

BURLINGTON COAT FACTORY WAREHOUSE CORP

Form 10-K

April 26, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 2, 2013

OR

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

For the transition period from _____ to _____

333-137916-110

(Commission File Number)

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of

Incorporation or Organization)

1830 Route 130 North

Burlington, New Jersey
(Address of Principal Executive Offices)

20-4663833
(I.R.S. Employer

Identification No.)

08016
(Zip Code)

(609) 387-7800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (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 Act). Yes No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant is zero. The registrant is a privately held corporation.

As of April 26, 2013, the registrant has 1,000 shares of common stock outstanding, all of which are owned by Burlington Coat Factory Holdings, LLC, 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.

Documents Incorporated By Reference

None

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PART I

Item 1. Business Overview

Burlington Coat Factory Investments Holdings, Inc. (Holdings) owns Burlington Coat Factory Warehouse Corporation (BCFWC), which is a nationally recognized retailer of high-quality, branded apparel at everyday low prices. Holdings opened its first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, and as of February 2, 2013, we have expanded our store base to 500 stores, inclusive of an internet store, in 44 states and Puerto Rico and diversified our product categories by offering an extensive selection of in-season better and moderate brands, fashion-focused merchandise, including: ladies sportswear, menswear, coats, family footwear, baby furniture and accessories, as well as home decor and gifts. We continue to emphasize our rich heritage of coats and outerwear and we believe that we are viewed as the destination for coat shoppers. We acquire a broad selection of desirable, first-quality, branded merchandise primarily from nationally-recognized manufacturers and other suppliers. For the fiscal year ended February 2, 2013, we generated total revenue of \$4,165.5 million, net sales of \$4,131.4 million, net income of \$25.3 million, and Adjusted EBITDA (as subsequently defined in this Form 10-K) of \$352.1 million.

As used in this Annual Report, the terms Company, we, us, or our refer to Holdings and all its subsidiaries. Holdings was organized in 2006 and currently exists as a Delaware corporation. Holdings is a wholly-owned subsidiary of Burlington Coat Factory Holdings, LLC (Parent). Holdings has no operations and its only asset is all of the stock of BCFWC. BCFWC was initially organized in 1972 as a New Jersey corporation. In 1983, BCFWC was reincorporated in Delaware and currently exists as a Delaware corporation. BCFWC became a wholly-owned subsidiary of Holdings in connection with our acquisition on April 13, 2006 by affiliates of Bain Capital in a take private transaction (Merger Transaction).

Fiscal Year End

The Company defines its fiscal year as the 52 or 53 week period ending on the Saturday closest to January 31. This is an annual report for the 53 week fiscal year ended February 2, 2013 (Fiscal 2012). The Company's last three complete fiscal years prior to Fiscal 2012 ended on January 28, 2012 (Fiscal 2011), January 29, 2011 (Fiscal 2010) and May 30, 2009 (Fiscal 2009), and each of those years contained 52 weeks. In order to conform to the predominant fiscal calendar used within the retail industry, on February 25, 2010 the Company changed 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, commencing with the 35 week transition period beginning on May 31, 2009 and ending on January 30, 2010 (Transition Period).

Debt Refinancing and Corporate Reorganization

On May 16, 2012, the Company entered into Amendment No. 1 (First Amendment) to its \$1,000 million original principal amount senior secured term loan facility with JPMorgan Chase Bank, N.A. as administrative agent (Term Loan Credit Agreement), which, among other things, reduced the applicable margin on the interest rates applicable to the Company's 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 loan 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.

Subsequent to the end of Fiscal 2012, on February 15, 2013, BCFWC entered into Amendment No. 2 to the Term Loan Credit Agreement (Second Amendment). The Second Amendment creates a restricted payments basket of \$25 million and permits BCFWC 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 existing senior notes) since the second quarter of Fiscal 2011), in each case so long as certain conditions are satisfied.

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 million aggregate principal amount of Senior Notes due 2018 (2018 Notes) at an issue price of 98.00%. The 2018 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. Additionally, as none of the

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Issuers' subsidiaries are obligors or guarantors under the 2018 Notes, the debt is recorded on the Issuers' financial statements and is not included in the Company's financial statements.

The Issuers used the net proceeds from the offering of the 2018 Notes to pay a special cash dividend of approximately \$336 million, in the aggregate, to Indirect Parent's sole member, Burlington Holdings, Inc. (Ultimate Parent), which in turn distributed the proceeds to its stockholders. BCFWC paid a dividend to the Issuers of \$4.8 million in order to pay certain fees in connection with the issuance of the 2018 Notes, inclusive of a \$3.5 million fee to Bain Capital for various consulting and advisory services.

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New Stockholders Agreement

On February 14, 2013, Parent, and its principal stockholders (Bain Capital Integral Investors, LLC, Bain Capital Fund IX, LLC, BCIP Associates-G and BCIP TCV, LLC) entered into a Termination Agreement, pursuant to which the Stockholders Agreement among each of them and the other stockholders of Parent, dated as of April 13, 2006 (Prior Stockholders Agreement) was terminated. On February 14, 2013, Burlington Holdings, Inc. and the investors and managers from time to time party thereto, entered into a Stockholders Agreement (New Stockholders Agreement). The terms of the New Stockholders Agreement are substantially similar to the terms of the Prior Stockholders Agreement.

The Stores

As of February 2, 2013, we operated 500 stores, inclusive of an internet store, under the names: Burlington Coat Factory (482 stores), Cohoes Fashions (two stores), Super Baby Depot (two stores), MJM Designer Shoes (13 stores) and Burlington Shoes (one store). Over 99% of our net sales are derived from our BCF stores (as defined below).

Our store base is geographically diversified with stores located in 44 states and Puerto Rico. We believe that our customers are attracted to our stores principally by the availability of a large assortment of first-quality current brand-name merchandise at everyday low prices.

Burlington Coat Factory stores (BCF stores) offer customers a complete line of value-priced apparel, including: ladies sportswear, menswear, coats, and family footwear, as well as baby furniture, accessories, home decor and gifts. We continue to emphasize our rich heritage of coats and outerwear and we believe that we are viewed as the destination for coat shoppers. BCF's broad selection provides a wide range of apparel, accessories and furnishing for all ages. We purchase both pre-season and in-season merchandise, allowing us to respond timely to changing market conditions and consumer fashion preferences. Furthermore, we believe BCF stores' substantial selection of staple, destination products such as coats and products in our Baby Depot departments, as well as men's and boys' suits, attracts customers from beyond our local trade areas. We believe these products drive incremental store-traffic and differentiate us from our competitors.

In some of our stores, we grant unaffiliated third parties the right to use designated store space solely for the purpose of selling such third parties goods, including items such as fragrances and jewelry (Leased Departments). During Fiscal 2012, our rental income from all such arrangements aggregated less than 1% of our total revenues. We do not own or have any rights to any trademarks, licenses or other intellectual property used in connection with the brands sold by such unaffiliated third parties.

We believe the size of our typical BCF store represents a competitive advantage. Most of our stores are approximately 80,000 square feet, occupying significantly more selling square footage than most off-price or specialty store competitors. Major landlords frequently seek us as a tenant because the appeal of our apparel merchandise profile attracts a desired customer base and because we can take on larger facilities than most of our competitors. In addition, we have built long-standing relationships with major shopping center developers. We continue to explore expansion opportunities both within our current market areas and in other regions.

We believe that our ability to find satisfactory locations for our stores is essential for the continued growth of our business. The opening of stores generally is contingent upon a number of factors including, but not limited to, the availability of desirable locations with suitable structures and the negotiation of acceptable lease terms. There can be no assurance, however, that we will be able to find suitable locations for new stores or that even if such locations are found and acceptable lease terms are obtained, we will be able to open the number of new stores presently planned.

Real Estate Strategy

As of February 2, 2013, we owned the land and/or buildings for 40 of our 500 stores. Generally, however, our policy has been to lease our stores with co-tenancy where we believe our stores will be most productive. Our large average store size (generally twice that of our off-price competitors) and ability to attract foot traffic enable us to secure lower rents. Most of our stores are located in malls, strip shopping centers, regional power centers or are freestanding.

Our lease model generally provides for a ten year initial term with a number of five year options thereafter. Typically, our lease strategy includes landlord allowances for leasehold improvements and tenant fixtures. We believe our lease model keeps us competitive with other retailers for desirable locations.

We have a proven track record of new store expansion. Our store base has grown from 13 stores in 1980 to 500 stores, inclusive of an internet store, as of February 2, 2013. Assuming that appropriate locations are identified, we believe that we will be able to execute our growth strategy

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without significantly impacting our current stores. The table below shows our store openings and closings since the beginning of our fiscal year ended June 3, 2006.

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Fiscal Years	2008	2009	35 weeks ended			
			January 30, 2010	2010	2011	2012
Stores (Beginning of Period)	379	397	433	442	460	477
Stores Opened	20	37	9	25	20	25
Stores Closed	(2)	(1)	0	(7)	(3)	(2)
Stores (End of Period)	397	433	442	460	477	500

Distribution

We have two primary distribution centers that ship approximately 89% of merchandise units to our stores. The remaining 11% of merchandise units are drop shipped directly to our stores. The two distribution centers, located in Edgewater Park, New Jersey and San Bernardino, California, occupy an aggregate of 1,088,000 square feet and each includes processing and storage capacity. In addition to our two primary distribution facilities, we also operate distribution facilities in Burlington, New Jersey and Redlands, California. The Burlington facility is a 402,000 square foot facility currently used for E-Commerce fulfillment, the processing and storage of goods received on hangers, and remote storage for our Edgewater Park distribution center. The product stored at this facility is processed and shipped through our Edgewater Park, New Jersey facility. The Redlands facility, which we opened in August 2011, is a 295,000 square foot facility being used primarily as remote storage for our San Bernardino distribution center. The product stored at this facility is processed and shipped out of our San Bernardino, California distribution center.

Location	Calendar Year Operational	Size (sq. feet)	Leased or Owned
Edgewater Park, New Jersey	2004	648,000	Owned
San Bernardino, California	2006	440,000	Leased
Burlington, New Jersey	1987*	402,000	Owned
Redlands, California	2011	295,000	Leased

* Distribution activities in this warehouse ceased during the Transition Period. Our current use of this warehouse commenced in Fiscal 2011.

Customer Demographic

Our core customer is the 25-49 year-old woman. The core customer is educated, resides in mid- to large-sized metropolitan areas and is a brand-conscious fashion enthusiast. This customer shops for herself, her family and her home. We appeal to value-seeking and fashion-conscious customers who are price-driven but enjoy the style and fit of high-quality, branded merchandise. These core customers are drawn to us not only by our value proposition, but also by our broad selection of styles, our brands and our highly appealing product selection for families.

Customer Service

We are committed to providing our customers with an enjoyable shopping experience and strive to make continuous efforts to improve customer service. In training our employees, our goal is to emphasize knowledgeable, friendly customer service and a sense of professional pride. We offer our customers special services to enhance the convenience of their shopping experience, such as professional tailors, a baby gift registry and layaways.

We have empowered our store teams to provide an outstanding customer experience for every customer in every store, every day. We have streamlined processes and will continue to strive to create opportunities for fast and effective customer interactions. Our stores must reflect clean, organized merchandise presentations that highlight the brands, value, and diversity of selection within our assortments.

Marketing and Advertising

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We use a variety of broad-based and targeted marketing and advertising strategies to efficiently deliver the right message to the targeted audience at the right time. These strategies include national television and local radio advertising, direct mail, email marketing and targeted digital and magazine advertisements. Broadcast communication and reach is balanced with relevant customer contacts to increase frequency of store visits.

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Employees

As of February 2, 2013, we employed 27,789 people, including part-time and seasonal employees. Our staffing requirements fluctuate during the year as a result of the seasonality of our business. We hire additional employees and increase the hours of part-time employees during seasonal peak selling periods. As of February 2, 2013, employees at two of our stores were subject to collective bargaining agreements.

Competition

The retail business is highly competitive. Competitors include off-price retailers, department stores, mass merchants and specialty apparel stores. At various times throughout the year, traditional full-price department store chains and specialty shops offer brand-name merchandise at substantial markdowns, which can result in prices approximating those offered by us at our BCF stores.

Merchandise Vendors

We purchase merchandise from many suppliers, none of which accounted for more than 3% of our net purchases during Fiscal 2012. We have no long-term purchase commitments or arrangements with any of our suppliers, and believe that we are not dependent on any one supplier. We continue to have good working relationships with our suppliers.

Seasonality

Our business, like that of most retailers, is subject to seasonal influences, with the major portion of sales and income typically realized during the back-to-school and holiday seasons (September through January). Weather, however, continues to be a contributing factor to the sale of our clothing. Generally, our sales are higher if the weather is cold during the Fall and warm during the early Spring.

Tradenames

We own the trademarks, service marks and tradenames that we use in connection with the operation of our business. Our trademarks include BCF , Burlington , Burlington Coat Factory , Cohoes , Luxury Linens , MJM Designer Shoes and Baby Depot. We consider these trademarks and the accompanying name recognition to be valuable to our business. We believe that our rights to these properties are adequately protected. Our rights in these trademarks endure for as long as they are used.

AVAILABLE INFORMATION

Our website address is www.burlingtoncoatfactory.com. We will provide to any person, upon request, copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Such requests should be made in writing to the attention of our Corporate Counsel at the following address: Burlington Coat Factory Warehouse Corporation, 1830 Route 130 North, Burlington, New Jersey 08016.

Item 1A. Risk Factors

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects. For example, when we use words such as projects, expects, anticipates, intends, plans, believes, seeks, estimates, should, would, could, will, opportunities, variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Our forward-looking statements are subject to risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include: competition in the retail industry, seasonality of our business, adverse weather conditions, changes in consumer preferences and consumer spending patterns, import risks, general economic conditions in the United States (U.S.) and in states where we conduct our business, our ability to implement our strategy, our substantial level of indebtedness and

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related debt-service obligations, restrictions imposed by covenants in our debt agreements, availability of adequate financing, our dependence on vendors for our merchandise, domestic events affecting the delivery of merchandise to our stores, existence of adverse litigation and risks, and each of the factors discussed in this Item 1A, Risk Factors as well as risks discussed elsewhere in this report.

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Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

Set forth below are certain important risks and uncertainties that could adversely affect our results of operations or financial condition and cause our actual results to differ materially from those expressed in forward-looking statements made by us. Although we believe that we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our performance or financial condition. More detailed information regarding certain risk factors described below is contained in other sections of this report.

General economic conditions and consumer spending affect our business.

Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing global economic conditions, inflation, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, commodities pricing, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels. A continued or incremental slowdown in the U.S. economy, an uncertain global economic outlook or an expanded credit crisis could continue to adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. Consumer confidence is also affected by the domestic and international political situation. Our financial condition and operations could be impacted by changes in government regulations in areas including, but not limited to, taxes and healthcare. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the U.S., could lead to a decrease in spending by consumers. In addition, natural disasters, industrial accidents and acts of war in various parts of the world could have the effect of disrupting supplies and raising prices globally which, in turn, may have adverse effects on the world and U.S. economies and lead to a downturn in consumer confidence and spending.

We face increased competition from other retailers that could adversely affect our business.

The retail sector is highly competitive, and retailers are constantly adjusting their promotional activity and pricing strategies in response to changing conditions. We compete on the basis of a combination of factors, including among others, price, breadth, quality and style of merchandise offered, in-store experience, level of customer service, ability to identify and respond to new and emerging fashion trends, brand image and scalability. We compete with a wide variety of large and small retailers for customers, vendors, suitable store locations and personnel. In order to increase traffic and drive consumer spending in the economic environment of the past several years, competitors, including department stores, mass merchants and specialty apparel stores, have been offering brand-name merchandise at substantial markdowns. Continuation of this trend, or the possible effect on consumer buying patterns that improving economic conditions could have, may cause consumer demand to shift from off-price retailers to other retail categories, which could have a material adverse effect on our business, financial condition and results of operations. If we are unable to continue to meet changes in the competitive environment and to positively differentiate ourselves from our competitors, our results of operations could be adversely affected. Moreover, we do not possess exclusive rights to many of the elements that comprise our product offerings. Our competitors may seek to emulate facets of our business strategy, which could result in a reduction of any competitive advantage or special appeal that we might possess. In addition, most of our products are sold to us on a non-exclusive basis. As a result, our current and future competitors may be able to duplicate or improve on some or all of our product offerings that we believe are important in differentiating our stores. If our competitors were to duplicate or improve on some or all of our in-store experience or product offerings, our competitive position and our business could suffer.

Our results also depend on the successful implementation of several additional strategic initiatives. We may not be able to implement these strategies successfully, on a timely basis, or at all.

We have recently implemented or begun to implement several strategic initiatives designed to transform our business and improve our performance. The success of our recent initiatives is subject to both the risks affecting our business generally and the inherent difficulties associated with implementing these initiatives and is largely dependent on the skills, experience, and efforts of our management and other associates. We face a number of uncertainties in connection with the successful implementation of these strategic initiatives. Accordingly, there can be no assurance that these strategic initiatives will improve our performance. Examples of the uncertainties surrounding our strategic initiatives include the following:

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Our buying and inventory management initiatives may fail to yield the results expected;

Our sharpened focus on our core female customer may fail to increase sales as expected;

We may lose executives or other key employees with leading roles in implementing the various initiatives;

We may not be able to uniformly implement our in-store experience program;

Our investment in refreshing our store base may not yield commensurate increases in sales; and

The success of our new store selection in opening high-performing stores may decrease.

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Fluctuations in comparable store sales and results of operations could cause our business performance to decline substantially.

Our results of operations for our individual stores have fluctuated in the past and can be expected to continue to fluctuate in the future. Since the beginning of the fiscal year ended January 30, 2010, our quarterly comparable store sales rates have ranged from 4.0% to negative 7.1%. Our comparable store sales and results of operations are affected by a variety of factors, including:

fashion trends;

calendar shifts of holiday or seasonal periods;

the effectiveness of our inventory management;

changes in our merchandise mix;

weather patterns, including, among other things, changes in year-over-year temperatures;

availability of suitable real estate locations at desirable prices and our ability to locate them;

our ability to effectively manage pricing and markdowns;

changes in general economic conditions and consumer spending patterns;

our ability to anticipate, understand and meet consumer trends and preferences;

actions of competitors; and

the attractiveness of our inventory and stores to customers.

If our future comparable store sales fail to meet expectations, then our cash flow and profitability could decline substantially.

Our growth strategy includes the addition of a significant number of new stores each year. We may not be able to implement this strategy successfully, on a timely basis, or at all.

Our growth largely depends on our ability to successfully open and operate new stores. We intend to continue to open new stores in future years, while refreshing a portion of our existing store base annually. The success of this strategy is dependent upon, among other things, the current retail environment, the identification of suitable markets and sites for store locations, the negotiation of acceptable lease terms, the hiring, training and retention of competent sales personnel, and the effective management of inventory to meet the needs of new and existing stores on a timely basis. Our proposed expansion also will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our business less effectively, which in turn could cause deterioration in the financial performance of our existing stores. In addition, to the extent that our new store openings are in existing markets, we may experience reduced net sales volumes in existing stores in those markets. We expect to fund our expansion through cash flow from operations and, if necessary, by borrowings under our ABL Line of Credit; however, if we experience a decline in performance, we may slow or discontinue store openings. We

may not be able to execute any of these strategies successfully, on a timely basis, or at all. If we fail to implement these strategies successfully, our financial condition and results of operations would be adversely affected.

Our net sales, operating income and inventory levels fluctuate on a seasonal basis and decreases in sales or margins during our peak seasons could have a disproportionate effect on our overall financial condition and results of operations.

Our net sales and operating income fluctuate seasonally, with a significant portion of our operating income typically realized during the five-month period from September through January. Any decrease in sales or margins during this period could have a disproportionate effect on our financial condition and results of operations. Seasonal fluctuations also affect our inventory levels. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling our inventory, we may have to write down our inventory or sell it at significantly reduced prices or we may not be able to sell such inventory at all, which could have a material adverse effect on our financial condition and results of operations.

Failure to execute our opportunistic buying and inventory management process could adversely affect our business.

We purchase the majority of our inventory opportunistically, with our buyers purchasing close to need. Establishing the treasure hunt nature of the off-price buying experience to drive traffic to our stores requires us to offer changing assortments of merchandise in our stores. While opportunistic buying provides our buyers the ability to buy at desirable times and prices, in the quantities we need and into market trends, it places considerable discretion in our buyers, subjecting us to risks related to the pricing, quantity, nature and timing of inventory flowing to our stores. If we are unable to provide frequent replenishment of fresh, high quality, attractively priced merchandise in our stores, it could adversely affect traffic to our stores as well as our sales and margins. We base our purchases of inventory, in part, on our sales forecasts. If our sales forecasts do not match customer demand, we may experience higher inventory levels and need to markdown excess or slow-moving inventory, leading to decreased profit margins, or we may have insufficient inventory to meet customer demand, leading to lost sales, either of which could adversely affect our financial performance. We need to purchase inventory sufficiently below conventional retail to maintain our pricing differential to regular department and specialty store prices and to attract customers and sustain our margins, which we may not achieve at various times and which could adversely affect our results.

We must also properly execute our inventory management strategies by appropriately allocating merchandise among our stores, timely and efficiently distributing inventory to stores, maintaining an appropriate mix and level of inventory in stores, appropriately changing the allocation of floor space of stores among product categories to respond to customer demand and effectively managing pricing and markdowns, and there is no assurance we will be able to do so. Failure to effectively execute our opportunistic inventory buying and inventory management strategies could adversely affect our performance and our relationship with our customers.

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Failure to identify customer trends and preferences to meet customer demand could negatively impact our performance.

Because our success depends on our ability to meet customer demand, we work to follow customer trends and preferences on an ongoing basis and to buy inventory in response to those trends and preferences. However, identifying consumer trends and preferences in the diverse product lines and many markets in which we do business and successfully meeting customer demand across those lines and for those markets on a timely basis is challenging. Although our flexible business model allows us to buy close to need and in response to consumer preferences and trends and to expand and contract merchandise categories in response to consumers' changing tastes, we may not do so successfully, which could adversely affect our results.

If we are unable to renew or replace our store leases or enter into leases for new stores on favorable terms, or if one or more of our current leases are terminated prior to the expiration of their stated term and we cannot find suitable alternate locations, our growth and profitability could be negatively impacted.

We currently lease approximately 92% of our store locations. Most of our current leases expire at various dates after five or ten-year terms, the majority of which are subject to our option to renew such leases for several additional five-year periods. Our ability to renew any expiring lease or, if such lease cannot be renewed, our ability to lease a suitable alternative location, and our ability to enter into leases for new stores on favorable terms will depend on many factors, some of which may not be within our control, such as conditions in the local real estate market, competition for desirable properties and our relationships with current and prospective landlords. If we are unable to renew existing leases or lease suitable alternative locations, or enter into leases for new stores on favorable terms, our growth and profitability may be negatively impacted.

Extreme and/or unseasonable weather conditions could have a significant adverse effect on our business, financial condition and results of operations.

Extreme weather conditions in the areas in which our stores are located could have a material adverse effect on our business, financial condition and results of operations. For example, heavy snowfall or other extreme weather conditions over a prolonged period might make it difficult for our customers or associates to travel to our stores. In addition, unforeseen public health issues, natural disasters such as hurricanes, tornados, floods, earthquakes, and other extreme weather or climate conditions or a combination of these or other factors, could severely damage or destroy one or more of our stores or facilities located in the affected areas, thereby disrupting our business operations. Any of these events or circumstances could disrupt the operations of one or more of our vendors or one or more of our stores located in the affected areas. Day-to-day operations, particularly our ability to receive products from our vendors or transport products to our stores, could be adversely affected, or we could be required to close stores. As a result, our business could be adversely affected. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the fall or winter season or cool weather during the spring or summer season could render a portion of our inventory incompatible with those unseasonable conditions. These prolonged unseasonable weather conditions could adversely affect our business, financial condition and results of operations. In addition, because a majority of our net sales historically have occurred during the five-month period from September through January, unseasonably warm weather during these months could have a disproportionately large effect on our business and materially adversely affect our financial condition and results of operations.

We do not have long-term contracts with any of our vendors and if we are unable to purchase suitable merchandise in sufficient quantities at competitive prices, we may be unable to offer a merchandise mix that is attractive to our customers and our sales may be harmed.

The products that we offer are manufactured by third party vendors. Some of our key vendors may limit the number of retail channels they use to sell their merchandise, which may, in limited cases, result in intense competition among retailers to obtain and sell these goods. In addition, nearly all of the brands of our top vendors are sold by competing retailers and some of our top vendors also have their own dedicated retail stores. Moreover, we typically buy products from our vendors on a purchase order basis. We have no long term purchase contracts with any of our vendors and, therefore, have no contractual assurances of continued supply, pricing or access to products, and any vendor could change the terms upon which they sell to us or discontinue selling to us at any time. If our relationships with our vendors are disrupted, we may not be able to acquire the merchandise we require in sufficient quantities or on terms acceptable to us. Any inability to acquire suitable merchandise would have a negative effect on our business and operating results because we would be missing products from our merchandise mix unless and until alternative supply arrangements were made, resulting in deferred or lost sales. In addition, events that adversely affect our vendors could impair our ability to obtain desired merchandise in sufficient quantities. Such events include difficulties or problems associated with our vendors' business, finances, labor, importation of products, costs, production, insurance and reputation.

Our failure to find store employees who can effectively operate our stores could adversely affect our business.

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Our success depends in part upon our ability to attract, motivate and retain a sufficient number of store employees, including store managers, who understand and appreciate our corporate culture and customers, and are able to adequately and effectively represent this culture. The store employee turnover rate in the retail industry is generally high. Excessive store employee turnover will result in higher employee costs associated with finding, hiring and training new store employees. Moreover, improvement in general economic conditions may decrease the supply of part-time labor, which constitutes the majority of our store employee base. Our labor costs are subject to many

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external factors, including unemployment levels, prevailing wage rates, minimum wage laws, potential collective bargaining arrangements, health insurance costs and other insurance costs and changes in employment and labor legislation or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). Any increase in labor costs may adversely impact our profitability, or, if we fail to pay such higher wages, we could suffer increased employee turnover. We are also dependent upon temporary personnel to adequately staff our stores and distribution facilities, with heightened dependence during busy periods such as the holiday season and when multiple new stores are opening. There can be no assurance that we will receive adequate assistance from our temporary personnel, or that there will be sufficient sources of suitable temporary personnel to meet our demand. Any such failure to meet our staffing needs or any material increases in employee turnover rates could have a material adverse effect on our business or results of operations.

Our results may be adversely affected by fluctuations in energy prices.

Increases in energy costs may result in an increase in our transportation costs for distribution, utility costs for our stores and costs to purchase our products from suppliers, as well as reductions in the amount of disposable income available to customers and the use of automobiles, thereby reducing traffic to our stores. A sustained rise in energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have an adverse effect on our performance.

Parties with whom we do business may be subject to insolvency risks which could negatively impact our liquidity.

Many economic and other factors are outside of our control, including but not limited to commercial credit availability. These factors also affect our vendors who, in many cases depend upon commercial credit to finance their operations. If they are unable to secure commercial financing, our vendors could seek to change the terms on which they sell to us, which could negatively affect our liquidity. In addition, the inability of vendors to access liquidity, or the insolvency of vendors, could lead to their failure to deliver merchandise to us.

Although we purchase most of our inventory from vendors domestically, apparel production is located primarily overseas.

We do not own or operate any manufacturing facilities. As a result, we are dependent upon the timely receipt of quality merchandise from suppliers and vendors. Factors which affect overseas production could affect our suppliers and vendors and, in turn, our ability to obtain inventory and the price levels at which they may be obtained. Although such factors apply equally to our competitors, factors that cause an increase in merchandise costs or a decrease in supply could lead to generally lower sales and gross margins in the retail industry.

Such factors include:

political or labor instability in countries where suppliers are located or at foreign and domestic ports which could result in lengthy shipment delays, which if timed ahead of the Fall and Winter peak selling periods could materially and adversely affect our ability to stock inventory on a timely basis;

political or military conflict involving apparel producing countries, which could cause a delay in the transportation of our products to us and an increase in transportation costs;

heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods;

disease epidemics, outbreaks and other health related concerns which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;

natural disasters and industrial accidents, which could have the effect of curtailing production and disrupting supplies;

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increases in labor and production costs in goods-producing countries, which would result in an increase in our inventory costs;

the migration and development of manufacturers, which can affect where our products are or will be produced;

fluctuation in our suppliers' local currency against the dollar, which may increase our cost of goods sold; and

changes in import duties, taxes, charges, quotas, loss of most favored nation trading status with the United States for a particular foreign country and trade restrictions (including the United States imposing antidumping or countervailing duty orders, safeguards, remedies or compensation and retaliation due to illegal foreign trade practices).

Any of the foregoing factors, or a combination thereof could have a material adverse effect on our business.

Our business would be disrupted severely if either of our primary distribution centers were to shut down.

During Fiscal 2012, we extended central distribution services to approximately 89% of our merchandise units through our distribution facilities. Our two primary distribution centers are currently located in Edgewater Park, New Jersey and San Bernardino, California. Most of the merchandise we purchase is shipped directly to our distribution centers, where it is prepared for shipment to the appropriate stores. The success of our stores depends on their timely receipt of merchandise. If either of our current primary distribution centers were to shut down or lose significant capacity for any reason, our operations would likely be disrupted. Although in such circumstances our stores are capable of receiving inventory directly from suppliers via drop shipment, we would incur significantly higher costs and a reduced ability to control inventory levels during the time it takes for us to reopen or replace either of our primary distribution centers.

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Software used for our management information systems may become obsolete, conflict with the requirements of newer hardware and may cause disruptions in our business.

We rely on our existing management information systems, including some software programs that were developed in-house by our employees, in operating and monitoring all major aspects of our business, including sales, distribution, purchasing, inventory control, merchandising planning and replenishment, as well as various financial systems. If we fail to maintain or update such software to meet the demands of changing business requirements or if we decide to modify or change our hardware and/or operating systems and the software programs that were developed in-house are not compatible with the new hardware or operating systems, disruption to our business may result. The efficient operation of our business is dependent on our information systems. If an act of God, interference by computer hackers or another event caused our information systems to not function properly, major business disruptions could occur. In particular, we rely on our information systems to effectively manage sales, distribution, merchandise planning and allocation functions. Our disaster recovery site is located within 15 miles of our Burlington, New Jersey headquarters. If a disaster impacts either location, while it most likely would not fully incapacitate us, our operations could be, significantly affected. The failure of our information systems to perform as designed could disrupt our business and harm sales and profitability.

Unauthorized disclosure of sensitive or confidential information, whether through a breach of our computer system or otherwise, could severely hurt our business.

As part of our normal course of business we collect, process and retain sensitive and confidential information in accordance with industry standards. Despite the security measures we have in place, our facilities and systems, and those of our third party service providers may be vulnerable to security breaches, acts of vandalism and theft, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving misappropriation, loss or other unauthorized disclosure of confidential information, including customer data and credit card information, whether by us or our vendors, could severely damage our reputation, expose us to litigation and liability risks, disrupt our operations and harm our business.

Changes in product safety laws may adversely impact our operations.

We are subject to regulations by a variety of state and federal regulatory authorities, including the Consumer Product Safety Commission. The Consumer Product Safety Improvement Act of 2008 (CPSIA) imposes limitations on the permissible amounts of lead and phthalates allowed in children s products. These laws and regulations relate principally to product labeling, licensing requirements, flammability testing, and product safety particularly with respect to products used by children. In the event that we are unable to timely comply with regulatory changes, including those pursuant to the CPSIA, significant fines or penalties could result, which could adversely affect our operations.

Our future growth and profitability could be adversely affected if our advertising and marketing programs are not effective in generating sufficient levels of customer awareness and traffic.

We rely on print and television advertising to increase consumer awareness of our product offerings and pricing to drive store traffic. In addition, we rely and will increasingly rely on other forms of media advertising, including, without limitation, social media and e-marketing. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising and marketing programs. In order for our advertising and marketing programs to be successful, we must:

manage advertising and marketing costs effectively in order to maintain acceptable operating margins and return on our marketing investment; and

convert customer awareness into actual store visits and product purchases.

Our planned advertising and marketing expenditures may not result in increased total or comparative net sales or generate sufficient levels of product awareness. Further, we may not be able to manage our advertising and marketing expenditures on a cost-effective basis. Additionally, some of our competitors may have substantially larger marketing budgets, which may provide them with a competitive advantage over us.

Use of social media may adversely impact our reputation or subject us to fines or other penalties.

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There has been a substantial increase in the use of social media platforms and similar devices, including blogs, social media websites, and other forms of internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our reputation or subject us to fines or other penalties. Consumers value readily available information concerning retailers and their goods and services and often act on such information without further investigation and without regard to its accuracy. Information concerning us may be posted on social media platforms and similar devices at any time and may be adverse to our reputation or business. The harm may be immediate without affording us an opportunity for redress or correction.

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The loss of key personnel may disrupt our business and adversely affect our financial results.

We depend on the contributions of key personnel for our future success. Although we have entered into employment agreements with certain executives, we may not be able to retain all of our executive and key employees. These executives and other key employees may be hired by our competitors, some of which have considerably more financial resources than we do. The loss of key personnel, or the inability to hire and retain qualified employees, could adversely affect our business, financial condition and results of operations.

The interests of our controlling stockholders may conflict with the interests of our noteholders or us.

As of April 6, 2013 funds associated with Bain Capital owned approximately 95.4% of the common stock of Burlington Holdings Inc., with the remainder held by existing and former members of management. Additionally, management held options to purchase 7.5% of the outstanding shares of Parent's common stock as of April 6, 2013. Our controlling stockholders may have an incentive to increase the value of their investment or cause us to distribute funds at the expense of our financial condition. In addition, funds associated with Bain Capital have the power to elect a majority of our board of directors and appoint new officers and management and, therefore, effectively control many major decisions regarding our operations.

For further information regarding the ownership interest of, and related party transactions involving, Bain Capital and its associated funds, please see Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder matters, and Item 13, Certain Relationships and Related Transactions, and Director Independence.

Circumstances limiting our ability to access capital markets could adversely affect our business or financial condition.

Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict our access to this potential source of future liquidity. A decrease in the ratings that rating agencies assign to our short and long term debt may also negatively impact our access to the debt capital markets and increase our cost of borrowing. These circumstances may negatively impact our access to capital markets, which could have a materially adverse impact on our business or financial condition.

There are claims made against us from time to time that can result in litigation or regulatory proceedings which could distract management from our business activities and result in significant liability or damage to our brand image.

We face the risk of litigation and other claims against us from time to time. Litigation and other claims may arise in the ordinary course of our business and include employee claims, commercial disputes, intellectual property issues, product-oriented allegations and slip and fall claims. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant management time. Litigation and other claims against us could result in unexpected expenses and liability, as well as materially adversely affect our operations and our reputation.

Changes in legal and accounting rules and regulations may adversely affect our results of operations.

We are subject to numerous legal and accounting requirements. New accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future, including those related to the convergence of accounting principles generally accepted in the United States of America (GAAP) and International Financial Reporting Standards. Future changes to accounting rules or regulations and failure to comply with laws and regulations could adversely affect our operations and financial results, involve significant expense and divert management's attention and resources from other matters, which in turn could impact our business.

Increases in the cost of employee benefits could impact the Company's financial results and cash flow.

The Company's expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could negatively affect the Company's financial results and cash flow. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U.S. healthcare system. Due to the breadth and complexity of the healthcare reform legislation, the lack of implementing regulations and interpretive guidance and the phased-in nature of the implementation of the legislation, the Company is not able at this time to fully determine the impact that healthcare reform will have on the Company-sponsored medical plans.

Our substantial indebtedness requires a significant amount of cash. Our ability to generate sufficient cash depends on numerous factors beyond our control, and we may be unable to generate sufficient cash flow to service our debt obligations, including making payments on our outstanding notes.

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As of February 2, 2013, our total indebtedness was \$1,336.3 million, including \$450.0 million of our senior notes and \$863.1 million under our secured term loan facility (Term Loan Facility), pursuant to our term loan credit agreement (Term Loan Credit Agreement) dated as of February 24, 2011. Estimated cash required to make minimum debt service payments

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(including principal and interest) for these debt obligations amounts to \$92.9 million for the fiscal year ending February 1, 2014, exclusive of minimum interest payments related to the ABL Line of Credit. The ABL Line of Credit agreement has no annual minimum principal payment requirements. See Description of Certain Indebtedness.

Our ability to make payments on and to refinance our debt and to fund planned capital expenditures will depend on our ability to generate cash in the future, which is to some extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we will be required to adopt one or more alternatives, such as refinancing all or a portion of our debt, including the notes, selling material assets or operations or raising additional debt or equity capital. We may not be able to successfully carry out any of these actions on a timely basis, on commercially reasonable terms or at all, or be assured that these actions would be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt agreements, including the ABL Line of Credit, the Term Loan Credit Agreement and the indenture governing our senior notes, may restrict us from affecting any of these alternatives.

If we fail to make scheduled payments on our debt or otherwise fail to comply with our covenants, we would be in default and, as a result:

our debt holders could declare all outstanding principal and interest to be due and payable,

our secured debt lenders could terminate their commitments and commence foreclosure proceedings against our assets, and

we could be forced into bankruptcy or liquidation.

The indenture governing our senior notes, the ABL Line of Credit and the Term Loan Credit Agreement impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

The indenture governing our senior notes, the ABL Line of Credit and the Term Loan Credit Agreement contain covenants that place significant operating and financial restrictions on us. These covenants limit our ability to, among other things:

incur additional indebtedness or enter into sale and leaseback obligations;

pay certain dividends or make certain distributions on capital stock or repurchase capital stock;

make certain capital expenditures;

make certain investments or other restricted payments;

have our subsidiaries pay dividends or make other payments to us;

engage in certain transactions with stockholders or affiliates;

sell certain assets or merge with or into other companies;

guarantee indebtedness; and

create liens.

As a result of these covenants, we are limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. If we fail to maintain compliance with these covenants in the future, we may not be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above, as well as others that may be contained in the indenture governing our senior notes, the ABL Line of Credit and the Term Loan Credit Agreement, could result in an event of default, which, if not cured or waived, could result in us being required to repay these borrowings before their due date. If we are unable to refinance these borrowings or are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected.

Our failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our results of operations and our financial condition.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding, with respect to that debt, to be due and payable immediately. Our assets or cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our secured indebtedness, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments.

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None.

Item 2. Properties

As of February 2, 2013, we operated 500 stores, inclusive of an internet store, in 44 states throughout the U.S. and Puerto Rico. We own the land and/or building for 40 of our stores, lease 459 stores and operate one internet store. Store leases generally provide for fixed monthly rental payments, plus the payment, in most cases, of real estate taxes and other charges with escalation clauses. In many locations, our store leases contain formulas providing for the payment of additional rent based on sales.

We own four buildings in Burlington, New Jersey and approximately 47 acres of land on which we have constructed our 402,000 square foot corporate headquarters and distribution facility. In addition, we own approximately 50 acres of undeveloped land in Florence, New Jersey where we are planning to build a new 215,000 square foot corporate headquarters. We also own approximately 43 acres of land in Edgewater Park, New Jersey on which we have constructed a distribution center and office facility of approximately 648,000 square feet. We lease a 440,000 square foot distribution facility in San Bernardino, California and a 295,000 square foot distribution facility in Redlands, California. We also lease approximately 35,000 square feet of office space in New York City.

The following table identifies the years in which store leases, existing at February 2, 2013, expire (exclusive of distribution and corporate leased location), showing both expiring leases for which we have no renewal options available and expiring leases for which we have renewal options available. For purposes of this table, only the expiration dates of the current lease term (exclusive of any available options) are identified. Historically, we have been able to renew a large number of our expiring leases each year.

Fiscal Years Ending	Number of Leases Expiring with No Additional Renewal Options	Number of Leases Expiring with Additional Renewal Options
2013-2014	17	100
2015-2016	6	100
2017-2018	10	87
2019-2020	3	50
2021-2022	5	42
Thereafter to 2078	10	31
Total	51	410

Item 3. Legal Proceedings

Like many retailers, we have been named in class or collective actions on behalf of various groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violation of state consumer and/or privacy protection statutes. In the normal course of business, we are also party to various other lawsuits and regulatory proceedings including, among others, commercial, product, product safety, employee, customer, intellectual property and other claims. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

No established trading market currently exists for our common stock. As of the date hereof, Parent is the only holder of record of our common stock and Parent is owned 100% by Indirect Parent. Indirect Parent is owned 100% by Ultimate Parent, of which 95.4% is owned by various funds associated with Bain Capital, as described in further detail in Item 12 hereof captioned Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. Payment of dividends is prohibited under our credit agreements, except for certain limited circumstances. Dividends equal to \$1.7 million and \$297.9 million were paid in accordance with our credit agreements during Fiscal 2012 and Fiscal 2011 in conjunction with the refinancing of our debt, as further described in Note 18 to our Consolidated Financial Statements, entitled Dividends.

In February of 2013, Indirect Parent paid dividends of \$336.0 million to Ultimate Parent, which in turn paid dividends of \$336.0 million to its stockholders.

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The following table presents selected historical Consolidated Statements of Operations and Comprehensive Income (Loss) and Balance Sheet data for the periods presented and should only be read in conjunction with our audited Consolidated Financial Statements (and the related notes thereto) and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, each of which are included elsewhere in this Form 10-K. The historical financial data for Fiscal 2012, Fiscal 2011, Fiscal 2010, the Transition Period, Fiscal 2009 and the fiscal year ended May 31, 2008 (Fiscal 2008) have been derived from our historical audited Consolidated Financial Statements.

	(in millions)					
	Twelve Months Ended 5/31/2008	Twelve Months Ended 5/30/2009	Transition Period from 5/31/09 to 1/30/2010	Twelve Months Ended 1/29/2011	Twelve Months Ended 1/28/2012	Twelve Months Ended 2/2/2013
Revenues	\$ 3,424.0	\$ 3,571.4	\$ 2,479.3	\$ 3,701.1	\$ 3,887.5	\$ 4,165.5
Net (Loss) Income (1)	(49.0)	(191.6)	18.7	31.0	(6.3)(2)	25.3(3)
	As of 5/31/08	As of 5/30/09	As of 1/30/10	As of 1/29/11	As of 1/28/12	As of 2/2/13
Balance Sheet Data						
Total Assets	\$ 2,964.5	\$ 2,533.4	\$ 2,394.0	\$ 2,458.0	\$ 2,501.1	\$ 2,478.1
Working Capital	284.4	312.3	349.7	386.2	337.9	104.8
Long-Term Debt	1,480.2	1,438.8	1,399.2	1,358.0	1,605.5	1,335.5
Stockholder's Equity (Deficit)	323.5	135.1	154.5	187.5	(110.9)	(80.3)
Cash Dividend Declared (Forfeited)	0.7	3.0	0.2	0.3	300.0	(0.4)

Notes:

- (1) Net (Loss) Income during Fiscal 2008, Fiscal 2009, the Transition Period and Fiscal 2010 reflect impairment charges of \$25.3 million, \$332.0 million, \$46.8 million and \$2.1 million, respectively. The impairment charges in Fiscal 2008, the Transition Period and Fiscal 2010 relate entirely to our long-lived assets while the impairment charge in Fiscal 2009 relates to both our tradenames and our long-lived assets (refer to Note 5 entitled "Intangible Assets" and Note 7 entitled "Impairment of Long-Lived Assets" to our Consolidated Financial Statements for further discussion regarding our impairment charges).
- (2) Net Loss during Fiscal 2011 reflects charges related to the loss on extinguishment of debt of \$37.8 million and impairment charges of \$1.7 million. The loss on extinguishment of debt is related to the refinancing of our Term Loan Facility, Senior Notes, and Senior Discount Notes (refer to Note 9 entitled "Long-Term Debt" to our Consolidated Financial Statements for further discussion).
- (3) Net Income during Fiscal 2012 reflects charges related to the loss on extinguishment of debt of \$2.2 million and impairment charges of \$11.5 million. The loss on extinguishment of debt is related to the First Amendment of the Term Loan Credit Agreement (refer to Note 9 entitled "Long-Term Debt" to our Consolidated Financial Statements for further discussion). The impairment charges in Fiscal 2012 and 2011 relate entirely to our long-lived assets (refer to Note 7 entitled "Impairment of Long-Lived Assets" to our Consolidated Financial Statements for further discussion regarding our impairment charges).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of the following Management's Discussion and Analysis of Financial Condition and Results of Operations, unless indicated otherwise or the context requires, we, us, our, and Company refers to the operations of Burlington Coat Factory Warehouse Corporation and its consolidated subsidiaries, and the financial statements of Burlington Coat Factory Investments Holdings, Inc. and its subsidiaries. With the exception of the 35 week period ended January 30, 2010, we maintain our records on the basis of a 52 or 53 week fiscal year ending on the Saturday closest to January 31. The following discussion and analysis should be read in conjunction with the Selected Financial Data and our Consolidated Financial Statements, including the notes thereto, appearing elsewhere herein.

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*In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions set forth under the caption entitled **Cautionary Statement Regarding Forward-Looking Statements**, which can be found in Item 1A, Risk Factors. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the Item 1A, Risk Factors and elsewhere in this report.*

Executive Summary

Overview of Fiscal 2012 Operating Results

We generated total revenues of \$4,165.5 million.

Net sales for Fiscal 2012 increased \$277.3 million, or 7.2%, to \$4,131.4 million, primarily attributable to an increase in net sales from new stores and previously opened stores in non comparable sales periods (non comparable stores) of \$197.0 million.

Comparable store sales increased 1.2% during the year.

Gross margin as a percentage of net sales increased slightly during Fiscal 2012 to 38.8% from 38.7% in Fiscal 2011.

Selling and administrative expenses as a percentage of net sales during Fiscal 2012 increased to 31.9% for Fiscal 2012 from 31.5% for Fiscal 2011. Total selling and administrative expenses increased \$101.6 million from \$1,215.3 million during Fiscal 2011 to \$1,316.9 million, during Fiscal 2012, which includes \$67.0 million related to the opening of 23 net new stores during Fiscal 2012 as well as stores that opened during Fiscal 2011 that did not operate for a full 52 weeks.

We recorded net income of \$25.3 million for Fiscal 2012 compared with a net loss of \$6.3 million for Fiscal 2011.

Store Openings, Closings, and Relocations

During Fiscal 2012, we opened 25 new BCF stores and closed two BCF stores. As of February 2, 2013, we operated 500 stores, inclusive of an internet store, under the names Burlington Coat Factory (482 stores), Cohoes Fashions (two stores), Super Baby Depot (two stores), MJM Designer Shoes (13 stores) and Burlington Shoes (one store). We continue to pursue our growth plans and invest in capital projects that meet our required financial thresholds. During the fiscal year ending February 1, 2014 (Fiscal 2013), we plan to open between 20 and 28 new stores.

Ongoing Initiatives for Fiscal 2013

We continue to focus on a number of ongoing initiatives aimed at increasing our overall profitability by improving our comparable store sales trends, increasing total sales growth and reducing expenses. These initiatives include, but are not limited to:

- I. Driving Comparable Store Sales Growth.** We intend to continue to increase comparable store sales through the following initiatives:
 - (a) Refining Execution of the Off-Price Model. We will continue to drive comparable sales by expanding the vendor base, testing and reacting to new trends, delivering exceptional value and flowing goods weekly to ensure freshness on the floor. We also intend to continue to use our business intelligence systems to identify sell-through rates by product, capitalize on strong

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performing categories, identify and buy into new fashion trends and opportunistically acquire products in the marketplace. In early 2012, we instituted a Merchant Scorecard that rates products across four key attributes – fashion, quality, brand and price – to help formalize a framework for buying decisions. Additionally, we believe many of our recent initiatives, including our allocation and markdown optimization systems, will allow us to deliver improved value to our customers, further driving comparable store sales growth.

- (b) **Sharpening Focus on Our Core Female Customer.** We have focused on better serving our core female customer – a brand-conscious fashion enthusiast, aged 25-49 – by improving and expanding our offerings for her and by building on our strength in categories for her family, such as youth and baby, special occasions and menswear. We believe that these efforts will increase the frequency of her visits and her average spend, further improving the comparable store sales performance in women’s categories.

- (c) **Continuing to Improve Our Customer Experience.** We have significantly enhanced the store experience and ease of shopping at all of our stores by implementing a comprehensive program focused on offering more brands and styles and simplifying store navigation. We have accomplished this by utilizing clear way-finding signs and distinct product signage, highlighting key brands and new arrivals, improving organization of the floor space, reducing rack density, facilitating quicker checkouts and delivering better customer service. We have made particular improvements in product size visibility, queuing and fitting rooms. To ensure consistent execution of our customer experience priorities, we have improved our store associate training and reorganized and strengthened our field management organization. Our improved customer experience, in conjunction with more consistent in-store execution, has contributed to a significant increase in overall customer satisfaction scores over the last two years. We have also implemented operational audits to measure performance against clearly articulated operational standards. To date, stores that have achieved superior audit scores have generated materially higher comparable store sales.

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- (d) **Increasing Our e-Commerce Sales.** We have been selling to our customers online for more than a decade. We plan to leverage this heritage, along with our renewed focus on e-commerce, to expand our online assortment and utilize e-commerce strategies to drive incremental traffic to our stores.
- (e) **Enhancing Existing Categories and Introduce New Ones.** We have opportunities to expand the depth and breadth of certain existing categories such as ladies' apparel, children's products and home décor, while continuing to remain the destination for coats, and maintaining the flexibility to introduce new categories such as pet related merchandise.

II. Expanding and Enhancing Our Retail Store Base

- (a) **Adhere to an Opportunistic yet Disciplined Real Estate Strategy.** We have grown our store base consistently since our founding in 1972, developing more than 99% of our stores organically, rather than through acquisition. We believe there is significant opportunity to expand our retail store base in the United States. In line with recent growth, our goal is to open approximately 20 to 25 new stores annually and continue to do so for the foreseeable future.
- (b) **Maintaining Focus on Unit Economics and Returns.** We have adopted a prudent approach to new store openings with a specific focus on achieving attractive unit economics and returns. This focus is demonstrated by the fact that the vast majority of our existing stores have positive EBITDA for Fiscal 2012. By focusing on opening stores with attractive unit economics we are able to minimize costs associated with store relocations and closures, achieve attractive returns on capital and continue to grow Company margins. We continue to explore the potential for modified store formats to provide incremental growth.
- (c) **Enhancing the Store Experience through Store Refreshes and Remodels.** 64% of our stores are new or have been refreshed, remodeled or relocated since 2006. In our refreshed and remodeled stores, we have incorporated new flooring, painting, lighting and graphics, relocated our fitting rooms to maximize productive selling space and made various other improvements as appropriate by location. We continue to invest in store refreshes and remodels on a store-by-store basis where appropriate, taking into consideration the age, sales and profitability of a store, as well as the potential impact to the customer shopping experience.

III. Enhancing Operating Margins: We intend to increase our operating margins through the following initiatives:

- (a) **Improving Inventory Management.** We continue to improve inventory freshness by focusing on receipt flows by month and actively managing 60 day and older inventory. In addition, we plan to continue to reduce comparable store inventories which we believe will result in faster inventory turnover and reduced markdowns.
- (b) **Optimizing Logistics and Distribution.** We believe executing the strategy to support more in-season and opportunistic buying as well as measured expansion of pack and hold initiatives will assist in maximizing sales and total margin dollars.
- (c) **Driving Operating Leverage.** We believe that we will be able to leverage our growing sales over the fixed costs of our business. In addition, we are focused on continuing to improve the efficiency of our corporate and in-store operations through better people, processes and systems.

Uncertainties and Challenges

As management strives to increase profitability through achieving positive comparable store sales and leveraging productivity initiatives focused on improving the in-store experience, more efficient movement of products from the vendors to the selling floors, and modifying our marketing plans to increase our core customer base and increase our share of our current customer's spending, there are uncertainties and challenges that we

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face as an off-price retailer of apparel and accessories for men, women and children and home furnishings that could have a material impact on our revenues or income.

General Economic Conditions. Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing economic conditions, inflation, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, commodities pricing, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels. A weakness in the U.S. economy, an uncertain economic outlook or a credit crisis could adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. Consumer confidence is also affected by the domestic and international political situation. Our financial condition and operations could be impacted by changes in government regulations such as taxes, healthcare reform, and other areas. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the U.S., could lead to a decrease in spending by consumers.

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Competition and Margin Pressure. We believe that in order to remain competitive with off-price retailers and discount stores, we must continue to offer brand-name merchandise at a discount from traditional department stores as well as an assortment of merchandise that is appealing to our customers.

The U.S. retail apparel and home furnishings markets are highly fragmented and competitive. We compete for business with department stores, off-price retailers, specialty stores, discount stores, wholesale clubs, and outlet stores. We anticipate that competition will increase in the future. Therefore, we will continue to look for ways to differentiate our stores from those of our competitors.

The U.S retail industry continues to face increased pressure on margins as commodity prices increase and the overall challenging retail conditions have led consumers to be more value conscious. Despite a plentiful supply of goods in the market, which historically created downward pricing pressure for wholesale purchases, we expect to continue to see rising costs. Our open to buy paradigm, in which we purchase both pre-season and in-season merchandise, allows us the flexibility to purchase less pre-season with the balance purchased in-season and opportunistically. It also provides us the flexibility to shift purchases between suppliers and categories. This enables us to obtain better terms with our suppliers, which we expect to help offset the expected rising costs of goods.

Changes to import and export laws could have a direct impact on our operating expenses and an indirect impact on consumer prices and we cannot predict any future changes in such laws.

Seasonality of Sales and Weather Conditions. Our sales, like most other retailers, are subject to seasonal influences, with the majority of our sales and net income derived during the months of September through January, which includes the back-to-school and holiday seasons.

Weather, however, continues to be a contributing factor to the sale of our clothing. Generally, our sales are higher if the weather is cold during the Fall and warm during the early Spring. Sales of cold weather clothing are increased by early cold weather during the Fall, while sales of warm weather clothing are improved by early warm weather conditions in the Spring. Although we have diversified our product offerings, we believe traffic to our stores is still driven by weather patterns.

Key Performance Measures

We consider numerous factors in assessing our performance. Key performance measures used by management include comparable store sales, gross margin, inventory, store payroll as a percentage of net sales and liquidity.

Comparable Store Sales. Comparable store sales measure performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. The method of calculating comparable store sales varies across the retail industry. As a result, our definition of comparable store sales may differ from other retailers.

We define comparable store sales as sales of those stores, including online sales, commencing on the first day of the fiscal month one year after the end of their grand opening activities, which normally conclude within the first two months of operations. The table below depicts our comparable store sales during Fiscal 2012, Fiscal 2011 and Fiscal 2010.

	Comparable Store Sales
Fiscal 2012	1.2% *
Fiscal 2011	0.7%
Fiscal 2010	(0.2)%

* During Fiscal 2012, 36 of our stores were closed for three or more days as a result of Superstorm Sandy. Given the length of time these stores were closed and the impact to their business after re-opening, we have removed these stores from our calculation of comparable stores sales for the month(s) in which the stores were closed for three or more days.

Various factors affect comparable store sales, including, but not limited to, weather conditions, current economic conditions, the timing of our releases of new merchandise and promotional events, the general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, competition, and the success of marketing programs. While any and all of these factors can impact comparable store sales, we believe that the increase in comparable store sales during Fiscal 2012 and Fiscal 2011 was primarily driven by our improved merchandise content and customer experience initiatives. The progress made from these initiatives was positive even though many of

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our regions experienced unseasonably warm temperatures during the holiday selling period. The decrease in comparable store sales during Fiscal 2010 was primarily driven by weather conditions.

Gross Margin. Gross margin is a measure used by management to indicate whether we are selling merchandise at an appropriate gross profit. Gross margin is the difference between net sales and the cost of sales. Our cost of sales and gross margin may not be comparable to those of other entities, since some entities include all of the costs related to their buying and distribution functions in cost of sales. We include certain of these costs in the Selling and Administrative Expenses and Depreciation and Amortization line items in our Consolidated Statements of Operations and Comprehensive Income (Loss). We include in our Cost of Sales line item all costs of

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merchandise (net of purchase discounts and certain vendor allowances), inbound freight, outbound freight from distribution centers and certain merchandise acquisition costs, primarily commissions and import fees. Gross margin as a percentage of net sales increased slightly from 38.7% during Fiscal 2011 to 38.8% during Fiscal 2012.

Inventory. Inventory at February 2, 2013 decreased \$2.1 million to \$680.2 million at February 2, 2013 from \$682.3 million at January 28, 2012. Average store inventory (defined as inventory inclusive of stores and warehouse inventory divided by the total number of stores as of the respective balance sheet date) at February 2, 2013 decreased approximately 4.9% to \$1.4 million per store compared with average store inventory at January 28, 2012. These decreases were the result of a decrease in average inventory per comparable store (exclusive of new and non comparable stores and warehouse inventories) of 12.8%, partially offset by the addition of 23 net new stores opened during Fiscal 2012 and increased pack and hold inventory. The decrease in average inventory per comparable store was the result of our ongoing merchandise and supply chain initiatives.

In order to better serve our customers, and maximize sales, we continue to refine our merchandising mix and inventory levels within our stores. By managing our inventories conservatively we believe we will be better able to deliver a continual flow of fresh merchandise to our customers. We continue to move toward more productive inventories by increasing the amount of current inventory as a percent of total inventory.

We continue to manage our merchandise flow based on a receipt-to-reduction ratio. By matching forecasted levels of receipts to forecasted inventory outflows (inclusive of sales, markdowns, and inventory shrinkage) on a monthly basis, we believe we create a more normalized receipt cadence to support sales which will ultimately lead to an improved inventory turnover ratio.

Inventory turnover is a measure that indicates how efficiently inventory is bought and sold. It measures the length of time that we own our inventory. This is significant because the longer the inventory is owned, the more likely markdowns may be required to sell the inventory. Inventory turnover is calculated by dividing retail sales before sales discounts by the average retail value of the inventory for the period being measured. The inventory turnover calculation is based on a rolling 13 month average of inventory and the last 12 months sales. Our annualized inventory turnover rate (inclusive of stores and warehouse inventory) was 3.2 turns and 2.8 turns per year at February 2, 2013 and January 28, 2012, respectively. Our annualized comparable store inventory turnover rate (exclusive of warehouse inventory) increased to 3.6 turns per year during Fiscal 2012 compared with 3.1 turns per year during Fiscal 2011.

Store Payroll as a Percentage of Net Sales. Store payroll as a percentage of net sales measures our ability to manage our payroll in accordance with increases or decreases in net sales. The method of calculating store payroll varies across the retail industry. As a result, our store payroll as a percentage of net sales may differ from other retailers. We define store payroll as regular and overtime payroll for all store personnel as well as regional and territory personnel, exclusive of payroll charges to corporate and warehouse employees. Store payroll as a percentage of net sales was 10.2% and 10.1% during Fiscal 2012 and Fiscal 2011, respectively.

Liquidity. Liquidity measures our ability to generate cash. Management measures liquidity through cash flow and working capital position. Cash flow is the measure of cash generated from operating, financing, and investing activities. We experienced an increase in cash flow of \$7.7 million during Fiscal 2012, increasing our cash and cash equivalents to \$43.3 million as of February 2, 2013. This increase was primarily due to cash provided by operations as a result of the continued improvement of our core operations as well as our working capital management strategy. The cash provided by operations was partially offset by cash used in investing and financing activities. Cash used in investing activities was primarily related to capital expenditures as we continue to grow our store base and invest in capital projects in our distribution centers and corporate offices. Cash used in financing activities was primarily related to repayments, net of borrowings, of \$190.0 million on our ABL Line of Credit compared with \$21.4 million of borrowings, net of repayments, in the prior year.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash and cash equivalents) minus current liabilities. Working capital at February 2, 2013 was \$104.8 million compared with \$337.9 million at January 28, 2012. The decrease in working capital from January 28, 2012 is primarily attributable to increased accounts payable balances at February 2, 2013, related to our working capital management strategy whereby we accelerated payments in Fiscal 2011 that did not repeat in Fiscal 2012.

Table of Contents**Results of Operations**

The following tables set forth certain items in our Consolidated Statements of Operations and Comprehensive Income (Loss) as a percentage of net sales for Fiscal 2012 and Fiscal 2011. Financial information for Fiscal 2012 and Fiscal 2011 was derived from audited financial statements.

	February 2, 2013	Fiscal Year Ended January 28, 2012	January 29, 2011
REVENUES:			
Net Sales	100.0%	100.0%	100.0%
Other Revenue	0.8	0.9	0.9
 Total Revenue	 100.8	 100.9	 100.9
COSTS AND EXPENSES:			
Cost of Sales	61.2	61.3	61.4
Selling and Administrative Expenses	31.9	31.5	31.5
Restructuring and Separation Costs	0.1	0.2	0.1
Depreciation and Amortization	4.0	4.0	4.0
Impairment Charges Long-Lived Assets	0.3	0.1	0.1
Other Income, Net	(0.2)	(0.3)	(0.3)
Loss on Extinguishment of Debt	0.1	1.0	
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Agreements)	2.8	3.4	2.7
 Total Costs and Expenses	 100.2	 101.2	 99.5
 Income (Loss) Before Income Tax Expense (Benefit)	 0.6	 (0.3)	 1.4
Income Tax Expense (Benefit)	0.1	(0.1)	0.6
 Net Income (Loss)	 0.5%	 (0.2)%	 0.8%

Performance for Fiscal Year (53 weeks) Ended February 2, 2013 Compared with Fiscal Year (52 weeks) Ended January 28, 2012***Net Sales***

We experienced an increase in net sales for Fiscal 2012 compared with Fiscal 2011. Consolidated net sales increased \$277.3 million, or 7.2%, to \$4,131.4 million for Fiscal 2012 from \$3,854.1 million for Fiscal 2011. This increase was primarily attributable to

an increase in net sales of \$115.0 million related to 25 new stores opened during Fiscal 2012,

an increase in net sales of \$82.0 million related to our non comparable stores,

a \$54.3 million increase in net sales as a result of the 53rd week of Fiscal 2012, and

a comparable store sales increase of \$44.9 million, or 1.2%; partially offset by

a \$13.9 million decrease related to barter sales that occurred in the prior year which did not repeat, and

a decrease in net sales of \$5.0 million from two stores closed since January 28, 2012 and other sales adjustments.

We believe that the comparable store sales increase was primarily due to our improved merchandise content and customer experience initiatives. We believe the progress made from these initiatives was negatively impacted by the direct and indirect effects of Superstorm Sandy as well as the unseasonably warm temperatures many of our regions experienced during the fall season and the holiday selling period.

Other Revenue

Other revenue (consisting of rental income from leased departments, subleased rental income, layaway, alterations, other service charges, and miscellaneous revenue items) increased \$0.7 million to \$34.1 million for Fiscal 2012 compared with \$33.4 million for Fiscal 2011. This increase was primarily related to a \$1.1 million increase in rental income from leased departments.

Cost of Sales

Cost of sales increased \$166.6 million, or 7.0%, for Fiscal 2012 compared with Fiscal 2011. Cost of sales as a percentage of net sales improved slightly to 61.2% during Fiscal 2012 compared with 61.3% during Fiscal 2011. The dollar increase of \$166.6 million in cost of sales between Fiscal 2012 and Fiscal 2011 was related to the increase in our net sales during the same periods. The improvement in our cost of sales as a percentage of net sales was primarily the result of reductions in markdown and shrinkage expense partially offset by planned reductions in initial margins.

Table of Contents***Selling and Administrative Expenses***

Selling and administrative expenses increased \$101.6 million, or 8.4%, to \$1,316.9 million for Fiscal 2012 from \$1,215.3 million for Fiscal 2011. \$67.0 million of the increases in selling and administrative expenses is related to 23 net new stores opened during Fiscal 2012 and stores opened during Fiscal 2011 that did not operate for a full 52 weeks. The 53rd week of Fiscal 2012 resulted in an increase of \$22.2 million of selling and administrative expenses. As a percentage of net sales, selling and administration expenses increased to 31.9% during 2012 compared with 31.5% in the prior year, primarily driven by planned incremental buying, store occupancy and logistics costs, as part of our ongoing investments to drive sales, partially offset by reduced corporate and selling costs. Details of the increase in selling and administrative expenses are summarized in the table below.

	<i>(in thousands)</i>			
	Fiscal Years Ended		\$ Variance	% Change
	February 2, 2013	January 28, 2012		
Payroll and Payroll Related	\$ 603,085	\$ 554,823	\$ 48,262	8.7%
Occupancy	418,357	387,028	31,329	8.1
Other Expenses	153,287	145,507	7,780	5.3
Benefit Costs	26,368	19,844	6,524	32.9
Advertising	83,526	77,595	5,931	7.6
Business Insurance	32,234	30,504	1,730	5.7
Selling & Administrative Expenses	\$ 1,316,857	\$ 1,215,301	\$ 101,556	8.4%

The increase in payroll and payroll related costs of approximately \$48.3 million was primarily related to the following:

a \$26.8 million increase related to the addition of 23 net new stores as well as stores that opened during Fiscal 2011 that did not operate for a full 52 weeks,

a \$14.5 million increase in payroll primarily driven by the incremental investments in our buying and logistics teams, and

a \$10.6 million increase in payroll and payroll related expenses related to the 53rd week of Fiscal 2012, partially offset by,

a \$2.7 million decrease in bonus expense,

a \$2.4 million decrease in stock compensation expense related to an adjustment that increased stock compensation expense in Fiscal 2011 as a result of a decrease in the forfeiture rate that did not repeat in Fiscal 2012, and

a \$2.1 million decrease in relocation expense.

The increase in occupancy related costs of \$31.3 million in Fiscal 2012 as compared with Fiscal 2011 was primarily related to new stores and stores that opened during Fiscal 2011 that did not operate for a full 52 weeks. These stores accounted for \$28.8 million of the total increase as well as \$8.3 million of expenses related to the 53rd week of Fiscal 2012. These increases were partially offset by a decrease in utility expense of \$3.4 million as a result of our ongoing initiatives around cost reductions.

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The increase in other selling and administrative expenses of \$7.8 million during Fiscal 2012 compared with Fiscal 2011 was due to the following:

an increase of \$3.9 million of professional fees related to the First Amendment of the Term Loan Facility,

a \$4.2 million increase related to the addition of 23 net new stores as well as stores that opened during Fiscal 2011 that did not operate for the full 52 weeks, and

a \$3.2 million increase in temporary help related to incremental investments in supply chain to improve support of our opportunistic buying model, partially offset by

a decrease in credit card fees of \$3.8 million as a result of federal legislation enacted that reduced transaction fees incurred by the Company.

The increase in benefit costs of \$6.5 million during Fiscal 2012 compared with Fiscal 2011 was primarily the result of increased health insurance claims of \$5.1 million due to increased participation and improved benefits.

The increase in advertising expense of \$5.9 million during Fiscal 2012 compared with Fiscal 2011 was primarily related to a \$6.5 million increase related to new stores and stores that opened during Fiscal 2011 that did not operate for the full 52 weeks.

The increase in business insurance costs of \$1.7 million in Fiscal 2012 compared with Fiscal 2011 was the result of increased claims experience during Fiscal 2012. During Fiscal 2012, we experienced an increase in the cost of workers' compensation claims and an increase in the number of general liability claims, each of which we believe was a result of the economic environment.

Table of Contents***Restructuring and Separation Costs***

As part of our ongoing effort to ensure that our resources are in line with our business objectives, we regularly review all areas of the business to identify efficiency opportunities to enhance our performance. During Fiscal 2012, we effected a reorganization of certain positions within our corporate offices in an effort to improve workflow efficiencies and realign certain responsibilities. As a result of these reorganizational efforts, we incurred a charge of \$3.0 million during Fiscal 2012 compared with a \$7.4 million charge in Fiscal 2011.

Depreciation and Amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to \$166.8 million for Fiscal 2012 compared with \$153.1 million for Fiscal 2011. The increase in depreciation and amortization expense was primarily driven by depreciation expense related to 23 net new stores opened during Fiscal 2012, a \$3.0 million increase related to the 53rd week of Fiscal 2012, as well as various capital expenditures.

Impairment Charges Long-Lived Assets

Impairment charges related to long-lived assets were \$11.5 million and \$1.7 million during Fiscal 2012 and Fiscal 2011, respectively. During Fiscal 2012, we recorded impairment charges related to 19 stores as a result of the decline in the operating performance of those stores. We impaired seven stores during Fiscal 2011 (refer to Note 7 to our Consolidated Financial Statements entitled *Impairment of Long-Lived Assets* for further discussion).

The recoverability assessment related to these store-level assets requires various judgments and estimates including estimates related to future revenues, gross margin rates, store expenses and other assumptions. We base these estimates upon our past and expected future performance. We believe our estimates are appropriate in light of current market conditions. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections for each store.

Other Income, net

Other income, net (consisting of investment income, gains and losses on disposition of assets, breakage income and other miscellaneous items) decreased \$1.8 million to \$8.1 million during Fiscal 2012 compared with Fiscal 2011. The decrease in other income during Fiscal 2012 compared with Fiscal 2011 was primarily related to a decrease in breakage income of \$1.6 million (refer to Note 1 to our Consolidated Financial Statements entitled *Summary of Significant Accounting Policies* for further discussion).

Loss on Extinguishment of Debt

On February 24, 2011 (Fiscal 2011), we completed the refinancing of our \$900 million Senior Secured Term Loan (Previous Term Loan Facility), 11.1% Senior Notes (Previous Senior Notes), and 14.5% Senior Discount Notes (Previous Senior Discount Notes). As a result of these transactions, the Previous Senior Notes and Previous Senior Discount Notes, with carrying values at February 24, 2011 of \$302.0 million and \$99.3 million, respectively, were repurchased. These debt instruments were replaced when BCFWC completed the sale of \$450 million aggregate principal amount of 10% Senior Notes due 2019 (Notes) at an issue price of 100%. The Previous Term Loan Facility with a carrying value of \$777.6 million at February 24, 2011 was replaced with the Term Loan Facility under which we borrowed net proceeds of \$990.0 million. Borrowings on our \$600 million Available Business Line Senior Secured Revolving Facility (ABL Line of Credit) related to these refinancing transactions were \$101.6 million. In connection with the offering of the Notes and the refinancing of the Term Loan Facility, the Company declared a dividend of approximately \$300.0 million, in the aggregate, on a pro rata basis to the equity holders of Parent.

On May 16, 2012, we entered into the First Amendment to the credit agreement governing our Term Loan Credit Agreement in order to, among other things, reduce the applicable margin on the interest rates applicable to our Term Loan Facility by 50 basis points. To accomplish this interest rate reduction, the First Amendment provided for a replacement of the Term B Loans with the Term B-1 Loans. We 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 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.

In accordance with ASC Topic No. 470, *Debt Modifications and Extinguishments* (Topic No. 470), the Term Loan Facility transactions noted above were determined to be extinguishments of the existing debt and an issuance of new debt. As a result, during Fiscal 2012 and Fiscal

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2011 we recorded losses on extinguishment of debt in the amounts of \$2.2 million and \$37.8 million, respectively, which were recorded in the line item Loss on Extinguishment of Debt in our Consolidated Statement of Operations and Comprehensive Loss. During Fiscal 2012 the loss on extinguishment of debt was a non-cash write off of deferred debt charges and a portion of the previous original issue discount related to the First Amendment. Of the \$37.8 million loss on the extinguishment of debt in Fiscal 2011, \$21.4 million represented early call premiums that we paid to the holders of our Previous Senior Notes and Previous Senior Discount Notes. The remaining \$16.4 million represented the non-cash write off of deferred financing fees related to the extinguished debt facilities.

Table of Contents**Interest Expense**

Interest expense was \$113.9 million during Fiscal 2012 compared with \$129.1 million during Fiscal 2011. The \$15.2 million decrease in interest expense was primarily related to the following:

a \$6.1 million reduction in amortization of deferred financing fees resulting from the February 2011 and May 2012 Term Loan Facility refinancings,

a \$5.3 million decrease related to lower average borrowing and lower interest rates on our Term Loan Facility and our ABL Line of Credit,

a \$3.1 million decrease related to an adjustment of our interest rate cap agreements to fair value, and

a \$1.0 million decrease in our commitment fees due to a lower rate on the unused portion of the ABL Line of Credit as a result of the September 2011 amendment.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit for Fiscal 2012 and Fiscal 2011 are summarized in the table below:

		Fiscal Year Ended	
		February 2, 2013	January 28, 2012
Average Interest Rate	ABL Line of Credit	2.1%	3.3%
Average Interest Rate	Term Loan	5.7%	6.2%
Average Balance	ABL Line of Credit	\$ 34.5 million	\$ 79.2 million
Average Balance	Term Loan	\$ 945.3 million	\$ 974.4 million

Income Tax Expense (Benefit)

The income tax expense was \$3.9 million for Fiscal 2012 compared with an income tax benefit of \$4.1 million for Fiscal 2011. The effective tax rate was 13.3% related to the pre-tax income of \$29.2 million for Fiscal 2012, and the effective tax rate was 39.8% related to pre-tax loss of \$10.4 million for Fiscal 2011. The decrease in the effective tax rate for Fiscal 2012 was primarily due to an increased benefit from the recognition of tax credits and the reversal of uncertain tax positions. Refer to Note 14 to our Consolidated Financial Statements entitled "Income Taxes" for further discussion.

Net Income (Loss)

Net income amounted to \$25.3 million for Fiscal 2012 compared with a net loss of \$6.3 million during Fiscal 2011. The increase in our operating results of \$31.6 million was primarily driven by the impact of a \$37.8 million loss on extinguishment of debt that occurred during Fiscal 2011 related to our debt refinancing transactions, compared to a loss on extinguishment of debt of \$2.2 million during Fiscal 2012 as well as a decrease in interest expense, partially offset by the \$9.8 million increase in impairment expense.

Performance for Fiscal Year (52 weeks) Ended January 28, 2012 Compared with Fiscal Year (52 weeks) Ended January 29, 2011**Net Sales**

We experienced an increase in net sales for Fiscal 2011 compared with Fiscal 2010. Consolidated net sales increased \$184.5 million, or 5.0%, to \$3,854.1 million for Fiscal 2011 from \$3,669.6 million for Fiscal 2010. This increase was primarily attributable to

an increase in net sales of \$101.8 million related to 20 new stores opened during Fiscal 2011,

an increase in net sales of \$65.5 million related to our non comparative stores,

a comparative store sales increase of \$26.3 million, or 0.7%, to \$3,623.7 million and

an increase in other sales, inclusive of barter sales of \$13.1 million; partially offset by

a decrease in net sales of \$22.2 million from three stores closed since January 30, 2011.

We believe that the comparative store sales increase was primarily due to our improved merchandise content and customer experience initiatives. We believe the progress made from these initiatives was partially offset by the unseasonably warm temperatures experienced in many of our regions during the fall and holiday selling period.

Other Revenue

Other revenue (consisting of rental income from leased departments, subleased rental income, layaway, alterations, other service charges, and miscellaneous revenue items) increased \$1.9 million to \$33.4 million for Fiscal 2011 compared with \$31.5 million for Fiscal 2010. This increase was primarily related to an increase in rental income from leased departments of \$1.7 million.

Table of Contents**Cost of Sales**

Cost of sales increased \$111.1 million, or 4.9%, for Fiscal 2011 compared with Fiscal 2010. Cost of sales as a percentage of net sales improved slightly to 61.3% during Fiscal 2011 compared with 61.4% during Fiscal 2010. The dollar increase of \$111.1 million in cost of sales between Fiscal 2011 and Fiscal 2010 was primarily related to the increase in our net sales during the same periods.

During Fiscal 2011 as compared with Fiscal 2010, we experienced a slight increase in gross margin as a percent of net sales to 38.7% from 38.6%. The improvement in our gross margin as a percent of net sales was primarily the result of improvements in shrinkage rates and fewer markdowns, partially offset by increased initial markups.

Selling and Administrative Expenses

Selling and administrative expenses increased \$58.7 million, or 5.1%, to \$1,215.3 million for Fiscal 2011 from \$1,156.6 million for Fiscal 2010. The increase in selling and administrative expenses is summarized in the table below:

	<i>(in thousands)</i>			
	Fiscal Years Ended		\$ Variance	% Change
	January 28, 2012	January 29, 2011		
Payroll and Payroll Related	\$ 554,823	\$ 524,120	\$ 30,703	5.9%
Occupancy	387,028	373,166	13,862	3.7
Advertising	77,595	70,422	7,173	10.2
Benefit Costs	19,844	15,326	4,518	29.5
Other	145,507	141,430	4,077	2.9
Business Insurance	30,504	32,149	(1,645)	(5.1)
Selling & Administrative Expenses	\$ 1,215,301	\$ 1,156,613	\$ 58,688	5.1%

The increase in selling and administrative expense during Fiscal 2011 compared with Fiscal 2010 was primarily related to increases in payroll and payroll related costs and occupancy costs. The increase in payroll and payroll related costs of approximately \$30.7 million was primarily related to the addition of 17 net new stores as well as stores that opened during Fiscal 2010 that did not operate for a full 52 weeks. Amounts related to these stores resulted in an increase in payroll and payroll related expenses of \$20.8 million. Also contributing to the increase in payroll and payroll related costs were:

a \$3.3 million increase in relocation expense as a result of our expanded recruiting efforts to attract high quality candidates,

a \$2.9 million increase in regular payroll primarily driven by increased headcount,

a \$2.4 million increase in stock compensation expense related to an adjustment to our forfeiture rate and

a \$2.2 million increase in payroll taxes primarily related to increased rates in the states that we do business.

The increase in occupancy related costs of \$13.9 million in Fiscal 2011 as compared with Fiscal 2010 was primarily related to new stores and stores that opened during Fiscal 2010 that did not operate for a full 52 weeks. These stores accounted for \$19.0 million of the total increase. This increase was partially offset by a \$5.4 million decrease in utilities primarily attributed to savings created as a result of our lighting retrofit and energy management initiatives.

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The increase in advertising expense of \$7.2 million during Fiscal 2011 compared with Fiscal 2010 was primarily related to increased national and spot television advertising during the year as well as planned incremental marketing investment during the year. The increase in advertising expense was also attributable to the number of grand opening advertisements primarily related to the opening of 20 new BCF stores.

The increase in benefit costs of \$4.5 million during Fiscal 2011 compared with Fiscal 2010 was primarily the result of increased health insurance claims of \$3.6 million primarily as a result of increased participation due to improved benefits as well as increased 401(k) Plan Match expense of \$1.1 million related to increased participation in the plan.

The increase in other selling and administrative expenses of \$4.1 during Fiscal 2011 compared with Fiscal 2010 was primarily due to a \$3.8 million increase in temporary help related to incremental investments in supply chain to improve support of our opportunistic buying model, a \$3.0 million increase in our litigation expense as a result of additional legal reserves and settlements during Fiscal 2011 and a \$3.3 million increase in travel and training expenses. These increases were partially offset by a \$6.3 million decrease in our legal expense primarily related to fees incurred as part of our aborted debt refinancing in the Fall of Fiscal 2010. Refer to previous discussions describing our successful debt refinancing in February 2011 under section Debt Refinancing and Dividend and later in Note 9 to our Consolidated Financial Statements entitled Long-Term Debt.

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The decrease in business insurance costs of \$1.6 million in Fiscal 2011 compared with Fiscal 2010 was the result of decreased claims experience during Fiscal 2011 as well as claim settlements at more favorable amounts during Fiscal 2011. During Fiscal 2010, we experienced an increase in the cost of workers' compensation claims and an increase in the number of general liability claims, each of which we believe was a result of the economic environment. This trend slowed during Fiscal 2011 and we have returned to a more historical level of claims experience.

Restructuring and Separation Costs

As part of our ongoing effort to ensure that our resources are in line with our business objectives, we regularly review all areas of the business to identify efficiency opportunities to enhance our performance. During Fiscal 2011, we effected a reorganization of certain positions within our stores and corporate locations in an effort to improve workflow efficiencies and realign certain responsibilities. As a result of these reorganizational efforts, we incurred a charge of \$7.4 million during Fiscal 2011 compared with a \$2.2 million charge in Fiscal 2010.

Depreciation and Amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to \$153.1 million for Fiscal 2011 compared with \$146.8 million for Fiscal 2010. The increase in depreciation and amortization expense was primarily driven by depreciation expense related to 17 net new stores opened during Fiscal 2011.

Impairment Charges - Long-Lived Assets

Impairment charges related to long-lived assets were \$1.7 million and \$2.1 million during Fiscal 2011 and Fiscal 2010, respectively. During Fiscal 2011, we recorded impairment charges related to seven stores as a result of the decline in the operating performance of those stores. We impaired nine stores during Fiscal 2010 (refer to Note 7 to our Consolidated Financial Statements entitled "Impairment of Long-Lived Assets" for further discussion).

The recoverability assessment related to these store-level assets requires various judgments and estimates including estimates related to future revenues, gross margin rates, store expenses and other assumptions. We base these estimates upon our past and expected future performance. We believe our estimates are appropriate in light of current market conditions. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections for each store.

Other Income, net

Other income, net (consisting of investment income, gains and losses on disposition of assets, breakage income and other miscellaneous items) decreased \$1.4 million to \$9.9 million during Fiscal 2011 compared with Fiscal 2010. The decrease in other income during Fiscal 2011 compared with Fiscal 2010 was primarily related to the following:

A decrease in miscellaneous income of \$1.5 million,

a decrease of \$1.5 million related to insurance recoveries in Fiscal 2010, partially offset by;

an increase in breakage income of \$1.4 million (refer to Note 1 to our Consolidated Financial Statements entitled "Summary of Significant Accounting Policies" for further discussion).

Loss on Extinguishment of Debt

As discussed in more detail in Note 9 to our Consolidated Financial Statements entitled "Long Term Debt," on February 24, 2011 we completed the refinancing of our Previous Term Loan, Previous Senior Notes, and Previous Senior Discount Notes. As a result of these transactions, the Previous Senior Notes and Previous Senior Discount Notes, with carrying values at February 24, 2011 of \$302.0 million and \$99.3 million, respectively, were replaced with a \$450.0 million aggregated principal amount of 10% Senior Notes due 2019 at an issue price of 100%. Additionally, the Previous Term Loan with a carrying value of \$777.6 million at February 24, 2011 was replaced with a \$1,000.0 million New Term Loan Facility. Borrowings on the ABL Line of Credit related to the refinancing transactions were \$101.6 million. In connection with the offering of the Notes and the refinancing of the Term Loan facility, the Company declared a dividend of approximately \$300.0 million, in the

aggregate, on a pro rata basis to the equity holders of Parent.

In accordance with ASC Topic No. 470, *Debt Modifications and Extinguishments* (Topic 470), the transactions noted above were determined to be an extinguishment of the existing debt and an issuance of new debt. As a result, we recorded a loss on the extinguishment of debt in the amount of \$37.8 million in the line item *Loss on Extinguishment of Debt* in our Consolidated Statements of Operations and Comprehensive (Loss) Income. Of the \$37.8 million loss on the extinguishment of debt, \$21.4 million represented early call premiums that we paid to the holders of our Previous Senior Notes and Previous Senior Discount Notes. The remaining \$16.4 million represented the write off of deferred financing fees related to the extinguished debt facilities.

Interest Expense

Interest expense was \$129.1 million during Fiscal 2011 compared with \$99.3 million during Fiscal 2010. The \$29.8 million increase in interest expense was primarily driven by increases resulting from our refinancing transactions, offset by other items described below. In

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Fiscal 2011 we had higher average balances on our New Term Loan and our ABL Line of Credit and higher interest rates related to our New Term Loan and ABL Line of Credit, as a result of our refinancing transactions, resulting in a \$41.2 million increase in interest expense. These increases were partially offset by:

a \$3.7 million decrease related to our Notes as a result of our refinancing transactions completed in February 2011,

a \$3.4 million decrease in non-recurring interest charges related to a litigation reserve adjustment during Fiscal 2010 that did not repeat;

a \$2.3 million decrease related to an adjustment of our interest rate cap agreements to fair value; and

a \$1.3 million decrease in our commitment fees due to higher average balances on our ABL Line of Credit borrowings.

Our average interest rates and average balances related to our Term Loans and our ABL Line of Credit, for Fiscal 2011 compared with Fiscal 2010 are summarized in the table below:

		Fiscal Year Ended	
		January 28, 2012	January 29, 2011
Average Interest Rate	ABL Line of Credit(b)	3.3%	2.7%
Average Interest Rate	Term Loan (a)	6.2%	2.6%
Average Balance	ABL Line of Credit	\$ 79.2 million	\$ 10.5 million
Average Balance	Term Loan (a)	\$ 974.4 million	\$ 854.8 million

- (a) As of January 29, 2011, the Term Loan interest rate and average balance were related to the Previous Term Loan Facility. As of January 28, 2012, the Term Loan interest rate and average balance were related to the New Term Loan Facility.
- (b) As of January 29, 2011, the ABL Line of Credit interest rate was related to the ABL Line of Credit before the refinancing transaction on September 2, 2011. As of January 28, 2012, the ABL Line of Credit interest rate was related to the ABL Line of Credit after the September 2, 2011 refinancing transaction.

Income Tax (Benefit) Expense

The income tax benefit was \$4.1 million for Fiscal 2011 compared with an income tax expense of \$22.1 million for Fiscal 2010. The effective tax rate was 39.8% related to the pre-tax loss of \$10.4 million for Fiscal 2011, and the effective tax rate was 41.7% related to pre-tax income of \$53.1 million for Fiscal 2010. The decrease in the effective tax rate for Fiscal 2011 was primarily due to an increased benefit from the recognition of tax credits and the reversal of uncertain tax positions, offset by changes in the valuation allowance, foreign taxes related to Puerto Rico and the impact of changes in tax laws. The Fiscal 2010 tax rate reflects pre-tax income impacted by state income taxes. Refer to Note 14 to our Consolidated Financial Statements entitled *Income Taxes* for further discussion.

Net (Loss) Income

Net loss amounted to \$6.3 million for Fiscal 2011 compared with net income of \$31.0 during Fiscal 2010. The decrease in our operating results of \$37.3 million was primarily driven by our debt refinancing in February 2011 which resulted in a \$37.8 million loss on extinguishment of debt as well as increased interest expense, partially offset by increased sales.

Liquidity and Capital Resources

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We fund inventory expenditures during normal and peak periods through cash flows from operating activities, available cash, and our ABL Line of Credit. Liquidity may be affected by the terms we are able to obtain from vendors and their factors. Our working capital needs follow a seasonal pattern, peaking each October and November when inventory is received for the Fall selling season. Our largest source of operating cash flows is cash collections from our customers. In general, our primary uses of cash are providing for the purchase of inventory, the payment of operating expenses, debt servicing, and opening of new stores and remodeling of existing stores. As of February 2, 2013, we had unused availability on our ABL Line of Credit of \$422.7 million. The maximum borrowing during Fiscal 2012 was \$213.7 million. Average borrowings during Fiscal 2012 amounted to \$34.5 million.

Our ability to satisfy our interest payment obligations on our outstanding debt and maintain compliance with our debt covenants, as discussed below, will depend largely on our future performance which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. If we do not have sufficient cash flow to service interest payment obligations on our outstanding indebtedness and if we cannot borrow or obtain equity financing to satisfy those obligations, our business and results of operations will be materially adversely affected. We cannot be assured that any replacement borrowing or equity financing could be successfully completed on terms similar to our current financing agreements, or at all.

We closely monitor our net sales, gross margin, expenses and working capital. We have performed scenario planning such that if our net sales decline, we have identified variable costs that could be reduced to partially mitigate the impact of these declines and maintain compliance with our debt covenants. We believe that cash generated from operations, along with our existing cash and our ABL Line of

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Credit, will be sufficient to fund our 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 we would be able to offset declines in our comparable store sales with savings initiatives in the event that the economy declines.

As discussed in Note 9 to the our Consolidated Financial Statements entitled Long Term Debt, on May 16, 2012, the Company entered into Amendment No. 1 (First Amendment) to the Term Loan Credit Agreement, which, among other things, reduces the applicable margin on the interest rates applicable to the Company's 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 loan 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.

Our Term Loan Credit Agreement contains financial, affirmative and negative covenants and requires that we, 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 our total debt to Adjusted EBITDA, as each term is defined in the credit agreement governing the Term Loan Facility, for the trailing twelve months most recently ended, and such ratio may not exceed 6.25 to 1 through November 2, 2013; 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 our consolidated interest expense to Adjusted EBITDA, as each term is defined in the credit agreement governing the Term Loan Facility, for the trailing twelve months most recently ended, and such ratio must exceed 1.85 to 1 through November 2, 2013; 2.00 to 1 through October 31, 2015; and 2.10 to 1 at January 30, 2016 and thereafter.

Adjusted EBITDA is a non-GAAP financial measure of our liquidity. Adjusted EBITDA, as defined in the credit agreement governing our Term Loan Facility, 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. Adjusted EBITDA is used to calculate the consolidated leverage ratio and the consolidated interest coverage ratio. We present Adjusted EBITDA because we believe it is a useful supplemental measure in evaluating the performance of our business and provides greater transparency into our results of operations. Adjusted EBITDA provides management, including our chief operating decision maker, with helpful information with respect to our operations such as our ability to meet our future debt service, fund our capital expenditures and working capital requirements, and comply with various covenants in each indenture governing our outstanding notes and the credit agreements governing our senior secured credit facilities which are material to our financial condition and financial statements. As of February 2, 2013, we were in compliance with all of our covenants under our Term Loan Facility.

Given the importance Adjusted EBITDA has on our operations, achievement at a predetermined threshold Adjusted EBITDA level (which was not met for Fiscal 2012) is required for the payment of incentive awards to our corporate employees under our Management Incentive Bonus Plan (Bonus Plan) for Fiscal 2012. The Bonus Plan is more fully described under the caption Annual Incentive Awards in Item 11, Executive Compensation.

Adjusted EBITDA has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net income or other data prepared in accordance with GAAP or for analyzing our results or cash flows from operating activities, as reported under GAAP. Some of these limitations include:

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

Adjusted EBITDA does not reflect our income tax expense or the cash requirements to pay our taxes;

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Adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will likely have to be replaced in the future, and Adjusted EBITDA measures do not reflect any cash requirements for such replacements; and

Other companies in our industry may calculate Adjusted EBITDA differently such that our calculation may not be directly comparable.

Adjusted EBITDA for Fiscal 2012 increased \$2.1 million, or 0.6%, to \$352.1 million from \$350.0 million for Fiscal 2011. This improvement in Adjusted EBITDA was primarily the result of increased net sales.

Adjusted EBITDA for Fiscal 2011 increased \$11.9 million, or 3.5%, to \$350.0 million from \$338.1 million for Fiscal 2010. This improvement in Adjusted EBITDA was primarily the result of increased net sales.

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The following table shows our calculation of Adjusted EBITDA for Fiscal 2012, Fiscal 2011 and Fiscal 2010, each of which were derived from audited financial information.

	<i>(in thousands)</i> Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Reconciliation of Net Income (Loss) to Adjusted EBITDA:			
Net Income (Loss)	\$ 25,301	\$ (6,272)	\$ 30,998
Interest Expense	113,927	129,121	99,309
Income Tax Expense (Benefit)	3,864	(4,148)	22,130
Depreciation and Amortization	166,786	153,070	146,759
Impairment Charges - Long-Lived Assets	11,539	1,735	2,080
Interest Income	(141)	(82)	(384)
Non Cash Straight-Line Rent Expense (a)	7,266	9,211	10,639
Advisory Fees (b)	4,291	4,285	4,289
Stock Compensation Expense (c)	2,748	5,797	2,230
Gain on Investment in Money Market Fund (d)			(240)
Amortization of Purchased Lease Rights (e)	1,033	901	857
Severance (f)	2,999	7,438	81
Franchise Taxes (g)	1,246	1,498	1,172
Insurance Reserve (h)			3,916
Advertising Expense Related to Barter Transactions (i)	3,776	4,864	2,644
Loss on Disposal of Fixed Assets (j)	3,354	2,673	1,740
Change in Fiscal Year End Costs (k)			587
Litigation Reserve (l)	(2,317)	2,618	4,923
Transfer Tax (m)		(20)	1,358
Refinancing Fees (n)	4,175	(473)	3,040
Loss on Extinguishment of Debt (o)	2,222	37,764	
Adjusted EBITDA	\$ 352,069	\$ 349,980	\$ 338,128
Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities:			
Adjusted EBITDA	\$ 352,069	\$ 349,980	\$ 338,128
Interest Expense	(113,927)	(129,121)	(99,309)
Changes in Operating Assets and Liabilities	229,428	37,311	(27,405)
Other Items, Net	(15,061)	(8,187)	(2,710)
Net Cash Provided by Operating Activities	\$ 452,509	\$ 249,983	\$ 208,704
Net Cash Used in Investing Activities	\$ (165,816)	\$ (158,773)	\$ (159,962)
Net Cash (Used in) Provided by Financing Activities	\$ (279,021)	\$ (85,760)	\$ (43,278)

During Fiscal 2012, with approval from the administrative agents for the Term Loan Facility and ABL Line of Credit, we changed the components comprising Adjusted EBITDA such that charges associated with the change in insurance reserves are no longer added back to consolidated net income (loss) when calculating Adjusted EBITDA. This change affects Adjusted EBITDA for Fiscal 2012 and future years. For Fiscal 2011, this change would not have impacted our Adjusted EBITDA. For Fiscal 2010, this change would have resulted in a decrease in Adjusted EBITDA of \$3.9 million.

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In accordance with the credit agreements governing the Term Loan Facility and ABL Line of Credit, the Company made the following EBITDA adjustments related to unusual, non-recurring or extraordinary expenses, losses or charges as reasonably approved by the administrative agents for the period.

- (a) Represents the difference between the actual base rent paid in cash and rent expense calculated in accordance with GAAP (on a straight line basis).
- (b) Represents the annual advisory fee of Bain Capital.
- (c) Represents non-cash expenses recorded under ASC No. 718 *Stock Compensation*.
- (d) Represents the gain on our investment in the Reserve Primary Fund (Fund), related to recoveries in the fair value of the underlying securities held by the Fund.
- (e) Represents amortization of purchased lease rights which are recorded in rent expense within our selling and administrative line items.
- (f) Represents a severance charge resulting from a reorganization of certain positions within our stores and corporate offices in Fiscal 2012 and Fiscal 2011 and a reduction of our workforce during Fiscal 2010.
- (g) Represents franchise taxes paid based on our equity.
- (h) Represents the non-cash change in reserves based on estimated general liability, workers compensation and health insurance claims.
- (i) Represents non-cash advertising expense based on the usage of barter advertising credits obtained as part of a non-cash exchange of inventory.
- (j) Represents the gross non-cash loss recorded on the disposal of certain assets in the ordinary course of business.
- (k) Represents costs incurred in conjunction with changing our fiscal year end from the Saturday closest to May 31 to the Saturday closest to January 31 commencing with the 35 weeks ended January 30, 2010.
- (l) Represents charges incurred in conjunction with a non-recurring litigation reserve.
- (m) Represents one-time transfer taxes incurred on certain leased properties.
- (n) Represents professional fees associated with the May 2012 and the February 2011 debt refinancing.

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(o) Represents charges incurred in accordance with Topic No. 470, as a result of the May 2012 and February 2011 debt refinancings.

Cash Flows

Cash Flows for Fiscal 2012 Compared with Fiscal 2011

We generated \$7.7 million of cash flow for Fiscal 2012 and \$5.5 million for Fiscal 2011. Net cash provided by operating activities amounted to \$452.5 million and \$250.0 million for Fiscal 2012 and Fiscal 2011, respectively. The increase in net cash provided by operating activities was primarily the result of our working capital management strategy employed at the end of Fiscal 2011 which accelerated accounts payable payments of \$152.9 million that did not repeat during Fiscal 2012. Also contributing to the increase in net cash provided by operating activities was the \$31.6 million increase in net income during Fiscal 2012.

Net cash used in investing activities increased \$7.0 million to \$165.8 million during Fiscal 2012 from \$158.8 million during Fiscal 2011. This increase was primarily related to additional capital expenditures primarily related to new stores opened during Fiscal 2012.

Net cash used in financing activities increased \$193.3 million during Fiscal 2012 compared with Fiscal 2011. This increase was primarily related to repayments on our ABL Line of Credit, net of borrowings of \$190.0 million compared with \$21.4 million of borrowings net of repayments in Fiscal 2011. This increase was partially offset by \$17.3 million of lower Fiscal 2012 cash outflows on our Term Loan Facility compared with Fiscal 2011, (taking into account optional pre-payments) resulting from the May 2012 and February 2011 debt refinancings.

Cash flow and working capital levels assist management in measuring our ability to meet our cash requirements. Working capital measures our current financial position. Working capital is defined as current assets (exclusive of restricted cash) less current liabilities. Working capital as of February 2, 2013 was \$104.8 million compared with \$337.9 million as January 28, 2012. The decrease in working capital from January 28, 2012 was primarily the result of increased accounts payable as of February 2, 2013 compared with January 28, 2012 as a result of our working capital management strategy at the end of Fiscal 2011.

Cash Flows for Fiscal 2011 Compared with Fiscal 2010

We generated \$5.5 million of cash flow for both Fiscal 2011 and Fiscal 2010. Net cash provided by operating activities amounted to \$250.0 million and \$208.7 million for Fiscal 2011 and Fiscal 2010, respectively. The increase in net cash provided by operating activities was primarily the result of our working capital management strategy employed at the end of Fiscal 2010 and the Transition Period in which we accelerated \$237.7 million and \$274.8 million, respectively, of payments that typically would not have been made until the first quarters of Fiscal 2011 and Fiscal 2010, respectively. In comparison, during Fiscal 2011, we made accelerated payments of \$152.9 million that would not have been made until the first quarter of Fiscal 2012.

Net cash used in investing activities decreased \$1.2 million to \$158.8 million during Fiscal 2011 from \$160.0 million during Fiscal 2010. This decrease was primarily the result of \$23.1 million less cash being designated as restricted during Fiscal 2011 compared with \$27.8 million classified as restricted cash related to the establishment of collateral for self-insurance in lieu of a letter of credit for certain insurance contracts during Fiscal 2010. This decrease was partially offset by \$21.3 million of additional capital expenditures primarily related to new stores opened during Fiscal 2011.

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Net cash used in financing activities increased \$42.5 million to \$85.8 million during Fiscal 2011 compared with Fiscal 2010. Increased use of cash in financing activities was primarily related to the payment of \$297.9 million of dividends paid in conjunction with our February 2011 debt refinancing transaction. This increase was partially offset by the net impact of the increase in borrowings in conjunction with the debt refinancing transaction.

Working capital at January 28, 2012 was \$337.9 million compared with \$386.2 million at January 29, 2011. The decrease in working capital from January 29, 2011 is primarily attributable to increased accounts payable balances at January 28, 2012, related to our working capital management strategy whereby we accelerated less payments in Fiscal 2011 than we did in Fiscal 2010, partially offset by increased inventory, as a result of increased purchases related to opportunistic buys as well as new store inventory.

Operational Growth

During Fiscal 2012, we opened 25 new BCF stores, and closed two BCF stores. As of February 2, 2013, we operated 500 stores, inclusive of an internet store, under the names Burlington Coat Factory (482 stores), Cohoes Fashions (two stores), Super Baby Depot (two store), MJM Designer Shoes (13 stores) and Burlington Shoes (one store).

We monitor the availability of desirable locations for our stores by, among other things, presentations by brokers, real estate developers and existing landlords, evaluating dispositions by other retail chains and bankruptcy auctions. Most of our stores are located in malls, strip shopping centers, regional power centers or are freestanding. We also lease existing space and have opened a limited number of built-to-suit locations. For most of our new leases, we provide for a minimum initial ten year term with a number of five year options thereafter. Typically, our lease strategy includes obtaining landlord allowances for leasehold improvements. We believe our lease model makes us competitive with other retailers for desirable locations. We may seek to acquire a number of such locations either through transactions to acquire individual locations or transactions that involve the acquisition of multiple locations simultaneously.

From time to time we make available for sale certain assets based on current market conditions. These assets are recorded in the line item Assets Held for Disposal in our Consolidated Balance Sheets. Based on prevailing market conditions, we may determine that it is no longer advantageous to continue marketing certain assets and will reclassify those assets out of the line item Assets Held for Disposal and into the respective asset category based on the lesser of their carrying value or fair value less cost to sell.

Debt

Holdings and each of our current wholly owned subsidiaries have fully, jointly, severally and unconditionally and irrevocably guaranteed BCFWC's obligations pursuant to the \$600 million ABL Line of Credit, \$1,000 million Term Loan Facility and the \$450 million of Notes due in 2019. As of February 2, 2013, we were in compliance with all of our debt covenants. Significant changes in our debt consist of the following:

\$1 Billion Senior Secured Term Loan Facility

As discussed in Note 9 to our Consolidated Financial Statements entitled Long Term Debt, on May 16, 2012, we entered into the First Amendment to the Term Loan Credit Agreement, which, among other things, reduces the applicable margin on the interest rates applicable to our Term Loan Facility by 50 basis points. 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 Amendment. As a result of this transaction, 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. Based on our available cash flow for Fiscal 2011, we made a payment of \$7.0 million in April 2012. We 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.

The Term Loan Facility contains financial, affirmative and negative covenants and requires that 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 our total debt to Adjusted EBITDA, as each term is defined in the credit agreement governing the Term Loan Facility, for the trailing twelve months most recently ended and such ratios may not exceed 6.25 to 1 through November 2, 2013; 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 our consolidated interest expense to Adjusted EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months most recently ended, and such ratios must exceed 1.85 to 1 through November 2, 2013; 2.00 to 1 through October 31, 2015; and 2.10 to 1 at January 30, 2016 and thereafter. Adjusted EBITDA is a non-GAAP financial measure of

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our liquidity. Adjusted EBITDA, as defined in the credit agreement governing our Term Loan Facility, 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 loss, (ii) the (benefit) provision for taxes, (iii) interest expense, (iv) advisory fees, and (v) unusual, non-recurring or extraordinary expenses, losses or charges as reasonably approved by the administrative agent for such period.

The interest rates for the Term Loan Facility are based on: (i) for LIBO rate loans for any interest period, at a rate per annum equal to (a) the greater of (x) the LIBO rate as determined by the Term Loan Administrative Agent, for such interest period multiplied by the Statutory Reserve Rate (as defined in the Term Loan Credit Agreement) and (y) 1.50% (the Term Loan Adjusted LIBO Rate), plus an applicable margin; and (ii) for prime rate loans, a rate per annum equal to the highest of (a) the variable annual rate of interest then announced by JPMorgan Chase Bank, N.A. at its head office as its prime rate, (b) the federal funds rate in effect on such date plus 0.50% per annum, and (c) the Term Loan Adjusted LIBO Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin. The interest rate on the Term Loan Facility was 5.5% as of February 2, 2013.

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

In accordance with Topic No. 470, we recorded a non-cash loss of \$2.2 million on the partial extinguishment of debt which was recorded in the line item *Loss on Extinguishment of Debt* in our Consolidated Statements of Operations and Comprehensive Loss (Income).

ABL Line of Credit

During Fiscal 2012 and Fiscal 2011 we repaid \$190.0 million, net of borrowings compared with borrowings, net of repayments of \$21.4 million, respectively, on our ABL Line of Credit. We had no outstanding borrowings on our ABL Line of Credit as of February 2, 2013 and \$190.0 million outstanding as of January 28, 2012. As of February 2, 2013 and January 28, 2012, we had unused availability of \$422.7 million and \$242.6 million, respectively.

Capital Expenditures

We incurred capital expenditures of \$133.9 million, net of \$33.4 million of landlord allowances, during Fiscal 2012. These capital expenditures include \$82.8 million (net of the \$33.4 million of landlord allowances) for store expenditures, \$5.1 million for upgrades of distribution facilities, and \$46.0 million for IT software and other capital expenditures.

For Fiscal 2013, we estimate that we will spend between \$150 million and \$160 million, net of the benefit of landlord allowances of approximately \$32 million, for store openings, improvements to distribution facilities, information technology upgrades, and other capital expenditures. Of the total planned expenditures, approximately \$75 million, net of the benefit of \$32 million of landlord allowances, is currently expected for expenditures related to new stores, relocations and other store requirements. Capital of approximately \$28 million is expected to support information technology and the remaining capital is currently expected to support continued distribution facility enhancements and other initiatives, inclusive of the construction of our new corporate headquarters. As part of our growth strategy, we plan to open between 20 and 28 new BCF stores and remodel/expand approximately three BCF stores during Fiscal 2013.

Dividends

Payment of dividends is prohibited under our credit agreements except in limited circumstances. Dividends equal to \$1.7 million, \$297.9 million and \$0.3 million were paid during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively. During Fiscal 2011, in connection with the offering of the Notes and the refinancing of the Term Loan Facility, a cash dividend of approximately \$300.0 million, in the aggregate, was declared payable to the equity holders of Parent on a pro rata basis. The dividend was approved by the Parent's Board of Directors in February 2011 and \$297.9 million of the dividend declared was paid in Fiscal 2011. Of the remaining \$2.1 million, \$1.7 million was paid during Fiscal 2012 and the remaining \$0.4 million was forfeited and reverted back to the Company as a result of certain members of management forfeiting their shares before they became fully vested. Dividend payments during Fiscal 2010 were paid to Holdings in order to repurchase capital stock of the Parent from executives who left our employment.

Certain Information Concerning Contractual Obligations

The following table sets forth certain information regarding our obligations to make future payments under current contracts as of February 2, 2013:

	Payments Due By Period				
	<i>(in thousands)</i>				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	Thereafter
Long-Term Debt Obligations (1)	\$ 1,321,040	\$	\$	\$ 871,040	\$ 450,000
Interest on Long-Term Debt (2)	495,311	95,025	190,050	142,736	67,500
Capital Lease Obligations (3)	39,314	2,733	5,392	6,096	25,093
Operating Lease Obligations (4)	1,537	220	421	896	

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Related Party Fees (5)	12,830	4,000	8,000	830	
Purchase Obligations (6)	577,567	554,802	22,705	60	
Other (7)	781	781			
Total	\$ 2,448,380	\$ 657,561	\$ 226,568	\$ 1,021,658	\$ 542,593

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Notes:

- (1) Excludes interest on Long Term Debt and the ABL Line of Credit as of February 2, 2013.
- (2) The interest rate related to the Term Loan Facility was 5.5% as of February 2, 2013. The ABL Line of Credit agreement has no annual minimum principal payment requirements, and therefore principal and interest payments are excluded from the table above. Based on the ABL Line of Credit balance outstanding at February 2, 2013, commitment fees of \$2.1 million would be due each year through the maturity date.
- (3) Capital Lease Obligations include future interest payments.
- (4) Represents minimum rent payments for operating leases under the current terms.
- (5) Represent fees to be paid to Bain Capital under the terms of our advisory agreement with them (refer to Note 17 to our Consolidated Financial Statements entitled *Related Party Transactions* for further detail).
- (6) Represents commitments to purchase goods or services that have not been received as of February 2, 2013.
- (7) Represents severance agreements with former employees.

Our agreements with each of three former employees (including our former President and Chief Executive Officer) to pay their beneficiaries \$1.0 million upon their deaths for a total of \$3.0 million which is not reflected in the table above because the timing of the payments is unpredictable.

The table above excludes ASC Topic No. 740 *Income Taxes* (Topic No. 740) liabilities which represent uncertain tax positions related to temporary differences. The total Topic No. 740 liability was \$16.9 million exclusive of \$10.4 million of interest and penalties included in our total Topic No. 740 liability neither of which is presented in the table above as we are not certain if and when these payments would be required.

The table above excludes our irrevocable letters of credit guaranteeing payment and performance under certain leases, insurance contracts, debt agreements and utility agreements in the amount of \$35.3 million as of February 2, 2013 (refer to Note 16 to our Consolidated Financial Statements entitled *Commitments and Contingencies* for further discussion).

The table above also excludes restricted payments expected to be paid by us to the Issuers of the 2018 Notes. As a result of the Issuers offering of the 2018 Notes, we expect to make restricted payments of \$31.5 million annually (beginning in Fiscal 2013 through Fiscal 2017 and an additional \$15.8 million in Fiscal 2018) to the Issuers in order for the Issuers to pay the semi-annual interest on the 2018 Notes.

During Fiscal 2007, we sold lease rights for three store locations that were previously operated by us. In the event of default by the assignee, we could be liable for obligations associated with these real estate leases which have future lease related payments (not discounted to present value) of approximately \$0.8 million through the end of our fiscal year ending February 1, 2014, and which are not reflected in the table above. We believe the likelihood of a material liability being triggered under these leases is remote, and no liability has been accrued for these contingent lease obligations as of February 2, 2013.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements have been prepared in accordance with GAAP. We believe there are several accounting policies that are critical to understanding our historical and future performance as these policies affect the reported amounts of revenues and other significant areas that involve management's judgments and estimates. The preparation of our financial statements requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements; and (iii) the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, inventories, long-lived assets, intangible assets, goodwill, insurance reserves and income taxes. Historical experience and various other factors that are believed to be reasonable under the circumstances form the basis for making estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A critical accounting estimate meets two criteria: (1) it requires assumptions about highly uncertain matters and (2) there would be a material effect on the financial statements from either using a different, although reasonable, amount within the range of the estimate in the current period or from reasonably likely period-to-period changes in the estimate.

While there are a number of accounting policies, methods and estimates affecting our Consolidated Financial Statements as addressed in Note 1 to our Consolidated Financial Statements entitled *Summary of Significant Accounting Policies*, areas that are particularly critical and significant include:

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Revenue Recognition. We record revenue at the time of sale and delivery of merchandise, net of allowances for estimated future returns. We present sales, net of sales taxes, in our Consolidated Statements of Operations and Comprehensive Income (Loss). We account

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for layaway sales and leased department revenue in accordance with ASC Topic No. 605, *Revenue Recognition in Financial Statements*. Layaway sales are recognized upon delivery of merchandise to the customer. The amount of cash received upon initiation of the layaway is recorded as a deposit liability within the line item *Other Current Liabilities* in our Consolidated Balance Sheets. Store value cards (gift cards and store credits issued for merchandise returns) are recorded as a liability at the time of issuance, and the related sale is recorded upon redemption.

We estimate and recognize store value card breakage income in proportion to actual store value card redemptions and record such income in the line item *Other Income, Net* in our Consolidated Statements of Operations and Comprehensive Income (Loss). We determine an estimated store value card breakage rate by continuously evaluating historical redemption data. Breakage income is recognized on a monthly basis in proportion to the historical redemption patterns for those store value cards for which the likelihood of redemption is remote.

Inventory. Our inventory is valued at the lower of cost or market using the retail inventory method. Under the retail inventory method, the valuation of inventory and the resulting gross margin are determined by applying a calculated cost to retail ratio to the retail value of inventory. The retail inventory method is an averaging method that results in valuing inventory at the lower of cost or market provided markdowns are taken timely to reduce the retail value of inventory. Inherent in the retail inventory method calculation are certain significant management judgments and estimates including merchandise markon, markups, markdowns and shrinkage, which significantly impact the ending inventory valuation as well as the resulting gross margin. Management believes that our retail inventory method provides an inventory valuation which approximates cost using a first-in, first-out assumption and results in carrying value at the lower of cost or market. We reserve for aged inventory based on historical trends and specific identification. Our aged inventory reserve contains uncertainties as the calculations require management to make assumptions and to apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends. A 1% change in the dollar amount of markdowns would have impacted net income by approximately \$1 million for Fiscal 2012.

Typically, estimates are used to record inventory shrinkage at retail stores for the first three quarters of a fiscal year. Actual physical inventories are typically conducted during the fourth quarter to calculate actual shrinkage. While we make estimates on the basis of the best information available to us at the time the estimates are made, over accruals or under accruals of shrinkage may be identified as a result of the physical inventory counts, requiring fourth quarter adjustments. During the fourth quarter of Fiscal 2012, Fiscal 2011 and Fiscal 2010 we recorded shrinkage adjustments of \$7.5 million, \$5.7 million and \$2.8 million, respectively, as a result of actual shrink being less than what we had estimated.

Long-Lived Assets. We test for recoverability of long-lived assets in accordance with Topic 360 whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. This includes performing an analysis of anticipated undiscounted future net cash flows of long-lived assets. If the carrying value of the related assets exceeds the undiscounted cash flow, we reduce the carrying value to its fair value, which is generally calculated using discounted cash flows. The recoverability assessment related to these store-level assets requires judgments and estimates of future revenues, gross margin rates and store expenses. We base these estimates upon our past and expected future performance. We believe our estimates are appropriate in light of current market conditions. Future adverse changes in market conditions or poor operating results of underlying assets could result in losses or an inability to recover the carrying value of the assets that may not be reflected in an asset's current carrying value, thereby possibly requiring an impairment charge in the future. During Fiscal 2012, Fiscal 2011 and Fiscal 2010, we recorded \$5.2 million, \$1.2 million and \$2.0 million, respectively, in impairment charges related to long-lived assets (exclusive of finite-lived intangible assets).

Intangible Assets. On April 13, 2006, BCFWC became a wholly-owned subsidiary of the Company as a result of the Merger Transaction which was financed by a combination of borrowings under our senior secured credit facilities, the issuance of senior notes and senior discount notes and the equity investment of affiliates of Bain Capital and management. The purchase price, including transaction costs, was approximately \$2.1 billion. All assets and liabilities were recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include tradenames, and net favorable lease positions. The fair values and useful lives of identified intangible assets are based on many factors, including estimates and assumptions of future operating performance, estimates of cost avoidance, the specific characteristics of the identified intangible assets and our historical experience. Goodwill represents the excess of cost over the fair value of net assets acquired.

On at least an annual basis, or more frequently if an event occurs or circumstances change that would more likely than not indicate that the fair value is less than their respective carrying amounts, we evaluate the carrying value of our tradenames for impairment, which we consider to be indefinite-lived intangible assets to their estimated fair value. The determination of fair value is made using the relief from royalty valuation method. Inputs to the valuation model include:

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Future revenue and profitability projections associated with the tradenames;

Estimated market royalty rates that could be derived from the licensing of our tradenames to third parties in order to establish the cash flows accruing to our benefit as a result of ownership of the tradenames; and

Rate used to discount the estimated royalty cash flow projections to their present value (or estimated fair value) based on the risk and nature of our cash flows.

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During Fiscal 2012, Fiscal 2011 and Fiscal 2010, we did not record any impairment charges related to our indefinite-lived intangible assets. At the Fiscal 2012 annual impairment test date, the above-noted conclusion that no indication of intangible asset impairment existed at the test date would not have changed had the test been conducted assuming: (i) a 100 basis point increase in the discount rate used to discount the aggregate estimated cash flows of our assets to their net present value in determining their estimated fair values (without any change in the aggregate estimated cash flows of our intangibles), (ii) a 100 basis point decrease in the terminal period growth rate without a change in the discount rate of each intangible, or (iii) a 10 basis point decrease in the royalty rate applied to the forecasted net sales stream of our assets.

Based on our sensitivity analysis, we do not believe that the indefinite lived intangible balance is at risk of impairment at the end of the fiscal year because the fair values are substantially in excess of the carrying values. However, indefinite-lived intangible impairment charges may be recognized in future periods to the extent changes in factors or circumstances occur, including deterioration in the macroeconomic environment, deterioration in the retail industry, deterioration in our performance or our future projections, or changes in our plans for one or more indefinite-lived intangible asset.

Our favorable leases, which we consider to be finite-lived intangible assets, are amortized over their respective lease terms, and are reviewed for impairment whenever circumstances change, in conjunction with the impairment testing of our long-lived assets as described above. If the carrying value is greater than the respective estimated fair value, we then determine if the asset is impaired, and whether some, or all, of the asset should be written off as a charge to operations, which could have a material adverse effect on our financial results. Impairment charges of \$6.3 million and \$0.1 million were recorded related to our favorable leases during Fiscal 2012 and Fiscal 2011, respectively, and are included in the line item Impairment Charges Long-Lived Assets in our Consolidated Statements of Operations and Comprehensive Income (Loss). There were no impairment charges related to our finite-lived intangible assets during Fiscal 2010.

Goodwill. Goodwill represents the excess of cost over the fair value of net assets acquired. Topic No. 350 requires periodic tests of the impairment of goodwill. Topic No. 350 requires a qualitative and quantitative comparison, on at least an annual basis, or more frequently if an event occurs of circumstances change that would more likely than not indicate that the fair value is less than its respective carrying amounts, of the net book value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit, which corresponds to the discounted cash flows of the reporting unit, in the absence of an active market. Our impairment analysis includes a number of assumptions around our future performance, which may differ from actual results. When this comparison indicates that impairment exists, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of these assets. Our annual goodwill impairment review is typically performed during the beginning of May of the fiscal year. There were no impairment charges recorded on the carrying value of our goodwill during Fiscal 2012, Fiscal 2011 and Fiscal 2010.

In Fiscal 2012, goodwill had a fair value that exceeded its carrying value by at least 65%. We performed a sensitivity analysis on our weighted average cost of capital and we determined that a 100 basis point increase in the weighted average cost of capital would not have resulted in any of our goodwill's implied fair value being less than its carrying value. Additionally, a 100 basis point decrease in the terminal growth rate used for each reporting unit would also not have resulted in any of our goodwill's implied fair value being less than their carrying value.

Insurance Reserves. We have risk participation agreements with insurance carriers with respect to workers' compensation, general liability insurance and health insurance. Pursuant to these arrangements, we are responsible for paying individual claims up to designated dollar limits. The amounts included in our costs related to these claims are estimated and can vary based on changes in assumptions or claims experience included in the associated insurance programs. For example, changes in legal trends and interpretations, as well as changes in the nature and method of how claims are settled, can impact ultimate costs. An increase in workers' compensation claims by employees, health insurance claims by employees or general liability claims may result in a corresponding increase in our costs related to these claims. Insurance reserves amounted to \$52.4 million and \$49.6 million at February 2, 2013 and January 28, 2012, respectively.

Income Taxes. We account for income taxes in accordance with Topic No. 740. Our provision for income taxes and effective tax rates are based on a number of factors, including our income, tax planning strategies, differences between tax laws and accounting rules, statutory tax rates and credits, uncertain tax positions, and valuation allowances, by legal entity and jurisdiction. We use significant judgment and estimations in evaluating our tax positions. Topic No. 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Topic No. 740 requires that we recognize in our financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not of being sustained upon examination by the relevant taxing authority, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Additionally, Topic No. 740 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure.

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U.S. federal and state tax authorities regularly audit our tax returns. We establish tax reserves when it is considered more likely than not that we will not succeed in defending our positions. We adjust these tax reserves, as well as the related interest and penalties, based on the latest facts and circumstances, including recently published rulings, court cases, and outcomes of tax audits. To the extent our actual tax liability differs from our established tax reserves our effective tax rate may be materially impacted. While it is often difficult to predict the final outcome of, the timing of, or the tax treatment of any particular tax position or deduction, we believe that our tax reserves reflect the most likely outcome of known tax contingencies.

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We record deferred tax assets and liabilities for any temporary differences between the tax reflected in our financial statements and tax presumed rates. We establish valuation allowances for our deferred tax assets when we believe it is more likely than not that the expected future taxable income or tax liabilities thereon will not support the use of a deduction or credit. For example, we would establish a valuation allowance for the tax benefit associated with a loss carryover in a tax jurisdiction if we did not expect to generate sufficient taxable income to utilize the loss carryover.

Recent Accounting Pronouncements

Refer to Note 2 to our Consolidated Financial Statements entitled *Recent Accounting Pronouncements* for a discussion of recent accounting pronouncements and their impact on our Consolidated Financial Statements.

Fluctuations in Operating Results

We expect that our revenues and operating results may fluctuate from fiscal quarter to fiscal quarter or over the longer term. Certain of the general factors that may cause such fluctuations are discussed in Item 1A, Risk Factors and elsewhere in the Annual Report.

Seasonality

Our business is subject to seasonal influences. In the second half of the year, which includes the back-to-school and year-end holiday seasons, we generally realize higher levels of sales and income. Weather, however, continues to be a contributing factor to our sales. Generally, our sales are higher if the weather is cold during the Fall and warm during the early Spring.

Inflation

We do not believe that our operating results have been materially affected by inflation during Fiscal 2012, Fiscal 2011, or Fiscal 2010. Historically, as the costs of merchandising and related operating expenses have increased, the Company has been able to mitigate the effect of such impact on the Company's operations.

The U.S retail industry continues to face increased pressure on margins as commodity prices increase and the overall challenging retail conditions have led consumers to be more value conscious. Despite a plentiful supply of goods in the market, which historically created downward pricing pressure for wholesale purchases, we expect to continue to experience rising costs. Our *open to buy* paradigm, in which we purchase both pre-season and in-season merchandise, allows us the flexibility to purchase less pre-season with the balance purchased in-season and opportunistically. It also provides us the flexibility to shift purchases between suppliers and categories. This enables us to obtain better terms with our suppliers which we expect to help offset the expected rising costs of goods.

Market Risk

We are exposed to market risks relating to fluctuations in interest rates. Our senior secured credit facilities contain floating rate obligations and are subject to interest rate fluctuations. The objective of our financial risk management is to minimize the negative impact of interest rate fluctuations on our earnings and cash flows. Interest rate risk is managed through the use of a combination of fixed and variable interest debt as well as the periodic use of interest rate cap agreements.

As more fully described in Note 8 to our Consolidated Financial Statements entitled, *Derivatives and Hedging Activities*, we enter into interest rate cap agreements to manage interest rate risks associated with our long-term debt obligations. Gains and losses associated with these contracts are accounted for as interest expense and are recorded under the caption *Interest Expense* on our Consolidated Statements of Operations and Comprehensive Income (Loss). We continue to have exposure to interest rate risks to the extent they are not hedged.

Off-Balance Sheet Transactions

Other than operating leases consummated in the normal course of business and letters of credit, as more fully described above under the caption *Certain Information Concerning Contractual Obligations*, we are not involved in any off-balance sheet arrangements that have or are reasonably likely to have a material current or future impact on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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We are exposed to certain market risks as part of our ongoing business operations. Primary exposures include changes in interest rates, as borrowings under our ABL Line of Credit and Term Loan bear interest at floating rates based on LIBOR or the base rate, in each case plus an applicable borrowing margin. We will manage our interest rate risk by balancing the amount of fixed-rate and floating-rate debt. For fixed-rate debt, interest rate changes do not affect earnings or cash flows. Conversely, for floating-rate debt, interest rate changes generally impact our earnings and cash flows, assuming other factors are held constant.

At February 2, 2013, we had \$473.2 million principal amount of fixed-rate debt and \$863.1 million of floating-rate debt. Based on \$863.1 million outstanding as floating rate debt, an immediate increase of one percentage point would cause an increase to cash interest expense of approximately \$8.6 million per year, resulting in \$8.6 million less in our pre-tax earnings. As of January 28, 2012, we estimated that an immediate increase of one percentage point would cause an increase to cash interest expense of approximately \$11.3 million per year. The decrease in cash interest expense is related to the \$190.0 million pay down of the ABL Line of Credit since January 28, 2012 as well as the \$70.0 million Term Loan Facility prepayment made in January 2013. This sensitivity analysis assumes our mix of financial instruments and all other variables will remain constant in future periods. These assumptions are made in order to facilitate the analysis and are not necessarily indicative of our future intentions.

If a one point increase in interest rate were to occur over the next four fiscal quarters (excluding the effect of our interest rate cap agreements discussed below), such an increase would result in the following additional interest expenses (assuming our current ABL Line of Credit borrowing level remains constant with fiscal year end levels):

	<i>(in thousands)</i>				
	Principal Outstanding at February 2, 2013	Additional Interest Expense Q1 2013	Additional Interest Expense Q2 2013	Additional Interest Expense Q3 2013	Additional Interest Expense Q4 2013
Floating-Rate Debt					
ABL Line of Credit	\$	\$	\$	\$	\$
Term Loan	863,084	2,159	2,160	2,161	2,163
Total	\$ 863,084	\$ 2,159	\$ 2,160	\$ 2,161	\$ 2,163

We have two interest rate cap agreements for a maximum principal amount of \$900.0 million which limit our interest rate exposure to 7% for our first \$900.0 million of borrowings under our variable rate debt obligations. If interest rates were to increase above the 7% cap rates in effect as of February 2, 2013, for a full fiscal year, then our maximum interest rate exposure would be \$13.1 million assuming constant borrowing levels of \$863.1 million. Currently, we have unlimited interest rate risk related to our variable rate debt in excess of \$900.0 million. At February 2, 2013, the borrowing rate related to our Term Loan was 5.5%.

Our ability to satisfy our interest payment obligations on our outstanding debt will depend largely on our future performance, which in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. If we do not have sufficient cash flow to service interest payment obligations on our outstanding indebtedness and if we cannot borrow or obtain equity financing to satisfy those obligations, our business and results of operations will be materially adversely affected. We cannot be assured that any replacement borrowing or equity financing could be successfully completed.

A change in interest rates generally does not have an impact upon our future earnings and cash flow for fixed-rate debt instruments. As fixed-rate debt matures, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to the periods when the debt matures.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of Burlington Coat Factory Investments Holdings, Inc.

Burlington, NJ

We have audited the accompanying consolidated balance sheets of Burlington Coat Factory Investments Holdings, Inc. and subsidiaries (the Company) as of February 2, 2013 and January 28, 2012, and the related consolidated statements of operations and comprehensive income (loss), stockholder s (deficit) equity, and cash flows for the years ended February 2, 2013, January 28, 2012 and January 29, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Burlington Coat Factory Investments Holdings, Inc. and subsidiaries as of February 2, 2013 and January 28, 2012, and the results of their operations and their cash flows for the years ended February 2, 2013, January 28, 2012 and January 29, 2011 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
April 26, 2013

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(All amounts in thousands, except share amounts)

	February 2, 2013	January 28, 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 43,336	\$ 35,664
Restricted Cash and Cash Equivalents	34,800	34,800
Accounts Receivable (Net of Allowances for Doubtful Accounts of \$81 at February 2, 2013, and \$85 at January 28, 2012)	41,734	40,119
Merchandise Inventories	680,190	682,260
Deferred Tax Assets	6,133	23,243
Prepaid and Other Current Assets	66,052	40,062
Prepaid Income Taxes	7,218	21,319
Assets Held for Disposal	191	521
Total Current Assets	879,654	877,988
Property and Equipment Net of Accumulated Depreciation	878,305	865,215
Tradenames	238,000	238,000
Favorable Leases Net of Accumulated Amortization	322,081	359,903
Goodwill	47,064	47,064
Other Assets	112,978	112,973
Total Assets	\$ 2,478,082	\$ 2,501,143
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current Liabilities:		
Accounts Payable	\$ 500,406	\$ 276,285
Other Current Liabilities	238,865	221,343
Current Maturities of Long Term Debt	784	7,659
Total Current Liabilities	740,055	505,287
Long Term Debt	1,335,532	1,605,464
Other Liabilities	229,425	224,352
Deferred Tax Liabilities	253,339	276,985
Commitments and Contingencies (Note 9, 11, 13, 16, 17 and 19)		
Stockholder's Deficit		
Common Stock, Par Value \$0.01; Authorized 1,000 Shares; 1,000 Issued and Outstanding at February 2, 2013 and January 28, 2012		
Capital in Excess of Par Value	479,572	474,569
Accumulated Deficit	(559,841)	(585,514)
Total Stockholder's Deficit	(80,269)	(110,945)

Total Liabilities and Stockholder's Deficit	\$ 2,478,082	\$ 2,501,143
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See Notes to Consolidated Financial Statements

Table of Contents**BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(All amounts in thousands)

	February 2, 2013 (53 Weeks)	Year Ended January 28, 2012	January 29, 2011
REVENUES:			
Net Sales	\$ 4,131,379	\$ 3,854,134	\$ 3,669,602
Other Revenue	34,125	33,397	31,487
 Total Revenue	 4,165,504	 3,887,531	 3,701,089
COSTS AND EXPENSES:			
Cost of Sales	2,530,124	2,363,464	2,252,346
Selling and Administrative Expenses	1,316,857	1,215,301	1,156,613
Restructuring and Separation Costs (Note 13)	2,999	7,438	2,200
Depreciation and Amortization	166,786	153,070	146,759
Impairment Charges Long-Lived Assets (Note 7)	11,539	1,735	2,080
Other Income, Net	(8,115)	(9,942)	(11,346)
Loss on Extinguishment of Debt	2,222	37,764	
Interest Expense (Inclusive of (Gain)/Loss on Interest Rate Cap Agreements)	113,927	129,121	99,309
 Total Costs and Expenses	 4,136,339	 3,897,951	 3,647,961
 Income (Loss) Before Income Tax Expense (Benefit)	 29,165	 (10,420)	 53,128
Income Tax Expense (Benefit)	3,864	(4,148)	22,130
 Net Income (Loss)	 25,301	 (6,272)	 30,998
 Total Comprehensive Income (Loss)	 \$ 25,301	 \$ (6,272)	 \$ 30,998

See Notes to Consolidated Financial Statements

Table of Contents**BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(All amounts in thousands)

	February 2, 2013	Year Ended January 28, 2012	January 29, 2011
OPERATING ACTIVITIES			
Net Income (Loss)	\$ 25,301	\$ (6,272)	\$ 30,998
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	166,786	153,070	146,759
Amortization and Write-Off of Debt Issuance Costs	5,805	11,904	12,346
Impairment Charges Long-Lived Assets	11,539	1,735	2,080
Accretion of Senior Notes and Senior Discount Notes	1,899	59	733
Interest Rate Cap Contracts-Adjustment to Market	45	3,165	5,500
Provision for Losses on Accounts Receivable	115	1,211	2,098
Deferred Income Taxes (Benefit)/Provision	(6,536)	(701)	886
Loss on Disposition of Fixed Assets and Leasehold Improvements	2,233	2,261	1,539
Gain on Investments in Money Market Fund			(240)
Loss on Extinguishment of Debt Write-off of Deferred Financing Fees	2,222	16,435	
Non-Cash Stock Compensation Expense	2,747	5,797	2,230
Non-Cash Rent Expense	(9,873)	(5,363)	(1,485)
Excess Tax Benefit from Stock Based Compensation	(497)	32	
Changes in Assets and Liabilities:			
Accounts Receivable	(7,814)	(1,650)	(1,168)
Merchandise Inventories	2,070	(38,033)	(30,933)
Prepaid and Other Current Assets	(11,891)	(8,845)	(18,272)
Accounts Payable	224,121	85,824	50,659
Other Current Liabilities and Income Tax Payable	14,795	6,959	(28,183)
Deferred Rent Incentives	33,400	32,427	19,429
Other Long-Term Assets and Long-Term Liabilities	(3,958)	(10,032)	13,728
Net Cash Provided by Operations	452,509	249,983	208,704
INVESTING ACTIVITIES			
Cash Paid for Property and Equipment	(166,721)	(153,373)	(132,131)
Change in Restricted Cash and Cash Equivalents		(4,536)	(27,659)
Proceeds (Expenses) From Sale of Property and Equipment and Assets Held for Sale	1,435	757	(38)
Lease Acquisition Costs	(530)	(557)	(422)
Redemption of Investment in Money Market Fund			240
Other		(1,064)	48
Net Cash Used in Investing Activities	(165,816)	(158,773)	(159,962)

Table of Contents**FINANCING ACTIVITIES**

Proceeds from Long Term Debt ABL Line of Credit	459,800	1,073,700	204,200
Proceeds from Long Term Debt Notes Payable		450,000	
Proceeds from Long Term Debt Term Loan	116,913	991,623	
Principal Payments on Long Term Debt ABL Line of Credit	(649,800)	(1,052,300)	(156,800)
Principal Repayments on Long Term Debt Senior Discount Notes		(302,056)	
Principal Repayments on Long Term Debt Senior Notes		(99,309)	
Principal Payments on Long Term Debt	(768)	(829)	(1,998)
Principal Payments on Long Term Debt Term Loan	(205,749)	(42,500)	(87,202)
Principal Repayments on Previous Term Loan		(777,550)	
Payment of Dividends	(1,711)	(297,917)	(251)
Proceeds from Stock Option Exercises and Related Tax Benefits	2,753	2,018	
Debt Issuance Costs	(459)	(30,640)	(1,227)

Net Cash Used in Financing Activities	(279,021)	(85,760)	(43,278)
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Increase in Cash and Cash Equivalents	7,672	5,450	5,464
Cash and Cash Equivalents at Beginning of Period	35,664	30,214	24,750

Cash and Cash Equivalents at End of Period	\$ 43,336	\$ 35,664	\$ 30,214
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Supplemental Disclosure of Cash Flow Information:

Interest Paid	\$ 108,180	\$ 102,304	\$ 79,187
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Income Tax Payments, Net of Refunds	\$ 4,191	\$ 5,697	\$ 41,505
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Non-Cash Investing Activities:

Accrued Purchases of Property and Equipment	\$ 14,102	\$ 12,969	\$ 17,606
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See Notes to Consolidated Financial Statements

Table of Contents**BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDER S DEFICIT**

(All amounts 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			30,998	30,998
Excess Tax Benefit of Vested Restricted Stock		35		35
Stock Based Compensation		2,230		2,230
Dividend			(251)	(251)
Balance at January 29, 2011		466,754	(279,242)	187,512
Net Loss			(6,272)	(6,272)
Stock Options Exercised and Related Tax Benefits		2,018		2,018
Stock Based Compensation		5,797		5,797
Dividend			(300,000)	(300,000)
Balance at January 28, 2012		474,569	(585,514)	(110,945)
Net Income			25,301	25,301
Stock Options Exercised and Related Tax Benefits		2,256		2,256
Stock Based Compensation		2,747		2,747
Dividend Forfeitures			372	372
Balance at February 2, 2013	\$	\$ 479,572	\$ (559,841)	\$ (80,269)

See Notes to Consolidated Financial Statements

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business and Current Conditions

As of February 2, 2013, Burlington Coat Factory Investments Holdings, Inc. and its subsidiaries (the Company or Holdings) operated 500 stores, inclusive of our internet store, in 44 states and Puerto Rico, selling apparel, shoes and accessories for men, women and children. A majority of those stores offer a home furnishing and linens department and a juvenile furniture department. As of February 2, 2013, the Company operated stores under the names Burlington Coat Factory (482 stores), Cohoes Fashions (two stores), Super Baby Depot (two stores), MJM Designer Shoes (13 stores) and Burlington Shoes (1 store). Cohoes Fashions offers products similar to that of Burlington Coat Factory. MJM Designer Shoes and Burlington Shoes offer moderately priced designer and fashion shoes. The Super Baby Depot stores offers baby clothing, accessories, furniture and other merchandise in the middle to higher price range. During Fiscal 2012, the Company opened 23 net new stores under the names Burlington Coat Factory (23 stores), Super Baby Depot (1 store) and Burlington Shoes (1 store).

The Company was incorporated in 2006 and currently exists as a Delaware corporation. In 2006, Burlington Coat Factory Warehouse Corporation (BCFWC) became a wholly-owned subsidiary of the Company in a take private transaction (the Merger Transaction). The primary subsidiary of the Company is BCFWC, which was initially organized in 1972 as a New Jersey corporation. In 1983, BCFWC was reincorporated in Delaware and currently exists as a Delaware corporation.

On May 16, 2012, the Company entered into Amendment No. 1 (First Amendment) to its \$1,000 million original principal amount senior secured term loan facility with JPMorgan Chase Bank, N.A. as administrative agent (Term Loan Credit Agreement), which, among other things, reduce the applicable margin on the interest rates applicable to the Company's 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.

Significant declines in the United States and international financial markets and the resulting impact of such events on macroeconomic conditions have impacted customer behavior and consumer spending at retailers, which impacts the Company's sales trends. In response to these economic conditions, the Company implemented several initiatives to restructure its workforce (refer to Note 13 to the Company's 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 comparable store sales and operating results. The Company believes it is prudently managing its capital spending and operating expenses in response to the current macroeconomic conditions.

Despite the current trends in the retail environment and their impact on the Company's comparable store sales, the Company believes that cash generated from operations will be sufficient to fund its 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 decline, the Company would be able to offset potential decreases in its comparable store sales with savings initiatives.

Fiscal Years

The Company defines its fiscal year as the 52 or 53 week period ending on the Saturday closest to January 31. This is an annual report for the 53 week fiscal year ended February 2, 2013 (Fiscal 2012). The Company's last two complete fiscal years prior to Fiscal 2012 ended on January 28, 2012 (Fiscal 2011) and January 29, 2011 (Fiscal 2010), and each of those years contained 52 weeks.

Basis of Presentation

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The Company has no operations and its only asset is 100% of the stock of BCFWC. All discussions of operations in this report relate to BCFWC, which are reflected in the Consolidated Financial Statements of the Company. The Consolidated Financial Statements include the subsidiaries of the Company in which it has controlling financial interest through direct ownership. All intercompany accounts and transactions have been eliminated.

The Company has 1,000 shares of common stock issued and outstanding, all of which are owned by Burlington Coat Factory Holdings, LLC (Parent). Parent has 51,674,204 shares of Class A common stock, par value \$0.001 per share and 5,769,356 shares of Class L common stock, par value \$0.001 per share, authorized. As of February 2, 2013, 46,651,554 shares of Class A common stock and 5,183,506 shares of Class L common stock were outstanding. As of January 28, 2012, 45,942,093 shares of Class A common stock and 5,104,677 shares of Class L common stock were outstanding. All 1,000 shares are issued and outstanding and Parent is the only holder of record of this stock.

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Use of Estimates

The Company's Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Certain amounts included in the Consolidated Financial Statements are estimated based on historical experience, currently available information and management's judgment as to the expected outcome of future conditions and circumstances. While every effort is made to ensure the integrity of such estimates, actual results could differ from these estimates, and such differences could have a material impact on the Company's Consolidated Financial Statements.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term, highly liquid investments with maturities of three months or less at the time of purchase. Book cash overdrafts are included in the line item Accounts Payable on the Company's Consolidated Balance Sheets for financial reporting purposes.

Accounts Receivable

Accounts receivable consists of credit card receivables, lease incentive receivables and other receivables. Accounts receivable are recorded at net realizable value, which approximates fair value. The Company provides an allowance for doubtful accounts for amounts deemed uncollectible.

Inventories

Merchandise inventories are valued at the lower of cost, on an average cost basis, or market, as determined by the retail inventory method. The Company records its cost of merchandise (net of purchase discounts and certain vendor allowances), certain merchandise acquisition costs (primarily commissions and import fees), inbound freight, outbound freight from distribution centers, and freight on internally transferred merchandise in the line item Cost of Sales in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Costs associated with the Company's distribution, buying, and store receiving functions are included in the line items Selling and Administrative Expenses and Depreciation and Amortization in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Distribution and purchasing costs included in the line item Selling and Administrative Expenses amounted to \$114.3 million, \$84.6 million and \$74.1 million for Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively. Depreciation and amortization related to the distribution and purchasing functions for the same periods amounted to \$12.8 million, \$8.9 million and \$9.6 million, respectively.

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. Assets held for disposal as of February 2, 2013 and January 28, 2012 amounted to \$0.2 million and \$0.5 million, respectively. The assets listed in the line item Assets Held for Disposal in the Company's Consolidated Balance Sheets at February 2, 2013 and January 28, 2012 were an owned location and a plot of land adjacent to one of the Company's stores, respectively.

Based on prevailing market conditions, the Company may determine that it is no longer advantageous to continue marketing certain assets and reclassify those assets out of the line item Assets Held for Disposal and into the respective asset category based on the lesser of their carrying value or fair value less cost to sell.

Property and Equipment

Property and equipment are recorded at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are between 20 and 40 years for buildings, depending upon the expected useful life of the facility, and three to ten years for store fixtures and equipment. Leasehold improvements are amortized over the lease term including any reasonably assured renewal options or the expected economic life of the improvement, whichever is less. Repairs and maintenance expenditures are expensed as incurred. Renewals and betterments, which significantly extend the useful lives of existing property and equipment, are capitalized. Assets recorded under capital leases are recorded at the present value of minimum lease payments and are amortized over the lease term. Amortization of assets recorded as capital leases is included in the line item Depreciation and Amortization in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). The carrying value of all long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, in accordance with ASC Topic No. 360 *Property, Plant, and Equipment* (Topic No. 360). Refer to the section below entitled Impairment of Long-Lived Assets and Note 7 to the Company's Consolidated Financial Statements entitled Impairment of Long-Lived Assets for further discussion around impairment of long-lived assets.

Capitalized Computer Software Costs

The Company accounts for capitalized software in accordance with ASC Topic No. 350 *Intangibles - Goodwill and Other* (Topic No. 350). Topic No. 350 requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. The Company capitalized \$19.8 million and \$23.0 million relating to these costs during Fiscal 2012 and Fiscal 2011, respectively.

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Purchased and internally developed software is amortized on a straight line basis over the product's estimated economic life, which is generally three to five years. The net carrying value of software is included in the line item "Property and Equipment - Net of Accumulated Depreciation" on the Company's Consolidated Balance Sheets and software amortization is included in the line item "Depreciation and Amortization" on the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

Intangible Assets

The Company accounts for intangible assets in accordance with Topic No. 350. The Company's intangible assets primarily represent tradenames and favorable lease positions. The tradename asset "Burlington Coat Factory" is expected to generate cash flows indefinitely and does not have an estimable or finite useful life and, therefore, is accounted for as an indefinite-lived asset not subject to amortization. The values of favorable and unfavorable lease positions are amortized on a straight-line basis over the expected lease terms. Amortization of net favorable lease positions is included in the line item "Depreciation and Amortization" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

Indefinite-lived intangible assets: The Company tests identifiable intangible assets with an indefinite life for impairment on an annual basis, or when a triggering event occurs, relying on a number of factors that include operating results, business plans and projected future cash flows. The impairment test consists of a comparison of the fair value of the indefinite-lived intangible asset with its carrying amount. The Company determines fair value through multiple valuation techniques. See Note 5 to the Company's Consolidated Financial Statements entitled "Intangible Assets" for further discussion of impairment charges recorded as part of the Company's review.

Finite-lived intangible assets: Identifiable intangible assets that are subject to amortization are evaluated for impairment in accordance with Topic No. 360 using a process similar to that used to evaluate other long-lived assets as described in Note 7 to the Company's Consolidated Financial Statements entitled "Impairment of Long-Lived Assets." An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset. For the favorable lease positions, if the carrying amount exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is measured by discounting expected future cash flows using the Company's risk adjusted rate of interest. During Fiscal 2012 and Fiscal 2011, the Company recorded \$6.3 million and \$0.1 million of impairment charges related to identifiable intangible assets. There were no charges related to identifiable intangible assets during Fiscal 2010. These charges are recorded in the line item "Impairment Charges - Long-Lived Assets" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

Goodwill

Goodwill represents the excess of the acquisition cost over the estimated fair value of tangible assets and other identifiable intangible assets acquired less liabilities assumed. Topic No. 350 requires a comparison, at least annually, of the carrying value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit. The Company determines fair value through multiple valuation techniques. If the carrying value of the assets and liabilities exceeds the fair value of the reporting unit, the Company would calculate the implied fair value of its reporting unit goodwill as compared with the carrying value of its reporting unit goodwill to determine the appropriate impairment charge. The Company estimates the fair value of its reporting unit using widely accepted valuation techniques. These techniques use a variety of assumptions including projected market conditions, discount rates and future cash flows. See Note 6 to the Company's Consolidated Financial Statements entitled "Goodwill" for further discussion of the fair value of reporting unit goodwill.

Impairment of Long-Lived Assets

The Company accounts for impaired long-lived assets in accordance with Topic No. 360. This topic requires that long-lived assets and certain identifiable intangibles (i) be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and (ii) should be reported at the lower of the carrying amount or fair value less cost to sell. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is either based on prices for similar assets or measured by discounting expected future cash flows by the Company's risk adjusted rate of interest. The Company recorded impairment charges related to long-lived assets of \$5.2 million, \$1.2 million and \$2.0 million during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively. These charges are recorded in the line item "Impairment Charges - Long-Lived Assets" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 7 to the Company's Consolidated Financial Statements entitled "Impairment of Long-Lived Assets" for further discussion of the Company's measurement of impairment of long-lived assets.

Table of Contents*Other Assets*

Other assets consist primarily of deferred financing fees, landlord owned store assets that the Company has paid for as part of its lease, purchased lease rights and notes receivable. Deferred financing fees are amortized over the life of the related debt facility using the interest method of amortization. Amortization of deferred financing fees is recorded in the line item *Interest Expense* in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Landlord owned assets represent leasehold improvements at certain stores where the landlord has retained title to such assets. These assets are amortized over the lease term inclusive of reasonably assured renewal options and the amortization is included in the line item *Depreciation and Amortization* in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Purchased lease rights are amortized over the lease term inclusive of reasonably assured renewal options and the amortization is recorded in the line item *Selling and Administrative Expenses* in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Both landlord owned assets and purchased lease rights are assessed for impairment in accordance with Topic No. 360. There were no impairment charges in Fiscal 2012 related to landlord owned assets and purchased lease rights. During Fiscal 2011 and Fiscal 2010, the Company recorded impairment charges of \$0.4 million and \$0.1 million, respectively, related to landlord owned assets and purchased lease rights. These charges were recorded in the line item *Impairment Charges - Long-Lived Assets* in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 7 to the Company's Consolidated Financial Statements entitled *Impairment of Long-Lived Assets* for further discussion of the Company's measurement of impairment of long-lived assets.

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 totaled \$30.0 million and \$29.7 million as of February 2, 2013 and January 28, 2012, 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 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 claims, health insurance claims or general liability claims may result in a corresponding increase in costs related to these claims. Self insurance reserves as of February 2, 2013 and January 28, 2012 were:

	<i>(in thousands)</i>	
	Years Ended	
	February 2, 2013	January 28, 2012
Short-Term Self Insurance Reserve (a)	\$ 21,165	\$ 19,156
Long-Term Self Insurance Reserve (b)	31,232	30,493
Total	\$ 52,397	\$ 49,649

- (a) Represents the portions of the self insurance reserve expected to be paid in the next twelve months which is recorded in the line item *Other Current Liabilities* in the Company's Consolidated Balance Sheets.
- (b) The remaining self insurance reserve balance is recorded in the line item *Other Liabilities* in the Company's Consolidated Balance Sheets.

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 ASC Topic No. 740 *Income Taxes* (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 Consolidated Statements of Operations and Comprehensive Income (Loss). At February 2, 2013 and January 28, 2012, deferred lease incentives were \$138.1 million and \$129.4 million, respectively.

Table of Contents*Revenue Recognition*

The Company records revenue at the time of sale and delivery of merchandise, net of allowances for estimated future returns. The Company presents sales, net of sales taxes, in its Consolidated Statements of Operations and Comprehensive Income (Loss). The Company accounts for layaway sales and leased department revenue in compliance with ASC Topic No. 605 *Revenue Recognition* (Topic No. 605). Layaway sales are recognized upon delivery of merchandise to the customer. The amount of cash received upon initiation of the layaway is recorded as a deposit liability in the line item *Other Current Liabilities* in the Company's Consolidated Balance Sheets. Store value cards (gift cards and store credits issued for merchandise returns) are recorded as a liability at the time of issuance, and the related sale is recorded upon redemption.

The Company determines an estimated store value card breakage rate by continuously evaluating historical redemption data. Breakage income is recognized monthly in proportion to the historical redemption patterns for those store value cards for which the likelihood of redemption is remote.

Other Revenue

Other revenue consists of rental income received from leased departments; subleased rental income; layaway, alteration, dormancy and other service charges, inclusive of shipping and handling revenues (Service Fees) as shown in the table below:

	<i>(in thousands)</i>		
	Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Service Fees	\$ 13,284	\$ 13,096	\$ 12,453
Rental Income from Leased Departments	10,639	9,566	7,843
Subleased Rental Income and Other	10,202	10,735	11,191
 Total	 \$ 34,125	 \$ 33,397	 \$ 31,487

Rental income from leased departments results from arrangements at some of the Company's stores where the Company has granted unaffiliated third parties the right to use designated store space solely for the purpose of selling such third parties' goods, including such items as fragrances and jewelry. Rental income is based on an agreed upon percentage of the lease departments' total revenues. The Company does not own or have any rights to any tradenames, licenses or other intellectual property in connection with the brands sold by such unaffiliated third parties.

Vendor Rebates and Allowances

Rebates and allowances received from vendors are accounted for in accordance with Topic No. 605, which specifically addresses whether a reseller should account for cash consideration received from a vendor as an adjustment of cost of sales, revenue, or as a reduction to a cost incurred by the reseller. Rebates and allowances received from vendors that are dependent on purchases of inventories are recognized as a reduction of cost of goods sold when the related inventory is sold or marked down.

Rebates and allowances that are reimbursements of specific expenses that meet the criteria of Topic No. 605 are recognized as a reduction of selling and administrative expenses when earned, up to the amount of the incurred cost. Any vendor reimbursement in excess of the related incurred cost is characterized as a reduction of inventory and is recognized as a reduction to cost of sales as inventories are sold. Reimbursements of expenses, exclusive of advertising rebates, amounted to \$3.7 million, \$2.7 million and \$1.9 million during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively.

Advertising Costs

The Company's net advertising costs consist primarily of television and newspaper costs. Net advertising expenses are included in the line item *Selling and Administrative Expenses* on the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). During Fiscal 2012, Fiscal 2011 and Fiscal 2010, advertising expense was \$83.5 million, \$77.6 million and \$70.4 million, respectively.

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The Company nets certain cooperative advertising reimbursements received from vendors that meet the criteria of Topic No. 605 against specific, incremental, identifiable costs incurred in connection with selling the vendors' products. Any excess reimbursement is characterized as a reduction of inventory and is recognized as a reduction to cost of sales as inventories are sold. Vendor rebates netted against advertising expenses were \$0.4 million, \$0.6 million and \$0.4 million, during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively.

Table of Contents*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 Fiscal 2011 the Company exchanged \$13.9 million of inventory for certain advertising credits. During Fiscal 2012 and Fiscal 2010 the Company did not enter into any new barter agreements. To account for the exchange, the Company recorded Sales and Cost of Sales of \$13.9 million in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) during Fiscal 2011. The \$13.1 million of unused advertising credits received as of February 2, 2013 are expected to be used over the seven consecutive fiscal years following Fiscal 2012.

The following table summarizes the prepaid advertising expense which is included in the line items Prepaid and Other Current Assets and Other Assets in the Company's Consolidated Balance Sheets as of February 2, 2013 and January 28, 2012:

	<i>(in thousands)</i>	
	February 2, 2013	January 28, 2012
Prepaid and Other Current Assets	\$ 2,553	\$ 3,474
Other Assets	10,551	13,406
Total Prepaid Advertising Expense	\$ 13,104	\$ 16,880

The following table details barter credit usage for Fiscal 2012, Fiscal 2011 and Fiscal 2010:

	<i>(in thousands)</i>		
	Fiscal Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Barter Credit Usage	\$ 3,776	\$ 4,712	\$ 2,644

Income Taxes

The Company accounts for income taxes in accordance with Topic No. 740. Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. A valuation allowance against the Company's deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the need for a valuation allowance, management is required to make assumptions and to apply judgment, including forecasting future earnings, taxable income, and the mix of earnings in the jurisdictions in which the Company operates. Management periodically assesses the need for a valuation allowance based on the Company's current and anticipated results of operations. The need for and the amount of a valuation allowance can change in the near term if operating results and projections change significantly.

Topic No. 740 also clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Topic No. 740 requires the recognition in the Company's Consolidated Financial Statements of the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not of being sustained upon examination by the relevant taxing authority, based on the technical merits of the position. The tax benefits recognized in the Company's Consolidated Financial Statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Additionally, Topic No. 740 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company records interest and penalties related to unrecognized tax benefits as part of income taxes.

Other Income, Net

Other income, net, consists of investment income gains and losses, breakage income, net gains and losses from disposition of fixed assets, and other miscellaneous income items. During Fiscal 2012, Fiscal 2011 and Fiscal 2010, the Company recognized \$2.5 million, \$4.1 million and \$2.7 million, respectively, of breakage income.

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Comprehensive Income (Loss)

The Company presents Comprehensive Income (Loss) on its Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with ASC Topic No. 220 *Comprehensive Income*. During Fiscal 2012, Fiscal 2011 and Fiscal 2010 there were no differences between comprehensive income (loss) and net income (loss).

Lease Accounting

The Company leases store locations, distribution centers and office space used in its operations. The Company accounts for these types of leases in accordance with ASC Topic No. 840, *Leases* (Topic No. 840) and subsequent amendments, which require that leases be evaluated and classified as operating or capital leases for financial reporting purposes. Assets held under capital leases are included in the line item *Property and Equipment Net of Accumulated Depreciation* in the Company's Consolidated Balance Sheets. For leases classified as operating, the Company calculates rent expense on a straight-line basis over the lesser of the lease term including renewal options, if reasonably assured, or the economic life of the leased premises, taking into consideration rent escalation clauses, rent holidays and other lease concessions. The Company commences recording rent expense during the store fixturing and merchandising phase of the leased property.

Share-Based Compensation

The Company accounts for share-based compensation in accordance with ASC Topic No. 718, *Stock Compensation* (Topic No. 718), which requires companies to record stock compensation expense for all non-vested and new awards beginning as of the grant date. There are 730,478 units reserved under the 2006 Management Incentive Plan (as amended). Each unit consists of nine shares of Parent's Class A common stock and one share of Parent's Class L common stock. As of February 2, 2013, 424,231 options to purchase units, 5,000 units of restricted stock outstanding and 5,178,506 common shares outstanding. During Fiscal 2012, Fiscal 2011 and Fiscal 2010, the Company recognized non cash stock compensation expense of \$2.7 million, \$5.8 million and \$2.2 million, respectively (refer to Note 10 to the Company's Consolidated Financial Statements entitled *Stock Option and Award Plans and Stock Based Compensation* for further details).

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Company manages the credit risk associated with cash equivalents and investments by investing with high-quality institutions and, by policy, limiting investments only to those which meet prescribed investment guidelines. The Company maintains cash accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant risks on its cash and cash equivalent accounts.

Segment Information

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

Table of Contents**2. Recent Accounting Pronouncements**

In July 2012, the FASB issued an accounting standard (ASU) to simplify the manner in which an entity may test indefinite-lived intangible assets for impairment. The ASU permits the entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If the entity determines that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than the carrying value, the entity will be required to perform the quantitative impairment test. The ASU became effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012.

In February 2013, the FASB issued an ASU that requires enhanced disclosures for items reclassified out of accumulated other comprehensive income. The update requires entities to disclose additional information about reclassification adjustments, including changes in accumulated other comprehensive income balances by component and significant items reclassified out of accumulated other comprehensive income. The update will be effective for the Company in the first quarter of 2013, but early adoption is permitted. The update will primarily impact the Company's disclosures, but otherwise is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

3. Restricted Cash and Cash Equivalents

At both February 2, 2013 and January 28, 2012, restricted cash and cash equivalents consisted of \$34.8 million of collateral for certain insurance contracts. The Company has the ability to convert the restricted cash to a letter of credit at anytime, which would reduce available borrowings on the Company's ABL Line of Credit by a like amount.

4. Property and Equipment

Property and equipment consist of:

		<i>(in thousands)</i>	
	Useful Lives	February 2, 2013	January 28, 2012
Land	N/A	\$ 162,849	\$ 162,985
Buildings	20 to 40 Years	361,028	358,631
Store Fixtures and Equipment	3 to 10 Years	503,736	435,783
Software	3 to 5 Years	149,322	141,630
Leasehold Improvements	Shorter of lease term or useful life	405,199	374,378
Construction in Progress	N/A	19,041	8,755
		1,601,175	1,482,162
Less: Accumulated Depreciation		(722,870)	(616,947)
Total Property and Equipment, Net of Accumulated Depreciation		\$ 878,305	\$ 865,215

As of February 2, 2013 and January 28, 2012, assets, net of accumulated amortization of \$10.9 million, and \$9.3 million, respectively, held under capital leases amounted to approximately \$25.2 million and \$26.8 million, respectively, and are included in the line item "Buildings" in the foregoing table. Amortization expense related to capital leases is included in the line item "Depreciation and Amortization" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). The total amount of depreciation expense during Fiscal 2012, Fiscal 2011 and Fiscal 2010 was \$127.5 million, \$117.3 million and \$112.2 million, respectively.

During Fiscal 2012, Fiscal 2011 and Fiscal 2010, the Company recorded impairment charges related to Property and Equipment of \$5.2 million, \$1.2 million and \$2.0 million, respectively (refer to Note 7 to the Company's Consolidated Financial Statements entitled "Impairment of Long-Lived Assets" for further discussion).

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Internally developed software has been amortized on a straight line basis over three to five years and is recorded in the line item Depreciation and Amortization in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Depreciation and amortization of internally developed software amounted to \$20.3 million, \$17.8 million and \$13.9 million, respectively, during Fiscal 2012, Fiscal 2011 and Fiscal 2010.

Table of Contents**5. Intangible Assets**

The Company accounts for indefinite-lived intangible assets and finite-lived intangible assets in accordance with Topic No. 350 and Topic No. 360, respectively. In accordance with Topic No. 350, indefinite-lived intangible assets not subject to amortization shall be tested for impairment on an annual basis, and between annual tests in certain circumstances. The Company typically performs this assessment in the beginning of each May of the fiscal year. During Fiscal 2012, Fiscal 2011 and Fiscal 2010, there were no circumstances that required the Company to perform additional Topic No. 350 testing.

In accordance with Topic No. 360, the Company tests long-lived assets and certain identifiable intangibles, including favorable leases, to be used by an entity for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is either based on prices for similar assets or measured by discounting expected future cash flows using the Company's risk adjusted interest rate (refer to Note 7 to the Company's Consolidated Financial Statements entitled *Impairment of Long-Lived Assets* for further discussion regarding the Company's impairment testing under Topic No. 360).

Intangible assets at February 2, 2013 and January 28, 2012 consist primarily of tradenames and favorable lease positions as follows:

	<i>(in thousands)</i>					
	February 2, 2013			January 28, 2012		
	Gross		Net	Gross		Net
	Carrying Amount	Accumulated Amortization		Carrying Amount	Accumulated Amortization	
Tradenames	\$ 238,000	\$	\$ 238,000	\$ 238,000	\$	\$ 238,000
Favorable Leases	\$ 502,155	\$ (180,074)	\$ 322,081	\$ 518,904	\$ (159,001)	\$ 359,903

Tradenames

The Company's annual assessment, in accordance with Topic No. 350, of the fair value of the Company's tradenames as of the first day of fiscal May concluded that the fair value exceeded its carrying value, indicating that the asset was not impaired.

The recoverability assessment with respect to the tradenames used in the Company's operations requires the Company to estimate the fair value of the tradenames as of the assessment date. Such determination is made using the relief from royalty valuation method. Inputs to the valuation model include:

Future revenue and profitability projections associated with the tradenames;

Estimated market royalty rates that could be derived from the licensing of the Company's tradenames to third parties in order to establish the cash flows accruing to the benefit of the Company as a result of its ownership of the tradenames; and

A rate used to discount the estimated royalty cash flow projections to their present value (or estimated fair value) based on the risk and nature of the Company's cash flows.

Favorable Leases

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The decrease in the gross carrying amount of the Company's favorable leases from January 28, 2012 to February 2, 2013 reflects a reduction of \$10.5 million during Fiscal 2012 to reflect the write off of certain favorable leases becoming fully amortized during the period as well as a \$6.3 million reduction as the result of the impairment of five stores (refer to Note 7 entitled "Impairment of Long-Lived Assets" for further discussion).

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Accumulated amortization of favorable leases as of February 2, 2013 reflects Fiscal 2012 amortization expense of \$31.6 million, partially offset by a decrease of \$10.5 million related to the write off of fully amortized leases, as discussed above.

The weighted average amortization period remaining for the Company's favorable leases is 15.6 years. Amortization expense of favorable leases for each of the next five fiscal years is estimated to be as follows:

Fiscal years:	<i>(in thousands)</i>
2013	\$ 29,700
2014	26,500
2015	24,600
2016	23,700
2017	23,900
 Total	 \$ 128,400

6. Goodwill

Goodwill was \$47.1 million as of both February 2, 2013 and January 28, 2012. The Company accounts for goodwill in accordance with Topic No. 350. In accordance with Topic No. 350, goodwill shall be tested for impairment on an annual basis, and between annual tests in certain circumstances. The Company performs this testing as of the beginning of each May. During Fiscal 2012, Fiscal 2011 and Fiscal 2010, there were no triggering events that required the Company to perform an evaluation at any other date.

The Company assesses the recoverability of goodwill using a combination of valuation approaches to determine the Company's business enterprise value including: (i) discounted cash flow techniques and (ii) a market approach using a guideline public company methodology. Inputs to the valuation model include:

Estimated future cash flows;

Growth assumptions for future revenues, which include net store openings as well as future gross margin rates, expense rates and other estimates;

Rate used to discount the Company's estimated future cash flow projections to their present value (or estimated fair value); and

Market values and financial information of similar publicly traded companies to determine market valuation multiples.

Based upon the Company's impairment analysis of recorded goodwill during Fiscal 2012, the Company determined that there was no goodwill impairment. The Company believes its estimates were appropriate based upon the current market conditions. However, future impairment charges could be required if the Company does not achieve its current cash flow, revenue and profitability projections or the weighted average cost of capital increases or market valuation multiples associated with peer group companies decline. There have been no goodwill impairments since the Merger Transaction.

7. Impairment of Long-Lived Assets

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The Company accounts for impaired long-lived assets in accordance with Topic No. 360. This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity (i) be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and (ii) should be reported at the lower of the carrying amount or fair value less cost to sell. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is either based on prices for similar assets or measured by discounting expected future cash flows using the Company's risk adjusted interest rate.

The recoverability assessment related to store-level assets requires judgments and estimates of future revenues, gross margin rates and store expenses. The Company bases these estimates upon its past and expected future performance. The Company believes its estimates are appropriate in light of current market conditions. However, future impairment charges could be required if the Company does not achieve its current revenue or cash flow projections. The impairment charges noted below are primarily related to declines in revenues and operating results of the respective stores.

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Impairment charges recorded during Fiscal 2012, Fiscal 2011 and Fiscal 2010 amounted to \$11.5 million, \$1.7 million and \$2.1 million, respectively. Impairment charges during these periods related to the following:

Asset Categories	<i>(in thousands)</i>		
	Fiscal Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Favorable Leases	\$ 6,275	\$ 165	\$
Leasehold Improvements	1,885	652	779
Building/Building Improvements	1,814		
Furniture and Fixtures	950	457	1,148
Land	558		
Other Assets		410	60
Other Property and Equipment	57	51	93
Total	\$ 11,539	\$ 1,735	\$ 2,080

The impairment of store level assets related to 19 of the Company's stores for Fiscal 2012, seven of the Company's stores for Fiscal 2011 and nine of the Company's stores for Fiscal 2010. As noted above, long-lived assets are measured at fair value on a non-recurring basis for purposes of calculating impairment using the fair value hierarchy of Topic No. 820. Of the 19 and seven stores that were impaired during Fiscal 2012 and Fiscal 2011, respectively, three of the stores impaired in 2012 and all of the stores impaired in Fiscal 2011 were fully impaired and therefore had zero fair value as of February 2, 2013 and January 28, 2012 and would be categorized as Level 3 in the fair value hierarchy described in Note 15 to the Company's Consolidated Financial Statements entitled Fair Value of Financial Instruments.

Of the remaining 16 stores impaired in Fiscal 2012 that were less than fully impaired, the table below sets forth by level within the fair value hierarchy the fair value of the remaining long-lived assets subsequent to impairment charges as of February 2, 2013 for which an impairment assessment was performed:

	<i>(in thousands)</i>			Total Impairment Losses	
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Un- Observable Inputs (Level 3)
	\$	\$	\$		Total
Favorable Leases	\$	\$	\$ 2,566	\$ 2,566	
Leasehold Improvements			1,705	1,705	
Building/Building Improvements		2,569		2,569	
Furniture and Fixtures		7	1,623	1,630	
Land		1,359		1,359	
Other Property and Equipment			115	115	
Total	\$	\$ 3,935	\$ 6,009	\$ 9,944	

8. Derivatives and Hedging Activities

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

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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 did 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

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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 in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) and in the line item Interest Rate Cap Contract Adjustment to Market in the Company's Consolidated Statements of Cash Flows. Each interest rate cap agreement has a notional principal amount of \$450 million, a cap rate of 7.0% and terminates on May 31, 2015.

As of February 2, 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.

<i>(in thousands)</i>					
Fair Values of Derivative Instruments					
Asset Derivatives					
February 2, 2013		January 28, 2012			
Balance Sheet		Fair		Sheet	
Location		Value		Balance	
Location		Value		Location	
Location		Value		Value	
Derivatives Not Designated as Hedging Instruments Under Topic No. 815					
Interest Rate Cap Agreements					
Other Assets		\$ 69		Other Assets \$ 114	

<i>(in thousands)</i>					
Liability Derivatives					
February 2, 2013		January 28, 2012			
Balance Sheet		Fair		Balance Sheet	
Location		Value		Location	
Location		Value		Value	
Derivatives Not Designated as Hedging Instruments Under Topic No. 815					
Interest Rate Cap Agreements					
Other Liabilities		\$		Other Liabilities \$	

<i>(in thousands)</i>				
(Gain)/Loss on Derivatives Instruments				
Amount of (Gain) or Loss Recognized in Income				
on Derivatives				
Years Ended				
Location of (Gain) or		February 2,	January 28,	January 29,
Loss Recognized in		2013	2012	2011
Income on Derivatives		2013	2012	2011
Derivatives Not Designated as Hedging Instruments Under Topic No. 815				
Interest Rate Cap Agreements				
Interest		\$ 45	\$ 3,165	\$ 5,500
Expense		\$ 45	\$ 3,165	\$ 5,500

Table of Contents**9. Long-Term Debt**

Long-Term Debt consists of:

	<i>(in thousands)</i>	
	February 2, 2013	January 28, 2012
\$1,000,000 Senior Secured Term Loan Facility, LIBOR (with a floor of 1.3%) plus 4.3%, due on February 23, 2017.	\$ 863,084	\$ 949,123
\$450,000 Senior Notes, 10%, due on February 15, 2019, semi-annual interest payments on August 15 and February 15, from February 15, 2013 to February 15, 2019.	450,000	450,000
\$600,000 ABL Senior Secured Revolving Facility, Libor plus spread based on average outstanding balance, expires September 2, 2016.		190,000
Capital Lease Obligations	23,232	24,000
Total debt	1,336,316	1,613,123
Less: current maturities	(784)	(7,659)
Long-term debt, net of current maturities	\$ 1,335,532	\$ 1,605,464

*Term Loan**\$1 Billion Senior Secured Term Loan Facility (Term Loan Facility)*

On May 16, 2012, the Company entered into the First Amendment to the Term Loan Credit Agreement, which, among other things, reduced the applicable margin on the interest rates applicable to the Company's 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 the Term B Loans with a like aggregate principal amount of the 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 transaction, mandatory quarterly payments of \$2.4 million are payable as of the last day of each quarter. Based on the Company's available free cash flow for Fiscal 2011, the Company made a payment of \$7.0 million in April 2012. The Company elected to make prepayments of \$9.5 million in May 2012 and \$70.0 million in January 2013 which offset the mandatory quarterly payments through the maturity of the Term Loan Facility. Beginning with the fiscal year ending on February 2, 2013, at the end of each fiscal year, BCFW is required to make a payment based on its available free cash flow (as defined in the credit agreement governing the Term Loan Facility). As a result of the \$70.0 million prepayment made in January 2013, the Company was not required to make a free cash flow payment in Fiscal 2012.

In accordance with ASC Topic No. 470-50, Debt Modifications and Extinguishments (Topic No. 470), the Company recognized a non-cash loss on the partial extinguishment of debt of \$2.2 million, which was recorded in the line item Loss on the Extinguishment of Debt in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) as of February 2, 2013. In connection with the First Amendment, the Company incurred fees of \$3.9 million, of which \$0.3 million was capitalized, primarily related to legal and placement fees, associated with the portion of the debt that was not extinguished. These fees were recorded in the line item Selling and Administrative Expense in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) as of February 2, 2013.

Subsequent to the end of Fiscal 2012, on February 15, 2013, BCFWC entered into Amendment No. 2 to its Term Loan Credit Agreement (Second Amendment). The Second Amendment creates a restricted payments basket of \$25 million and permits BCFWC 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 existing senior notes) since the second quarter of Fiscal 2011), in each case so long as certain

conditions are satisfied. Refer to Note 19 entitled "Subsequent Events" for further discussion.

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 Adjusted EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months, and such ratios may not exceed 6.25 to 1 through November 2, 2013; 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 Adjusted EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months, and such ratios must exceed 1.85 to 1 through November 2, 2013; 2.00 to 1 through October 31, 2015; and 2.10 to 1 at January 30, 2016 and thereafter. Adjusted EBITDA is a non-GAAP financial measure of our liquidity. Adjusted EBITDA, as defined in the Term Loan Credit Agreement, starts with consolidated net

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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 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. Adjusted EBITDA is used to calculate the consolidated leverage ratio. Adjusted 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 the 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 (a) 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) 1.25% (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.

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

ABL Line of Credit

On September 2, 2011, the Company completed an amendment and restatement of the credit agreement governing the Company's \$600 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 million and, subject to the satisfaction of certain conditions, the Company may increase the aggregate amount of commitments up to \$900 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 on daily availability. The fee on the average daily balance of unused loan commitments is 0.375%. Prior to the modification, commitment fees of 0.75% to 1.0% were charged on the unused portion of the facility and were included in the line item Interest Expense in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). The ABL Line of Credit is collateralized by a first lien on the Company's inventory and receivables and a second lien on the Company's real estate and property and equipment.

The Company believes that the amended and restated credit agreement provides the liquidity and flexibility to meet its operating and capital requirements over the remaining term of the ABL Line of Credit. Further, the calculation of the borrowing base under the amended and restated credit agreement has been amended to allow for increased availability, particularly during the September 1st through December 15th period of each year. At February 2, 2013 and January 28, 2012, the Company had \$422.7 million and \$242.6 million available under the ABL Line of Credit, respectively. The maximum borrowings under the ABL Line of Credit during Fiscal 2012 and Fiscal 2011 were \$213.7 million and \$195.0 million, respectively. Average borrowings under the ABL Line of Credit amounted to \$34.5 million at an average interest rate of 2.1% during Fiscal 2012 and \$79.2 million at an average interest rate of 3.3% during Fiscal 2011. There was no amount outstanding under the ABL Line of Credit as of February 2, 2013 and \$190.0 million outstanding under the ABL Line of Credit at January 28, 2012, which was included in the line item Long-Term Debt in the Company's Consolidated Balance Sheets. Borrowings as of January 28, 2012 were due to the working capital management strategy in place at the end of the year which required increased borrowings in order to accelerate certain accounts payable payments. The Company did not repeat the working capital management in Fiscal 2012.

At February 2, 2013 and January 28, 2012, the Company's borrowing rates related to the Term Loan were 5.5% and 6.3%, respectively. At January 28, 2012, the Company's borrowing rate related to the ABL Line of Credit was 2.2%.

Senior Notes Offering and Extinguishment of Previous 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 Notes). The Notes were issued pursuant to an indenture, dated February 24, 2011 (the Indenture), among BCFW, the guarantors signatory thereto, and Wilmington Trust FSB.

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The Notes are senior unsecured obligations of BCFW and are guaranteed on a senior basis by BCFW, the Company and each of BCFW's U.S. subsidiaries to the extent such guarantor is a guarantor of BCFW's obligations under the New Term Loan Facility (as defined below). Interest is payable on the Notes on each February 15 and August 15, commencing August 15, 2011.

The Term Loan Facility, ABL Line of Credit and Notes are fully, jointly, severally, unconditionally, and irrevocably guaranteed by all of the Company's subsidiaries. As of February 2, 2013, the Company was in compliance with all of its debt covenants. The agreements regarding the ABL Line of Credit and the Term Loan Facility, as well as the indenture governing the Notes, contain covenants that, among other things, limit the Company's ability, and the ability of the Company's restricted subsidiaries, to pay dividends on, redeem or repurchase capital stock; make investments; incur additional indebtedness or issue preferred stock; create liens; permit dividends or other restricted payments by the Company's subsidiaries; sell all or substantially all of the Company's assets or consolidate or merge with or into other companies; and engage in transactions with affiliates.

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Scheduled maturities of the Company's long-term debt and capital lease obligations, as they exist as of February 2, 2013, in each of the next four fiscal years and thereafter are as follows:

Fiscal years ending in:	<i>(in thousands)</i>		
	Long-Term Debt	Capital Lease Obligations	Total
2013	\$	\$ 784	\$ 784
2014		801	801
2015		1,059	1,059
2016		1,151	1,151
2017 and Thereafter	1,321,040	19,437	1,340,477
Total	1,321,040	23,232	1,344,272
Less: Unamortized Discount	(7,956)		(7,956)
Total	1,313,084	23,232	1,336,316
Less: Current Portion		(784)	(784)
Long Term Debt	\$ 1,313,084	\$ 22,448	\$ 1,335,532

The capital lease obligations noted above are exclusive of interest charges of \$2.0 million, \$1.7 million, \$1.8 million, \$1.7 million and \$8.9 million for the fiscal years ended February 1, 2014, January 31, 2015, January 30, 2016, January 28, 2017 and thereafter, respectively.

The Company has \$24.9 million and \$31.5 million in deferred financing fees related to its long term debt instruments recorded in the line item "Other Assets" in the Company's Consolidated Balance Sheets as of February 2, 2013 and January 28, 2012, respectively. Amortization of deferred financing fees amounted to \$5.8 million, \$8.3 million and \$12.3 million during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively, and is included in the line item "Interest Expense" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). During Fiscal 2012 the Company recorded \$0.5 million of new deferred financing fees and wrote off \$1.3 million of deferred financing fees related to the First Amendment of the Term Loan Facility. Amortization expense related to the deferred financing fees as of February 2, 2013 for each of the next four fiscal years and thereafter is estimated to be as follows:

Fiscal years	<i>(in thousands)</i>
2013	\$ 5,700
2014	5,700
2015	5,700
2016	4,900
2017 and Thereafter	2,900
Total	\$ 24,900

Deferred financing fees have a weighted average amortization period of approximately 4.5 years.

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

On April 13, 2006, the Parent's Board of Directors (the Board) 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 directors, executive officers

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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 consists of nine shares of Class A common stock and one share of Class L common stock of the Parent. 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 the Parent common stock. As of February 2, 2013, there were 730,478 units reserved under the Plan consisting of 6,574,302 shares of Class A common stock of Parent and 730,478 shares of Class L common stock of Parent.

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Non-cash stock compensation expense during Fiscal 2012, Fiscal 2011 and Fiscal 2010 amounted to \$2.7 million, \$5.8 million and \$2.2 million, respectively. The table below summarizes the types of stock compensation:

Type of Non-Cash Stock Compensation (a)	(in thousands) Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Stock Option Compensation (b)	2,260	4,610	1,378
Restricted Stock Compensation (c)	487	1,187	852
Total	\$ 2,747	\$ 5,797	\$ 2,230

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

(b) Results in expense net of tax of \$1.4 million, \$2.8 million and \$0.8 million during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively.

(c) Results in expense net of tax of \$0.3 million, \$0.7 million and \$0.5 million during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively.

Stock Options

Options granted during Fiscal 2012, Fiscal 2011 and Fiscal 2010 were all service-based awards granted at exercise prices of (i) \$90 per unit and \$180 per unit prior through May 1, 2011, (ii) \$50 per unit and \$120 per unit from May 1, 2011 through May 17, 2012, and (iii) \$65 per unit and \$120 per unit from and after May 17, 2012.

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

All options granted vest 40% on the second anniversary of the award with the remaining amount vesting ratably over the subsequent three years. The final exercise date for any option granted is the 10th 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' 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 February 2, 2013, there were 424,231 options outstanding to purchase units, all of which are service-based awards. The Company accounts for awards issued under the Plan in accordance with Topic No. 718 using the modified prospective method, which requires companies to record stock compensation expense for all non-vested and new awards. The service-based awards are expensed on a straight-line basis over the requisite service period of five years.

As of February 2, 2013, there was approximately \$3.4 million of unearned non-cash stock-based compensation, and 39.8% of outstanding options to purchase units had vested.

Stock option transactions are summarized as follows:

Number of Units	Weighted Average
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		Exercise Price Per Unit
Options Outstanding January 30, 2010	478,500	\$ 123.70
Options Issued	82,000	120.00
Options Forfeited	(71,001)	120.00
 Options Outstanding January 29, 2011	 489,499	 \$ 123.62
Options Issued	94,500	72.12
Options Exercised	(60,549)	33.97
Options Forfeited	(50,777)	81.56

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	Number of Units	Weighted Average Exercise Price Per Unit
Options Outstanding January 28, 2012	472,673	\$ 69.86
Options Issued	59,000	83.16
Options Exercised	(73,940)	30.60
Options Forfeited	(33,502)	77.02
Options Outstanding February 2, 2013	424,231	\$ 76.56

Non-vested stock option unit transactions during Fiscal 2012 are summarized below:

	Number of Units	Weighted Average Grant Date Fair Value Per Unit
Non-Vested Options Outstanding, January 28, 2012	290,464	\$ 34.12
Non-Vested Options Granted	59,000	41.60
Non-Vested Options Vested	(72,937)	41.84
Non-Vested Options Forfeited	(21,070)	43.25
Non-Vested Options Outstanding, February 2, 2013	255,457	\$ 33.70

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 February 2, 2013:

Exercise Prices	Options Outstanding		Options Exercisable	
	Number Outstanding At February 2, 2013	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at February 2, 2013	Weighted Average Remaining Contractual Life (Years)
\$30.60	164,280	6.2	87,642	5.7
\$50.00	54,000	8.5		
\$65.00	38,667	9.5		
\$120.00	46,333	8.9		
\$120.60	106,951	5.0	67,132	4.0
\$270.00	14,000	0.1	14,000	0.1
	424,231		168,774	

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

Exercise Prices	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
Vested and Expected to Vest as of February 2, 2013			
\$30.60	136,741	6.1	\$ 30.60
\$50.00	43,200	8.5	\$ 50.00
\$65.00	30,933	9.5	\$ 65.00
\$120.00	37,067	8.9	\$ 120.00
\$120.60	93,677	4.8	\$ 120.60
\$270.00	14,000	0.1	\$ 270.00
	355,618		

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Beginning in Fiscal 2011, the fair value of each stock option granted was estimated on the date of grant using the Monte Carlo Simulation option pricing model. Prior to Fiscal 2011, the fair value of each stock option granted was estimated using the Black Scholes option pricing model. The fair value of each stock option granted was estimated using the following assumptions:

	Fiscal 2012		Fiscal 2011		Fiscal 2010	
Risk-Free Interest Rate	1.0	1.3%	1.3	3.4%	1.8	3.4%
Expected Volatility	35.00%		31.10%		38.2%	
Expected Life (years)	6.6		6.4	9.3	6.6	9.5
Contractual Life (years)	10.0		10.0		10.0	
Expected Dividend Yield	0.0%		0.0%		0.0%	
Weighted Average Grant Date Fair Value of Options Issued at an exercise price of:						
\$30.60	N/A		\$ 34.18		N/A	
\$50.00	\$ 28.14		\$ 27.06		N/A	
\$65.00	\$ 47.42		N/A		N/A	
\$90.00	N/A		N/A		\$ 49.80	
\$120.00	\$ 30.62		\$ 18.34		N/A	
\$120.60	N/A		\$ 20.39		N/A	
\$180.00	N/A		N/A		\$ 34.45	

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. For additional information related to enterprise value, refer to Note 6 to the Company's Consolidated Financial Statements entitled Goodwill.

Restricted Stock Awards

Under the Plan, the Company also has the ability to grant restricted stock awards (Awards). During Fiscal 2012, the Company granted 5,000 Awards. During Fiscal 2011 and Fiscal 2010, the Company did not grant any Awards. The fair value of each unit of restricted stock granted under the Plan is estimated on the date of grant using inputs that include the Company's business enterprise value, the book value of outstanding debt and the number of shares of common stock outstanding. All Awards of restricted stock granted to date under the Plan are service-based awards. Awards of restricted stock are expensed on a straight-line basis over the requisite service period of three years. Following a change of control, as defined by the Plan, all unvested Awards shall accelerate and vest as of the date of such change of control.

As of February 2, 2013, there was approximately \$0.2 million of unearned non-cash stock-based compensation that the Company expects to recognize as an expense over the next 2.3 years. At February 2, 2013, 91,460 of the outstanding Awards of restricted stock had vested.

Award Grant, Vesting and Forfeiture transactions during Fiscal 2012 are summarized below:

	Number of Awards	Weighted Average Grant Date Fair Value Per Awards
Non-Vested Awards Outstanding, January 28, 2012	28,122	\$ 45.96
Awards Granted	5,000	61.12
Awards Vested	(28,122)	45.96

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Non-Vested Awards Outstanding, February 2, 2013

5,000 \$ 61.12

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The Company leases stores, distribution facilities and office space under operating and capital leases that will expire principally during the next thirty years. The leases typically include renewal options and escalation clauses and provide for contingent rentals based on a percentage of gross sales.

The following is a schedule of future minimum lease payments having an initial or remaining term in excess of one year:

Fiscal Years	<i>(in thousands)</i>	
	Operating Leases (a)	Capital Leases
2013	\$ 219,891	\$ 2,733
2014	222,007	2,527
2015	199,363	2,865
2016	182,863	2,865
2017 and Thereafter	712,533	28,324
Total Minimum Lease Payments	1,536,657	39,314
Amount Representing Interest		(16,082)
Total Future Minimum Lease Payments	\$ 1,536,657	\$ 23,232

- a) Total future minimum lease payments include \$60.8 million related to options to extend lease terms that are reasonably assured of being exercised and also includes \$100.5 million of minimum lease payments for ten stores that the Company has committed to open during Fiscal 2013.

The above schedule of future minimum lease payments has not been reduced by future minimum sublease rental income of \$43.9 million relating to operating leases under non-cancelable subleases and other contingent rental agreements.

The following is a schedule of net rent expense for Fiscal 2012, Fiscal 2011 and Fiscal 2010:

	<i>(in thousands)</i>		
	February 2, 2013	January 28, 2012	January 29, 2011
Rent Expense:			
Minimum Rental Payments	\$ 219,982	\$ 197,327	\$ 182,473
Contingent Rental Payments	3,056	2,689	1,882
Straight-Line Rent Expense	12,115	9,211	10,639
Lease Incentives Amortization	(18,590)	(15,869)	(13,043)
Amortization of Purchased Lease Rights	1,033	901	857
Total Rent Expense	217,596	194,259	182,808
Less All Rental Income	(19,721)	(19,113)	(17,711)
Total Net Rent Expense	\$ 197,875	\$ 175,146	\$ 165,097

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The Company maintains separate defined contribution 401(k) retirement savings and profit-sharing plans covering employees in the United States and Puerto Rico who meet specified age and service requirements. The discretionary profit sharing component (which the Company has not utilized for seven years and has no current plans to utilize) is entirely funded by the Company, and the Company also makes additional matching contributions to the 401(k) component of the plans. In addition to the Company's contributions, participating employees can voluntarily elect to contribute a percentage of their earnings to the 401(k) component of the plans (up to certain prescribed limits) through a cash or deferred (salary deferral) feature qualifying under Section 401(k) of the Internal Revenue Code (401(k) Plan). Under the Company's 401(k) Plan, the Company is able to utilize monies recovered through forfeitures to fund some or all of the annual 401(k) Plan Match expense. A forfeiture is the portion of the Company's profit sharing contribution that is lost by a 401(k) Plan participant who terminates employment prior to becoming fully vested in such contribution.

During Fiscal 2012, the Company recorded \$4.3 million of 401(k) Plan Match expense. The Company used \$0.3 million of 401(k) Plan forfeitures during Fiscal 2012 to fund a portion of the 401(k) Plan Match for the 2012 401(k) Plan Year, which ended on December 31, 2012.

During Fiscal 2011, the Company recorded \$3.6 million of 401(k) Plan Match expense. The Company used \$0.2 million of 401(k) Plan forfeitures during Fiscal 2011 to fund a portion of the 401(k) Plan Match for the 2011 401(k) Plan year, which ended on December 31, 2011.

During Fiscal 2010, the Company recorded \$2.4 million of 401(k) Plan Match expense. The Company used \$0.7 million of 401(k) Plan forfeitures during Fiscal 2010 to fund a portion of the 401(k) Plan Match for the 2010 401(k) Plan year, which ended on December 31, 2010.

13. 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 accordance with Topic No. 420, the Company recorded a liability for one-time benefit costs related to the Company's reorganization of certain positions within its stores and corporate locations during Fiscal 2012 and Fiscal 2011.

During Fiscal 2012 and Fiscal 2011, in an effort to improve workflow efficiencies and realign certain responsibilities, the Company effected a reorganization of certain positions within its stores and corporate locations. These changes to the Company's workforce during Fiscal 2012 and Fiscal 2011 resulted in severance and restructuring charges of \$3.0 million and \$7.4 million, respectively, which were recorded in the line item *Restructuring and Separation Costs* in the Company's 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 Consolidated Balance Sheet:

	<i>(in thousands)</i>			
	January 28, 2012	Charges	Cash Payments	February 2, 2013
Severance-Restructuring	\$	\$ 1,225	\$ (1,225)	\$
Severance-Separation Cost	979	1,774	(2,156)	597
Total	\$	979	\$ (3,381)	\$

	<i>(in thousands)</i>			
	January 29, 2011	Charges	Cash Payments	January 28, 2012
Severance-Restructuring	\$	\$ 5,011	\$ (5,017)	\$
Severance-Separation Cost	1,231	2,427	(2,679)	979

Total	\$	1,237	\$	7,438	\$	(7,696)	\$	979
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Table of Contents**14. Income Taxes**

Earnings (Loss) before income taxes are as follows for Fiscal 2012, Fiscal 2011 and Fiscal 2010:

	<i>(in thousands)</i>		
	Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Domestic	\$ 33,625	\$ (7,618)	\$ 52,796
Foreign	(4,460)	(2,802)	332
Total Earnings (Loss) before income taxes	\$ 29,165	\$ (10,420)	\$ 53,128

Income tax expense (benefit) is as follows for Fiscal 2012, Fiscal 2011 and Fiscal 2010:

	<i>(in thousands)</i>		
	Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Current:			
Federal	\$ 13,813	\$ (11,847)	\$ 11,229
State	(3,704)	5,901	9,159
Foreign	291	2,499	856
Subtotal	10,400	(3,447)	21,244
Deferred:			
Federal	(3,386)	903	3,241
State	(3,519)	(1,235)	(1,622)
Foreign	369	(369)	(733)
Subtotal	(6,536)	(701)	886
Total income tax expense (benefit)	\$ 3,864	\$ (4,148)	\$ 22,130

The tax rate reconciliations are as follows for Fiscal 2012, Fiscal 2011 and Fiscal 2010:

	Years Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Tax at statutory rate (%)	35.0%	(35.0)%	35.0%
State income taxes, net of federal	5.8	(9.5)	8.9
Change in valuation allowance	1.8	14.8	(2.3)
Permanent Items	(1.4)	13.3	0.5
Tax credits	(11.7)	(30.5)	(2.6)
Tax reserves	(14.1)	(11.6)	2.2

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Impact of Change in State Tax Laws and Rates	(2.1)	9.0	
Foreign Taxes	(1.2)	9.7	
Other	1.2		
Effective tax rate (%)	13.3%	(39.8)%	41.7%

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The tax effects of temporary differences are included in deferred tax accounts as follows:

Period Ended	(in thousands)			
	February 2, 2013		January 28, 2012	
	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Current deferred tax assets and liabilities:				
Allowance for doubtful accounts	\$ 32	\$	\$ 33	\$
Compensated absences	743		659	
Inventory costs and reserves capitalized for tax purposes	6,977		9,845	
Insurance reserves	6,985		6,863	
Prepaid items and other items deductible for tax purposes		17,355		10,152
Sales return reserves	2,890		3,031	
Reserves	331		2,383	
Accrued interest	19		1,044	
Prepaid items taxable for tax purposes	1,546		1,539	
Deferred revenue	1,062		811	
Employee benefit accrual	4,641		6,115	
Deferred gain		1,203		
Other	268		2,135	
Valuation allowance	(803)		(1,063)	
Total Current deferred tax assets and liabilities	\$ 24,691	\$ 18,558	\$ 33,395	\$ 10,152
Non-Current deferred tax assets and liabilities:				
Property and equipment basis adjustments	\$	\$ 130,793	\$	\$ 136,663
Deferred rent	28,266		25,761	
Intangibles Long-Lived		124,129		138,557
Intangibles Indefinite-Lived		93,368		93,614
Insurance reserves	12,253		11,994	
Employee benefit compensation	4,373		4,816	
State net operating losses (net of federal benefit)	9,206		9,845	
Prepaid items taxable for tax purposes	5,341		6,698	
Landlord allowances	29,673		28,640	
Accrued interest	2,991		2,456	
Other	553		5,267	
State Credits	2,366			
Federal and Puerto Rico Tax Credits	7,008		2,658	
Valuation allowance	(7,079)		(6,286)	
Total non-current deferred tax assets and liabilities	\$ 94,951	\$ 348,290	\$ 91,849	\$ 368,834
Net Deferred Tax Liability		\$ 247,206		\$ 253,742

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Based on this evaluation, the Company believes no valuation allowances for federal income taxes are necessary.

The Company also determined that it is more likely than not that the benefit from certain state net operating loss carry forwards will not be realized. Therefore, as of February 2, 2013 and January 28, 2012, valuation allowances of \$5.8 million and \$6.1 million were recorded. In addition, management also determined that a valuation allowance of \$2.0 million and \$1.2 million was required against the tax benefit associated with Puerto Rico as of February 2, 2013 and January 28, 2012, respectively. If or when recognized, the tax benefits relating to any reversal of the

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valuation allowance on deferred tax assets will be recorded to the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

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A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (exclusive of interest and penalties) is as follows:

(in thousands)

	Gross Unrecognized Tax Benefits, Exclusive of Interest and Penalties
Ending balance at January 30, 2010	\$ 23,205
Additions for tax positions of the current year	
Additions for tax positions of prior years	1,590
Reduction for tax positions of prior years	(1,524)
Settlements	
Lapse of statute of limitations	
Ending balance at January 29, 2011	\$ 23,271
Additions for tax positions of the current year	
Additions for tax positions of prior years	6,383
Reduction for tax positions of prior years	(7,505)
Settlements	
Lapse of statute of limitations	
Ending balance at January 28, 2012	\$ 22,149
Additions for tax positions of the current year	0
Additions for tax positions of prior years	0
Reduction for tax positions of prior years	(5,225)
Settlements	0
Lapse of statute of limitations	0
Ending balance at February 2, 2013	\$ 16,924

As of February 2, 2013, the Company reported total unrecognized benefits of \$16.9 million, of which \$6.1 million would affect the Company's effective tax rate if recognized. As a result of previous positions taken, the Company recorded a reduction of \$2.1 million of interest and penalties during Fiscal 2012 in the line item "Income Tax Expense (Benefit)" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Cumulative interest and penalties of \$10.4 million have been recorded in the line item "Other Liabilities" in the Company's Consolidated Balance Sheet as of February 2, 2013. The Company recognizes interest and penalties related to unrecognized tax benefits as part of income taxes. Within the next twelve months, the Company does not expect any significant changes in its unrecognized tax benefits.

As of January 28, 2012, the Company reported total unrecognized benefits of \$22.1 million, of which \$8.5 million would affect the Company's effective tax rate if recognized. As a result of previous positions taken, the Company recorded \$0.1 million of interest and penalties during Fiscal 2011 in the line item "Income Tax (Benefit) Expense" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Cumulative interest and penalties of \$12.5 million have been recorded in the line item "Other Liabilities" in the Company's Consolidated Balance Sheet as of January 28, 2012.

As of January 29, 2011, the Company reported total unrecognized benefits of \$23.3 million, of which \$9.1 million would affect the Company's effective tax rate if recognized. As a result of previous positions taken, the Company recorded \$1.8 million of interest and penalties during the Transition Period in the line item "Income Tax Expense (Benefit)" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Cumulative interest and penalties of \$12.6 million have been recorded in the line item "Other Liabilities" in the Company's Consolidated Balance Sheet as of January 29, 2011.

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The Company files tax returns in the U.S. federal jurisdiction, Puerto Rico and various state jurisdictions. The Company is open to examination by the IRS under the applicable statutes of limitations for fiscal years 2009 through 2012. The Company or its subsidiaries' state income tax returns are open to audit for the fiscal years 2008 through 2012, which includes the Transition Period, under the applicable statutes of limitations. There are ongoing state audits in several jurisdictions and the Company has accrued for possible exposures as required under Topic No. 740.

Table of Contents**15. Fair Value of Financial Instruments**

The Company accounts for fair value measurements in accordance with 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 February 2, 2013 and January 28, 2012 include 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 value 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 February 2, 2013, 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:

	<i>(in thousands)</i>	
	Fair Value Measurements at February 2, 2013	Fair Value Measurements at January 28, 2012
Assets:		
Level 1		
Cash equivalents (including restricted cash)	\$ 34,972	\$ 34,915
Level 2		
Interest rate cap agreements (a)	\$ 69	\$ 114
Level 3		
Note Receivable (b)	\$ 385	\$ 763

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- (a) Included in Other Assets within the Company's Consolidated Balance Sheets (refer to Note 8 of the Company's 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 on the Company's Consolidated Balance Sheets. The change in the fair value of our Level 3 note receivable is related to the Company receiving a partial payment in the amount of \$0.5 million, which was partially offset by unrealized gains in the amount of \$0.1 million.

Table of Contents*Financial Liabilities*

The fair values of the Company's financial liabilities are summarized below:

	<i>(in thousands)</i>			
	February 2, 2013		January 28, 2012	
	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 1.5%) plus 4.8%, matures with balance due on February 23, 2017.	\$ 863,084	\$ 874,232	\$ 949,123	\$ 945,247
\$450,000 Senior Notes, 10%, due to maturity on February 15, 2019, semi-annual interest payments on August 15 and February 15, from February 15, 2013 to February 15, 2019.	450,000	489,938	450,000	432,000
\$600,000 ABL Senior Secured Revolving Facility, Libor plus spread based on average outstanding balance, expires September 2, 2016 (a)			190,000	190,000
Total debt	\$ 1,313,084	\$ 1,364,170	\$ 1,589,123	\$ 1,567,247

(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 30 day increments) and its variable interest rate.

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

As of February 2, 2013, the fair value of the Company's debt, exclusive of capital leases, was \$1,364.2 million compared with the carrying value of \$1,313.1 million. The fair values presented herein are based on pertinent information available to management as of the respective year 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 financial statements since that date, and current estimates of fair value may differ from amounts presented herein.

Due to the short term nature of the Company's accounts receivable and accounts payable, the recorded values approximate fair value.

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 amount of such reserves was \$0.9 million and \$6.1 million as of February 2, 2013 and January 28, 2012, respectively. The decrease in the legal reserve from Fiscal 2011 to Fiscal 2012 is due to the settlement of litigation during Fiscal 2012.

Like many retailers, we have been named in class or collective actions on behalf of various groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violation of state consumer and/or privacy protection statutes. In the normal course of business, we are also party to various other lawsuits and regulatory proceedings including, among others, commercial, product, product safety, employee, customer, intellectual property and other claims. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties.

While the Company does not believe that the amount of loss in excess of those recorded could be material to the Company's financial position, any such loss could have a material adverse effect on the Company's results of operations in the period(s) during which the underlying matters are resolved.

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Lease Guarantees

During Fiscal 2007, we sold lease rights for three store locations that were previously operated by us. In the event of default by the assignee, we could be liable for obligations associated with these real estate leases which have future lease related payments (not discounted to present value) of approximately \$0.8 million through the end of our fiscal year ending February 1, 2014. The scheduled future aggregate minimum rentals for these leases in the fiscal year following Fiscal 2012 are \$0.8 million. We believe the likelihood of a material liability being triggered under these leases is remote, and no liability has been accrued for these contingent lease obligations as of February 2, 2013.

Letters of Credit

The Company had irrevocable letters of credit in the amounts of \$35.3 million as of both February 2, 2013 and January 28, 2012, respectively.

Letters of credit outstanding as of February 2, 2013 and January 28, 2012 amounted to \$26.7 million and \$27.7 million, respectively, guaranteeing performance under various lease agreements, insurance contracts, and utility agreements. The Company also had outstanding letters of credit arrangements in the aggregate amount of \$8.6 million and \$7.6 million at February 2, 2013 and January 28, 2012, respectively, related to certain merchandising agreements. Based on the terms of the credit agreement relating to the ABL Line of Credit, the Company had available letters of credit of \$422.7 million and \$242.6 million as of February 2, 2013 and January 28, 2012, respectively.

Purchase Commitments

The Company had \$577.6 million of purchase commitments related to goods or services that were not received as of February 2, 2013.

Death Benefits

In November of 2005, the Company entered into agreements with three of the Company's former executives whereby upon each of their deaths, the Company will pay \$1.0 million to the respective designated beneficiary.

17. Related Party Transactions

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 provides management, consulting, financial and other advisory services. Pursuant to the agreement, Bain Capital is 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 transaction by or involving the Company. Fees paid to Bain Capital amounted to \$4.3 million per year during Fiscal 2012, Fiscal 2011 and Fiscal 2010, and are included in the line item "Selling and Administrative Expenses" in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). The Advisory Agreement has a 10-year initial term, and thereafter is subject to automatic one-year extensions unless the Company or Bain Capital provides written notice of termination, except that the agreement terminates automatically upon an initial public offering or a change of control of the Company. If the Advisory Agreement is terminated early, Bain Capital will 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.

As of February 2, 2013 and January 28, 2012, the Company had \$0.6 million and \$0.7 million of prepaid advisory fees related to the Advisory Agreement, respectively, recorded within the line item "Prepaid and Other Current Assets" in the Company's Consolidated Balance Sheets.

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 is 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.

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On February 14, 2013, Burlington Holdings, Inc., Burlington Coat Factory Holdings, Inc., BCFWC and Bain Capital Partners, LLC entered into an Amended and Restated Advisory Agreement, which amended the Advisory Agreement, dated April 13, 2006, by and among BCFWC, Burlington Coat Factory Holdings, Inc. and Bain Capital Partners, LLC, to add Burlington Holdings, Inc. as a party thereto.

Table of Contents**18. Dividends**

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

Dividends equal to \$1.7 million, \$297.9 million and \$0.3 million were paid during Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively. In connection with the offering of the Notes and the refinancing of the Term Loan facility during Fiscal 2011, in accordance with the credit agreements, the Company declared a cash dividend of approximately \$300.0 million in the aggregate, on a pro rata basis to the equity holders of Parent. Of the \$300.0 million declared dividend, \$297.9 million was paid in Fiscal 2011. Of the remaining \$2.1 million, \$1.7 million was paid during Fiscal 2012 and \$0.4 million was forfeited and reverted back to the Company a result of certain members of management forfeiting their shares before they became fully vested. Dividends paid in Fiscal 2010 were paid to Parent in order to repurchase capital stock of the Parent from executives who left the Company, which are permissible under our debt agreements.

Subsequent to the end of Fiscal 2012, on February 15, 2013, BCFWC entered into Amendment No. 2 to its Term Loan Credit Agreement (Second Amendment) which allows the Company to make dividend payments under limited circumstances. Refer to Note 19 to the Company's Consolidated Financial Statements entitled "Subsequent Events" for further detail of the amendment.

19. Subsequent Events

Subsequent to the end of Fiscal 2012, on February 15, 2013, BCFWC entered into the Second Amendment. The Second Amendment creates a restricted payments basket of \$25 million and permits BCFWC 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 existing senior notes) since the second quarter of Fiscal 2011), in each case so long as certain conditions are satisfied. In connection with this amendment, the Company incurred a \$1.5 million amendment fee that will be capitalized and included in the line item "Other Assets" on the Company's Consolidated Balance Sheet. Additionally, the Company incurred \$8.9 million of additional fees, inclusive of an \$8.7 million fee payable to Bain Capital, for various consulting and advisory services. These fees will be included in the line item "Selling and Administrative Expenses" on the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

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 million aggregate principal amount of Senior Notes due 2018 (2018 Notes) at an issue price of 98.00%. The 2018 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. Additionally, as none of the Issuers' subsidiaries, are obligors or guarantors under the 2018 Notes, the debt is recorded on the Issuers' financial statements only and is not included in the Company's financial statements.

Interest is payable on the Senior Notes on each February 15 and August 15, commencing August 15, 2013. The first interest payment on the 2018 Notes will be payable in cash. For each interest period thereafter, the Issuers will be required to pay interest on the 2018 Notes 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 2018 Notes, interest on the 2018 Notes by increasing the principal amount of the 2018 Notes or by issuing new notes (such increase being referred to herein as PIK interest). Cash interest on the 2018 Notes will accrue at the rate of 9.00% per annum. PIK interest on the 2018 Notes will accrue at the rate of 9.75% per annum. The Company intends to pay Indirect Parent a semi annual dividend in order for Indirect Parent to make payment on the semi annual cash interest.

In February 2013, the Issuers used the net proceeds from the offering of the 2018 Notes to pay a special cash dividend of approximately \$336 million, in the aggregate, to Indirect Parent's sole member, Burlington Holdings, Inc., which in turn distributed the proceeds to its stockholders. BCFWC paid a dividend to the Issuers of \$4.8 million in order to pay certain fees in connection with the issuance of the 2018 Notes, inclusive of a \$3.5 million fee to Bain Capital for various consulting and advisory services.

On February 14, 2013, Parent, and its principal shareholders (Bain Capital Integral Investors, LLC, Bain Capital Fund IX, LLC, BCIP Associates-G and BCIP TCV, LLC) entered into a Termination Agreement, pursuant to which the Stockholders Agreement among each of them and the other stockholders of Parent, dated as of April 13, 2006 (Prior Stockholders Agreement) was terminated. On February 14, 2013, Burlington Holdings, Inc. and the investors and managers from time to time party thereto, entered into a Stockholders Agreement (New

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Stockholders Agreement). The terms of the New Stockholders Agreement are substantially similar to the terms of the Prior Stockholders Agreement.

20. Consolidated Guarantor Data

Holdings and subsidiaries of BCFWC have fully, jointly, severally and unconditionally guaranteed the Notes. In addition, Holdings and certain subsidiaries of BCFWC fully, jointly, severally and unconditionally guarantee BCFWC's obligations under the \$600 million ABL Line of Credit and Term Loan Facility. The following 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

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

Table of Contents**Burlington Coat Factory Investments Holdings, Inc. and Subsidiaries****Consolidated Balance Sheets**

(All amounts in thousands)

	Holdings	BCFW	As of February 2, 2013		Consolidated
			Guarantors	Eliminations	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$	\$ 39,658	\$ 3,678	\$	\$ 43,336
Restricted Cash and Cash Equivalents		34,800			34,800
Accounts Receivable		24,216	17,518		41,734
Merchandise Inventories			680,190		680,190
Deferred Tax Assets		1,223	4,910		6,133
Prepaid and Other Current Assets		35,293	30,759		66,052
Prepaid Income Taxes		5,268	1,950		7,218
Intercompany Receivable			747,405	(747,405)	
Assets Held for Disposal			191		191
Total Current Assets		140,458	1,486,601	(747,405)	879,654
Property and Equipment	Net of Accumulated Depreciation	72,283	806,022		878,305
Tradenames		238,000			238,000
Favorable Leases	Net of Accumulated Amortization		322,081		322,081
Goodwill		47,064			47,064
Other Assets		24,968	88,010		112,978
Investment in Subsidiaries		2,219,139		(2,219,139)	
Total Assets	\$	\$ 2,741,912	\$ 2,702,714	\$ (2,966,544)	\$ 2,478,082
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current Liabilities:					
Accounts Payable	\$	\$ 500,406	\$	\$	\$ 500,406
Other Current Liabilities		119,277	119,588		238,865
Intercompany Payable		747,405		(747,405)	
Current Maturities of Long Term Debt			784		784
Total Current Liabilities		1,367,088	120,372	(747,405)	740,055
Long Term Debt		1,313,084	22,448		1,335,532
Other Liabilities		50,955	178,470		229,425
Deferred Tax Liability		91,054	162,285		