

Burlington Stores, Inc.  
Form 10-K  
March 25, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K**

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

**For the fiscal year ended January 31, 2015**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 001-36107**

**BURLINGTON STORES, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**80-0895227**  
**(I.R.S. Employer**  
**Identification No.)**

**2006 Route 130 North**

**Burlington, New Jersey**  
**(Address of Principal Executive Offices)**  
**(609) 387-7800**

**08016**  
**(Zip Code)**

**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of exchange on which registered</b>
<b>Common Stock, par value \$0.0001 per share</b>	<b>New York Stock Exchange</b>
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

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

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.

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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 common stock held by non-affiliates of the registrant on August 1, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,014,179,815. The aggregate market value was computed by reference to the closing price of the Common Stock on such date.

As of March 13, 2015, 75,254,682 shares of common stock of the registrant were outstanding.

**Documents Incorporated By Reference:**

Certain provisions of the registrant's definitive proxy statement in connection with its 2015 Annual Meeting of Stockholders, to be filed within 120 days of the close of the registrant's 2014 fiscal year, are incorporated by reference in Part III hereof.

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**BURLINGTON STORES, INC.**

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### **PART I**

#### **Item 1. Business**

##### **Overview**

We are a nationally recognized retailer of high-quality, branded apparel at everyday low prices. We opened our first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, we have expanded our store base to 542 stores as of January 31, 2015, inclusive of an internet store, in 44 states and Puerto Rico, and diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise, including: women's ready-to-wear apparel, menswear, youth apparel, baby, footwear, accessories, home and coats. We acquire a broad selection of desirable, first-quality, current-brand, labeled merchandise directly from nationally recognized manufacturers and other suppliers. For the fiscal year ended January 31, 2015, we generated total revenue of \$4,849.6 million, net sales of \$4,814.5 million, net income of \$66.0 million and Adjusted Net Income and Adjusted EBITDA (as subsequently defined in this Form 10-K) of \$138.6 million and \$448.1 million, respectively.

As used in this Annual Report, the terms Company, we, us, or our refer to Burlington Stores, Inc. and all its subsidiaries. We were organized in 2013 under the name Burlington Holdings, Inc. and currently exist as a Delaware corporation. Our indirect subsidiary, Burlington Coat Factory Warehouse Corporation (BCFWC), was initially organized in 1972 as a New Jersey corporation, was reincorporated in 1983 in Delaware when the company originally became a public company and currently exists as a Delaware corporation. BCFWC became a direct, wholly-owned subsidiary of Burlington Coat Factory Investments Holdings, Inc. in connection with the acquisition of BCFWC on April 13, 2006 by affiliates of Bain Capital Partners, LLC (along with its associated investment funds, or any successor to its investment management business, Bain Capital) in a take private transaction (the Merger Transaction) and became an indirect, wholly-owned subsidiary of ours on February 14, 2013, in connection with our corporate reorganization. We completed an initial public offering of our common stock in October 2013, and Bain Capital ceased owning a majority of our outstanding common stock in October 2014.

##### **Fiscal Year End**

We define our fiscal year as the 52 or 53 week period ending on the Saturday closest to January 31. This is an annual report for the 52 week fiscal year ended January 31, 2015 (Fiscal 2014). The fiscal year ended February 1, 2014 (Fiscal 2013) consisted of 52 weeks and the fiscal year ended February 2, 2013 (Fiscal 2012) consisted of 53 weeks.

##### **Our Stores**

As of January 31, 2015, we operated 542 stores, inclusive of an internet store. Over 98% of our net sales are derived from stores we operate as Burlington stores (Burlington Stores). 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 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 décor 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. Our 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 Burlington Stores' substantial selection of staple, destination products attracts

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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, primarily fragrances. During Fiscal 2014, our rental income from all

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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 breadth of our selection and our ability to successfully operate in stores of varying square footage represent a competitive advantage. Our average store size is approximately 78,000 square feet. We believe that as we continue to reduce our comparable store inventory, we will be able to reduce the square footage of our stores while continuing to maintain our broad assortment. As a result, we believe major landlords frequently seek us as a tenant because the appeal of our apparel merchandise profile attracts a desired customer base. In addition, we have built long-standing relationships with major shopping center developers.

Our store base is geographically diversified with stores located in 44 states and Puerto Rico.

State	Number of Stores	State	Number of Stores	State	Number of Stores
AK	2	KY	4	NV	5
AL	7	LA	9	NY	36
AR	2	MA	14	OH	19
AZ	9	MD	16	OK	3
CA	61	ME	2	OR	4
CO	6	MI	17	PA	30
CT	10	MN	6	PR	12
DE	2	MO	6	RI	4
FL	37	MS	2	SC	5
GA	16	NC	12	TN	7
IA	2	ND	1	TX	52
ID	2	NE	1	UT	3
IL	29	NH	2	VA	17
IN	12	NJ	28	WA	11
KS	6	NM	2	WI	9

Our store sales area is organized by merchandise category with flexibility to quickly expand or contract category offerings in response to changes in consumer preferences. Our typical store features open sight lines, bright overhead lighting and clear signage to promote easy navigation through the store. We highlight the best brands and freshest product in four way fixtures along the aisles with additional merchandise arranged by size in H-racks. We believe our clean, organized merchandise presentation highlights the brands, value, selection and sizing within assortments and promotes a self-service, treasure hunt experience for our customers.

Our store managers are accountable for the sales and profitability of their stores. The store leadership team is comprised of managers and assistant managers. The stores are led by their regional team, consisting of a regional vice president and regional managers in operations, human resources and loss prevention. The regional vice president sets the priorities for the team and ensures the stores are supported in their overall mission to grow sales and profitability.

**Store Expansion and Real Estate Strategy**

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.



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We have a proven track record of new store expansion. Our store base has grown from 13 stores in 1980 to 542 stores, inclusive of an internet store, as of January 31, 2015. Assuming that appropriate locations are identified, we believe that we will be able to execute our growth strategy without significantly impacting our current stores. The table below shows our store openings and closings since the beginning of our fiscal year ended February 2, 2013.

	<b>As of February 2, 2013</b>	<b>As of February 1, 2014</b>	<b>As of January 31, 2015</b>
Stores (Beginning of Period)	477	500	521
Stores Opened	25	23	24
Stores Closed	(2)	(2)	(3)
Stores (End of Period)	500	521	542

**Distribution and Warehousing**

We have two primary distribution centers that ship approximately 92% of merchandise units to our stores. The remaining 8% of merchandise units are drop shipped directly to our stores. The two primary distribution centers, located in Edgewater Park, New Jersey and San Bernardino, California, occupy an aggregate of 1,308,000 square feet and each includes processing and storage capabilities.

In addition, we operate warehousing facilities to support our two primary distribution centers. During Fiscal 2014 we opened two new warehousing facilities and closed two smaller warehousing facilities. The Redlands California facility, opened in June, 2014, is 800,000 square feet and is being used primarily as remote storage for our San Bernardino, California distribution center. The Redlands California facility replaced a smaller 295,000 square foot Redlands facility. The Burlington, New Jersey facility, opened in December, 2014, is 678,000 square feet and is being used primarily as remote storage for our Edgewater Park, New Jersey distribution center. The Burlington, New Jersey facility replaced a smaller 218,000 square foot facility in Cinnaminson, New Jersey.

	<b>Calendar Year Operational</b>	<b>Size (sq. feet)</b>	<b>Leased or Owned</b>
<b>Primary Distribution Centers:</b>			
Edgewater Park, New Jersey	2004	648,000	Owned
San Bernardino, California	2006	660,000	Leased
<b>Warehousing Facilities(1):</b>			
Burlington, New Jersey (Route 130 North)	1987	402,000	Owned
Burlington, New Jersey (Daniels Way)	2014	678,000	Leased
Florence, New Jersey	2013	208,000	Leased
Cinnaminson, New Jersey	2013(2)	218,000	Leased
Redlands, California (Palmetto Ave)	2011(2)	295,000	Leased
Redlands, California (Pioneer Ave)	2014	800,000	Leased

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- (1) Our warehousing facilities are primarily used as storage/support facilities to service our primary distribution centers. Product stored at these facilities is processed and shipped through our Edgewater Park or San Bernardino distribution centers.
  - (2) Warehousing activities in these facilities ceased during Fiscal 2014.
- We must continue to make investments in storage and processing to support our expected store growth over the next three to five years.

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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.

**Our Off-Price Sourcing and Merchandising Model**

Our open to buy off-price model enables us to provide our customers with products that are nationally branded, fashionable, high quality and priced right. We have an experienced team of General Merchandise Managers, Divisional Merchandise Managers and buyers focused on improving comparable store inventory turnover, inventory age and freshness of merchandise. We purchase merchandise from many suppliers, none of which accounted for more than 2% of our net purchases during Fiscal 2014. 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.

We have designed our merchant organization so that buyers focus primarily on buying, planners focus primarily on planning, and information systems help inform data-driven decisions for both groups. Buyers are in market each week and focus on purchasing great products for great value. We seek to purchase a majority of our merchandise in-season. Buyers spend time interacting face-to-face with new and existing vendors and on continuously evaluating trends in the market to which we believe our customers would respond positively. Our buyers use a Merchant Scorecard that rates products across four key attributes – fashion, quality, brand and price – to help formalize a framework for buying decisions.

Our merchandising model allows us to provide our customers with a wide breadth of product categories. Sales percentage by major product category is as follows:

<b>Category</b>	<b>Fiscal 2014</b>	<b>Fiscal 2013</b>	<b>Fiscal 2012</b>
Women's Ready-to-Wear Apparel	24%	24%	23%
Menswear	20%	19%	20%
Accessories and Footwear	22%	21%	21%
Coats	7%	8%	8%
Youth Apparel/Baby/Home	27%	28%	28%

**E-Commerce**

We employ an e-commerce strategy currently focused on increasing awareness of the breadth of our merchandise selection, great brands and values, as well as driving traffic to our stores and selling merchandise directly from our website. We execute our strategy through our website and through social media platforms such as Facebook, Twitter and Pinterest. In Fall 2013, we re-launched our website with a significantly upgraded user experience – including improved navigation, shopping functionality and a more modern layout to increase site traffic and conversion rates.

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This re-launch also included an expansion of the online merchandise assortment to include additional items across women's ready-to-wear apparel, menswear, youth apparel, baby, accessories, home and coats. As a part of this re-launch, we also updated the cross-channel Baby Registry currently serving our Baby Depot customers.

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### **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.

### **Marketing and Advertising**

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

### **Management Information Systems and Processes**

We utilize a combination of primarily industry-standard third party and internally developed information technology and system solutions across our business functions. We continually evaluate and implement business system technology and solutions that enhance the consistency of our execution and improve the scalability of business system functions across a growing store base. We utilize a testing methodology which allows us to evaluate new initiatives across our entire organization and make data-driven decisions that support growth and minimize costs. To date, we have performed tests in store operations, merchandise presentation, advertising and marketing, among other areas.

### **Competition**

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. 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 Burlington Stores.

### **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 is also 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.

### **Trademarks**

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 SH 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.

### **Employees**

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As of January 31, 2015, we employed approximately 34,000 people, including part-time and seasonal employees. Our staffing requirements fluctuate during the year as a result of the seasonality of our business. We

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hire additional employees and increase the hours of part-time employees during seasonal peak selling periods. As of January 31, 2015, employees at two of our stores were subject to collective bargaining agreements.

### **AVAILABLE INFORMATION**

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act). Therefore, we file reports, proxy statements and other information with the Securities and Exchange Commission (SEC). Copies of such reports, proxy statements, and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

You can access financial and other information about us in the Investors Relations section of our website, which can be accessed at [www.burlingtonstores.com](http://www.burlingtonstores.com). We make available through our website, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed with or furnished to the SEC under Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after electronically filing or furnishing such material to the SEC. The information contained on, or accessible through, our website is not part of this Annual Report on Form 10-K and is therefore not incorporate by reference. The reference to our website address is intended to be an inactive textual reference only.

## **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. For example, when we use words such as projects, expects, anticipates, intends, plans, believes, seeks, estimates, should, would, could, potential or may, 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 Exchange Act. Our forward-looking statements are subject to risks and uncertainties. Such statements may include but are not limited to, proposed store openings and closings, proposed capital expenditures, projected financing requirements, proposed developmental projects, projected sales and earnings, our ability to maintain selling margins, and the effect of the adoption of recent accounting pronouncements on our consolidated financial position, results of operations and cash flows. 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: general economic conditions; competitive factors, including pricing and promotional activities of major competitors; our ability to successfully implement one or more of our strategic initiatives; the availability of desirable store locations on suitable terms; changing consumer preferences and demand; industry trends, including changes in buying, inventory and other business practices by customers; competitive factors, including pricing and promotional activities of major competitors; the availability, selection and purchasing of attractive merchandise on favorable terms; import risks; weather patterns, including, among other things, changes in year-over-year temperatures; our future profitability; our ability to control costs and expenses; unforeseen computer related problems; any unforeseen material loss or casualty; the effect of inflation; an increase in competition within the markets in which we compete; regulatory changes; changes in general and/or regional economic conditions; our relationships with employees; the impact of current and future laws; terrorist attacks, particularly attacks on or within markets in which we operate; natural and

man-made disasters, including but not limited to fire, snow and ice storms, flood, hail, hurricanes and



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earthquakes; our substantial level of indebtedness and 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. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. 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.

### **Risks Related to Our Business and Our Substantial Indebtedness**

#### ***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. An incremental slowdown in the U.S. economy, an uncertain global economic outlook or an expanded 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 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.

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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:

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

our buying, inventory management and supply chain initiatives may fail to yield the results expected;

our investments in technology and systems may fail to improve efficiency;

our data-driven testing culture may not result in successful initiatives;

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

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.

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

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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 35 week transition period beginning on May 31, 2009, the day following the end of our 2009 fiscal year, and ended on January 30, 2010, our quarterly comparable store sales rates have ranged from an increase of 7.8% to a decrease of 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;

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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 \$600.0 million Second Amended and Restated Credit Agreement, dated as of August 13, 2014 (the 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

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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.

***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.***

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.



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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 significant portion 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.***

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 external factors, including unemployment levels, prevailing wage rates, wage increases by our competitors, 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.



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***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;

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).

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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 2014, we extended central distribution services to approximately 92% 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.

### ***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.

### ***Failure to operate and maintain currently deployed information systems or implement new technologies effectively could disrupt our business or reduce our sales or profitability.***

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. We have some redundant capabilities across our data center in Edgewater, New Jersey, our corporate headquarters campus consisting of two locations in Florence and Burlington, New Jersey, respectively, and at a Disaster Recovery Center located in Chicago, Illinois. If a disaster impacts either corporate location, while it most likely would not fully incapacitate us, our operations could be significantly affected. System redundancy and recovery is targeted to support the most critical aspects of running our business, but our disaster recovery planning may be ineffective, insufficient or inadequate to address all eventualities.

The failure of our information systems and the third party systems we rely on to perform as designed, or our failure to implement and operate them effectively, could disrupt our business or subject us to liability and thereby harm our 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 from individuals, such as our customers and associates, and we process customer payment card and check information. We rely on commercially available systems, software, tools and monitoring to provide security and oversight for processing, transmission, storage and the protection of confidential information.

Despite the security measures we have in place, our facilities and systems, and those of third parties with which we do business, 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.

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Electronic security attacks designed to gain access to sensitive information by breaching mission critical systems of large organizations are constantly evolving, and high profile electronic security breaches leading to unauthorized release of confidential information have occurred recently at a number of major U.S. companies. Computer hackers may attempt to penetrate our computer systems or the systems of third parties with which we do business and, if successful, misappropriate personal information, payment card or check information or confidential business information. In addition, our associates, contractors or third parties with which we do business or to which we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. Despite advances in security hardware, software, and encryption technologies, computer hackers are continuously developing new tools and methods that may increase the risk of a breach.

While we continue to invest in the protection of our information technology by implementing and maintaining what we believe are adequate security procedures and controls over financial and other individually identifiable customer, employee and vendor data provided to us, such procedures and controls may not be effective. An electronic security breach in our systems (or in the systems of third parties with which we do business) that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material adverse effect on our reputation and lead to financial losses from remedial actions, loss of business or potential liability, including possible punitive damages. In addition, as the regulatory environment relating to retailers and other companies' obligation to protect such sensitive data becomes stricter, a material failure on our part to comply with applicable regulations could subject us to fines or other regulatory sanctions and potentially to lawsuits.

### ***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 comparable 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.



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

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.

***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.

***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. At times, 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.

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 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.

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In the matter of *Burlington Coat Factory Song Beverly Cases* which is currently pending in the Superior Court of the State of California, Complex Division, County of Orange (Case No. JCCP No. 4681), plaintiff, on behalf of herself and others similarly situated, alleges that the Company is in violation of the California Civil Code for collecting personal information from customers in connection with the use of credit cards by such

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customers to pay for merchandise at the Company's stores. At trial held in January 2015, the Superior Court held that the Company was in violation of California law and set May 1, 2015 as the date for a conference to set a date for trial to determine the penalty to be assessed against the Company. The Company is unable to predict the amount of penalty that may be assessed by the court, in excess of the amount accrued, after its consideration of various factors, including, among others, how information was used, how much revenue was derived from the information, what procedures were in place to control the maintenance and dissemination of the information, the duration of the practice to collect information and other relevant factors; however, such penalty assessment could be material. As the state of the law in this area is unsettled and there are conflicting decisions in several cases brought against retailers under the Song Beverly law, the Company has not determined whether it will appeal the determination of the trial court and cannot predict whether an appeal may be successful. However, the Company intends to consider all alternatives including, among others, seeking a stay of proceedings by the trial court while the appellate court is considering an appeal in another case with similar facts, seeking to settle the matter with plaintiffs, seeking an interlocutory appeal in its own case and proceeding to trial on the penalty phase.

***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.

***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.***

As of January 31, 2015, our total indebtedness was \$1,250.4 million, including \$1,161.5 million, inclusive of original issue discount, under our \$1,200.0 million Senior Secured Term Loan Facility, pursuant to our term loan credit agreement (the Term Loan Credit Agreement) dated as of February 24, 2011, as amended, and \$63.3 million under our ABL Line of Credit. Estimated cash required to make minimum debt service payments (including principal and interest) for these debt obligations amounts to approximately \$51.7 million for the fiscal year ended January 30, 2016.

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, 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 and the Term Loan Credit Agreement, 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.

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*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.

## **Risks Related to Ownership of Our Common Stock**

*Anti-takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that stockholders might consider favorable.*

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of the Company more difficult without the approval of our Board of Directors. These provisions:

authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

prohibit stockholder action by written consent, requiring all stockholder actions be taken at a meeting of our stockholders;

provide that the Board of Directors is expressly authorized to make, alter or repeal our amended and restated bylaws;

establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;

establish a classified Board of Directors, as a result of which our Board of Directors is divided into three classes, with each class serving for staggered three-year terms, which prevents stockholders from electing an entirely new Board of Directors at an annual meeting;

limit the ability of stockholders to remove directors;

prohibit stockholders from calling special meetings of stockholders; and

require the approval of holders of at least 75% of the outstanding shares of our voting common stock to amend the amended and restated bylaws and certain provisions of the amended and restated certificate of incorporation.

These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

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***Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our by-laws, or (iv) any other action asserting a claim against us that is governed by the internal affairs doctrine.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

***Because we do not intend to pay cash dividends in the near term, stockholders may not receive any return on investment unless they are able to sell their common stock for a price greater than their purchase price.***

The continued operation and expansion of our business will require substantial funding. Accordingly, we do not anticipate that we will pay any cash dividends on shares of our common stock in the near term. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, contractual restrictions, including those under our ABL Line of Credit and Term Loan Credit Agreement, any potential indebtedness we may incur, restrictions imposed by applicable law and other factors our Board of Directors deems relevant. Accordingly, if stockholders purchase shares of our common stock, realization of a gain on investment will depend on the appreciation of the price of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

***We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.***

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers from our subsidiaries to meet our obligations. The deterioration of income from, or other available assets of, our subsidiaries for any reason could limit or impair their ability to pay dividends or other distributions to us.

## **Item 1B. Unresolved Staff Comments**

Not Applicable.

**Item 2. Properties**

We own the land and/or buildings for 40 of our stores and have leases for 504 of our stores. Most of our store 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. 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. Most of our stores are located in malls, strip shopping centers, regional power centers or are freestanding.



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We own approximately 97 acres of land in Burlington and Florence, New Jersey on which we have constructed our corporate headquarters campus, which includes our new corporate headquarters, our previous corporate headquarters and our Burlington warehouse facility. 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 also lease a 660,000 square foot distribution facility in San Bernardino, California. We currently lease two additional warehousing facilities for storage/support purposes in New Jersey and California, with a combined square footage of 1,478,000 square feet. We also lease approximately 35,000 square feet of office space in New York City.

The following table identifies the years in which our leases (exclusive of distribution and corporate leased locations), existing at January 31, 2015, expire, 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.

<b>Fiscal Year Ending</b>	<b>Number of Leases Expiring with No Additional Renewal Options</b>	<b>Number of Leases Expiring with Additional Renewal Options</b>
2015 2016	8	85
2017 2018	14	117
2019 2020	10	123
2021 2022	5	43
2023 2024	5	47
Thereafter to 2078	8	39
<b>Total</b>	<b>50</b>	<b>454</b>

**Item 3. Legal Proceedings**

Like many retailers, the Company has 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.

In the matter of *Burlington Coat Factory Song Beverly Cases* which is currently pending in the Superior Court of the State of California, Complex Division, County of Orange (Case No. JCCP No. 4681), plaintiff, on behalf of herself and others similarly situated, alleges that the Company is in violation of the California Civil Code for collecting personal information from customers in connection with the use of credit cards by such customers to pay for merchandise at the Company's stores. At trial held in January 2015, the Superior Court held that the Company was in violation of California law and set May 1, 2015 as the date for a conference to set a date for trial to determine the penalty to be assessed against the Company. The Company is unable to predict the amount of penalty that may be

assessed by the court, in excess of the amount accrued, after its consideration of various factors, including, among others, how information was used, how much revenue was derived from the information, what procedures were in place to control the maintenance and dissemination of the information, the duration of the practice to collect information and other relevant factors; however, such penalty assessment could be material. As the state of the law in this area is unsettled and there are conflicting decisions in several cases brought against retailers under the Song Beverly law, the Company has not determined whether it will appeal the determination of the trial court and cannot predict whether an appeal may be successful. However, the Company intends to consider all alternatives including, among others, seeking a stay of proceedings by the trial court while the appellate court is considering an appeal in another case with similar facts, seeking to settle the matter with plaintiffs, seeking an interlocutory appeal in its own case and proceeding to trial on the penalty phase.

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To determine the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. The ultimate outcome of the case could have a material adverse effect on the Company's results of operations.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*****Market Information***

Our common stock began trading on the New York Stock Exchange under the symbol BURL on October 2, 2013. Prior to that time, there was no public market for our common stock. The following table sets forth, for the periods indicated below, the quarterly high and low sales prices per share of our common stock since October 2, 2013.

<b>Fiscal 2013</b>	<b>High</b>	<b>Low</b>
Third Quarter (ending November 2, 2013)	\$ 28.00	\$ 22.61
Fourth Quarter (ending February 1, 2014)	\$ 32.98	\$ 21.54
<b>Fiscal 2014</b>	<b>High</b>	<b>Low</b>
First Quarter (ending May 3, 2014)	\$ 32.55	\$ 23.88
Second Quarter (ending August 2, 2014)	\$ 33.59	\$ 26.77
Third Quarter (ending November 1, 2014)	\$ 42.61	\$ 32.07
Fourth Quarter (ending January 31, 2015)	\$ 52.14	\$ 40.73

***Holdings***

As of March 13, 2015, we had 154 holders of record of our common stock.

***Dividends***

In February 2013, net proceeds from the offering of \$350.0 million aggregate principal amount of Senior Notes due 2018 (Holdco Notes) were used to pay a special cash dividend of \$336.0 million to the holders of our Class A common stock and Class L common stock on a pro rata basis. Prior to our initial public offering in October 2013, each outstanding share of our Class A common stock was automatically cancelled and then each outstanding share of our Class L common stock was automatically converted into one share of our Class A common stock. We then effected an 11-for-1 split of our Class A common stock and then reclassified our Class A common stock into common stock.

We currently do, and intend to continue to, retain all available funds and any future earnings to fund the development and growth of our business and pay down debt as appropriate. Therefore, at this time, we do not anticipate paying cash dividends in the near term. Our ability to pay dividends on our common stock will be limited by restrictions on the ability of our subsidiaries and us to pay dividends or make distributions under the terms of current and any future agreements governing our indebtedness. Any future determination to pay dividends will be at the discretion of our Board of Directors, subject to compliance with covenants in our current and future agreements governing our indebtedness, and will depend upon our results of operations, financial condition, capital requirements and other factors that our Board of Directors deems relevant.

In addition, since we are a holding company, substantially all of the assets shown on our consolidated balance sheets are held by our subsidiaries. Accordingly, our earnings, cash flow and ability to pay dividends are largely dependent

upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

***Stock Performance Graph***

The performance graph below and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act

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of 1934, as amended, (the Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares the cumulative total stockholder return on our common stock from October 2, 2013 (the date our common stock commenced trading on the New York Stock Exchange) through January 31, 2015, with the return on the Standard & Poor's (S&P) 500 Index and the S&P Retailing Index over the same period. This graph assumes an initial investment of \$100 and assumes the reinvestment of dividends, if any. Such returns are based on historical results and are not intended to suggest future performance.

<b>Company / Index</b>	<b>Base Period</b>		<b>Indexed Returns for Quarters Ended</b>				
	<b>October 2, 2013</b>	<b>November 2, 2013</b>	<b>February 1, 2014</b>	<b>May 3, 2014</b>	<b>August 2, 2014</b>	<b>November 1, 2014</b>	<b>January 31, 2015</b>
Burlington Stores, Inc.	\$ 100.00	\$ 108.60	\$ 102.28	\$ 112.75	\$ 130.15	\$ 167.69	\$ 199.48
S&P 500 Index	\$ 100.00	\$ 104.00	\$ 105.24	\$ 111.06	\$ 113.65	\$ 119.14	\$ 117.78
S&P Retailing Index	\$ 100.00	\$ 103.32	\$ 100.62	\$ 100.42	\$ 101.85	\$ 110.66	\$ 119.48

**Table of Contents*****Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

The following table provides information regarding our purchases of common stock during the three fiscal months ended January 31, 2015:

<b>Month</b>	<b>Total Number of Shares Purchased(1)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs</b>
November 2, 2014 through November 29, 2014		\$	*	*
November 30, 2014 through January 3, 2015			*	*
January 4, 2015 through January 31, 2015	2,142	51.60	*	*
<b>Total</b>	2,142		*	*

\* These amounts are not applicable as we do not have a share repurchase program in effect.

(1) Common stock purchased during the three fiscal months ended January 31, 2015 represents shares which were withheld for tax payments due upon the vesting of employee restricted stock awards.

**Item 6. Selected Financial Data**

The following table presents selected historical consolidated financial data and certain other financial data. The historical consolidated balance sheet data and consolidated statement of operations data for Fiscal 2014, Fiscal 2013 and Fiscal 2012, and for the fiscal years ended January 28, 2012 (Fiscal 2011) and January 29, 2011 (Fiscal 2010) have been derived from our historical audited Consolidated Financial Statements.

The historical consolidated financial data and other financial data presented below 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. Our historical consolidated financial data may not be indicative of our future performance.

<b>Fiscal Year Ended(1)</b>				
<b>January 29, 2011</b>	<b>January 28, 2012</b>	<b>February 2, 2013</b>	<b>February 1, 2014</b>	<b>January 31, 2015</b>
(in thousands, except per share data)				

**Consolidated Statement of  
Operations Data:**

Total Revenue	\$ 3,701,089	\$ 3,887,531	\$ 4,165,504	\$ 4,461,987	\$ 4,849,634
Net Income (Loss)	\$ 30,998	\$ (6,272)	\$ 25,301	\$ 16,150	\$ 65,955
Net Income (Loss) Per Share Basic:					
Class L Stockholders	\$ 21.09	\$ 24.58	\$ 28.76	\$ 31.93	\$
Common Stockholders	\$ (0.15)	\$ (0.26)	\$ (0.24)	\$ (0.26)	\$ 0.89
Net Income (Loss) Per Share Diluted:					
Class L Stockholders	\$ 21.09	\$ 24.58	\$ 28.76	\$ 31.93	\$
Common Stockholders	\$ (0.17)	\$ (0.28)	\$ (0.27)	\$ (0.39)	\$ 0.87



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	Fiscal Year Ended(1)				
	January 29, 2011	January 28, 2012	February 2, 2013	February 1, 2014	January 31, 2015
<b>(in thousands, except per share data)</b>					
<b>Consolidated Balance Sheet</b>					
<b>Data (end of the period):</b>					
Inventory	644,228	682,260	680,190	720,052	788,708
Total Assets	2,458,008	2,501,143	2,478,082	2,621,092	2,624,569
Long Term Debt	1,358,021	1,605,464	1,335,532	1,369,159	1,249,276
Class L Common Stock(2)	790,755	884,945	1,029,189		
Stockholders Deficit(3)	(603,242)	(995,890)	(1,109,458)	(150,468)	(65,951)
<b>Other Financial Data:</b>					
Adjusted Net Income(4)	56,081	37,350	59,589	70,239	138,577
Adjusted EBITDA(5)	308,221	315,000	331,964	383,697	448,066
Comparable Store Sales					
(Decline) Growth(6)	(0.2)%	0.7%	1.2%	4.7%	4.9%
Gross Margin Rate	38.6%	38.7%	38.8%	39.1%	39.7%
Store Payroll as a Percentage of					
Net Sales(7)	10.1%	9.6%	9.7%	9.1%	8.8%
Cash Flow Increase (Decrease)	5,464	5,450	7,672	89,648	(107,635)
Working Capital(8)	386,196	337,901	104,799	80,604	26,566

- (1) Fiscal years ended January 29, 2011, January 28, 2012, February 1, 2014 and January 31, 2015 consisted of 52 weeks. Fiscal year ended February 2, 2013 consisted of 53 weeks.
- (2) Prior to our initial public offering, each outstanding share of the Company's Class A common stock was automatically cancelled, each outstanding share of the Company's Class L common stock was automatically converted into one share of the Company's Class A common stock, effected for an 11-for-1 split, and then reclassified into common stock.
- (3) In February 2013, we declared a special cash dividend of approximately \$336.0 million (\$5.89/unit) to our stockholders from the proceeds of the offering of the Holdco Notes, payable to Class A and Class L stockholders on a pro rata basis. In February 2011, in connection with the offering of the Senior Notes by BCFWC and the refinancing of the Senior Secured Term Loan Facility, we declared a special cash dividend of approximately \$300.0 million (\$5.40 per unit), in the aggregate, payable to Class A and Class L stockholders on a pro rata basis.
- (4) We define Adjusted Net Income as net income (loss), exclusive of the following items: (i) net favorable lease amortization; (ii) costs related to debt amendments, Secondary Offerings, termination of Advisory Agreement and other; (iii) stock option modification expense; (iv) loss on extinguishment of debt; (v) impairment charges; (vi) advisory fees; (vii) litigation accruals charged during the fourth quarter of Fiscal 2014 for Song Beverly and (viii) other unusual, non-recurring or extraordinary expenses, losses or charges, all of which are tax effected to arrive at Adjusted Net Income.
- (5) We define Adjusted EBITDA as net income (loss), exclusive of (i) interest expense, net, (ii) loss on extinguishment of debt, (iii) income tax expense (benefit), (iv) depreciation and amortization, (v) impairment charges, (vi) advisory fees, (vii) stock option modification expense, (viii) costs related to debt amendments, termination of our Advisory Agreement and other, (iv) other unusual, non-recurring or extraordinary expenses, losses or charges and (v) other unusual, non-recurring or extraordinary expenses, losses or charges.
- (6) 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.

- (7) During Fiscal 2014, we changed our definition of store payroll to exclude payroll associated with our loss prevention team. This change aligns our external reporting of store payroll with how the metric is reviewed internally by senior management. Under the previous definition, store payroll as a percentage of net sales was 10.3% during Fiscal 2010, 10.1% during Fiscal 2011, 10.2% during Fiscal 2012, 9.5% during Fiscal 2013 and 9.2% during Fiscal 2014.
- (8) We define working capital as current assets (excluding restricted cash) minus current liabilities.

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**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 the context requires otherwise, references to the Company, we, our, or us refer to Burlington Stores, Inc., and its consolidated subsidiaries. Parent refers to Burlington Stores, Inc. alone, Holdings refers to Burlington Coat Factory Investments Holdings, Inc., Parent's indirect, wholly-owned subsidiary, and BCFWC refers to Burlington Coat Factory Warehouse Corporation, Holdings' direct, wholly-owned subsidiary.*

*The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. 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 in this report.*

*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 Item 1A, Risk Factors and elsewhere in this report.*

**General**

We are a nationally recognized retailer of high-quality, branded apparel at everyday low prices. We opened our first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, we have expanded our store base to 542 stores as of January 31, 2015, inclusive of an internet store, in 44 states and Puerto Rico, and diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise, including: women's ready-to-wear apparel, menswear, youth apparel, baby, footwear, accessories, home and coats. We acquire a broad selection of desirable, first-quality, current-brand, labeled merchandise directly from nationally-recognized manufacturers and other suppliers. For the fiscal year ended January 31, 2015, we generated total revenue of \$4,849.6 million, net sales of \$4,814.5 million, net income of \$66.0 million, Adjusted Net Income and Adjusted EBITDA (as subsequently defined in this Form 10-K) of \$138.6 million and \$448.1 million, respectively.

**Executive Summary**

***Overview of Fiscal 2014 Operating Results***

Highlights from Fiscal 2014 compared with Fiscal 2013 include the following:

We generated total revenues of \$4,849.6 million compared with \$4,462.0 million.

Net sales increased \$387.0 million to \$4,814.5 million (inclusive of a 4.9% comparable store sales increase).

Gross margin as a percentage of net sales improved to 39.7% compared with 39.1% which was partially offset by an approximate 40 basis point increase in product sourcing costs which are included in selling,

general and administrative expenses.

Selling, general and administrative expenses as a percentage of net sales increased to 31.6% compared with 31.4%, driven by an increase in our product sourcing costs and by the establishment of a litigation accrual for Song Beverly litigation.

We were able to refinance our higher-interest rate senior notes with lower-interest rate term loans which led to a loss on the extinguishment of debt of \$74.3 million compared with \$16.1 million.

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We earned net income of \$66.0 million compared with net income of \$16.2 million.

Adjusted Net Income (as subsequently defined in this Form 10-K) improved \$68.3 million to \$138.6 million.

Adjusted EBITDA (as subsequently defined in this Form 10-K) increased \$64.4 million to \$448.1 million.

***Debt Transactions***

On April 4, 2014, Burlington Holdings, LLC (Holdings LLC) and Burlington Holdings Finance, Inc. (collectively the Issuers) redeemed \$58.0 million aggregate principal amount of the \$350.0 million aggregate principal amount of Senior Notes due 2018 (Holdco Notes). In connection with this transaction, we recorded a loss on the extinguishment of debt of \$3.6 million, representing \$1.2 million in redemption premiums and the write off of \$1.5 million and \$0.9 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item *Loss on Extinguishment of Debt* in our Consolidated Statements of Operations.

On August 13, 2014, we completed the refinancing of our Term Loan Facility, Senior Notes, Holdco Notes and ABL Line of Credit. As a result of these transactions, our Senior Notes and Holdco Notes, with carrying values of \$450.0 million and \$70.2 million, respectively, were redeemed in full. Additionally, the \$830.6 million principal amount of term B-2 loans (Term B-2 Loans) outstanding on our Term Loan Facility were replaced with \$1,200.0 million principal amount of term B-3 loans (Term B-3 Loans). Borrowings on our ABL Line of Credit related to these transactions were \$217.0 million. In connection with these transactions, we recorded a loss on the extinguishment of debt of \$70.3 million during the third quarter of Fiscal 2014, representing \$45.1 million in redemption premiums and the write off of \$19.5 million and \$5.7 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item *Loss on Extinguishment of Debt* in our Consolidated Statements of Operations.

In January 2015, we elected to make a prepayment of \$27.0 million on our Term Loan Facility, which offset the mandatory quarterly payments through April 29, 2017. In connection with this transaction, we recognized a non-cash loss on the partial extinguishment of debt of \$0.3 million, representing the write off of \$0.2 million and \$0.1 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item *Loss on Extinguishment of Debt* in the Company's Consolidated Statements of Operations.

***Stockholders Agreement***

On March 13, 2014, we, the managers named therein and certain affiliates of Bain Capital (referred to herein as the investors) entered into an Amended and Restated Stockholders Agreement (the Amended Agreement). The Amended Agreement imposes restrictions on the sale of shares of our common stock subject to the Amended Agreement such that (i) all managers other than such managers who are Senior Vice Presidents or above and such other persons designated from time to time by our board of directors as senior managers, may sell shares of our common stock subject to the Stockholders Agreement to the public, in accordance with applicable securities laws and our insider trading policy, as follows: up to 25% from and after adoption of Amended Agreement (the Effective Date), up to 50% from and after six months from the Effective Date, up to 75% from and after nine months from the Effective Date, and without quantity restriction from and after the one year anniversary of the Effective Date; and (ii) senior managers are prohibited from selling shares of our common stock other than in proportion to sales by the investors of our common stock. In accordance with the terms of the Amended Agreement, the foregoing restrictions expired in January 2015 upon the sale by the investors of two-thirds (2/3) of their original holdings of our common stock. The Amended Agreement provides that non-senior managers will (i) be released from the Amended Agreement from and after the

first anniversary of the Effective Date, and (ii) not have piggyback registration rights on future registered offerings of our common stock by the investors. Senior managers retain piggyback registration rights.

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**Table of Contents*****Initial Public Offering***

On October 7, 2013, we completed our initial public offering (the Offering) whereby 15,333,333 shares of common stock were sold to the public. The public offering price of the shares sold in the offering was \$17.00 per share. Net proceeds from the offering, after deducting underwriting discounts and commissions and offering expenses (including a transaction fee under the Advisory Agreement (as defined herein) equal to 1% of the gross proceeds of the offering of \$2.6 million), were \$236.9 million.

***Advisory Agreement***

In connection with the purchase of the Company by Bain Capital in April of 2006, we entered into an advisory agreement with Bain Capital (the Advisory Agreement) pursuant to which Bain Capital provided management, consulting, financial and other advisory services. The Advisory Agreement had a 10-year initial term, and thereafter was subject to automatic one-year extensions unless the Company or Bain Capital provides written notice of termination, except that the agreement terminated automatically upon an initial public offering or a change of control of the Company. If the Advisory Agreement was terminated early, Bain Capital would be entitled to receive all unpaid fees and unreimbursed out-of-pocket expenses, as well as the present value of the periodic fee that would otherwise have been payable through the end of the 10-year term. The Advisory Agreement was terminated on October 2, 2013 in connection with the Offering. Pursuant to the termination, Bain Capital was paid a fee of \$10.1 million which is included in the line item *Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other* in the Company's Consolidated Statements of Operations. Prior to the termination of the Advisory Agreement, Bain Capital was paid a periodic fee of \$1.0 million per fiscal quarter plus reimbursement for reasonable out-of-pocket expenses, and a fee equal to 1% of the transaction value of certain financing, acquisition, disposition or change of control or similar transactions by or involving the Company. During Fiscal 2014, fees paid to Bain Capital, representing reimbursement for out-of-pocket expenses, amounted to \$0.2 million. During Fiscal 2013 and Fiscal 2012, fees paid to Bain Capital, primarily representing the quarterly fee, amounted to \$2.9 million, exclusive of the termination fee, and \$4.3 million, respectively. These amounts are recorded in the line item *Selling, General and Administrative Expenses* in the Company's Consolidated Statements of Operations.

***Secondary Offerings***

On May 6, 2014, we closed a secondary public offering of our common stock, in which 12,000,000 shares of common stock were sold by certain of our stockholders. In connection with the May 6, 2014 offering, the selling stockholders granted the underwriters, and the underwriters subsequently exercised, an option to purchase 1,800,000 additional shares of common stock. In addition, on October 10, 2014, December 16, 2014 and January 16, 2015, we closed secondary public offerings of our common stock in which 8,000,000 shares, 8,000,000 shares and 12,500,000 shares of common stock, respectively, were sold by certain of our stockholders. Collectively, these transactions are referred to as the Secondary Offerings. All of the shares sold in the Secondary Offerings were offered by selling stockholders. We did not receive any of the proceeds from the Secondary Offerings. We incurred \$1.8 million in costs related to the Secondary Offerings during Fiscal 2014, which are included in the line item *Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other* in our Consolidated Statements of Operations.

***Store Openings, Closings and Relocations***

During Fiscal 2014, we opened 23 new stores under the name *Burlington Stores* and one new store under the name *MJM Designer Shoes* and closed two Burlington Stores and one MJM Designer Shoes store. We continue to pursue our growth plans and invest in capital projects that meet our financial requirements. During the fiscal year ended January 30, 2016 (Fiscal 2015), we plan to open 25 net new stores.





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***Ongoing Initiatives for Fiscal 2015***

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:

**Driving Comparable Store Sales Growth.**

We intend to continue to increase comparable store sales through the following initiatives:

*Continuing to Enhance Execution of the Off-Price Model.* We plan to drive comparable store sales by focusing on product freshness to ensure that we consistently deliver newness to the selling floors. We plan to continue to reduce comparable store inventories which we believe will result in faster inventory turnover. We maintain our ability to leverage our pack-and-hold program which is designed to take advantage of terrific buys of either highly desirable branded product or key seasonal merchandise for the next year. While the amount of goods we purchase on pack-and-hold is purely based on the right opportunities in the marketplace, this continues to be a great avenue to source product. We also intend to use our business intelligence systems to identify sell-through rates by product, capitalize on strong performing categories, identify and buy into new fashion trends and opportunistically acquire products in the marketplace.

*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, with an average annual household income of \$25,000-\$75,000, by improving our product offering, store merchandising and marketing focus on women's ready-to-wear apparel and accessories to capture incremental sales from our core female customer and become a destination for her across all categories. 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.

*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. 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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*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.

*Enhancing Existing Categories and Introducing New Categories.* We have opportunities to expand the depth and breadth of certain existing categories such as ladies apparel, children's products and housewares and décor for the home, while continuing to remain the destination for coats, and maintaining the flexibility to introduce new categories such as bath and cosmetic merchandise.

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**Expanding and Enhancing Our Retail Store Base.**

We intend to expand and enhance our retail store base through the following initiatives:

*Adhering 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 25 net new stores annually and continue to do so for the foreseeable future.

*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 had positive Adjusted EBITDA for Fiscal 2014. 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 our margins. We continue to explore the potential for modified store formats to provide incremental growth.

*Enhancing the Store Experience Through Store Refreshes and Remodels.* Since 2006, 74% of our stores are either new, refreshed, remodeled or relocated. 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.

**Enhancing Operating Margins.**

We intend to increase our operating margins through the following initiatives:

*Optimize Markdowns.* We believe that our markdown system allows us to maximize sales and gross margin dollars based on forward-looking sales forecasts, sell-through targets, and exit dates. This allows us to optimize markdowns at the style and color level by store cluster.

*Enhance Purchasing Power.* We believe that our growth and West Coast buying office provide us with the opportunity to capture incremental buying opportunities and realize economies of scale in our merchandising and non-merchandising purchasing activities.

*Drive 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. Furthermore, we expect operating costs to grow less rapidly in the

future.

***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 customers' spending, there are uncertainties and challenges that we 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 global economic conditions, inflation, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, commodities pricing, income tax

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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.

An incremental slowdown in the U.S. economy, an uncertain global economic outlook or an expanded 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 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 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. If we were to experience adverse economic trends and/or if our efforts to counteract the impacts of these trends are not sufficiently effective, there could be a negative impact on our financial performance and position in future fiscal periods.

*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. 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 Burlington 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 overall challenging retail conditions have led consumers to be more value conscious. 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 with 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 any 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 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.



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***Key Performance Measures***

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

*Adjusted Net Income and Adjusted EBITDA:* Adjusted Net Income and Adjusted EBITDA are non-GAAP financial measures of our performance.

We present Adjusted Net Income and Adjusted EBITDA because we believe they are useful supplemental measures in evaluating the performance of our business and provide greater transparency into our results of operations. In particular, we believe that excluding certain items that may vary substantially in frequency and magnitude from operating income are useful supplemental measures that assist in evaluating our ability to generate earnings and leverage sales and to more readily compare these metrics between past and future periods.

Adjusted Net Income has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for Net Income (Loss) or other data prepared in accordance with GAAP. Some of these limitations include:

Adjusted Net Income does not reflect the amortization of net favorable leases which are amortized over the life of the lease;

Adjusted Net Income does not reflect costs related to debt amendments or Secondary Offerings that were expensed during the fiscal periods;

Adjusted Net Income does not reflect expenses related to our May 2013 stock option modification;

Adjusted Net Income does not reflect losses on the extinguishment of debt;

Adjusted Net Income does not reflect impairment charges on long-lived assets;

Adjusted Net Income does not reflect amounts charged during the fourth quarter of Fiscal 2014 for Song Beverly litigation;

Adjusted Net Income does not reflect other unusual, non-recurring or extraordinary expenses, losses or charges; and

Adjusted Net Income does not reflect costs related to the termination of our Advisory Agreement with Bain Capital or the annual advisory fees paid to Bain Capital pursuant to the Advisory Agreement that were expensed during the fiscal periods.

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For Fiscal 2014, Adjusted Net Income improved \$68.3 million, or 97.3%, to \$138.6 million. This improvement was the result of our improved gross margin and a reduction in our interest expense, partially offset by increased costs, primarily selling, general and administrative expenses and income tax expense, net of the tax effect of the adjustments cited above (refer to the sections below entitled Results of Operations for further explanation).

For Fiscal 2013, Adjusted Net Income improved \$10.7 million, or 17.9%, to \$70.2 million. This improvement was the result of our improved gross margin, partially offset by increased costs, primarily selling, general and administrative expenses, interest expense and income tax expense, net of the tax effect of the adjustments cited above (refer to the sections below entitled Results of Operations for further explanation).



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The following table shows our reconciliation of Net Income to Adjusted Net Income for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

	<b>Fiscal Year Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
<b>(in thousands)</b>			
<b>Reconciliation of Net Income to Adjusted Net Income:</b>			
Net Income	\$ 65,955	\$ 16,150	\$ 25,301
Net Favorable Lease Amortization(a)	25,960	29,326	31,292
Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other(b)	2,412	23,026	4,175
Stock Option Modification Expense(c)	2,940	10,418	
Loss on Extinguishment of Debt(d)	74,347	16,094	2,222
Impairment Charges(e)	2,579	3,180	11,539
Advisory Fees(f)	185	2,909	4,291
Litigation Accrual(g)	9,280		
Tax Effect(h)	(45,081)	(30,864)	(19,231)
<b>Adjusted Net Income</b>	<b>\$ 138,577</b>	<b>\$ 70,239</b>	<b>\$ 59,589</b>

- (a) Net favorable lease amortization represents the non-cash amortization expense associated with favorable and unfavorable leases that were recorded as a result of purchase accounting related to the Merger Transaction, and are recorded in the line item Depreciation and Amortization in our Consolidated Statements of Operations.
- (b) Costs are primarily related to advisory and professional fees associated with Amendments No. 2 and No. 3 to our Term Loan Credit Agreement in February 2013 and May 2013, respectively, as well as fees associated with the termination of our Advisory Agreement with Bain Capital and costs associated with Secondary Offerings during Fiscal 2014.
- (c) Represents expenses incurred as a result of our May 2013 stock option modification. Refer to Note 12 to our Consolidated Financial Statements, Stock-Based Compensation, for further detail.
- (d) Represents losses incurred in accordance with ASC Topic No. 470-50, Debt Modifications and Extinguishments (Topic No. 470), related to Amendment No. 3 to our Term Loan Credit Agreement in May 2013, and losses incurred in accordance with ASC Topic No. 405-20, Extinguishments of Liabilities (Topic No. 405), related to the partial redemptions of our Holdco Notes in November 2013 and April 2014, our April 2014 and January 2015 excess cash flow payments on our Senior Secured Term Loan Facility and our August 2014 debt refinancing.
- (e) Represents impairment charges on long-lived assets.
- (f) For Fiscal 2014, amounts represent reimbursement for out-of-pocket expenses that are payable to Bain Capital. For Fiscal 2013 and Fiscal 2012, amounts primarily represent the annual advisory fee of Bain Capital expensed during the fiscal periods in connection with our Advisory Agreement with Bain Capital which was terminated on October 2, 2013. All amounts are recorded in the line item Selling, General and Administrative Expenses in our Consolidated Statements of Operations. Refer to Note 18 to our Consolidated Financial Statements, Related Party

Transactions, for further detail.

- (g) Represents amounts charged during the fourth quarter of Fiscal 2014 for Song Beverly litigation as further described in Footnote 17, Commitments and Contingencies.
- (h) Tax effect is calculated based on the effective tax rates (before discrete items) for the respective periods, adjusted for the tax effect for the tax impact of items (a) through (g).

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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. Some of these limitations include:

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 losses on the extinguishment of debt;

Adjusted EBITDA does not reflect costs related to debt amendments, Secondary Offerings or fees related to the termination of our Advisory Agreement with Bain Capital that were expensed during the fiscal periods;

Adjusted EBITDA does not reflect expenses related to our May 2013 stock option modification;

Adjusted EBITDA does not reflect annual advisory fees paid to Bain Capital that were expensed during the fiscal periods.

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;

Adjusted EBITDA does not reflect impairment charges on long-lived assets;

Adjusted EBITDA does not reflect amounts charged during the fourth quarter of Fiscal 2014 for Song Beverly litigation;

Adjusted EBITDA does not reflect other unusual, non-recurring or extraordinary expenses, losses or charges; and

Adjusted EBITDA does not reflect our income tax expense or the cash requirements to pay our taxes. For Fiscal 2014, Adjusted EBITDA increased \$64.4 million, or 16.8%, to \$448.1 million. For Fiscal 2013, Adjusted EBITDA increased \$51.7 million, or 15.6%, to \$383.7 million. These improvements in Adjusted EBITDA were the result of our improved gross margin, partially offset by increased selling, general and administrative expenses (refer to the sections below entitled Results of Operations for further explanation).

The following table shows our reconciliation of Net Income to Adjusted EBITDA for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

	<b>Fiscal Year Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
<b>(in thousands)</b>			
<b>Reconciliation of Net Income to Adjusted EBITDA:</b>			
Net Income	\$ 65,955	\$ 16,150	\$ 25,301
Interest Expense	83,745	127,739	113,927
Interest Income	(38)	(222)	(141)
Loss on Extinguishment of Debt(a)	74,347	16,094	2,222
Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other(b)	2,412	23,026	4,175
Stock Option Modification Expense(c)	2,940	10,418	
Advisory Fees(d)	185	2,909	4,291
Depreciation and Amortization	167,580	168,195	166,786
Impairment Charges(e)	2,579	3,180	11,539
Litigation Accrual(f)	9,280		
Tax Expense	39,081	16,208	3,864
<b>Adjusted EBITDA</b>	<b>\$ 448,066</b>	<b>\$ 383,697</b>	<b>\$ 331,964</b>

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- (a) Represents losses incurred in accordance with Topic No. 470 related to Amendment No. 3 to our Term Loan Credit Agreement in May 2013, and losses incurred in accordance with Topic No. 405, related to the partial redemptions of our Holdco Notes in November 2013 and April 2014, our April 2014 and January 2015 excess cash flow payments on our Senior Secured Term Loan Facility and our August 2014 debt refinancing.
- (b) Costs are primarily related to advisory and professional fees associated with Amendments No. 2 and No. 3 to our Term Loan Credit Agreement in February 2013 and May 2013, respectively, fees associated with the termination of our Advisory Agreement with Bain Capital and costs associated with Secondary Offerings during Fiscal 2014.
- (c) Represents expenses incurred as a result of our May 2013 stock option modification. Refer to Note 12 to our Consolidated Financial Statements, *Stock-Based Compensation*, for further detail.
- (d) For Fiscal 2014, amounts represent reimbursement for out-of-pocket expenses that are payable to Bain Capital. For Fiscal 2013 and Fiscal 2012, amounts primarily represent the annual advisory fee of Bain Capital expensed during the fiscal periods in connection with our Advisory Agreement with Bain Capital which was terminated on October 2, 2013. All amounts are recorded in the line item *Selling, General and Administrative Expenses* in our Consolidated Statements of Operations. Refer to Note 18 to our Consolidated Financial Statements, *Related Party Transactions*, for further detail.
- (e) Represents impairment charges on long-lived assets.
- (f) Represents amounts charged during the fourth quarter of Fiscal 2014 for Song Beverly litigation as further described in Footnote 17, *Commitments and Contingencies*.

*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 our online store, 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. For Fiscal 2014, Fiscal 2013 and Fiscal 2012, we experienced increases in comparable store sales of 4.9%, 4.7% and 1.2%, respectively. 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.

*Gross Margin.* 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, and other costs, in cost of sales. We include certain of these costs in the line items *Selling, General and Administrative Expenses* and *Depreciation and Amortization* in our Consolidated Statements of Operations. We include in our *Cost of Sales* line item all costs of merchandise (net of purchase discounts and certain vendor allowances), inbound freight, distribution center outbound freight and certain merchandise acquisition costs, primarily commissions and import fees. Gross margin as a percentage of net sales during Fiscal 2014 and Fiscal 2013 was 39.7% and 39.1%, respectively. This improvement more than offset the 40 basis point increase in our product sourcing costs which are included in the line item *Selling, General and Administrative Expenses* in our Consolidated Statements of Operations. Gross margin as a percentage of net sales during Fiscal 2012 was 38.8%.



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*Inventory.* Inventory at January 31, 2015 increased \$68.6 million to \$788.7 million from \$720.1 million at February 1, 2014. This increase was primarily driven by our 21 net new stores opened during Fiscal 2014 as well as increased pack and hold inventory. These increases were partially offset by a decrease in average inventory per comparable store of 17.8% as a result of our ongoing initiative to reduce inventory levels, increase inventory turnover and ultimately drive sales.

In order to better serve our customers and maximize sales, we continue to refine our merchandising mix and inventory levels within our stores. By appropriately managing our inventories, 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.

Comparable store 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 usually the longer the inventory is owned, the more likely markdowns may be required to sell the inventory. Comparable store inventory turnover is calculated by dividing comparable store sales by the average comparable store retail value of inventory for the period being measured. The calculation is based on a rolling 13 month average of inventory and the last 12 months comparable sales. Our comparable store inventory turnover rate (exclusive of warehouse inventory) increased to 4.9 turns per year during Fiscal 2014 compared with 4.0 turns per year during Fiscal 2013.

*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 related to corporate and warehouse employees. During the first quarter of Fiscal 2014, we changed our definition of store payroll to exclude payroll associated with our loss prevention team. These costs are now included in our product sourcing costs which are included in the line item *Selling, General and Administrative Expenses* in our Consolidated Statements of Operations. This change aligns our external reporting of store payroll with how the metric is reviewed internally by senior management. Under the current definition, store payroll as a percentage of net sales was 8.8% during Fiscal 2014 compared with 9.1% during Fiscal 2013 and 9.7% during Fiscal 2012. Under the previous definition, store payroll as a percentage of net sales was 9.2% during Fiscal 2014 compared with 9.5% during Fiscal 2013 and 10.2% during Fiscal 2012. The improvement in store payroll as a percentage of net sales was primarily driven by the benefit from efficiencies realized in our stores as we continue to simplify operating procedures and improve the execution within store operations.

*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 or used in operating, financing, and investing activities. Cash and cash equivalents decreased \$107.6 million during Fiscal 2014, resulting in a cash and cash equivalent balance of \$25.3 million as of January 31, 2015 compared with an increase in cash and cash equivalents of \$89.6 million during Fiscal 2013. The decrease in cash flows from Fiscal 2013 was driven by the net change in our debt obligations during Fiscal 2014 primarily related to our August 2014 refinancing transactions and an increase in our capital expenditures. These decreases in cash flows were partially offset by a reduction in our dividends paid and our improved operating results during Fiscal 2014. Refer to the section below entitled *Liquidity and Capital Resources* for further explanation.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. Working capital at January 31, 2015 decreased \$54.0 million to \$26.6 million from \$80.6 million at February 1, 2014. The decrease in working capital was primarily attributable to a decrease in our cash and cash equivalents as discussed above, an increase on our accounts payable resulting from the timing of our

inventory purchases and our 21 net new stores opened during Fiscal 2014 and an increase in



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our legal accruals, partially offset by an increase in our inventories as discussed above and the \$58.0 million redemption of our Holdco Notes on April 4, 2014. Refer to the sections below entitled Results of Operations for further explanations.

**Results of Operations**

The following table sets forth certain items in the Consolidated Statements of Operations as a percentage of net sales for the periods indicated.

	<b>Fiscal Year Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
<b>Revenues:</b>			
Net Sales	100.0%	100.0%	100.0%
Other Revenue	0.7	0.8	0.8
 Total Revenue	 100.7	 100.8	 100.8
<b>Costs and Expenses:</b>			
Cost of Sales	60.3	60.9	61.2
Selling, General and Administrative Expenses	31.6	31.4	31.8
Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other		0.5	0.1
Stock Option Modification Expense	0.1	0.2	
Restructuring and Separation Costs		0.1	0.1
Depreciation and Amortization	3.4	3.8	4.0
Impairment Charges Long-Lived Assets	0.1	0.1	0.3
Other Income, Net	(0.2)	(0.2)	(0.2)
Loss on Extinguishment of Debt	1.5	0.3	0.1
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Contracts)	1.7	2.9	2.8
 Total Costs and Expenses	 98.5	 100.0	 100.2
 Income Before Income Tax Expense	 2.2	 0.8	 0.6
Income Tax Expense	0.8	0.4	0.1
 Net Income	 1.4%	 0.4%	 0.5%

***Performance for Fiscal Year (52 weeks) Ended January 31, 2015 Compared with Fiscal Year (52 weeks) Ended February 1, 2014***

*Net Sales*

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We experienced an increase in net sales for Fiscal 2014 of \$387.0 million, or 8.7%, to \$4,814.5 million. This increase was primarily attributable to the following:

an increase in comparable store sales of \$215.0 million, or 4.9%, to \$4,569.0 million; and

an increase of \$185.2 million from new stores opened during Fiscal 2014 and stores previously opened that were not included in our comparable store sales; partially offset by

a \$13.2 million decrease related to the net impact of closed stores and other sales adjustments.

We believe that the comparable store sales increase was primarily due to our improved merchandise content and customer experience initiatives.

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Other revenue (consisting of rental income from leased departments, subleased rental income, layaway, alterations, other service charges and miscellaneous revenue items) increased \$0.6 million to \$35.1 million for Fiscal 2014 compared with \$34.5 million for Fiscal 2013, driven by increased layaway sales volume.

*Cost of Sales*

Cost of sales as a percentage of net sales improved approximately 60 basis points during Fiscal 2014 driven by improved execution. This improvement was partially offset by an approximate 40 basis point increase in product sourcing costs, which are included in the line item *Selling, General and Administrative Expenses* in our Consolidated Statements of Operations. On a dollar basis, cost of sales increased \$204.9 million, or 7.6%, during Fiscal 2014, primarily driven by our overall increase in sales.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses as a percentage of net sales increased to 31.6% during Fiscal 2014 driven by an increase in product sourcing costs, higher incentive compensation accruals and deterioration as a result of a legal accrual established during Fiscal 2014. These increases were partially offset by positive leverage achieved from comparable store sales and from store payroll initiatives executed during Fiscal 2014.

During Fiscal 2014, we changed the presentation of the amounts included within selling, general and administrative expenses in order to align our external reporting of these costs with how they are reviewed by senior management. Prior year amounts have been reclassified to conform to the current period presentation. Selling, general and administrative expenses are summarized in the table below:

	January 31, 2015		Fiscal Year Ended February 1, 2014		\$ Variance	% Change
	Percentage of Net Sales	Percentage of Net Sales	Percentage of Net Sales	Percentage of Net Sales		
	(in millions, except percentages)					
Store Related Costs	\$ 1,005.4	20.9%	\$ 940.3	21.2%	\$ 65.1	6.9%
Product Sourcing Costs	204.1	4.2	168.1	3.8	36.0	21.4
Corporate Costs	158.3	3.3	132.0	3.0	26.3	19.9
Marketing and Strategy Costs	94.7	2.0	93.0	2.1	1.7	1.8
Other Selling, General and Administrative Expenses	58.4	1.2	58.4	1.3		
Selling, General & Administrative Expenses	\$ 1,520.9	31.6%	\$ 1,391.8	31.4%	\$ 129.1	9.3%

Store related costs as a percentage of net sales improved approximately 30 basis points during Fiscal 2014. This improvement was driven by positive leverage from our 4.9% increase in comparable store sales and reductions in store payroll of approximately 30 basis points driven by initiatives executed during Fiscal 2014.

On a dollar basis, the \$65.1 million increase in store related costs was primarily driven by our 21 net new stores that have opened during Fiscal 2014 as well as stores that opened during Fiscal 2014 that did not operate for a full Fiscal

2013.

Product sourcing costs as a percentage of net sales increased approximately 40 basis points during Fiscal 2014. The increase in product sourcing costs as a percentage of net sales was driven by an increase in our supply chain and merchandising costs, inclusive of incentive compensation accruals, of approximately \$35.3 million.

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Corporate costs as a percentage of net sales increased approximately 30 basis points during Fiscal 2014 driven by an increase in our legal accrual of approximately 20 basis points, or \$12.0 million on a dollar basis, for Song Beverly litigation as further described in Footnote 17, Commitments and Contingencies, and an increase in our incentive compensation accruals of approximately 10 basis points, or \$8.5 million on a dollar basis, as a result of our operating results during Fiscal 2014 compared with Fiscal 2013.

### *Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other*

During Fiscal 2014, costs related to debt amendments, Secondary Offerings, termination of Advisory Agreement and other totaled \$2.4 million, primarily driven by \$1.8 million of costs associated with the Secondary Offerings. Refer to Note 1 to our Consolidated Financial Statements, Summary of Significant Accounting Policies, for further details on our Secondary Offerings.

During Fiscal 2013, costs related to debt amendments, Secondary Offerings, termination of Advisory Agreement and other totaled \$23.0 million, primarily related to \$10.1 million of fees associated with the termination of our Advisory Agreement with Bain Capital, and \$8.9 million and \$2.6 million related to Amendments No. 2 and No. 3 to our Term Loan Credit Agreement in February 2013 and May 2013, respectively. Refer to Note 7, Long Term Debt, to our Consolidated Financial Statements further details on our amendments to our Term Loan Credit Agreement and Note 18, Related Party Transactions, to our Consolidated Financial Statements for further details on the termination of our Advisory Agreement with Bain Capital.

### *Stock Option Modification Expense*

In May 2013, our Board of Directors, in order to mitigate the impact of the dividend on our option holders in connection with the issuance of the Holdco Notes and the related \$336.0 million dividend in February 2013, approved a modification to the outstanding options, through a combination of exercise price reductions and cash payments to the option holders. Based on the terms of the modification, we will be required to make cash payments over the option holders' vesting periods, which vary over the next three years. During Fiscal 2014, we recorded \$0.6 million of expense related to these payments. We expect to recognize the remaining expense of \$0.3 million, \$0.1 million and less than \$0.1 million during the fiscal years ended January 30, 2016, January 28, 2017 and February 3, 2018, respectively.

Additionally, upon application of modification accounting for the reduction in strike prices, which contemplates fair value of awards both before and after the modification, incremental non-cash stock option expense is expected to be recognized over the option holders' vesting periods, which vary over the next three years. During Fiscal 2014, we recognized \$2.3 million of incremental non-cash stock option expense. We expect to recognize the remaining non-cash stock option modification expense of \$1.4 million, \$0.7 million and \$0.2 million during the fiscal years ended January 30, 2016, January 28, 2017 and February 3, 2018, respectively.

### *Depreciation and Amortization*

Depreciation and amortization expense related to the depreciation and amortization of fixed assets and the amortization of favorable and unfavorable leases amounted to \$167.6 million during Fiscal 2014 compared with \$168.2 million during Fiscal 2013. The decrease in depreciation and amortization expense was primarily driven by the expiration dates of certain of our favorable leases, partially offset by our 21 net new stores that opened during Fiscal 2014.

### *Impairment Charges Long-Lived Assets*

Impairment charges related to long-lived assets were \$2.6 million and \$3.2 million during Fiscal 2014 and Fiscal 2013, respectively. We recorded impairment charges related to store-level assets for three stores during

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Fiscal 2014 and seven stores during Fiscal 2013. During Fiscal 2014 and Fiscal 2013, we also recorded impairment charges for capital expenditures for previously impaired stores. Refer to Note 6 to our Consolidated Financial Statements, *Impairment Charges*, 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) increased \$1.8 million to \$10.8 million during Fiscal 2014 compared with Fiscal 2013. The increase in other income was due to a \$3.2 million settlement during Fiscal 2014 of a class action lawsuit relating to credit card interchange fees, partially offset by a decrease in breakage income as a result of a change in the redemption patterns of gift card usage. Refer to Note 1 to our Consolidated Financial Statements, *Summary of Significant Accounting Policies*, for further discussion.

### *Loss on Extinguishment of Debt*

During Fiscal 2014, we recorded a loss on extinguishment of debt of \$74.3 million, primarily driven by a \$70.3 million loss as a result of our August 2014 refinancing transactions and a \$3.6 million loss as a result of the April 4, 2014 partial redemption of our Holdco Notes. During Fiscal 2013, we recorded a loss on extinguishment of debt of \$16.1 million, primarily driven by our November 2013 and January 2014 partial repayments on our Holdco Notes and Amendment No. 3 to our Term Loan Credit Agreement in May 2013. Refer to Note 7, *Long Term Debt*, to our Consolidated Financial Statements for further details on our debt transactions.

### *Interest Expense*

Interest expense was \$83.7 million for Fiscal 2014 compared with \$127.7 million for Fiscal 2013. The \$44.0 million decrease in interest expense was primarily driven by our principal repayments during Fiscal 2013 and Fiscal 2014 and our August 2014 debt refinancing where we replaced our higher-interest rate Senior Notes and Holdco Notes with lower-interest rate Term B-3 Loans. The decrease in our interest expense during Fiscal 2014 was driven by the following:

a decrease of \$21.8 million as a result of the \$221.8 million, \$58.0 million and \$70.2 million redemptions of our Holdco Notes in November 2013, April 2014 and August 2014, respectively;

a decrease of \$20.9 million as a result of the \$450.0 million redemption of our Senior Notes in August 2014; and

a decrease of \$3.5 million in amortization of deferred debt fees related to the redemptions described above; partially offset by

an increase of \$2.2 million related to our Term Loan Facility as a result of August 2014 refinancing which increased the principal balance outstanding on our Term Loan Facility from \$830.6 million to \$1,200.0 million.



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Our average interest rates and average balances related to our Term Loan and our ABL Line of Credit for Fiscal 2014 compared with Fiscal 2013 are summarized in the table below:

		<b>Fiscal Year Ended</b>	
		<b>January 31,</b>	<b>February 1, 2014</b>
		<b>2015</b>	
Average Interest Rate	ABL Line of Credit	1.8%	2.1%
Average Interest Rate	Term Loan	4.3%	4.6%
Average Balance	ABL Line of Credit	\$ 87.7 million	\$ 35.4 million
Average Balance	Term Loan	\$ 1,004.2 million	\$ 869.2 million

*Income Tax Expense*

Income tax expense was \$39.1 million for Fiscal 2014 compared with income tax expense of \$16.2 million for Fiscal 2013. The effective tax rate was 37.2% related to pre-tax income of \$105.0 million for Fiscal 2014, and the effective tax rate was 50.1% related to pre-tax income of \$32.4 million for Fiscal 2013. The decrease in the effective tax rate for Fiscal 2014 was primarily due to the benefit of state credits relating to our new corporate headquarters of \$2.5 million and a non-recurring expense of \$2.7 million in the prior year relating to the write-off of deferred tax assets relating to stock compensation. Refer to Note 17 to our Consolidated Financial Statements, *Income Taxes*, for further discussion.

*Net Income*

We earned net income of \$66.0 million during Fiscal 2014 compared with net income of \$16.2 million for Fiscal 2013. The increase in our net income position was primarily driven by our improved gross margin, partially offset by increased selling, general and administrative expenses.

***Performance for Fiscal Year (52 weeks) Ended February 1, 2014 Compared with Fiscal Year (53 weeks) Ended February 2, 2013****Net Sales*

We experienced an increase in net sales for Fiscal 2013 compared with Fiscal 2012. Consolidated net sales increased \$296.1 million, or 7.2%, to \$4,427.5 million for Fiscal 2013 from \$4,131.4 million for Fiscal 2012. This increase was primarily attributable to:

an increase in net sales of \$187.2 million from new stores opened during Fiscal 2013 and stores previously opened that were not included in our comparable store sales; and

an increase in comparable store sales of \$185.8 million, or 4.7%, to \$4,155.3 million, on a shifted basis; partially offset by

a \$76.9 million net decrease related to net sales as a result of the 53rd week of Fiscal 2012, closed stores and other sales adjustments.

We believe that the comparable store sales increase was primarily due to our improved merchandise content and customer experience initiatives.

*Other Revenue*

Other revenue increased \$0.4 million to \$34.5 million for Fiscal 2013 compared with \$34.1 million for Fiscal 2012. This increase was primarily related to an increase in service fees on layaway sales.

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Cost of sales increased \$165.8 million, or 6.6%, for Fiscal 2013 compared with Fiscal 2012 primarily driven by our overall increase in sales. Cost of sales as a percentage of net sales improved to 60.9% during Fiscal 2013 compared with 61.2% during Fiscal 2012. The improvement was driven by improved merchandising execution, due to buying more goods opportunistically in season and a lower shrink expense. However, costs to process goods through our supply chain and buying costs, which are included in the line item Selling, General and Administrative Expenses in our Consolidated Statements of Operations, also increased by a similar rate.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses as a percentage of net sales improved approximately 40 basis points during Fiscal 2013, driven by our 4.7% increase in comparable store sales and our improved execution related to store and marketing expenses. Partially offsetting these improvements was an increase in product sourcing costs and increased incentive compensation accruals associated with our improved operating results during Fiscal 2013 compared with Fiscal 2012.

During Fiscal 2014, we changed the presentation of the amounts included within selling, general and administrative expenses in order to align our external reporting of these costs with how they are reviewed by senior management. Prior year amounts have been reclassified to conform to the current period presentation. Selling, general and administrative expenses are summarized in the table below:

	February 1, 2014		February 2, 2013		\$ Variance	% Change
	Percentage of Net Sales	Percentage of Net Sales	Percentage of Net Sales	Percentage of Net Sales		
	(in millions, except percentages)					
Store Related Costs	\$ 940.3	21.2%	\$ 913.1	22.1%	\$ 27.2	3.0%
Product Sourcing Costs	168.1	3.8	145.1	3.5	23.0	15.9
Corporate Costs	132.0	3.0	108.2	2.6	23.8	22.0
Marketing and Strategy Costs	93.0	2.1	92.6	2.3	0.4	0.4
Other Selling, General and Administrative Expenses	58.4	1.3	53.7	1.3	4.7	8.8
Selling, General & Administrative Expenses	\$ 1,391.8	31.4%	\$ 1,312.7	31.8%	\$ 79.1	6.0%

Store related costs as a percentage of net sales improved approximately 90 basis points during Fiscal 2013. This improvement was primarily driven by reductions in store payroll of approximately 60 basis points and improved leverage in occupancy of approximately 20 basis points, primarily driven by our 4.7% increase in comparable store sales and our improved execution in store payroll.

On a dollar basis, the \$27.2 million increase in store related costs was primarily driven by the 21 net new stores that opened during Fiscal 2013 as well as stores that opened during Fiscal 2013 that did not operate for a full Fiscal 2012 and an increase in our incentive compensation accruals as a result of our operating results during Fiscal 2013 compared with Fiscal 2012.

Product sourcing costs as a percentage of net sales increased approximately 30 basis points during Fiscal 2013, which offset the improvement in cost of sales as noted above. The increase in product sourcing costs as a percentage of net sales was primarily driven by an increase in our supply chain costs of \$16.6 million.

Corporate costs as a percentage of net sales increased approximately 40 basis points during Fiscal 2013 driven by an increase in our incentive compensation accruals of approximately 30 basis points as a result of our operating results during Fiscal 2013 compared with Fiscal 2012.

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On a dollar basis, the increase in corporate costs was primarily driven by a \$12.2 million increase in our incentive compensation accruals as previously discussed, a \$4.0 million increase in business insurance attributable to our general business expansion and a \$2.4 million legal accrual reversal during Fiscal 2012 which did not repeat during Fiscal 2013.

### *Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other*

Costs related to debt amendments, Secondary Offerings, termination of Advisory Agreement and other increased \$18.8 million to \$23.0 million during Fiscal 2013 from \$4.2 million during Fiscal 2012, primarily related to \$10.1 million of fees associated with the termination of our Advisory Agreement with Bain Capital and \$8.6 million of fees paid to Bain Capital related to Amendment No. 2 to the Term Loan Credit Agreement. Refer to Note 18 to our Consolidated Financial Statements, Related Party Transactions, for further details on the termination of our Advisory Agreement and Note 7 to our Consolidated Financial Statements, Long Term Debt, for further details on our amendments to our Term Loan Credit Agreement.

### *Stock Option Modification Expense*

In May 2013, our Board of Directors, in order to mitigate the impact of the dividend on our option holders in connection with the issuance of the Holdco Notes and the related \$336.0 million dividend in February 2013, approved a modification to the outstanding options, through a combination of exercise price reductions and cash payments to the option holders. Based on the terms of the modification, we will be required to make cash payments over the option holders' vesting periods, which vary over the next four years. During Fiscal 2013, we recorded \$4.3 million of expense related to these payments.

Additionally, upon application of modification accounting for the reduction in strike prices, which contemplates fair value of awards both before and after the modification, incremental non-cash stock option expense is expected to be recognized over the option holders' vesting periods, which vary over the next four years. During Fiscal 2013, we recognized \$6.1 million of incremental non-cash stock option expense.

### *Restructuring and Separation Costs*

Restructuring and separation costs totaled \$2.2 million during Fiscal 2013 compared with \$3.0 million during Fiscal 2012. During Fiscal 2013, in an effort to improve workflow efficiencies and realign certain responsibilities, we effected a reorganization of certain positions within our stores and corporate locations. As a result of the reorganization, we incurred a charge of \$2.2 million.

### *Impairment Charges Long-Lived Assets*

Impairment charges related to long-lived assets were \$3.2 million and \$11.5 million during Fiscal 2013 and Fiscal 2012, respectively. Our annual impairment analysis resulted in the impairment of store-level assets related to seven stores in Fiscal 2013 and 12 stores in Fiscal 2012 due to the decline in the operating performance of those stores. During Fiscal 2013 and Fiscal 2012, we also recorded impairment charges for capital expenditures for previously impaired stores. Refer to Note 7 to our Consolidated Financial Statements, Impairment Charges, 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.

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### *Other Income, Net*

Other income, net increased \$0.8 million to \$8.9 million during Fiscal 2013 compared with Fiscal 2012. The increase in other income during Fiscal 2013 compared with Fiscal 2012 was primarily related to an increase in breakage income as a result of a change in the redemption patterns of gift card usage. Refer to Note 1 to our Consolidated Financial Statements, Summary of Significant Accounting Policies, for further discussion.

### *Depreciation and Amortization*

Depreciation and amortization expense related to the depreciation and amortization of fixed assets and the amortization of favorable and unfavorable leases amounted to \$168.2 million during Fiscal 2013 compared with \$166.8 million during Fiscal 2012. The increase in depreciation and amortization expense was primarily driven by 21 net new stores that were opened during Fiscal 2013.

### *Loss on Extinguishment of Debt*

As discussed above under the caption Debt Refinancing, on November 7, 2013, we redeemed \$221.8 million aggregate principal amount of the Holdco Notes. In addition, in January 2014, we elected to make a prepayment of \$30.0 million on our Holdco Notes, which offset the mandatory quarterly payments through the maturity date. In May of 2013, we entered into Amendment No. 3 to the Term Loan Credit Agreement. In connection with these transactions, we recognized losses on the extinguishment of debt of \$14.7 million, \$0.8 million and \$0.6 million, respectively, which are recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations for the year ended February 1, 2014.

In May of 2012, we entered into Amendment No. 1 to the Term Loan Credit Agreement. As a result of this transaction and in accordance with Topic 470, we recognized a non-cash loss on the extinguishment of debt of \$2.2 million during Fiscal 2012.

### *Interest Expense*

Interest expense was \$127.7 million for Fiscal 2013 compared with \$113.9 million for Fiscal 2012. The \$13.8 million increase in interest expense was driven by the following:

an increase of \$26.3 million and \$1.9 million of interest expense and amortization of deferred debt fees, respectively, related to the Holdco Notes;

an increase in amortization of deferred debt fees of \$1.8 million, primarily driven by increased deferred debt as a result of the refinancing of our Term Loan; partially offset by

a decrease in interest expense of \$15.4 million related to our Term Loan as a result of Amendment No. 3 to our Term Loan Credit Agreement which reduced the interest rates associated with the Term Loan.

Our average interest rates and average balances related to our Term Loan and our ABL Line of Credit for Fiscal 2013 compared with Fiscal 2012 are summarized in the table below:

		<b>Fiscal Year Ended</b>	
		<b>February 1, 2014</b>	<b>February 2, 2013</b>
Average Interest Rate	ABL Line of Credit	2.1%	2.1%
Average Interest Rate	Term Loan	4.6%	5.7%
Average Balance	ABL Line of Credit	\$ 35.4 million	34.5 million
Average Balance	Term Loan	\$ 869.2 million	945.3 million



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### *Income Tax Expense*

Income tax expense was \$16.2 million for Fiscal 2013 compared with income tax expense of \$3.9 million for Fiscal 2012. The effective tax rate was 50.1% related to pre-tax income of \$32.4 million for Fiscal 2013, and the effective tax rate was 13.3% related to pre-tax income of \$29.2 million for Fiscal 2012. The increase in the effective tax rate for Fiscal 2013 was primarily due to a reversal of uncertain tax positions in Fiscal 2012, higher state tax credits recorded in Fiscal 2012 and the write off of deferred tax assets relating to vested stock options exercised during Fiscal 2013. Refer to Note 15 to our Consolidated Financial Statements, *Income Taxes*, for further discussion.

### *Net Income*

We recorded net income of \$16.2 million during Fiscal 2013 compared with net income of \$25.3 million for Fiscal 2012. The decrease in our net income position was primarily driven by increases in our costs related to debt amendments and fees related to the termination of our Advisory Agreement with Bain Capital, losses on the extinguishment of debt, interest expense, income tax expense and stock option modification expense, partially offset by our improved operating results.

## **Liquidity and Capital Resources**

Our ability to satisfy 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 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. We believe that cash generated from operations, along with our existing cash and our ABL Line of 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.

### ***Cash Flows***

#### *Cash Flows for Fiscal 2014 Compared with Fiscal 2013*

Net cash provided by operating activities amounted to \$302.3 million and \$289.4 million during Fiscal 2014 and Fiscal 2013, respectively. The increase was primarily driven by our improved operating results, partially offset by changes in our working capital.

Net cash used in investing activities was \$216.5 million and \$164.8 million during Fiscal 2014 and Fiscal 2013, respectively. This change was the result of an increase in capital expenditures, primarily related to the construction of our new corporate headquarters and store expenditures (refer to the section below entitled *Capital Expenditures* for further details).

Net cash used in financing activities was \$193.5 million during Fiscal 2014 compared with \$34.9 million during Fiscal 2013. This decrease in cash was primarily related to the following:

a \$450.0 million decrease related to the repayment of our Senior Notes during Fiscal 2014;

a \$249.4 million decrease related to net repayments on our Holdco Notes (\$128.2 million of repayments during Fiscal 2014 compared with \$121.2 million of net proceeds during Fiscal 2013); and

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a \$236.9 million decrease related to the change in net proceeds from the Offering (zero net proceeds during Fiscal 2014 compared with \$236.9 million net proceeds during Fiscal 2013); partially offset by

a \$363.0 million increase related to net borrowings on our Term Loan Facility (\$326.5 million net borrowings on our Term Loan Facility during Fiscal 2014 compared with \$36.5 million repayments during Fiscal 2013);

a \$336.0 million decrease in dividends paid (zero dividends paid during Fiscal 2014 compared with \$336.0 million of dividends paid during Fiscal 2013);

a \$63.3 million increase in borrowings on our ABL Line of Credit (\$63.3 million of net proceeds during Fiscal 2014 compared with proceeds equaling borrowings during Fiscal 2013);

a \$15.5 million increase related to our excess tax benefit from stock based compensation during Fiscal 2014; and

an \$8.4 million decrease in deferred financing costs (\$13.7 million during Fiscal 2014 compared with \$22.1 million during Fiscal 2013).

Cash flow and working capital levels assist management in measuring our ability to meet our cash requirements. Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. Working capital at January 31, 2015 decreased \$54.0 million to \$26.6 million from \$80.6 million at February 1, 2014. The decrease in working capital was primarily attributable to a decrease in our cash and cash equivalents as discussed above, an increase on our accounts payable resulting from the timing of our inventory purchases and our 21 net new stores opened during Fiscal 2014 and an increase in our legal accruals, partially offset by an increase in our inventories as discussed above and the \$58.0 million redemption of our Holdco Notes on April 4, 2014.

*Cash Flows for Fiscal 2013 Compared with Fiscal 2012*

We generated \$89.6 million of net cash flow for Fiscal 2013 and \$7.7 million for Fiscal 2012. Net cash provided by operating activities amounted to \$289.4 million and \$452.5 million for Fiscal 2013 and Fiscal 2012, respectively. The decrease 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 decrease in net cash provided by operating activities was the \$9.2 million decrease in net income during Fiscal 2013 compared with Fiscal 2012.

Net cash used in investing activities was \$164.8 million and \$165.8 million during Fiscal 2013 and Fiscal 2012, respectively, and consists primarily of capital expenditures (refer to the sections below entitled "Capital Expenditures for further explanation).

Net cash used in financing activities decreased \$244.1 million during Fiscal 2013 compared with Fiscal 2012. This decrease was primarily related to the following:

net proceeds of \$236.9 million related to our initial public offering;

a \$190.0 million decrease in net repayments on our ABL from Fiscal 2012 to Fiscal 2013 (\$190.0 million of net repayments in Fiscal 2012 compared with borrowings being equal to repayments in Fiscal 2013);

net proceeds of \$121.2 million from our Holdco Notes representing \$343.0 million of proceeds offset by principal repayments of \$221.8 million;

a \$52.3 million decrease in net repayments on our Term Loan from Fiscal 2012 to Fiscal 2013 (\$88.8 million of net repayments in Fiscal 2012 compared with \$36.5 million net repayments in Fiscal 2013); partially offset by

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a \$334.3 million increase in dividends paid in Fiscal 2013 compared with Fiscal 2012 (\$336.0 million dividends paid in Fiscal 2013 compared with \$1.7 million in Fiscal 2012); and

a \$21.6 million increase in deferred financing costs during Fiscal 2013 compared with Fiscal 2012 (\$22.1 million in Fiscal 2013 compared with \$0.5 million in Fiscal 2012).

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 1, 2014 was \$80.6 million compared with \$104.8 million as of February 2, 2013. The decrease was primarily attributable to \$58.0 million of Holdco Notes classified as current maturities of long term debt as a result of the March 5, 2014 redemption and the increase in accounts payable as a result of our working capital management strategy at the end of Fiscal 2012, partially offset by an increase in inventory.

## ***Capital Expenditures***

For Fiscal 2014, cash spend for capital expenditures, net of \$38.4 million of landlord allowances, amounted to \$182.6 million. These capital expenditures include \$76.8 million, net of the previously mentioned landlord allowances, for store expenditures (new stores, store refreshes and remodels and other store expenditures), \$32.9 million to support our supply chain initiatives, \$15.4 million for information technology, \$42.8 million related to the construction of our new corporate headquarters and \$14.7 for other business initiatives. We incurred cash spend on capital expenditures of \$126.7 million, net of \$41.6 million of landlord allowances, during Fiscal 2013.

We estimate that we will spend \$150 million to \$160 million, net of approximately \$40 million of landlord allowances, in capital expenditures during Fiscal 2015, including approximately \$70 million, net of the previously mentioned landlord allowances, for store expenditures (new stores, store refreshes and remodels and other store expenditures), approximately \$50 million to support our supply chain initiatives and approximately \$12 million to renovate our previous corporate headquarters as part of the build-out of our corporate campus. We expect to use the remaining capital to support information technology and other initiatives.

## ***Dividends***

Our ability to pay dividends on our common stock will be limited by restrictions on the ability of our subsidiaries and us to pay dividends or make distributions under the terms of current and any future agreements governing our indebtedness. During Fiscal 2011, in connection with the offering of the Senior Notes and the refinancing of the Senior Secured Term Loan Facility, a cash dividend of approximately \$300.0 million, in the aggregate, was declared payable to Class A and Class L stockholders on a pro rata basis. Of the \$300.0 million in dividends that were declared, \$1.7 million was paid during Fiscal 2012. In February 2013, net proceeds from the offering of the Holdco Notes were used to pay a special cash dividend of \$336.0 million to the Class A and Class L stockholders on a pro rata basis.

## ***Debt***

As of January 31, 2015, our obligations include \$1,161.5 million, inclusive of original issue discount, under our Term Loan Facility and \$63.3 million under our ABL Line of Credit.

On April 4, 2014, Burlington Holdings, LLC (Holdings LLC) and Burlington Holdings Finance, Inc. (collectively the Issuers) redeemed \$58.0 million aggregate principal amount of the Holdco Notes. In connection with this transaction, we recorded a loss on the extinguishment of debt of \$3.6 million, representing \$1.2 million in redemption premiums

and the write off of \$1.5 million and \$0.9 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item Loss on Extinguishment of Debt in our Consolidated Statements of Operations.

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On August 13, 2014 (the Closing Date), we completed the refinancing of our Term Loan Facility, Senior Notes, Holdco Notes and ABL Line of Credit. As a result of these transactions, our Senior Notes and Holdco Notes, with carrying values of \$450.0 million and \$70.2 million, respectively, were redeemed in full. Additionally, the \$830.6 million principal amount of term B-2 loans (Term B-2 Loans) outstanding on our Term Loan Facility was replaced with \$1,200.0 million principal amount of term B-3 loans (Term B-3 Loans). Borrowings on our ABL Line of Credit related to these transactions were \$217.0 million. In connection with these transactions, we recorded a loss on the extinguishment of debt of \$70.3 million during the third quarter of Fiscal 2014, representing \$45.1 million in redemption premiums and the write off of \$19.5 million and \$5.7 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item *Loss on Extinguishment of Debt* in our Consolidated Statements of Operations.

*Term Loan Facility*

On the Closing Date, BCFWC entered into Amendment No. 4 (the Fourth Amendment) to the Term Loan Credit Agreement (as amended by the Fourth Amendment, the Amended Term Loan Credit Agreement).

The parties to the Term Loan Credit Agreement entered into the Fourth Amendment in order to, among other things, (i) increase the available incremental amount from \$150.0 million to \$400.0 million plus unlimited amounts so long as BCFWC's pro forma consolidated secured leverage ratio does not exceed 3.50 to 1.00, (ii) remove the following financial performance covenants: (a) consolidated leverage ratio, (b) consolidated interest ratio and (c) capital expenditures, and (iii) give BCFWC and its restricted subsidiaries additional flexibility to make investments, restricted payments (including dividends), incur additional debt, grant liens and otherwise comply with its covenants under the Amended Term Loan Credit Agreement. The interest rate margin applicable under the Amended Term Loan Credit Agreement is 3.25% in the case of loans drawn at LIBOR and 2.25% in the case of loans drawn under the prime rate (as determined by the Term Loan Facility Administrative Agent). The Fourth Amendment removed the variable pricing mechanism that was formerly in place, which was based on BCFWC's pro forma consolidated secured leverage ratio. The Term Loan Facility is collateralized by a first lien on our favorable leases, real estate and property & equipment and a second lien on our inventory and receivables.

The Term B-3 Loans will mature on August 13, 2021, seven years after the Closing Date. Mandatory quarterly payments of \$3.0 million are payable as of the last day of each quarter beginning with the quarter ended November 1, 2014. In January 2015, we elected to make a prepayment of \$27.0 million on our Term Loan Facility, which offset the mandatory quarterly payments through April 29, 2017. In connection with this transaction, we recognized a non-cash loss on the partial extinguishment of debt of \$0.3 million, representing the write off of \$0.2 million and \$0.1 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item *Loss on Extinguishment of Debt* in the Company's Consolidated Statements of Operations.

Interest rates for the Term Loan Facility are based on: (i) for LIBOR rate loans for any interest period, at a rate per annum equal to the greater of (x) the LIBOR rate, as determined by the Term Loan Facility Administrative Agent, for such interest period multiplied by the Statutory Reserve Rate (as defined in the Term Loan Credit Agreement) and (y) 1.00% (the Term Loan Adjusted LIBOR 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 LIBOR Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin. At January 31, 2015, our borrowing rate related to the Term Loan Facility was 4.25%.





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Also on the Closing Date, BCFWC entered into a First Amendment (the ABL Amendment) to the Second Amended and Restated Credit Agreement, dated September 2, 2011 (as amended, supplemented and otherwise modified, the Amended ABL Credit Agreement), governing BCFWC's existing senior secured asset-based revolving credit facility (the ABL Line of Credit).

The parties to the Amended ABL Credit Agreement entered into the ABL Amendment in order to, among other things, give BCFWC and certain of its subsidiaries additional flexibility to make investments, restricted payments (including dividends), incur additional debt, grant liens and otherwise comply with its covenants under the Amended ABL Credit Agreement. The interest rate margin applicable under the Amended ABL Credit Agreement in the case of loans drawn at LIBOR was reduced from 1.75% - 2.25% (based on total commitments or borrowing base availability) to 1.25% - 1.50% (based on total commitments or borrowing base availability). The fee on the average daily balance of unused loan commitments is 0.25%. The ABL Line of Credit is collateralized by a first lien on our inventory and receivables and a second lien on our real estate and property and equipment.

The ABL Line of Credit will mature on August 13, 2019, five years after the Closing Date.

At January 31, 2015, we had \$386.9 million available under the Amended ABL Line of Credit and \$63.3 million of outstanding borrowings. The maximum borrowings under the facility during Fiscal 2014 amounted to \$300.0 million. Average borrowings during Fiscal 2014 amounted to \$87.7 million, at an average interest rate of 1.8%.

**Certain Information Concerning Contractual Obligations**

The following table sets forth certain information regarding our obligations to make future payments under current contracts as of January 31, 2015:

	Total	Payments Due By Period			
		Less Than 1 Year	2-3 Years	4-5 Years	Thereafter
		(in thousands)			
Debt Obligations	\$ 1,230,300	\$ 9,000	\$ 87,300	\$ 1,134,000	
Interest on Debt Obligations(1)	331,268	51,693	104,248	101,002	74,325
Capital Lease Obligations(2)	42,254	3,447	7,391	7,930	23,486
Operating Lease Obligations(3)	2,079,625	278,044	557,817	434,989	808,775
Purchase Obligations(4)	652,778	617,774	31,593	3,411	
Other(5)	1,277	1,277			
<b>Total</b>	<b>\$ 4,337,502</b>	<b>\$ 952,235</b>	<b>\$ 710,049</b>	<b>\$ 634,632</b>	<b>\$ 2,040,586</b>

(1) The interest rate related to the Senior Secured Term Loan Facility was 4.25% as of January 31, 2015. The interest rate related to the ABL Line of Credit was 1.8% as of January 31, 2015.

(2) Capital Lease Obligations include future interest payments.

- (3) Represents minimum rent payments for operating leases under the current terms.
- (4) Represents commitments to purchase goods or services that have not been received as of January 31, 2015.
- (5) Represents severance payments in the normal course of business that are included in the line item Selling, General and Administrative Expenses in our Consolidated Statements of Operations.

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 is not reflected in the table above because the timing of the payments is unpredictable.

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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 \$11.7 million exclusive of \$12.1 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, merchandising agreements and utility agreements in the amount of \$48.1 million as of January 31, 2015.

The table above excludes the payment of the cash portion of our stock option modification in the amount of \$0.4 million as of January 31, 2015 as we are not certain if payments would be required based on the vesting requirements.

## **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 Consolidated 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, 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 Consolidated 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, Summary of Significant Accounting Policies, areas that are particularly critical and significant include:

*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. We account for layaway sales and leased department revenue in accordance with ASC Topic No. 605 Revenue Recognition. 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. 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

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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 resulted in an increase in markdown expense of approximately \$2.7 million for Fiscal 2014.

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 each of Fiscal 2014, Fiscal 2013 and Fiscal 2012 we recorded shrinkage adjustments of \$10.0 million, \$3.8 million and \$7.5 million, respectively, as a result of actual shrink being less than what we had estimated.

*Property and Equipment.* We test for recoverability of our property and equipment in accordance with ASC Topic No. 360, Property, Plant, and Equipment, 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 property and equipment. 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 2014, Fiscal 2013 and Fiscal 2012, we recorded \$2.4 million, \$2.7 million and \$5.2 million, respectively, in impairment charges related to property and equipment.

*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 \$60.8 million and \$57.2 million at January 31, 2015 and February 1, 2014, 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 consolidated 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 Consolidated Financial Statements the impact of a tax position taken or expected to be taken in a

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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 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 and disclosure.

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.

We record deferred tax assets and liabilities for any temporary differences between the tax reflected in our Consolidated 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, **Recent Accounting Pronouncements**, for a discussion of recent accounting pronouncements and their impact in 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, 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.

## ***Inflation***

We do not believe that our operating results have been materially affected by inflation during Fiscal 2014, Fiscal 2013 or Fiscal 2012. Historically, as the costs of merchandising and related operating expenses have increased, we have been able to mitigate the effect of such impact on our 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. 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.



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***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 contracts.

As more fully described in Note 8 to our Consolidated Financial Statements, *Derivative Instruments and Hedging Activities*, we enter into interest rate cap contracts to manage interest rate risks associated with our long term debt obligations. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Loss on the Company's Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Gains and losses associated with our interest rate cap contracts that are not designated as hedges are accounted for as interest expense and are recorded under the caption *Interest Expense* in our Consolidated Statements of Operations. 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.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to certain market risks as part of our ongoing business operations. Primary exposures include (i) changes in interest rates, as borrowings under our ABL Line of Credit and Term Loan Facility bear interest at floating rates based on LIBOR or the base rate, in each case plus an applicable borrowing margin and (ii) investing activities. The interest rate of our Term Loan Facility is also dependent on the LIBOR, prime rate, and the federal funds rate as further discussed in Note 7 to our Consolidated Financial Statements, *Long Term Debt*.

We manage our interest rate risk through the use of interest rate cap contracts. For our floating-rate debt, interest rate changes generally impact our earnings and cash flows, assuming other factors are held constant.

At January 31, 2015, we had \$1,230.3 million of floating-rate debt, exclusive of original issue discount. Based on \$1,230.3 million outstanding as floating-rate debt, an immediate increase of one percentage point, excluding the interest rate caps, would cause an increase to cash interest expense of \$12.3 million per year, resulting in \$12.3 million less in our pre-tax earnings. 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.

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If a one percentage point increase in interest rates were to occur over the next four quarters excluding the interest rate cap, such an increase would result in the following additional interest expenses (assuming current borrowing level remains constant):

	(in thousands)				
	Principal Outstanding at January 31, 2015	Additional Interest Expense Q1 2015	Additional Interest Expense Q2 2015	Additional Interest Expense Q3 2015	Additional Interest Expense Q4 2015
<b>Floating Rate Debt</b>					
ABL Line of Credit	\$ 63,300	\$ 158	\$ 158	\$ 158	\$ 158
New Term Loan Facility(a)	1,167,000	2,918	2,918	2,918	2,918
	<b>\$ 1,230,300</b>	<b>\$ 3,076</b>	<b>\$ 3,076</b>	<b>\$ 3,076</b>	<b>\$ 3,076</b>

(a) Principal balance represents carrying value of our New Term Loan Facility exclusive of original issue discount. On August 19, 2014, the Company entered into four interest rate cap contracts to manage the interest rate risk associated with future interest payments on our variable-rate debt. Two of the interest rate cap contracts entered into on August 19, 2014 have an aggregate notional principal amount of \$775.0 million, cap rates of 3.0%, are effective August 31, 2014 and mature on February 28, 2017. The other two interest rate cap contracts entered into on August 19, 2014 have an aggregate notional principal amount of \$680.0 million, cap rates of 4.0%, are effective February 28, 2017 and mature on February 28, 2019. In addition, we have two interest rate cap contracts which limit our interest rate exposure to 7.0% on our first \$900.0 million of borrowings under our variable rate debt obligations through May 31, 2015. If interest rates were to increase above the cap rates in effect as of January 31, 2015, for a full fiscal year, then our maximum interest rate exposure would be \$26.9 million assuming constant borrowing levels of \$1,230.3 million. Currently, we have unlimited interest rate risk related to borrowings on our variable rate debt in excess of the amounts limited in our interest rate cap contracts. As of January 31, 2015, the borrowing rates related to our Term Loan Facility and ABL Line of Credit were 4.25% and 1.8%, respectively.

Our ability to satisfy our interest payment obligations on our outstanding debt will depend largely on our future performance, which, in turn, is in part 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 our 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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**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Burlington Stores, Inc.

Burlington, New Jersey

We have audited the accompanying consolidated balance sheets of Burlington Stores, Inc. and Subsidiaries (the Company ) as of January 31, 2015 and February 1, 2014, and the related consolidated statements of operations, comprehensive income, cash flows and stockholders' deficit for each of the three fiscal years in the period ended January 31, 2015. Our audits also included the financial statement schedules listed in the Index at Item 15 (a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the Company as of January 31, 2015 and February 1, 2014, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 25, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey  
March 25, 2015

**Table of Contents****BURLINGTON STORES, INC.****CONSOLIDATED BALANCE SHEETS**

(All amounts in thousands, except share and per share data)

	January 31, 2015	February 1, 2014
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 25,349	\$ 132,984
Restricted Cash and Cash Equivalents	27,800	32,100
Accounts Receivable (Net of Allowances for Doubtful Accounts of \$111 and \$109 at January 31, 2015 and February 1, 2014, respectively)	49,716	35,678
Merchandise Inventories	788,708	720,052
Deferred Tax Assets	37,229	13,475
Prepaid and Other Current Assets	58,681	82,231
<b>Total Current Assets</b>	<b>987,483</b>	<b>1,016,520</b>
Property and Equipment Net of Accumulated Depreciation and Amortization	970,419	902,657
Tradenames	238,000	238,000
Favorable Leases Net of Accumulated Amortization	266,397	292,553
Goodwill	47,064	47,064
Other Assets	115,206	124,298
<b>Total Assets</b>	<b>\$ 2,624,569</b>	<b>\$ 2,621,092</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 621,682	\$ 542,987
Other Current Liabilities	310,268	301,803
Current Maturities of Long Term Debt	1,167	59,026
<b>Total Current Liabilities</b>	<b>933,117</b>	<b>903,816</b>
Long Term Debt	1,249,276	1,369,159
Other Liabilities	273,767	255,877
Deferred Tax Liabilities	234,360	242,708
Commitments and Contingencies (Notes 1, 7, 12, 13, 15 and 17)		
<b>Stockholders Deficit:</b>		
Preferred Stock, \$0.0001 Par Value: Authorized: 50,000,000 shares; no shares issued and outstanding at January 31, 2015 and February 1, 2014		
Common Stock, \$0.0001 Par Value; Authorized: 500,000,000 shares at January 31, 2015 and February 1, 2014; Issued: 75,925,507 shares and 74,218,275 shares at January 31, 2015 and February 1, 2014, respectively; Outstanding: 75,254,682 shares and 73,686,524 shares at January 31, 2015 and	7	7

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February 1, 2014, respectively		
Additional Paid-in Capital	1,370,498	1,346,259
Accumulated Deficit	(1,426,454)	(1,492,409)
Accumulated Other Comprehensive Loss	(1,744)	
Treasury Stock, at cost: 670,825 shares and 531,751 shares at January 31, 2015 and February 1, 2014, respectively	(8,258)	(4,325)
<b>Total Stockholders Deficit</b>	<b>(65,951)</b>	<b>(150,468)</b>
<b>Total Liabilities and Stockholders Deficit</b>	<b>\$ 2,624,569</b>	<b>\$ 2,621,092</b>

See Notes to Consolidated Financial Statements.

Table of Contents**BURLINGTON STORES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(All amounts in thousands, except per share data)

	<b>Year Ended</b>		
	<b>January 31,</b>	<b>February 1,</b>	<b>February 2,</b>
	<b>2015</b>	<b>2014</b>	<b>2013</b>
			<b>(53 Weeks)</b>
<b>REVENUES:</b>			
Net Sales	\$ 4,814,504	\$ 4,427,503	\$ 4,131,379
Other Revenue	35,130	34,484	34,125
<b>Total Revenue</b>	<b>4,849,634</b>	<b>4,461,987</b>	<b>4,165,504</b>
<b>COSTS AND EXPENSES:</b>			
Cost of Sales	2,900,819	2,695,957	2,530,124
Selling, General and Administrative Expenses	1,520,929	1,391,788	1,312,682
Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other	2,412	23,026	4,175
Stock Option Modification Expense	2,940	10,418	
Restructuring and Separation Costs		2,171	2,999
Depreciation and Amortization	167,580	168,195	166,786
Impairment Charges Long-Lived Assets (Note 6)	2,579	3,180	11,539
Other Income, Net	(10,753)	(8,939)	(8,115)
Loss on Extinguishment of Debt	74,347	16,094	2,222
Interest Expense (Inclusive of (Gain) Loss on Interest Rate Cap Contracts)	83,745	127,739	113,927
<b>Total Costs and Expenses</b>	<b>4,744,598</b>	<b>4,429,629</b>	<b>4,136,339</b>
Income Before Income Tax Expense	105,036	32,358	29,165
Income Tax Expense	39,081	16,208	3,864
<b>Net Income</b>	<b>\$ 65,955</b>	<b>\$ 16,150</b>	<b>\$ 25,301</b>
Class L Preference Amount	\$	\$ (111,282)	\$ (146,923)
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 65,955</b>	<b>\$ (95,132)</b>	<b>\$ (121,622)</b>
Allocation of Net Income (Loss) to Common Stockholders Basic:			
Class L Stockholders	\$	\$ 111,282	\$ 146,923
Common Stockholders	\$ 65,955	\$ (95,132)	\$ (121,622)

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<b>Net Income (Loss) Per Share Basic:</b>			
Class L Stockholders	\$	\$ 31.93	\$ 28.76
Common Stockholders	\$ 0.89	\$ (0.26)	\$ (0.24)
<b>Allocation of Net Income (Loss) to Common Stockholders Diluted:</b>			
Class L Stockholders	\$	\$ 111,282	\$ 146,923
Common Stockholders	\$ 65,955	\$ (144,392)	\$ (134,086)
<b>Net Income (Loss) Per Share Diluted:</b>			
Class L Stockholders	\$	\$ 31.93	\$ 28.76
Common Stockholders	\$ 0.87	\$ (0.39)	\$ (0.27)
<b>Weighted Average Number of Shares Basic</b>			
Class L Stockholders		3,485	5,109
Common Stockholders	74,101	369,567	505,802
<b>Weighted Average Number of Shares Diluted</b>			
Class L Stockholders		3,485	5,109
Common Stockholders	75,865	370,040	505,802

See Notes to Consolidated Financial Statements.



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**BURLINGTON STORES, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(All amounts in thousands)

	Year Ended		February 2,
	January 31,	February 1,	2013
	2015	2014	(53 Weeks)
Net Income	\$ 65,955	\$ 16,150	\$ 25,301
Other Comprehensive Loss, Net of Tax:			
Unrealized Losses on Interest Rate Cap Contracts, Net of Related Tax Benefit of \$1.2 million during Fiscal 2014	(1,744)		
Comprehensive Income	\$ 64,211	\$ 16,150	\$ 25,301

See Notes to Consolidated Financial Statements.

Table of Contents**BURLINGTON STORES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(All amounts in thousands)

	<b>Year Ended</b>		<b>February 2,</b>
	<b>January 31,</b>	<b>February 1,</b>	<b>2013</b>
	<b>2015</b>	<b>2014</b>	<b>(53 Weeks)</b>
<b>OPERATING ACTIVITIES</b>			
Net Income	\$ 65,955	\$ 16,150	\$ 25,301
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	167,580	168,195	166,786
Amortization of Deferred Financing Costs	6,057	9,574	5,805
Impairment Charges Long-Lived Assets	2,579	3,180	11,539
Accretion of Senior Notes	1,579	2,998	1,899
Deferred Income Tax (Benefit)	(30,940)	(17,973)	(6,536)
Loss on Disposition of Fixed Assets and Leasehold Improvements	897	1,157	2,233
Non-Cash Loss on Extinguishment of Debt Write-off of Deferred Financing Costs and Original Issue Discount	28,051	11,506	2,222
Non-Cash Stock Compensation Expense	6,264	10,203	2,747
Non-Cash Rent Expense	(19,463)	(11,059)	(9,873)
Deferred Rent Incentives	38,418	41,571	33,400
Excess Tax Benefit from Stock Based Compensation	(15,461)		
Insurance Recoveries		3,573	4,000
Changes in Assets and Liabilities:			
Accounts Receivable	(8,616)	1,573	(11,814)
Merchandise Inventories	(68,658)	(39,862)	2,070
Prepaid and Other Current Assets	27,546	(8,961)	(11,891)
Accounts Payable	78,695	42,581	224,121
Other Current Liabilities	18,958	51,096	14,795
Other Long Term Assets and Long Term Liabilities	2,552	3,477	(3,958)
Other	342	372	(337)
<b>Net Cash Provided by Operating Activities</b>	<b>302,335</b>	<b>289,351</b>	<b>452,509</b>
<b>INVESTING ACTIVITIES</b>			
Cash Paid for Property and Equipment	(220,980)	(168,267)	(166,721)
Change in Restricted Cash and Cash Equivalents	4,300	2,700	
Proceeds From Sale of Property and Equipment and Assets Held for Sale	174	773	1,435
Lease Acquisition Costs			(530)
<b>Net Cash Used in Investing Activities</b>	<b>(216,506)</b>	<b>(164,794)</b>	<b>(165,816)</b>

<b>FINANCING ACTIVITIES</b>			
Proceeds from Long Term Debt ABL Line of Credit	962,500	806,800	459,800
Principal Payments on Long Term Debt ABL Line of Credit	(899,200)	(806,800)	(649,800)
Proceeds from Long Term Debt Term B-2 Loans			116,913
Principal Payments on Long Term Debt Term B-2 Loans	(834,507)	(36,533)	(205,749)
Proceeds from Long Term Debt Term B-3 Loans	1,194,000		
Principal Payments on Long Term Debt Term B-3 Loans	(33,000)		
Principal Payments on Long Term Debt Senior Notes	(450,000)		
Proceeds from Long Term Debt Holdco Notes		343,000	
Principal Payments on Long Term Debt Holdco Notes	(128,223)	(221,777)	
Cash Payments for Interest Rate Cap Contracts	(4,478)		
Repayment of Capital Lease Obligations	(940)	(920)	(768)
Payment of Dividends		(336,000)	(1,711)
Purchase of Treasury Shares	(3,933)		(7)
Proceeds from Stock Option Exercises	2,514	2,527	2,760
Excess Tax Benefit from Stock Based Compensation	15,461		
Deferred Financing Costs	(13,658)	(22,126)	(459)
Proceeds from Initial Public Offering		260,667	
Offering Costs		(23,747)	
<b>Net Cash Used in Financing Activities</b>	<b>(193,464)</b>	<b>(34,909)</b>	<b>(279,021)</b>
(Decrease) Increase in Cash and Cash Equivalents	(107,635)	89,648	7,672
Cash and Cash Equivalents at Beginning of Period	132,984	43,336	35,664
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 25,349</b>	<b>\$ 132,984</b>	<b>\$ 43,336</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Interest Paid	\$ 100,047	\$ 111,533	\$ 108,180
Income Tax Payments, Net of Refunds	\$ 74,363	\$ 2,769	\$ 4,191
Accretion of Class L Preferred Return	\$	\$ 104,859	\$ 141,571
<b>Non-Cash Investing Activities:</b>			
Accrued Purchases of Property and Equipment	\$ 21,878	\$ 21,604	\$ 14,102
Acquisition of Capital Lease	\$ 3,342	\$ 887	\$

See Notes to Consolidated Financial Statements.

Table of Contents**BURLINGTON STORES, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT**

(All dollar amounts in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
<b>Balance at January 28, 2012</b>	510,164,622	46	\$	(995,932)	\$	(4,801,599)	(4)	(995,890)
Net Income				25,301				25,301
Accretion of Class L Preferred Return			(2,364)	(139,207)				(141,571)
Stock Options Exercised	7,320,060	1	104					105
Issuance of Restricted Shares	495,000							
Stock Option Compensation			2,260					2,260
Repurchase of Restricted Stock						(10,989)		
Other				337				337
<b>Balance at February 2, 2013</b>	517,979,682	47		(1,109,501)		(4,812,588)	(4)	(1,109,458)
Net Income				16,150				16,150
Accretion of Class L Preferred Return			(8,201)	(96,658)				(104,859)
Stock Options Exercised	11,668,810	1						1
Stock Based Compensation			10,203					10,203
Dividend				(302,400)				(302,400)
Issuance of Restricted Shares	26,396							

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Cancellation of Class A Shares	(529,620,894)	(48)			4,812,588	4	(44)
Conversion of Class L Stock to Common Stock	58,830,948	6	1,107,338		(531,751)	(4,325)	1,103,019
Initial Public Offering	15,333,333	1	236,919				236,920
<b>Balance at February 1, 2014</b>	74,218,275	7	1,346,259	(1,492,409)	(531,751)	(4,325)	(150,468)
Net Income				65,955			65,955
Stock Options Exercised and Related Tax Benefit of \$15.5 million	1,362,066		17,975				17,975
Shares Used for Tax Withholding					(139,074)	(3,933)	(3,933)
Issuance of Restricted Shares, net of Forfeitures of 1,707 Restricted Shares	345,166						
Stock Based Compensation			6,264				6,264
Unrealized Losses on Interest Rate Cap Contracts, net of Related Tax Benefit of \$1.2 million					(1,744)		(1,744)
<b>Balance at January 31, 2015</b>	75,925,507	\$ 7	\$ 1,370,498	\$ (1,426,454)	\$ (1,744)	(670,825)	\$ (8,258) \$ (65,951)

See Notes to Consolidated Financial Statements.

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**BURLINGTON STORES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

*Business*

As of January 31, 2015, Burlington Stores, Inc. and its subsidiaries (the Company), a Delaware Corporation, through its indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), operated 542 retail stores, inclusive of an internet store, in 44 states and Puerto Rico, selling apparel, footwear 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 January 31, 2015, the Company operated stores under the names Burlington Stores (524 stores), Cohoes Fashions (two stores), Super Baby Depot (two stores), MJM Designer Shoes (13 stores) and Burlington Shoes (one store). Cohoes Fashions offers products similar to those offered by Burlington Stores. MJM Designer Shoes and Burlington Shoes offer moderately priced designer and fashion shoes. The Super Baby Depot stores offer baby clothing, accessories, furniture and other merchandise in the middle to higher price range. During Fiscal 2014, the Company opened 23 new stores under the name Burlington Stores and one new store under the name MJM Designer Shoes and closed two Burlington Stores and one MJM Designer Shoes store.

*Basis of Consolidation and Presentation*

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Consolidated Financial Statements include the accounts of Burlington Stores, Inc. and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

*Fiscal Years*

The Company defines its fiscal year as the 52 or 53 week period ending on the Saturday closest to January 31. The Company's fiscal years ended January 31, 2015 (Fiscal 2014), February 1, 2014 (Fiscal 2013) and February 2, 2013 (Fiscal 2012) consisted of 52 weeks, 52 weeks and 53 weeks, respectively.

*Use of Estimates*

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.

*Initial Public Offering*

On October 7, 2013, the Company completed its initial public offering (the Offering) whereby 15,333,333 shares of common stock were sold to the public at \$17.00 per share. Net proceeds from the offering, after deducting underwriting discounts and commissions and offering expenses (including a transaction fee under the Company's Advisory Agreement with an affiliate of Bain Capital equal to 1% of the gross proceeds of the offering or \$2.6 million), were \$236.9 million.

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Prior to the Offering, each outstanding share of the Company's Class A common stock was automatically cancelled and then each outstanding share of the Company's Class L common stock was automatically converted into one share of the Company's Class A common stock. The Company then effected an 11-for-1 split of the Company's Class A common stock and then reclassified the Company's Class A common stock into Common

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Stock. Collectively, these transactions are referred to as the Reclassification. Unless otherwise indicated, all share data presented within the Consolidated Financial Statements gives effect to the stock split.

*Secondary Offerings*

On May 6, 2014, the Company closed a secondary public offering of the Company's common stock, in which 12,000,000 shares of common stock were sold by certain of the Company's stockholders. In connection with this offering, the selling stockholders granted the underwriters, and the underwriters subsequently exercised, an option to purchase 1,800,000 additional shares of common stock. In addition, on October 10, 2014, December 16, 2014 and January 16, 2015, the Company closed secondary public offerings of the Company's common stock in which 8,000,000 shares, 8,000,000 shares and 12,500,000 shares of common stock, respectively, were sold by certain of the Company's stockholders. Collectively, these transactions are referred to as the Secondary Offerings. All of the shares sold in the Secondary Offerings were offered by selling stockholders. The Company did not receive any of the proceeds from the Secondary Offerings. The Company incurred \$1.8 million in costs related to the Secondary Offerings during Fiscal 2014, which are included in the line item "Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other" in the Company's Consolidated Statements of Operations.

*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.

*Accounts Receivable*

Accounts receivable consist 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 or market, as determined by the retail inventory method. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. The Company regularly records a provision for estimated shrinkage, thereby reducing the carrying value of merchandise inventory. Complete physical inventories of all of the Company's stores and warehouses are performed no less frequently than annually, with the recorded amount of merchandise inventory being adjusted to coincide with these physical counts.

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.

Costs associated with the Company's distribution, buying, and store receiving functions are included in the line items "Selling, General and Administrative Expenses" and "Depreciation and Amortization" in the Company's Consolidated Statements of Operations. Product sourcing costs included within the line item "Selling, General and Administrative Expenses" amounted to \$204.1 million, \$168.1 million and \$145.1 million Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. Depreciation and amortization related to the distribution and purchasing functions for the same periods



amounted to \$15.3 million, \$14.1 million and \$12.8 million, respectively.

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**Table of Contents***Property and Equipment*

Property and equipment are recorded at cost. 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. The carrying value of all long-lived assets is 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).

*Impairment of Long-Lived Assets*

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted pre-tax future net cash flows expected to be generated by that asset. If the undiscounted future cash flows are not adequate to recover the carrying value of the asset, an impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company recorded impairment charges related to property and equipment of \$2.4 million, \$2.7 million and \$5.2 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. These charges are recorded in the line item Impairment Charges Long-Lived Assets in the Company's Consolidated Statements of Operations. Refer to Note 6, Impairment Charges, for further discussion of the Company's measurement of 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) which requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. The Company capitalized \$13.3 million and \$21.1 million relating to these costs during Fiscal 2014 and Fiscal 2013, respectively.

*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 is expected to generate cash flows indefinitely 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. The Company evaluates its intangible assets for possible impairment as follows:

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 the relief of royalty method which is a widely accepted valuation technique. In May 2014, the Company's annual assessment date, the Company performed a quantitative analysis and determined that the fair values of each of the Company's identifiable intangible assets are greater than their respective carrying values. There were no impairment losses recorded during Fiscal 2014, Fiscal 2013 or Fiscal 2012 related to indefinite-lived intangible assets.

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

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assets as described in Note 6, Impairment Charges. 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 fair value is estimated by discounting expected future cash flows using the Company's risk adjusted rate of interest. The Company did not record an impairment related to identifiable finite-lived intangible assets during Fiscal 2014 or Fiscal 2013. During Fiscal 2012, the Company recorded \$6.3 million of impairment charges related to identifiable finite-lived intangible asset charges, which are recorded in the line item Impairment Charges Long-Lived Assets in the Company's Consolidated Statements of Operations.

*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 widely accepted valuation techniques. These techniques use a variety of assumptions including projected market conditions, discount rates and future cash flows. 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. In May 2014, the Company's annual assessment date, the Company performed a quantitative analysis and determined that the fair value of the Company's reporting unit is greater than its respective carrying value. There were no impairment losses recorded during Fiscal 2014, Fiscal 2013 or Fiscal 2012.

*Other Assets*

Other assets consist primarily of landlord owned store assets that the Company has paid for as part of its lease, deferred financing fees and purchased lease rights. Landlord owned assets represent leasehold improvements at certain stores that the Company has paid for, but 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. 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. 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, General and Administrative Expenses in the Company's Consolidated Statements of Operations. Both landlord owned assets and purchased lease rights are assessed for impairment in accordance with Topic No. 360. During Fiscal 2014 and Fiscal 2013, the Company recorded impairment charges of \$0.2 million and \$0.5 million, respectively, related to purchased lease rights and landlord owned assets. These charges are recorded in the line item Impairment Charges Long-Lived Assets in the Company's Consolidated Statements of Operations. There were no impairment charges in Fiscal 2012 related to landlord owned assets and purchased lease rights. Refer to Note 6, Impairment Charges, 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 \$30.5 million and \$29.2 million as of January 31, 2015 and

February 1, 2014, 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

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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 January 31, 2015 and February 1, 2014 were:

	<i>(in thousands)</i>	
	<b>Years Ended</b>	
	<b>January 31, 2015</b>	<b>February 1, 2014</b>
Short-Term Self Insurance Reserve(a)	\$ 24,888	\$ 23,553
Long-Term Self Insurance Reserve(b)	35,953	33,600
<b>Total</b>	<b>\$ 60,841</b>	<b>\$ 57,153</b>

- (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*

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, General and Administrative Expenses" on the Company's Consolidated Statements of Operations. At January 31, 2015 and February 1, 2014, deferred lease incentives were \$176.3 million and \$157.5 million, respectively.

*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. 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.

**Table of Contents***Other Revenue*

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

	<i>(in thousands)</i>		
	<b>Years Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
Service Fees	\$ 14,269	\$ 13,711	\$ 13,284
Subleased Rental Income and Other	12,366	9,849	10,202
Rental Income from Leased Departments	8,495	10,924	10,639
<b>Total</b>	<b>\$ 35,130</b>	<b>\$ 34,484</b>	<b>\$ 34,125</b>

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. 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.

*Advertising Costs*

The Company's advertising costs consist primarily of television and newspaper costs and are included in the line item Selling, General and Administrative Expenses on the Company's Consolidated Statements of Operations. During Fiscal 2014, Fiscal 2013 and Fiscal 2012, net advertising cost was \$84.9 million, \$83.3 million and \$83.5 million, respectively.

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.

*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. 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. The \$7.9 million of unused advertising credits remaining as of January 31, 2015 are expected to be used over the five consecutive fiscal years following Fiscal 2014.





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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 January 31, 2015 and February 1, 2014:

	<i>(in thousands)</i>	
	<b>January 31, 2015</b>	<b>February 1, 2014</b>
Prepaid and Other Current Assets	\$ 2,664	\$ 2,842
Other Assets	5,246	7,718
<b>Total Prepaid Advertising Expense</b>	<b>\$ 7,910</b>	<b>\$ 10,560</b>

The following table details barter credit usage for Fiscal 2014, Fiscal 2013 and Fiscal 2012, which are included in the line item Selling, General and Administrative Expenses on the Company's Consolidated Statements of Operations:

	<i>(in thousands)</i>		
	<b>Fiscal Years Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
Barter Credit Usage	\$ 2,650	\$ 2,544	\$ 3,776

*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 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. 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 2014, the Company recognized \$3.2

million of income related to the settlement during Fiscal 2014 of a class action lawsuit relating to credit card interchange fees and \$2.5 million of breakage income. During Fiscal 2013 and Fiscal 2012, the Company recognized \$4.0 million and \$2.5 million, respectively, of breakage income.

*Comprehensive Income*

Comprehensive Income is comprised of net income and the effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges.

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### *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 and Amortization 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.

### *Stock-Based Compensation*

The Company accounts for stock-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. As of January 31, 2015, there were 16,125,258 shares reserved for issuance under the Company's Management Incentive Plans as defined in Note 12, Stock-Based Compensation. As of January 31, 2015, there were 3,218,845 options outstanding and 392,178 shares of unvested restricted stock outstanding under the Company's Management Incentive Plans. During Fiscal 2014, Fiscal 2013 and Fiscal 2012, the Company recognized non-cash stock compensation expense in the amount of \$6.3 million, \$10.2 million and \$2.7 million, respectively. Refer to Note 12 for further details.

### *Net Income (Loss) Per Share*

Net income (loss) per share is calculated using the treasury stock method. Refer to Note 11, Net Income (Loss) Per Share, 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.

### *Reclassification*

Certain reclassifications have been made to prior year financial statements to conform with the current period presentation.

## **2. Recent Accounting Pronouncements**

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In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, Comprehensive Income (ASU 2013-02). ASU 2013-02 requires companies to disclose the following:  
(i) for items reclassified out of accumulated other comprehensive income (loss) and into earnings in

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their entirety, the effect of the reclassification on each affected income statement line item; and (ii) for accumulated other comprehensive income (loss) reclassification items that are not reclassified in their entirety into net income, a cross reference to other required U.S. GAAP disclosures. The new standard was required to be applied prospectively. Other than additional disclosure, the adoption of the new standard did not have an impact on the Company's financial position or results of operations.

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

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

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). It outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company is still assessing the impact of the adoption to the Company's financial position or results of operations.

There were no other new accounting standards that had a material impact on the Company's Consolidated Financial Statements during Fiscal 2014, and there were no other new accounting standards or pronouncements that were issued but not yet effective as of January 31, 2015 that the Company expects to have a material impact on its financial position or results of operations upon becoming effective.

### **3. Restricted Cash and Cash Equivalents**

At January 31, 2015 and February 1, 2014, restricted cash and cash equivalents consisted of \$27.8 million and \$32.1 million, respectively 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.



**Table of Contents****4. Property and Equipment**

Property and equipment consist of:

		<i>(in thousands)</i>	
	<b>Useful Lives</b>	<b>January 31, 2015</b>	<b>February 1, 2014</b>
Land	N/A	\$ 159,246	\$ 162,331
Buildings	20 to 40 Years	424,601	365,101
Store Fixtures and Equipment	3 to 10 Years	643,647	568,342
Software	3 to 5 Years	187,402	163,547
Leasehold Improvements	Shorter of  lease term or  useful life	466,940	432,644
Construction in Progress	N/A	21,478	35,996
		1,903,314	1,727,961
Less: Accumulated Depreciation		(932,895)	(825,304)
<b>Total Property and Equipment, net of Accumulated Depreciation and Amortization</b>		<b>\$ 970,419</b>	<b>\$ 902,657</b>

As of January 31, 2015 and February 1, 2014, assets, net of accumulated amortization of \$14.5 million and \$12.7 million, respectively, held under capital leases amounted to approximately \$25.9 million and \$24.4 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. The total amount of depreciation expense during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was \$130.8 million, \$128.8 million and \$127.5 million, respectively.

During Fiscal 2014, Fiscal 2013 and Fiscal 2012, the Company recorded impairment charges related to Property and Equipment of \$2.4 million, \$2.7 million and \$5.2 million, respectively. Refer to Note 6, *Impairment Charges*, for further discussion.

Internally developed software is 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. Depreciation and amortization of internally developed software amounted to \$17.4 million, \$18.8 million and \$20.3 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.

**5. Intangible Assets**

Intangible assets at January 31, 2015 and February 1, 2014 consist primarily of tradenames and favorable lease positions as follows:



*(in thousands)*

	January 31, 2015			February 1, 2014		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Amount</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Amount</b>
Tradenames	\$ 238,000	\$	\$ 238,000	\$ 238,000	\$	\$ 238,000
Favorable Leases	\$ 476,677	\$ (210,280)	\$ 266,397	\$ 487,350	\$ (194,797)	\$ 292,553

**Table of Contents***Favorable Leases*

The decrease in the gross carrying amount of the Company's favorable leases from February 1, 2014 to January 31, 2015 reflects a reduction of \$10.7 million during Fiscal 2014 from the write off of certain favorable leases becoming fully amortized during the period.

Accumulated amortization of favorable leases as of January 31, 2015 reflects Fiscal 2014 amortization expense of \$26.2 million, partially offset by a decrease of \$10.7 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 14.7 years. Amortization expense of favorable leases for each of the next five fiscal years is estimated to be as follows:

<b>Fiscal years:</b>	<i>(in thousands)</i>
2015	\$ 24,228
2016	23,148
2017	23,317
2018	21,059
2019	20,456
<b>Total</b>	<b>\$ 112,208</b>

**6. Impairment Charges**

Impairment charges recorded during Fiscal 2014, Fiscal 2013 and Fiscal 2012 amounted to \$2.6 million, \$3.2 million and \$11.5 million, respectively, and are primarily related to declines in revenues and operating results of the respective stores. Impairment charges during these periods related to the following:

<b>Asset Categories</b>	<i>(in thousands)</i>		
	<b>January 31, 2015</b>	<b>Fiscal Year Ended February 1, 2014</b>	<b>February 2, 2013</b>
Favorable Leases	\$ 696	\$ 1,575	\$ 6,275
Leasehold Improvements	1,152	81	1,814
Building/Building Improvements	500	970	950
Furniture and Fixtures		4	558
Land	216	465	
Other Assets	15	85	57
Other Property and Equipment			
<b>Total</b>	<b>\$ 2,579</b>	<b>\$ 3,180</b>	<b>\$ 11,539</b>

The Company recorded impairment charges related to store-level assets for three stores during Fiscal 2014, seven stores during Fiscal 2013 and 12 stores during Fiscal 2012. During Fiscal 2014, Fiscal 2013 and Fiscal 2012, the

Company also recorded impairment charges for capital expenditures for previously impaired stores.

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Long-lived assets are measured at fair value on a non-recurring basis for purposes of calculating impairment using the fair value hierarchy of ASC Topic No. 820 Fair Value Measurements (Topic No. 820). Refer to Note 16, Fair Value of Financial Instruments, for further discussion of the Company's fair value hierarchy. The fair value of the Company's long-lived assets is generally calculated using discounted cash flows. None of the three stores impaired during Fiscal 2014 were fully impaired. Of the three stores that were partially impaired during Fiscal 2014, the table below sets forth by level within the fair value hierarchy their fair value subsequent to impairment charges as of January 31, 2015:

	<i>(in thousands)</i>				
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Un- Observable Inputs (Level 3)</b>	<b>Total</b>	<b>Total Impairment Losses</b>
Leasehold Improvements	\$	\$	\$ 566	\$ 566	\$ 696
Building/Building Improvements					1,152
Furniture and Fixtures			785	785	500
Other Assets			167	167	216
Other Property and Equipment			58	58	15
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,576</b>	<b>\$ 1,576</b>	<b>\$ 2,579</b>

**7. Long Term Debt**

Long Term Debt consists of:

	<i>(in thousands)</i>	
	<b>January 31, 2015</b>	<b>February 1, 2014</b>
\$1,200,000 Senior Secured Term Loan Facility (Term B-3 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, matures on August 13, 2021	\$ 1,161,541	\$
\$1,000,000 Senior Secured Term Loan Facility (Term B-2 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, redeemed in full on August 13, 2014		828,839
\$450,000 Senior Notes, 10%, redeemed in full on August 13, 2014		450,000
\$350,000 Senior Notes, 9% / 9.75%, redeemed in full on August 13, 2014		126,147
\$600,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires August 13, 2019	63,300	
Capital Lease Obligations	25,602	23,199
<b>Total debt</b>	<b>1,250,443</b>	<b>1,428,185</b>
Less: current maturities	(1,167)	(59,026)
<b>Long term debt, net of current maturities</b>	<b>\$ 1,249,276</b>	<b>\$ 1,369,159</b>

*Term Loan Facility*

On February 24, 2011, the Company entered into a \$1.0 billion senior secured term loan facility (the Term Loan Facility). The Term Loan Facility was issued pursuant to a credit agreement (Term Loan Credit Agreement), dated February 24, 2011, among BCFWC, the guarantors signatory thereto, and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the Term Loan Administrative Agent) and as collateral agent, the lenders party thereto, J.P. Morgan Securities LLC and Goldman Sachs Lending Partners LLC, as joint bookrunners and J.P. Morgan Securities LLC, Goldman Sachs Lending Partners LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint arrangers, governing the terms of the Term Loan Facility.

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On May 16, 2012, the Company entered into Amendment No. 1 (First Amendment) to the Term Loan Credit Agreement, which, among other things, reduced the applicable margin on the interest rates applicable to the 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 was prepaid in full on the effective date of the First Amendment from the proceeds of Term B-1 Loans. The Term B-1 Loans had the same maturity dates that were applicable to the Term B Loans. The Term Loan Credit Agreement provisions relating to the representations and warranties, covenants and events of default applicable to the Company and the guarantors were not modified by the First Amendment.

As a result of the First Amendment, mandatory quarterly payments of \$2.4 million were payable as of the last day of each quarter beginning with the quarter ended July 28, 2012. Based on the Company's available cash flow during 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, all of which offset the mandatory quarterly payments through the maturity date. In accordance with 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 Extinguishment of Debt" in the Company's Consolidated Statements of Operations. In connection with the First Amendment, the Company incurred fees of \$3.9 million, of which \$0.3 million was capitalized and included in the line item "Other Assets" on the Company's Consolidated Balance Sheet, primarily related to legal and placement fees, associated with the portion of the debt that was not extinguished. The remaining fees were recorded in the line item "Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other" in the Company's Consolidated Statements of Operations.

On February 15, 2013, BCFWC entered into Amendment No. 2 (Second Amendment) to the Term Loan Credit Agreement. The Second Amendment created a restricted payments basket of \$25.0 million and permitted Burlington Coat Factory Investments Holdings, Inc. (the parent of BCFWC and indirect subsidiary of Burlington Stores, Inc.) and all of its subsidiaries (collectively, Holdings) to use the available amount to make restricted payments (which basket included retained excess cash flow, in an amount not to exceed 50% of BCFWC's consolidated net income since the second quarter of Fiscal 2011), in each case so long as certain conditions were satisfied. In connection with the Second Amendment, the Company incurred a \$1.6 million amendment fee that was capitalized and included in the line item "Other Assets" on the Company's Consolidated Balance Sheet. Additionally, the Company incurred \$8.9 million of additional fees, inclusive of an \$8.6 million fee payable to Bain Capital, for various consulting and advisory services which were included in the line item "Costs Related to Debt Amendments, Termination of Advisory Agreement and Other" on the Company's Consolidated Statements of Operations.

On May 17, 2013, BCFWC entered into Amendment No. 3 (Third Amendment) to the Term Loan Credit Agreement, in order to, among other things, reduce the interest rates applicable to the Term Loan Facility by 100 basis points (provided that such interest rates were to be further reduced by 25 basis points if BCFWC's consolidated secured leverage ratio was less than or equal to 2.25:1) and to reduce the LIBOR floor by 25 basis points. The Third Amendment was accomplished by replacing the outstanding \$871.0 million principal amount of the Term B-1 Loans with a like aggregate principal amount of term B-2 loans (the Term B-2 Loans). The Term B-2 Loans had the same maturity dates that were applicable to the Term B-1 Loans. The Term Loan Credit Agreement provisions relating to the representations and warranties, covenants and events of default applicable to the Company and the guarantors were not modified by the Third Amendment.

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In connection with the Third Amendment, the Company paid an \$8.7 million prepayment premium. In accordance with Topic 470, \$8.6 million of this prepayment premium was capitalized and included in the line item Other Assets in the Company's Consolidated Balance Sheet. In addition, third party fees of \$2.6 million were recorded in the line item Costs Related to Debt Amendments, Secondary Offerings, Termination of

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Advisory Agreement and Other in the Company's Consolidated Statements of Operations. In accordance with Topic 470, the Company recognized a loss on the extinguishment of debt of \$0.6 million, which is recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

As a result of the Third Amendment, mandatory quarterly payments of \$2.2 million were payable as of the last day of each quarter. In January 2014, the Company elected to make a prepayment of \$30.0 million, which offset the mandatory quarterly payments through the maturity date. In accordance with Topic No. 470, the Company recognized a loss on the extinguishment of debt of \$0.8 million, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations. Based on the Company's available cash flow during Fiscal 2013, the Company made a payment of \$4.0 million during the first quarter of Fiscal 2014. In accordance with Topic No. 470, the Company recognized a loss on the extinguishment of debt of \$0.1 million, representing the write off of deferred financing costs and unamortized original issue discount, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

On August 13, 2014, BCFWC entered into Amendment No. 4 (the Fourth Amendment) to the Term Loan Credit Agreement (as amended by the Fourth Amendment, the Amended Term Loan Credit Agreement). The Fourth Amendment, among other things, (i) increases the available incremental amount from \$150.0 million to \$400.0 million plus unlimited amounts so long as BCFWC's pro forma consolidated secured leverage ratio does not exceed 3.50 to 1.00, (ii) removes the following financial performance covenants: (a) consolidated leverage ratio, (b) consolidated interest ratio and (c) capital expenditures, and (iii) gives BCFWC and its restricted subsidiaries additional flexibility to make investments, restricted payments (including dividends), incur additional debt, grant liens and otherwise comply with its covenants under the Amended Term Loan Credit Agreement. The interest rate margin applicable under the Amended Term Loan Credit Agreement is 3.25% in the case of loans drawn at LIBOR and 2.25% in the case of loans drawn under the prime rate (as determined by the Term Loan Facility Administrative Agent). The Fourth Amendment removed the variable pricing mechanism that was formerly in place, which was based on BCFWC's pro forma consolidated secured leverage ratio. The Term Loan Facility is collateralized by a first lien on our favorable leases, real estate and property & equipment and a second lien on our inventory and receivables.

As a result of the Fourth Amendment the \$830.6 million principal amount of term B-2 loans (Term B-2 Loans) outstanding was replaced with \$1,200.0 million principal amount of term B-3 loans (Term B-3 Loans). In accordance with ASC Topic No. 405-20, Extinguishments of Liabilities (Topic No. 405), the Company recognized a loss on the extinguishment of debt of \$16.4 million, representing the write off of \$11.7 million and \$4.7 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

The Term B-3 Loans mature on August 13, 2021. Mandatory quarterly payments of \$3.0 million are payable as of the last day of each quarter. The Company elected to make a prepayment of \$27.0 million in January 2015, which offset the mandatory quarterly payments through April 29, 2017. In accordance with Topic No. 470, the Company recognized a non-cash loss on the partial extinguishment of debt of \$0.3 million, representing the write off of \$0.2 million and \$0.1 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

Interest rates for the Term Loan Facility are based on: (i) for LIBOR rate loans for any interest period, at a rate per annum equal to the greater of (x) the LIBOR rate, as determined by the Term Loan Facility Administrative Agent, for such interest period multiplied by the Statutory Reserve Rate (as defined in the Term Loan Credit Agreement) and (y) 1.00% (the Term Loan Adjusted LIBOR 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





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effect on such date plus 0.50% per annum, and (c) the Term Loan Adjusted LIBOR Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin. At January 31, 2015, the Company's borrowing rate related to the Term Loan Facility was 4.25%.

*\$450 Million Senior Notes*

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

On August 13, 2014, BCFWC redeemed the Senior Notes in full. In accordance with Topic No. 405, the Company recognized a loss on the extinguishment of debt of \$49.6 million, representing \$43.7 million in redemption premiums and the write off of \$5.9 million in deferred financing costs, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

*\$350 Million Senior Notes*

On February 20, 2013, Burlington Holdings, LLC (Holdings LLC) and Burlington Holdings Finance, Inc. (collectively the Issuers), completed the offering of \$350.0 million aggregate principal amount of Senior Notes due 2018 (Holdco Notes) at an issue price of 98.00%. The Holdco Notes were senior unsecured obligations of the Issuers, which were not obligors or guarantors under the Term Loan Facility or the indenture governing the Senior Notes.

On November 7, 2013, the Company redeemed \$221.8 million aggregate principal amount of the Holdco Notes. In accordance with Topic No. 405, the Company recognized a loss on the extinguishment of long-term debt of \$14.7 million, which included \$4.4 million in redemption premiums and \$3.8 million and \$6.5 million for the write-off of the unamortized original issue discount and deferred financing costs, respectively. The \$14.7 million loss was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

On April 4, 2014, the Issuers redeemed \$58.0 million aggregate principal amount of the Holdco Notes. In accordance with Topic No. 405, the Company recognized a loss on the extinguishment of long-term debt of \$3.6 million representing \$1.2 million in redemption premiums and the write off of \$1.5 million and \$0.9 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

On August 13, 2014, the Company redeemed the Holdco Notes in full. In accordance with Topic No. 405, the Company recognized a loss on the extinguishment of debt of \$4.1 million, representing \$1.4 million in redemption premiums and the write off of \$1.7 million and \$1.0 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

*ABL Line of Credit*

On August 13, 2014, BCFWC entered into Amendment No. 1 (the ABL Amendment) to the Second Amended and Restated Credit Agreement, dated September 2, 2011 (as amended, supplemented and otherwise modified, the Amended ABL Credit Agreement) governing BCFWC's existing senior secured asset-based revolving credit facility (the ABL Line of Credit). The ABL Amendment, among other things, gives BCFWC and certain of its subsidiaries additional flexibility to make investments, restricted payments (including dividends), incur additional debt, grant liens and otherwise comply with its covenants under the Amended ABL Credit Agreement. In accordance with Topic

No. 470, the Company recognized a loss on the extinguishment of debt of \$0.2 million representing the write off of deferred financing costs which was recorded in the line item Loss on Extinguishment of Debt in the Company's Consolidated Statements of Operations.

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The ABL Line of Credit matures on August 13, 2019. The aggregate amount of commitments under the Amended ABL Credit Agreement is \$600.0 million and, subject to the satisfaction of certain conditions, the Company can increase the aggregate amount of commitments up to \$900.0 million. As a result of the ABL Amendment, the interest rate margin applicable under the Amended ABL Credit Agreement in the case of loans drawn at LIBOR was reduced from 1.75% - 2.25% (based on total commitments or borrowing base availability) to 1.25% - 1.50% (based on total commitments or borrowing base availability), and the fee on the average daily balance of unused loan commitments was reduced from 0.375% to 0.25%. 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 ABL 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 January 31, 2015, the Company had \$386.9 million available under the Amended ABL Line of Credit and \$63.3 million of outstanding borrowings. The maximum borrowings under the facility during Fiscal 2014 amounted to \$300.0 million. Average borrowings during Fiscal 2014 amounted to \$87.7 million at an average interest rate of 1.8%.

At February 1, 2014, the Company had \$456.2 million available under the ABL Line of Credit and no outstanding borrowings. The maximum borrowings under the facility during Fiscal 2013 amounted to \$148.6 million. Average borrowings during Fiscal 2013 amounted to \$35.4 million at an average interest rate of 2.1%.

*Deferred Financing Costs*

The Company had \$16.4 million and \$30.1 million in deferred financing costs related to its long term debt instruments recorded in the line item "Other Assets" in the Company's Consolidated Balance Sheets as of January 31, 2015 and February 1, 2014, respectively. Amortization of deferred financing costs amounted to \$6.1 million, \$9.6 million and \$5.8 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively, and is included in the line item "Interest Expense" in the Company's Consolidated Statements of Operations. During Fiscal 2014, the Company incurred new deferred financing costs of \$13.7 million as a result of the refinancing transactions that were completed on August 13, 2014, and wrote off \$21.3 million of deferred financing costs and accumulated amortization.

Amortization expense related to the deferred financing costs as of January 31, 2015 for each of the next five fiscal years and thereafter is estimated to be as follows:

<b>Fiscal years</b>	<b>(in thousands)</b>
2015	\$ 2,933
2016	2,933
2017	2,986
2018	2,915
2019	2,264
Thereafter	2,357
<b>Total</b>	<b>\$ 16,388</b>

Deferred financing costs have a weighted average amortization period of approximately 5.8 years.



**Table of Contents***Scheduled Maturities*

Scheduled maturities of the Company's long term debt and capital lease obligations, as they exist as of January 31, 2015, in each of the next five fiscal years and thereafter are as follows:

	<i>(in thousands)</i>		
	<b>Long- Term Debt</b>	<b>Capital Lease Obligations</b>	<b>Total</b>
<b>Fiscal years:</b>			
2015	\$	\$ 1,167	\$ 1,167
2016		1,263	1,263
2017	9,000	1,624	10,624
2018	12,000	1,895	13,895
2019	75,300	2,139	77,439
Thereafter	1,134,000	17,514	1,151,514
<b>Total</b>	1,230,300	25,602	1,255,902
Less: Unamortized Discount	(5,459)		(5,459)
Total	1,224,841	25,602	1,250,443
Less: Current Portion		(1,167)	(1,167)
Long Term Debt	\$ 1,224,841	\$ 24,435	\$ 1,249,276

The capital lease obligations noted above are exclusive of interest charges of \$2.4 million, \$2.3 million, \$2.4 million, \$2.0 million, \$1.9 million and \$5.7 million for the fiscal years ended January 30, 2016, January 28, 2017, February 3, 2018, February 2, 2019, February 1, 2020 and thereafter, respectively.

**8. Derivative Instruments and Hedging Activities**

The Company accounts for derivative instruments and hedging activities in accordance with ASC Topic No. 815 Derivatives and Hedging (Topic No. 815). Topic No. 815 provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments, (ii) how the entity accounts for derivative instruments and related hedged items, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by Topic No. 815, the Company records all derivatives on the balance sheet at fair value and adjusts to market on a quarterly basis. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other

types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

In accordance with Topic No. 820, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by

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counterparty portfolio. Because the Company's only derivatives are interest rate cap contracts that can only be assets to the Company, there is no impact of netting under the master netting arrangements.

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash payments principally related to the Company's borrowings.

*Cash Flow Hedges of Interest Rate Risk*

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. On August 19, 2014, the Company entered into four interest rate cap contracts which were designated as cash flow hedges.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Loss on the Company's Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2014, such derivatives were used to hedge the variable cash flows associated with existing (or anticipated) variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company did not record any hedge ineffectiveness in its earnings during Fiscal 2014.

Amounts reported in Accumulated Other Comprehensive Loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. There were no amounts reclassified to interest expense during Fiscal 2014. During the next twelve months, the Company estimates that approximately \$0.1 million will be reclassified as an increase to interest expense.

As of January 31, 2015, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

<b>Interest Rate Derivative</b>	<b>Notional Principal Amount</b>	<b>Interest Cap Rate</b>	<b>Effective Date</b>	<b>Maturity Date</b>
Interest Rate Cap Contracts	\$ 387.5 million	3.0%	August 29, 2014	February 28, 2017
Interest Rate Cap Contracts	\$ 387.5 million	3.0%	August 31, 2014	February 28, 2017
Interest Rate Cap Contracts	\$ 340.0 million	4.0%	February 28, 2017	February 28, 2019
Interest Rate Cap Contracts	\$ 340.0 million	4.0%	February 28, 2017	February 28, 2019





**Table of Contents***Non-designated Hedges*

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements or the Company elected not to designate these derivatives as hedges. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of January 31, 2015, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships:

<b>Interest Rate Derivative</b>	<b>Number of Instruments</b>	<b>Aggregate Notional Principal Amount</b>	<b>Interest Cap Rate</b>	<b>Maturity Date</b>
Interest Rate Cap Contracts	Two	\$ 900.0 million	7.0%	May 31, 2015

*Tabular Disclosure*

The tables below presents the fair value of the Company's derivative financial instruments on a gross basis as well as their classification on the Company's Consolidated Balance Sheets:

	<i>(in thousands)</i>			
	<b>Fair Values of Derivative Instruments</b>			
	<b>Asset Derivatives</b>			
	<b>January 31, 2015</b>		<b>February 1, 2014</b>	
	<b>Balance Sheet Location</b>	<b>Fair Value</b>	<b>Balance Sheet Location</b>	<b>Fair Value</b>
<b>Derivatives Designated as Hedging Instruments</b>				
Interest Rate Cap Contracts	Other Assets	\$ 1,572	Other Assets	\$

**Derivatives Not Designated as Hedging Instruments**

Interest Rate Cap Contracts	Prepaid and Other Current Assets	\$	Other Assets	\$ 1
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The table below presents the amounts of losses recognized in other comprehensive loss, net of taxes, and the classifications and amounts of losses reclassified into earnings of the Company's derivative instruments designated as cash flow hedging instruments for each of the reporting periods.

<i>(in thousands)</i>	
<b>Amount of Loss Recognized in Other Comprehensive Loss Related to Derivatives Fiscal Year Ended</b>	<b>Amount of Loss Reclassified from Other Comprehensive Loss into Earnings Related to Derivatives Fiscal Year Ended</b>

<b>Derivatives Designated as Hedging Instruments</b>	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 1, 2013</b>	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>	<b>Component of Earnings</b>
Interest Rate Cap Contracts	\$ 1,744	\$	\$	\$	\$	\$	Interest Expense

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The table below presents the classifications and amounts of losses recognized within the Company's statements of operations for the Company's derivative instruments not designated as hedging instruments for each of the reporting periods.

<b>Derivatives Not Designated as Hedging Instruments</b>	<b>Location of Loss Recognized in Earnings Related to Derivatives</b>	<b>(in thousands)</b> <b>Amount of Loss Recognized in Earnings Related to Derivatives</b>		
		<b>Fiscal Year Ended</b>		
		<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
Interest Rate Cap Contracts	Interest Expense	\$ 1	\$ 68	\$ 45

**9. Accumulated Other Comprehensive Loss**

Amounts included in accumulated other comprehensive loss are recorded net of the related income tax effects. The table below details the changes in accumulated other comprehensive loss for Fiscal 2014. There were no amounts included in accumulated other comprehensive loss during Fiscal 2013.

	<b>(in thousands)</b>	
	<b>Derivative Instruments</b>	<b>Total</b>
<b>Balance at February 1, 2014</b>	\$	\$
Unrealized Losses on Interest Rate Cap Contracts, net of Related Tax Benefit of \$1.2 million	1,744	1,744
<b>Balance at January 31, 2015</b>	\$ 1,744	\$ 1,744

**10. Capital Stock*****Capital Structure After the Reclassification******Common Stock***

As of January 31, 2015, the total amount of the Company's authorized capital stock consisted of 500,000,000 shares of common stock, par value \$0.0001 per share, and 50,000,000 shares of undesignated preferred stock.

The Company's common stock is not entitled to preemptive or other similar subscription rights to purchase any of the Company's securities. The Company's common stock is neither convertible nor redeemable. Unless the Company's Board of Directors determines otherwise, the Company will issue all of the Company's capital stock in uncertificated form.

***Preferred Stock***

The Company does not have any shares of preferred stock issued or outstanding. The Company's Board of Directors has the authority to issue shares of preferred stock from time to time on terms it may determine, to divide shares of

preferred stock into one or more series and to fix the designations, preferences, privileges, and restrictions of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund terms, and the number of shares constituting any series or the designation of any series to the fullest extent permitted by the General Corporation Law of the State of Delaware. The issuance of the Company's preferred stock could have the effect of decreasing the trading price of the Company's common stock, restricting dividends on the Company's capital stock, diluting the voting power of the Company's common stock, impairing the liquidation rights of the Company's capital stock, or delaying or preventing a change in control of the Company.

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### *Voting Rights*

Each holder of the Company's common stock is entitled to one vote per share on each matter submitted to a vote of stockholders. The Company's amended and restated bylaws provide that the presence, in person or by proxy, of holders of shares representing a majority of the outstanding shares of capital stock entitled to vote at a stockholders meeting shall constitute a quorum. When a quorum is present, the affirmative vote of a majority of the votes cast is required to take action, unless otherwise specified by law or the Company's certificate of incorporation, and except for the election of directors, which is determined by a plurality vote. There are no cumulative voting rights.

### *Dividend Rights*

Each holder of shares of the Company's capital stock will be entitled to receive such dividends and other distributions in cash, stock or property as may be declared by the Company's Board of Directors from time to time out of the Company's assets or funds legally available for dividends or other distributions. These rights are subject to the preferential rights of any other class or series of the Company's preferred stock.

The Company does, and intends to continue to, retain all available funds and any future earnings to fund the development and growth of the Company's business and pay down debt as appropriate. Therefore, at this time, the Company does not anticipate paying cash dividends in the near term. The Company's ability to pay dividends on the Company's common stock will be limited by restrictions on the ability of the Company's subsidiaries and us to pay dividends or make distributions under the terms of current and any future agreements governing the Company's indebtedness. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors, subject to compliance with covenants in the Company's current and future agreements governing the Company's indebtedness, and will depend upon the Company's results of operations, financial condition, capital requirements and other factors that the Company's Board of Directors deems relevant.

### *Other Rights*

Each holder of common stock is subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock that the Company may designate and issue in the future.

### *Liquidation Rights*

If the Company is involved in a consolidation, merger, recapitalization, reorganization, or similar event, each holder of common stock will participate pro rata in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

## ***Capital Structure Prior to the Reclassification***

### *Common Stock*

The Company's charter authorized the Company to issue 588,685,600 shares of common stock consisting of:

- (a) 582,771,244 shares of common stock, par value \$0.0001 per share; and

(b) 5,914,356 shares of Class L common stock, par value \$0.001 per share.

Class L common stock was legally designated as common stock, but was entitled to a priority return preference equal to the sum of (i) \$81 per share base amount plus (ii) an amount sufficient to generate an internal rate of return equal to 14.5% per annum (compounded quarterly).

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### ***Treasury Stock***

The Company accounts for treasury stock under the cost method.

During Fiscal 2014, the Company acquired 139,074 shares of common stock from employees for \$3.9 million (average of \$28.28 per share) to satisfy their minimum statutory tax withholding related to the exercise of stock options and vesting of restricted stock awards. All such shares acquired by the Company are considered treasury shares which are available for reissuance under the 2006 Management Incentive Plan.

### ***Dividend***

During Fiscal 2011, the Company declared a cash dividend of \$300.0 million in the aggregate (\$5.40 per unit, each unit consisting of one share of Class L common stock together with 99 shares of Class A common stock), payable in accordance with the Company's charter to the then-current holders of the Company's common stock. Of the \$300.0 million, \$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.

During Fiscal 2013, the Company declared a cash dividend of \$336.0 million in the aggregate (\$5.89 per unit), payable in accordance with the Company's charter to the then-current holders of the Company's Common Stock.

## **11. Net Income (Loss) Per Share**

Immediately prior to the Reclassification, net income (loss) per share was calculated using the two-class method, which is an earnings allocation formula that determined net income (loss) per share for the holders of Class A common stock and the holders of Class L common stock. Holders of Class L shares contained participation rights with respect to certain distributions, as defined.

The numerator in calculating Class L basic and diluted income (loss) per share was the Class L preference amount, as defined above, for all outstanding Class L shares, accrued at 14.5% per annum during the year presented plus, if positive, a pro rata share of an amount equal to consolidated net income less the Class L preference amount.

The numerator in calculating common stock basic income (loss) per share was consolidated net income (loss) less the Class L preference amount. In determining the net income (loss) attributable to common stockholders for computing diluted net income (loss) per share, the Company decreased the income and/or increased the loss to reflect the annual preference amount for dilutive Class L common stock equivalents. This amount did not impact Class L diluted income per share because diluted earnings per share would be increased when taking the dilutive common stock equivalents into account, and thus be antidilutive.

Following the Reclassification, dilutive net income (loss) per share is calculated using the treasury stock method.



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The computation of basic and diluted earnings per common share is as follows:

	<i>(in thousands, except per share data)</i>		
	<b>Fiscal Year Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
Net Income	\$ 65,955	\$ 16,150	\$ 25,301
Class L Preference Amount		(111,282)	(146,923)
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 65,955</b>	<b>\$ (95,132)</b>	<b>\$ (121,622)</b>
Allocation of Net Income (Loss) to Common Stockholders Basic:			
Class L Stockholders	\$	\$ 111,282	\$ 146,923
Common Stockholders	\$ 65,955	(95,132)	(121,622)
Net Income (Loss) Per Share Basic:			
Class L Stockholders	\$	\$ 31.93	\$ 28.76
Common Stockholders	\$ 0.89	\$ (0.26)	\$ (0.24)
Allocation of Net Income (Loss) to Common Stockholders Diluted:			
Net Loss Attributable to Common Stockholders	\$ 65,955	\$ (95,132)	\$ (121,622)
Class L Preference Amount of Common Stock Equivalents		(49,260)	(12,464)
<b>Allocation of Net Loss to Common Stockholders</b>	<b>\$ 65,955</b>	<b>\$ (144,392)</b>	<b>\$ (134,086)</b>
Net Income (Loss) Per Share Diluted:			
Class L Stockholders	\$	\$ 31.93	\$ 28.76
Common Stockholders	\$ 0.87	\$ (0.39)	\$ (0.27)
Weighted Average Number of Shares Basic:			
Class L Stockholders	\$	3,485	5,109
Common Stockholders	74,101	369,567	505,802
Weighted Average Number of Shares Diluted:			
Class L Stockholders	\$	3,485	5,109
Common Stockholders	75,865	370,040	505,802

Less than 100,000 options to purchase shares of common stock and unvested restricted stock awards were excluded from diluted earnings per share for Fiscal 2014, since their effect was anti-dilutive.

As of February 1, 2014, there were 3,527,800 unvested options outstanding to purchase shares of common stock and 81,396 non-vested shares of restricted stock that were excluded from diluted earnings per share since their effect was anti-dilutive.

As of February 2, 2013, there were unvested options outstanding to purchase Class L Common Stock of 255,457 shares and there were unvested options outstanding to purchase Class A Common Stock of 25,290,243 shares that were excluded from diluted earnings per share since their effect was anti-dilutive. During Fiscal 2012 there were non-vested restricted stock units of Class L Common Stock of 5,000 shares and there were non-vested restricted stock units of Class A Common Stock of 495,000 shares that were excluded from diluted earnings per share since their effect was anti-dilutive.

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The Company determined the Class L Preference Amount of Common Stock Equivalents based upon the Class L diluted common stock equivalents multiplied by (i) \$81 per share base amount plus (ii) the annual impact of the amount sufficient to generate an internal rate of return equal to 14.5% per annum (compounded quarterly).

*Changes in Class L Common Stock*

The changes in Class L Common Stock were as follows (in thousands, except share data):

	<b>February 1, 2014</b>	
	<b>Shares</b>	<b>Amount</b>
Class L Common Stock, Beginning of Year	5,183,506	\$ 1,029,189
Issuance of Class L Common Stock	117,588	2,531
Issuance/Forfeiture of Restricted Shares and Compensation		61
Repurchase of Class L Common Stock		
Dividend		(33,600)
Accretion of Class L Preferred Return		104,859
Other	(1,167)	(21)
Conversion of Class L Stock to Common Stock	(5,299,927)	(1,103,019)
Class L Common Stock, End of Year		\$

Accretion of Class L Preferred Return was determined based upon the outstanding shares owned by the Company's majority stockholder multiplied by (i) \$81 per share base amount plus (ii) an amount sufficient to generate an internal rate of return equal to 14.5% per annum (compounded quarterly).

**12. Stock-Based Compensation**

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

The Company accounts for awards issued under the Plans in accordance with Topic No. 718. As of January 31, 2015, there were 10,125,258 shares of common stock authorized for issuance under the 2006 Plan and 6,000,000 shares of common stock authorized for issuance under the 2013 Plan.

*Stock Options*

Options granted during Fiscal 2014, Fiscal 2013 and Fiscal 2012 were all service-based awards and were granted under the 2006 Plan at exercise prices of (i) \$4.55 per unit and \$10.91 per unit from January 29, 2012 through May 17, 2012; (ii) \$5.91 per unit and \$10.91 per unit from May 17, 2012 through May 17, 2013; (iii) \$4.55 per unit

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from May 17, 2013 through the date of the Offering; (iv) \$26.96 per share from the date of the Offering through February 1, 2014; and (v) \$27.40 per share to \$38.66 per share during Fiscal 2014.

In February 2011, in connection with a debt refinancing, the Company's Board of Directors approved and communicated that the exercise price of the options outstanding would be reduced. After an analysis was

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completed, the exercise prices of each outstanding option were reduced, from \$8.18 per unit and \$16.36 per unit, respectively, to \$2.78 per unit and \$10.96 per unit, respectively, without affecting the existing vesting schedules thereof. The amount of the reduction was ratified in April 2011. 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.

During Fiscal 2013, the Company made a special one-time grant under the 2006 Plan to certain members of its management team which resulted in the grant of options to purchase an aggregate of 1,595,000 shares of common stock. These one-time grants vest 20% on each of the first five anniversaries of the Trigger Date. The Trigger Date is defined as the date after the vesting of all other options held by the grantee which were granted to the grantee prior to May 2013 and remained outstanding and unvested as of the date of the one-time grant. All other service-based awards granted during Fiscal 2012 and Fiscal 2013 through the date of the Offering vest 40% on the second anniversary of the award with the remaining amount vesting ratably over the subsequent three years. All service-based awards granted subsequent to the Offering vest 25% on each of the first four anniversaries of the grant date. The final exercise date for any option granted is the tenth anniversary of the grant date.

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

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

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

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

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

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

The modifications, through a combination of either reduced exercise prices or cash payments, did not affect the existing vesting schedules. The modification, which contemplated the fair value of awards both immediately before and after the modification, resulted in a total of \$2.9 million of incremental compensation expense during Fiscal 2014, of which \$0.6 million is payable in cash. During Fiscal 2013, the Company recorded \$10.4 million of incremental compensation expense, of which \$4.3 million is payable in cash. These costs were recorded in the line item "Stock Option Modification Expense" in the Company's Consolidated Statements of Operations. As of January 31, 2015, the Company expects to recognize \$2.7 million of incremental compensation expense to be recorded over the remaining vesting periods, of which \$0.4 million is payable in cash.

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

however, that in the event that within two years after a change of control, the grantee's employment is terminated without cause or the grantee resigns with good reason, then an incremental 20% of the special one-time grants shall be deemed vested as of the date of termination of grantee's employment, but in no event more than the total number of special one-time grants granted to such grantee. Unless determined otherwise by the plan administrator, upon cessation of employment, options that have not vested will terminate immediately (subject to the potential acceleration of special one-time grants in the event of a change of control, as described above) and, to the extent the termination was without cause, unexercised vested options will be exercisable for a period of 60 days. The final exercise date for any option granted is the tenth anniversary of the grant date. Notwithstanding anything to the contrary set forth above, if a grantee's employment is terminated without cause in connection with a corporate transaction as defined in the 2006 Plan, then the vesting of any award held by such employee will be accelerated.

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Non-cash stock compensation expense during Fiscal 2014, Fiscal 2013 and Fiscal 2012 amounted to \$6.3 million, \$10.2 million and \$2.7 million, respectively. The table below summarizes the types of stock compensation:

<b>Type of Non-Cash Stock Compensation</b>	<b>(in thousands)</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
Stock Option Modification(a)	\$ 2,319	\$ 6,089	\$
Stock Option Grants(b)	2,855	3,971	2,260
Restricted Stock Issuances(b)	1,090	143	487
<b>Total(c)</b>	<b>\$ 6,264</b>	<b>\$ 10,203</b>	<b>\$ 2,747</b>

- (a) Represents non-cash compensation related to the modification of outstanding stock options granted under the 2006 Plan during Fiscal 2013 which is included in the line item "Stock Option Modification Expense" in the Company's Consolidated Statements of Operations.
- (b) Included in the line item "Selling, General and Administrative Expenses" in the Company's Consolidated Statements of Operations.
- (c) The tax benefit related to the Company's non-cash stock compensation was \$2.3 million, \$5.1 million and \$1.0 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012 respectively.

As of January 31, 2015, the Company had 3,218,845 options outstanding to purchase shares of common stock, all of which are service-based awards issued under the 2006 Plan, and there was \$11.4 million of unearned non-cash stock-based option compensation, exclusive of the \$2.7 million of incremental compensation associated with the February 2013 modification, that the Company expects to recognize as expense over a weighted average period of 4.2 years. The service-based awards are expensed on a straight-line basis over the requisite service period. As of January 31, 2015, 502,362 outstanding options to purchase shares of common stock under the 2006 Plan had vested. As of January 31, 2015, no options were outstanding under the 2013 Plan.

Stock option transactions during Fiscal 2014 are summarized as follows:

	<b>Number of Units</b>	<b>Weighted Average Exercise Price Per Share</b>
Options Outstanding February 1, 2014	4,619,323	\$ 3.25
Options Issued	137,738	29.20
Options Exercised(a)	(1,362,066)	1.85
Options Forfeited	(176,150)	3.79
<b>Options Outstanding January 31, 2015</b>	<b>3,218,845</b>	<b>\$ 4.93</b>

(a) Options exercised during Fiscal 2014 had a total intrinsic value of \$48.1 million.



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The following table summarizes information about the options outstanding and exercisable under the 2006 Plan as of January 31, 2015:

Exercise Prices	Options Outstanding		Options Exercisable	
	Number Outstanding at January 31, 2015	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at January 31, 2015	Weighted Average Remaining Contractual Life (Years)
\$0.79 - \$0.94	810,617	6.4	273,912	5.7
\$3.17	260,262	6.0	124,065	5.1
\$4.55 - \$5.07	1,960,401	8.2	93,347	6.1
\$26.96	50,613	9.0	11,038	9.0
\$27.40 - \$38.66	136,952	9.3		
	3,218,845		502,362	

The aggregate intrinsic value of options outstanding as of January 31, 2015 was \$144.7 million.

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	Aggregate Intrinsic Value
Vested and Expected to Vest as of January 31, 2015	3,080,511	7.6	\$ 4.85	\$ 138.8 million

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 the date of the Offering and the Black Scholes option pricing model subsequent to the date of the Offering. The fair value of each stock option granted was estimated using the following assumptions:

	Fiscal 2014		Fiscal 2013		Fiscal 2012	
Risk-Free Interest Rate	2.09	2.11%	1.7	2.09%	1.0	1.3%
Expected Volatility	38.0	44.0%	36.8	38.0%		35.00%
Expected Life (years)		6.25	6.25	7.4		6.6
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	\$ 13.16	\$ 5.78	\$ 3.88
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The expected dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. Since the Company completed its initial public offering in October 2013, it does not have sufficient history as a publicly traded company to evaluate its volatility factor. As such, the expected stock price volatility is based upon the historical volatility of the stock price over the expected life of the options of peer companies that are publicly traded. The risk free interest rate was based on the U.S. Treasury rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued. For grants issued during Fiscal 2014, Fiscal 2013 and Fiscal 2012, the expected life of the options was calculated using the simplified method. The simplified method defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. This methodology was utilized due to the short length of time our common stock has been publicly traded.

**Table of Contents***Restricted Stock Awards*

Under the 2006 Plan, the Company also has the ability to grant shares of restricted stock. During Fiscal 2014 and Fiscal 2013, the Company granted 346,873 and 26,396 shares of restricted stock, respectively. During Fiscal 2012, the Company granted 5,000 units of restricted stock, each unit consisting of 99 shares of Class A Common Stock and one share of Class L Common Stock. For Fiscal 2014 and Fiscal 2013, prior to the date of the Offering, the fair value of each share of restricted stock granted under the 2006 Plan was estimated using the closing price of the Company's common stock on the date of grant. For Fiscal 2012 and Fiscal 2013 through the date of the Offering, the fair value of each unit of restricted stock granted under the 2006 Plan was estimated on the date of grant using inputs that included the Company's business enterprise value, the book value of outstanding debt and the number of shares of common stock outstanding. All shares of restricted stock granted to date under the 2006 Plan are service-based awards that cliff vest at the end of the requisite service period. Shares of restricted stock are expensed on a straight-line basis over the requisite service period of three to four years. Following a change of control, all unvested shares of restricted stock shall remain unvested, provided, however, that 100% of such shares shall vest if, following such change of control, the employment of the recipient is terminated without cause or the recipient resigns with good reason. Additionally, if the recipient's employment is terminated without cause in connection with a corporate transaction as defined in the 2006 Plan, then the vesting of all unvested shares of restricted stock held by such recipient will be accelerated.

As of January 31, 2015, there was approximately \$13.8 million of unearned non-cash stock-based compensation that the Company expects to recognize as an expense over the next 3.7 years.

Award grant, vesting and forfeiture transactions during Fiscal 2014 are summarized as follows:

	<b>Number of Awards</b>	<b>Weighted Average Grant Date Fair Value Per Awards</b>
Non-Vested Awards Outstanding, February 1, 2014	81,396	\$ 12.58
Awards Granted	346,873	41.76
Awards Vested	(34,384)	9.91
Awards Cancelled	(1,707)	27.40
Non-Vested Awards Outstanding, January 31, 2015	392,178	\$ 38.56

**13. Lease Commitments**

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.

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

<b>Fiscal Year</b>	<i>(in thousands)</i>	
	<b>Operating Leases(a)</b>	<b>Capital Leases</b>
2015	\$ 278,044	\$ 3,447
2016	287,610	3,442
2017	270,207	3,948
2018	242,189	3,937
2019	192,800	3,994
Thereafter	808,775	23,486
<b>Total Minimum Lease Payments</b>	<b>2,079,625</b>	<b>42,254</b>
Amount Representing Interest		(16,652)
<b>Total Future Minimum Lease Payments</b>	<b>\$ 2,079,625</b>	<b>\$ 25,602</b>

- (a) Total future minimum lease payments include \$75.4 million related to options to extend lease terms that are reasonably assured of being exercised and also includes \$204.0 million of minimum lease payments for 19 stores and one warehouse that the Company has committed to open or relocate.

The above schedule of future minimum lease payments has not been reduced by future minimum sublease rental income of \$37.7 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 2014, Fiscal 2013 and Fiscal 2012:

	<i>(in thousands)</i>		
	<b>January 31, 2015</b>	<b>Year Ended February 1, 2014</b>	<b>February 2, 2013</b>
<b>Rent Expense:</b>			
Minimum Rental Payments	\$ 266,318	\$ 239,049	\$ 219,982
Contingent Rental Payments	3,913	3,614	3,056
Straight-Line Rent Expense	4,001	8,182	12,115
Lease Incentives Amortization	(25,369)	(21,557)	(18,590)
Amortization of Purchased Lease Rights	684	958	1,033
<b>Total Rent Expense(a)</b>	<b>249,547</b>	<b>230,246</b>	<b>217,596</b>
Less All Rental Income(b)	(19,663)	(19,613)	(19,721)
<b>Total Net Rent Expense</b>	<b>\$ 229,884</b>	<b>\$ 210,633</b>	<b>\$ 197,875</b>

- (a) Included in the line item Selling, General and Administrative Expenses in the Company's Consolidated Statements of Operations.
- (b) Included in the line item Other Revenue in the Company's Consolidated Statements of Operations.

**14. Employee Retirement Plans**

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 nine years and has no current plans to utilize) is entirely funded by the Company, and the Company also makes additional matching

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contributions to the 401(k) component of the plans. 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).

The Company recorded \$5.9 million, \$5.1 million and \$4.3 million of 401(k) Plan match expense for the Plan Years ending December 31, 2014, December 31, 2013 and December 31, 2012, respectively.

**15. Income Taxes**

Income before income taxes were as follows for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

	<i>(in thousands)</i>		
	<b>Year Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
Domestic	\$ 113,955	\$ 40,246	\$ 33,625
Foreign	(8,919)	(7,888)	(4,460)
<b>Total Income Before Income Taxes</b>	<b>\$ 105,036</b>	<b>\$ 32,358</b>	<b>\$ 29,165</b>

Income tax expense was as follows for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

	<i>(in thousands)</i>		
	<b>Year Ended</b>		
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>February 2, 2013</b>
<b>Current:</b>			
Federal	\$ 57,123	\$ 29,794	\$ 13,813
State	12,898	4,036	(3,704)
Foreign		351	291
<b>Subtotal</b>	<b>70,021</b>	<b>34,181</b>	<b>10,400</b>
<b>Deferred:</b>			
Federal	(25,777)	(17,045)	(3,386)
State	(5,163)	(928)	(3,519)
Foreign			369
<b>Subtotal</b>	<b>(30,940)</b>	<b>(17,973)</b>	<b>(6,536)</b>
<b>Total Income Tax Expense</b>	<b>\$ 39,081</b>	<b>\$ 16,208</b>	<b>\$ 3,864</b>



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The tax rate reconciliations were as follows for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

	<b>Year Ended</b>		
	<b>January 31,</b>	<b>February 1,</b>	<b>February 2,</b>
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Tax at Statutory Rate (%)	35.0%	35.0%	35.0%
State Income Taxes, net of Federal	4.1	8.4	5.8
Change in Valuation Allowance	1.5	4.9	1.8
Permanent Items	0.9	0.6	(1.4)
Tax Credits	(3.4)	(7.7)	(11.7)
Tax Reserves	(1.6)	2.1	(14.1)
Deferred Tax Asset - Stock Compensation		8.3	
Impact of Change in State Tax Laws and Rates	0.7	2.8	(2.1)
Foreign Taxes	(1.1)	(3.8)	(1.2)
Other	1.1	(0.5)	1.2
<b>Effective Tax Rate (%)</b>	<b>37.2%</b>	<b>50.1%</b>	<b>13.3%</b>

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

	<i>(in thousands)</i>			
	<b>January 31, 2015</b>		<b>February 1, 2014</b>	
	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Current Deferred Tax Assets and Liabilities:</b>				
Compensated Absences	\$ 962	\$	\$ 646	\$
Inventory Costs and Reserves Capitalized for Tax Purposes	12,726		5,392	
Insurance Reserves	8,790		8,085	
Prepaid and Other Items		11,562		19,049
Sales Return Reserves	3,632		2,831	
Reserves	5,043		515	
Deferred Revenue	1,680		1,428	
Employee Benefit Accrual	17,170		13,210	
Other	391		527	
Valuation Allowance	(1,603)		(110)	
<b>Total Current Deferred Tax Assets and Liabilities</b>	<b>\$ 48,791</b>	<b>\$ 11,562</b>	<b>\$ 32,524</b>	<b>\$ 19,049</b>
<b>Non-Current Deferred Tax Assets and Liabilities:</b>				
Property and Equipment Basis Adjustments	\$	\$ 141,042	\$	\$ 128,657
Deferred Rent	33,803		31,809	
Intangibles Long-Lived		103,184		113,089



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Intangibles Indefinite-Lived		93,974		93,618
Insurance Reserves	14,196		13,217	
Employee Benefit Compensation	4,661		4,838	
State Net Operating Losses (net of Federal Benefit)	9,132		9,095	
Prepaid Items Taxable for Tax Purposes	2,694		3,508	
Landlord Allowances	35,335		32,747	
Accrued Interest	3,746		3,538	
Other	4,275			883
State Credits	3,787		2,173	
Federal and Puerto Rico Tax Credits	1,261		1,612	
Valuation Allowance	(9,050)		(8,998)	
Total Non-Current Deferred Tax Assets and Liabilities	\$ 103,840	\$ 338,200	\$ 93,539	\$ 336,247
Net Deferred Tax Liability		\$ 197,131		\$ 229,233

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As of January 31, 2015, the Company had available \$134.8 million and \$6.6 million of state and Puerto Rico net operating losses, respectively, that can be carried forward to future years. The Company has \$7.4 million of deferred tax assets recorded for state net operating losses which will expire at various dates between 2012 and 2032. In addition, as of January 31, 2015, the Company had \$1.7 million of deferred tax assets recorded for Puerto Rico net operating loss carry forwards that will begin to expire in 2019. As of January 31, 2015, the Company had tax credit carry forwards that included \$3.8 million of state credits that will begin to expire in 2023 and \$1.2 million of Puerto Rico alternative minimum tax (AMT) credits that have an indefinite life.

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.

We believe that it is more likely than not that the benefit from certain state net operating loss carry forwards and credits will not be realized. In recognition of this risk, we have provided a valuation allowance of \$5.6 million on state net operating losses and \$0.5 million on state tax credit carry forwards. In addition, the Company believes that it is more likely than not that the benefit from Puerto Rico deferred tax assets, including net operating loss carry forwards and credit carry forwards, will not be realized. We have provided for a full valuation allowance of \$4.5 million on Puerto Rico deferred tax assets. If our assumptions change and we determine we will be able to realize these net operating losses or the credits, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets as of January 31, 2015, will be recorded to the Company's Consolidated Statement of Operations. The valuation allowance increased by \$1.6 million and \$1.2 million during each of the years ended January 31, 2015 and February 1, 2014, respectively, primarily due to increase in the Puerto Rico deferred tax assets that will more likely than not, not be realized.

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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:

	<i>(in thousands)</i>
	<b>Gross Unrecognized Tax Benefits, Exclusive of Interest and Penalties</b>
Balance at January 28, 2012	\$ 22,149
Additions for Tax Positions of the Current Year	
Additions for Tax Positions of Prior Years	
Reduction for Tax Positions of Prior Years	(5,225)
Settlements	
Lapse of Statute of Limitations	
Balance at February 2, 2013	\$ 16,924
Additions for Tax Positions of the Current Year	
Additions for Tax Positions of Prior Years	
Reduction for Tax Positions of Prior Years	(1,524)
Settlements	
Lapse of Statute of Limitations	(128)
Balance at February 1, 2014	\$ 15,272
Additions for Tax Positions of the Current Year	44
Additions for Tax Positions of Prior Years	252
Reduction for Tax Positions of Prior Years	(1,524)
Settlements	
Lapse of Statute of Limitations	(2,314)
Balance at January 31, 2015	\$ 11,730

As of January 31, 2015, the Company reported total unrecognized benefits of \$11.7 million, of which \$5.8 million would affect the Company's effective tax rate if recognized. As a result of previous positions taken, the Company recorded an increase of \$0.4 million of interest and penalties during Fiscal 2014 in the line item "Income Tax Expense" in the Company's Consolidated Statements of Operations. Cumulative interest and penalties of \$12.1 million are recorded in the line item "Other Liabilities" in the Company's Consolidated Balance Sheet. 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 February 1, 2014, the Company reported total unrecognized benefits of \$15.3 million, of which \$6.0 million would affect the Company's effective tax rate if recognized. As a result of previous positions taken, the Company recorded an increase of \$1.3 million of interest and penalties during Fiscal 2013 in the line item "Income Tax Expense" in the Company's Consolidated Statements of Operations. Cumulative interest and penalties of \$11.7 million are recorded in the line item "Other Liabilities" in the Company's Consolidated Balance Sheet.

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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 2012 through 2014. The Company or its subsidiaries' state and Puerto Rico income tax returns are open to audit for the fiscal years 2009 through 2014, with a few exceptions, under the applicable statutes of limitations. There are ongoing federal and state audits in several jurisdictions and the Company has accrued for possible exposures as required under Topic No. 740. The settlement of these audits will not have a material impact to the financial results of the Company.

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### **16. 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.

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments.

#### *Financial Assets*

The Company's financial assets as of January 31, 2015 and February 1, 2014 included cash equivalents and interest rate cap contracts. The Company uses interest rate cap contracts to manage interest rate risk. The fair value of the Company's interest rate cap contracts is determined using the market standard methodology of discounted future variable cash receipts. The variable cash receipts are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. In addition, to comply with the provisions of Topic No. 820, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by its counterparties. However, as of January 31, 2015 and February 1, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of its derivative portfolios. As a result, the Company classifies its derivative valuations in Level 2 of the fair value hierarchy.

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

	<i>(in thousands)</i>	
	<b>Fair Value Measurements at January 31, 2015</b>	<b>Fair Value Measurements at February 1, 2014</b>
<b>Assets:</b>		
Level 1		
Cash Equivalents (Including Restricted Cash)	\$ 28,094	\$ 32,324
Level 2		
Interest Rate Cap Contracts(a)	\$ 1,572	\$ 1

(a) Included in Other Assets within the Company's Consolidated Balance Sheets. Refer to Note 8, Derivative Instruments and Hedging Activities, for further discussion regarding the Company's interest rate cap contracts.

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

	<i>(in thousands)</i>			
	<b>January 31, 2015</b>		<b>February 1, 2014</b>	
	<b>Carrying Amount(a)</b>	<b>Fair Value(a)</b>	<b>Carrying Amount(a)</b>	<b>Fair Value(a)</b>
\$1,200,000 Senior Secured Term Loan Facility (Term B-3 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, matures on August 13, 2021	\$ 1,161,541	\$ 1,150,410	\$	\$
\$1,000,000 Senior Secured Term Loan Facility (Term B-2 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, redeemed in full on August 13, 2014			828,839	836,091
\$450,000 Senior Notes, 10%, redeemed in full on August 13, 2014			450,000	501,458
\$350,000 Senior Notes, 9% / 9.75%, redeemed in full on August 13, 2014			126,147	128,512
\$600,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires August 13, 2019	63,300	63,300		
<b>Total Debt</b>	<b>\$ 1,224,841</b>	<b>\$ 1,213,710</b>	<b>\$ 1,404,986</b>	<b>\$ 1,466,061</b>

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

The fair values presented herein are based on pertinent information available to management as of the respective 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.

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**Table of Contents****17. Commitments and Contingencies***Legal*

The Company establishes accruals 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 accruals were \$12.9 million and \$1.3 million as of January 31, 2015 and February 1, 2014, respectively.

Like many retailers, the Company has 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.

In the matter of *Burlington Coat Factory Song Beverly Cases* which is currently pending in the Superior Court of the State of California, Complex Division, County of Orange (Case No. JCCP No. 4681), plaintiff, on behalf of herself and others similarly situated, alleges that the Company is in violation of the California Civil Code for collecting personal information from customers in connection with the use of credit cards by such customers to pay for merchandise at the Company's stores. At trial held in January 2015, the Superior Court held that the Company was in violation of California law and set May 1, 2015 as the date for a conference to set a date for trial to determine the penalty to be assessed against the Company. The Company is unable to predict the amount of penalty that may be assessed by the court, in excess of the amount accrued, after its consideration of various factors, including, among others, how information was used, how much revenue was derived from the information, what procedures were in place to control the maintenance and dissemination of the information, the duration of the practice to collect information and other relevant factors; however, such penalty assessment could be material. As the state of the law in this area is unsettled and there are conflicting decisions in several cases brought against retailers under the Song Beverly law, the Company has not determined whether it will appeal the determination of the trial court and cannot predict whether an appeal may be successful. However, the Company intends to consider all alternatives including, among others, seeking a stay of proceedings by the trial court while the appellate court is considering an appeal in another case with similar facts, seeking to settle the matter with plaintiffs, seeking an interlocutory appeal in its own case and proceeding to trial on the penalty phase. The accrual for this matter is included in the \$12.9 million legal accrual discussed above.

To determine the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. The ultimate outcome of the case could have a material adverse effect on the Company's results of operations.

*Letters of Credit*

The Company had irrevocable letters of credit in the amounts of \$48.1 million and \$43.9 million as of January 31, 2015 and February 1, 2014, respectively.

Letters of credit outstanding as of January 31, 2015 and February 1, 2014 amounted to \$33.4 million and \$28.8 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 \$14.7 million and \$15.1 million at January 31, 2015 and February 1, 2014, 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 \$386.9 million and \$456.2 million as of January 31, 2015 and February 1, 2014, respectively.

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**Table of Contents***Purchase Commitments*

The Company had \$652.8 million of purchase commitments related to goods or services that were not received as of January 31, 2015.

*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 each respective designated beneficiary.

**18. 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 provided management, consulting, financial and other advisory services. The Advisory Agreement had a 10-year initial term, and thereafter was subject to automatic one-year extensions unless the Company or Bain Capital provides written notice of termination, except that the agreement terminated automatically upon an initial public offering or a change of control of the Company. If the Advisory Agreement was terminated early, Bain Capital would be entitled to receive all unpaid fees and unreimbursed out-of-pocket expenses, as well as the present value of the periodic fee that would otherwise have been payable through the end of the 10-year term. The Advisory Agreement was terminated on October 2, 2013 in connection with the Offering and, in accordance with the termination of the Advisory Agreement, Bain Capital was paid a fee of \$10.1 million which is included in the line item "Costs Related to Debt Amendments, Secondary Offerings, Termination of Advisory Agreement and Other" in the Company's Consolidated Statements of Operations. Prior to the termination of the Advisory Agreement, Bain Capital was paid a periodic fee of \$1.0 million per fiscal quarter plus reimbursement for reasonable out-of-pocket expenses, and a fee equal to 1% of the transaction value of certain financing, acquisition, disposition or change of control or similar transactions by or involving the Company. During Fiscal 2014, fees paid to Bain Capital, representing reimbursement for out-of-pocket expenses, amounted to \$0.2 million. During Fiscal 2013 and Fiscal 2012, fees paid to Bain Capital, primarily representing the quarterly fee, amounted to \$2.9 million, exclusive of the termination fee, and \$4.3 million, respectively. These amounts are recorded in the line item "Selling, General and Administrative Expenses" in the Company's Consolidated Statements of Operations.

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

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

**Table of Contents****19. Quarterly Results (Unaudited)**

In the opinion of the Company's management, the accompanying unaudited interim Consolidated Financial Statements contain all adjustments which are necessary for a fair presentation of the quarters presented. The operating results for any quarter are not necessarily indicative of the results of any future quarter.

*(in thousands, except share data)*

**Year ended January 31, 2015:**

	<b>Quarter Ended</b>			
	<b>May 3, 2014</b>	<b>August 2, 2014</b>	<b>November 1, 2014</b>	<b>January 31, 2015</b>
Net Sales	\$ 1,128,269	\$ 1,043,581	\$ 1,157,292	\$ 1,485,362
Gross Margin(1)(2)	429,808	398,554	458,702	626,621
Net Income (Loss)(3)(4)	\$ 11,774	\$ (6,470)	\$ (34,214)	\$ 94,865
Net Income (Loss) Per Share Basic(5):				
Class L Stockholders	\$	\$	\$	\$
Common Stockholders	\$ 0.16	\$ (0.09)	\$ (0.46)	\$ 1.27
Net Income (Loss) Per Share Diluted(5):				
Class L Stockholders	\$	\$	\$	\$
Common Stockholders	\$ 0.16	\$ (0.09)	\$ (0.46)	\$ 1.24

*(in thousands, except share data)*

**Year ended February 1, 2014:**

	<b>Quarter Ended</b>			
	<b>May 4, 2013</b>	<b>August 3, 2013</b>	<b>November 2, 2013</b>	<b>February 1, 2014</b>
Net Sales	\$ 1,065,013	\$ 963,711	\$ 1,064,502	\$ 1,334,277
Gross Margin(1)	397,361	363,391	414,865	555,929
Net Income (Loss)	\$ (5,563)	\$ (25,014)	\$ (16,857)	\$ 63,584
Net Income (Loss) Per Share Basic(5)(6):				
Class L Stockholders	\$ 7.91	\$ 8.01	\$ 8.04	\$
Common Stockholders	\$ (0.09)	\$ (0.13)	\$ (0.12)	\$ 0.86
Net Income (Loss) Per Share Diluted(5)(6):				
Class L Stockholders	\$ 7.91	\$ 8.01	\$ 8.04	\$
Common Stockholders	\$ (0.09)	\$ (0.22)	\$ (0.12)	\$ 0.84

(1) Gross margin is equal to net sales less cost of sales.

(2) Gross margin for the quarterly periods ended January 31, 2015 and February 1, 2014 are inclusive of inventory shrinkage adjustments of \$10.0 million and \$3.8 million, respectively, as a result of actual shrink being less than what the Company had estimated.

(3) Net Loss for the quarter ended November 1, 2014 includes a loss of \$70.3 million from the extinguishment of debt. Refer to Note 7, Long Term Debt, for additional details.

(4) Net Income for the quarter ended January 31, 2015 includes \$9.3 million of charges for Song Beverly litigation as further described in Footnote 17, Commitments and Contingencies.

(5) Quarterly EPS results may not equal full year amounts due to rounding.

(6)

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All per share amounts have been adjusted for the 11-for-1 stock split effective immediately prior to the Company's initial public offering, which was completed on October 7, 2013.

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**Schedule I**

**CONDENSED FINANCIAL INFORMATION**

**OF REGISTRANT**

**Parent Company Information**

**Burlington Stores, Inc.**

**Balance Sheets**

	January 31, 2015	As of February 1, 2014 (in thousands)
<b>ASSETS:</b>		
<b>Current Assets</b>	\$ 1,504	\$ 3,523
<b>Total Assets</b>	\$ 1,504	\$ 3,523
<b>LIABILITIES AND STOCKHOLDERS DEFICIT:</b>		
<b>Current Liabilities</b>	\$	\$
Negative Investment in Subsidiaries	67,455	153,991
Commitments and Contingencies		
Common Stock Class L		
<b>Total Stockholders Deficit</b>	(65,951)	(150,468)
<b>Total Liabilities and Stockholders Deficit</b>	\$ 1,504	\$ 3,523

See Accompanying Notes to Condensed Financial Statements

Table of Contents**CONDENSED FINANCIAL INFORMATION****OF REGISTRANT****Parent Company Information****Burlington Stores, Inc.****Statements of Operations**

	January 31, 2015	Year Ended February 1, 2014 (in thousands)	February 2, 2013 (53 weeks)
<b>REVENUES:</b>			
Total Revenue	\$	\$	\$
<b>COSTS AND EXPENSES:</b>			
(Income) Loss from Equity Investment			
Total Costs and Expenses			
Income (Loss) Before Provision (Benefit) for Income Tax			
Provision (Benefit) for Income Tax			
Earnings from Equity Investment, Net of Income Taxes	\$ 65,955	\$ 16,150	\$ 25,301
Net Income	\$ 65,955	\$ 16,150	\$ 25,301

See Accompanying Notes to Condensed Financial Statements

Table of Contents**CONDENSED FINANCIAL INFORMATION****OF REGISTRANT****Parent Company Information****Burlington Stores, Inc.****Statements of Cash Flows**

	<b>January 31, 2015</b>	<b>Year Ended February 1, 2014 (in thousands)</b>	<b>February 2, 2013 (53 weeks)</b>
<b>OPERATING ACTIVITIES:</b>			
Net Cash Provided by Operations	\$	\$	\$
<b>INVESTING ACTIVITIES:</b>			
Receipt of Dividends			
Net Cash Used in Investing Activities			
<b>FINANCING ACTIVITIES:</b>			
Proceeds from Initial Public Offering		260,667	
Offering Costs		(23,747)	
Receipt of Dividends		336,000	1,718
Payment of Dividends		(336,000)	(1,711)
Purchase of Treasury Shares	(3,933)		(7)
Intercompany Financing Transactions	(600)	(236,920)	(1,764)
Proceeds from Stock Option Exercises	2,514	2,527	2,760
Net Cash Used in Financing Activities	(2,019)	2,527	996
Increase in Cash and Cash Equivalents	(2,019)	2,527	996
Cash and Cash Equivalents at Beginning of Period	3,523	996	
Cash and Cash Equivalents at End of Period	\$ 1,504	\$ 3,523	\$ 996

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See Accompanying Notes to Condensed Financial Statements

**CONDENSED FINANCIAL INFORMATION**

**OF REGISTRANT**

**Parent Company Information**

**Burlington Stores, Inc.**

**Note 1. Basis of Presentation**

Burlington Stores, Inc. (the Parent Company) is a holding company that conducts substantially all of its business operations through its subsidiaries. The Parent Company's ability to pay dividends on Parent Company's common stock will be limited by restrictions on the ability of Parent Company's subsidiaries and Parent Company to pay dividends or make distributions under the terms of current and any future agreements governing the indebtedness of Parent Company's subsidiaries.

The accompanying Condensed Financial Statements include the accounts of the Parent Company and, on an equity basis, its subsidiaries and affiliates. Accordingly, these condensed financial statements have been presented on a parent-only basis. Under a parent-only presentation, the Parent Company's investments in its consolidated subsidiaries are presented under the equity method of accounting. These parent-only financial statements should be read in conjunction with Burlington Stores, Inc. audited Consolidated Financial Statements included elsewhere herein.

**Note 2. Dividends**

As discussed above, payment of dividends is prohibited under the credit agreements of Parent Company's subsidiaries, except in limited circumstances. Dividends equal to \$336.0 million and \$1.7 million were paid during Fiscal 2013 and Fiscal 2012, respectively. During Fiscal 2013, the Company used the net proceeds from the offering of the 9.00%/9.75% Senior Notes due 2018 issued by Burlington Holdings, LLC (Holdings LLC) and Burlington Holdings Finance, Inc. (Holdco Notes) to pay a special cash dividend of \$336.0 million to the Class A and Class L stockholders on a pro rata basis. The dividend was approved by the Parent Company's Board of Directors in February 2013. During Fiscal 2011, in connection with the offering of the 10% Senior Notes due 2019 and the refinancing of the \$1.0 billion senior secured term loan facility, a cash dividend of approximately \$300.0 million, in the aggregate, was declared payable to Class A and Class L stockholders on a pro rata basis. The dividend was approved by the Parent Company's Board of Directors in February 2011. Of the \$300.0 million in dividends that were declared, \$1.7 million was paid during Fiscal 2012.

**Note 3. Stock-Based Compensation**

Non-cash stock compensation expense has been pushed down to Parent Company's subsidiaries for Fiscal 2014, Fiscal 2013 and Fiscal 2012. The excess tax benefit from stock based compensation has been pushed down to Parent Company's subsidiaries for Fiscal 2014.



**Table of Contents****BURLINGTON STORES, INC.****Schedule II Valuation and Qualifying Accounts and Reserves**

(All amounts in thousands)

<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Charged to Costs &amp; Expenses</b>	<b>Charged to Other Accounts(1)</b>	<b>Accounts Written Off or Deductions(2)</b>	<b>Balance at End of Period</b>
<b>Year ended January 31, 2015</b>					
Allowance for doubtful accounts	\$ 109	\$ 344	\$	\$ 342	\$ 111
Sales reserves	\$ 2,604	\$ (672)	\$ 304,577	\$ 303,457	\$ 3,052
Valuation allowances on deferred tax assets	\$ 9,108	\$	\$ 1,545	\$	\$ 10,653
<b>Year ended February 1, 2014</b>					
Allowance for doubtful accounts	\$ 81	\$ 304	\$	\$ 276	\$ 109
Sales reserves	\$ 2,774	\$ 256	\$ 295,107	\$ 295,533	\$ 2,604
Valuation allowances on deferred tax assets	\$ 7,882	\$	\$ 1,226	\$	\$ 9,108
<b>Year ended February 2, 2013</b>					
Allowance for doubtful accounts	\$ 85	\$ 115	\$	\$ 119	\$ 81
Sales reserves	\$ 2,303	\$ (532)	\$ 292,558	\$ 291,555	\$ 2,774
Valuation allowances on deferred tax assets	\$ 7,349	\$	\$ 533	\$	\$ 7,882

**Notes:**

- (1) Amounts related to sales reserves are charged to merchandise sales and amounts related to valuation allowances on deferred taxes are charged to income tax expense.
- (2) Actual returns and allowances.

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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the last day of the fiscal period covered by this report, January 31, 2015. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of January 31, 2015.

**Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In accordance with the internal control reporting requirement of the SEC, management completed an assessment of the adequacy of our internal control over financial reporting as of January 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework (2013)*.

Based on this assessment and the criteria in the COSO framework, management has concluded that, as of January 31, 2015, our internal control over financial reporting was effective.

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Deloitte & Touche LLP, the independent registered public accounting firm that audited and reported on our consolidated financial statements contained herein, has audited the effectiveness of our internal control over financial reporting as of January 31, 2015, and has issued an attestation report on the effectiveness of our internal control over financial reporting included herein.

**Changes in Internal Control Over Financial Reporting**

During the fourth quarter of Fiscal 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Burlington Stores, Inc.

Burlington, New Jersey

We have audited the internal control over financial reporting of Burlington Stores, Inc. and Subsidiaries (the Company ) as of January 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2015, based on the criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the fiscal year ended January 31, 2015 of the Company and our report dated March 25, 2015 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

March 25, 2015

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**Item 9B. Other Information.**

None.

**Part III**

**Item 10. Directors, Executive Officers and Corporate Governance**

For the information required by this Item 10, see Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement for our 2015 Annual Meeting of Stockholders (the Annual Meeting ), which information is incorporated herein by reference. The Proxy Statement for the Annual Meeting (the Proxy Statement ) will be filed within 120 days of the close of our 2014 fiscal year.

**Item 11. Executive Compensation**

For the information required by this Item 11, see Executive Compensation and Director Compensation in the Proxy Statement, which information is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

For the information required by this Item 12, see Ownership of Securities and Securities Authorized for Issuance Under Equity Compensation Plans in the Proxy Statement, which information is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

For the information required by this Item 13, see Certain Relationships and Related Party Transactions and Election of Directors in the Proxy Statement, which information is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

For the information required by this Item 14, see Principal Accountant Fees and Services and Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Certified Public Accounting Firm in the Proxy Statement, which information is incorporated herein by reference.

**Table of Contents****PART IV****Item 15. Exhibits, Financial Statement Schedules***(a) Documents Filed as Part of this Report*

**(1) Financial Statements.** The Consolidated Financial Statements filed as part of this Report are listed on the Index to Consolidated Financial Statements on page 54 of this Report.

**(2) Financial Statement Schedules.** Schedule I Condensed Financial Information of Registrant is set forth on pages 99-102. Schedule II Valuation and Qualifying Accounts filed as part of this Report is set forth on page 103 of this Report. All other financial statement schedules have been omitted here because they are not applicable, not required, or the information is shown in the Consolidated Financial Statements or notes thereto.

**(3) Exhibits Required by Item 601 of Regulation S-K.**

The following is a list of exhibits required by Item 601 of Regulation S-K and filed as part of this Report. Exhibits that previously have been filed are incorporated herein by reference.

<b>Exhibit No.</b>	<b>Description</b>
3.1(21)	Amended and Restated Certificate of Incorporation of Burlington Stores, Inc.
3.2(21)	Amended and Restated Bylaws of Burlington Stores, Inc.
10.1(10)	Credit Agreement, dated February 24, 2011, among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Investments Holdings, Inc., the facility guarantors signatory thereto, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, the lenders party thereto, J.P. Morgan Securities LLC and Goldman Sachs Lending Partners LLC, as joint bookrunners and J.P. Morgan Securities LLC, Goldman Sachs Lending Partners LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint arrangers.
10.1.1(14)	Amendment No. 1, dated May 16, 2012, to the Credit Agreement, dated February 24, 2011, among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Investments Holdings, Inc., the facility guarantors signatory thereto, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, the lenders party thereto, J.P. Morgan Securities LLC and Goldman Sachs Lending Partners LLC, as joint bookrunners and J.P. Morgan Securities LLC, Goldman Sachs Lending Partners LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint arrangers.
10.1.2(15)	Amendment No. 2, dated February 15, 2013, by and among Burlington Coat Factory Warehouse Corporation, the facility guarantors signatory thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.1.3(16)	



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Amendment No. 3, dated May 17, 2013, by and among Burlington Coat Factory Warehouse Corporation, the facility guarantors signatory thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.

10.1.4(24)

Amendment No. 4 to Credit Agreement, dated August 13, 2014, by and among Burlington Coat Factory Warehouse Corporation, the facility guarantors signatory thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent.

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<b>Exhibit No.</b>	<b>Description</b>
10.2(10)	First Amendment, dated February 24, 2011, to the Amended and Restated Credit Agreement, dated as of January 15, 2010, among Burlington Coat Factory Warehouse Corporation, as Lead Borrower, the Borrowers and the Facility Guarantors party thereto, Bank of America, N.A., as Administrative Agent and as Collateral Agent, the Lenders party thereto, Wells Fargo Retail Finance, LLC and Regions Bank, as Co-Syndication Agent, J.P. Morgan Securities Inc. and UBS Securities LLC, as Co-Documentation Agents and General Electric Capital Corporation, US Bank, National Association and Suntrust Bank as Senior Managing Agents.
10.3(12)	Second Amended and Restated Credit Agreement, dated as of September 2, 2011, among Burlington Coat Factory Warehouse Corporation, as Lead Borrower, the Borrowers and the Facility Guarantors party thereto, Bank of America, N.A., as Administrative Agent and as Collateral Agent, the Lenders party thereto, Wells Fargo Capital Finance, LLC and JPMorgan Chase Bank, N.A., as co-syndication agents, and Suntrust Bank and U.S. Bank, National Association, as co-documentation agents.
10.3.1(24)	First Amendment to Second Amended and Restated Credit Agreement, dated as of August 13, 2014, by and among Burlington Coat Factory Warehouse Corporation, as lead borrower, the other borrowers signatory thereto, the facility guarantors signatory thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent.
10.4(1)	Revolving Credit Note, dated as of April 13, 2006, by the Borrowers party thereto in favor of PNC Bank, National Association.
10.5(1)	Revolving Credit Note, dated as of April 13, 2006, by the Borrowers party thereto in favor of Siemens Financial Services, Inc.
10.6(8)	Amended and Restated Revolving Credit Note, dated January 15, 2010, by the Borrowers party thereto in favor of Wells Fargo Retail Finance, LLC.
10.7(1)	Revolving Credit Note, dated as of April 13, 2006, by the Borrowers party thereto in favor of National City Business Credit, Inc.
10.8(1)	Revolving Credit Note, dated as of April 13, 2006, by the Borrowers party thereto in favor of Citizens Bank of Pennsylvania.
10.9(1)	Revolving Credit Note, dated as of April 13, 2006, by the Borrowers party thereto in favor of HSBC Business Credit (USA), Inc.
10.10(1)	Revolving Credit Note, dated as of April 13, 2006, by the Borrowers party thereto in favor of Sovereign Bank.
10.11(8)	Amended and Restated Revolving Credit Note, dated January 15, 2010, by the Borrowers party thereto in favor of Capital One Leverage Finance Corp.
10.12(1)	Form of Swingline Note.
10.13(1)	Guaranty, dated as of April 13, 2006, by the Facility Guarantors party thereto in favor of Bank of America, N.A., as Administrative Agent and Bank of America, N.A., as Collateral Agent.
10.14(1)	Security Agreement, dated as of April 13, 2006, by and among each of the Borrowers party thereto, each of the Facility Guarantors party thereto, and Bank of America, N.A., as Collateral Agent.

- 10.15(1) Intellectual Property Security Agreement, dated as of April 13, 2006, by and among each of the Borrowers party thereto, each of the Facility Guarantors party thereto, and Bank of America, N.A., as Collateral Agent.

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<b>Exhibit No.</b>	<b>Description</b>
10.16(1)	Pledge Agreement, dated as of April 13, 2006, by and between Burlington Coat Factory Holdings, Inc., Burlington Coat Factory Investments Holdings, Inc., Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Realty Corp., Burlington Coat Factory Purchasing, Inc., K&T Acquisition Corp., Burlington Coat Factory of New York, LLC, Burlington Coat Factory Warehouse of Baytown, Inc., Burlington Coat Factory of Texas, Inc., as the Pledgors, and Bank of America, N.A., as Collateral Agent.
210.17+(8)	Employment Agreement, dated as of October 13, 2009, by and between Burlington Coat Factory Warehouse Corporation and Joyce Manning Magrini.
10.17.1+(8)	Amendment to Employment Agreement, dated February 26, 2010, by and between Burlington Coat Factory Warehouse Corporation and Joyce Manning Magrini.
210.17.2+(19)	Amendment No. 2 to Employment Agreement, dated as of October 18, 2012, by and between Burlington Coat Factory Warehouse Corporation and Joyce Manning Magrini.
10.18+(2)	Employment Agreement, dated as of August 16, 2007, by and between Burlington Coat Factory Warehouse Corporation and Todd Weyhrich.
10.18.1+(3)	Amendment to Employment Agreement, dated as of June 27, 2008, by and between Burlington Coat Factory Warehouse Corporation and Todd Weyhrich.
10.18.2+(17)	Amendment No. 2 to Employment Agreement, dated as of December 31, 2012, by and between Burlington Coat Factory Warehouse Corporation and Todd Weyhrich.
10.19+(4)	Employment Agreement, dated as of December 2, 2008, by and among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Holdings, Inc., and Thomas A. Kingsbury.
10.19.1+(19)	Amendment No. 1 to Employment Agreement, dated as of October 23, 2012, by and among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Holdings, Inc., and Thomas A. Kingsbury.
10.19.2+(25)	Amendment No. 2 to Employment Agreement, dated as of December 8, 2014, by and among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Holdings, LLC, Burlington Stores, Inc. and Thomas Kingsbury.
10.20+(9)	Employment Agreement, dated as of January 28, 2008, by and between Burlington Coat Factory Warehouse Corporation and Fred Hand.
10.20.1+(20)	Amendment No. 1 to Employment Agreement, dated as of October 31, 2012, by and between Burlington Coat Factory Warehouse Corporation and Fred Hand.
10.21+(13)	Employment Agreement, dated as of May 12, 2011, by and between Burlington Coat Factory Warehouse Corporation and Hobart P. Sichel.
10.21.1+(17)	Amendment No. 1 to Employment Agreement, dated as of December 21, 2012, by and between Burlington Coat Factory Warehouse Corporation and Hobart P. Sichel.
10.22+(17)	Employment Agreement, dated as of March 12, 2012, by and between Burlington Coat Factory Warehouse Corporation and Paul Metcalf.
10.22.1+(17)	Amendment No. 1 to Employment Agreement, dated as of November 1, 2012, by and between Burlington Coat Factory Warehouse Corporation and Paul Metcalf.

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- 10.22.2+(26) Amendment No. 2 to Employment Agreement dated as of June 23, 2014, by and between Burlington Coat Factory Warehouse Corporation and Paul Metcalf.
- 10.23+(3) Employment Agreement, dated as of June 26, 2008, by and between Burlington Coat Factory Warehouse Corporation and Marc Katz.

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<b>Exhibit No.</b>	<b>Description</b>
10.23.1+(20)	Amendment No. 1 to Employment Agreement, dated as of October 16, 2012, by and between Burlington Coat Factory Warehouse Corporation and Marc Katz.
10.24+(1)	Employment Agreement, dated as of April 13, 2006, by and between Burlington Coat Factory Warehouse Corporation and Paul Tang.
10.24.1+(20)	Amendment No. 1 to Employment Agreement, dated as of July 17, 2007, by and between Burlington Coat Factory Warehouse Corporation and Paul Tang.
10.24.2+(20)	Amendment No. 2 to Employment Agreement, dated as of December 7, 2012, by and between Burlington Coat Factory Warehouse Corporation and Paul Tang.
10.25+(17)	Employment Agreement, dated as of November 16, 2009, by and between Burlington Coat Factory Warehouse Corporation and Michael Metheny.
10.25.1+(17)	Amendment No. 1 to Employment Agreement, dated as of August 20, 2012, by and between Burlington Coat Factory Warehouse Corporation and Michael Metheny.
10.26+(1)	Form of Restricted Stock Grant Agreement Pursuant to Burlington Coat Factory Holdings, Inc. 2006 Management Incentive Plan (for grants made prior to April 2009).
10.27+(1)	Form of Non-Qualified Stock Option Agreement, dated as of April 13, 2006, between Burlington Coat Factory Holdings, Inc. and Employees with Employment Agreements (for grants made prior to April 2009).
10.28+(1)	Form of Non-Qualified Stock Option Agreement, dated as of April 13, 2006, between Burlington Coat Factory Holdings, Inc. and Employees without Employment Agreements (for grants made prior to April 2009).
10.29+(1)	Burlington Coat Factory Holdings, Inc. 2006 Management Incentive Plan.
10.29.1+(4)	Amendment No. 1 to the Burlington Coat Factory Holdings, Inc. Management Incentive Plan dated as of December 2, 2008.
10.29.2+(5)	Amendment No. 2 to the Burlington Coat Factory Holdings, Inc. 2006 Management Incentive Plan dated as of March 19, 2009.
10.29.3+(7)	Amendment No. 3 to the Burlington Coat Factory Holdings, Inc. 2006 Management Incentive Plan dated as of September 14, 2009.
10.30+(5)	Form of Non-Qualified Stock Option Agreement between Burlington Coat Factory Holdings, Inc. and Employees with Employment Agreements (for grants made after March 2009 and prior to 2014 (other than 2013 special one-time grants)).
10.31+(5)	Form of Non-Qualified Stock Option Agreement between Burlington Coat Factory Holdings, Inc. and Employees without Employment Agreements (for grants made after March 2009 and prior to 2014 (other than 2013 special one-time grants)).
10.32+(5)	Form of Restricted Stock Grant Agreement between Burlington Coat Factory Holdings, Inc. and Employees with Employment Agreements (for grants made after March 2009 and prior to 2014).
10.33+(5)	Form of Restricted Stock Grant Agreement between Burlington Coat Factory Holdings, Inc. and Employees without Employment Agreements (for grants made after March 2009 and prior to 2014).

10.34+(5)

Form of Initial Amendment to Non-Qualified Stock Option Agreement between Burlington Coat Factory Holdings, Inc. and Employees with Employment Agreements.

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<b>Exhibit No.</b>	<b>Description</b>
10.35+(5)	Form of Initial Amendment to Non-Qualified Stock Option Agreement between Burlington Coat Factory Holdings, Inc. and Employees without Employment Agreements.
10.36+(5)	Form of Subsequent Amendment to Non-Qualified Stock Option Agreement between Burlington Coat Factory Holdings, Inc. and Employees with Employment Agreements.
10.37+(5)	Form of Subsequent Amendment to Non-Qualified Stock Option Agreement between Burlington Coat Factory Holdings, Inc. and Employees without Employment Agreements.
10.38+(20)	Burlington Holdings, Inc. 2006 Management Incentive Plan (Amended and Restated June 15, 2013).
10.39(21)	Form of Directors and Officers Indemnification Agreement.
10.40+(22)	Burlington Stores, Inc. 2013 Omnibus Incentive Plan.
10.41+(20)	Form of Non-Qualified Stock Option Agreement, pursuant to Burlington Holdings, Inc. s 2006 Management Incentive Plan, between Burlington Holdings, Inc. and Employees with Employment Agreements (for 2013 special one-time grants).
10.42+(20)	Form of Non-Qualified Stock Option Agreement, pursuant to Burlington Holdings, Inc. s 2006 Management Incentive Plan, between Burlington Holdings, Inc. and Employees without Employment Agreements (for 2013 special one-time grants).
10.43+(20)	Form of Non-Qualified Stock Option Agreement, pursuant to Burlington Holdings, Inc. s 2006 Management Incentive Plan, dated as of June 17, 2013, between Burlington Holdings, Inc. and Thomas A. Kingsbury (for 2013 special one-time grant).
10.44 (23)	Amended and Restated Stockholders Agreement among Burlington Stores, Inc. and the Investors and Managers named therein dated as of March 13, 2014.
10.44.1(26)	Amendment No. 1 to Amended and Restated Stockholders Agreement, dated as of May 22, 2014.
10.44.2	Amendment No. 2 to Amended and Restated Stockholders Agreement, dated as of December 5, 2014.
10.45+	Employment Agreement, dated as of November 7, 2014, by and between Burlington Coat Factory Warehouse Corporation and Eric Seeger.
10.46+	Restricted Stock Grant Agreement between Burlington Stores, Inc. and Eric Seeger dated January 20, 2015.
10.47+	Restricted Stock Grant Agreement between Burlington Stores, Inc. and Marc Katz dated January 12, 2015.
10.48+	Restricted Stock Grant Agreement between Burlington Stores, Inc. and Thomas Kingsbury dated December 15, 2014.
10.49+	Form of Restricted Stock Agreement between Burlington Stores, Inc. and Independent Directors
10.50+	Form of Non-Qualified Stock Option Agreement between Burlington Stores, Inc. and Employees with Employment Agreements (for grants made after 2013).
10.51+	Form of Non-Qualified Stock Option Agreement between Burlington Stores, Inc. and Employees without Employment Agreements (for grants made after 2013).



10.52+	Form of Restricted Stock Grant Agreement between Burlington Stores, Inc. and Employees with Employment Agreements (for grants made after 2013).
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<b>Exhibit No.</b>	<b>Description</b>
10.53+	Form of Restricted Stock Grant Agreement between Burlington Stores, Inc. and Employees without Employment Agreements (for grants made after 2013).
21.1	List of Subsidiaries of Burlington Stores, Inc.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Filed herewith.

+ Management Contract or Compensatory Plan or Arrangement.

- (1) Incorporated by reference to Burlington Coat Factory Warehouse Corporation's Registration Statement on Form S-4, No. 333-137916, filed on October 10, 2006.
- (2) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc.'s Current Report on Form 8-K filed on August 17, 2007.
- (3) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc.'s Current Report on Form 8-K filed on June 27, 2008.
- (4) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2009 filed on April 14, 2009.
- (5) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc.'s Current Report on Form 8-K filed on April 30, 2009.
- (6) Reserved.
- (7) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 28, 2009 filed on January 12, 2010.
- (8) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc.'s Transition Report on Form 10-K/T for the transition period ended January 30, 2010 filed on April 30, 2010.
- (9)

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Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Quarterly Report on Form 10-Q for the quarter ended March 1, 2008 filed on April 15, 2008.

(10) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Current Report on Form 8-K filed on February 24, 2011.

(11) Reserved.

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- (12) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Current Report on Form 8-K filed on September 9, 2011.
- (13) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Annual Report on Form 10-K for the fiscal year ended January 28, 2012 filed on April 20, 2012.
- (14) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Current Report on Form 8-K filed on May 17, 2012.
- (15) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Current Report on Form 8-K filed on February 21, 2013.
- (16) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Current Report on Form 8-K filed on May 22, 2013.
- (17) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Annual Report on Form 10-K for the fiscal year ended February 2, 2013 filed on April 26, 2013.
- (18) Reserved.
- (19) Incorporated by reference to Burlington Coat Factory Investments Holdings, Inc. s Quarterly Report on Form 10-Q for the quarter ended October 27, 2012 filed on December 11, 2012.
- (20) Incorporated by reference to Burlington Stores, Inc. s Registration Statement on Form S-1/A filed on September 6, 2013.
- (21) Incorporated by reference to Burlington Stores, Inc. s Registration Statement on Form S-1/A filed on September 10, 2013.
- (22) Incorporated by reference to Burlington Stores, Inc. s Registration Statement on Form S-1/A filed on September 19, 2013.
- (23) Incorporated by reference to Burlington Stores, Inc. s Annual Report on Form 10-K for the fiscal year ended February 1, 2014 filed on March 31, 2014.
- (24) Incorporated by reference to Burlington Stores, Inc. s Current Report on Form 8-K filed on August 18, 2014.
- (25) Incorporated by reference to Burlington Stores, Inc. s Current Report on Form 8-K filed on December 9, 2014.
- (26) Incorporated by reference to Burlington Stores, Inc. s Quarterly Report on Form 10-Q for the quarter year ended August 2, 2014 filed on September 11, 2014.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BURLINGTON STORES, INC.**

By: /s/ Thomas A. Kingsbury  
Thomas A. Kingsbury

**Chairman, President and  
Chief Executive Officer**

Date: March 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 25<sup>th</sup> day of March 2015.

<b>Signature</b>	<b>Title</b>
/s/ Thomas A. Kingsbury <b>Thomas A. Kingsbury</b>	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ Marc Katz <b>Marc Katz</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ John Crimmins <b>John Crimmins</b>	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Joshua Bekenstein <b>Joshua Bekenstein</b>	Director
/s/ Jordan Hitch <b>Jordan Hitch</b>	Director
/s/ Tricia Patrick <b>Tricia Patrick</b>	Director
/s/ John Mahoney <b>John Mahoney</b>	Director

**John Mahoney**

/s/ Paul Sullivan

Director

**Paul Sullivan**

/s/ Frank Cooper, III

Director

**Frank Cooper, III**

/s/ William McNamara

Director

**William McNamara**

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<b>Exhibit</b>	<b>Description</b>
10.44.2	Amendment No. 2 to Amended and Restated Stockholders Agreement, dated as of December 5, 2014.
10.45	Employment Agreement, dated as of November 7, 2014, by and between Burlington Coat Factory Warehouse Corporation and Eric Seeger.
10.46	Restricted Stock Grant Agreement between Burlington Stores, Inc. and Eric Seeger dated January 20, 2015.
10.47	Restricted Stock Grant Agreement between Burlington Stores, Inc. and Marc Katz dated January 12, 2015.
10.48	Restricted Stock Grant Agreement between Burlington Stores, Inc. and Thomas Kingsbury dated December 15, 2014.
10.49	Form of Restricted Stock Agreement between Burlington Stores, Inc. and Independent Directors.
10.50	Form of Non-Qualified Stock Option Agreement between Burlington Stores, Inc. and Employees with Employment Agreements (for grants made after 2013).
10.51	Form of Non-Qualified Stock Option Agreement between Burlington Stores, Inc. and Employees without Employment Agreements (for grants made after 2013).
10.52	Form of Restricted Stock Grant Agreement between Burlington Stores, Inc. and Employees with Employment Agreements (for grants made after 2013).
10.53	Form of Restricted Stock Grant Agreement between Burlington Stores, Inc. and Employees without Employment Agreements (for grants made after 2013).
21.1	List of Subsidiaries of Burlington Stores, Inc.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document