BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-Q
September 14, 2010

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

FORM 10-Q

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

For the quarterly period ended July 31, 2010

OR

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

For the transition period from to .

Commission File Number 1-37917

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

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

Registrant's Telephone Number, Including Area Code: (609) 387-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-Accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of September 14, 2010, the registrant has 1,000 shares of common stock outstanding, all of which are owned by Burlington Coat Factory Holdings, Inc., registrant's parent holding company, and are not publicly traded.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(All amounts in thousands)

	July 31, 2010	January 30, 2010	August 1, 2009
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 81,046	$ 24,750	$ 25,819
Restricted Cash and Cash Equivalents	35,397	2,605	2,623
Investment in Money Market Fund	-	-	995
Accounts Receivable, Net of Allowances for Doubtful Accounts	32,642	31,278	27,992
Merchandise Inventories	661,224	613,295	661,538
Deferred Tax Assets	31,216	29,644	49,639
Prepaid and Other Current Assets	34,922	29,443	48,022
Prepaid Income Taxes	37,286	4,841	6,249
Assets Held for Disposal	521	521	723
Total Current Assets	914,254	736,377	823,600
Property and Equipment - Net of Accumulated Depreciation	850,484	856,149	890,337
Tradenames	238,000	238,000	238,000
Favorable Leases - Net of Accumulated Amortization	405,527	421,091	472,144
Goodwill	47,064	47,064	47,064
Other Assets	90,349	95,313	91,641
Total Assets	$ 2,545,678	$ 2,393,994	$ 2,562,786
LIABILITIES AND STOCKHOLDER’S EQUITY			
Current Liabilities:			
Accounts Payable	$ 458,489	$ 139,802	$ 401,711
Income Taxes Payable	869	14,223	6,383
Other Current Liabilities	234,744	215,814	227,947
Current Maturities of Long Term Debt	17,507	14,201	10,835
Total Current Liabilities	711,609	384,040	646,876

Long-Term Debt		1,262,412		1,399,152		1,307,084
Other Liabilities		181,673		173,067		148,871
Long-Term Income Tax Payable		-		-		13,405
Deferred Tax Liability		270,064		283,235		326,242
Commitments and Contingencies (Note 17)						
Stockholder’s Equity:						
Common Stock		-		-		-
Capital in Excess of Par Value		465,326		464,489		464,342
Accumulated Deficit		(345,406)		(309,989)		(344,034)
Total Stockholder’s Equity		119,920		154,500		120,308
Total Liabilities and Stockholder’s Equity	$	2,545,678	$	2,393,994	$	2,562,786

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended		Three Months Ended	
	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009
REVENUES:				
Net Sales	$1,623,428	$1,531,020	$728,750	$700,978
Other Revenue	14,075	13,784	6,795	6,724
Total Revenue	1,637,503	1,544,804	735,545	707,702
COSTS AND EXPENSES:				
Cost of Sales (Exclusive of Depreciation and Amortization)	1,021,741	978,459	469,388	424,249
Selling and Administrative Expenses	550,308	528,649	271,779	266,541
Restructuring and Separation Costs (Note 4)	2,152	5,104	1,190	81
Depreciation and Amortization	72,235	77,345	35,506	37,666
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Agreements)	53,422	37,683	26,057	16,766
Impairment Charges – Long-Lived Assets	258	9,428	73	42
Impairment Charges – Tradenames	-	15,250	-	-
Other Income, Net	(6,444)	(6,345)	(3,478)	(9,267)
Total Costs and Expenses	1,693,672	1,645,573	800,515	736,078
Loss Before Income Tax Benefit	(56,169)	(100,769)	(64,970)	(28,376)
Income Tax Benefit	(20,903)	(51,333)	(24,491)	(15,856)
Net Loss	$(35,266)	$(49,436)	$(40,479)	$(12,520)
Total Comprehensive Loss	$(35,266)	$(49,436)	$(40,479)	$(12,520)

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(All amounts in thousands)

	Six Months Ended	
	July 31, 2010	August 1, 2009
OPERATING ACTIVITIES		
Net Loss	$(35,266)	$(49,436)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	72,235	77,345
Impairment Charges – Long-Lived Assets	258	9,428
Impairment Charges – Tradenames	-	15,250
Amortization of Debt Issuance Costs	6,132	5,167
Accretion of Senior Notes and Senior Discount Notes	356	318
Interest Rate Cap Agreement - Adjustment to Market	6,297	(7,351)
Provision for Losses on Accounts Receivable	909	1,149
Provision for Deferred Income Taxes	(14,743)	(2,918)
Loss on Retirement of Fixed Assets	130	140
(Gain) Loss on Investments in Money Market Fund	(240)	2,992
Non-Cash Stock Option Expense	837	4,244
Non-Cash Rent Expense	(912)	(2,660)
Changes in Assets and Liabilities:		
Accounts Receivable	1,083	2,951
Merchandise Inventories	(47,929)	33,498
Prepaid and Other Current Assets	(37,923)	(26,751)
Accounts Payable	318,687	3,083
Other Current Liabilities and Income Tax Payable	(5,089)	(14,084)
Deferred Rent Incentives	8,664	6,206
Other Long Term Assets and Long Term Liabilities	558	(5,746)
Net Cash Provided by Operating Activities	274,044	52,825
INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(50,286)	(50,699)
Proceeds Received from Sale of Property	156	285
Increase in Restricted Cash and Cash Equivalents	(32,793)	(333)
Lease Acquisition Costs	(224)	(1,337)
Redemption of Investment in Money Market Fund	240	6,271
Purchase of Tradenames Rights	-	(6,250)

Other	35	46
Net Cash Used in Investing Activities	(82,872)	(52,017)
FINANCING ACTIVITIES		
Proceeds from Long-Term Debt – ABL Line of Credit	-	343,400
Principal Payments on Long-Term Debt	(389)	(339)
Principal Payments on Long-Term Debt – Term Loan	(12,202)	(2,057)
Principal Payments on Long-Term Debt – ABL Line of Credit	(121,200)	(354,700)
Payment of Dividends	(151)	(3,000)
Debt Issuance Costs	(934)	-
Net Cash Used in Financing Activities	$(134,876)	$(16,696)
Increase (Decrease) in Cash and Cash Equivalents	56,296	(15,888)
Cash and Cash Equivalents at Beginning of Period	24,750	41,707
Cash and Cash Equivalents at End of Period	$81,046	$25,819
Supplemental Disclosure of Cash Flow Information		
Interest Paid	$39,353	$46,078
Net Income Tax Payments (Refunds)	$39,614	$(15,278)
Non-Cash Investing Activities:		
Accrued Purchases of Property and Equipment	$19,985	$6,737

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2010
(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Coat Factory Investments Holdings, Inc. and all of its subsidiaries (Company or Holdings). Holdings has no operations and its only asset is all of the stock of Burlington Coat Factory Warehouse Corporation. All discussions of operations in this report relate to Burlington Coat Factory Warehouse Corporation and its subsidiaries (BCFWC), which are reflected in the financial statements of Holdings. The Condensed Consolidated Financial Statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of operations for the interim periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto included in the Company's Transition Report on Form 10-K/T for the 35 week period ended January 30, 2010. The balance sheet at January 30, 2010 has been derived from the audited Consolidated Financial Statements contained in the Company's Transition Report on Form 10-K/T. At January 30, 2010, the Company revised the presentation of the amortization of deferred financing fees related to the Company's debt instruments by recording it in the line item "Interest Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. The amortization of deferred financing fees had previously been included as a component of the line item "Depreciation and Amortization" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss prior to January 30, 2010. At January 30, 2010, the Company also revised the presentation of the amortization of deferred financing fees in its Condensed Consolidated Statements of Cash Flows by reclassifying the amortization of deferred financing fees out of the line item "Depreciation and Amortization" within the Company's Condensed Consolidated Statement of Cash Flows and including it within the line item "Amortization of Debt Issuance Costs" within the Company's Condensed Consolidated Statements of Cash Flows. Because the Company's business is seasonal in nature, the operating results for the three and six month periods ended July 31, 2010 are not necessarily indicative of results for the fiscal year ending January 29, 2011.

Fiscal Year

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

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

As a result of the Company's fiscal year end change and the seasonality of the Company's results, the Company recast its prior quarterly interim financial information for the 12 month period ended January 30, 2010 on the basis of the new fiscal year for comparative purposes.

Current Conditions

Prior to the Transition Period, the Company had experienced recurring annual net losses since its formation in April 2006, in part due to the interest expense associated with its leveraged debt structure detailed in Note 3 to the Company's Condensed Consolidated Financial Statements entitled "Long-Term Debt." At July 31, 2010, working capital was $167.2 million, cash and cash equivalents were $81.0 million and unused availability under the Company's $721 million ABL Senior Secured Revolving Facility (ABL Line of Credit) was $335.2 million. Significant declines in the United States and international financial markets which began during Fiscal 2009 and the resulting impact of such events on macroeconomic conditions have impacted and are anticipated to continue to impact customer behavior and consumer spending at retailers, which in turn impacts the Company's sales trends. In response to these economic conditions, the Company accelerated several initiatives to restructure its workforce and reduce its cost structure (refer to Note 4 to the Company's Condensed Consolidated Financial Statements entitled "Restructuring and Separation Costs" for further discussion). The Company continues to focus on a number of ongoing initiatives aimed at improving its comparative store sales and its operating results.

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

2. Stockholder's Equity

Activity for the three and six month periods ended July 31, 2010 and August 1, 2009 in the Company's common stock, capital in excess of par value, and accumulated deficit are summarized below:

	(in thousands)			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 30, 2010	$-	$464,489	$ (309,989)	$154,500
Net Income	-	-	5,213	5,213
Stock Option Expense	-	233	-	233
Dividends	-	-	(151)	(151)
Balance at May 1, 2010	-	464,722	(304,927)	159,795
Net Loss	-	-	(40,479)	(40,479)
Stock Option Expense	-	604	-	604
Balance at July 31, 2010	$-	$465,326	$ (345,406)	$119,920

	(in thousands)			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 31, 2009	$-	$460,098	$ (291,598)	$168,500
Net Loss	-	-	(36,916)	(36,916)
Stock Option Expense	-	580	-	580
Stock Option Restructuring	-	2,426	-	2,426
Dividends	-	-	(3,000)	(3,000)
Balance at May 2, 2009	-	463,104	(331,514)	131,590
Net Loss	-	-	(12,520)	(12,520)
Stock Option Expense	-	1,238	-	1,238
Balance at August 1, 2009	$-	$464,342	$ (344,034)	$120,308

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3. Long-Term Debt

Long-Term debt consists of:

	(in thousands)		
	July 31, 2010	January 30, 2010	August 1, 2009
$900,000 Senior Secured Term Loan Facility, LIBOR plus 2.3% due in quarterly payments of $2,250 from August 26, 2011 to May 28, 2013.	$ 852,550	$ 864,752	$ 870,750
$721,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires February 4, 2014. (a)	-	121,200	18,700
Senior Notes, 11.1% due at maturity on April 15, 2014, semi-annual interest payments from October 15, 2010 to April 15, 2014.	301,620	301,264	300,928
Senior Discount Notes, 14.5% due at maturity on October 15, 2014, semi-annual interest payments from October 15, 2010 to October 15, 2014.	99,309	99,309	99,309
Industrial Revenue Bonds, 6.1% due September 1, 2010.	1,210	1,210	2,305
Promissory Note, non-interest bearing, due in monthly payments of $17 through January 1, 2012.	300	400	500
Promissory Note, 4.4% due in monthly payments of $8 through December 23, 2011.	125	167	208
Capital Lease Obligations	24,805	25,051	25,219
Total debt	1,279,919	1,413,353	1,317,919
Less: current maturities	(17,507)	(14,201)	(10,835)
Long-term debt, net of current maturities	$ 1,262,412	$ 1,399,152	$ 1,307,084

(a) The $721 million ABL Line of Credit is effective through May 31, 2011, at which time the facility is reduced to a $600 million ABL Line of Credit. The $600 million ABL Line of Credit expires February 4, 2014, but is subject to a springing maturity requirement whereby the ABL will mature 45 days prior to May 28, 2013 (the maturity date of the $900 million Senior Secured Term Loan Facility (Term Loan) if the Term Loan is not extended or refinanced prior to that date). Additional information regarding the ABL Line of Credit and Term Loan is included below.

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

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

The Company's Term Loan agreement contains financial, affirmative and negative covenants and requires that the Company, among other things, maintain on the last day of each fiscal quarter a consolidated leverage ratio not to exceed a maximum amount. Specifically, the Company's total debt to Adjusted EBITDA, as each term is defined in the credit agreement governing the Term Loan, for the trailing twelve months most recently ended on or prior to such date, may not exceed 5.25 to 1 at July 31, 2010 and October 30, 2010; 5.00 to 1 at January 29, 2011; and 4.75 to 1 at April 30, 2011 and thereafter. Adjusted EBITDA is a non-GAAP financial measure of the Company's liquidity. Adjusted EBITDA, as defined in the credit agreement governing the Company's Term Loan, starts with consolidated net income (loss) for the period and adds back (i) depreciation, amortization, impairments and other non-cash charges that were deducted in arriving at consolidated net income (loss), (ii) the provision (benefit) for taxes, (iii) interest expense, (iv) advisory fees, and (v) unusual, non-recurring or extraordinary expenses, losses or charges as reasonably approved by the administrative agent for such period.

On January 15, 2010, the Company completed an amendment and restatement of the credit agreement governing the Company's ABL Line of Credit, which (among other things) extended the maturity date for consenting lenders constituting $600 million of commitments to February 4, 2014. As part of the amendment and restatement, the Company eliminated the outstanding $65 million A-1 tranche commitments, although the Company maintained the ability to restore up to $65 million of the A-1 tranche with the consent of lenders holding the majority of outstanding commitments. The Company offered the banks in the terminated A-1 tranche the option to convert to the A tranche or opt out of the agreement altogether. This reduced the Company's total line of credit to $721 million through May 31, 2011, after which the line of credit will be reduced to $600 million through the new maturity date. The $600 million ABL Line of Credit has a springing maturity requirement whereby the ABL Line of Credit will mature 45 days prior to May 28, 2013, the maturity date of the Term Loan, if the Term Loan is not extended or refinanced prior to such date unless the pro forma credit availability condition has been satisfied after implementation of a Term Loan maturity reserve or the outstanding principal amount under the Term Loan maturing prior to February 4, 2014 is not more than $75 million. The Company believes the $600 million line of credit will provide adequate liquidity to support its operating activities. A further description of the amended and restated credit agreement governing the ABL Line of Credit and related transactions, including a description of covenants, fees and interest rates, is contained in Item 1.01 of the Company's Current Report on Form 8-K, filed with the SEC on January 19, 2010.

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

At July 31, 2010, the Company had $335.2 million available under the ABL Line of Credit and no borrowings outstanding. There were no borrowings under the facility during the three months ended July 31, 2010. Maximum borrowings under the facility during the six month period ended July 31, 2010 amounted to $121.2 million. Average borrowings during the six months ended July 31, 2010 amounted to $9.7 million at an average interest rate of 2.9%.

At August 1, 2009, the Company had $363.7 million available under the then $800 million ABL Line of Credit. At January 30, 2010, the Company had $158.6 million available under the $721 million ABL Line of Credit. The maximum borrowings under the ABL Line of Credit during each of the three and six month periods ended August 1, 2009 amounted to $150.3 million. Average borrowings during the three and six month periods ended August 1, 2009 amounted to $46.0 million and $33.6 million, respectively, at an average interest rate of 3.4% and 3.3%, respectively. At August 1, 2009 and January 30, 2010, $18.7 million and $121.1 million, respectively, were outstanding under the ABL Line of Credit and were included in the line item "Long-Term Debt" in the Company's Consolidated Balance Sheets.

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

As part of the Company's issuance of its 14.5% Senior Discount Notes, the Company is required to make a $13.4 million High Yield Discount Obligation payment by April 13, 2011. The amount of the payment is included in the line item "Current Maturities of Long-Term Debt" on the Company's Condensed Consolidated Balance Sheet as of July 31, 2010.

As of July 31, 2010, the Company was in compliance with all of its debt covenants. The credit agreements regarding the ABL Line of Credit and Term Loan, as well as the indentures governing the BCFWC Senior Notes and Holdings Senior Discount Notes, contain covenants that, among other things, limit the Company's ability, and the ability of the

Company's restricted subsidiaries, to pay dividends on, redeem or repurchase capital stock; make investments; incur additional indebtedness or issue preferred stock; create liens; permit dividends or other restricted payments by the Company's subsidiaries; sell all or substantially all of the Company's assets or consolidate or merge with or into other companies; and engage in transactions with affiliates.

The Company had $35.1 million, $40.3 million and $33.1 million in deferred financing fees, net of accumulated amortization, as of July 31, 2010, January 30, 2010 and August 1, 2009, respectively, related to its debt instruments recorded in the line item "Other Assets" on the Company's Condensed Consolidated Balance Sheets. As a result of the amendment of the Term Loan on February 25, 2010, the Company incurred an additional $0.9 million of deferred financing fees. Amortization of deferred financing fees amounted to $3.1 million and $2.7 million for the three month periods ended July 31, 2010 and August 1, 2009, respectively, and is included in the line item "Interest Expense" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. Amortization of deferred financing fees amounted to $6.1 million and $5.2 million for the six months ended July 31, 2010 and August 1, 2009, respectively.

4. Restructuring and Separation Costs

The Company accounts for restructuring and separation costs in accordance with ASC Topic No. 420, “Exit or Disposal Cost Obligations” (Topic No. 420). In an effort to better align the Company’s resources with its business objectives, during Fiscal 2009, the Company reviewed all areas of the business to identify efficiency opportunities to enhance the organization’s performance. In light of the then challenging economic and retail sales environments, the Company 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. Certain of these initiatives have continued through the Transition Period and Fiscal 2010.

On February 16, 2009, the Company’s former President and Chief Executive Officer (Former CEO) entered into a separation agreement with the Company. As part of his separation agreement, the Company paid the Former CEO’s salary through January 30, 2010 at which time continuation payments and other benefits payable as provided in his separation agreement commenced. The continuation payments will be paid out in biweekly installments through May 30, 2011. The total amount of all continuation payments and other benefits payable to the Former CEO pursuant to the terms of his separation agreement was approximately $4.2 million, $2.4 million of which was stock compensation. At July 31, 2010, $0.6 million of the total amount remained to be paid.

Changes of the Company’s workforce during the three and six months ended July 31, 2010 resulted in severance charges of approximately $1.2 million and $2.2 million, respectively. In comparison, severance charges for the three and six months ended August 1, 2009 amounted to $0.1 million and $5.1 million, respectively.

The table below summarizes the charges incurred related to the Company’s restructuring and separation costs, which are included in the line items “Other Current Liabilities” and "Other Liabilities" in the Company’s Condensed Consolidated Balance Sheet as of July 31, 2010:

	(in thousands)				
	January 30, 2010	Charges	Cash Payments	Other	July 31, 2010
Severance-Restructuring (a)	$ 1,560	-	(1,042)	(110)	$ 408
Severance-Separation Cost (b)	912	2,152	(788)	-	2,276
Total	$ 2,472	2,152	(1,830)	(110)	$ 2,684

	(in thousands)				
	January 31, 2009	Charges	Cash Payments	Capital in Excess of Par Value	August 1, 2009
Severance-Restructuring (a)	$ 1,697	914	(1,991)	-	$ 620
Severance-Separation Cost (b)	-	4,190	(518)	(2,426)	1,246
Total	$ 1,697	5,104	(2,509)	(2,426)	$ 1,866

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

(b) The balance as of July 31, 2010 is recorded in the line item "Other Current Liabilities." Approximately $0.7 million and $0.2 million of the balance as of January 30, 2010 are recorded in the line items “Other Current Liabilities” and “Other Liabilities,” respectively. Approximately $0.7 million and $0.6 million of the balance as of August 1, 2009 are recorded in the line items “Other Current Liabilities” and “Other Liabilities,” respectively.

5. Assets Held for Disposal

Assets held for disposal represent assets owned by the Company that management has committed to sell in the near term. The Company either identified or was actively seeking out potential buyers for these assets as of the balance sheet dates. The asset listed as “Assets Held for Disposal” in the Company’s Condensed Consolidated Balance Sheets as of July 31, 2010 and January 30, 2010 was an owned parcel of land adjacent to one of the Company’s stores.

The assets listed as “Assets Held for Disposal” in the Company’s Condensed Consolidated Balance Sheet as of August 1, 2009 were comprised of owned parcels of land adjacent to two of the Company’s stores, and various distribution equipment that was being held for sale.

Assets held for disposal are valued at the lower of their carrying value or fair value, less cost to sell, as follows:

	(in thousands)		
	July 31, 2010	January 30, 2010	August 1, 2009
Property and Equipment	$ 521	$ 521	$ 723

6. Restricted Cash and Cash Equivalents

At July 31, 2010, restricted cash and cash equivalents consisted of $32.8 million of collateral in lieu of a letter of credit for certain insurance contracts and $2.6 million restricted contractually for the acquisition and maintenance of a building related to a store operated by the Company. As a result, the Company's outstanding letters of credit guaranteeing performance under various insurance contracts decreased $32.8M from May 1, 2010 through July 31, 2010.

At both January 30, 2010 and August 1, 2009, restricted cash and cash equivalents amounted to $2.6 million restricted contractually for the acquisition and maintenance of a building related to a store operated by the Company.

7. Intangible Assets

Intangible assets at July 31, 2010, January 30, 2010, and August 1, 2009 consist primarily of tradenames and favorable lease positions as follows:

	(in thousands)					
	July 31, 2010			January 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Tradenames	$ 238,000	$ -	$ 238,000	$ 238,000	$ -	$ 238,000
Favorable Leases	$ 521,561	$ (116,034)	$ 405,527	$ 521,775	$ (100,684)	$ 421,091

	(in thousands)		
	August 1, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Tradenames	$ 238,000	$ -	$ 238,000

Favorable Leases	$	567,034	$	(94,890)	$	472,144

Favorable Leases

The decrease in the gross carrying amount of favorable leases from January 30, 2010 to July 31, 2010 is related to a $0.2 million cost adjustment recorded during the six months ended July 31, 2010 which represents certain favorable leases becoming fully amortized during the period.

The increase in favorable lease accumulated amortization from January 30, 2010 through July 31, 2010 was primarily related to amortization expense of $15.6 million which was incurred during the six months ended July 31, 2010. This increase was partially offset by a $0.2 million cost adjustment as described above.

The decrease in the gross carrying amount of the Company's favorable leases from August 1, 2009 to January 30, 2010 was primarily related to a reduction of $45.3 million as a result of the impairment of 24 stores.

The increase in favorable lease accumulated amortization from August 1, 2009 to January 30, 2010 was primarily related to amortization expense of $16.4 million, which was partially offset by a cost adjustment of $10.6 million resulting from the impairment charge noted above, which decreased both the carrying cost and the accumulated amortization of the favorable leases.

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

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

8. Fair Value Measurements

The Company accounts for fair value measurements in accordance with ASC Topic No. 820, "Fair Value Measurements and Disclosures," (Topic No. 820) which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurements. Topic No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price), and classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Pricing inputs that are unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the assets and liabilities.

The inputs into the determination of fair value require significant management judgment or estimation.

Financial Assets

The Company's financial assets as of July 31, 2010 included cash equivalents, interest rate cap agreements and a note receivable. The Company's financial liabilities are discussed below. The carrying value of cash equivalents approximates fair value due to its short-term nature. The fair values of the interest rate cap agreements are determined using quotes that are based on models whose inputs are observable LIBOR forward interest rate curves. To comply with the provisions of Topic No. 820, the Company incorporates credit valuation adjustments to appropriately reflect both the Company's non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of the Company's interest rate cap agreements for the effect of non-performance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. As a result, the Company has determined that the inputs used to value this investment fall within Level 2 of the fair value hierarchy.

Although the Company has determined that the majority of the inputs used to value its interest rate cap agreements fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's interest rate cap agreements utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. As of July 31, 2010, the Company recorded credit valuation adjustments of $0.1 million to the overall valuation of the Company's interest rate cap agreements. The credit valuation adjustment is not considered significant to the valuation of each of the individual interest rate cap agreements and as a result, the Company has determined that its interest rate cap agreement valuations in their entirety are classified as Level 2 within the fair value hierarchy.

The fair value of the note receivable is based on a discounted cash flow analysis whose inputs are unobservable, and therefore it falls within Level 3 of the fair value hierarchy.

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

	(in thousands) Fair Value Measurements at		
	July 31, 2010	January 30, 2010	August 1, 2009
Assets:			
Level 1			
Cash equivalents (including restricted cash)	$ 91,020	$ 2,758	$ 2,625
Level 2			
Interest rate cap agreements (a)	$ 2,482	$ 8,779	$ 10,687
Level 3			
Note Receivable (b)	$ 1,407	$ 1,407	$ 1,721

(a) Included in “Prepaid and Other Current Assets” and “Other Assets” within the Company’s Condensed Consolidated Balance Sheets (refer to Note 9 of the Company’s Condensed Consolidated Financial Statements entitled “Derivative Instruments and Hedging Activities” for further discussion regarding the Company's interest rate cap agreements).

(b) Included in “Prepaid and Other Current Assets” and “Other Assets” on the Company’s Condensed Consolidated Balance Sheets.

Financial Liabilities

The fair value of the Company’s debt as of July 31, 2010, January 30, 2010 and August 1, 2009 is noted in the table below:

	(in thousands) July 31, 2010		January 30, 2010		August 1, 2009	
	Carrying Amount (c)	Fair Value (c)	Carrying Amount (c)	Fair Value (c)	Carrying Amount (c)	Fair Value (c)
$900,000 Senior Secured Term Loan Facility, LIBOR plus 2.3% due in quarterly payments of	$ 852,550	$ 803,528	$ 864,752	$ 804,219	$ 870,750	$ 764,664

$2,250 from August 26, 2011 to May 28, 2013.						
$721,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires February 14, 2014. (a)	-	-	121,200	121,200	18,700	18,700
Senior Notes, 11.1% due at maturity on April 15, 2014, semi-annual interest payments from October 15, 2010 to April 15, 2014	301,620	312,177	301,264	310,051	300,928	268,014
Senior Discount Notes, 14.5% due at maturity on October 15, 2014, semi-annual interest payments from October 15, 2010 to October 15, 2014	99,309	105,268	99,309	98,812	99,309	81,744
Other debt (b)	1,635	1,635	1,777	1,777	3,013	3,013
Total debt	$ 1,255,114	$ 1,222,608	$ 1,388,302	$ 1,336,059	$ 1,292,700	$ 1,136,135

(a)The carrying value of the ABL Line of Credit approximates its fair value due to its short-term nature (borrowings are typically done in increments of 30 days or less) and its variable interest rate.

(b)Other debt includes the industrial revenue bonds and both promissory notes, as further described in Note 3 of the Company's Condensed Consolidated Financial Statements entitled "Long-Term Debt."

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

As of July 31, 2010, the fair value of the Company's debt, exclusive of capital leases, was $1,222.6 million compared to the carrying value of $1,255.1 million. The fair values presented herein are based on estimates using quoted market prices for the same or similar issues and other pertinent information available to management as of the respective period end dates. Although management is not aware of any factors that could significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these Condensed Consolidated Financial Statements since July 31, 2010, and current estimates of fair value may differ from amounts presented herein.

9. Derivative Instruments and Hedging Activities

The Company accounts for derivatives in accordance with ASC Topic No. 815 “Disclosures and Hedging” (Topic No. 815). Topic No. 815 provides disclosure requirements to provide users of financial statements with an enhanced understanding of: (i) How and why an entity uses derivative instruments; (ii) How derivative instruments and related hedged items are accounted for under Topic No. 815 and its related interpretations; and (iii) How derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows.

The Company is exposed to certain risks relating to its ongoing business operations, including market risks relating to fluctuations in interest rates. The Company’s senior secured credit facilities contain floating rate obligations and are subject to interest rate fluctuations. The Company uses interest rate cap agreements, which are designated as economic hedges, to manage interest rate risk associated with the Company’s variable-rate borrowings and to minimize the negative impact of interest rate fluctuations on its earnings and cash flows, thus reducing the Company’s exposure to variability in expected future cash flows attributable to the changes in LIBOR rates.

Topic No. 815 requires recognition of all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company does not monitor its interest rate cap agreements for hedge effectiveness and therefore does not designate its interest rate cap agreements as cash flow hedges of certain future interest payments on variable-rate debt. Instead, the interest rate cap agreements are adjusted to market on a quarterly basis. As a result, gains or losses associated with the interest rate cap agreements are recorded in the line item “Interest Expense” on the Company’s Condensed Consolidated Statements of Operations and Comprehensive Loss and in the line item “Interest Rate Cap Contract – Adjustment to Market” on the Company’s Condensed Consolidated Statements of Cash Flows.

As of July 31, 2010, January 30, 2010, and August 1, 2009 the Company was party to four outstanding interest rate cap agreements to manage the interest rate risk associated with future interest payments on variable-rate debt.

(in thousands)

Fair Values of Derivative Instruments

Asset Derivatives

Derivatives Not Designated as Hedging Instruments Under Topic No. 815	July 31, 2010		January 30, 2010		August 1, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Cap Agreements	Other Assets	$ 2,482	Other Assets	$ 8,779	Other Assets	$ 10,687
	Other Current Assets	$ -	Other Current Assets	$ -	Other Current Assets	$ -

Liability Derivatives

Derivatives Not Designated as Hedging Instruments Under Topic No. 815	July 31, 2010		January 30, 2010		August 1, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Cap Agreements	Other Liabilities	$ -	Other Liabilities	$ -	Other Liabilities	$ -

(Gain) Loss on Derivative Instruments

Derivatives Not Designated as Hedging Instruments Under Topic No. 815	Location of (Gain) or Loss Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives
		Six Months Ended

		July 31, 2010	August 1, 2009
Interest Rate Cap Agreements	Interest Expense	$ 6,297	$ (7,351)

One of the four interest rate cap agreements became effective on May 12, 2006. It has a notional principal amount of $300 million with a cap rate of 7.0% and terminates on May 31, 2011. Upon the effective date the Company determined that it would not monitor this interest rate cap agreement for hedge effectiveness. The Company adjusts this interest rate cap agreement to fair value on a quarterly basis and records all gains and losses associated with this contract in the line item “Interest Expense” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Loss.

On December 20, 2007, the Company entered into an additional interest rate cap agreement. The agreement has a notional principal amount of $600 million with a cap rate of 7.0% and terminates on May 31, 2011. The agreement became effective on May 29, 2009 upon the termination of an expiring $700 million interest rate cap agreement. As of the effective date, the Company determined that it would not monitor this interest rate cap agreement for hedge effectiveness. Instead, the Company adjusts the interest rate cap to fair value on a quarterly basis and records all gains and losses associated with this contract in the line item “Interest Expense” in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Loss.

On January 16, 2009, the Company entered into two additional interest rate cap agreements, each of which will be effective on May 31, 2011 upon termination of the Company's existing $300 million and $600 million interest rate cap agreements described above. Each agreement has a notional principal amount of $450 million with a cap rate of 7.0% and terminates on May 31, 2015. The Company will determine prior to the effective date of each agreement whether it will monitor them for hedge effectiveness. Until the Company determines the accounting treatment that will be used, the Company will adjust these interest rate cap agreements to fair value on a quarterly basis and as a result, gains or losses associated with these agreements will be included in the line item "Interest Expense" on the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss and in the line item "Interest Rate Cap Contract – Adjustment to Market" on the Company's Condensed Consolidated Statements of Cash Flows.

10. Income Taxes

As of July 31, 2010, the Company had a current deferred tax asset of $31.2 million and a non-current deferred tax liability of $270.1 million. As of January 30, 2010, the Company had a current deferred tax asset of $29.6 million and a non-current deferred tax liability of $283.2 million. As of August 1, 2009, the Company had a current deferred tax asset of $49.6 million and a non-current deferred tax liability of $326.2 million. Current deferred tax assets consisted primarily of certain operating costs and inventory related costs not currently deductible for tax purposes. Non-current deferred tax liabilities primarily relate to rent expense, pre-opening costs, intangible costs and depreciation expense where the Company has a future obligation for tax purposes.

In accordance with ASC Topic No. 270, "Interim Financial Reporting" (Topic No. 270) and ASC Topic No. 740, "Income Taxes" (Topic No. 740), at the end of each interim period the Company is required to determine the best estimate of its annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. For the six months ended July 31, 2010, the Company's best estimate of its annual effective income tax rate was 37.8% (before discrete items).

As of July 31, 2010, January 30, 2010 and August 1, 2009, valuation allowances amounted to $4.7 million, $4.7 million and $8.6 million, respectively, and related primarily to state tax net operating losses. The Company believes that it is more likely than not that a portion of the benefit of the state tax net operating losses will not be realized. The state net operating losses have been generated in a number of taxing jurisdictions and are subject to various expiration periods ranging from five to twenty years beginning with Fiscal 2011. Any future tax benefit recognized by the use of a state tax net operating loss that was established prior to the April 13, 2006 merger transaction involving Bain Capital, LLC (Merger Transaction), where a valuation allowance has been established, and any future tax benefits related to the recognition of any state tax net operating losses, where a valuation allowance has been established, will be recorded to the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss according to the provisions of ASC Topic No. 805, "Business Combinations" (Topic No. 805).

11. Barter Transactions

The Company accounts for barter transactions under ASC Topic No. 845 "Nonmonetary Transactions." Barter transactions with commercial substance are recorded at the estimated fair value of the products exchanged, unless the products received have a more readily determinable estimated fair value. Revenue associated with barter transactions is recorded at the time of the exchange of the related assets. During the six months ended July 31, 2010 and the six months ended August 1, 2009, the Company did not enter into any new barter agreements.

Based on the expected usage of advertising credits received in exchange for certain inventory pursuant to barter transactions occurring in Fiscal 2008 and Fiscal 2009, the Company recorded prepaid advertising expense of $2.7 million, $2.7 million and $2.5 million in the line item "Prepaid and Other Current Assets" and $6.6 million, $7.5 million

and $9.4 million in the line item “Other Assets” in the Company’s Condensed Consolidated Balance Sheets as of July 31, 2010, January 30, 2010 and August 1, 2009, respectively.

Barter credit usage for the three and six month periods ended July 31, 2010 amounted to $0.5 million and $0.9 million respectively, compared with $0.2 million and $0.6 million for the three and six month periods ended August 1, 2009.

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

On April 13, 2006, the Board of Directors (the Board) of Burlington Coat Factory Holdings, Inc. (Parent) adopted the 2006 Management Incentive Plan (the Plan). The Plan provides for the granting of service-based and performance-based stock options, restricted stock and other forms of awards to executive officers and other key employees of the Company and its subsidiaries. Awards made pursuant to the Plan are comprised of units of Parent’s common stock. Each unit consists of nine shares of Class A common stock and one share of Class L common stock of the Parent. The shares comprising a unit are in the same proportion as the shares of Class A and Class L common stock held by all stockholders of the Parent. Options granted pursuant to the Plan are exercisable only for whole units and cannot be separately exercised for the individual classes of the Parent’s common stock. As of July 31, 2010, there were 730,478 units reserved under the Plan consisting of 6,574,302 shares of Class A common stock of Parent and 730,478 shares of Class L common stock of Parent.

Non-cash stock compensation expense for the three and six months ended July 31, 2010 amounted to $0.6 million and $0.8 million, respectively. In comparison, non-cash stock compensation expense for the three and six months ended August 1, 2009 amounted to $1.2 million and $4.2 million, respectively. The table below summarizes the types of stock compensation:

	(in thousands)			
	Three Months Ended		Six Months Ended	
Type of Non-Cash Stock Compensation	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009
Stock Compensation – Separation Costs (A)	$ -	$ -	$ -	$ 2,425
Stock Option Compensation (B)	422	822	425	1,293
Restricted Stock Compensation (B)	182	415	412	526
Total	$ 604	$ 1,237	$ 837	$ 4,244

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

The $2.4 million of stock compensation – separation costs related to the repurchase of a portion of the Former CEO's restricted stock, under the terms of his separation agreements and a modification of his options.

Stock Options

Options granted during the six months ended July 31, 2010 and August 1, 2009 were all service-based awards and were granted at exercise prices of $90 per unit and $180 per unit. All of the service-based awards granted in the six months ended July 31, 2010 and August 1, 2009 vest 40% on the second anniversary of the award (or the modification of the award) with the remaining amount vesting ratably over the subsequent three years. The final exercise date for any option granted is the tenth anniversary of the grant date.

All options awarded pursuant to the Plan become exercisable upon a change of control. Unless determined otherwise by the plan administrator and except as otherwise set forth in the option holders' agreement, upon cessation of employment, (1) options that have not vested will terminate immediately; (2) units previously issued upon the exercise of vested options will be callable at the Company's option; and (3) unexercised vested options will be exercisable for a period of 60 days.

As of July 31, 2010, the Company had 472,500 options outstanding to purchase units, all of which are service-based awards. The Company accounts for awards issued under the Plan in accordance with Topic No. 718 using the modified prospective method, which requires companies to record stock compensation expense for all non-vested and new awards beginning as of the adoption date (June 4, 2006 for the Company). For the three and six months ended July 31, 2010, the Company recognized non-cash stock compensation expense of $0.4 million ($0.3 million after tax) and $0.4 million ($0.3 million after tax), respectively, net of a $0.2 million and $0.9 million forfeiture adjustment that

was recorded as a result of actual forfeitures being higher than initially estimated. In comparison, for the three and six months ended August 1, 2009, the Company recognized expense of $0.8 million ($0.4 million after tax), and $3.7 million ($1.8 million after tax), respectively. For the three months ended August 1, 2009 there were no adjustments related to forfeitures, while during the six months ended August 1, 2009, there was a $1.2 million forfeiture adjustment that was recorded as a result of actual forfeitures being higher than initially estimated.

Non-cash stock option compensation expense is included in the line item “Selling and Administrative Expense” in the Company’s Consolidated Statements of Operations and Comprehensive Loss. As of July 31, 2010 there was approximately $6.1 million of unearned non-cash stock option-based compensation that the Company expected to recognize as expense over the next 4.9 years. The service-based awards are expensed on a straight-line basis over the requisite service period of 5 years. As of July 31, 2010, 27.6% of outstanding options to purchase units had vested.

Stock Option Unit Transactions are summarized as follows:

	Number of Units	Weighted Average Exercise Price Per Unit
Options Outstanding January 30, 2010	478,500	$ 123.70
Options Issued	37,000	120.00
Options Forfeited	(43,000)	(120.00)
Options Cancelled	-	
Options Outstanding July 31, 2010	472,500	$ 123.75

Non-vested stock option unit transactions during the six months ended July 31, 2010 are summarized below:

	Number of Units	Weighted Average Grant Date Fair Value Per Unit
Non-Vested Options Outstanding, January 30, 2010	361,500	$ 36.50