BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-Q
June 15, 2010

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 May 1, 2010

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 15, 2010, 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)

	May 1, 2010	January 30, 2010	May 2, 2009
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 237,179	$ 24,750	$ 61,787
Restricted Cash and Cash Equivalents	2,595	2,605	2,621
Investment in Money Market Fund	-	-	995
Accounts Receivable - Net of Allowances for Doubtful Accounts	32,405	31,278	33,080
Merchandise Inventories	634,008	613,295	672,216
Deferred Tax Assets	29,813	29,644	53,126
Prepaid and Other Current Assets	50,081	29,443	49,009
Prepaid Income Taxes	9,416	4,841	6,667
Assets Held for Disposal	521	521	2,851
Total Current Assets	996,018	736,377	882,352
Property and Equipment - Net of Accumulated Depreciation	840,492	856,149	891,297
Tradenames	238,000	238,000	238,000
Favorable Leases - Net of Accumulated Amortization	413,267	421,091	480,336
Goodwill	47,064	47,064	45,612
Other Assets	90,869	95,313	88,086
Total Assets	$ 2,625,710	$ 2,393,994	$ 2,625,683
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities:			
Accounts Payable	$ 504,501	$ 139,802	$ 464,279
Income Taxes Payable	20,329	14,223	-
Other Current Liabilities	208,907	215,814	216,952
Current Maturities of Long Term Debt	15,449	14,201	10,602
Total Current Liabilities	749,186	384,040	691,833

Long Term Debt	1,264,484	1,399,152	1,290,668
Other Liabilities	175,547	173,067	169,475
Deferred Tax Liability	276,698	283,235	342,117
Commitments and Contingencies (Note 16)			
Stockholder's Equity:			
Common Stock	-	-	-
Capital in Excess of Par Value	464,722	464,489	463,104
Accumulated Deficit	(304,927)	(309,989)	(331,514)
Total Stockholder's Equity	159,795	154,500	131,590
Total Liabilities and Stockholder's Equity	$ 2,625,710	$ 2,393,994	$ 2,625,683

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	May 1, 2010	May 2, 2009
REVENUES:		
Net Sales	$ 894,678	$ 830,043
Other Revenue	7,280	7,060
Total Revenue	901,958	837,103
COSTS AND EXPENSES:		
Cost of Sales (Exclusive of Depreciation and Amortization)	552,353	554,211
Selling and Administrative Expenses	278,528	262,108
Restructuring and Separation Costs (Note 4)	963	5,023
Depreciation and Amortization	36,729	39,679
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Agreements)	27,365	20,918
Impairment Charges – Long-Lived Assets	185	9,386
Impairment Charges – Tradenames	-	15,250
Other (Income) Expense, Net	(2,966)	2,921
Total Costs and Expenses	893,157	909,496
Income (Loss) Before Income Tax Expense (Benefit)	8,801	(72,393)
Income Tax Expense (Benefit)	3,588	(35,477)
Net Income (Loss)	$ 5,213	$ (36,916)
Total Comprehensive Income (Loss)	$ 5,213	$ (36,916)

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	
	May 1, 2010	May 2, 2009
OPERATING ACTIVITIES		
Net Income (Loss)	$ 5,213	$ (36,916)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	36,729	39,679
Impairment Charges - Long-Lived Assets	185	9,386
Impairment Charges - Tradenames	-	15,250
Amortization of Debt Issuance Costs	3,070	2,494
Accretion of Senior Notes and Senior Discount Notes	174	156
Interest Rate Cap Agreement - Adjustment to Market	4,592	(1,969)
Provision for Losses on Accounts Receivable	549	682
Provision for Deferred Income Taxes	(6,706)	10,922
Loss on Retirement of Fixed Assets	172	499
Gain on Investments in Money Market Fund	-	2,991
Non-Cash Stock Option Expense	233	3,006
Non-Cash Rent Expense	(827)	(1,142)
Changes in Assets and Liabilities:		
Accounts Receivable	(1,115)	(4,051)
Merchandise Inventories	(20,713)	22,821
Prepaid and Other Current Assets	(25,212)	(28,155)
Accounts Payable	364,700	65,651
Other Current Liabilities and Income Tax Payable	4,004	(30,240)
Deferred Rent Incentives	3,684	4,346
Other Long Term Assets and Long Term Liabilities	407	2,127
Net Cash Provided by Operating Activities	369,139	77,537
INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(22,160)	(22,869)
Proceeds Received from Sale of Property and Equipment and Assets Held for Sale	39	217
Change in Restricted Cash and Cash Equivalents	10	(332)
Lease Acquisition Costs	(79)	(1,337)
Redemption of Investment in Money Market Fund	-	6,271

Purchase of Tradenames Rights		-		(6,250)
Other		9		26
Net Cash (Used in) Investing Activities		(22,181)		(24,274)
FINANCING ACTIVITIES				
Proceeds from Long Term Debt - ABL Line of Credit		-		69,700
Principal Payments on Long Term Debt		(193)		(183)
Principal Payments on Long Term Debt - Term Loan		(12,202)		-
Principal Payments on Long Term Debt - ABL Line of Credit		(121,200)		(99,700)
Payment of Dividends		-		(3,000)
Debt Issuance Costs		(934)		-
Net Cash (Used in) Financing Activities		(134,529)		(33,183)
Increase in Cash and Cash Equivalents		212,429		20,080
Cash and Cash Equivalents at Beginning of Period		24,750		41,707
Cash and Cash Equivalents at End of Period	$	237,179	$	61,787
Supplemental Disclosure of Cash Flow Information				
Interest Paid	$	32,524	$	39,152
Net Income Tax Payments	$	8,746	$	105
Non-Cash Investing Activities:				
Accrued Purchases of Property and Equipment	$	5,202	$	5,911

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
May 1, 2010
(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 Transition Report on Form 10-K/T for the 35 week period ended January 30, 2010. The balance sheet at January 30, 2010 has been derived from the audited Consolidated Financial Statements contained in the Company's Transition Report on Form 10-K/T. At January 30, 2010, the Company revised the presentation of the amortization of deferred financing fees related to the Company’s debt instruments by recording it in the line item “Interest Expense” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The amortization of deferred financing fees had previously been included as a component of the line item “Depreciation and Amortization” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) prior to January 30, 2010. At January 30, 2010, the Company also revised the presentation of the amortization of deferred financing fees in its Condensed Consolidated Statements of Cash Flows by reclassifying the amortization of deferred financing fees out of the line item “Depreciation and Amortization” within the Company’s Condensed Consolidated Statement of Cash Flows and including it within the line item “Amortization of Debt Issuance Costs” within the Company’s Condensed Consolidated Statements of Cash Flows. Because the Company's business is seasonal in nature, the operating results for the three month period ended May 1, 2010 are not necessarily indicative of results for the fiscal year ending January 29, 2011.

Fiscal Year

In order to conform to the predominant fiscal calendar used within the retail industry, on February 25, 2010 the Company’s Board of Directors approved a change in the Company’s fiscal year from a fiscal year comprised of the twelve consecutive fiscal months ending on the Saturday closest to May 31 to a fiscal year comprised of the twelve consecutive fiscal months ending on the Saturday closest to January 31. The Transition Report on Form 10-K/T relates to the 35 week transition period beginning on May 31, 2009, the day following the end of the Company’s 2009 fiscal year, and ended on January 30, 2010 (the Transition Period).

Statements that are made about fiscal year 2010 refer to the first full fiscal year after the Transition Period, which is the 52 week period commencing on January 31, 2010 and ending on January 29, 2011 (Fiscal 2010). Fiscal 2009 ended on May 30, 2009 and was a 52 week year (Fiscal 2009). Fiscal 2008 ended on May 31, 2008 and was a 52 week year (Fiscal 2008).

As a result of the Company's fiscal year end change and the seasonality of the Company's business, the Company recast its interim financial information for the last four quarters of the twelve month period ended January 30, 2010 on the basis of the new fiscal year for comparative purposes.

Current Conditions

Prior to the Transition Period, the Company had experienced recurring annual net losses since its formation in April 2006, in part due to the interest expense associated with its leveraged debt structure detailed in Note 3 to the Company's Condensed Consolidated Financial Statements entitled "Long Term Debt." At May 1, 2010, working capital was $244.2 million, cash and cash equivalents were $237.2 million and unused availability under the Company's $721 million ABL Senior Secured Revolving Facility (ABL Line of Credit) was $306.6 million. Significant declines in the United States and international financial markets which began during Fiscal 2009 and the resulting impact of such events on macroeconomic conditions have impacted and are anticipated to continue to impact customer behavior and consumer spending at retailers, which in turn impacts the Company's sales trends. In response to these economic conditions, the Company implemented several initiatives to restructure its workforce and reduce its cost structure (refer to Note 4 to the Company's Condensed Consolidated Financial Statements entitled "Restructuring and Separation Costs" for further discussion). The Company continues to focus on a number of ongoing initiatives aimed at improving its comparative store sales and its operating results.

Despite the current trends in the retail environment and their negative impact on the Company's comparative store sales, the Company believes that cash generated from operations, along with existing cash and the ABL Line of Credit, will be sufficient to fund the Company's expected cash flow requirements and planned capital expenditures for at least the next twelve months as well as the foreseeable future. However, there can be no assurance that, should the economy continue to decline, the Company would be able to continue to offset the decline in its comparative store sales with continued savings initiatives.

2. Stockholder's Equity

Activity for the three month periods ended May 1, 2010 and May 2, 2009 in the Company's common stock, capital in excess of par value, and accumulated deficit are summarized below:

	(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 Option Expense	-	233	-	233
Dividends Payable	-	-	(151)	(151)
Balance at May 1, 2010	$-	$464,722	$ (304,927)	$159,795

	(in thousands)			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 31, 2009	$-	$460,098	$ (291,598)	$168,500
Net Income	-	-	(36,916)	(36,916)
Stock Option Expense	-	580	-	580
Stock Option Restructuring	-	2,426	-	2,426
Dividends	-	-	(3,000)	(3,000)
Balance at May 2, 2009	$-	$463,104	$ (331,514)	$131,590

3. Long Term Debt

Long term debt consists of:

	(in thousands)		
	May 1, 2010	January 30, 2010	May 2, 2009
$900,000 Senior Secured Term Loan Facility, LIBOR plus 2.3% due in quarterly payments of $2,250 from August 26, 2011 to May 28, 2013	$ 852,550	$ 864,752	$ 872,807
$721,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires February 4, 2014 (a)	-	121,200	-

Senior Notes, 11.1% due at maturity on April 15, 2014, semi-annual interest payments from October 15, 2010 to April 15, 2014	301,439	301,264	300,765
Senior Discount Notes, 14.5% due at maturity on October 15, 2014, semi-annual interest payments from October 15, 2010 to October 15, 2014	99,309	99,309	99,309
Industrial Revenue Bonds, 6.1% due September 1, 2010	1,210	1,210	2,305
Promissory Note, non-interest bearing, due in monthly payments of $17 through January 1, 2012	350	400	550
Promissory Note, 4.4% due in monthly payments of $8 through December 23, 2011	146	167	228
Capital Lease Obligations	24,929	25,051	25,306
Total debt	1,279,933	1,413,353	1,301,270
Less: current maturities	(15,449)	(14,201)	(10,602)
Long-term debt, net of current maturities	$ 1,264,484	$ 1,399,152	$ 1,290,668

(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, but is subject to a springing maturity requirement whereby the ABL will mature 45 days prior to May 28, 2013 (the maturity date of the $900 million Senior Secured Term Loan Facility (Term Loan) if the Term Loan is not extended or refinanced prior to that date. Additional information regarding the ABL Line of Credit is included below.

The Term Loan is to be repaid in quarterly payments of $2.3 million from August 26, 2011 to May 28, 2013. At the end of each fiscal year, the Company is required to make a payment based on 50% of its available free cash flow (as defined in the credit agreement governing the Term Loan). This payment offsets future mandatory quarterly payments. Based on its available free cash flow for the Transition Period, the Company made a payment of $11.5 million during the three months ended May 1, 2010. This payment offsets mandatory quarterly payments through the second quarter of the fiscal year ending January 28, 2012 (Fiscal 2011) and $0.3 million of the mandatory quarterly payment for the third quarter of Fiscal 2011.

On February 25, 2010, the Company entered into a second amendment to the credit agreement governing the Term Loan. Among other things, the amendment provides that consolidated EBITDA (as defined in credit agreement governing the Term Loan) will be increased or decreased for any period to the extent necessary to eliminate the effects during such period of any increase or decrease in legal, auditing, consulting, and accounting related expenses for such period relating directly to the Company's change in fiscal year compared to the amount of such expenses that would have been incurred in such period had the fiscal year change not occurred. The amendment also provides that for purposes of any calculation of consolidated interest coverage ratio and consolidated leverage ratio, as of the last day of any fiscal quarter ending on or after January 30, 2010 and prior to the completion of the fiscal year ending the Saturday closest to January 31, 2011, consolidated EBITDA and consolidated interest expense will be determined for the most recent period of twelve consecutive fiscal months. Pursuant to the terms of the amendment, the Company paid a fee to each lender consenting to the amendment in the amount of 0.05% (or $0.4 million) of the principal amount of such lender's outstanding loan under the credit agreement governing the Term Loan. A further description of the second amendment to the credit agreement governing the Term Loan is contained in Item 1.01 of the Company's Current Report on Form 8-K, filed with the SEC on February 26, 2010.

The Company's Term Loan agreement 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. Specifically, the Company's total debt to Adjusted EBITDA, as each term is defined in the credit agreement governing the Term Loan, for the trailing twelve months most recently ended on or prior to such date, may not exceed 5.25 to 1 at May 1, 2010, July 31, 2010, and October 30, 2010; 5.00 to 1 at January 29, 2011; and 4.75 to 1 at April 30, 2011 and thereafter. Adjusted EBITDA is a non-GAAP financial measure of the Company's liquidity. Adjusted EBITDA, as defined in the credit agreement governing the Company's Term Loan, starts with consolidated net income (loss) for the period and adds back (i) depreciation, amortization, impairments and other non-cash charges that were deducted in arriving at consolidated net income (loss), (ii) the provision (benefit) 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.

On January 15, 2010, the Company completed an amendment and restatement of the credit agreement governing the Company's ABL Line of Credit, which (among other things) extended the maturity date for consenting lenders constituting $600 million of commitments to February 4, 2014. As part of the amendment and restatement, the Company eliminated the outstanding $65 million A-1 tranche commitments, although the Company maintained the ability to restore up to $65 million of the A-1 tranche with the consent of lenders holding the majority of outstanding commitments. The Company offered the banks in the terminated A-1 tranche the option to convert to the A tranche or opt out of the agreement altogether. This reduced the Company's total line of credit to $721 million through May 31, 2011, after which the line of credit will be reduced to $600 million through the new maturity date. The $600 million ABL Line of Credit has a springing maturity requirement whereby the ABL Line of Credit will mature 45 days prior to May 28, 2013, the maturity date of the Term Loan, if the Term Loan is not extended or refinanced prior to such date unless the pro forma credit availability condition has been satisfied after implementation of a Term Loan maturity reserve or the outstanding principal amount under the Term Loan maturing prior to February 4, 2014 is not more than $75 million. The Company believes the $600 million line of credit will provide adequate liquidity to support its operating activities. A further description of the amended and restated credit agreement governing the ABL Line of

Credit and related transactions, including a description of covenants, fees and interest rates, is contained in Item 1.01 of the Company's Current Report on Form 8-K, filed with the SEC on January 19, 2010.

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

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%. At January 30, 2010, $121.2 million was outstanding under this credit facility. During the three months ended May 1, 2010, the Company repaid all borrowings related to its ABL Line of Credit in full.

At May 2, 2009, the Company had $417.9 million available under the then $800 million ABL Line of Credit. At January 30, 2010, the Company had $158.6 million available under the $721 million ABL Line of Credit. The maximum borrowings under the facility during the three month period ended May 2, 2009 amounted to $55.0 million. Average borrowings during the three month period ended May 2, 2009 amounted to $21.2 million at an average interest rate of 3.0%. At May 2, 2009, there was no outstanding balance under this credit facility. At January 30, 2010, $121.2 million was outstanding under this credit facility and was included in the line item “Long-Term Debt” in the Company’s Consolidated Balance Sheet.

Holdings and certain subsidiaries of BCFWC fully and unconditionally guarantee BCFWC’s obligations under the $721 million ABL Line of Credit and the $900 million Term Loan. These guarantees are both joint and several.

As part of the Company’s issuance of its 14.5% Senior Discount Notes, the Company is required to make a $13.4 million High Yield Discount Obligation payment by April 13, 2011. The Company reclassified the amount of the payment out of the line item “Long-Term Debt” and into the line item “Current Maturities of Long-Term Debt” on the Company’s Condensed Consolidated Balance Sheet as of May 1, 2010.

As of May 1, 2010, the Company was in compliance with all of its debt covenants. The agreements regarding the ABL Line of Credit and Term Loan, as well as the indentures governing the BCFWC Senior Notes and Holdings Senior Discount 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 $38.2 million, $40.3 million, and $35.8 million in deferred financing fees, net of accumulated amortization, as of May 1, 2010, January 30, 2010, and May 2, 2009, 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 $3.1 million and $2.5 million for the three month periods ended May 1, 2010 and May 2, 2009, respectively, and is included in the line item “Interest Expense” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

4. Restructuring and Separation Costs

The Company accounts for restructuring and separation costs in accordance with ASC Topic No. 420, “Exit or Disposal Cost Obligations” (Topic No. 420). In an effort to better align the Company’s resources with its business objectives, during Fiscal 2009, the Company reviewed all areas of the business to identify efficiency opportunities to enhance the organization’s performance. In light of the then challenging economic and retail sales environments, the Company executed the implementation of several initiatives, including some that resulted in the elimination of certain positions and the restructuring of certain other jobs and functions. This resulted in the reduction of approximately 2,300 positions in the Company’s corporate office and its stores through the end of the three months ended May 1, 2010.

On February 16, 2009, the Company's former President and Chief Executive Officer (Former CEO) entered into a separation agreement with the Company. As part of his separation agreement, the Company paid the Former CEO's salary through January 30, 2010 at which time continuation payments and other benefits payable as provided in his separation agreement commenced. The continuation payments will be paid out in biweekly installments through May 30, 2011. The total amount of all continuation payments and other benefits payable to the Former CEO pursuant to the terms of his separation agreement was approximately $4.2 million, $2.4 million of which was stock compensation. At May 1, 2010, $0.7 million of the $4.2 million of the Former CEO's benefits payable remains to be paid.

Reductions of the Company's workforce during the first quarter of Fiscal 2010 resulted in severance and related payroll tax charges during the three months ended May 1, 2010 and the three months ended May 2, 2009 of approximately $1.0 million and $5.0 million, respectively.

The table below summarizes the charges incurred related to the Company’s restructuring and separation costs, which are included in the line items “Other Current Liabilities” and "Other Liabilities" in the Company’s Condensed Consolidated Balance Sheet as of May 1, 2010:

	(in thousands)			
	January 30, 2010	Charges	Cash Payments	May 1, 2010
Severance-Restructuring (a)	$ 1,560	-	(591)	$ 969
Severance-Separation Cost (b)	912	963	(237)	1,638
Total	$ 2,472	963	(828)	$ 2,607

	(in thousands)				
	January 31, 2009	Charges	Capital in Excess of Par Value	Cash Payments	May 2, 2009
Severance-Restructuring (a)	$ 1,697	833	-	(1,328)	$ 1,202
Severance-Separation Cost (b)	-	4,190	(2,426)	(130)	1,634
Total	$ 1,697	5,023	(2,426)	(1,458)	$ 2,836

(a) The balances as of May 1, 2010, January 30, 2010, May 2, 2009 and January 31, 2009 are recorded in the line item "Other Current Liabilities" in the Company's Condensed Consolidated Balance Sheets.

(b) Approximately $1.5 million and $0.1 million of the balance as of May 1, 2010 is recorded in the line items "Other Current Liabilities" and "Other Liabilities," respectively. Approximately $0.7 million and $0.2 million of the balance as of January 30, 2010 is recorded in the line items “Other Current Liabilities” and “Other Liabilities,” respectively. Approximately $0.9 million and $0.7 million of the balance as of May 2, 2009 is recorded in the line items "Other Current Liabilities" and "Other Liabilities," respectively.

5. Assets Held for Disposal

Assets held for disposal represent assets owned by the Company that management has committed to sell in the near term. The Company has either identified or is actively seeking out potential buyers for these assets as of the balance sheet dates. The asset listed as “Assets Held for Disposal” in the Company’s Condensed Consolidated Balance Sheets as of May 1, 2010 and January 30, 2010 was an owned parcel of land adjacent to one of the Company’s stores.

The assets listed as “Assets Held for Disposal” in the Company’s Condensed Consolidated Balance Sheets as of May 2, 2009 were comprised of owned parcels of land adjacent to three of the Company’s stores and various pieces of distribution equipment.

Assets held for disposal are valued at the lower of their carrying value or fair value as follows:

	(in thousands)		
	May 1, 2010	January 30, 2010	May 2, 2009
Property and Equipment	$ 521	$ 521	$ 2,851

6. Intangible Assets

Intangible assets at May 1, 2010, January 30, 2010, and May 2, 2009 consist primarily of tradenames and favorable lease positions as follows:

	(in thousands)					
	May 1, 2010			January 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Tradenames	$ 238,000	$ -	$ 238,000	$ 238,000	$ -	$ 238,000
Favorable Leases	$ 521,561	$ (108,294)	$ 413,267	$ 521,775	$ (100,684)	$ 421,091

	(in thousands)		
	May 2, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Tradenames	$ 238,000	$ -	$ 238,000
Favorable Leases	$ 567,035	$ (86,699)	$ 480,336

Favorable Leases

The decrease in the gross carrying amount of favorable leases from January 30, 2010 to May 1, 2010 was related to a $0.2 million cost adjustment recorded during the three months ended May 2, 2010 which represents certain favorable leases becoming fully amortized during the period.

The increase in favorable lease accumulated amortization from January 30, 2010 through May 1, 2010 was primarily related to amortization expense of $7.8 million which was incurred during the three months ended May 1, 2010. This increase was partially offset by a $0.2 million cost adjustment as described above.

The decrease in the gross carrying amount of the Company's favorable leases from May 2, 2009 to January 30, 2010 was primarily related to a reduction of $45.3 million as a result of the impairment of 24 of the Company's stores.

The increase in favorable lease accumulated amortization from May 2, 2009 to January 30, 2010 was primarily related to amortization expense of $24.6 million, which was partially offset by a cost adjustment of $10.6 million related to the impairment noted above.

Amortization expense of favorable leases for each of the next five fiscal years is estimated to be as follows:

Fiscal year:	(in thousands)
2011	$ 31,105
2012	29,854
2013	28,590
2014	27,972
2015	26,812
Total	$ 144,333

7. 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 May 1, 2010 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 May 1, 2010, the Company recorded credit valuation adjustments of $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		
	May 1, 2010	January 30, 2010	May 2, 2009
Assets:			
Level 1			
Cash equivalents (including restricted cash)	$ 214,051	$ 2,758	$ 35,883
Level 2			
Interest rate cap agreements (a)	$ 4,186	$ 8,779	$ 5,305
Level 3			
Note Receivable (b)	$ 1,407	$ 1,407	$ -

(a) Included in "Other Assets" within the Company's Condensed Consolidated Balance Sheets (refer to Footnote 8 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.

Financial Liabilities

The fair value of the Company's debt as of May 1, 2010, January 30, 2010 and May 2, 2009 is noted in the table below:

(in thousands)	May 1, 2010		January 30, 2010		May 2, 2009	
	Carrying Amount (c)	Fair Value (c)	Carrying Amount (c)	Fair Value (c)	Carrying Amount (c)	Fair Value (c)
$900,000 Senior Secured Term Loan Facility, LIBOR plus 2.3% due in quarterly payments of $2,250 from August 26, 2011 to May 28, 2013	$ 852,550	$ 802,818	$ 864,752	$ 804,219	$ 872,807	$ 612,428
$721,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance (a)	-	-	121,200	121,200	-	-
Senior Notes, 11.1% due at maturity on April 15, 2014, semi-annual interest payments from October 15, 2010 to April 15, 2014	301,439	308,975	301,264	310,051	300,765	218,091
Senior Discount Notes, 14.5% due at maturity on October 15, 2014, semi-annual interest payments from October 15, 2010 to October 15, 2014	99,309	98,316	99,309	98,812	99,309	71,999
Other debt (b)	1,706	1,706	1,777	1,777	3,083	3,059
Total debt	$ 1,255,004	$ 1,211,815	$1,388,302	$ 1,336,059	$ 1,275,964	$ 905,577

(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 May 1, 2010, the fair value of the Company's debt, exclusive of capital leases, was $1,211.8 million compared to the carrying value of $1,255.0 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 May 1, 2010, and current estimates of fair value may differ from amounts presented herein.

8. Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with ASC Topic No. 815 "Disclosures 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 adoption of Topic No. 815 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

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 Income (Loss) and in the line item “Interest Rate Cap Contract – Adjustment to Market” on the Company’s Condensed Consolidated Statements of Cash Flows.

As of May 1, 2010, January 30, 2010, and May 2, 2009 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

	May 1, 2010		January 30, 2010		May 2, 2009	
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	$ 4,186	Other Assets	$ 8,779	Other Assets	$ 5,305

Liability Derivatives

	May 1, 2010		January 30, 2010		May 2, 2009	
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 Liabilities	$ -	Other Liabilities	$ -	Other Liabilities	$ -

(Gain) Loss on Derivatives Instruments

Amount of (Gain) or Loss Recognized in Income on Derivatives
Three Months Ended

Derivatives Not Designated as Hedging Instruments Under Topic No. 815	Location of (Gain) or Loss Recognized in Income on Derivatives		May 1, 2010		May 2, 2009
Interest Rate Cap Agreements	Interest Expense	$	4,592	$	(1,96

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 terminates 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 Income (Loss) and in the line item "Interest Rate Cap Contract - Adjustment to Market" on the Company's Condensed Consolidated Statements of Cash Flows.

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 terminates 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 Income (Loss) and in the line item "Interest Rate Cap Contract - Adjustment to Market" on the Company's Condensed Consolidated Statements of Cash Flows.

On January 16, 2009, the Company entered into two additional interest rate cap agreements, each of which will be 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. The Company will determine prior to the effective date of each agreement whether it will monitor them for hedge effectiveness. Until the Company determines the accounting treatment that will be used, 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 Income (Loss) and in the line item “Interest Rate Cap Contract – Adjustment to Market” on the Company’s Condensed Consolidated Statements of Cash Flows.

9. Income Taxes

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. As of January 30, 2010, the Company had a current deferred tax asset of $29.6 million and a non-current deferred tax liability of $283.2 million. As of May 2, 2009, the Company had a current deferred tax asset of $53.1 million and a non-current deferred tax liability of $342.1 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 Financial 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 May 1, 2010, the Company’s best estimate of its annual effective income tax rate was 37.8% (before discrete items).

As of May 1, 2010, January 30, 2010 and May 2, 2009, valuation allowances amounted to $7.0 million, $7.0 million and $4.8 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 that was established prior to the April 13, 2006 merger transaction involving Bain Capital, LLC (Merger Transaction), where a valuation allowance has been established, and any future tax benefits related to the recognition of any state tax net operating losses, where a valuation allowance has been established, will be recorded to the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) according to the provisions of ASC Topic No. 805, “Business Combinations” (Topic No. 805).

10. Barter Transactions

The Company accounts for barter transactions under ASC Topic No. 845 “Nonmonetary Transactions.” Barter transactions with commercial substance are recorded at the estimated fair value of the products exchanged, unless the products received have a more readily determinable estimated fair value. Revenue associated with barter transactions is recorded at the time of the exchange of the related assets. During the three months ended May 1, 2010 and the three months ended May 2, 2009, the Company did not enter into any new barter agreements.

Based on the expected usage of advertising credits received in exchange for certain inventory pursuant to barter transactions occurring in Fiscal 2008 and Fiscal 2009, the Company recorded prepaid advertising expense of $2.7 million, $2.7 million and $2.8 million in the line item “Prepaid and Other Current Assets” and $7.1 million, $7.5 million and $9.7 million in the line item “Other Assets” in the Company’s Condensed Consolidated Balance Sheets as of May 1, 2010, January 30, 2010 and May 2, 2009, respectively. For the three month periods ended May 1, 2010 and May 2, 2009, the Company utilized $0.4 million of the bartered advertising credits.

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

On April 13, 2006, Burlington Coat Factory Holdings, Inc.'s (Parent) 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. Awards made pursuant to the Plan are comprised of units of Parent's common stock. Each unit (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 May 1, 2010, 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 May 1, 2010 and May 2, 2009 amounted to $0.2 million and $3.0 million, respectively. The table below summarizes the types of stock compensation:

	(in thousands) Three Months Ended	
Type of Non-Cash Stock Compensation	May 1, 2010	May 2, 2009
Stock Option Compensation (a)	$ 3	$ 470
Restricted Stock Compensation (a)	230	111
Stock Compensation – Separation Costs (b)	-	2,425
Total	$ 233	$ 3,006

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

The $2.4 million of stock compensation – separation costs related to the separation of the Former CEO from the Company and is included in the line item "Restructuring and Separation Costs" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). These costs are related to the repurchase of a portion of the Former CEO's restricted stock under the terms of the separation agreements and a modification of the options granted to the Former CEO.

Stock Options

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. Options granted during the three month period ended May 2, 2009 were all service-based awards and were granted at exercise prices of $90 per unit and $180 per unit. All of the service-based awards granted during the three month periods ended May 1, 2010 and May 2, 2009 vest 40% on the second anniversary of the award (or the modification 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 May 1, 2010, the Company had 468,833 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" (Topic No. 718), using the modified prospective method, which requires companies to record stock compensation expense for all non-vested and new awards beginning as of the adoption date (June 4, 2006 for the Company). 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 due to terminations, which resulted in zero 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 2, 2009, the Company recognized non-cash stock compensation expense of $1.7 million before the adjustment for forfeitures of $1.2 million due to terminations, which resulted in $0.5 million of non-cash stock compensation expense for the quarter ($0.3 million after tax). 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 Income (Loss). As of May 1, 2010 there was approximately $6.2 million of unearned non-cash stock-based compensation that the Company expected to recognize as expense over the next 5.0 years. The service-based awards are expensed on a straight-line basis over the requisite service period of three to five years. As of May 1, 2010, 27.6% percent of outstanding options to purchase units had vested.

Stock Option Unit Transactions are summarized as follows:

	Number of Units	Weighted Average Exercise Price Per Unit
Options Outstanding January 30, 2010	478,500	$ 123.70
Options Issued	20,500	120.00
Options Forfeited	(30,167)	(120.00)
Options Outstanding May 1, 2010	468,833	$ 123.78

Non-vested stock option unit transactions during the three months ended May 1, 2010 are summarized below:

	Number of Units	Weighted Average Grant Date Fair Value Per Unit
Non-Vested Options Outstanding, January 30, 2010	361,500	$ 36.50
Granted	20,500	26.34
Vested	(21,377)	(46.90)
Forfeited	(21,100)	(37.24)
Non-Vested Options Outstanding, May 1, 2010	339,523	$ 37.66

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 May 1, 2010:

	Options Outstanding		Options Exercisable	
Exercise Prices	Number Outstanding At May 1, 2010	Weighted Average Remaining Contractual Life (Years)	Number Exercisable At May 1, 2010	Weighted Average Remaining Contractual Life (Years)
$ 90.00	306,889	8.2	72,206	5.7
$ 180.00	147,944	7.3	43,104	5.3
$ 270.00	14,000	3.1	14,000	3.1
	468,833		129,310	

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

Exercise Prices	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
Expected to Vest as of May 1, 2010			
$ 90.00	248,311	8.2	$ 90.00
$ 180.00	121,155	7.3	$ 180.00
$ 270.00	14,000	3.1	$ 270.00
	383,466		

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 May 1, 2010 and May 2, 2009:

	Three Months Ended	
	May 1, 2010	May 2, 2009
Risk-Free Interest Rate	2.9 – 3.4%	2.6 – 3.0%
Expected Volatility	47.7%	52.5%
Expected Life (years)	6.6 – 9.5	7.7 – 10.0
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:		

$ 90.00	$ 34.23	$ 19.37
$ 180.00	$ 26.67	$ 16.78
$ 270.00	$ N/A	$ N/A

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 changes in the book value of the Company's debt.

Restricted Stock Grants

Under the Plan, the Company also has the ability to grant restricted stock units. All units 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 May 1, 2010, the Company recorded $0.3 million of non-cash restricted stock compensation expense before the adjustment for forfeitures of $0.1 million, which is included in the line item "Selling and Administrative Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). As of May 1, 2010, there was approximately $2.2 million of unearned non-cash stock-based compensation that the Company expects to recognize as expense over the next 2.1 years. The service based units are expensed on a straight-line basis over the requisite service period of three years. At May 1, 2010, 2,500 units of the outstanding units were vested.

Restricted Stock Unit Transactions for the three months ended May 1, 2010 are summarized below:

	Number of Units
Units Outstanding January 30, 2010	95,052
Units Issued	-
Units Forfeited	(8,222)
Units Outstanding May 1, 2010	86,830

12. Comprehensive Income (Loss)

The Company presents comprehensive income (loss) on its Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with ASC Topic No. 220 "Comprehensive Income." For the three months ended May 1, 2010 and May 2, 2009, comprehensive income (loss) consisted of net income (loss).

13. Other Revenue

Other revenue consists of rental income received from leased departments; subleased rental income and other miscellaneous items; and layaway, alteration and other service charges (Service Fees), which are summarized below:

	(in thousands) Three Months Ended	
	May 1, 2010	May 2, 2009
Service Fees	$ 2,997	$ 2,716
Rental Income from Leased Departments	1,785	2,116
Subleased Rental Income and Other Miscellaneous Items	2,498	2,228
Total	$ 7,280	$ 7,060

14. Other Current Liabilities

Other current liabilities primarily consist of sales tax payable, customer liabilities, accrued payroll costs, self-insurance reserves, accrued operating expenses, payroll taxes payable, current portion of deferred rent expense and other miscellaneous items. Customer liabilities totaled $33.0 million, $33.2 million, and $43.2 million as of May 1, 2010, January 30, 2010, and May 2, 2009, 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, health insurance claims, or general liability claims may result in a corresponding increase in costs related to such claims. At May 1, 2010, January 30, 2010, and May 2, 2009, self-insurance reserves of $24.3 million, $24.2 million, and $35.4 million, respectively, were recorded in the line item "Other Current Liabilities" in the Company's Condensed Consolidated Balance Sheets. The remaining reserve balances of $21.7 million and $21.6 million as of May 1, 2010 and January 30, 2010, respectively, were recorded in the line item "Other Liabilities" in the Company's Condensed Consolidated Balance Sheets. Prior to January 30, 2010, all of the Company's self-insurance reserves were recorded in the line item "Other Current Liabilities" in the Company's Condensed Consolidated Balance Sheets.

15. Segment Information

The Company reports segment information in accordance with ASC Topic No. 280 "Segment Reporting" (Topic No. 280). The Company has identified operating segments at the store level. However, each store's operating performance has been aggregated into one reportable segment. Each store meets the aggregation criteria set forth in Topic No. 280. The Company's operating segments are aggregated for financial reporting purposes because they are similar in each of the following areas: economic characteristics, class of consumer, nature of products, nature of production processes and distribution methods. Revenues from customers are derived from merchandise sales and the Company does not rely on any major customers as a source of revenue.

16. 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 $11.8 million, $11.6 million, and $3.8 million as of May 1, 2010, January 30, 2010, and May 2, 2009, respectively. The Company cannot estimate with certainty its ultimate legal and financial liability with respect to such pending litigation matters. However, the Company, based on its examination of such matters, 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. 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. Plaintiff filed an amended complaint on November 16, 2009. 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. The Company intends to vigorously defend this action.

There have been no significant changes in the Company's commitments and contingencies from those disclosed in the Company's Transition Report on Form 10-K/T, 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 May 1, 2010, the Company was committed to 11 new lease agreements (inclusive of one relocation) for locations at which stores are expected to be opened in Fiscal 2010. The 11 new stores are expected to have minimum lease payments of $2.4 million, $7.0 million, $7.3 million, $7.4 million, and $51.5 million for the remainder of the fiscal year ended January 29, 2011, and the fiscal years ended January 28, 2012, February 2, 2013, February 1, 2014, and January 31, 2015 and all subsequent years thereafter, respectively.

Letters of Credit

The Company had letter of credit arrangements with various banks in the aggregate amount of $71.8 million and $51.0 million as of May 1, 2010 and May 2, 2009, respectively. Based on the terms of the credit agreement related to the ABL Line of Credit, the Company had the ability to issue an additional $234.8 million and $249.0 million of letters of credit as of May 1, 2010 and May 2, 2009, respectively. Among these arrangements as of May 1, 2010 and May 2, 2009, the Company had letters of credit in the amount of $62.4 million and $41.5 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. The Company also had an outstanding letter of credit in the amount of $1.2 million and $2.4 million guaranteeing its Industrial Revenue Bonds at May 1, 2010 and May 2, 2009, respectively. Finally, the Company had outstanding letters of credit agreements in the amount of $8.2 million and $7.1 million at May 1, 2010 and May 2, 2009, respectively, related to certain merchandising agreements.

The Company had letters of credit in the amount of $79.6 million as of January 30, 2010. Based on the terms of the credit agreement relating to the ABL Line of Credit, the Company had the ability to issue an additional $79.0 million of letters of credit as of January 30, 2010. Among these arrangements as of January 30, 2010, the Company had Letters of credit outstanding of $68.5 million, guaranteeing performance under various insurance contracts and utility agreements. The Company also had letters of credit in the amount of $1.2 million at January 30, 2010 guaranteeing the Company's Industrial Revenue Bonds and $9.9 million related to certain merchandising agreements.

17. Recent Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, “Fair Value Measurements and Disclosures (Topic No. 820): Improving Disclosures about Fair Value Measurements” (ASU 2010-06). This ASU provides amendments that will require more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. The adoption of ASU 2010-06 on January 31, 2010, did not have a material impact on the Company’s Condensed Consolidated Financial Statements.

In March 2010, the FASB issued ASU No. 2010-11, “Derivatives and Hedging (Topic No. 815): Scope Exception Related to Embedded Credit Derivatives” (ASU 2010-11). ASU 2010-11 clarifies the only form of embedded credit derivative that is exempt from embedded derivative bifurcation requirements is one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The amendments in this ASU are effective at the beginning of a reporting entity’s first fiscal quarter beginning after June 15, 2010. The adoption of ASU 2010-11 is not expected to have a material impact on the Company’s Condensed Consolidated Financial Statements.

18. Condensed Guarantor Data

On April 13, 2006, BCFWC issued $305 million aggregate principal amount of 11.1% Senior Notes due 2014. The notes were issued under an indenture issued on April 13, 2006. Holdings and subsidiaries of BCFWC have fully and unconditionally guaranteed these notes. These guarantees are both joint and several. The following condensed consolidating financial statements present the financial position, reuslts of operations and cash flows of Holdings, BCFWC, (exclusive of subsidiaries, referred to herein as "BCFW"), and the guarantor subsidiaries. The Company has one 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 certian 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, to pay taxes that are due and payable by Holdings or any of its direct or indirect subsidiaries, or to pay interest on Holdings Senior discount Notes, provided that no event of default under BCFWC's debt agreements has occurred or will occur as the result of such interest payment.

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

	As of May 1, 2010				
ASSETS	Holdings	BCFW	Guarantors	Eliminations	Consolidated
Current Assets:					
Cash and Cash Equivalents	$ -	$ 6,383	$ 230,796	$ -	$ 237,179
Restricted Cash and Cash Equivalents	-	-	2,595	-	2,595
Accounts Receivable	-	20,806	11,599	-	32,405
Merchandise Inventories	-	560	633,448	-	634,008
Deferred Tax Asset	-	9,867	19,946	-	29,813
Prepaid and Other Current Assets	-	33,460	16,621	-	50,081
Prepaid Income Tax	-	7,482	1,934	-	9,416
Assets Held for Sale	-	-	521	-	521
Total Current Assets	-	78,558	917,460	-	996,018
Property and Equipment - Net of Accumulated Depreciation	-	50,867	789,625	-	840,492
Tradenames	-	238,000	-	-	238,000
Favorable Leases - Net of Accumulation Amortization	-	-	413,267	-	413,267
Goodwill	-	47,064	-	-	47,064
Other Assets	159,794	1,651,115	40,358	(1,760,398)	90,869
Total Assets	$ 159,794	$ 2,065,604	$ 2,160,710	$ (1,760,398)	$ 2,625,710
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current Liabilities:					
Accounts Payable	$ -	$ 504,501	$ -	$ -	$ 504,501
Income Taxes Payable	-	17,307	3,022	-	20,329
Other Current Liabilities	-	123,767	85,140	-	208,907
Current Maturities of Long Term Debt	-	-	15,449	-	15,449
Total Current Liabilities	-	645,575	103,611	-	749,186
Long Term Debt	-	1,153,989	110,495	-	1,264,484
Other Liabilities	-	22,788	162,759	(10,000)	175,547
Deferred Tax Liability	-	83,458	193,240	-	276,698

Stockholder's Equity:					
Common Stock	-	-	-	-	-
Capital in Excess of Par Value	464,722	464,722	1,008,303	(1,473,025)	464,722
(Accumulated Deficit) Retained Earnings	(304,928)	(304,928)	582,302	(277,373)	(304,927)
Total Stockholder's Equity	159,794	159,794	1,590,605	(1,750,398)	159,795
Total Liabilities and Stockholder's Equity	$ 159,794	$ 2,065,604	$ 2,160,710	$ (1,760,398)	$ 2,625,710

Burlington Coat Factory Investments Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(All amounts in thousands, except share data)

	As of January 30, 2010				
	Holdings	BCFW	Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ -	$ 4,176	$ 20,574	$ -	$ 24,750
Restricted Cash and Cash Equivalents	-	-	2,605	-	2,605
Investments	-	-	-	-	-
Accounts Receivable	-	19,886	11,392	-	31,278
Merchandise Inventories	-	540	612,755	-	613,295
Deferred Tax Assets	-	10,001	19,643	-	29,644
Prepaid and Other Current Assets	-	12,959	16,484	-	29,443
Prepaid Income Taxes	-	3,870	971	-	4,841
Assets Held for Disposal	-	-	521	-	521
Total Current Assets	-	51,432	684,945	-	736,377
Property and Equipment - Net of Accumulated Depreciation	-	52,526	803,623	-	856,149
Tradenames	-	238,000	-	-	238,000
Favorable Leases - Net of Accumulated Amortization	-	-	421,091	-	421,091
Goodwill	-	47,064	-	-	47,064
Other Assets	154,500	1,441,062	37,792	(1,538,041)	95,313
Total Assets	$ 154,500	$ 1,830,084	$ 1,947,451	$ (1,538,041)	$ 2,393,994
LIABILITIES AND STOCKHOLDER’S EQUITY					
Current Liabilities:					
Accounts Payable	$ -	$ 139,802	$ -	$ -	$ 139,802
Income Taxes Payable	-	10,628	3,595	-	14,223
Other Current Liabilities	-	125,839	89,975	-	215,814
Current Maturities of Long Term Debt	-	12,202	1,999	-	14,201
Total Current Liabilities	-	288,471	95,569	-	384,040
Long Term Debt	-	1,275,014	124,138	-	1,399,152
Other Liabilities	-	23,374	159,693	(10,000)	173,067
Deferred Tax Liability	-	88,725	194,510	-	283,235
Commitments and Contingencies	-	-	-	-	-
Stockholder’s Equity:					

Common Stock	-	-	-	-	-
Capital in Excess of Par Value	464,489	464,489	836,784	(1,301,273)	464,489
Accumulated Deficit	(309,989)	(309,989)	536,757	(226,768)	(309,989)
Total Stockholder's Equity	154,500	154,500	1,373,541	(1,528,041)	154,500
Total Liabilities and Stockholder's Equity	$ 154,500	$ 1,830,084	$ 1,947,451	$ (1,538,041)	$ 2,393,994

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

As of May 2, 2009

ASSETS	Holdings	BCFWC	Guarantors	Eliminations	Consolidated
Current Assets:					
Cash and Cash Equivalents	$ -	$ 24,410	$ 37,377	$ -	$ 61,787
Restricted Cash and Cash Equivalents	-	-	2,621	-	2,621
Investments	-	-	995	-	995
Accounts Receivable	-	25,204	7,876	-	33,080
Merchandise Inventories	-	582	671,634	-	672,216
Deferred Tax Asset	-	14,401	38,725	-	53,126
Prepaid and Other Current Assets	-	34,300	14,709	-	49,009
Prepaid Income Tax	-	-	6,667	-	6,667
Assets Held for Sale	-	-	2,851	-	2,851
Total Current Assets	-	98,897	783,455	-	882,352
Property and Equipment - Net of Accumulated Depreciation	-	52,422	838,875	-	891,297
Trademark	-	238,000	-	-	238,000
Net Favorable Lease	-	-	480,336	-	480,336
Goodwill	-	45,612	-	-	45,612
Other Assets	131,591	1,612,509	36,786	(1,692,800)	88,086
Total Assets	$ 131,591	$ 2,047,440	$ 2,139,452	$ (1,692,800)	$ 2,625,683
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts Payable	$ -	$ 464,279	$ -	$ -	$ 464,279
Income Taxes Payable	-	-	-	-	-
Other Current Liabilities	-	119,522	97,430	-	216,952
Current Maturities of Long Term Debt	-	8,807	1,795	-	10,602
Total Current Liabilities	-	592,608	99,225	-	691,833
Long Term Debt	-	1,164,765	125,903	-	1,290,668
Other Liabilities	-	55,194	124,281	(10,000)	169,475

Deferred Tax Liability	-	103,282	238,835	-	342,117
Stockholders' Equity:					
Preferred Stock	-	-	-	-	-
Common Stock	-	-	-	-	-
Capital in Excess of Par Value	463,104	463,104	1,265,582	(1,728,686)	463,104
Retained Earnings	(331,513)	(331,513)	285,626	45,886	(331,514)
Note Receivable from Stock Options Excercised		-	-	-	-
Less Treasury Stock at Cost		-	-		-
Total Stockholders' Equity	131,591	131,591	1,551,208	(1,682,800)	131,590
Total Liabilities and Stockholders' Equity	$131,591	$2,047,440	$2,139,452	$(1,692,800)	$ 2,625,683

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Burlington Coat Factory Investments Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Operations
(All amounts in thousands)

	For the Three Months Ended May 1, 2010				
	Holdings	BCFW	Guarantors	Eliminations	Consolidated
REVENUES:					