Burlington Coat Factory Investments Holdings, Inc.
Form 10-Q
January 16, 2007

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 December 2, 2006

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	**20-4663833**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1830 Route 130 North Burlington, New Jersey	**08016**
(Address of Principal Executive Offices)	**(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

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 December 2, 2006, the registrant has 1,000 shares of common stock outstanding (all of which are owned by Burlington Coat Factory Holdings, Inc., our 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)

	Successor	
	December 2, 2006	June 3, 2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 38,326	$ 58,376
Restricted Cash and Cash Equivalents	13,808	13,816
Investments	783	591
Accounts Receivable - Net	42,936	42,083
Merchandise Inventories	913,259	708,185
Deferred Tax Assets	32,349	27,916
Prepaid and Other Current Assets	20,009	17,835
Assets Held for Disposal	3,070	7,661
Total Current Assets	1,064,540	876,463
Property and Equipment (Net of Accumulated Depreciation)	1,010,023	1,042,398
Tradenames	526,300	526,300
Favorable Leases (Net of Accumulated Amortization)	608,881	626,676
Goodwill	58,985	58,985
Other Assets	62,672	69,727
Total Assets	$ 3,331,401	$ 3,200,549
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 636,335	$ 444,904
Income Taxes Payable	6,861	6,274
Other Current Liabilities	226,476	181,760
Current Maturities of Long Term Debt	10,461	10,360
Total Current Liabilities	880,133	643,298
Long Term Debt	1,451,933	1,508,119
Other Liabilities	28,694	21,974
Deferred Tax Liability	586,477	607,646
Commitments and Contingencies		-

Stockholders' Equity:				
Preferred Stock		-		-
Common Stock		-		-
Capital in Excess of Par Value		451,391		446,678
Accumulated Deficit		(67,227)		(27,166)
Total Stockholders' Equity		384,164		419,512
Total Liabilities and Stockholders' Equity	$	3,331,401	$	3,200,549

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended		Three Months Ended	
	Successor December 2, 2006	Predecessor November 26, 2005	Successor December 2, 2006	Predecessor November 26, 2005
REVENUES:				
Net Sales	$ 1,641,613	$ 1,596,257	$ 984,767	$ 945,409
Other Revenue	19,554	15,841	12,134	8,517
	1,661,167	1,612,098	996,901	953,926
COSTS AND EXPENSES:				
Cost of Sales (Exclusive of Depreciation and Amortization)	1,027,383	1,014,056	600,469	588,721
Selling and Administrative Expenses	534,641	498,593	287,581	264,153
Depreciation	72,176	45,063	37,192	22,435
Amortization	22,897	482	11,964	458
Interest Expense	70,630	3,344	35,216	1,531
Other (Income) Loss, Net	(1,663)	2,492	(682)	2,611
	1,726,064	1,564,030	971,740	879,909
(Loss) Income Before Income Tax (Benefit) Expense	(64,897)	48,068	25,161	74,017
Provision for Income Tax (Benefit)Expense	(24,836)	18,602	13,414	28,644
Net (Loss) Income	(40,061)	29,466	11,747	45,373

Net Unrealized (Loss) on Non-Marketable Securities, Net of Tax		-		(2)		-		(2)
Total Comprehensive (Loss) Income	$	(40,061)	$	29,464	$	11,747	$	45,371

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	
	Successor December 2, 2006	Predecessor November 26, 2005
OPERATING ACTIVITIES		
Net Income (Loss)	$ (40,061)	$ 29,466
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	72,176	45,063
Amortization	22,897	-
Accretion	5,759	-
Interest Rate Cap Contract - Adjustment to Market	1,675	-
Provision for Losses on Accounts Receivable	1,460	1,905
Provision for Deferred Income Taxes	(25,602)	(1,726)
Loss on Disposition of Fixed Assets and Leaseholds	91	2,130
Non-Cash Stock Compensation Expense	4,513	-
Non-Cash Rent Expense and Other	7,196	3,210
Changes in Assets and Liabilities		
Investments	(192)	53,589
Accounts Receivable	(2,313)	(22,766)
Merchandise Inventories	(205,074)	(179,490)
Prepaid and Other Current Assets	(2,174)	(1,328)
Accounts Payable	191,431	254,583
Accrued and Other Current Liabilities	44,318	37,898
Net Cash Provided by Operating Activities	76,100	222,534
INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(39,176)	(45,993)
Change in Restricted Cash and Cash Equivalents	8	105
Proceeds From Sale of Fixed Assets	4,648	656
Issuance of Notes Receivable	(33)	(31)
Other	47	15
Net Cash Used in Investing Activities	(34,506)	(45,248)
FINANCING ACTIVITIES		
Proceeds from Long Term Debt - ABL Line of Credit	244,900	-
Principal Payments on Long Term Debt	(1,105)	(100,960)
Principal Payments on Term Loan	(13,500)	-
Principal Payments on ABL Line of Credit	(292,139)	-
Equity Investment	200	44

Net Cash Used in Financing Activities	(61,644)	(100,916)
Increase (Decrease) in Cash and Cash Equivalents	(20,050)	76,370
Cash and Cash Equivalents at Beginning of Period	58,376	47,953

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Cash and Cash Equivalents at End of Period	$	38,326	$	124,323
Supplemental Disclosure of Cash Flow Information;				
Interest Paid	$	68,673	$	3,921
Income Taxes Paid	$	2,825	$	16,064
Non-Cash Investing Activities: Accrued Purchases of Property and Equipment	$	(773)	$	3,784

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**BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX AND THREE MONTH PERIODS ENDED DECEMBER 2, 2006 (SUCCESSOR) AND
NOVEMBER 26, 2005 (PREDECESSOR)
(UNAUDITED)**

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of Burlington Coat Factory Investments Holdings, Inc. and all its subsidiaries ("Company"). Burlington Coat Factory Investments Holdings, Inc. has no operations and its only asset is all of the stock in 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 Burlington Coat Factory Investments Holdings, Inc. and its subsidiaries ("Holdings"). Except as expressly indicated or unless the context otherwise requires, as used herein the "Company", "we", "us", or "our" means Burlington Coat Factory Investments Holdings, Inc. and its subsidiaries. The accompanying financial statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for a fair presentation of the results of operations for the interim periods. The balance sheet at June 3, 2006 has been derived from the audited financial statements in the Company's financial statements as of June 3, 2006. Because the Company's business is seasonal in nature, the operating results for the six and three month periods ended December 2, 2006 and the corresponding periods ended November 26, 2005 are not necessarily indicative of results for the fiscal year.

Although BCFWC continued as the same legal entity after the Merger Transaction (described below in Note 2), the accompanying condensed consolidated balance sheets, statements of operations and cash flows are presented for two periods: Predecessor and Successor, which relate to the period preceding the Merger and the period succeeding the Merger, respectively. We refer to the operations of BCFWC and subsidiaries for both the Predecessor and Successor periods.

2. Merger Transaction

On January 18, 2006, BCFWC entered into an Agreement and Plan of Merger, dated as of January 18, 2006 (the "Merger Agreement"), by and among BCFWC, Burlington Coat Factory Holdings, Inc. (f/k/a BCFWC Acquisition, Inc.) ("Parent") and BCFWC Mergersub, Inc. ("Merger Sub") to sell all of the outstanding common stock of BCFWC to Parent through a merger with Merger Sub, which were entities directly and indirectly owned by entities affiliated with Bain Capital Partners, LLC (collectively, the "Equity Sponsors" or "Investors").

On April 13, 2006, the transaction was consummated by the Equity Sponsors through a $2.1 billion merger of Acquisition Sub with and into BCFWC, with BCFWC being the surviving corporation in the merger (the "Merger"). Under the Merger Agreement, the former holders of BCFWC's common stock, par value $1.00 per share, received $45.50 per share. The Merger consideration was funded through the use of BCFWC's available cash, cash equity contributions from the Equity Sponsors and the debt financings as described more fully below. We refer to the April 13, 2006 Merger as the "Merger Transaction."

Immediately following the consummation of the Merger Transaction, Parent entered into a Contribution Agreement with Holdings to effectuate an exchange of shares whereby Parent delivered to Holdings all of the outstanding shares in BCFWC, and Holdings simultaneously issued and delivered to the parent 1,000 shares of common stock constituting all of Holdings' issued and outstanding stock.

The following principal equity capitalization and financing transactions occurred in connection with the Merger Transaction:

- Aggregate cash equity contributions of approximately $445 million were made by the Equity Sponsors and $0.8 million in cash from members of management; and

- BCFWC (1) entered into an $800 million secured ABL Credit Facility, of which $225 million was drawn at closing, (2) entered into a $900 million secured term loan agreement, all of which was drawn at closing, (3) issued $305 million face amount 11 1/8% Senior Notes due 2014 at a discount of which all the $299 million proceeds were used to finance the Merger Transaction and (4) received a cash contribution from Holdings of $75 million from an issuance of $99.3 million 14 ½ % Senior Discount Notes due 2014, all of which was also used to finance the Merger Transaction.

The proceeds from the equity capitalization and financing transactions, together with $193 million of our available cash, were used to fund the:

- Purchase of common stock outstanding of approximately $2.1 billion;

- Settlement of all stock options of BCFWC under the terms of the Merger Agreement of approximately $13.8 million; and

- Fees and expenses related to the Merger Transaction and the related financing transactions of approximately $90.8 million.

Immediately following the consummation of the Merger Transaction, the Equity Sponsors indirectly owned 98.5% of the Parent and management owned 1.5% of the Parent.

In connection with the Merger Transaction, effective as of April 13, 2006, the Certificate of Incorporation of BCFWC Mergersub, Inc. became the BCFWC's Certificate of Incorporation which resulted in the following changes to the BCFWC's authorized capital stock from 5,000,000 preferred shares, par value $1.00 per share, and 100,000,000 common shares, par value $1.00 per share to 1,000 preferred shares, par value $0.01 per share, and 10,000 common shares, par value $1.00 per share, authorized shares of capital stock. As of June 3, 2006 and December 2, 2006, 1,000 shares of BCFWC common stock were held by Holdings and all 1,000 shares of Holdings were held by Parent.

3. Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of Burlington Coat Factory Investments Holdings, Inc. and all its subsidiaries in which it has the controlling financial interest through direct ownership of a majority voting interest or a controlling managerial interest. All subsidiaries are wholly owned except one, of which we own seventy-five percent. The investment is consolidated, net of its minority interest. All significant intercompany accounts and transactions have been eliminated.

Holdings was incorporated in the State of Delaware on April 10, 2006. Holdings' Certificate of Incorporation authorizes 1,000 shares of common stock, par value of $0.01 per share. All 1,000 shares are issued and outstanding and Parent is the only holder of record of this stock.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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 registration statement filed with the SEC on October 10, 2006 on Form S-4, as amended.

4. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of $11.4 million pledged as collateral for certain insurance contracts and $2.4 million contractually restricted and related to the acquisition and maintenance of a building related to a store operated by the Company.

5. Inventories

Merchandise inventories as of December 2, 2006 and June 3, 2006 are valued at the lower of cost, on a First In First Out (FIFO) basis, or market, as determined by the retail inventory method. The Company records its cost of merchandise (net of purchase discounts and certain vendor allowances), certain merchandise acquisition costs (primarily commissions and import fees), inbound freight, warehouse outbound freight, and freight on internally transferred merchandise in the line item "Cost of Sales" in the Company's Condensed Consolidated Statement of Operations. Costs associated with the Company's warehousing, distribution, buying, and store receiving functions are included in the line items "Selling and Administrative Expenses", "Depreciation" and "Amortization" in the Company's Condensed Consolidated Statement of Operations. Warehousing and purchasing costs included in Selling and Administrative Expenses amounted to $30.6 million and $16.3 million for the six and three month periods ended December 2, 2006, respectively, and $24.6 million and $12.7 million for the three and six month periods ended November 26, 2005, respectively. Depreciation related to the warehousing and purchasing functions amounted to $5.1 million and $2.7 million for the six and three month periods ended December 2, 2006 and $4.2 million and $2.0 million for the six and three month periods ended November 26, 2005. Also included in Selling and Administrative Expenses are payroll and payroll related expenses, occupancy related expenses, advertising expenses, store operating expenses and corporate overhead expenses. The Company also establishes reserves for potentially excess and obsolete inventories based on current inventory levels, historical analysis of product sales and current market conditions. The reserves are revised, if necessary, on a quarterly basis for adequacy. The Company's reserves against inventory were $28.8 million and $8.9 million as of December 2, 2006 and June 3, 2006, respectively. The increase in the reserves against inventory primarily relates to additional estimated inventory shrinkage for the six months ended December 2, 2006.

6. Investments

The Company classifies its investments in debt and equity securities into held-to-maturity, available-for-sale or trading categories in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting For Certain Investments in Debt and Equity Securities.* Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity are classified as trading securities and are carried at fair market value, with unrealized gains and losses included in net income (loss). The Company's investments not classified as held-to-maturity or trading securities are classified as available-for-sale and are carried at fair market value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. At the balance sheet dates presented, investments consisted of (in thousands):

	December 2, 2006		
	Cost	Unrealized Gains	Fair Market Value
Trading Securities (Current):			
Short Term Municipal Bond Investments	$ 150	$ 0	$ 150
Equity Investments	431	202	633
	$ 581	$ 202	$ 783

	June 3, 2006		
	Cost	Unrealized Gains	Fair Market Value

Trading Securities (Current):			
Equity Investments	$ 431	$ 160	$ 591

7. Revenue Recognition

The Company records revenue at the time of sale and delivery of merchandise net of allowances for estimated future returns.

with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements,* as revised and rescinded by SAB No. 104, *Revenue Recognition.* Layaway sales are recognized upon delivery of merchandise to the customer. The amount of cash received upon initiation of the layaway is recorded as a deposit liability within other current liabilities. Gift cards are recorded as a liability at the time of issuance, and upon redemption the related sale is recorded. Except where prohibited by law, after 12 months of non-use, a monthly maintenance fee is deducted from the remaining balance of the gift card and is recorded as other revenue.

8. Other Income (Loss), Net

Other Income (Loss), Net consists of investment income, losses from disposition of fixed assets and other miscellaneous income items. Investment income amounted to $2.1 million and $1.3 million for the six and three month periods ended December 2, 2006, respectively, compared with investment income of $2.8 million and $1.4 million for the similar six and three month periods of a year ago. Losses from disposition of fixed assets amounted to $0.1 million for each of the six and three month periods ended December 2, 2006. Losses from disposition of fixed assets amounted to $2.1 million and $0.7 million for the six and three month periods ended November 26, 2005. For the six and three month periods ended December 2, 2006, the Company recorded miscellaneous losses of $0.8 million related to the write-off of the net book value of assets damaged at one of its store locations. During the comparative six and three month periods of fiscal 2006, the Company recorded miscellaneous losses of $3.5 million related to the write-off of the net book value of assets damaged during Hurricanes Katrina and Wilma.

9. Income Taxes

As of December 2, 2006, the Company had a current deferred tax asset of $32.3 million and a non-current deferred tax liability of $586.5 million. As of June 3, 2006, the Company had a current deferred tax asset of $27.9 million and a non-current deferred tax liability of $607.6 million. Income taxes are provided on an interim basis based upon the Company's estimate of the effective annual income tax rate. As of December 2, 2006 and June 3, 2006, valuation allowances amounted to $10.6 million and related primarily to state tax net operating losses. The Company believes it is unlikely that it will be able to utilize the benefit of these losses in the future. Current deferred tax assets consisted primarily of certain operating costs and certain inventory related costs not currently deductible for tax purposes and tax loss carry forwards. Non-current deferred tax liabilities primarily reflected rent expense, pre-opening costs, intangible costs and depreciation expense not currently deductible for tax purposes.

10. Intangible Assets

The Company accounts for intangible assets in compliance with SFAS No. 142, *Goodwill and Other Intangible Assets*. The Company’s intangible assets primarily represent tradenames and net favorable lease positions. The tradename asset “Burlington Coat Factory” is expected to generate cash flows indefinitely and does not have an estimable or finite useful life; and therefore, is accounted for as an indefinite-lived asset not subject to amortization. The values of favorable and unfavorable lease positions are amortized on a straight line basis over the expected lease terms. Amortization of net favorable lease positions is included in “Amortization” on the accompanying Condensed Consolidated Statement of Operations.

The Company tests identifiable intangible assets with an indefinite life for impairment, at a minimum on an annual basis, relying on a number of factors, including operating results, business plans and projected future cash flows. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible assets with its carrying amount. Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate other long-lived assets as described in Note 24. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Intangible assets as of December 2, 2006 and June 3, 2006 are as follows (in thousands):

	December 2, 2006			June 3, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Tradename	$ 526,300	$ -	$ 526,300	$ 526,300	$ -	$ 526,300
Net Favorable Leases	$ 631,149	$ (22,268)	$ 608,881	$ 631,149	$ (4,473)	$ 626,676

Amortization expense related to net favorable leases amounted to $17.8 million and $9.4 million for the six and three month periods ended December 2, 2006, respectively. Amortization expense of net favorable leases for each of the next five fiscal years is estimated to be as follows: fiscal 2008 - $33.4 million; fiscal 2009 - $33.4 million; fiscal 2010 - $33.4 million; fiscal 2011 - $33.4 million; and fiscal 2012 - $33.2 million. Amortization for the remainder of fiscal 2007 is expected to be approximately $15.8 million.

11. Goodwill

Goodwill represents the excess of the acquisition cost over the estimated fair value of tangible assets and other identifiable assets acquired less liabilities assumed. Other identifiable intangible assets include tradenames and net favorable leases. Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (“SFAS No. 142”) replaces the amortization of goodwill and indefinite-lived intangible assets with periodic tests for the impairment of these assets. SFAS No. 142 requires a comparison, at least annually, of the net book value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit, which corresponds to the discounted cash flows of the reporting unit, in the absence of an active market for such unit. The Company’s annual impairment test for impairment of all reporting units occurs during the fourth quarter of each year. The Company has recorded $59.0 million in goodwill in connection with the Merger Transaction.

12. Other Assets

Other assets consist primarily of deferred financing fees, notes receivable and the net accumulation of excess rent income, accounted for on a straight line basis, over actual rental income receipts.

13. Other Current Liabilities

Other current liabilities primarily consist of sales tax payable, unredeemed store credits and gift certificates, accrued payroll costs, accrued insurance costs, accrued operating expenses, layaway deposits, payroll taxes payable, current portion of deferred rent expense and other miscellaneous items.

14. Other Liabilities

Other liabilities primarily consist of deferred lease incentives and the net accumulation of excess straight line rent expense over actual rental expenditures. Deferred lease incentives are funds received or receivable from landlords used primarily to offset the costs of store remodelings. These deferred lease incentives are amortized over the expected lease term including rent holiday periods and option periods where the exercise of the option can be reasonably assured.

15. Lines of Credit

In connection with the Merger Transaction, BCFWC entered into an $800 million Available Business Line (ABL) senior secured revolving credit facility. The facility is for a five year period at an interest rate of LIBOR plus a spread which is determined by the Company’s annual average borrowings outstanding. The maximum borrowing under the facility during the six month period ended December 2, 2006 was $365.0 million. Average borrowings during the period amounted to $274.4 million at an average interest rate of 7.1%. At December 2, 2006 and June 3, 2006, $165.0 million and $212.2 million, respectively, were outstanding under this credit facility. Commitment fees of .25% are charged on the unused portion of the facility and are included in the line item “Interest Expense” on the Company’s Condensed Consolidated Statements of Operations.

16. Store Exit Costs

The Company establishes reserves covering future lease obligations of closed stores. These reserves are included in the line item "Other Liabilities" in the Company's Condensed Consolidated Balance Sheets. Reserves at December 2, 2006 and June 3, 2006 consisted of (in thousands):

Fiscal Year Reserve Established	Balance at June 3, 2006	Additions	Payments	Balance at December 2, 2006
2004	$ 377	-	$ (80)	$ 297
2006	494	-	(494)	-
	$ 871	-	$ (574)	$ 297

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The Company believes that these reserves are adequate to cover the expected contractual lease payments and other ancillary costs related to the closings. Scheduled rent related payments for the costs over the remainder of the contractual obligation periods are: fiscal 2007 - $0.1 million, fiscal 2008 - $0.1 million and fiscal 2009 - $0.1 million.

17. Long Term Debt

Long-term debt consists of (in thousands):

	December 2, 2006	June 3, 2006
Industrial Revenue Bonds, 6.0% due in semi-annual payments of various amounts from September 1, 2004 to September 1, 2010	$ 4,190	$ 5,000
Promissory Note, 4.43% due in monthly payments of $8 through December 23, 2011	412	447
Promissory Note, non-interest bearing, due in monthly payments of $17 through January 1, 2012	1,033	1,133
Senior Notes, 11 % due at maturity on April 15, 2014, semi-annual interest payments from October 15, 2006 to April 15, 2014	299,415	299,179
Senior Discount Notes, 14.5% due at maturity on October 15, 2014. Semi-annual discount accretion to maturity amount from October 15, 2006 to April 15, 2008 and semi-annual interest payments from October 15, 2008 to October 15, 2014.	82,040	76,517
$900 million senior secured term loan facility, Libor plus 2.25% due in quarterly payments of $2,250 from May 30, 2006 to May 28, 2012 with remaining balance payable quarterly in equal amounts through May 28, 2013.	884,250	897,750
$800 million ABL senior secured revolving facility, Libor plus spread based on average outstanding balance.	165,000	212,239
Capital Lease Obligations	26,054	26,214
Subtotal	1,462,394	1,518,479
Less Current Portion	(10,461)	(10,360)
Long-Term Debt and Obligations Under Capital Leases	$ 1,451,933	$ 1,508,119

The Company has $60.7 million in deferred financing fees, net of accumulated amortization, as of December 2, 2006 and $66.3 million as of June 3, 2006 related to its long term debt instruments recorded in the line item “Other Assets” on the Condensed Consolidated Balance Sheets. Amortization of deferred financing fees is included in the line item “Amortization” on the Company’s Condensed Consolidated Statement of Operations and amounted to $5.1 million and $2.6 million for the six and three month periods ended December 2, 2006, and $0.5 million and $0.5 million for the six and three month periods ended November 26, 2005, respectively. Amortization expense for the remainder of fiscal 2007 is estimated to be $5.1 million. Amortization expense for each of the next five fiscal years is estimated to be as follows: fiscal 2008 - $10.3 million; fiscal 2009 - $10.4 million; fiscal 2010 - $10.4 million; fiscal 2011 - $9.8 million and fiscal 2012 - $6.7 million. Deferred financing fees have a remaining weighted average amortization period of approximately 5.8 years.

As of December 2, 2006, the Company is in compliance with all of its debt covenants. The agreements regarding the ABL Credit Facility and the Term Loan as well as indenture governing the BCFWC Senior Notes and Holdings Senior Discount Notes contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to pay dividends on, redeem or repurchase capital stock; make investments and other restricted payments;

incur additional indebtedness or issue preferred stock; create liens; permit dividend or other payment restrictions on our restricted subsidiaries; sell all or substantially all of our assets or consolidate or merge with or into other companies; and engage in transactions with affiliates.

18. Comprehensive Income

The Company presents comprehensive income (loss) as a component of stockholders' equity in accordance with SFAS No. 130, *Reporting Comprehensive Income*. For the six and three month periods ended December 2, 2006, comprehensive income (loss) consisted of net income (loss). For the six and three month periods ended November 26, 2005, comprehensive income (loss) consisted of net income (loss) and net unrealized gains (losses) on available-for-sale investments.

19. Segment Information

The Company has one reportable segment, operating within the United States. Sales by major product categories are as follows (in thousands):

	Six Months Ended		Three Months Ended	
	Successor December 2, 2006	Predecessor November 26, 2005	Successor December 2, 2006	Predecessor November 26, 2005
Apparel	$ 1,308,687	$ 1,266,721	$ 801,267	$ 765,257
Home Products	332,926	329,536	183,500	180,152
	$ 1,641,613	$ 1,596,257	$ 984,767	$ 945,409

Apparel includes all clothing items for men, women and children and apparel accessories, such as jewelry, perfumes and watches. Home Products includes linens, home furnishings, gifts, baby furniture and baby furnishings.

20. Other Revenue

Other Revenue consists of rental income received from leased departments, subleased rental income, layaway, alteration and other service charges and other miscellaneous items. Layaway, alteration and other service fees amounted to $8.7 million and $6.6 million for the six and three month periods ended December 2, 2006 and $5.3 million and $3.1 million for the six and three month periods ended November 26, 2005, respectively. Rental income from leased departments amounted to $4.8 million and $2.5 million for the six and three month periods ended December 2, 2006, respectively, and $4.8 million and $2.6 million for the comparative periods of a year ago. Subleased rental income and other miscellaneous revenue items amounted to $6.0 million and $3.0 million for the six and three month periods ended December 2, 2006 and $5.7 million and $2.8 million for the six and three month periods ended November 26, 2005.

21. Vendor Rebates and Allowances

Rebates and allowances received from vendors are accounted for in compliance with Emerging Issues Task Force ("EITF") Issue No. 02-16, *Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor*. EITF Issue No. 02-16 specifically addresses whether a reseller should account for cash consideration received from a vendor as an adjustment of cost of sales, revenue, or as a reduction to a cost incurred by the reseller. Rebates and allowances received from vendors that are dependent on purchases of inventories are recognized as a reduction of cost of goods sold when the related inventory is sold or marked down. Rebates and allowances that are reimbursements of specific expenses are recognized as a reduction of selling and administrative expenses when earned, up to the amount of the incurred cost. Any vendor reimbursement in excess of the related incurred cost is recorded as a reduction of cost of sales. Rebates and allowances that were reimbursements of specific expenses, which were recognized as a reduction of selling and administrative expenses, amounted to $0.5 million and $0.3 million for the six and three month periods ended December 2, 2006, respectively, and $0.5 million and $0.3 million for the six and three month periods ended November 26, 2005, respectively.

22. Capitalized Computer Software Costs

In March 1998, the American Institute of Certified Public Accountants (“AICPA”) issued Statement of Position ("SOP") 98-1, *Accounting For the Costs of Computer Software Developed For or Obtained for Internal-Use*. The SOP requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. The Company capitalized $5.5 million and $2.4 million for the six and three month periods ended December 2, 2006, respectively, and $2.7 million and $1.5 million relating to these costs during the six and three month periods ended November 26, 2005, respectively.

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

On April 13, 2006, the Parent's Board of Directors adopted the 2006 Management Incentive Plan ("Plan"). The Plan provides for the granting of service-based and performance-based stock options and restricted stock to executive officers and other key employees of the Company and its subsidiaries. Pursuant to the Plan employees are granted options to purchase "units" of common stock in the Parent. 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. The options are exercisable only for whole units and cannot be separately exercised for the individual classes of the Parent common stock. There are 511,122 units reserved under the Plan consisting of 4,600,098 shares of Class A common stock of Holdings and 511,122 shares of Class L common stock of Holdings.

The units granted were granted in three tranches with exercise prices as follows: Tranche 1: $90 per unit; Tranche 2: $180 per Unit; and Tranche 3: $270 per unit. The service-based awards generally cliff vest 40% on the second anniversary of the award with the remaining ratably over the subsequent three years. All options become exercisable upon a change of control and unless determined otherwise by the plan administrator. Upon cessation of employment, options that have not vested will terminate immediately, units issued upon the exercise of vested options will be callable and unexercised vested options will be exercisable for a period of 60 days. The final exercise date for any option granted is the tenth anniversary of the grant date.

As of December 2, 2006, the Parent granted 407,500 options to purchase units. All options granted to date are service based awards. On June 4, 2006, we adopted SFAS No. 123R (Revised 2004), *"Share-Based Payment,"* 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. Accordingly, prior period amounts presented herein have not been restated. For the six and three month periods ended December 2, 2006, we recognized non-cash stock compensation expense of $1.5 million and $0.8 million, respectively which is included in the line item "Selling and Administrative Expense" on our Company's Condensed Consolidated Statements of Operations. The adoption of SFAS 123R had no impact on our cash flow from operations or financing activities. At December 2, 2006, there is approximately $14.7 million of unearned non-cash stock-based compensation that we expect to recognize as expense over the next 4.4 years. The service based awards are expensed on a straight line basis over the requisite service period of five years. During the six and three month periods ended December 2, 2006, there were options granted to purchase 70,000 units and 40,000 units, respectively. During the six months ended December 2, 2006, 10,000 options to purchase units were cancelled. During the period, no options were exercised. At December 2, 2006, no options were exercisable.

The following table summarizes information about the stock options outstanding under Parent's 2006 Plan as of December 2, 2006:

	Option Units Outstanding			Option Units Exercisable	
	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable
Tranche 1	$ 90.00	135,833	9.4 years	$ 90.00	0
Tranche 2	$ 180.00	135,833	9.4 years	$ 180.00	0
Tranche 3	$ 270.00	135,834	9.4 years	$ 270.00	0
		407,500			0

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants under Parent's 2006 Plan in fiscal 2006 and fiscal 2007:

Risk-Free Interest Rate		4.75%
Expected Volatility		70%
Expected Life		4.5 years
Contractual Life		10 years
Expected Dividend Yield		0.0%
Fair Value of Option Units Granted		
Tranche 1	$	53.13
Tranche 2	$	38.79
Tranche 3	$	30.53

Pre-Transaction Stock-Based Compensation Accounting

Prior to the closing of the Merger transaction, BCFWC applied APB 25 in accounting for its stock option awards. Accordingly, compensation expense has not been recorded for the six and three month periods ended November 26, 2005. The following table illustrates the effect on net income for the six and three month periods ended November 26, 2005 had BCFWC applied the fair value recognition provisions of SFAS No. 123 (in thousands):

	Six Months Ended November 26, 2005	Three Months Ended November 26, 2005
Net Income as Reported	$ 29,466	$ 45,373
Expense Under Fair Value Method, Net of Tax Effect	(336)	(133)
Pro forma Net Income	$ 29,130	$ 45,240

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal 2005 (no options were granted during fiscal 2004 or fiscal 2006):

	Grant 1	Grant 2
Number of Shares	87,700	73,600
Risk-Free Interest Rate	4.10%	4.10%
Expected Volatility	37.65%	38.00%
Expected Life	5.5 years	5.5 years
Contractual Life	10 years	10 years
Expected Dividend Yield	0.20%	0.20%
Fair Value of Options Granted	$ 6.79	$ 9.85

Any unexercised stock options at the time of the consummation of the Merger transaction were cancelled and each holder received an amount in cash, less applicable withholding taxes, equal to $45.50 per share less the exercise price of each option.

Non-vested restricted stock: At their option, in lieu of receiving an all cash retention bonus, members of management collectively received $5.9 million in shares of non-vested restricted stock in the form of common stock of Parent. These shares vest on April 13, 2007. Non-vested restricted stock compensation is being amortized over a one year vesting period and amounted to $2.9 million and $1.4 million for the six and three month periods ended December 2, 2006. Deferred compensation expense is recorded as additional paid-in-capital.

24. Impairment of Long-Lived Assets

The Company accounts for impaired long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, long-lived assets and certain intangibles to be disposed of should be reported at the lower of the carrying amount or fair value less cost to sell. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. Impairment charges recorded during each of the six and three month periods ended December 2, 2006 amounted to $3.6 million. For the six and three month periods ended November 26, 2005 impairment charges amounted to and $1.3 million and $0.9 million.

25. Discontinued Operations

The Company continuously monitors and evaluates store profitability. Based upon these evaluations, the decision to permanently close a store or to relocate a store within its same trading market is made. Only those stores permanently closed, where sales by another store will not absorb a significant amount of the closed store's sales, are included in the Company's calculation of discontinued operations. There were no discontinued operations recorded during the six and three month periods ended December 2, 2006 or for the same periods ended November 26, 2005.

26. Advertising Costs

The Company's net advertising costs consist primarily of newspaper and television costs. The production costs of net advertising are charged to expenses as incurred. Net advertising expenses for the six and three month periods ended December 2, 2006 were $41.3 million and $30.8 million, respectively. For the six and three month periods ended November 26, 2005, advertising costs were $37.2 million and $24.2 million, respectively. The Company nets certain cooperative advertising reimbursements received from vendors against specific, incremental, identifiable costs incurred in connection with selling the vendors' products. Any excess reimbursement is characterized as a reduction of inventory and is recognized as a reduction to cost of sales as inventories are sold. Vendor rebates netted against advertising expense were $0.3 million and less than $0.1 million for the six and three month periods ended December 2, 2006, respectively and $0.4 million and $0.3 million for the comparative six and three month periods of a year ago.

27. Lease Accounting

The Company calculates rent expense on a straight line basis over the lesser of the lease term including renewal options, if reasonably assured, or the economic life of the leased premises, taking into consideration rent escalation clauses, rent holidays and other lease concessions. The Company expenses rent during the construction or build-out phase of the leased property.

28. Derivatives and Hedging Activities

SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recording of all derivatives as either assets or liabilities on the balance sheet, measured at estimated fair value and the recognition of any unrealized gains and losses.

BCFWC entered into two interest rate cap agreements to manage interest rate risk associated with its long-term debt obligations. These agreements are classified as “Other Assets” within our Condensed Consolidated Balance Sheets. Each agreement became effective on May 12, 2006. One interest rate cap agreement has a notional principal amount of $300,000,000 with a cap rate of seven percent, and terminates on May 31, 2011. The other agreement has a notional principal amount of $700,000,000 with a cap rate of seven percent, and terminates on May 29, 2009. We do not monitor these interest rate cap agreements for hedge effectiveness. Losses associated with these contracts amounted to $1.7 million and $0.6 million during the six and three month periods ended December 2, 2006 and are included in the line item “Interest Expense” on the Company’s Condensed Consolidated Statements of Operations. The fair market value of the interest rate contracts at December 2, 2006 amounted to $0.6 million and $2.3 million at June 3, 2006.

29. Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Company manages the credit risk associated with cash equivalents and investments by investing with high-quality institutions and, by policy, limiting investments only to those which meet prescribed investment guidelines. The Company has a policy of making investments in debt securities with short-term ratings of A-1 (or equivalent) or long-term ratings of A and A-2 (or equivalent). The Company maintains cash accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant risks on its cash and cash equivalent accounts.

30. Reclassifications

Certain reclassifications have been made to the Condensed Consolidated Statement of Operations for the six and three month periods ended November 26, 2005 to conform to the classifications used in the current period. Line of credit commitment fees of $0.2 million and $0.1 million previously recorded in the line item “Selling and Administrative Expense” have been reclassified and included in the line item “Interest Expense.” Deferred financing fee amortization of $0.5 million and $0.5 million for the six and three month periods ended November 26, 2005 have been reclassified from “Selling and Administrative Expense” to “Amortization”.

31. Recent Accounting Pronouncements

a. In December 2004, the FASB issued SFAS No. 123(R), “*Share Based Payment*.” This statement establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods and services, primarily with respect to accounting for transactions in which an entity obtains employee services in share-based payment transactions. It also addresses transactions in which an entity incurs liabilities in exchange for goods and services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments. Entities will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. This statement is effective for the first fiscal year beginning after June 15, 2005. We adopted Statement No. 123(R) for fiscal 2007, using the modified-prospective method. Under the modified-prospective method, we recognized compensation cost for all awards subsequent to adopting the standard and for the unvested portion of previously granted awards outstanding upon adoption. The statement permits the use of either the straight-line or an accelerated method to amortize the cost as an expense for awards with graded vesting. The impact of adopting SFAS 123 (R) on Net Loss amounted to $1.0 million and $0.4 million (net of tax) for the six and three month periods ended December 2, 2006.

SFAS 123 (R) also amended SFAS No. 95, “*Statement of Cash Flows*” to require the benefits for tax deductions in excess of recognized compensation be reported as financing cash inflows rather than as a reduction in income taxes paid, which is included within operating cash flows.

b. In December 2004, the FASB issued SFAS No. 153, “*Exchanges of Nonmonetary Assets—An Amendment of APB Opinion No. 29*.” SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exemption for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange is considered to have commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. We adopted SFAS No. 153 effective June 4, 2006. The adoption of SFAS No. 153 did not have an impact on our condensed consolidated financial statements.

c. In May 2005, the FASB issued SFAS No. 154, “*Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3*.” SFAS No. 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in nondiscretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS No. 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted the provisions of SFAS No. 154 as applicable beginning in fiscal 2007. The adoption of SFAS No. 154 did not have an impact on our condensed consolidated financial statements.

d. In June 2006, the FASB issued FASB Interpretation (“FIN”) No. 48 - *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, interest, penalties, accounting in interim periods, disclosure and classification of matters related to uncertainty in income taxes, and transitional requirements upon adoption of FIN 48. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently in the process of assessing the impact of the adoption of FIN 48 on its condensed consolidated financial statements.

e. In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* - an amendment of FASB Statements No. 133 and 140 (SFAS 155). SFAS 155 simplifies accounting for certain hybrid instruments currently governed by SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), by allowing fair value remeasurement of hybrid instruments that contain an embedded derivative that otherwise would require bifurcation. SFAS 155 also eliminates the guidance in SFAS 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets, which provides such beneficial interests are not subject to SFAS 133. SFAS 155 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125, by eliminating the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. This statement is effective for financial instruments acquired or subject to a remeasurement after the beginning of the fiscal year starting after September 15, 2006. We do not expect the adoption of this statement to have a material impact on our condensed consolidated financial statements.

f. . In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets*- an amendment of FASB Statement No. 140 (SFAS 156). SFAS 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in specific situations. Additionally, the servicing asset or servicing liability shall be initially measured at fair value, if practicable. SFAS 156 is effective as of an entity’s first fiscal year beginning after September 15, 2006. Early adoption is permitted as of the beginning of an entity’s fiscal year, provided the entity has not yet issued financial statements, including interim financial statements, for any period of that fiscal year. We do not expect the adoption of this statement to have a material impact on our condensed consolidated financial statements.

g. . In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurements. Where applicable, SFAS 157 simplifies and codifies related guidance within generally accepted accounting principles. This statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of evaluating the impact of SFAS No. 157 on its financial statements.

h. In June of 2006, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) on Issue 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement*. The scope of this consensus includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to sales, use, value added and some excise taxes. Additionally, this consensus seeks to address how a company should address the disclosure of such items in interim and annual financial statements, either gross or net pursuant to APB Opinion No. 22, *Disclosure of Accounting Policies*. EITF Issue 06-3 is effective for all financial reports for interim and annual reporting periods beginning after December 15, 2006. The Company presents sales net of sales taxes in its condensed consolidated statement of operations. No change in presentation is anticipated as a result of adoption of EITF 06-3.

i. In September 2006, the SEC issued SAB 108. SAB 108 provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year financial statement misstatements for the purpose of a materiality assessment. The Company will be required to adopt the provisions of SAB 108 in its first year ending after November 15, 2006. We do not expect the adoption SAB No. 108 to have a material impact on our condensed consolidated financial statements.

32. Condensed Guarantor Data

On April 13, 2006, BCFWC issued $305 million aggregate principal amount of 11 % Senior Notes due 2014. The notes were issued under an indenture issued on April 13, 2006. Holdings and subsidiaries of BCFWC have fully and unconditionally guaranteed these notes. In addition, Holdings and certain subsidiaries of BCFWC fully and unconditionally guarantee BCFWC's obligations under the $800 million ABL Credit Facility and $900 million term loan. These guarantees are both joint and several. The following condensed consolidating financial statements present the financial position, results of operations and cash flows of Holdings, BCFWC, and the guarantor subsidiaries. The Company has one non-guarantor subsidiary that is not wholly-owned and is considered to be "minor" as that term is defined in Rule 3-10 of Regulation S-X promulgated by the Securities and Exchange Commission.

Neither the Company nor any of its subsidiaries may declare or pay cash dividends or make other distributions of property to any affiliate unless such dividends are used for certain specified purposes including, among others, to pay general corporate and overhead expenses incurred by Holdings or Parent in the ordinary course of business, or the amount of any indemnification claims made by any director or officer of Holdings or Parent, to pay taxes that are due and payable by Holdings or any of its direct or indirect subsidiaries, or to pay interest on Holdings Senior Discount Notes, *provided* that no event of default under BCFWC's debt agreements has occurred or will occur as the result of such interest payment.

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS (SUCCESSOR)

	As of December 2, 2006				
ASSETS	**Investments**	**BCFWC**	**Guarantors**	**Eliminations**	**Consolidated**
	(All amounts in thousands)				
Current Assets:					
Cash and Cash Equivalents	$ -	$ 27,143	$ 11,183	$ -	$ 38,326
Restricted Cash and Cash Equivalents	-	-	13,808	-	13,808
Investments	-	-	783	-	783
Accounts Receivable	-	41,956	980	-	42,936
Merchandise Inventories	-	1,780	911,479	-	913,259
Deferred Tax Asset	-	12,090	20,259	-	32,349
Prepaid and Other Current Assets		9,311	21,575	(7,807)	23,079
Total Current Assets	-	92,280	980,067	(7,807)	1,064,540
Property and Equipment - Net of Accumulated Depreciation	-	41,674	968,349	-	1,010,023
Goodwill	-	58,985	-		58,985
Trademark	-	526,300	-		526,300
Net Favorable Leases	-	-	608,881		608,881
Other Assets	384,164	2,096,131	504	(2,418,127)	62,672
Total Assets	$ 384,164	$ 2,815,370	$ 2,557,801	$ (2,425,934)	$ 3,331,401
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts Payable	$ -	$ 634,570	$ 1,765	$ -	$ 636,335
Income Taxes Payable	-	14,668	-	(7,807)	6,861
Other Current Liabilities	-	196,928	29,548	-	226,476

Current Maturities of Long Term Debt	-	9,000	1,461	-	10,461
Total Current Liabilities	-	855,166	32,774	(7,807)	880,133
Long Term Debt	-	1,339,665	112,268	-	1,451,933
Other Liabilities	-	10,000	28,694	(10,000)	28,694
Deferred Tax Liability	-	226,375	360,102	-	586,477
Stockholders' Equity:					
Preferred Stock	-	-	-	-	-
Common Stock	-	-	1,568	(1,568)	-
Capital in Excess of Par Value	451,391	451,391	1,963,670	(2,415,061)	451,391
Retained Earnings (Accumulated Deficit)	(67,227)	(67,227)	58,725	8,502	(67,227)
Total Stockholders' Equity	384,164	384,164	2,023,963	(2,408,127)	384,164
Total Liabilities and Stockholders' Equity	$ 384,164	$ 2,815,370	$ 2,557,801	$ (2,425,934)	$ 3,331,401

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS (SUCCESSOR)

	As of June 3, 2006				
	Holdings	**BCFWC**	**Guarantors**	**Eliminations**	**Consolidated**
			(All amounts in thousands)		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 48,865	$ 9,511	$ —	$ 58,376
Restricted Cash and Cash Equivalents	—	—	13,816	—	13,816
Investments	—	—	591	—	591
Accounts Receivable	—	41,133	950	—	42,083
Merchandise Inventories	—	1,416	706,769	—	708,185
Deferred Tax Asset	—	12,091	15,825	—	27,916
Prepaid and Other Current Assets	—	9,820	20,104	(4,428)	25,496
Total Current Assets	—	113,325	767,566	(4,428)	876,463
Property and Equipment—Net of Accumulated Depreciation	—	46,521	995,877	—	1,042,398
Goodwill	—	58,985	—	—	58,985
Trademark	—	526,300	—	—	526,300
Net Favorable Leases	—	—	626,676	—	626,676
Other Assets	419,512	1,951,421	470	(2,301,676)	69,727
Total Assets	$ 419,512	$ 2,696,552	$ 2,390,589	$ (2,306,104)	$ 3,200,549
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts Payable	$ —	$ 441,811	$ 3,093	$ —	$ 444,904
Income Taxes Payable	—	10,702	—	(4,428)	6,274
Other Current Liabilities	—	178,057	3,703	—	181,760

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Current Maturities of Long Term Debt	—	9,000	1,360	—	10,360
Total Current Liabilities	—	639,570	8,156	(4,428)	643,298
Long Term Debt	—	1,398,073	110,046	—	1,508,119
Other Liabilities	—	10,000	21,974	(10,000)	21,974
Deferred Tax Liability	—	229,397	378,249	—	607,646
Stockholders' Equity:					
Preferred Stock	—	—	—	—	—
Common Stock	—	1	1,568	(1,569)	—
Capital in Excess of Par Value	446,678	446,677	1,864,120	(2,310,797)	446,678
Retained Earnings (Accumulated Deficit)	(27,166)	(27,166)	6,476	20,690	(27,166)
Total Stockholders' Equity	419,512	419,512	1,872,164	(2,291,676)	419,512
Total Liabilities and Stockholders' Equity	$ 419,512	$ 2,696,552	$ 2,390,589	$ (2,306,104)	$ 3,200,549

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (SUCCESSOR)

	For the Six Months Ended December 2, 2006				
	Holdings	**BCFWC**	**Guarantors**	**Eliminations**	**Consolidated**
	(All amounts in thousands)				
REVENUES:					
Net Sales	$ -	$ 2,107	$ 1,639,506	$ -	$ 1,641,613
Other Revenue	(40,061)	56,484	15,320	(12,189)	19,554
	(40,061)	58,591	1,654,826	(12,189)	1,661,167
COSTS AND EXPENSES:					
Cost of Sales (Exclusive of Depreciation and Amortization)	-	1,315	1,026,068	-	1,027,383
Selling and Administrative Expenses	-	76,544	458,097	-	534,641
Depreciation	-	11,757	60,419	-	72,176
Amortization	-	4,904	17,993	-	22,897
Interest Expense	-	63,668	6,962	-	70,630
Other Income, Net	-	(658)	(1,005)	-	(1,663)
	-	157,530	1,568,534	-	1,726,064
Income (Loss) Before Provision (Benefit) for Income Taxes	(40,061)	(98,939)	86,292	(12,189)	(64,897)
Provision (Benefit) for Income Taxes	-	(58,878)	34,042	-	(24,836)
Net Income (Loss)	(40,061)	(40,061)	52,250	(12,189)	(40,061)

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (SUCCESSOR)

	For the Three Months Ended December 2, 2006				
	Holdings	**BCFWC**	**Guarantors**	**Eliminations**	**Consolidated**
	(All amounts in thousands)				
REVENUES:					
Net Sales	$ -	$ 1,271	$ 983,496	$ -	$ 984,767
Other Revenue	11,747	60,974	8,432	(69,019)	12,134
	11,747	62,245	991,928	(69,019)	996,901
COSTS AND EXPENSES:					
Cost of Sales (Exclusive of Depreciation and Amortization)	-	773	599,696	-	600,469
Selling and Administrative Expenses	-	34,843	252,738	-	287,581
Depreciation	-	5,880	31,312	-	37,192
Amortization	-	2,457	9,507	-	11,964
Interest Expense	-	31,542	3,674	-	35,216
Other Income, Net	-	(658)	(24)	-	(682)
	-	74,837	896,903	-	971,740
Income (Loss) Before Provision (Benefit) for Income Taxes	11,747	(12,592)	95,025	(69,019)	25,161
Provision (Benefit) for Income Taxes	-	(24,339)	37,753	-	13,414
Net Income (Loss)	$ 11,747	$ 11,747	$ 57,272	$ (69,019)	$ 11,747

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (PREDECESSOR)

	For the Six Months Ended November 26, 2005				
	Holdings	**BCFWC**	**Guarantors**	**Eliminations**	**Consolidated**
			(All amounts in thousands)		
REVENUES:					