BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-K
April 14, 2011

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

FORM 10-K

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

For the fiscal year ended January 29, 2011

OR

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

For the transition period from _______ to ________

1-37917
(Commission File Number)

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

(609) 387-7800
(Registrant's telephone number, including area code)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes ¨ No T

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 T 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 T

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. T

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 T (Do not check if a smaller	Smaller reporting company ¨

reporting company)

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

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

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

Documents Incorporated By Reference

None

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.
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PART I

Item 1. Business

Overview

Burlington Coat Factory Investments Holdings, Inc. (the Company or Holdings) owns Burlington Coat Factory Warehouse Corporation (BCFWC), which is 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, and as of January 29, 2011, we have expanded our store base to 460 stores in 44 states and Puerto Rico and diversified our product categories by offering an extensive selection of in-season better and moderate brands, fashion-focused merchandise, including: ladies sportswear, menswear, coats, family footwear, baby furniture and accessories, as well as home decor and gifts. We continue to emphasize our rich heritage of coats and outerwear and we believe that we are viewed as the destination for coat shoppers. We employ a hybrid business model, offering the low prices of off-price retailers as well as the branded merchandise and product diversity traditionally associated with department stores. We acquire desirable, first-quality, branded merchandise primarily from nationally-recognized manufacturers. For the fiscal year ended January 29, 2011, we generated total revenue of $3,701.1 million, net sales of $3,669.6 million, net income of $31.0 million, and Adjusted EBITDA (as defined later in this Form 10-K) of $338.1 million.

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

Change in Fiscal Year End

In order to conform to the predominant fiscal calendar used within the retail industry, on February 25, 2010 our Board of Directors approved a change in our fiscal year from a fiscal year comprised of the twelve consecutive fiscal months ending on the Saturday closest to May 31 to a fiscal year comprised of the twelve consecutive fiscal months ending on the Saturday closest to January 31. This change commenced with the transition period beginning on May 31, 2009 and ending on January 30, 2010 (Transition Period). This Form 10-K is an annual report for the fiscal year ended January 29, 2011 (Fiscal 2010). The Company’s last three complete fiscal years prior to Fiscal 2010 ended on May 30, 2009 (Fiscal 2009), May 31, 2008 (Fiscal 2008), and June 2, 2007 (Fiscal 2007), and each of those years contained 52 weeks.

Debt Refinancing and Dividend

In the first quarter of Fiscal 2011, we completed the refinancing of our Term Loan, Senior Notes, and Senior Discount Notes. As a result of these transactions, the Senior Notes and Senior Discount Notes, with carrying values at January 29, 2011 of $302.0 million and $99.3 million, respectively, have been repurchased. In addition, BCFWC completed the sale of $450 million aggregate principal amount of 10% Senior Notes due 2019 (the Notes) at an issue price of 100%. Additionally, the Term Loan with a carrying value of $777.6 million as of January 29, 2011 has been replaced with a $1,000.0 million senior secured term loan facility (New Term Loan). Borrowings on the ABL Line of Credit related to the transaction were $101.6 million. As a result of these transactions, we incurred various fees and charges of approximately $73 million. In connection with the offering of the Notes and the refinancing of the Term Loan facility, a cash dividend of approximately $300.0 million in the aggregate was paid to the equity holders of Parent on a pro rata basis.

The Stores

As of January 29, 2011, we operated 460 stores under the names: “Burlington Coat Factory Warehouse” (443 stores), “MJM Designer Shoes” (14 stores), “Cohoes Fashions” (two stores), and “Super Baby Depot” (one store). Our store base is geographically diversified with stores located in 44 states and Puerto Rico. We believe that our customers are attracted to our stores principally by the availability of a large assortment of first-quality current brand-name merchandise at everyday low prices.

Burlington Coat Factory Warehouse stores (BCF stores) offer customers a complete line of value-priced apparel, including: ladies sportswear, menswear, coats, and family footwear, as well as baby furniture, accessories, home decor and gifts. We continue to emphasize our rich heritage of coats and outerwear and we believe that we are viewed as the destination for coat shoppers. BCF’s broad selection provides a wide range of apparel, accessories and furnishing for all ages. We purchase both pre-season and in-season merchandise, allowing us to respond timely to changing market conditions and consumer fashion preferences. Furthermore, we believe BCF stores’ substantial selection of staple, destination products such as coats and products in our Baby Depot departments, as well as men’s and boys’ suits, attracts customers from beyond our local trade areas. These products drive incremental store-traffic and differentiate us from our competitors. Over 98% of our net sales are derived from our BCF stores.

We opened our first MJM Designer Shoe store in 2002. MJM Designer Shoe stores offer an extensive collection of men's, women's and children's moderate-to higher-priced designer and fashion shoes, sandals, boots and sneakers. MJM Designer Shoe stores also carry accessories such as handbags, wallets, belts, socks, hosiery and novelty gifts. MJM Designer Shoes stores provide a superior shoe shopping experience for the value conscious consumer by offering a broad selection of quality goods at discounted prices in stores with a convenient self-service layout.

In some of our stores, we grant unaffiliated third parties the right to use designated store space solely for the purpose of selling such third parties' goods, including items such as fragrances, and jewelry (Leased Departments). During Fiscal 2010, our rental income from all such arrangements aggregated less than 1% of our total revenues. We do not own or have any rights to any trademarks, licenses or other intellectual property used in connection with the brands sold by such unaffiliated third parties.

Store Expansion

Since 1972 when our first store was opened in Burlington, New Jersey, we have expanded to 443 BCF stores, two Cohoes Fashions stores, 14 MJM Designer Shoes stores, and one stand-alone Super Baby Depot store.

We believe the size of our typical BCF store represents a competitive advantage. Most of our stores are approximately 80,000 square feet, occupying significantly more selling square footage than most off-price or specialty store competitors. Major landlords frequently seek us as a tenant because the appeal of our apparel merchandise profile attracts a desired customer base and because we can take on larger facilities than most of our competitors. In addition, we have built long-standing relationships with major shopping center developers. As of January 29, 2011, we operated stores in 44 states and Puerto Rico, and we are exploring expansion opportunities both within our current market areas and in other regions.

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

Real Estate Strategy

As of January 29, 2011, we owned the land and/or buildings for 40 of our 460 stores. Generally, however, our policy has been to lease our stores, with average rents per square foot that are below the rents of our off-price competitors. Our large average store size (generally twice that of our off-price competitors), ability to attract foot traffic and our disciplined real estate strategy enable us to secure these lower rents. Most of our stores are located in malls, strip shopping centers, regional power centers or are freestanding.

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

We have a proven track record of new store expansion. Our store base has grown from 13 stores in 1980 to 460 stores as of January 29, 2011. 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 June 3, 2006.

Fiscal Years	2006	2007	2008	2009	35 weeks ended January 30, 2010	2010
Stores (Beginning of Period)	362	368	379	397	433	442
Stores Opened	12	19	20	37	9	25
Stores Closed	(6)	(8)	(2)	(1)	0	(7)
Stores (End of Period)	368	379*	397	433	442	460

* Inclusive of three stores that closed because of hurricane damage, which reopened in 2007.

Distribution

We have two primary distribution centers that ship approximately 84% of merchandise units to our stores. The remaining 16% of merchandise units are drop shipped directly to our stores. The two distribution centers, located in Edgewater Park, New Jersey and San Bernardino, California, occupy an aggregate of 1,088,000 square feet and each includes processing and storage capacity. In addition to our two primary distribution facilities, we recently reopened our distribution facility in Burlington, New Jersey. This 402,000 square foot facility is being used primarily for storage of product that has been purchased well in advance of the selling season. The vast majority of product stored at this facility will be processed and shipped through our Edgewater Park, New Jersey facility.

We continue to work on several logistics initiatives to improve supply chain efficiencies and service levels. We have implemented a new warehouse management system within our Edgewater Park, New Jersey and San Bernardino, California distribution centers. We believe that this new system will allow for further improvements in productivity by providing functionality not previously available. Accordingly, both facilities can process all receipts in a more efficient manner, further reducing the amount of transportation miles required to service our stores. We are also planning to make incremental investments during Fiscal 2011 that will allow these facilities to handle increased volume and provide value added services to our stores, such as breaking up units into smaller quantities to allow the right volumes to be placed in the right stores. Additionally, we have implemented a performance management program designed to drive productivity improvements within the four walls of our distribution centers.

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

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 has an annual household income of $35,000 to $60,000. This customer shops for herself, her family and her home. We appeal to value seeking and fashion conscious customers who are price-driven but enjoy the style and fit of high-quality, branded merchandise. These core customers are drawn to us not only by our value proposition, but also by our broad selection of styles, our brands and our highly appealing product selection for families.

Customer Service

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

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

Marketing and Advertising

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

Employees

As of January 29, 2011, we employed 31,399 people, including part-time and seasonal employees. Our staffing requirements fluctuate during the year as a result of the seasonality of the apparel industry. We hire additional employees and increase the hours of part-time employees during seasonal peak selling periods. As of January 29, 2011, employees at two of our stores were subject to collective bargaining agreements.

Competition

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

Merchandise Vendors

We purchase merchandise from many suppliers, each of which accounted for less than 3% of our net purchases during Fiscal 2010. We have no long-term purchase commitments or arrangements with any of our suppliers, and believe that we are not dependent on any one supplier. We continue to have good working relationships with our suppliers.

Seasonality

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

Tradenames

We have tradename assets such as Burlington Coat Factory, Baby Depot, Luxury Linens and MJM Designs. We consider these tradenames 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 tradenames endure for as long as they are used.

AVAILABLE INFORMATION

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

Item 1A. Risk Factors

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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 will largely depend on our ability to successfully open and operate new stores. We intend to continue to open new stores in future years, while remodeling 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 Available Business Line Senior Secured Revolving Facility (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.

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

We currently lease approximately 91% of our store locations. Most of our current leases expire at various dates after five-year terms, or ten-year terms in the case of our newer leases, 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 which are not 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 our profitability may be negatively impacted.

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.

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

Our results of operations for our individual stores have fluctuated in the past and can be expected to continue to fluctuate in the future. Since the beginning of the fiscal year ended May 29, 2005, our quarterly comparative store sales rates have ranged from 8.9% to negative 8.0%.

Our comparative store sales and results of operations are affected by a variety of factors, including:

- fashion trends;
- calendar shifts of holiday or seasonal periods;
- the effectiveness of our inventory management;
- changes in our merchandise mix;
- weather patterns, including, among other things, changes in year-over-year temperatures;

- availability of suitable real estate locations at desirable prices and our ability to locate them;
- our ability to effectively manage pricing and markdowns;
- changes in general economic conditions and consumer spending patterns;
- our ability to anticipate, understand and meet consumer trends and preferences;
- actions of competitors; and
- the attractiveness of our inventory and stores to customers.

If our future comparative store sales fail to meet expectations, then our cash flow and profitability could decline substantially. For further information, please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Because inventory is both fashion and season sensitive, extreme and/or unseasonable weather conditions could have a disproportionately large effect on our business, financial condition and results of operations because we would be forced to mark down inventory.

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 to travel to our stores. In addition, natural disasters such as hurricanes, tornados and earthquakes, 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. 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. Historically, a majority of our net sales have occurred during the five-month period from September through January. Unseasonably warm weather during these months could adversely affect our business.

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. Many of our key vendors limit the number of retail channels they use to sell their merchandise resulting 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.

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. 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.

General economic conditions affect our business.

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

The financial crisis which began in 2008, combined with already weakened economic conditions due to high energy costs, deterioration of the mortgage lending market and rising costs of food, led to a global recession affecting all industries and businesses. The resultant loss of jobs and decrease in consumer spending has caused businesses to reduce spending and scale down their profit and performance projections. More specifically, these conditions have led to unprecedented promotional activity among retailers. In order to increase traffic and drive consumer spending in the current economic environment, competitors, including department stores, mass merchants and specialty apparel stores, have been offering brand-name merchandise at substantial markdowns. If we are unable to continue to positively differentiate ourselves from our competitors, our results of operations could be adversely affected. More recently, the unprecedented 2011 earthquake, tsunami and nuclear accident in Japan, combined with the outbreak of hostilities in the Middle East, could have the effect of slowing or curtailing the nascent recovery from the financial crisis.

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. Also affected are 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.

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 the 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 and health related concerns, such as the outbreaks of SARS, bird flu, swine flu and other diseases, 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;

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

- fluctuation in our suppliers' local currency against the dollar, which may increase our cost of goods sold; and
- changes in import duties, taxes, charges, quotas, loss of "most favored nation" trading status with the United States for a particular foreign country and trade restrictions (including the United States imposing antidumping or countervailing duty orders, safeguards, remedies or compensation and retaliation due to illegal foreign trade practices).

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

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

During Fiscal 2010, central distribution services were extended to approximately 84% 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. 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 or 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 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.

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

Disruptions in our information systems could adversely affect our operating results.

The efficient operation of our business is dependent on our information systems. If an act of God or other event caused our information systems to not function properly, major business disruptions could occur. In particular, we rely on our information systems to effectively manage sales, distribution, merchandise planning and allocation functions. Our disaster recovery site is located within 15 miles of our Burlington, New Jersey headquarters. If a disaster impacts either location, while it most likely would not fully incapacitate us, our operations could be significantly affected. The failure of our information systems to perform as designed could disrupt our business and harm sales and profitability.

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 new limitations on the permissible amounts of lead and phthalates allowed in children's products. These 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, and 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. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising and marketing programs. In order for our advertising and marketing programs to be successful, we must:

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

- convert customer awareness into actual store visits and product purchases.

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

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

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

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

As of April 1, 2011, funds associated with Bain Capital owned approximately 97.9% of the common stock of Burlington Coat Factory Holdings, Inc. (Parent), with the remainder held by existing and former members of management. Additionally, management held options to purchase 8.7% of the outstanding shares of Parent's common stock as of April 1, 2011. Our controlling stockholders may have an incentive to increase the value of their investment or cause us to distribute funds at the expense of our financial condition and impact our ability to make payments on our outstanding notes. In addition, funds associated with Bain Capital have the power to elect a majority of our board of directors and appoint new officers and management and, therefore, effectively control many major decisions regarding our operations.

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

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 GAAP and IFRS. For example, accounting regulatory authorities have indicated that they may begin to require lessees to capitalize operating leases in their financial statements in future periods. If adopted, such a change would require us to record a significant amount of lease related assets and liabilities on our balance sheet and make other changes related to the recording and classification of lease related expenses on our statement of operations and cash flows. 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.

Risk Factors Related to Our Substantial Indebtedness

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

As of January 29, 2011, our total indebtedness was $1,372.3 million, including $302.0 million of 11.1% senior notes due 2014, $99.3 million of 14.5% senior discount notes due 2014, $777.6 million under our Senior Secured Term Loan Facility (Term Loan), and $168.6 million under the ABL Line of Credit. Estimated cash required to make minimum debt service payments (including principal and interest) for these debt obligations amounts to $81.6 million for the fiscal year ending January 28, 2012, inclusive of minimum interest payments related to the ABL Line of Credit. The ABL Line of Credit has no annual minimum principal payment requirement.

On February 24, 2011, we completed certain refinancing transactions, described in further detail in Item 7 of this report entitled "Management's Discussion and Analysis of Financing Condition and Results of Operations" and Note 23 to our Consolidated Financial Statements entitled "Subsequent Events." Following these transactions our total indebtedness was $1,610.4 million, including $1.0 billion under our new senior secured term loan facility, $450.0 million of 10% senior notes due 2019, and $101.6 million of additional borrowings under our ABL Line of Credit related specifically to the refinancing transaction. Estimated cash required to make minimum debt service payments (including principal and interest) for these debt obligations amounts to $87.6 million for the fiscal year ended January 28, 2012, inclusive of minimum interest payments related to the ABL Line of Credit. The ABL Line of Credit has no annual minimum principal payment requirement.

Our ability to make payments on and to refinance our debt and to fund planned capital expenditures will depend on our ability to generate cash in the future, which is to some extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we will be required to adopt one or more alternatives, such as refinancing all or a portion of our debt, including the notes, selling material assets or operations or raising additional debt or equity capital. We may not be able to successfully carryout 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 credit agreements governing our senior secured credit facilities and the indenture governing the notes, may restrict us from affecting any of these alternatives.

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

- our debt holders could declare all outstanding principal and interest to be due and payable,
- our secured debt lenders could terminate their commitments and commence foreclosure proceedings against our assets, and
- we could be forced into bankruptcy or liquidation.

The indenture governing our senior notes and the credit agreements governing our senior secured credit facilities impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

The indenture governing our senior notes and the credit agreements governing our senior secured credit facilities contain covenants that place significant operating and financial restrictions on us. These covenants limit our ability to, among other things:

- incur additional indebtedness or enter into sale and leaseback obligations;
- pay certain dividends or make certain distributions on capital stock or repurchase capital stock;
- make certain capital expenditures;
- make certain investments or other restricted payments;
- have our subsidiaries pay dividends or make other payments to us;
- engage in certain transactions with stockholders or affiliates;
- sell certain assets or merge with or into other companies;
- guarantee indebtedness; and
- create liens.

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of January 29, 2011, we operated 460 stores in 44 states throughout the U.S. and Puerto Rico. We own the land and/or building for 40 of our stores and lease the other 420 stores. Store leases generally provide for fixed monthly rental payments, plus the payment, in most cases, of real estate taxes and other charges with escalation clauses. In many locations, our store leases contain formulas providing for the payment of additional rent based on sales.

We own five buildings in Burlington, New Jersey and approximately 47 acres of land on which we have constructed our corporate headquarters. In addition, we own approximately 50 acres of undeveloped land in Florence, New Jersey. We also own approximately 43 acres of land in Edgewater Park, New Jersey on which we have constructed a distribution center and office facility of approximately 648,000 square feet. We lease an additional 440,000 square foot distribution facility in San Bernardino, California. We lease approximately 35,000 square feet of office space in New York City. Refer to Note 12 to the Company's Consolidated Financial Statements entitled "Long-Term Debt."

The following table identifies the years in which leases, existing at January 29, 2011, expire (exclusive of distribution and corporate leased location), showing both expiring leases for which we have no renewal options available and expiring leases for which we have renewal options available. For purposes of this table, only the expiration dates of the current lease term (exclusive of any available options) are identified. Historically, we have been able to renew a large number of our expiring leases each year.

Fiscal Years Ending	Number of Leases Expiring with No Additional Renewal Options	Number of Leases Expiring with Additional Renewal Options
2011-2012	13	43
2013-2014	13	100
2015-2016	5	91
2017-2018	5	63
2019-2020	3	50
Thereafter to 2038	14	22
Total	53	369

Item 3. Legal Proceedings.

A putative class action lawsuit, entitled May Vang, and all others similarly situated, v. Burlington Coat Factory Warehouse Corporation, Case No. 09-CV-08061-CAS, was filed in the Superior Court of the State of California on September 17, 2009 and was amended and refiled on November 16, 2009 in the U.S. District Court for the Central District of California – Western Division. The named plaintiff purports to assert claims on behalf of all current, former, and future employees in the United States and the State of California for the relevant statutory time period. The amended complaint asserts claims for failure to pay all earned hourly wages in violation of the Fair Labor Standards

Act (FLSA), failure to pay all earned hourly wages in violation of the California Labor Code, providing compensatory time off in lieu of overtime pay, forfeiture of vacation pay, failure to provide meal and rest periods, secret payment of lower wages than that required by statute or contract, failure to provide accurate, written wage statements, and unfair competition. The complaint seeks certification as a class with respect to the FLSA claims, certification of a class with respect to California law claims, appointment of class counsel and class representative, civil penalties, statutory penalties, declaratory relief, injunctive relief, actual damages, liquidated damages, restitution, pre-judgment interest, costs of suit and attorney's fees. On March 7, 2011, the United States District Court for the Central District of California – Western Division granted preliminary approval to a settlement agreement pursuant to which the Company will pay class members an immaterial amount in settlement of claims on a class basis. The court rescheduled a hearing for final approval on June 27, 2011.

In addition to the litigation discussed above we are party to various other litigation matters, in most cases involving ordinary and routine claims incidental to our business. We cannot estimate with certainty our ultimate legal and financial liability with respect to such pending litigation matters. However, we believe, based on our examination of such matters, that our ultimate liability will not have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. (Removed and Reserved)

PART II

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

No established trading market currently exists for our common stock. As of April 1, 2011, Parent was the only holder of record of our common stock and 97.9% of Parent's common stock was held by various Bain Capital funds. Payment of dividends is prohibited under our credit agreements, except for certain limited circumstances. Dividends equal to $0.3 million, $0.2 million, $3.0 million and $0.7 million were paid in accordance with our credit agreements during Fiscal 2010, the Transition Period, Fiscal 2009 and Fiscal 2008, respectively, to Parent in order to repurchase capital stock of the Parent. Refer to Note 23 to the Company's Consolidated Financial Statements entitled "Subsequent Events" for further discussions related to the $300.0 million dividend paid in the aggregate to the equity holders of Parent on a pro rata basis, in connection with our February 24, 2011 debt refinancing.

Item 6. Selected Financial Data

The following table presents selected historical Consolidated Statements of Operations and Comprehensive Income (Loss), Balance Sheets and other data for the periods presented and should only be read in conjunction with our audited Consolidated Financial Statements (and the related notes thereto) and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, each of which are included elsewhere in this Form 10-K. The historical financial data for Fiscal 2010, the Transition Period, and the fiscal years ended May 30, 2009, May 31, 2008 and June 2, 2007, and the periods April 13, 2006 to June 3, 2006 and May 29, 2005 to April 12, 2006 have been derived from our historical audited Consolidated Financial Statements.

Predecessor/Successor Presentation. Although Burlington Coat Factory Warehouse Corporation continued as the same legal entity after the Merger Transaction, the Selected Financial Data for Fiscal 2006 provided below is presented for two periods: Predecessor and Successor, which relate to the period preceding the Merger Transaction, May 29, 2005 to April 12, 2006, and the period following the Merger Transaction, April 13, 2006 to June 3, 2006. The financial data provided refers to our operations and that of our subsidiaries for both the Predecessor and Successor periods.

(in millions)

	Predecessor	Successor					
	Period from 5/29/05 to 4/12/06	Period from 4/13/06 to 6/3/06	Twelve Months Ended 6/2/07	Twelve Months Ended 5/31/08	Twelve Months Ended 5/30/09	Transition Period from 5/31/09 to 1/30/10	Twelve Months Ended 1/29/11
Revenues	$ 3,045.3	$ 425.2	$ 3,441.6	$ 3,424.0	$ 3,571.4	$ 2,479.3	$ 3,701.1

Net Income (Loss)	94.3	(27.2)	(47.2) (2)	(49.0) (2)	(191.6) (2)	18.7 (2)	31.0 (2)
Total Comprehensive Income (Loss)	94.3	(27.2)	(47.2)	(49.0)	(191.6)	18.7	31.0
Balance Sheet Data	As of 4/12/06	As of 6/3/06	As of 6/2/07	As of 5/31/08	As of 5/30/09	As of 1/30/10	As of 1/29/11
Total Assets	(1)	$ 3,213.5	$ 3,036.5	$ 2,964.5	$ 2,533.4	$ 2,394.0	$ 2,458.0
Working Capital	(1)	219.3	280.6	284.4	312.3	349.7	386.2
Long-Term Debt	(1)	1,508.1	1,456.3	1,480.2	1,438.8	1,399.2	1,358.0
Pro Forma Long-Term Debt	N/A	N/A	N/A	N/A	N/A	N/A	1,724.2 (3)
Stockholder's Equity	(1)	419.5	380.5	323.5	135.1	154.5	187.5

Notes:

(1) Information not required for interim period.

(2) Net Income (Loss) during Fiscal 2007, Fiscal 2008, Fiscal 2009, the Transition Period, and Fiscal 2010 reflects impairment charges of $24.4 million, $25.3 million, $332.0 million, $46.8 million, and $2.1 million, respectively. The impairment charges in Fiscal 2007, Fiscal 2008, the Transition period and Fiscal 2010 relate entirely to our long-lived assets while the impairment charge in Fiscal 2009 relate to both our tradenames and our long-lived assets (refer to Note 7 entitled "Intangible Assets" and Note 9 entitled "Impairment of Long-Lived Assets" to our Consolidated Financial Statements for further discussion regarding our impairment charges).

(3) In the first quarter of Fiscal 2011, we completed the refinancing of our Term Loan, Senior Notes, and Senior Discount Notes. As a result of these transactions, the Senior Notes and Senior Discount Notes, with carrying values at January 29, 2011 of $302.0 million and $99.3 million, respectively, have been repurchased. In addition, BCFWC completed the sale of $450 million aggregate principal amount of 10% Senior Notes due 2019 (the Notes) at an issue price of 100%. Additionally, the Term Loan with a carrying value of $777.6 million as of January 29, 2011 has been replaced with a $1,000.0 million senior secured term loan facility (New Term Loan). Borrowings on the ABL Line of Credit related to the transaction were $101.6 million. As a result of these transactions, we incurred various fees and charges of approximately $73 million. In connection with the offering of the Notes and the refinancing of the Term Loan facility, a cash dividend of approximately $300.0 million in the aggregate was paid to the equity holders of Parent on a pro rata basis.

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

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

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

Change in Fiscal Year

In order to conform to the predominant fiscal calendar used within the retail industry, on February 25, 2010 our Board of Directors approved a change in our fiscal year from a fiscal year comprised of the twelve consecutive fiscal months ending on the Saturday closest to May 31 to a fiscal year comprised of the twelve consecutive fiscal months ending on the Saturday closest to January 31. This change commenced with the transition period beginning on May 31, 2009 and ending on January 30, 2010 (Transition Period). This Form 10-K is an annual report for the fiscal year ended January 29, 2011 (Fiscal 2010). The Company's last three complete fiscal years prior to Fiscal 2010 ended on May 30, 2009 (Fiscal 2009), May 31, 2008 (Fiscal 2008), and June 2, 2007 (Fiscal 2007), and each of those years contained 52 weeks. Our Management's Discussion and Analysis discusses Fiscal 2010 compared with the 52 weeks ended January 30, 2010 for comparative purposes because we believe that such comparative information is important to understand the results of our operations and cash flows.

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 460 stores in 44 states and Puerto Rico, and diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise, including: ladies sportswear, menswear, coats, family footwear, baby furniture and accessories, as well as home decor and gifts. We employ a hybrid business model which enables us to offer the low prices of off-price retailers and the branded merchandise and product diversity of department stores. We acquire desirable, first-quality, current-brand, labeled merchandise directly from nationally-recognized manufacturers.

As of January 29, 2011, we operated 460 stores under the names "Burlington Coat Factory Warehouse" (443 stores), "MJM Designer Shoes" (14 stores), "Cohoes Fashions" (two stores), and "Super Baby Depot" (one store) in 44 states and Puerto Rico. For Fiscal 2010, we generated total revenues of approximately $3,701.1 million.

Executive Summary

Overview of Fiscal 2010 Operating Results

We experienced an increase in net sales for Fiscal 2010 compared with the 52 weeks ended January 30, 2010. Consolidated net sales increased $146.7 million, or 4.2%, to $3,669.6 million for Fiscal 2010 from $3,522.9 million for the 52 weeks ended January 30, 2010. This increase was primarily attributable to an increase in net sales from new stores and previously opened stores in non comparative sales periods (non comparative stores) of $145.3 million. Comparative store sales decreased 0.2% during the year. We believe that the comparative store sales decrease was primarily due to warmer weather in September and October of 2010 as compared with the same period in the prior year (refer to section below entitled “Performance for the Fiscal Year (52 Weeks) Ended January 29, 2011 Compared With the 52 Weeks Ended January 30, 2010” for further explanation).

Gross margin as a percentage of net sales increased from 38.1% during the 52 weeks ended January 30, 2010 to 38.6% during Fiscal 2010. The improvement in gross margin as a percentage of net sales was due to fewer markdowns during Fiscal 2010 compared with the 52 weeks ended January 30, 2010, decreased freight expense, as well as a slight improvement in inventory shrinkage expense during Fiscal 2010 compared with the 52 weeks ended January 30, 2010.

Selling and administrative expenses as a percentage of net sales improved slightly from 31.6% during the 52 weeks ended January 30, 2010 to 31.5% during Fiscal 2010. Total selling and administrative expenses increased $42.6 million from $1,114.0 million during the 52 weeks ended January 30, 2010 to $1,156.6 million, during Fiscal 2010, which includes the opening of 18 net new stores during Fiscal 2010. The increase in selling and administrative expenses during Fiscal 2010 was primarily due to increases in payroll and payroll related and occupancy expenses due to new stores opened during the year and stores that were opened in the prior year, but did not operate for a full 12 months. The improvement in selling and administrative expenses as a percentage of net sales during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was due to our ongoing initiatives to reduce our cost structure.

We recorded net income of $31.0 million for Fiscal 2010 compared with a net loss of $15.2 million for the 52 weeks ended January 30, 2010. The loss recorded during the 52 weeks ended January 30, 2010 was primarily the result of impairment charges recorded during the period.

Store Openings, Closings, and Relocations.

During Fiscal 2010, we opened 25 new BCF stores and closed seven BCF stores. Six of the closed stores were in locations within the same trading market as new stores that were opened in previous years. As of January 29, 2011, we operated 460 stores under the names "Burlington Coat Factory Warehouse" (443 stores), "Cohoes Fashions" (two stores), "MJM Designer Shoes" (14 stores) and "Super Baby Depot" (one store).

We continue to pursue our growth plans and invest in capital projects that meet our required financial hurdles. During the fiscal year ending January 28, 2012 (Fiscal 2011), we plan to open between 18 and 23 new stores (exclusive of one relocation).

Ongoing Initiatives for Fiscal 2011

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

I. Offering a Leading Selection of Branded Apparel at Every Day Low Prices (EDLP): We offer a merchandise selection substantially broader than that of our off-price competitors and similar to the selection found at a department store. In contrast to merchandise at department and specialty stores, our merchandise is offered at EDLP, allowing customers to obtain the best value at our stores without waiting for sales or promotions. We focus on delivering exceptional values that fit within a good, better, and best pricing strategy.

II. Transition our Open to Buy Model and Improve Merchandising: Our “open to buy” paradigm, in which we purchase both pre-season and in-season merchandise, improves our receipt-to-reduction ratio and enables more flexibility for buying “wear-now” products. From Fiscal 2006 to Fiscal 2009, the majority of our purchasing was pre-season with the balance in-season and opportunistic. With our new model, we have moved towards purchasing less pre-season, with the majority in-season and opportunistically. This enables us to determine and stock for trends with better consumer data as well as drive better terms with our suppliers. By maximizing our in-season buys, we believe that we are able to take advantage of known trends and emerging businesses. We are also able to better focus on our core female customer by enhancing our merchandise content as well as keeping inventory fresh.

III. Refining Our Store Experience Through the Eyes of the Customer: We have empowered our store teams to provide an outstanding customer experience for every customer in every store, every day. We will continue to streamline processes to create opportunities for fast and effective customer interactions. Our mission is to have stores that reflect clean, organized merchandise presentations that highlight the brands, value and diversity of our selection within our assortments. Through proper staffing flexibility we provide sales floor coverage during peak shopping hours to better serve the customer on the sales floor and at the check-out.

We plan to execute this initiative during Fiscal 2011 by:

a) Continuing with our in-store customer satisfaction program that measures 13 different aspects of customer satisfaction. Examples include: friendliness of associates, interior cleanliness and selection of merchandise.

b) Continuing the implementation of a store refresh program with respect to stores that we have identified as having certain needs such as new flooring, painting, fitting room improvements and various other improvements. We have completed store refreshes at 53 stores over the past two fiscal years and we expect to continue an aggressive refresh program going forward.

c) Continuing the implementation of upgraded lighting retrofits in our stores which will make them more energy efficient and easier for customers to navigate. We have completed upgraded lighting retrofits at 144 stores over the last two fiscal years and expect to continue an aggressive lighting retrofit program through Fiscal 2011.

IV. Deliver Consistent Gross Margin: We continue to focus on having stable gross margin as a percentage of net sales.

We plan to execute this initiative during Fiscal 2011 by:

a) Continuing to manage our inventory receipt to reduction ratio. By matching receipt dollars to sales dollars we will continue to be able to take advantage of in season buying opportunities and to capitalize on those businesses that are trending well.

b) Continuing to ensure adequate open to buy and buying more opportunistically in season. By staying liquid, we put ourselves in a position to be able to take advantage of opportunistic in-season buys that will maximize our sales.

c) Continuing to improve the amount of current inventory as a percentage of our total inventory. By having more current inventory in our merchandise mix, we will be afforded more pricing flexibility to provide additional value to our customers without reducing our overall margins.

d) Reducing our shrink as a percentage of net sales. We have added additional resources to help improve existing controls and processes to reduce our shrink as a percentage of net sales without negatively impacting the store experience. We expect improved results to occur over time, becoming apparent in Fiscal 2011.

V. The Continued Reduction of Our Cost Structure:

a) Reduce store payroll costs. We are planning to implement an automated workforce scheduling system in our stores which will be piloted in early 2011 and completed prior to the fourth quarter of Fiscal 2011. This new system will provide numerous efficiencies including, but not limited to, better forecasting of volume and workload, and improved allocation of manpower to meet customer demand, and will support our store experience and service initiatives. The majority of these efficiencies are expected to be fully recognized in Fiscal 2012. We believe that these actions will allow us to operate our business more efficiently without sacrificing our ability to serve our customers.

b) Supply chain efficiencies. We continue to work on several logistics initiatives to improve supply chain efficiencies and service levels. We have implemented a new warehouse management system within our Edgewater Park, New Jersey and San Bernardino, California distribution centers. We believe that this new system will allow for further improvements in productivity by providing functionality not previously available. Accordingly, both facilities can process all receipts in a more efficient manner, further reducing the amount of transportation miles required to service our stores. We are also planning to make incremental investments during Fiscal 2011 that will allow these facilities to handle increased volume and provide value added services to our stores, such as breaking up units into smaller quantities to allow the right volumes to be placed in the right stores. Additionally, we have implemented a performance management program designed to drive productivity improvements within the four walls of our distribution centers.

Uncertainties and Challenges

As management strives to increase profitability through achieving positive comparative store sales and leveraging productivity initiatives focused on improving the in-store experience, more efficient movement of products from the vendors to the selling floors, and modifying our marketing plans to increase our core customer base and increase our share of our current customer's spending, there are uncertainties and challenges that we face as a value department store of apparel and accessories for men, women and children and home furnishings that could have a material impact on our revenues or income.

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

The financial crisis which began in 2008, combined with already weakened economic conditions due to high energy costs, deterioration of the mortgage lending market and rising costs of food, has led to a global recession affecting all industries and businesses. The resultant loss of jobs and decrease in consumer spending has caused businesses to reduce spending and scale down their profit and performance projections. More specifically, these conditions have led to unprecedented promotional activity among retailers. In order to increase traffic and drive consumer spending during the current economic crisis, competitors, including department stores, mass merchants and specialty apparel stores, have been offering branded merchandise at substantial markdowns. If we are unable to continue to positively differentiate ourselves from our competitors, our results of operations could be adversely affected. For further discussion of the risks to us regarding general economic conditions, please refer to the section below entitled "Liquidity and Capital Resources" and Item 1A, Risk Factors.

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

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

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

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

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

Additionally, our sales continue to be significantly affected by weather. 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 heavily driven by weather patterns.

Key Performance Measures

We consider numerous factors in assessing our performance. Key performance measures used by management include comparative store sales, gross margin and inventory levels, receipt-to-reduction ratio, liquidity and store payroll as a percentage of net sales.

Comparative Store Sales. Comparative 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 comparative store sales varies across the retail industry. As a result, our definition of comparative store sales may differ from other retailers.

We define comparative store sales as sales of those stores commencing on the first day of the fiscal month one year after the end of their grand opening activities, which normally conclude within the first two months of operations. The table below depicts our comparative store sales during Fiscal 2010, the Transition Period, Fiscal 2009, and Fiscal 2008.

	Comparative Store Sales
Fiscal 2010	(0.2)%
Transition Period	(4.8)%
Fiscal 2009	(2.5)%
Fiscal 2008	(5.1)%

Various factors affect comparative store sales, including, but not limited to, current economic conditions, weather conditions, the timing of our releases of new merchandise and promotional events, the general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, competition, and the success of marketing programs. While any and all of these factors can impact comparative store sales, we believe that the decrease in comparative store sales during Fiscal 2010 was primarily driven by weather conditions. The decrease in comparative store sales during the Transition Period and Fiscal 2009 was primarily attributable to weakened consumer demand as a result of the overall challenging retail conditions. The decrease in comparative store sales during Fiscal 2008 was due to a combination of unfavorable weather, weakened consumer demand, and temporarily low or out of stock issues in certain limited divisions.

Gross Margin. Gross margin is a measure used by management to indicate whether we are selling merchandise at an appropriate gross profit. Gross margin is the difference between net sales and the cost of sales. Our cost of sales and gross margin may not be comparable to those of other entities, since some entities include all of the costs related to their buying and distribution functions in cost of sales. We include certain of these costs in the "Selling and Administrative Expenses" and "Depreciation and Amortization" line items in our Consolidated Statements of Operations and Comprehensive Income (Loss). We include in our "Cost of Sales" line item all costs of 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 improved from 38.1% during the 52 weeks ended January 30, 2010 to 38.6% during Fiscal 2010.

Inventory Levels. Inventory at January 29, 2011 increased $30.9 million to $644.2 million at January 29, 2011 from $613.3 million at January 30, 2010. This increase was the result of 18 net new stores opened during Fiscal 2010. Average store inventory at January 29, 2011 increased approximately 0.9% to $1.4 million per store compared with average store inventory at January 30, 2010. Average inventory per comparative store decreased 1.9%. This decrease in average inventory per comparative store was the result of our ongoing initiatives to enhance our supply chain efficiencies and our merchandise content.

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

Receipt-to-Reduction Ratio. We are in the process of refining a more consistent merchandise flow based on a receipt-to-reduction ratio. We are attempting to better match forecasted levels of receipts to forecasted inventory outflows (inclusive of sales, markdowns, and inventory shrinkage) on a monthly basis. We believe this will result in a more normalized receipt cadence to support sales and will ultimately lead to an improved inventory turnover ratio.

Inventory turnover is a measure that indicates how efficiently inventory is bought and sold. It measures the length of time that we own our inventory. This is significant because the longer the inventory is owned, the more likely markdowns may be required to sell the inventory. Inventory turnover is calculated by dividing retail sales before sales discounts by the average retail value of the inventory for the period being measured. Our annualized inventory turnover rate for Fiscal 2010 has increased from 2.7 turns per year at January 30, 2010 to 2.8 turns per year at January 29, 2011. The inventory turnover calculation is based on a rolling 13 month average of inventory and the last 12 months sales.

Liquidity. Liquidity measures our ability to generate cash. Management measures liquidity through cash flow and working capital position. Cash flow is the measure of cash generated from operating, financing, and investing activities. We experienced an increase in cash flow of $22.4 million during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 primarily due to accelerated vendor payments of $237.7 million made in January 2011 compared with $274.8 million of accelerated vendor payments, made in January 2010, as part of our working capital management strategy. Because the fiscal year had not yet changed at the time, there was no working capital management strategy employed at January 31, 2009. The impact of the working capital management strategy resulted in a significant amount of cash outflows during the 52 weeks ended January 30, 2010 as the result of paying accounts payable in the normal course during the period and then accelerating payments at the end of the period that typically would not have been paid until after January 30, 2010. The repeat of the working capital management strategy at the end of Fiscal 2010 which accelerated Fiscal 2011 payments into Fiscal 2010 did not have as great an impact on cash flow in Fiscal 2010 as it did in the prior fiscal year because there were fewer accounts payables paid during Fiscal 2010 due to the fact that the working capital management strategy employed during the 52 weeks ended January 31, 2009 had advanced payment of approximately the first two months of the accounts payable for Fiscal 2010.

Cash and cash equivalents increased $5.5 million from January 30, 2010 to $30.2 million at January 29, 2011 (discussed in more detail under the caption below entitled "Liquidity and Capital Resources"). The acceleration of payments which increased cash flow from operating activities during Fiscal 2010 as compared with the 52 weeks ended January 30, 2010 was almost entirely offset by increased uses of cash in investing and financing activities. The increase in cash used in investing activities was primarily due to increased capital expenditures as a result of more store openings during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 as well as an increase in restricted cash and cash equivalents. The increase in cash used in financing activities was primarily due to a payment made on our Term Loan during Fiscal 2010 and borrowings, net of repayments on our ABL Line of Credit. During Fiscal 2010 and the 52 weeks ended January 30, 2010, we made net repayments on our Term Loan of $87.2 million and $8.1 million, respectively. Borrowings, net of repayments on our ABL Line of Credit were $47.4 million during Fiscal 2010 as compared with $91.2 million during the 52 weeks ended January 30, 2010.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash and cash equivalents) minus current liabilities. Working capital at January 29, 2011 was $386.2 million compared with $349.7 million at January 30, 2010. The increase in working capital from January 30, 2010 is primarily attributable to increased inventory and accounts receivable balances at January 29, 2011, as a result of new stores opened during the period.

Store Payroll as a Percentage of Net Sales. Store payroll as a percentage of net sales measures our ability to manage our payroll in accordance with increases or decreases in net sales. The method of calculating store payroll varies across the retail industry. As a result, our store payroll as a percentage of net sales may differ from other retailers. We define store payroll as regular and overtime payroll for all store personnel as well as regional and territory personnel, exclusive of payroll charges to corporate and warehouse employees. Store payroll as a percentage of net sales was 10.3% and 10.4% during Fiscal 2010 and the 52 week period ended January 30, 2010, respectively.

Results of Operations – Fiscal 2010 and the Transition Period

The following tables set forth certain items in our Consolidated Statements of Operations and Comprehensive Income (Loss) in both actual dollars and as a percentage of net sales for Fiscal 2010, the comparable 52 week period ended January 30, 2010, the Transition Period and the comparable 35 week period ended January 31, 2009 used in connection with the subsequent discussion. Financial information for Fiscal 2010 and the Transition Period were derived from audited financial statements. Financial information for the 52 week period ended January 30, 2010 and the 35 week period ended January 31, 2009, were derived from unaudited financial statements.

	(in thousands)			
	52 Weeks Ended		35 Weeks Ended	
	January 29, 2011	January 30, 2010 (Unaudited)	January 30, 2010	January 31, 2009 (Unaudited)
REVENUES:				
Net Sales	$ 3,669,602	$ 3,522,914	$ 2,457,567	$ 2,476,635
Other Revenue	31,487	30,840	21,730	20,277
Total Revenue	3,701,089	3,553,754	2,479,297	2,496,912
COSTS AND EXPENSES:				
Cost of Sales (Exclusive of Depreciation and Amortization as Shown Below)	2,252,346	2,181,707	1,492,349	1,510,409
Selling and Administrative Expenses	1,156,613	1,113,960	759,774	761,062

Restructuring and Separation Costs	2,200	7,452	2,429	1,929
Depreciation and Amortization	146,759	156,388	103,605	106,823
Interest Expense (Inclusive of Gain/Loss on Interest Rate Cap Agreements)	99,309	84,423	59,476	74,263
Impairment Charges – Long-Lived Assets	2,080	56,141	46,776	28,134
Impairment Charges – Tradenames	-	15,250	-	279,300
Other Income, Net	(11,346)	(16,635)	(15,335)	(4,698)
Total Costs and Expenses	3,647,961	3,598,686	2,449,074	2,757,222
Income (Loss) Before Income Tax Expense (Benefit)	53,128	(44,932)	30,223	(260,310)
Income Tax Expense (Benefit)	22,130	(29,753)	11,570	(104,667)
Net Income (Loss)	30,998	(15,179)	18,653	(155,643)
Total Comprehensive Income (Loss)	$30,998	$(15,179)	$18,653	$(155,643)

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	52 Weeks Ended		35 Weeks Ended	
	January 29, 2011	January 30, 2010 (Unaudited)	January 30, 2010	January 31, 2009 (Unaudited)
Statement of Operations Data:				
Net Sales	100.0%	100.0%	100.0%	100.0%
Other Revenue	0.9	0.9	0.9	0.8
Total Revenue	100.9	100.9	100.9	100.8
Cost of Sales (Exclusive of Depreciation and Amortization, As Shown Below)	61.4	61.9	60.7	61.0
Selling and Administrative Expenses	31.5	31.6	30.9	30.7
Restructuring and Separation Costs	0.1	0.2	0.1	0.1
Depreciation and Amortization	4.0	4.4	4.2	4.3
Interest Expense (Inclusive of Gain/Loss on Interest Rate Cap Agreements)	2.7	2.4	2.4	3.0
Impairment Charges – Long Lived Assets	0.1	1.6	1.9	1.1
Impairment Charges - Trademark	0.0	0.4	0.0	11.3
Other Income, Net	(0.3)	(0.5)	(0.6)	(0.2)
Total Expense	99.5	102.0	99.6	111.3
Income (Loss) Before Income Tax Expense (Benefit)	1.4	(1.1)	1.3	(10.5)
Income Tax Expense (Benefit)	0.6	(0.8)	0.5	4.2
Net Income (Loss)	0.8%	(0.3)%	0.8%	(6.3)%

Performance for the Fiscal Year (52 weeks) Ended January 29, 2011 Compared with the 52 weeks Ended January 30, 2010

Net Sales

We experienced an increase in net sales for Fiscal 2010 compared with the 52 weeks ended January 30, 2010. Consolidated net sales increased $146.7 million, or 4.2%, to $3,669.6 million for Fiscal 2010 from $3,522.9 million for the 52 weeks ended January 30, 2010. This increase was primarily attributable to:

- an increase in net sales of $145.3 million related to 25 new stores opened during Fiscal 2010,
- an increase in net sales of $29.0 million for our non comparative stores, and
- an increase in other sales of $3.0 million, partially offset by
- a decrease in net sales of $24.3 million from seven stores closed since January 31, 2010 and
- a comparative store sales decrease of $6.3 million, or 0.2%, to $3,460.1 million.

We believe the comparative store sales decrease was primarily due to warmer weather in September and October of 2010 as compared with the same period in the prior year.

Other Revenue

Other revenue (consisting of rental income from Leased Departments, subleased rental income, layaway, alterations, other service charges, and miscellaneous revenue items) increased $0.7 million to $31.5 million for Fiscal 2010 compared with $30.8 million for the 52 weeks ended January 30, 2010. This increase was primarily related to an increase in layaway fees of $1.4 million, partially offset by a $0.8 million decrease in rental income.

Cost of Sales

Cost of sales increased $70.6 million, or 3.2%, for Fiscal 2010 compared with the 52 weeks ended January 30, 2010. Cost of sales as a percentage of net sales improved to 61.4% during Fiscal 2010 compared with 61.9% during the 52 weeks ended January 30, 2010. The dollar increase of $70.6 million in cost of sales between Fiscal 2010 and the 52 weeks ended January 30, 2010 was primarily related to the increase in our net sales during the same periods.

During Fiscal 2010 as compared with the 52 weeks ended January 30, 2010, we experienced an increase in gross margin as a percent of net sales to 38.6% from 38.1%. The improvement in our gross margin as a percent of net sales was primarily the result of fewer markdowns, decreased freight expense incurred during Fiscal 2010 as compared with the 52 weeks ended January 30, 2010, and a slight improvement in shrink expense.

Selling and Administrative Expenses

Selling and administrative expenses increased $42.6 million, or 3.8% to $1,156.6 million for Fiscal 2010 from $1,114.0 million for the 52 weeks ended January 30, 2010. The increase in selling and administrative expenses is summarized in the table below:

	(in thousands)			
	52 Weeks Ended			
	January 29, 2011	January 30, 2010	$ Variance	% Change
Payroll and Payroll Related	$ 524,120	$ 497,234	$ 26,886	5.4%
Occupancy	373,166	362,103	11,063	3.1
Benefit Costs	15,326	9,927	5,399	54.4
Advertising	70,422	67,283	3,139	4.7
Other	141,430	139,012	2,418	1.7
Business Insurance	32,149	38,401	(6,252)	(16.3)
Selling & Administrative Expenses	$ 1,156,613	$ 1,113,960	$ 42,653	3.8%

The increase in selling and administrative expense during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was primarily caused by increases in payroll and payroll related costs and occupancy costs. The increase in payroll and payroll related costs of approximately $26.9 million was primarily related to the addition of 18 net new stores as well as stores that opened during the 52 weeks ended January 30, 2010 that did not operate for a full 52 weeks. Amounts related to these stores resulted in an increase in payroll and payroll related expenses of $23.3 million. Also contributing to the increase in payroll and payroll related costs was an increase in bonus expense of $6.1 million and an increase in state unemployment tax expense of $4.1 million. As we exceeded our bonus target for the June 2009 through May 2010 bonus period, our bonus expense increased and was recognized during the final quarter of the bonus year, which coincided with the first and second quarters of Fiscal 2010. Additionally, we had an increase in recruiting bonuses as we continued to enhance the talent of our organization during Fiscal 2010. The increase in state unemployment tax was due to rate increases in many of the states where we conduct business.

These increases were partially offset by a decrease in Fiscal 2010 of $4.2 million in payroll and payroll tax expense related to stores that were opened for the full 52 week periods ended January 29, 2011 and January 30, 2010 and a decrease in vacation expense of $2.2 million. The decrease in payroll and payroll tax expense related to stores that were opened for the full 52 week periods ended January 29, 2011 and January 30, 2010 was due to our ongoing initiative to reduce store payroll costs.

The increase in occupancy related costs of $11.1 million in Fiscal 2010 as compared with the 52 weeks ended January 30, 2010 was primarily related to new store openings during Fiscal 2010. New BCF stores opened during Fiscal 2010 accounted for $16.3 million of the total increase. These increases were partially offset by a decrease in utilities expense of $3.3 million as a result of our ongoing initiative to reduce costs as well as a $1.2 million decrease in real estate taxes.

The increase in benefit costs of $5.4 million during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was primarily the result of increased 401(k) Plan Match expense of $6.2 million and increased employee moving expenses of $2.4 million, partially offset by decreased health insurance claims of $3.3 million. The increase in 401(k) Plan expense during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was due to our ability to utilize less money recovered through forfeitures during Fiscal 2010 to fund some, or all, of our matching contribution obligation as compared with the 52 weeks ended January 30, 2010. A “forfeiture” is the portion of our contribution that is lost by a 401(k) Plan participant who terminates employment prior to becoming fully vested in such contribution. Based on the forfeitures available to us, we were not required to record any 401(k) Plan expense during the 52 weeks ended January 30, 2010.

The increase in advertising expense of $3.1 million during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was primarily related to shifts in the media used for marketing communications and an increase in the number of grand opening advertisements. During the 52 weeks ended January 30, 2010 we opened 15 new BCF stores. During Fiscal 2010, we incurred an additional $3.1 million in marketing and advertising expense primarily related to the opening of 25 new BCF stores.

The increase in other selling and administrative expenses of $2.4 million during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was primarily due to an increase in credit card fees of $3.9 million, a $3.4 million increase in temporary help, a $3.0 million increase related to fees incurred as part of our initial unsuccessful debt refinancing in the Fall of 2010, and a $1.5 million charge to miscellaneous taxes, partially offset by a $6.1 million decrease in our legal expense related to legal costs incurred in the prior year that did not repeat in the current year and $3.5 million in expense savings related to costs incurred with respect to our change in year end during the 52 weeks ended January 30, 2010 that did not repeat during Fiscal 2010.

The decrease in business insurance of $6.3 million in Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was the result of increased claims experienced during the prior period. During the 52 weeks ended January 30, 2010, we experienced an increase in the cost of workers' compensation claims and an increase in the number of general liability claims, each of which we believe was a result of the economic environment. This trend has slowed during Fiscal 2010 and we have returned to a more historical level of claims experience.

Restructuring and Separation Costs

In an effort to better align our resources with our business objectives, in Fiscal 2009, we reviewed all areas of the business to identify efficiency opportunities to enhance our performance. In light of the then challenging economic and retail sales environments, we accelerated the implementation of several initiatives, including some that resulted in the elimination of certain positions and the restructuring of certain other jobs and functions. Our restructuring and separation efforts commenced in the third quarter of Fiscal 2009 and continued through the Transition Period and Fiscal 2010. We incurred $2.2 million and $7.5 million in restructuring and separation costs during Fiscal 2010 and the 52 week period ended January 30, 2010, respectively.

Depreciation and Amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to $146.8 million for Fiscal 2010 compared with $156.4 million for the 52 weeks ended January 30, 2010. The decrease in depreciation and amortization expense was primarily related to various assets that were recorded pursuant to purchase accounting in conjunction with the Merger Transaction. These assets became fully depreciated during the 12 months ended January 30, 2010, which resulted in less depreciation expense during Fiscal 2010.

Interest Expense

Interest expense was $99.3 million and $84.4 million during Fiscal 2010 and the 52 week periods ended January 30, 2010, respectively. The increase in interest expense was primarily driven by increased expense related to our interest rate cap agreements, other interest expense and our commitment fees. Adjustments of the interest rate cap agreements to fair value resulted in a loss of $5.5 million during Fiscal 2010 compared with a gain of $5.4 million for the 52 week period ended January 30, 2010, respectively. These charges resulted in a year over year increase in non-cash interest expense of $10.9 million, which was recorded through the line item "Interest Expense" in our Consolidated Statements of Operations and Comprehensive Income (Loss). Our interest rate cap agreements are discussed in more detail in Item 7A, Quantitative and Qualitative Disclosures About Market Risk and Note 10 to our Consolidated Financial Statements entitled "Derivatives and Hedging Activities."

Other interest expense increased $2.8 million during Fiscal 2010 as compared with the 52 week period ended January 30, 2010 which was primarily driven by interest incurred as part of a legal settlement. The increase in commitment fees of $2.5 million was primarily related to a higher commitment fee charged on our ABL Line of Credit combined with a lower average outstanding balance on the ABL Line of Credit during Fiscal 2010 as compared with the 52 weeks ended January 30, 2010.

These increases were partially offset by lower average interest rates on our Term Loan and ABL Line of Credit and a lower average balance on our Term Loan and our ABL Line of Credit as follows:

	52 weeks Ended January 29, 2011	January 30, 2010
Average Interest Rate – ABL Line of Credit	2.7%	3.0%
Average Interest Rate – Term Loan	2.6%	2.7%
Average Balance – ABL Line of Credit	$ 10.5 Million	$ 27.2 Million
Average Balance – Term Loan	$ 854.8 Million	$ 868.9 Million

Impairment Charges – Long-Lived Assets

Impairment charges related to long-lived assets were $2.1 million and $56.1 million during Fiscal 2010 and the 52 week period ended January 30, 2010, respectively. The decrease in impairment charges was primarily related to the stabilization of our operating stores' performance year over year. During Fiscal 2010, we recorded impairments related to nine stores as a result of the decline in the operating performance of those stores (refer to Note 9 to our Consolidated Financial Statements entitled "Impairment of Long-Lived Assets" for further discussion).

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. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections for each store.

Impairment Charges – Tradenames

There was no impairment charge related to our tradenames during Fiscal 2010. Impairment charges related to our tradenames during the 52 weeks ended January 30, 2010 amounted to $15.3 million. In accordance with ASC Topic No. 350, "Intangibles – Goodwill and Other," (Topic 350), we perform our annual impairment testing of goodwill and indefinite-lived assets at the beginning of each May.

In connection with the preparation of our Condensed Consolidated Financial Statements for the third quarter of Fiscal 2009 (relating to the three months ended February 28, 2009) as well as our Fiscal 2009 financial statements (relating to the year ended May 30, 2009), we concluded that it was appropriate to test our goodwill and indefinite-lived intangible assets for recoverability in light of the following factors:

- Significant declines in the U.S. and international financial markets and the resulting impact of such events on then anticipated future macroeconomic conditions and customer behavior;
- The determination that these macroeconomic conditions were impacting our sales trends as evidenced by the decreases in comparative store sales that we were experiencing;
- Decreased comparative store sales results of the peak holiday and winter selling seasons in the third quarter of Fiscal 2009 which were significant to our financial results for the year;
- Declines in market valuation multiples of peer group companies used in the estimate of our business enterprise value; and
- Our expectation that comparative store sales trends during Fiscal 2009 would continue for an extended period. As a result, we developed a more moderate store opening plan which reduced our future projections of revenue and operating results offset by initiatives (which have since been implemented) to reduce our cost structure.

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

- Future revenue and profitability projections associated with the tradenames;

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

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

During the 52 weeks ended January 30, 2010, we recorded an impairment charge related to our tradenames in the amount of $15.3 million. Of this amount, $9.0 million was attributable to lower revenues and profitability projections associated with our tradenames in the near term and lower estimated market royalty rate expectations in light of the then current general economic conditions compared with the analysis we performed during Fiscal 2008. Our projected revenues within the model were based on comparative store sales and new store assumptions over a nine year period. A less aggressive new store opening plan combined with revised comparative store sales assumptions for the first fiscal year of the projection had a significant negative impact on the valuation. We believe our estimates were appropriate based upon the then current market conditions.

The remaining $6.3 million of the $15.3 million impairment was related to our acquisition of certain tradename rights during the 52 weeks ended January 30, 2010. During that period, we purchased $6.3 million of tradename rights based on our belief that these tradename rights would ultimately provide us with substantial marketing benefits. Historically, we were restricted in our advertising campaigns such that we could only refer to ourselves as Burlington Coat Factory and were required to note that we were not affiliated with Burlington Industries. The purchase of these tradename rights allows us to shorten our name as appropriate based on the current marketing campaign and eliminates the requirement to note that we are not affiliated with Burlington Industries. Based on our tradenames impairment assessment, we could not support an increase in the asset value of our tradenames related to this acquisition on our Consolidated Balance Sheets. As a result, we immediately impaired the acquired asset.

In accordance with Topic 350, there were no triggering events that required us to test goodwill for impairment during Fiscal 2010. We believe our estimates were appropriate based upon current market conditions. However, future impairment charges could be required if we do not achieve our current cash flow, revenue and profitability projections or our weighted average cost of capital increases or market valuation multiple associated with peer group companies decline.

Other Income, net

Other income, net (consisting of investment income, gains and losses on disposition of assets, breakage income and other miscellaneous items) decreased $5.3 million to $11.3 million during Fiscal 2010 compared with the 52 week period ended January 30, 2010.

The decrease in other income during Fiscal 2010 compared with the 52 weeks ended January 30, 2010 was primarily related to the following:

- A decrease in miscellaneous income of $4.9 million primarily related to a gain on a legal settlement in our favor during the 52 weeks ended January 30, 2010,
- a decrease in breakage income of $3.3 million (refer to Note 11 to our Consolidated Financial Statements entitled “Store Value Cards” for further discussion),
- a decrease of $1.5 million related to insurance recoveries, and
- a decrease in our gain on investment of $0.6 million related to higher recoveries of previously written off investments during the 52 weeks ended January 30, 2010 compared with Fiscal 2010, partially offset by;
- a $4.4 million increase related to a loss on the disposal of various fixed assets primarily related to our conversion to a new warehouse management system in Edgewater Park, New Jersey during the 52 weeks ended January 30, 2010, and

- a $0.6 million increase in income received from vending machines and recycling.

Income Tax Expense

Income tax expense was $22.1 million for the 52 week period ended January 29, 2011 compared with an income tax benefit of $29.8 million for the 52 weeks ended January 30, 2010. The effective tax rates were 41.7% and 66.2%, respectively, for Fiscal 2010 and the 52 week period ended January 30, 2010. The decrease in the effective tax rate was primarily due to the fact that the 52 weeks ended January 30, 2010 had a pre-tax loss with a reduction in the valuation allowance for state net operating losses and reduced state blended tax rates, which had the effect of creating an income tax benefit for this period ended January 30, 2010. Due to the pre-tax loss, the tax benefits created by the reduction in the valuation allowance for state net operating losses and reduced state blended tax rates have the effect of increasing the effective tax rate (refer to Note 17 to our Consolidated Financial Statements entitled "Income Taxes" for further information).

Net Income

Net income amounted to $31.0 million for Fiscal 2010 compared with a net loss of $15.2 during the 52 weeks ended January 30, 2010. The increase in our operating results of $46.2 million was primarily attributable to fewer impairments.

Performance for the Fiscal Year (52 Weeks) Ended January 29, 2011 Compared with the Transition Period (35 Weeks) Ended January 30, 2010

Net Sales

We experienced an increase in net sales for Fiscal 2010 compared with the Transition Period. Consolidated net sales increased $1,212.0 million, or 49.3%, to $3,669.6 million for Fiscal 2010 from $2,457.6 million for the Transition Period. Comparative store sales during Fiscal 2010 decreased 0.2% compared with a decrease of 4.8% during the Transition Period. The overall increase in net sales during Fiscal 2010 as compared with the Transition Period is primarily driven by the additional 17 weeks of sales during Fiscal 2010. During that period, we generated $1,134.8 million of net sales.

Other Revenue

Other revenue (consisting of rental income from Leased Departments, subleased rental income, layaway, alterations, other service charges, and miscellaneous revenue items) increased $9.8 million to $31.5 million for Fiscal 2010 compared with $21.7 million for the Transition Period. This increase was primarily due to the additional 17 weeks included in Fiscal 2010 compared with the Transition Period. Other revenue generated during the additional 17 weeks of Fiscal 2010 amounted to $9.5 million. As a percentage of net sales, other revenue remained in line with the prior year at 0.9%.

Cost of Sales

Cost of sales increased $760.0 million, or 50.9% during Fiscal 2010 compared with the Transition Period. Cost of sales as a percentage of net sales increased to 61.4% during Fiscal 2010 compared with 60.7% during the Transition Period. The dollar increase of $760.0 million in cost of sales during Fiscal 2010 compared with the Transition Period was primarily related to the additional 17 weeks included in Fiscal 2010 compared with the Transition Period which resulted in $701.1 million of additional cost of sales during Fiscal 2010. During Fiscal 2010 as compared with the Transition Period, gross margin as a percent of net sales declined to 38.6% from 39.3%, respectively, reflecting the seasonality of the Transition Period.

Selling and Administrative Expenses

Selling and administrative expenses increased $396.8 million, or 52.2%, to $1,156.6 million for Fiscal 2010 from $759.8 million for the Transition Period. The increase in selling and administrative expenses is summarized in the table below:

(in thousands)

	52 Weeks Ended January 29, 2011	35 Weeks Ended January 30, 2010	$ Variance	% Change
Payroll and Payroll Related	$ 524,120	$ 337,057	$ 187,063	55.5%
Occupancy	373,166	246,082	127,084	51.6
Other	141,430	95,248	46,182	48.5
Advertising	70,422	49,378	21,044	42.6
Business Insurance	32,149	22,955	9,194	40.1
Benefit Costs	15,326	9,054	6,272	69.3
Selling & Administrative Expenses	$ 1,156,613	$ 759,774	$ 396,839	52.2 %

The increase in selling and administrative expense during Fiscal 2010 compared with the Transition Period was primarily caused by the additional 17 weeks included Fiscal 2010 compared with the Transition Period as well as the addition of 18 net new stores during Fiscal 2010. During the 17 week period, the Company incurred selling and administrative expenses of $363.4 million and new stores opened in Fiscal 2010 contributed $43.6 million to the increase in selling and administrative expenses.

As a percentage of net sales, selling and administrative expenses increased to 31.5% for Fiscal 2010 from 30.9% for the Transition Period.

Restructuring and Separation Costs

In an effort to better align our resources with our business objectives, in Fiscal 2009, we reviewed all areas of the business to identify efficiency opportunities to enhance our performance. In light of the challenging economic and retail sales environments, we accelerated the implementation of several initiatives, including some that resulted in the elimination of certain positions and the restructuring of certain other jobs and functions. Our restructuring and separation efforts commenced in the third quarter of Fiscal 2009, and continued through the Transition Period and Fiscal 2010. We incurred $2.2 million and $2.4 million in restructuring and separation costs during Fiscal 2010 and the Transition Period, respectively.

Depreciation and Amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to $146.8 million during Fiscal 2010 compared with $103.6 during the Transition Period. The increase in depreciation and amortization expense was primarily the result of the additional 17 weeks included in Fiscal 2010 compared with the Transition Period which amounted to additional depreciation and amortization expense of $48.4 million.

As a percentage of net sales, depreciation and amortization decreased to 4.0% during Fiscal 2010 from 4.2% during the Transition Period.

Interest Expense

Interest expense was $99.3 million and $59.5 million during Fiscal 2010 and the Transition Period, respectively. The $39.8 million increase in interest expense was primarily the result of the additional 17 weeks included in Fiscal 2010 compared with the Transition Period which amounted to an additional $34.3 million in interest expense. In addition to the additional 17 weeks, interest expense increased further due to increased expense related to our interest rate cap agreements, other interest expense, and our commitment fees. Adjustments of the interest rate cap agreements to fair value resulted in a loss of $5.5 million during Fiscal 2010 compared with a gain of $0.5 million during the Transition Period, respectively. These charges resulted in a period over period increase in non-cash interest expense of $6.0 million, which was recorded through the line item “Interest Expense” in our Consolidated Statements of Operations and Comprehensive Income (Loss). Our interest rate cap agreements are discussed in more detail in Item 7A, Quantitative and Qualitative Disclosure About market Risk and Note 10 to our Consolidated Financial Statements entitled “Derivatives and Hedging Activities.”

Other interest expense increased $2.8 million during Fiscal 2010 as compared with the Transition Period, which was primarily driven by interest incurred as part of a legal settlement. The increase in commitment fees of $3.0 million was primarily related to a higher commitment fee charged to our new ABL Line of Credit combined with a lower average outstanding balance on the ABL Line of Credit during Fiscal 2010 as compared with the Transition Period.

These increases were partially offset by a lower average balance on our Term Loan and our ABL Line of Credit as follows:

	52 Weeks Ended January 29, 2011	35 Weeks Ended January 30, 2010
Average Interest Rate – ABL Line of Credit	2.7%	2.7%
Average Interest Rate – Term Loan	2.6%	2.6%
Average Balance – ABL Line of Credit	$ 10.5 Million	$ 31.5 Million
Average Balance – Term Loan	$ 854.8 Million	$ 867.0 Million

Impairment Charges – Long-Lived Assets

Impairment charges related to long-lived assets were $2.1 million and $46.8 million for Fiscal 2010 and the Transition Period, respectively. The decrease in impairment charges during Fiscal 2010 as compared with the Transition Period is primarily related to the stabilization of the operating stores' performance during Fiscal 2010 as compared with the Transition Period (refer to Note 9 to our Consolidated Financial Statements entitled "Impairment of Long-Lived Assets" for further discussion).

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. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections for each store.

Impairment Charges – Tradenames

There was no impairment charge related to our tradenames during Fiscal 2010 and the Transition Period. In accordance with ASC Topic No. 350, "Intangibles – Goodwill and Other," (Topic 350), we perform our annual impairment testing of goodwill and indefinite-lived assets at the beginning of each May. In accordance with Topic 350, there were no triggering events that required us to test goodwill for impairment during Fiscal 2010 or the Transition Period.

Other Income, net

Other income, net (consisting of investment income, gains and losses on disposition of assets, breakage income and other miscellaneous items) decreased $4.0 million to $11.3 million during Fiscal 2010 compared with the Transition Period. The decrease in other income during Fiscal 2010 compared with the Transition Period was primarily related to a $4.1 million decrease in the loss on the sale of fixed assets from January 30, 2010 as compared with January 29, 2011.

Income Tax Expense

Income tax expense was $22.1 million during Fiscal 2010 compared with income tax expense of $11.6 million during the Transition Period. The effective tax rates were 41.7% and 38.3%, respectively, during Fiscal 2010 and the Transition Period. The increase in the effective tax rate was primarily due to a reduction in the valuation allowance for state net operating losses and an increase in the state tax prior year adjustment, which had the effect of increasing our income tax expense (refer to Note 17 to our Consolidated Financial Statements entitled "Income Taxes" for further information).

Net Income

Net income amounted to $31.0 million during Fiscal 2010 compared with a net income of $18.7 million during the Transition Period. The increase in our operating results of $12.3 million was primarily attributable to fewer impairments.

Performance for the Transition Period (35 Weeks) Ended January 30, 2010 Compared with the 35 Weeks Ended January 31, 2009

Net Sales

We experienced a decrease in net sales for the Transition Period compared with the 35 weeks ended January 31, 2009. Consolidated net sales decreased $19.0 million, or 0.8%, to $2,457.6 million during the Transition Period from $2,476.6 million during the 35 weeks ended January 31, 2009. This decrease was primarily attributable to:

- a comparative store sales decrease of $114.2 million, or 4.8%, to $2,263.2 million,
- a decrease in barter sales of $10.8 million, and
- a decrease in net sales of $2.5 million from stores closed since the comparable period in Fiscal 2009, partially offset by
- an increase in net sales of $63.2 million for stores previously opened that were not included in our comparative store sales,
- an increase in net sales of $34.1 million related to nine new stores opened during the Transition Period, and
- an increase in layaway and other sales of $10.8 million.

We believe the comparative store sales decrease was due to weather conditions and weakened consumer demand. November of 2009 was the warmest November in the prior eight years. The weakened consumer demand was a result of the contraction of credit available to consumers and the overall challenging retail conditions.

Other Revenue

Other revenue (consisting of rental income from Leased Departments, subleased rental income, layaway, alterations, other service charges, and miscellaneous revenue items) increased $1.4 million to $21.7 million during the Transition Period compared with $20.3 million for the 35 weeks ended January 31, 2009. This increase was primarily related to an increase in layaway fees of $1.8 million.

Cost of Sales

Cost of sales decreased $18.1 million or 1.2% during the Transition Period compared with the 35 weeks ended January 31, 2009. Cost of sales as a percentage of net sales decreased to 60.7% during the Transition Period compared with 61.0% during the 35 weeks ended January 31, 2009. The dollar decrease of $18.1 million in cost of sales between the Transition Period and the 35 weeks ended January 31, 2009 was primarily related to the decrease in our net sales during the same periods.

During the Transition Period, as compared with the 35 weeks ended January 31, 2009, we experienced an increase in gross margin as a percent of net sales from 39.0% to 39.3%. The improvement in our gross margin as a percent of net sales was primarily the result of fewer markdowns during the Transition Period as compared with the 35 weeks ended January 31, 2009. Markdowns improved 0.7% as a percentage of net sales as a result of our ongoing initiative to increase the amount of current inventory as a percent of our total inventory, ultimately leading to fewer markdowns. The improvement in markdowns was almost entirely offset by increased shrink of 0.6% as a percentage of net sales during the Transition Period as compared with the 35 weeks ended January 31, 2009.

Selling and Administrative Expenses

Selling and administrative expenses decreased $1.3 million, or 0.2%, to $759.8 million for the Transition Period from $761.1 million for the 35 weeks ended January 31, 2009. The decrease in selling and administrative expenses is summarized in the table below:

	(in thousands)			
	35 Weeks Ended			
	January 30, 2010	January 31, 2009	$ Variance	% Change
Payroll and Payroll Related	$ 337,057	$ 358,074	$ (21,017)	(5.9)%
Advertising	49,378	57,283	(7,905)	(13.8)
Benefit Costs	9,054	12,176	(3,122)	(25.6)
Business Insurance	22,955	17,071	5,884	34.5
Occupancy	246,082	235,534	10,548	4.5
Other	95,248	80,924	14,324	17.7
Selling & Administrative Expenses	$ 759,774	$ 761,062	$ (1,288)	(0.2)%

The decrease in selling and administrative expense during the Transition Period compared with the 35 weeks ended January 31, 2009 was primarily caused by decreases in payroll and payroll related costs. The decrease in payroll and payroll related costs of approximately $21.0 million was primarily related to a decrease in our store payroll as a percentage of net sales to 10.2% during the Transition Period from 10.9% during the 35 weeks ended January 31, 2009 and a corresponding decrease in payroll taxes of $1.8 million as a result of our initiative to reduce store payroll costs including the reduction of janitorial payroll in conjunction with our initiative to replace janitorial payroll with a third party provider.