primarily relate to rent expense, pre-opening costs, intangible costs and depreciation expense where the Company has a future obligation for tax purposes.

In accordance with ASC Topic No. 270, Interim Reporting (Topic No. 270) and ASC Topic No. 740, Income Taxes (Topic No. 740), at the end of each interim period the Company is required to determine the best estimate of its annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. For the first quarter ending April 30, 2011, the Company's best estimate of its annual effective income tax rate was 32.7%, excluding discrete items.

As of April 30, 2011, January 29, 2011 and May 1, 2010, valuation allowances amounted to $5.8 million, $5.8 million and $7.0 million, respectively, and related primarily to state tax net operating losses. The Company believes that it is more likely than not that a portion of the benefit of the state tax net operating losses will not be realized. The state net operating losses have been generated in a number of taxing jurisdictions and are subject to various expiration periods ranging from five to twenty years beginning with Fiscal 2011. Any future tax benefit recognized by the use of a state tax net operating loss where a valuation allowance has been established, will be recorded to the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income according to the provisions of ASC Topic

No. 805, "Business Combinations" (Topic No. 805). Within the next twelve months the Company does not expect material changes in its liability for uncertain tax positions.

7. Stock Option and Award Plans and Stock-Based Compensation

On April 13, 2006, Parent's Board of Directors adopted the 2006 Management Incentive Plan (the Plan). The Plan provides for the granting of service-based and performance-based stock options, restricted stock and other forms of awards to executive officers and other key employees of the Company and its subsidiaries. Grants made pursuant to the Plan are comprised of units of Parent's common stock. Each "unit" consists of nine shares of Parent's Class A common stock and one share of Parent's Class L common stock. The shares comprising a unit are in the same proportion as the shares of Class A and Class L common stock held by all stockholders of the Parent. Options granted pursuant to the Plan are exercisable only for whole units and cannot be separately exercised for the individual classes of Parent's common stock. As of April 30, 2011, there were 730,478 units reserved under the Plan consisting of 6,574,302 shares of Parent's Class A common stock and 730,478 shares of Parent's Class L common stock.

Non-cash stock compensation expense for the three months ended April 30, 2011 and May 1, 2010 amounted to $0.7 million and $0.2 million, respectively. The table below summarizes the types of stock compensation:

Type of Non-Cash Stock Compensation	(in thousands) Three Months Ended April 30, 2011	May 1, 2010
Stock Option Compensation (a)	$ 463	$ 3
Restricted Stock Compensation (a)	242	230
Total	$ 705	$ 233

(a) Included in the line item "Selling and Administrative Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Stock Options

Options granted during the three month period ended April 30, 2011 were all service-based awards and were granted at exercise prices of $90 per unit and $180 per unit. Options granted during the three month period ended May 1, 2010 were all service-based awards and were granted at exercise prices of $90 per unit and $180 per unit.

In April 2011, the Parent’s Board of Directors, in order to reflect the dividends paid in connection with the debt refinancing, approved a reduction of the exercise prices of each then outstanding option from $90 per unit and $180 per unit, respectively, to $30.60 and $120.60 per unit, respectively, without affecting the existing vesting schedules thereof. Upon application of modification accounting, which contemplates fair value of awards both before and after the debt refinancing and related dividends, the stock compensation cost did not change as a result of this modification.

All of the service-based awards granted during the three month period ended April 30, 2011 and May 1, 2010 vest 40% on the second anniversary of the award with the remaining amount vesting ratably over the subsequent three years. The final exercise date for any option granted is the tenth anniversary of the grant date.

All options awarded pursuant to the Plan become exercisable upon a change of control. Unless determined otherwise by the plan administrator and except as otherwise set forth in the option holders’ stock agreement, upon cessation of employment, (1) options that have not vested will terminate immediately; (2) units previously issued upon the exercise of vested options will be callable at the Company’s option; and (3) unexercised vested options will be exercisable for a period of 60 days.

As of April 30, 2011, the Company had 479,997 options outstanding to purchase units, all of which are service-based awards. The Company accounts for awards issued under the Plan in accordance with ASC Topic No. 718, “Stock Compensation.” For the three months ended April 30, 2011, the Company recognized non-cash stock compensation expense of $0.7 million before the adjustment for forfeitures of $0.2 million, which resulted in $0.5 million of expense for the quarter. These forfeiture adjustments were the result of actual forfeitures being higher than initially estimated.

In comparison, for the three months ended May 1, 2010, the Company recognized non-cash stock compensation expense of $0.7 million before the adjustment for forfeitures of $0.7 million, which resulted in zero expense for the quarter. These forfeiture adjustments were the result of actual forfeitures being higher than initially estimated.

Non-cash stock option compensation expense is included in the line item “Selling and Administrative Expense” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. As of April 30, 2011 there was approximately $5.5 million of unearned non-cash stock-based compensation that the Company

expected to recognize as expense over the next 4.8 years. The service-based awards are expensed on a straight-line basis over the requisite service period of five years. As of April 30, 2011, 46.6% percent of outstanding options to purchase units had vested.

Stock option transactions are summarized as follows:

	Number of Units	Weighted Average Exercise Price Per Unit
Options Outstanding January 29, 2011	489,499	$ 123.62
Options Issued	9,000	60.60
Options Forfeited	(18,502)	(111.97)
Options Outstanding April 30, 2011	479,997	$ 66.14

Non-vested stock option unit transactions during the three months ended April 30, 2011 are summarized below:

	Number of Units	Weighted Average Grant Date Fair Value Per Unit
Non-Vested Options Outstanding, January 29, 2011	324,100	$ 38.28
Granted	9,000	17.93
Vested	(58,065)	(39.48)
Forfeited	(18,502)	(30.09)
Non-Vested Options Outstanding, April 30, 2011	256,533	$ 37.65

The following table summarizes information about the options to purchase units that were outstanding under the Plan as well as options that were exercisable under the Plan as of April 30, 2011:

	Stock Option Units Outstanding		Stock Option Units Exercisable	
Exercise Prices	Number Outstanding At April 30, 2011	Weighted Average Remaining Contractual Life (Years)	Number Exercisable At April 30, 2011	Weighted Average Remaining Contractual Life (Years)
$30.60	313,665	7.5	146,620	6.2
$120.60	152,332	6.7	62,844	5.4
$270.00	14,000	2.1	14,000	2.1
	479,997		223,464	

The following table summarizes information about the options to purchase units vested and expected to vest during the contractual term:

Exercise Prices	Options	Weighted Average Remaining Contractual	Weighted Average Exercise

		Life (Years)	Price
Vested and Expected to Vest as of April 30, 2011			
$30.60	254,665	7.4	$30.60
$120.60	125,332	6.6	$120.60
$270.00	14,000	2.1	$270.00
	393,997		

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants under the Plan during the three months ended April 30, 2011 and May 1, 2010:

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	Three Months Ended	
	April 30, 2011	May 1, 2010
Risk-Free Interest Rate	2.9 – 3.8%	2.9 – 3.4%
Expected Volatility	35.49%	47.7%
Expected Life (years)	6.4 - 9.8	6.6 – 9.5
Contractual Life (years)	10	10
Expected Dividend Yield	0.0 %	0.0%
Weighted Average Grant Date Fair Value of Options Issued at an exercise price of:		
$30.60	$ 20.57	$ 34.23
$120.60	$ 12.64	$ 26.67

The weighted average grant date fair value of options granted has varied from period to period due to changes in the Company's business enterprise value resulting from changes in the Company's business forecast, market conditions and the refinancing of the Company's debt and related dividend payments (as further described in Note 3 to the Condensed Consolidated Financial Statements entitled "Long Term Debt").

Restricted Stock Awards

Under the Plan, the Company also has the ability to grant restricted stock awards. All awards granted typically vest 50% on the second anniversary of the grant and 50% on the third anniversary of the grant. Following a change of control, as defined by the Plan, all unvested units shall accelerate and vest as of the date of such change of control.

During the three months ended April 30, 2011, the Company recorded $0.2 million of non-cash restricted stock compensation expense, inclusive of forfeitures of less than $0.1 million, which is included in the line item "Selling and Administrative Expense" on the Company's Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. As of April 30, 2011, there was approximately $0.9 million of unearned non-cash stock-based compensation that the Company expects to recognize as expense over the next 1.1 years. Awards of restricted stock are expensed on a straight-line basis over the requisite service period of three years. At April 30, 2011, 60,943 of the outstanding Awards of restricted stock were vested.

Restricted Stock Awards Transactions for the three months ended April 30, 2011 are summarized below:

	Number of Awards
Awards Outstanding January 29, 2011	98,367
Awards Granted	-
Awards Forfeited	(367)
Awards Outstanding April 30, 2011	98,000

Non-vested Award transactions during the three months ended April 30, 2011 are summarized below:

	Number of Awards	Weighted Average Grant Date Fair Value Per Awards
Non-Vested Awards Outstanding, January 29, 2011	71,140	$ 47.27
Awards Granted	-	-
Awards Vested	(33,716)	(45.80)
Awards Forfeited	(367)	(45.80)
Non-Vested Awards Outstanding, April 30, 2011	37,057	$ 48.64

8. Comprehensive (Loss) Income

The Company presents comprehensive (loss) income on its Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income in accordance with ASC Topic No. 220 “Comprehensive Income.” For the three months ended April 30, 2011 and May 1, 2010, comprehensive (loss) income consisted of net (loss) income.

9. Other Current Liabilities

Other current liabilities primarily consist of sales tax payable, liabilities due to customers, accrued payroll costs, self-insurance reserves, accrued operating expenses, payroll taxes payable, current portion of deferred rent expense and other miscellaneous items. Liabilities due to customers totaled $30.9 million, $30.2 million and $33.0 million as of April 30, 2011, January 29, 2011 and May 1, 2010, respectively.

The Company has risk participation agreements with insurance carriers with respect to workers' compensation, general liability insurance and health insurance. Pursuant to these arrangements, the Company is responsible for paying individual claims up to designated dollar limits. The amounts included in costs related to these claims are estimated and can vary based on changes in assumptions or claims experience included in the associated insurance programs. An increase in worker's compensation or health insurance claims by employees or general liability claims may result in a corresponding increase in costs related to these claims. Self-insurance reserves were $50.8 million, $49.6 million and $46.0 million, as of April 30, 2011, January 29, 2011 and May 1, 2010, respectively. At April 30, 2011, January 29, 2011 and May 1, 2010, the portion of self-insurance reserve expected to be paid in the next twelve months of $19.5 million, $19.1 million and $24.3 million, respectively, were recorded in the line item "Other Current Liabilities" in the Company's Condensed Consolidated Balance Sheets. The remaining respective balances of $31.3 million, $30.5 million and $21.7 million were recorded in the line item "Other Liabilities" in the Company's Condensed

Consolidated Balance Sheets.

10. Segment Information

The Company reports segment information in accordance with ASC Topic No. 280 “Segment Reporting” (Topic 280). The Company has one reportable segment.

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11. Commitments and Contingencies

Legal

The Company establishes reserves relating to legal claims, in connection with litigation to which the Company is party from time to time in the ordinary course of business. The aggregate amounts of such reserves were $6.9 million, $6.9 million and $11.8 million as of April 30, 2011, January 29, 2011 and May 1, 2010, respectively. The Company believes that potential liabilities in excess of those recorded will not have a material adverse effect on the Company's Consolidated Financial Statements. However, there can be no assurances to this effect.

A putative class action lawsuit, entitled May Vang, and all others similarly situated, v. Burlington Coat Factory Warehouse Corporation, Case No. 09-CV-08061-CAS, was filed in the Superior Court of the State of California on September 17, 2009 and was amended and refiled on November 16, 2009 in the U.S. District Court for the Central District of California – Western Division. The named plaintiff purports to assert claims on behalf of all current, former, and future employees in the United States and the State of California for the relevant statutory time period. The amended complaint asserts claims for failure to pay all earned hourly wages in violation of the Fair Labor Standards Act (FLSA), failure to pay all earned hourly wages in violation of the California Labor Code, providing compensatory time off in lieu of overtime pay, forfeiture of vacation pay, failure to provide meal and rest periods, secret payment of lower wages than that required by statute or contract, failure to provide accurate, written wage statements, and unfair competition. The complaint seeks certification as a class with respect to the FLSA claims, certification of a class with respect to California law claims, appointment of class counsel and class representative, civil penalties, statutory penalties, declaratory relief, injunctive relief, actual damages, liquidated damages, restitution, pre-judgment interest, costs of suit and attorney’s fees. On March 7, 2011, the United States District Court for the Central District of California – Western Division granted preliminary approval to a settlement agreement pursuant to which the Company will pay class members an immaterial amount in settlement of claims on a class basis. The court rescheduled a hearing for final approval on June 27, 2011. This settlement is included in the Company’s $6.9 million legal reserve discussed above.

There have been no significant changes in the Company’s commitments and contingencies from those disclosed in the Fiscal 2010 10-K, except as noted below:

Lease Agreements

The Company enters into lease agreements during the ordinary course of business in order to secure favorable store locations. As of April 30, 2011, the Company was committed to seven new lease agreements (exclusive of two relocations) for locations at which stores are expected to be opened during the remainder of Fiscal 2011. Inclusive of these new leases, the Company’s minimum lease payments for all operating leases are expected to be $192.1 million, $198.1 million, $188.8 million, $162.1 million, and $577.1 million for the remainder of the fiscal year ended January 28, 2012, and the fiscal years ended February 2, 2013, February 1, 2014, January 31, 2015 and January 30, 2016 and subsequent years thereafter, respectively.

Letters of Credit

The Company had letter of credit arrangements with various banks in the aggregate amount of $37.0 million and $71.8 million as of April 30, 2011 and May 1, 2010, respectively. Based on the terms of the credit agreement related to the ABL Line of Credit, the Company had available letters of credit of $388.9 million and $234.8 million as of April 30, 2011 and May 1, 2010, respectively. Among these arrangements as of April 30, 2011 and May 1, 2010, the Company had letters of credit in the amount of $32.2 million and $62.4 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. The Company also had an outstanding letter of credit of $1.2 million at May 1, 2010 guaranteeing its Industrial Revenue Bonds. Finally, the Company had outstanding letters of credit agreements in the amount of $4.8 million and $8.2 million at April 30, 2011 and May 1, 2010, respectively, related to certain merchandising agreements.

The Company had irrevocable letters of credit in the amount of $39.6 million as of January 29, 2011. Based on the terms of the credit agreement relating to the ABL Line of Credit, the Company had available letters of credit of $180.0 million as of January 29, 2011. Letters of credit outstanding at January 29, 2011 amounted to $30.4 million, guaranteeing performance under various lease agreements, insurance contracts and utility agreements. The Company also had letters of credit in the amount of $9.2 million at January 29, 2011 related to certain merchandising agreements.

12. Subsequent Events

Subsequent to the end of the first quarter ended April 30, 2011 in an effort to improve workflow efficiencies and realign certain responsibilities, the Company effected a reorganization of certain positions within its stores and corporate locations. In connection therewith, the Company estimates that it will record a severance charge of approximately $4.4 million in the line item “Restructuring and Separation Costs” in its Condensed Consolidated Statement of Operations and Comprehensive (Loss) Income for the second quarter of Fiscal 2011.

13. Condensed Guarantor Data

The following condensed consolidating financial statements present the financial position, results of operations and cash flows of Holdings, BCFWC (exclusive of subsidiaries, referred to herein as “BCFW”), and the guarantor subsidiaries. The Company has one immaterial non-guarantor subsidiary that is not wholly-owned and is considered to be “minor” as that term is defined in Rule 3-10 of Regulation S-X promulgated by the Securities and Exchange Commission.

Neither the Company nor any of its subsidiaries may declare or pay cash dividends or make other distributions of property to any affiliate unless such dividends are used for certain specified purposes including, among others, to pay general corporate and overhead expenses incurred by Holdings in the ordinary course of business, or the amount of any indemnification claims made by any director or officer of Holdings or the Company, or to pay taxes that are due and payable by Holdings or any of its direct or indirect subsidiaries.

Burlington Coat Factory Investments Holdings, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
(All amounts in thousands)

	As of April 30, 2011				
ASSETS	Holdings	BCFW	Guarantors	Eliminations	Consolidated
Current Assets:					
Cash and Cash Equivalents	$ -	$ 37,797	$ 29,739	$ -	$ 67,536
Restricted Cash and Cash Equivalents	-	34,800	2,474	-	37,274
Accounts Receivable	-	22,989	10,774	-	33,763
Merchandise Inventories	-	-	688,985	-	688,985
Deferred Tax Asset	-	7,894	14,280	-	22,174
Prepaid and Other Current Assets	-	14,995	22,407	-	37,402
Prepaid Income Tax	-	22,584	2,585	-	25,169
Assets Held for Sale	-	-	2,156	-	2,156
Total Current Assets	-	141,059	773,400	-	914,459
Property and Equipment - Net of Accumulated Depreciation	-	67,191	782,415	-	849,606
Tradenames	-	238,000	-	-	238,000
Favorable Leases - Net of Accumulation Amortization	-	-	382,474	-	382,474
Goodwill	-	47,064	-	-	47,064
Investment in subsidiaires	-	1,699,645	-	(1,699,645)	-
Other Assets	-	42,423	236,326	(179,984)	98,765
Total Assets	$ -	$ 2,235,382	$ 2,174,615	$ (1,879,629)	$ 2,530,368
LIABILITIES AND STOCKHOLDER’S EQUITY					
Current Liabilities:					
Accounts Payable	$ -	$ 489,481	$ -	$ -	$ 489,481
Income Taxes Payable	-	3,295	108	-	3,403
Other Current Liabilities	-	150,713	67,884	-	218,597
Current Maturities of Long Term Debt	-	10,000	788	-	10,788
Total Current Liabilities	-	653,489	68,780	-	722,269

Long Term Debt	-	1,427,799	23,837	-	1,451,636
Other Liabilities	-	200,416	193,915	(179,984)	214,347
Deferred Tax Liability	-	86,070	188,438	-	274,508
Investment in Subsidiaries	132,392	-	-	(132,392)	-
Stockholder's (Deficit) Equity:					
Common Stock	-	-	-	-	-
Capital in Excess of Par Value	467,907	467,907	930,923	(1,398,830)	467,907
(Accumulated Deficit) Retained Earnings	(600,299)	(600,299)	768,722	(168,423)	(600,299)
Total Stockholder's (Deficit) Equity	(132,392)	(132,392)	1,699,645	(1,567,253)	(132,392)