

Burlington Coat Factory Investments Holdings, Inc.

Form 10-Q

June 12, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 3, 2014

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 333-137916-110

BURLINGTON COAT FACTORY

INVESTMENTS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of

20-4663833
(I.R.S. Employer

Incorporation or Organization)

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

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.

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Large accelerated filer

Accelerated filer

Non-Accelerated filer (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

As of June 12, 2014, the registrant has 1,000 shares of common stock outstanding, all of which are owned by Burlington Coat Factory Holdings, LLC, the registrant's parent holding company, and are not publicly traded.

* The Registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, but is not required to file such reports under such sections.

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(All amounts in thousands, except share and per share data)**

	May 3, 2014	February 1, 2014	May 4, 2013
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 68,461	\$ 129,460	\$ 102,348
Restricted Cash and Cash Equivalents	32,100	32,100	34,800
Accounts Receivable, Net of Allowances for Doubtful Accounts	44,072	35,678	46,362
Merchandise Inventories	707,627	720,052	727,219
Deferred Tax Assets	14,850	13,475	9,337
Prepaid and Other Current Assets	77,492	77,701	74,294
Prepaid Income Taxes	5,326	4,523	7,002
Total Current Assets	949,928	1,012,989	1,001,362
Property and Equipment Net of Accumulated Depreciation and Amortization	907,772	902,657	871,610
Tradenames	238,000	238,000	238,000
Favorable Leases Net of Accumulated Amortization	285,933	292,553	313,200
Goodwill	47,064	47,064	47,064
Other Assets	116,073	120,673	111,209
Total Assets	\$ 2,544,770	\$ 2,613,936	\$ 2,582,445
LIABILITIES AND STOCKHOLDER S DEFICIT			
Current Liabilities:			
Accounts Payable	\$ 575,912	\$ 542,987	\$ 630,660
Other Current Liabilities	265,443	312,343	217,544
Current Maturities of Long Term Debt	1,070	1,026	9,737
Total Current Liabilities	842,425	856,356	857,941
Long Term Debt	1,297,258	1,301,012	1,328,352
Other Liabilities	255,296	255,555	230,337
Deferred Tax Liabilities	235,986	242,708	251,167
Commitments and Contingencies (Notes 3, 4, 7, 8, 9 and 12)			
Stockholder s Deficit:			
Common Stock (Par Value \$0.01; 1,000 Shares Issued and Outstanding)			
Capital in Excess of Par Value	414,045	474,396	475,191
Accumulated Deficit	(500,240)	(516,091)	(560,543)
Total Stockholder s Deficit	(86,195)	(41,695)	(85,352)
Total Liabilities and Stockholder s Deficit	\$ 2,544,770	\$ 2,613,936	\$ 2,582,445

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(All amounts in thousands, except per share data)**

	Three Months Ended	
	May 3, 2014	May 4, 2013
REVENUES:		
Net Sales	\$ 1,128,269	\$ 1,065,013
Other Revenue	7,589	7,976
Total Revenue	1,135,858	1,072,989
COSTS AND EXPENSES:		
Cost of Sales	698,461	667,653
Selling and Administrative Expenses	346,969	327,704
Costs Related to Debt Amendments and Secondary Offering	366	8,855
Stock Option Modification Expense	828	
Restructuring and Separation Costs (Note 4)		1,625
Depreciation and Amortization	41,208	43,992
Impairment Charges Long-Lived Assets	19	51
Other Income, Net	(1,896)	(2,548)
Loss on Extinguishment of Debt	87	
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Agreements)	23,760	26,589
Total Costs and Expenses	1,109,802	1,073,921
Income (Loss) Before Income Tax Expense (Benefit)	26,056	(932)
Income Tax Expense (Benefit)	10,205	(230)
Net Income (Loss)	\$ 15,851	\$ (702)
Total Comprehensive Income (Loss)	\$ 15,851	\$ (702)

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(All amounts in thousands)**

	Three Months Ended	
	May 3, 2014	May 4, 2013
OPERATING ACTIVITIES		
Net Income (Loss)	\$ 15,851	\$ (702)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	41,208	43,992
Amortization of Deferred Financing Costs	2,041	1,520
Impairment Charges Long-Lived Assets	19	51
Accretion of Senior Notes	461	488
Interest Rate Cap Contracts Adjustment to Market	1	60
Provision for Losses on Accounts Receivable	37	34
Deferred Income Tax (Benefit)	(8,098)	(5,376)
Loss (Gain) on Disposition of Fixed Assets and Leasehold Improvements	194	(39)
Non-Cash Loss on Extinguishment of Debt Write-off of Deferred Financing Costs and Original Issue Discount	87	
Non-Cash Stock Compensation Expense	1,367	510
Non-Cash Rent Expense	(5,539)	(3,284)
Deferred Rent Incentives	8,729	7,386
Excess Tax Benefit (Expense) from Stock Based Compensation	3,404	(64)
Insurance Recoveries		830
Changes in Assets and Liabilities:		
Accounts Receivable	(10,426)	(7,338)
Merchandise Inventories	12,425	(47,029)
Prepaid and Other Current Assets	(592)	(7,835)
Accounts Payable	32,925	130,254
Other Current Liabilities	(40,797)	(18,732)
Other Long Term Assets and Long Term Liabilities	898	654
Net Cash Provided by Operating Activities	54,195	95,380
INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(45,985)	(29,764)
Proceeds from Sale of Property and Equipment and Assets Held for Sale	108	114
Net Cash Used in Investing Activities	(45,877)	(29,650)
FINANCING ACTIVITIES		
Proceeds from Long Term Debt ABL Line of Credit	115,000	155,000
Principal Payments on Long Term Debt ABL Line of Credit	(115,000)	(155,000)
Principal Payments on Long Term Debt Term Loan	(3,955)	
Payment of Dividends	(65,789)	(4,955)
Proceeds from Direct Parent Investment	667	
Repayment of Capital Lease Obligations	(240)	(253)
Stock Option Exercises and Related Tax Benefits		64
Deferred Financing Costs		(1,574)

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Net Cash Used in Financing Activities	(69,317)	(6,718)
(Decrease) Increase in Cash and Cash Equivalents	(60,999)	59,012
Cash and Cash Equivalents at Beginning of Period	129,460	43,336
Cash and Cash Equivalents at End of Period	\$ 68,461	\$ 102,348
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ 33,035	\$ 35,797
Net Income Tax Payments	\$ 35,193	\$ 1,150
Non-Cash Investing Activities:		
Accrued Purchases of Property and Equipment	\$ 14,763	\$ 10,427
Acquisition of Capital Lease	\$	\$ 1,538

See Notes to Condensed Consolidated Financial Statements.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

May 3, 2014

(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

As of May 3, 2014, Burlington Coat Factory Investments Holdings, Inc. and its subsidiaries (the Company or Holdings), a Delaware Corporation, through its direct subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), operated 523 retail stores, inclusive of an internet store.

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Coat Factory Investments Holdings, Inc. and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. 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 audited Consolidated Financial Statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014 (Fiscal 2013 10-K). The balance sheet at February 1, 2014 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2013 10-K. Because the Company's business is seasonal in nature, the operating results for the three month period ended May 3, 2014 are not necessarily indicative of results for the fiscal year ending January 31, 2015 (Fiscal 2014).

The Company has 1,000 shares of common stock issued and outstanding, all of which are owned by Burlington Coat Factory Holdings, LLC (Direct Parent). Burlington Coat Factory Holdings, LLC is indirectly owned by Burlington Stores, Inc. (Parent). The Company has no operations and its only asset is 100% of the stock BCFWC.

Accounting policies followed by the Company are described in Note 1 to the Fiscal 2013 10-K.

On February 28, 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-04, *Joint and Several Obligations* (ASU 2013-04). In accordance with ASU 2013-04, an entity is required to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date. Required disclosures include a description of the joint and several arrangements and the total outstanding amount of the obligation for all joint parties. ASU 2013-04 became effective for all annual and interim periods in fiscal years beginning after December 15, 2013 and did not have a material impact on the Company's financial position or results of operations.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 states that an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward, if available at the reporting date under the applicable tax law to settle any additional income taxes that would result from the disallowance of a tax position. If the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability. The amendments in ASU 2013-11 became effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and did not have a material impact on the Company's financial position or results of operations.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). ASU 2014-08 is aimed at reducing the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have or are expected to have a major effect on an entity's operations and financial results. Such a shift could include the disposal of a major line of business, a major geographical area, a major equity method investment or other major parts of the entity. ASU 2014-08 also permits companies to have continuing cash flows and significant continuing involvement with the disposed component. ASU 2014-08 requires expanded disclosures for discontinued operations and new disclosures for individually material disposals that do not meet the definition of a discontinued operation. The Company has early adopted ASU 2014-08 effective February 2, 2014. ASU 2014-08 did not have a

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material impact on the Company's financial position or results of operations.

There were no other new accounting standards that had a material impact on the Company's Condensed Consolidated Financial Statements during the three month period ended May 3, 2014, and there were no new accounting standards or pronouncements that were issued but not yet effective as of May 3, 2014 that the Company expects to have a material impact on its financial position or results of operations upon becoming effective.

Parent's Initial Public Offering

On October 7, 2013, Parent completed its initial public offering (the Offering). Prior to the Offering, each outstanding share of Parent's Class A common stock was automatically cancelled and then each outstanding share of Parent's Class L common stock was automatically converted into one share of Parent's Class A common stock. Parent then effected an 11-for-1 split of its Class A common stock and then reclassified its Class A common stock into its Common Stock. Collectively, these transactions are referred to as the Reclassification. Unless otherwise indicated, all share data presented within these Condensed Consolidated Financial Statements gives effect to the stock split.

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On April 28, 2014, Parent commenced a public secondary offering of its common stock (the Secondary Offering). On May 6, 2014, Parent closed the Secondary Offering, in which 12,000,000 shares of Parent's common stock were sold by certain of Parent's stockholders. In connection with the Secondary Offering, the selling stockholders granted the underwriters, and the underwriters subsequently exercised, an option to purchase 1,800,000 additional shares of Parent's common stock. All of the shares sold in the Secondary Offering were offered by selling stockholders. The Company did not receive any of the proceeds from the Secondary Offering. As of May 3, 2014, the Company incurred \$0.4 million in offering costs related to the Secondary Offering, which are included in the line item "Costs Related to Debt Amendments and Secondary Offering" on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Reclassification

During the first quarter of Fiscal 2014, the Company corrected the classification of amounts included within the line item "Earnings (Loss) from Equity Investment, Net of Taxes" in the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) for the three months ended May 3, 2014 and May 4, 2013. Refer to Note 12, "Consolidated Guarantor Data," for further discussion. There was no impact on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for any of the periods presented.

During the first quarter of Fiscal 2014, the Company corrected the classification of its intercompany transactions between BCFW and the Guarantor subsidiaries in the Condensed Consolidating Statements of Cash Flows for the three months ended May 3, 2014 and May 4, 2013. Refer to Note 12, "Consolidated Guarantor Data," for further discussion. There was no impact on the Company's Condensed Consolidated Statements of Cash Flows for any of the periods presented.

2. Stockholder's Deficit

Activity for the three month periods ended May 3, 2014 and May 4, 2013 in the Company's stockholder's deficit are summarized below:

	<i>(in thousands)</i>			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at February 1, 2014	\$	\$ 474,396	\$ (516,091)	\$ (41,695)
Net Income			15,851	15,851
Stock Based Compensation		1,367		1,367
Dividends		(65,789)		(65,789)
Tax Benefits Related to Exercise of Parent's Stock Options		3,404		3,404
Direct Parent Investment		667		667
Balance at May 3, 2014	\$	\$ 414,045	\$ (500,240)	\$ (86,195)

	<i>(in thousands)</i>			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at February 2, 2013	\$	\$ 479,572	\$ (559,841)	\$ (80,269)
Net Loss			(702)	(702)
Stock Options Exercised and Related Tax Benefits		64		64
Stock Based Compensation		510		510
Dividends		(4,955)		(4,955)
Balance at May 4, 2013	\$	\$ 475,191	\$ (560,543)	\$ (85,352)

3. Long Term Debt

Long term debt consists of:

	<i>(in thousands)</i>		
	May 3, 2014	February 1, 2014	May 4, 2013
\$1,000,000 Senior Secured Term Loan Facility, LIBOR (with a floor of 1.0%) plus 3.3%, matures on February 23, 2017.	\$ 825,369	\$ 828,839	\$ 863,572
\$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, 2014 to February 15, 2019.	450,000	450,000	450,000
Capital Lease Obligations	22,959	23,199	24,517
Total debt	1,298,328	1,302,038	1,338,089
Less: current maturities	(1,070)	(1,026)	(9,737)
Long-term debt, net of current maturities	\$ 1,297,258	\$ 1,301,012	\$ 1,328,352

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\$1 Billion Senior Secured Term Loan Facility

On February 24, 2011, the Company entered into a \$1.0 billion senior secured term loan facility (the Term Loan Facility). The Term Loan Facility was issued pursuant to a new credit agreement (Term Loan Credit Agreement), dated February 24, 2011, among BCFWC, the guarantors signatory thereto, and 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 Term Loan Facility.

On May 16, 2012, the Company entered into Amendment No. 1 (First Amendment) to the Term Loan Credit Agreement, which, among other things, reduced the applicable margin on the interest rates applicable to the Term Loan Facility by 50 basis points. To accomplish this interest rate reduction, the First Amendment provided for a replacement of the previously outstanding \$950.5 million principal amount of term B loans (Term B Loans) with a like aggregate principal amount of term B-1 loans (Term B-1 loans). The Company offered existing term loan lenders the option to convert their Term B Loans into Term B-1 Loans on a non-cash basis. The \$119.3 million of Term B Loans held by existing lenders electing not to convert their Term B Loans into Term B-1 Loans were prepaid in full on the effective date of the First Amendment from the proceeds of new Term B-1 Loans. The Term B-1 Loans have the same maturity date that was applicable to the Term B Loans. The Term Loan Credit Agreement provisions relating to the representations and warranties, covenants and events of default applicable to the Company and the guarantors were not modified by the First Amendment. As a result of the First Amendment, mandatory quarterly payments of \$2.4 million were payable as of the last day of each quarter beginning with the quarter ended July 28, 2012. The Company elected to make prepayments of \$9.5 million in May 2012 and \$70.0 million in January 2013, all of which offset the mandatory quarterly payments through the maturity date.

On February 15, 2013, BCFWC entered into Amendment No. 2 (Second Amendment) to the Term Loan Credit Agreement. The Second Amendment created a restricted payments basket of \$25.0 million and permits the Company to use the available amount to make restricted payments (which basket includes retained excess cash flow, in an amount not to exceed 50% of BCFWC's consolidated net income (as defined in the indenture governing the 10% Senior Notes due 2019) since the second quarter of Fiscal 2011), in each case so long as certain conditions are satisfied. In connection with the Second Amendment, the Company incurred a \$1.6 million amendment fee that was capitalized and included in the line item Other Assets on the Company's Condensed Consolidated Balance Sheets. Additionally, the Company incurred \$8.9 million of additional fees, inclusive of an \$8.6 million fee payable to Bain Capital, for various consulting and advisory services. These fees are included in the line item Costs Related to Debt Amendments and Secondary Offering on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

In conjunction with the Second Amendment, on February 20, 2013, Burlington Holdings, LLC (Indirect Parent), the indirect parent company of Holdings, and Burlington Holdings Finance, Inc., the wholly-owned subsidiary of Indirect Parent (collectively the Issuers), completed the offering of \$350.0 million aggregate principal amount of Senior Notes due 2018 (Holdco Notes) at an issue price of 98.00%. The Holdco Notes are senior unsecured obligations of the Issuers, and the Issuers are not obligors or guarantors under BCFWC's existing senior secured credit facilities or indenture. As none of the Issuers' subsidiaries are obligors or guarantors under the Holdco Notes, the debt is recorded on the Issuers' financial statements and is not included in the Company's financial statements. The Company paid a dividend to the Issuers of \$5.0 million in order to pay certain fees in connection with the issuance of the Holdco Notes, inclusive of a \$3.5 million fee to Bain Capital for various consulting and advisory services.

The Holdco Notes mature on February 15, 2018. Interest on the Holdco Notes is payable entirely in cash, unless certain conditions are satisfied, in which case the Issuers will be entitled to pay, to the extent described in the indenture governing the Holdco Notes, interest by increasing the principal amount or by issuing new notes (such increase being referred to herein as PIK interest). Cash interest accrues at the rate of 9.00% per annum and PIK interest will accrue at the rate of 9.75% per annum and is payable semi-annually in arrears on February 15 and August 15 of each year. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. The Company intends to pay Indirect Parent a semiannual dividend in order for Indirect Parent to make semiannual cash interest payments on the Holdco Notes. During the three months ended May 3, 2014, the Company paid Indirect Parent a dividend of \$5.8 million representing interest on the Holdco Notes.

On April 4, 2014, the Issuers redeemed \$58.0 million aggregate principal amount of the Holdco Notes outstanding. The Company paid Indirect Parent a dividend of \$59.9 million in order for Indirect Parent to make the redemption payment on the Holdco Notes representing \$58.0 million aggregate principal amount of the Holdco Notes, \$0.7 million of accrued interest on the Holdco Notes and \$1.2 million of redemption premiums.

On May 17, 2013, BCFWC entered into Amendment No. 3 (Third Amendment) to the Term Loan Credit Agreement, in order to, among other things, reduce the interest rates applicable to the Term Loan Facility by 100 basis points (provided that such interest rates shall be further reduced by 25 basis points if BCFWC's consolidated secured leverage ratio is less than or equal to 2.25:1) and to reduce the LIBOR floor by 25 basis points. The Third Amendment was accomplished by replacing the outstanding \$871.0 million principal amount of the Term B-1 Loans with a like aggregate principal amount of term B-2 loans (the Term B-2 Loans). The Term B-2 Loans have the same maturity date that was

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applicable to the Term B-1 Loans. The Term Loan Credit Agreement provisions relating to the representations and warranties, covenants and events of default applicable to the Company and the guarantors were not modified by the Third Amendment. As a result of the Third Amendment, mandatory quarterly payments of \$2.2 million were payable as of the last day of each quarter. In January 2014, the Company elected to make a prepayment of \$30.0 million, which offset the mandatory quarterly payments through the maturity date.

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Based on our excess cash flow calculation as of February 1, 2014, the Company was required to make an additional payment of \$4.0 million on the Term Loan Facility during the first quarter of Fiscal 2014. In accordance with Topic No. 470, the Company recognized a loss on the extinguishment of debt of \$0.1 million, representing the write off of deferred financing costs and unamortized original issue discount, which is recorded in the line item Loss on Extinguishment of Debt in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Term Loan Facility contains financial, affirmative and negative covenants and requires that BCFWC, exclusive of subsidiaries (referred to herein as BCFW), 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. The consolidated leverage ratio compares total debt to Covenant EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months, and such ratios may not exceed 5.50 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 compares consolidated interest expense to Covenant EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months, and such ratios must exceed 2.00 to 1 through October 31, 2015; and 2.10 to 1 at January 30, 2016 and thereafter. The consolidated leverage ratio and interest coverage ratio as of May 3, 2014 were 4.0 and 3.8, respectively.

Covenant EBITDA is a non-GAAP financial measure of the Company's liquidity. Covenant EBITDA starts with BCFWC's 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. Covenant EBITDA is used to calculate the consolidated leverage ratio and the interest coverage ratio. Covenant EBITDA provides management, including the Company's chief operating decision maker, with helpful information with respect to its operations such as its ability to meet its future debt service, fund its capital expenditures and working capital requirements, and comply with various covenants in each indenture governing its outstanding notes and the credit agreements governing its senior secured credit facilities which are material to its financial condition and financial statements.

The interest rates for the Term Loan Facility are based on: (i) for LIBO rate loans for any interest period, at a rate per annum equal to the greater of (x) the LIBO rate, as determined by the Term Loan Facility Administrative Agent, for such interest period multiplied by the Statutory Reserve Rate (as defined in the Term Loan Credit Agreement) and (y) 1.00% (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. At May 3, 2014 and May 4, 2013, the Company's borrowing rates related to the Term Loan Facility were 4.3% and 5.5%, respectively.

\$450 Million Senior Notes

On February 24, 2011, BCFW issued \$450.0 million aggregate principal amount of 10% Senior Notes due 2019 at an issue price of 100% (the Senior Notes). The Senior Notes were issued pursuant to an indenture, dated February 24, 2011, among BCFWC, the guarantors signatory thereto, and Wilmington Trust FSB.

The Senior Notes are senior unsecured obligations of BCFW and are guaranteed on a senior basis by the Company and each of BCFW's U.S. subsidiaries to the extent such guarantor is a guarantor of BCFW's obligations under the Term Loan Facility. Interest is payable on the Senior Notes on each February 15 and August 15.

ABL Line of Credit

On September 2, 2011, the Company completed an amendment and restatement of the credit agreement governing the Company's \$600.0 million ABL Line of Credit, which, among other things, extended the maturity date to September 2, 2016. The aggregate amount of commitments under the amended and restated credit agreement is \$600.0 million and, subject to the satisfaction of certain conditions, the Company may increase the aggregate amount of commitments up to \$900.0 million. Interest rates under the amended and restated credit agreement are based on LIBO rates as determined by the administrative agent plus an applicable margin of 1.75% to 2.25% based on daily availability, or various prime rate loan options plus an applicable margin of 0.75% to 1.25% based

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on daily availability. The fee on the average daily balance of unused loan commitments is 0.375%. 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.

At May 3, 2014, the Company had \$508.2 million available under the ABL Line of Credit and no outstanding borrowings. The maximum borrowings under the facility during the three month period ended May 3, 2014 amounted to \$75.0 million. Average borrowings during the three month period ended May 3, 2014 amounted to \$8.9 million, at an average interest rate of 1.9%.

At May 4, 2013, the Company had \$484.8 million available under the ABL Line of Credit and no outstanding borrowings. The maximum borrowings under the facility during the three month period ended May 4, 2013 amounted to \$125.0 million. Average borrowings during the three month period ended May 4, 2013 amounted to \$24.5 million, at an average interest rate of 2.0%. There was no outstanding balance under the ABL Line of Credit at February 1, 2014.

As of May 3, 2014, the Company was in compliance with all of its debt covenants. The credit agreements governing the ABL Line of Credit and the Senior Secured Term Loan Facility, as well as the indenture governing the Senior 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 \$24.5 million, \$26.6 million and \$24.9 million in deferred financing costs, net of accumulated amortization, as of May 3, 2014, February 1, 2014 and May 4, 2013, 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 costs amounted to \$2.0 million and \$1.5 million for the three month periods ended May 3, 2014 and May 4, 2013, respectively, and is included in the line item "Interest Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). During the three months ended May 3, 2014, the Company wrote off \$0.1 million related to the \$4.0 million excess cash flow Term Loan Repayment.

4. Restructuring and Separation

The Company accounts for restructuring and separation costs in accordance with ASC Topic No. 420, *Exit or Disposal Cost Obligations*. In an effort to improve workflow efficiencies and realign certain responsibilities, the Company effected a reorganization of certain positions within its field and corporate locations. There were no severance charges recorded during the three month period ended May 3, 2014. During the three month period ended May 4, 2013, severance charges of \$1.6 million were recorded in the line item "Restructuring and Separation Costs" in the Company's Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

The table below summarizes the charges and payments related to the Company's restructuring and separation costs, which are included in the line items "Other Current Liabilities" in the Company's Condensed Consolidated Balance Sheets as of May 3, 2014 and May 4, 2013:

	February 1, 2014	Charges	<i>(in thousands)</i>		May 3, 2014
			Cash Payments	Other	
Severance Separation Cost	\$ 233	\$	\$ (172)	\$	\$ 61

	February 2, 2013	Charges	<i>(in thousands)</i>		May 4, 2013
			Cash Payments	Other	
Severance Restructuring	\$	\$ 758	\$ (127)	\$	\$ 631
Severance Separation Cost	597	867	(420)		1,044
Total	\$ 597	\$ 1,625	\$ (547)	\$	\$ 1,675

Table of Contents**5. 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 3, 2014, February 1, 2014 and May 4, 2013 included cash equivalents and interest rate cap agreements. The Company's financial assets as of May 4, 2013 also included a note receivable. The Company's financial liabilities are discussed below. The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments. 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 was based on a discounted cash flow analysis whose inputs are unobservable, and therefore it fell within Level 3 of the fair value hierarchy.

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

	<i>(in thousands)</i>		
	Fair Value Measurements at		
	May 3, 2014	February 1, 2014	May 4, 2013
Assets:			
Level 1			
Cash equivalents (including restricted cash)	\$ 32,326	\$ 32,324	\$ 34,985
Level 2			
Interest rate cap agreements(a)	\$	\$ 1	\$ 9
Level 3			
Note Receivable(b)	\$	\$	\$ 385

(a) Included in *Other Assets* within the Company's Condensed Consolidated Balance Sheets (refer to Note 6 of the Company's Condensed Consolidated Financial Statements, *Derivative Instruments and Hedging Activities*, for further discussion regarding the Company's interest rate cap agreements).

(b) As of May 4, 2013, this note receivable was included in *Prepaid and Other Current Assets* on the Company's Condensed Consolidated Balance Sheets. The change in the fair value of the Level 3 note receivable is related to the Company receiving full payment on the note during Fiscal 2013.

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The fair value of the Company's debt as of May 3, 2014, February 1, 2014 and May 4, 2013 is noted in the table below:

	May 3, 2014		<i>(in thousands)</i> February 1, 2014		May 4, 2013	
	Carrying Amount (b)	Fair Value (b)	Carrying Amount (b)	Fair Value (b)	Carrying Amount (b)	Fair Value (b)
\$1,000,000 Senior Secured Term Loan Facility, LIBOR (with a floor of 1.0%) plus 3.3%, matures on February 23, 2017	\$ 825,369	\$ 830,871	\$ 828,839	\$ 836,091	\$ 863,572	\$ 876,526
\$450,000 Senior Notes, 10% due at maturity on February 15, 2019, semi-annual interest payments on August 15 and February 15, from February 15, 2014 to February 15, 2019	450,000	497,250	450,000	501,458	450,000	504,563
Total debt	\$ 1,275,369	\$ 1,328,121	\$ 1,278,839	\$ 1,337,549	\$ 1,313,572	\$ 1,381,089

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

The fair values presented herein are based on pertinent information available to management as of the respective period end dates. The estimated fair values of the Company's debt are classified as Level 2 in the fair value hierarchy. 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 3, 2014, and current estimates of fair value may differ from amounts presented herein.

6. Derivative Instruments and Hedging Activities

As of May 3, 2014, February 1, 2014 and May 4, 2013, the Company was party to two outstanding interest rate cap agreements to manage the interest rate risk associated with future interest payments on variable-rate debt.

The Company accounts for derivatives and hedging activities in accordance with ASC Topic No. 815 *Derivatives and Hedging* (Topic No. 815). 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 Term Loan Facility and ABL Line of Credit 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. Topic No. 815 requires recognition of all derivative instruments as either assets or liabilities at fair value in the statement of financial position. Interest rate cap agreements are recorded at a fair value and adjusted to market on a quarterly basis. 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 Agreement Adjustment to Market on the Company's Condensed Consolidated Statements of Cash Flows. The Company's two interest rate cap agreements each have a notional principal amount of \$450.0 million, a cap rate of 7% and terminate on May 31, 2015.

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Derivatives Not Designated as Hedging Instruments	<i>(in thousands)</i>					
	Fair Values of Derivative Instruments					
	May 3, 2014		February 1, 2014		May 4, 2013	
	Balance	Fair	Balance	Fair	Balance	Fair
Under Topic No. 815	Sheet	Value	Sheet	Value	Sheet	Value
	Location		Location		Location	
Interest Rate Cap Agreements	Other Assets	\$	Other Assets	\$ 1	Other Assets	\$ 9

Derivatives Not Designated as Hedging Instruments	<i>(in thousands)</i>					
	Fair Values of Derivative Instruments					
	May 3, 2014		February 1, 2014		May 4, 2013	
	Balance	Fair	Balance	Fair	Balance	Fair
Under Topic No. 815	Sheet	Value	Sheet	Value	Sheet	Value
	Location		Location		Location	
Interest Rate Cap Agreements	Other Liabilities	\$	Other Liabilities	\$	Other Liabilities	\$

Derivatives Not Designated as Hedging Instruments Under Topic No. 815	<i>(in thousands)</i>		
	(Gain) or Loss on Derivative Instruments		
	Location of Loss (Gain) Recognized in Comprehensive Income (Loss) related to Derivatives	Amount of Loss (Gain) Recognized in Comprehensive Income (Loss) related to Derivatives	
		Three Months Ended	
	May 3, 2014	May 4, 2013	
Interest Rate Cap Agreements	Interest Expense	\$ 1	\$ 60

7. Income Taxes

Net deferred taxes are as follows:

	<i>(in thousands)</i>		
	May 3, 2014	February 1, 2014	May 4, 2013
Current Deferred Tax Asset	\$ 14,850	\$ 13,475	\$ 9,337
Non-Current Deferred Tax Liability	235,986	242,708	251,167
Net Deferred Tax Liability	\$ 221,136	\$ 229,233	\$ 241,830

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, intangible assets, 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. As of May 3, 2014 and May 4, 2013, the Company's best estimate of its annual effective income tax rate was 39.7% and 37.2%, respectively (before discrete items).

As of May 3, 2014, February 1, 2014 and May 4, 2013, valuation allowances amounted to \$5.7 million, \$5.7 million and \$5.8 million, respectively, primarily related 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 Company has \$7.8 million of deferred tax assets recorded for state net operating losses, of which \$5.7 million will expire between 2013 and 2025.

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In addition, management also determined that a full valuation allowance of \$3.6 million, \$3.4 million and \$3.3 million were required against the tax benefit associated with Puerto Rico deferred tax assets as of May 3, 2014, February 1, 2014 and May 4, 2013, respectively.

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

On May 1, 2013, the Company's Board of Directors approved the Company's assumption and adoption of the 2006 Management Incentive Plan (the 2006 Plan) that was previously sponsored by Burlington Coat Factory Holdings, LLC. The Company's 2013 Omnibus Incentive Plan (the 2013 Plan and, together with the 2006 Plan, the Plans) was adopted effective prior to and in connection with the Offering. The 2006 Plan and the 2013 Plan each provide for the granting of stock options, restricted stock and other forms of awards to key employees and directors of the Company or its affiliates. Prior to the Offering, grants made pursuant to the 2006 Plan were comprised of units of the Parent's common stock. Each unit consisted of 99 shares of Parent's Class A common stock and one share of Parent's Class L common stock. Awards previously granted under the 2006 Plan have been retroactively adjusted to reflect the Reclassification.

As of May 3, 2014, there were 10,125,258 shares of Parent's common stock authorized for issuance under the 2006 Plan and 6,000,000 shares of Parent's common stock authorized for issuance under the 2013 Plan.

Stock Options

The Company accounts for awards issued under the Plans in accordance with ASC Topic No. 718, *Stock Compensation*. Options granted during the three month period ended May 3, 2014 were all service-based awards and were granted under the 2006 Plan at exercise prices of \$27.40 and \$29.86 per share. There were no options granted during the three month period ended May 4, 2013.

During Fiscal 2013, the Company made a special one-time grant under the 2006 Plan to certain members of its management team which resulted in the grant of options to purchase an aggregate of 1,595,000 shares of Parent's common stock. These one-time grants vest 20% on each of the first five anniversaries of the Trigger Date. The Trigger Date is defined as the date after the vesting of all other options held by the grantee which were granted to the grantee prior to May 2013 and remain outstanding and unvested as of the date of the one-time grant. All service-based awards granted during the three months ended May 3, 2014 vest 25% on each of the first four anniversaries of the grant date. The final exercise date for any option granted is the tenth anniversary of the grant date.

In order to mitigate the impact of the \$336.0 million dividend paid in connection with the issuance of the Holdco Notes in February 2013, the Company's Board of Directors in May 2013 approved a modification to all then outstanding options through a combination of exercise price reductions and cash payments to option holders. The reduction of the exercise prices of each outstanding option was as follows:

from \$2.78 per unit to \$0.79 \$1.65 per unit;

from \$4.55 per unit to \$0.79 per unit;

from \$5.91 per unit to \$0.79 \$0.94 per unit;

from \$10.91 per unit to \$3.17 \$5.02 per unit; and

from \$10.96 per unit to \$3.17 \$5.07 per unit.

The modifications, through a combination of either reduced exercise prices or cash payments, did not affect the existing vesting schedules. The modification, which contemplated the fair value of awards both immediately before and after the modification, resulted in a total of \$0.8 million of incremental compensation expense during the three months ended May 3, 2014 recorded in the line item Stock Option Modification Expense in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), of which \$0.2 million is payable in cash. As of May 3, 2014, the Company expects to recognize \$5.1 million of incremental compensation expense to be recorded over the remaining vesting periods, of which \$0.9 million will be paid in cash.

With the exception of the special one-time grants made during Fiscal 2013, all options awarded pursuant to the 2006 Plan become exercisable upon a change of control as defined in the Stockholders Agreement. The vesting of special one-time grants will not be accelerated in the event of

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a change of control, provided, however, that in the event that within two years after a change of control, the grantee's employment is terminated without cause or the grantee resigns with good reason, then an incremental 20% of the special one-time grants shall be deemed vested as of the date of termination of grantee's employment, but in no event more than the total number of special one-time grants granted to such grantee. Unless determined otherwise by the plan administrator, upon cessation of employment, options that have not vested will terminate immediately (subject to the potential acceleration of special one-time grants in the event of a change of control, as described above) and unexercised vested options will be exercisable for a period of 60 days. The final exercise date for any option granted is the tenth anniversary of the grant date.

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Non-cash stock compensation expense during the three month periods ended May 3, 2014 and May 4, 2013 amounted to \$1.4 million and \$0.5 million, respectively. The table below summarizes the types of stock compensation:

Type of Non-Cash Stock Compensation	<i>(in thousands)</i>	
	Three Months Ended May 3, 2014	May 4, 2013
Stock Option Modification (a)	\$ 585	\$
Stock Option Grants (b)	713	490
Restricted Stock Issuances(b)	69	20
Total (c)	\$ 1,367	\$ 510

- (a) Represents non-cash compensation related to the modification of outstanding stock options granted under the 2006 Plan during Fiscal 2013 which is included in the line item "Stock Option Modification Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).
- (b) Included in the line item "Selling and Administrative Expenses" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).
- (c) The tax benefit related to the Company's non-cash stock compensation was \$0.5 million and \$0.2 million during the three month periods ended May 3, 2014 and May 4, 2013, respectively.

As of May 3, 2014, the Company had 4,257,239 options outstanding to purchase shares of Parent's common stock, all of which are service-based awards issued under the 2006 Plan, and there was approximately \$13.4 million of unearned non-cash stock-based option compensation, exclusive of the \$5.1 million of incremental compensation associated with the modification, that the Company expects to recognize as expense over a weighted average period of 4.7 years. The service-based awards are expensed on a straight-line basis over the requisite service period. As of May 3, 2014, 20.8 percent of outstanding options to purchase shares of Parent's common stock under the 2006 Plan had vested. As of May 3, 2014, no awards were outstanding under the 2013 Plan.

Stock option transactions during the three month period ended May 3, 2014 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Options Outstanding February 1, 2014	4,619,323	\$ 3.25
Options Issued	65,233	27.65
Options Exercised(a)	(419,980)	1.77
Options Forfeited	(7,337)	0.79
Options Outstanding May 3, 2014	4,257,239	\$ 3.78

- (a) Options exercised during the three months ended May 3, 2014 had a total intrinsic value of \$10.5 million.
- Non-vested stock option share transactions during the three month period ended May 3, 2014 are summarized below:

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	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Non-Vested Options Outstanding, February 1, 2014	3,527,800	\$ 4.13
Non-Vested Options Granted	65,233	12.34
Non-Vested Options Vested	(214,917)	2.60
Non-Vested Options Forfeited	(7,337)	2.78
Non-Vested Options Outstanding, May 3, 2014	3,370,779	\$ 4.56

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The following table summarizes information about the options outstanding and exercisable under the 2006 Plan as of May 3, 2014:

Exercise Prices	Options Outstanding		Options Exercisable	
	Number Outstanding at May 3, 2014	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at May 3, 2014	Weighted Average Remaining Contractual Life (Years)
\$ 0.79 - \$ 0.94	1,477,506	6.6	533,857	5.2
\$ 3.17	443,221	6.3	198,382	4.9
\$ 4.55 - \$ 5.91	2,218,518	8.8	154,221	6.4
\$26.96	52,761	9.7		
\$27.40 - \$29.86	65,233	10.0		
	4,257,239		886,460	

The aggregate intrinsic value of options outstanding as of May 3, 2014 was \$104.0 million.

The following table summarizes information about the stock options vested and expected to vest during the contractual term as of May 3, 2014:

	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Vested and Expected to Vest	4,093,764	7.8	\$ 3.77	\$ 100.0 million

The fair value of each stock option granted during the three month period ended May 3, 2014 was estimated on the date of grant using the Black Scholes option pricing model using the following assumptions:

	Three Months Ended May 3, 2014
Risk-Free Interest Rate	2.11%
Expected Volatility	44.0%
Expected Life (years)	6.25
Contractual Life (years)	10.0
Expected Dividend Yield	0.0%
Weighted Average Grant Date Fair Value of Options Issued	\$ 12.49

Restricted Stock Awards

Under the 2006 Plan, the Company also has the ability to grant shares of restricted stock. During the three months ended May 3, 2014, the Company granted 74,134 shares of restricted stock at fair values based upon the closing price of the Parent's common stock on the date of grant. There were no restricted stock awards granted during the three months ended May 4, 2013. All shares of restricted stock granted to date under the 2006 Plan are service-based awards. Shares of restricted stock are expensed on a straight-line basis over the requisite service period of three to four years. Following a change of control, as defined by the 2006 Plan, all unvested shares of restricted stock shall accelerate and vest as of the date of such change of control.

As of May 3, 2014, there was approximately \$2.8 million of unearned non-cash stock-based compensation that the Company expects to recognize as an expense over the next 3.7 years. At May 3, 2014, 1,048,223 of the outstanding shares of restricted stock had vested.

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Award grant and vesting transactions during the three month period ended May 3, 2014 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Awards
Non-Vested Awards Outstanding, February 1, 2014	81,396	\$ 12.58
Awards Granted	74,134	27.50
Awards Vested		
 Non-Vested Awards Outstanding, May 3, 2014	 155,530	 \$ 19.69

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9. Other Liabilities

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 straight-line rent liability and other miscellaneous items. Customer liabilities comprised of gift cards and layaway deposits totaled \$29.4 million, \$29.2 million and \$30.3 million as of May 3, 2014, February 1, 2014 and May 4, 2013, 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 workers' 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 \$57.2 million, \$57.2 million and \$53.0 million, as of May 3, 2014, February 1, 2014 and May 4, 2013, respectively. At May 3, 2014, February 1, 2014 and May 4, 2013, the portion of self-insurance reserve expected to be paid in the next twelve months of \$23.5 million, \$23.6 million and \$21.6 million, respectively, were recorded in the line item "Other Current Liabilities" in the Company's Condensed Consolidated Balance Sheets. The remaining balances at May 3, 2014, February 1, 2014 and May 4, 2013 of \$33.7 million, \$33.6 million and \$31.4 million, respectively, were recorded in the line item "Other Liabilities" in the Company's Condensed Consolidated Balance Sheets.

Other Liabilities

Other liabilities primarily consist of deferred lease incentives, the long term portion of self-insurance reserves, the excess of straight-line rent expense over actual rental payments and tax liabilities associated with the uncertain tax positions recognized by the Company in accordance with Topic No. 740.

Deferred lease incentives are funds received or receivable from landlords used primarily to offset the costs incurred for remodeling of stores. These deferred lease incentives are amortized over the expected lease term including rent holiday periods and option periods where the exercise of the option can be reasonably assured. Amortization of deferred lease incentives is included in the line item "Selling and Administrative Expenses" on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). At May 3, 2014, February 1, 2014 and May 4, 2013, deferred lease incentives were \$158.2 million, \$157.5 million, and \$138.6 million, respectively.

10. 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 \$1.8 million, \$1.3 million and \$0.9 million as of May 3, 2014, February 1, 2014 and May 4, 2013, respectively. The Company believes that potential liabilities in excess of those recorded will not have a material effect on the Company's Condensed Consolidated Financial Statements. However, there can be no assurances to this effect.

There have been no significant changes in the Company's commitments and contingencies from those disclosed in the Fiscal 2013 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. The Company's minimum lease payments for all operating leases are expected to be \$191.4 million for the remainder of Fiscal 2014 and \$267.1 million, \$254.4 million, \$234.3 million, \$207.3 million and \$741.8 million for the fiscal years ended January 30, 2016, January 28, 2017, February 3, 2018, February 2, 2019 and all subsequent years thereafter, respectively, inclusive of \$209.2 million of minimum lease payments for 17 stores and two warehouses that the Company has committed to open.

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Letters of Credit

The Company had letters of credit arrangements with various banks in the aggregate amount of \$40.9 million, \$43.9 million and \$44.1 million as of May 3, 2014, February 1, 2014 and May 4, 2013, respectively. Among these arrangements as of May 3, 2014, February 1, 2014 and May 4, 2013, the Company had letters of credit in the amount of \$29.6 million, \$28.8 million and \$31.5 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. In addition, the Company had outstanding letters of credit agreements in the amounts of \$11.3 million, \$15.1 million and \$12.6 million at May 3, 2014, February 1, 2014 and May 4, 2013, respectively, related to certain merchandising agreements. Based on the terms of the credit agreement related to the ABL Line of Credit, the Company had the ability to enter into letters of credit up to \$508.2 million, \$456.2 million and \$484.8 million as of May 3, 2014, February 1, 2014 and May 4, 2013, respectively.

11. Related Parties

In connection with the purchase of the Company by Bain Capital in April of 2006, the Company entered into an advisory agreement with Bain Capital (the Advisory Agreement) pursuant to which Bain Capital provided management, consulting, financial and other advisory services. The Advisory Agreement had a 10-year initial term, and thereafter was subject to automatic one-year extensions unless the Company or Bain Capital provides written notice of termination, except that the agreement terminated automatically upon an initial public offering or a change of control of the Company. If the Advisory Agreement terminated early, Bain Capital would be entitled to receive all unpaid fees and unreimbursed out-of-pocket fees and expenses, as well as the present value of the periodic fee that would otherwise have been payable through the end of the 10-year term. The Advisory Agreement was terminated on October 2, 2013 in connection with the Offering. Prior to the termination of the Advisory Agreement, Bain Capital was paid a periodic fee of \$1.0 million per fiscal quarter plus reimbursement for reasonable out-of-pocket fees, and a fee equal to 1% of the transaction value of certain financing, acquisition, disposition or change of control or similar transactions by or involving the Company. During the three months ended May 3, 2014, fees paid to Bain Capital, representing reimbursement for out-of-pocket fees and expenses, amounted to \$0.1 million. During the three months ended May 4, 2013, fees paid to Bain Capital, primarily representing the quarterly fee, amounted to \$1.1 million. These amounts are recorded in the line item Selling and Administrative Expenses in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The Company had \$0.7 million of prepaid advisory fees related to the Advisory Agreement recorded within the line item Prepaid and Other Current Assets in the Company's Condensed Consolidated Balance Sheets as of May 4, 2013.

Bain Capital, either directly or through affiliates, has ownership interests in a broad range of companies (Portfolio Companies) with whom the Company may from time to time enter into commercial transactions in the ordinary course of business, primarily for the purchase of goods and services. The Company believes that none of the Company's transactions or arrangements with Portfolio Companies are significant enough to be considered material to Bain Capital or to its business.

The brother-in-law of one of the Company's Executive Vice Presidents is an independent sales representative of one of the Company's suppliers of merchandise inventory. This relationship predated the commencement of the Executive Vice President's employment with the Company. The Company has determined that the dollar amount of purchases through such supplier represents an insignificant amount of its inventory purchases.

12. Consolidated Guarantor Data

Holdings and subsidiaries of BCFWC have fully, jointly, severally, and unconditionally guaranteed BCFWC's obligations under the ABL Line of Credit, Term Loan Facility and the Senior Notes. The following condensed consolidating financial statements present the financial position, results of operations and cash flows of Holdings, BCFW and the guarantor subsidiaries.

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 or Direct Parent in the ordinary course of business, or the amount of any indemnification claims made by any director or officer of Holdings or Direct Parent, or to pay taxes that are due and payable by Holdings or any of its direct or indirect subsidiaries, or to pay interest on the Senior Notes, provided that no event of default under BCFWC's debt agreements has occurred or will occur as the result of such interest payment.

The Company corrected a classification error in the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss). The Company previously recorded amounts within the line item Earnings (Loss) from Equity Investment, Net of Taxes within costs and expenses and subsequently corrected this classification and recorded the amounts below the line item (Loss) Income Before Earnings (Loss) from Equity Investment, Net of Taxes.

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The Company corrected a classification error in the Condensed Consolidating Statements of Cash Flows. The Company previously recorded intercompany investing actives within financing activities and subsequently corrected this classification and recorded the amounts within investing actives for all years presented.

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Balance Sheets**

(All amounts in thousands)

	Holdings	BCFW	As of May 3, 2014		Consolidated
			Guarantors	Eliminations	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$	\$ 65,200	\$ 3,261	\$	\$ 68,461
Restricted Cash and Cash Equivalents		32,100			32,100
Accounts Receivable		35,434	8,638		44,072
Merchandise Inventories			707,627		707,627
Deferred Tax Asset		8,607	6,243		14,850
Prepaid and Other Current Assets		41,930	35,562		77,492
Prepaid Income Tax		3,433	1,893		5,326
Intercompany Receivable			1,086,601	(1,086,601)	
Total Current Assets		186,704	1,849,825	(1,086,601)	949,928
Property and Equipment Net of Accumulated Depreciation		64,555	843,217		907,772
Tradenames		238,000			238,000
Favorable Leases Net of Accumulation Amortization			285,933		285,933
Goodwill		47,064			47,064
Investment in Subsidiaries		2,551,776		(2,551,776)	
Other Assets		24,430	91,643		116,073
Total Assets	\$	\$ 3,112,529	\$ 3,070,618	\$ (3,638,377)	\$ 2,544,770
LIABILITIES AND STOCKHOLDER S (DEFICIT) EQUITY					
Current Liabilities:					
Accounts Payable	\$	\$ 575,912	\$	\$	\$ 575,912
Other Current Liabilities		125,305	140,138		265,443
Intercompany Payable		1,086,601		(1,086,601)	
Current Maturities of Long Term Debt			1,070		1,070
Total Current Liabilities		1,787,818	141,208	(1,086,601)	842,425
Long Term Debt		1,275,369	21,889		1,297,258
Other Liabilities		53,696	201,600		255,296
Deferred Tax Liability		81,841	154,145		235,986
Investment in Subsidiaries	86,195			(86,195)	
Commitments and Contingencies					
Stockholder s (Deficit) Equity:					
Common Stock					
Capital in Excess of Par Value	414,045	414,045	1,063,182	(1,477,227)	414,045
(Accumulated Deficit) Retained Earnings	(500,240)	(500,240)	1,488,594	(988,354)	(500,240)
Total Stockholder s (Deficit) Equity	(86,195)	(86,195)	2,551,776	(2,465,581)	(86,195)
Total Liabilities and Stockholder s (Deficit) Equity	\$	\$ 3,112,529	\$ 3,070,618	\$ (3,638,377)	\$ 2,544,770

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Balance Sheets**

(All amounts in thousands)

	Holdings	BCFW	As of February 1, 2014		Consolidated
			Guarantors	Eliminations	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$	\$ 125,069	\$ 4,391	\$	\$ 129,460
Restricted Cash and Cash Equivalents		32,100			32,100
Accounts Receivable		26,007	9,671		35,678
Merchandise Inventories			720,052		720,052
Deferred Tax Asset		10,176	3,299		13,475
Prepaid and Other Current Assets		41,831	35,870		77,701
Prepaid Income Tax		2,732	1,791		4,523
Intercompany Receivable			998,503	(998,503)	
Total Current Assets		237,915	1,773,577	(998,503)	1,012,989
Property and Equipment Net of Accumulated Depreciation		65,324	837,333		902,657
Tradenames		238,000			238,000
Favorable Leases Net of Accumulation Amortization			292,553		292,553
Goodwill		47,064			47,064
Investment in Subsidiaries		2,491,514		(2,491,514)	
Other Assets		26,533	94,140		120,673
Total Assets	\$	\$ 3,106,350	\$ 2,997,603	\$ (3,490,017)	\$ 2,613,936
LIABILITIES AND STOCKHOLDER S (DEFICIT) EQUITY					
Current Liabilities:					
Accounts Payable	\$	\$ 542,987	\$	\$	\$ 542,987
Other Current Liabilities		191,181	121,162		312,343
Intercompany Payable		998,503		(998,503)	
Current Maturities of Long Term Debt			1,026		1,026
Total Current Liabilities		1,732,671	122,188	(998,503)	856,356
Long Term Debt		1,278,839	22,173		1,301,012
Other Liabilities		54,323	201,232		255,555
Deferred Tax Liability		82,212	160,496		242,708
Investment in Subsidiaries	41,695			(41,695)	
Commitments and Contingencies					
Stockholder s (Deficit) Equity:					
Common Stock					
Capital in Excess of Par Value	474,396	474,396	1,063,182	(1,537,578)	474,396
(Accumulated Deficit) Retained Earnings	(516,091)	(516,091)	1,428,332	(912,241)	(516,091)
Total Stockholder s (Deficit) Equity	(41,695)	(41,695)	2,491,514	(2,449,819)	(41,695)
Total Liabilities and Stockholder s (Deficit) Equity	\$	\$ 3,106,350	\$ 2,997,603	\$ (3,490,017)	\$ 2,613,936

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Balance Sheets**

(All amounts in thousands)

	Holdings	BCFW	As of May 4, 2013		Consolidated
			Guarantors	Eliminations	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$	\$ 98,553	\$ 3,795	\$	\$ 102,348
Restricted Cash and Cash Equivalents		34,800			34,800
Accounts Receivable		32,100	14,262		46,362
Merchandise Inventories			727,219		727,219
Deferred Tax Assets		9,331	6		9,337
Prepaid and Other Current Assets		43,264	31,030		74,294
Prepaid Income Taxes		5,052	1,950		7,002
Intercompany Receivable			788,022	(788,022)	
Total Current Assets		223,100	1,566,284	(788,022)	1,001,362
Property and Equipment Net of Accumulated Depreciation		72,936	798,674		871,610
Tradenames		238,000			238,000
Favorable Leases Net of Accumulated Amortization			313,200		313,200
Goodwill		47,064			47,064
Investment in Subsidiaries		2,272,794		(2,272,794)	
Other Assets		25,060	86,149		111,209
Total Assets	\$	\$ 2,878,954	\$ 2,764,307	\$ (3,060,816)	\$ 2,582,445
LIABILITIES AND STOCKHOLDER S (DEFICIT) EQUITY					
Current Liabilities:					
Accounts Payable	\$	\$ 630,660	\$	\$	\$ 630,660
Other Current Liabilities		90,614	126,930		217,544
Intercompany Payable		788,022		(788,022)	
Current Maturities of Long Term Debt		8,710	1,027		9,737
Total Current Liabilities		1,518,006	127,957	(788,022)	857,941
Long Term Debt		1,304,862	23,490		1,328,352
Other Liabilities		51,368	178,969		230,337
Deferred Tax Liability		90,070	161,097		251,167
Investment in Subsidiaries	85,352			(85,352)	
Commitments and Contingencies					
Stockholder s (Deficit) Equity:					
Common Stock					
Capital in Excess of Par Value	475,191	475,191	1,063,182	(1,538,373)	475,191
(Accumulated Deficit) Retained Earnings	(560,543)	(560,543)	1,209,612	(649,069)	(560,543)
Total Stockholder s (Deficit) Equity	(85,352)	(85,352)	2,272,794	(2,187,442)	(85,352)
Total Liabilities and Stockholder s Equity (Deficit)	\$	\$ 2,878,954	\$ 2,764,307	\$ (3,060,816)	\$ 2,582,445

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)**

(All amounts in thousands)

	For the Three Months Ended May 3, 2014				
	Holdings	BCFW	Guarantors	Eliminations	Consolidated
REVENUES:					
Net Sales	\$	\$	\$ 1,128,269	\$	\$ 1,128,269
Other Revenue		42	7,547		7,589
Total Revenue		42	1,135,816		1,135,858
COSTS AND EXPENSES:					
Cost of Sales			698,461		698,461
Selling and Administrative Expenses		44,829	302,140		346,969
Costs Related to Debt Amendments and Secondary Offering		366			366
Stock Option Modification Expense		828			828
Restructuring and Separation Costs					
Depreciation and Amortization		5,744	35,464		41,208
Impairment Charges Long-Lived Assets		0	19		19
Other Income, Net		(946)	(950)		(1,896)
Loss on Extinguishment of Debt		87	0		87
Interest Expense		23,269	491		23,760
Total Costs and Expenses		74,177	1,035,625		1,109,802
(Loss) Income Before (Benefit) Provision for Income Taxes and Equity Investment					
		(74,135)	100,191		26,056
(Benefit) Provision for Income Taxes		(29,724)	39,929		10,205
Net (Loss) Income Before Earnings (Loss) from Equity Investment, Net of Taxes					
		(44,411)	60,262		\$ 15,851
Earnings (Loss) from Equity Investment, Net of Taxes	15,851	60,262		(76,113)	
Net Income (Loss) Income	\$ 15,851	\$ 15,851	\$ 60,262	\$ (76,113)	\$ 15,851
Total Comprehensive Income (Loss)	\$ 15,851	\$ 15,851	\$ 60,262	\$ (76,113)	\$ 15,851

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)**

(All amounts in thousands)

	For the Three Months Ended May 4, 2013				
	Holdings	BCFW	Guarantors	Eliminations	Consolidated
REVENUES:					
Net Sales	\$	\$	\$ 1,065,013	\$	\$ 1,065,013
Other Revenue		56	7,920		7,976
Total Revenue		56	1,072,933		1,072,989
COSTS AND EXPENSES:					
Cost of Sales			667,653		667,653
Selling and Administrative Expenses		47,310	280,394		327,704
Costs Related to Debt Amendments and Secondary Offering		8,855			8,855
Stock Option Modification Expense					
Restructuring and Separation Costs		1,531	94		1,625
Depreciation and Amortization		6,269	37,723		43,992
Impairment Charges Long-Lived Assets			51		51
Other Income, Net		(1,319)	(1,229)		(2,548)
Loss on Extinguishment of Debt					
Interest Expense		26,057	532		26,589
Total Costs and Expenses		88,703	985,218		1,073,921
(Loss) Income Before (Benefit) Provision for Income Taxes and Equity Investment					
		(88,647)	87,715		(932)
(Benefit) Provision for Income Taxes		(34,290)	34,060		(230)
Net (Loss) Income Before (Loss) Earnings from Equity Investment, Net of Taxes					
		(54,357)	53,655		(702)
(Loss) Earnings from Equity Investment, Net of Taxes	(702)	53,655		(52,953)	
Net (Loss) Income	\$ (702)	\$ (702)	\$ 53,655	\$ (52,953)	\$ (702)
Total Comprehensive (Loss) Income	\$ (702)	\$ (702)	\$ 53,655	\$ (52,953)	\$ (702)

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Statements of Cash Flows**

(All amounts in thousands)

	Holdings	For the Three Months Ended May 3, 2014			Consolidated
		BCFW	Guarantors	Elimination	
OPERATING ACTIVITIES					
Net Cash Provided by Operating Activities	\$	\$ (72,843)	\$ 127,038	\$	\$ 54,195
INVESTING ACTIVITIES					
Cash Paid For Property and Equipment		(6,047)	(39,938)		(45,985)
Proceeds Received from Sale of Fixed Assets			108		108
Intercompany Investing Transactions			(88,098)	88,098	
Net Cash (Used in) Provided by Investing Activities		(6,047)	(127,928)	88,098	(45,877)
FINANCING ACTIVITIES					
Proceeds from Long Term Debt ABL Line of Credit		115,000			115,000
Principal Payments on Long Term Debt ABL Line of Credit		(115,000)			(115,000)
Principal Payments on Long Term Debt Term Loan		(3,955)			(3,955)
Repayment of Capital Lease Obligations			(240)		(240)
Payment of Dividends	(65,789)	(65,789)		65,789	(65,789)
Receipt of Dividends	65,789			(65,789)	
Proceeds from Direct Parent Investment	667				667
Proceeds from (Payments to) Equity Investment in BCFWC	(667)	667			
Debt Issuance Cost					
Intercompany Financing Transactions		88,098		(88,098)	
Net Cash Provided by (Used In) Financing Activities		19,021	(240)	(88,098)	(69,317)
(Decrease) in Cash and Cash Equivalents		(59,869)	(1,130)		(60,999)
Cash and Cash Equivalents at Beginning of Period		125,069	4,391		129,460
Cash and Cash Equivalents at End of Period	\$	\$ 65,200	\$ 3,261	\$	\$ 68,461

Table of Contents**Burlington Coat Factory Investments Holdings, Inc.****Condensed Consolidating Statements of Cash Flows**

(All amounts in thousands)

	Holdings	For the Three Months Ended May 4, 2013			Consolidated
		BCFW	Guarantors	Elimination	
OPERATING ACTIVITIES					
Net Cash Provided by Operating Activities	\$	\$ 31,560	\$ 63,820	\$	\$ 95,380
INVESTING ACTIVITIES					
Cash Paid For Property and Equipment		(6,817)	(22,947)		(29,764)
Proceeds Received from Sale of Fixed Assets			114		114
Intercompany Investing Transactions			(40,617)	40,617	
Net Cash (Used in) Provided by Investing Activities		(6,817)	(63,450)	40,617	(29,650)
FINANCING ACTIVITIES					
Proceeds from Long Term Debt ABL Line of Credit		155,000			155,000
Principal Payments on Long Term Debt ABL Line of Credit		(155,000)			(155,000)
Repayment of Capital Lease Obligations			(253)		(253)
Payment of Dividends	(4,955)	(4,955)		4,955	(4,955)
Receipt of Dividends	4,955			(4,955)	
Debt Issuance Cost		(1,574)			(1,574)
Stock Option Exercise and Related Tax Benefits		64			64
Intercompany Financing Transactions		40,617		(40,617)	