

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended August 1, 2015

OR

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

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

Commission File Number 001-36107



**BURLINGTON STORES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

2006 Route 130 North  
Burlington, New Jersey  
(Address of Principal Executive Offices)

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

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

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  (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

The number of shares of registrant's common stock outstanding as of August 21, 2015: 75,362,079.

	<u>Page</u>
<b><u>Part I—Financial Information</u></b>	<b>3</b>
<b><u>Item 1. Financial Statements (unaudited)</u></b>	<b>3</b>
<u>Condensed Consolidated Balance Sheets as of August 1, 2015, January 31, 2015 and August 2, 2014</u>	3
<u>Condensed Consolidated Statements of Operations – Three and Six Months Ended August 1, 2015 and August 2, 2014</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) – Three and Six Months Ended August 1, 2015 and August 2, 2014</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Six Months Ended August 1, 2015 and August 2, 2014</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<b><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b>20</b>
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b>34</b>
<b><u>Item 4. Controls and Procedures</u></b>	<b>35</b>
<b><u>Part II—Other Information</u></b>	<b>36</b>
<b><u>Item 1. Legal Proceedings</u></b>	<b>36</b>
<b><u>Item 1A. Risk Factors</u></b>	<b>37</b>
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b>37</b>
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	<b>37</b>
<b><u>Item 4. Mine Safety Disclosures</u></b>	<b>37</b>
<b><u>Item 5. Other Information</u></b>	<b>37</b>
<b><u>Item 6. Exhibits</u></b>	<b>38</b>
<b><u>SIGNATURES</u></b>	<b>39</b>

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

**BURLINGTON STORES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(All amounts in thousands, except share and per share data)

	August 1, 2015	January 31, 2015	August 2, 2014
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 27,231	\$ 25,349	\$ 29,291
Restricted cash and cash equivalents	27,800	27,800	32,100
Accounts receivable—net of allowance for doubtful accounts	38,979	49,716	43,678
Merchandise inventories	802,341	788,708	711,510
Deferred tax assets	34,446	37,229	14,172
Prepaid and other current assets	106,226	58,681	107,822
<b>Total Current Assets</b>	<b>1,037,023</b>	<b>987,483</b>	<b>938,573</b>
Property and equipment—net of accumulated depreciation and amortization	986,395	970,419	932,566
Tradenames	238,000	238,000	238,000
Favorable leases—net of accumulated amortization	254,250	266,397	279,349
Goodwill	47,064	47,064	47,064
Other assets	110,892	115,206	119,750
<b>Total Assets</b>	<b>\$ 2,673,624</b>	<b>\$ 2,624,569</b>	<b>\$ 2,555,302</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFECIT</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 590,498	\$ 621,682	\$ 564,531
Other current liabilities	278,593	310,268	270,475
Current maturities of long term debt	1,340	1,167	1,250
<b>Total Current Liabilities</b>	<b>870,431</b>	<b>933,117</b>	<b>836,256</b>
Long term debt	1,349,950	1,249,276	1,371,819
Other liabilities	270,575	273,767	258,241
Deferred tax liabilities	223,305	234,360	229,132
Commitments and contingencies (Notes 2, 9, 10, and 11)			
<b>Stockholders' Deficit:</b>			
Preferred stock, \$0.0001 par value: authorized: 50,000,000 shares; no shares issued and outstanding at August 1, 2015, January 31, 2015 and August 2, 2014	—	—	—
Common stock, \$0.0001 par value: authorized: 500,000,000 shares at August 1, 2015, January 31, 2015 and August 2, 2014;			
Issued: 76,491,839 shares at August 1, 2015, 75,925,507 shares at January 31, 2015 and 74,809,682 shares at August 2, 2014			
Outstanding: 75,362,744 shares at August 1, 2015, 75,254,682 shares at January 31, 2015 and 74,158,072 shares at August 2, 2014	7	7	7
Additional paid-in-capital	1,385,804	1,370,498	1,354,363
Accumulated deficit	(1,389,860)	(1,426,454)	(1,487,105)
Accumulated other comprehensive loss	(2,541)	(1,744)	—
Treasury stock, at cost	(34,047)	(8,258)	(7,411)
<b>Total Stockholders' Deficit</b>	<b>(40,637)</b>	<b>(65,951)</b>	<b>(140,146)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 2,673,624</b>	<b>\$ 2,624,569</b>	<b>\$ 2,555,302</b>

See Notes to Condensed Consolidated Financial Statements.

**BURLINGTON STORES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(All amounts in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	August 1,	August 2,	August 1,	August 2,
	2015	2014	2015	2014
<b>REVENUES:</b>				
Net sales	\$ 1,144,218	\$ 1,043,581	\$ 2,327,276	\$ 2,171,850
Other revenue	7,355	7,545	15,215	15,134
<b>Total Revenue</b>	<u>1,151,573</u>	<u>1,051,126</u>	<u>2,342,491</u>	<u>2,186,984</u>
<b>COSTS AND EXPENSES:</b>				
Cost of sales	695,915	645,027	1,408,845	1,343,488
Selling, general and administrative expenses	381,606	350,026	759,285	697,047
Costs related to debt amendments, secondary offerings and other	(12)	917	247	1,341
Stock option modification expense	335	963	795	1,791
Depreciation and amortization	41,746	40,549	83,901	81,757
Impairment charges-long-lived assets	188	829	1,903	848
Other income—net	(1,389)	(1,968)	(2,462)	(3,864)
Loss on extinguishment of debt	—	—	649	3,681
Interest expense (inclusive of gain (loss) on interest rate cap agreements)	14,598	25,546	29,401	52,098
<b>Total Cost and Expenses</b>	<u>1,132,987</u>	<u>1,061,889</u>	<u>2,282,564</u>	<u>2,178,187</u>
<b>Income (Loss) Before Income Tax Expense (Benefit)</b>	18,586	(10,763)	59,927	8,797
Income tax expense (benefit)	7,686	(4,293)	23,332	3,493
<b>Net Income (Loss)</b>	<u>\$ 10,900</u>	<u>\$ (6,470)</u>	<u>\$ 36,595</u>	<u>\$ 5,304</u>
Net income (loss) per common share:				
Common stock - basic	<u>\$ 0.14</u>	<u>\$ (0.09)</u>	<u>\$ 0.49</u>	<u>\$ 0.07</u>
Common stock - diluted	<u>\$ 0.14</u>	<u>\$ (0.09)</u>	<u>\$ 0.48</u>	<u>\$ 0.07</u>
Weighted average number of common shares:				
Common stock - basic	<u>75,181</u>	<u>73,966</u>	<u>75,081</u>	<u>73,806</u>
Common stock - diluted	<u>76,511</u>	<u>73,966</u>	<u>76,506</u>	<u>75,585</u>

See Notes to Condensed Consolidated Financial Statements.

**BURLINGTON STORES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)  
(All amounts in thousands)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>August 1, 2015</u>	<u>August 2, 2014</u>	<u>August 1, 2015</u>	<u>August 2, 2014</u>
Net income (loss)	\$ 10,900	\$ (6,470)	\$ 36,595	\$ 5,304
Other comprehensive (loss), net of tax:				
Interest rate cap contracts:				
Unrealized losses, net of related tax benefit of \$1.1 million and \$0.5 million for the three and six months ended August 1, 2015	(1,722)	—	(821)	—
Amount reclassified into earnings, net of related taxes of less than \$0.1 million for the three and six months ended August 1, 2015	24	—	24	—
Other comprehensive (loss), net of tax:	(1,698)	—	(797)	—
<b>Total Comprehensive Income (Loss)</b>	<u>\$ 9,202</u>	<u>\$ (6,470)</u>	<u>\$ 35,798</u>	<u>\$ 5,304</u>

See Notes to Condensed Consolidated Financial Statements.

**BURLINGTON STORES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(All amounts in thousands)

	Six Months Ended	
	August 1, 2015	August 2, 2014
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 36,595	\$ 5,304
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	83,901	81,757
Impairment charges—long-lived assets	1,903	848
Amortization of deferred financing costs	1,452	4,384
Accretion of long-term debt instruments	410	1,100
Deferred income tax (benefit)	(7,740)	(14,273)
Non-cash loss on extinguishment of debt—write-off of deferred financing costs and original issue discount	649	2,521
Non-cash stock compensation expense	5,258	3,152
Non-cash rent expense	(12,182)	(10,122)
Deferred rent incentives	16,936	13,807
Excess tax benefit from stock based compensation	(8,386)	(4,023)
Changes in assets and liabilities:		
Accounts receivable	1,902	(8,266)
Merchandise inventories	(13,633)	8,541
Prepaid and other current assets	(47,546)	(24,811)
Accounts payable	(31,184)	21,544
Other current liabilities	(30,564)	(32,076)
Other long term assets and long term liabilities	512	1,846
Other	1,011	346
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(706)</b>	<b>51,579</b>
<b>INVESTING ACTIVITIES</b>		
Cash paid for property and equipment	(81,935)	(94,569)
Proceeds from sale of property and equipment and assets held for sale	136	136
<b>Net Cash Used in Investing Activities</b>	<b>(81,799)</b>	<b>(94,433)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term debt—ABL Line of Credit	797,800	275,000
Principal payments on long term debt—ABL Line of Credit	(647,400)	(275,000)
Principal payments on long term debt—Term B-3 Loans	(50,000)	—
Principal payments on long term debt—Term B-2 Loans	—	(3,955)
Principal payments on long term debt—Holdco Notes	—	(58,000)
Proceeds from sale of interest rate cap contracts	1,169	—
Repayment of capital lease obligations	(597)	(486)
Purchase of treasury shares	(25,782)	(3,086)
Proceeds from stock option exercises	1,492	929
Excess tax benefit from stock based compensation	8,386	4,023
Deferred financing costs	(1,090)	(264)
Other	409	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>84,387</b>	<b>(60,839)</b>
Increase (decrease) in cash and cash equivalents	1,882	(103,693)
Cash and cash equivalents at beginning of period	25,349	132,984
<b>Cash and cash equivalents at end of period</b>	<b>\$ 27,231</b>	<b>\$ 29,291</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	\$ 30,022	\$ 49,528
Income tax payments - net	\$ 54,023	\$ 73,177
<b>Non-Cash Investing Activities:</b>		
Accrued purchases of property and equipment	\$ 28,664	\$ 25,082
Acquisition of capital lease	\$ —	\$ 5,302

See Notes to Condensed Consolidated Financial Statements.

**BURLINGTON STORES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**August 1, 2015**  
**(UNAUDITED)**

**1. Summary of Significant Accounting Policies**

*Basis of Presentation*

As of August 1, 2015, Burlington Stores, Inc. and its subsidiaries (the Company), a Delaware Corporation, through its indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), operated 546 retail stores, inclusive of an internet store.

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Stores, Inc. and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. 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 audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015 (Fiscal 2014 10-K). The balance sheet at January 31, 2015 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2014 10-K. Because the Company's business is seasonal in nature, the operating results for the three and six month periods ended August 1, 2015 are not necessarily indicative of results for the fiscal year ending January 30, 2016 (Fiscal 2015).

Accounting policies followed by the Company are described in Note 1 to the Fiscal 2014 10-K, "Summary of Significant Accounting Policies."

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration included in the transaction price and allocating the transaction price to each separate performance obligation. At its July 9, 2015 meeting, the FASB affirmed its proposal to defer the effective date of this ASU for reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The effective date of this ASU for the Company is February 4, 2018. The Company is currently in the process of evaluating the impact of adoption of this ASU on the Company's Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability. This ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company intends to adopt this ASU during the fiscal year beginning on January 31, 2016. The Company does not expect this standard to have a significant effect on the Company's Consolidated Financial Statements.

There were no other new accounting standards that had a material impact on the Company's Condensed Consolidated Financial Statements during the three and six month periods ended August 1, 2015, and there were no other new accounting standards or pronouncements that were issued but not yet effective as of August 1, 2015 that the Company expects to have a material impact on its financial position or results of operations upon becoming effective.

*Secondary Offering*

On April 7, 2015, the Company closed a secondary public offering of 12,490,154 shares of its common stock (the Secondary Offering). All of the shares sold in the Secondary Offering were offered by selling stockholders. The Company did not receive any of the proceeds from the Secondary Offering. The Company incurred \$0.2 million in offering costs related to the Secondary Offering, which are included in the line item "Costs related to debt amendments, secondary offerings and other" on the Company's Condensed Consolidated Statements of Operations.

## 2. Long Term Debt

Long term debt consists of:

	<i>(in thousands)</i>		
	August 1, 2015	January 31, 2015	August 2, 2014
\$1,200,000 senior secured term loan facility (Term B-3 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, matures on August 13, 2021	\$ 1,112,176	\$ 1,161,541	\$ —
\$1,000,000 senior secured term loan facility (Term B-2 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, redeemed in full on August 13, 2014	—	—	825,828
\$450,000 senior notes, 10%, redeemed in full on August 13, 2014	—	—	450,000
\$350,000 senior notes, 9% / 9.75%, redeemed in full on August 13, 2014	—	—	69,226
\$600,000 ABL senior secured revolving facility, LIBOR plus spread based on average outstanding balance, expires August 13, 2019	213,700	63,300	—
Capital lease obligations	25,414	25,602	28,015
Total debt	1,351,290	1,250,443	1,373,069
Less: current maturities	(1,340)	(1,167)	(1,250)
Long term debt, net of current maturities	<u>\$ 1,349,950</u>	<u>\$ 1,249,276</u>	<u>\$ 1,371,819</u>

### Term Loan Facility

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

The Term B-3 Loans outstanding under the Term Loan Facility mature on August 13, 2021. Mandatory quarterly payments of \$3.0 million were payable as of the last day of each quarter, beginning with the quarter ended July 29, 2017. The Company elected to make a prepayment of \$50.0 million on May 1, 2015, which offset the mandatory quarterly payments through May 1, 2021. In accordance with ASC Topic No. 470-50, "Debt Modifications and Extinguishments" (Topic No. 470), the Company recognized a non-cash loss on the partial extinguishment of debt of \$0.6 million, representing the write-off of \$0.4 million and \$0.2 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item "Loss on extinguishment of debt" in the Company's Condensed Consolidated Statements of Operations.

Interest rates for the Term Loan Facility are based on: (i) for LIBOR rate loans for any interest period, at a rate per annum equal to the greater of (x) the LIBOR rate, as determined by the Term Loan Facility Administrative Agent, for such interest period multiplied by the Statutory Reserve Rate (as defined in the Term Loan Credit Agreement) and (y) 1.00% (the Term Loan Adjusted LIBOR Rate), plus an applicable margin; and (ii) for prime rate loans, a rate per annum equal to the highest of (a) the variable annual rate of interest then announced by JPMorgan Chase Bank, N.A. at its head office as its "prime rate," (b) the federal funds rate in effect on such date plus 0.50% per annum, and (c) the Term Loan Adjusted LIBOR Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin. At August 1, 2015, the Company's borrowing rate related to the Term Loan Facility was 4.25%.

### ABL Line of Credit

On August 13, 2014, BCFWC also entered into Amendment No. 1 (the ABL Amendment) to the Second Amended and Restated Credit Agreement, dated September 2, 2011 (as amended, supplemented and otherwise modified, the Amended ABL Credit Agreement) governing BCFWC's existing senior secured asset-based revolving credit facility (the ABL Line of Credit). The ABL Amendment, among other things, provided BCFWC and certain of its subsidiaries with additional flexibility to make investments, restricted payments (including dividends), incur additional debt, grant liens and otherwise comply with its covenants under the Amended ABL Credit Agreement. The Company believes that the Amended ABL Credit Agreement provides the liquidity and flexibility to meet its operating and capital requirements over the remaining term of the ABL Line of Credit. Further, the calculation of



the borrowing base under the amended and restated credit agreement has been amended to allow for increased availability, particularly during the September 1st through December 15th period of each year.

The ABL Line of Credit matures on August 13, 2019. The aggregate amount of commitments under the Amended ABL Credit Agreement is \$600.0 million and, subject to the satisfaction of certain conditions, the Company can increase the aggregate amount of commitments up to \$900.0 million. Interest rate margin applicable under the Amended ABL Credit Agreement in the case of loans drawn at LIBOR is 1.25% - 1.50% (based on total commitments or borrowing base availability), and the fee on the average daily balance of unused loan commitments is 0.25%. The ABL Line of Credit is collateralized by a first lien on the Company's inventory and receivables and a second lien on the Company's real estate and property and equipment.

At August 1, 2015, the Company had \$329.6 million available under the Amended ABL Line of Credit and \$213.7 million of outstanding borrowings. The maximum borrowings under the facility during the three and six month periods ended August 1, 2015 amounted to \$280.0 million. Average borrowings during the three and six month periods ended August 1, 2015 amounted to \$215.5 million and \$164.4 million, respectively, at average interest rates of 1.5% and 1.6%, respectively. The Company had outstanding borrowings under the Amended ABL Line of Credit of \$63.3 million as of January 31, 2015.

At August 2, 2014, the Company had \$447.6 million available under the ABL Line of Credit and no outstanding borrowings. The maximum borrowings under the facility during the three and six month periods ended August 2, 2014 amounted to \$60.0 million and \$75.0 million, respectively. Average borrowings during the three and six month periods ended August 2, 2014 amounted to \$15.9 million and \$12.4 million, respectively at average interest rates of 1.9%.

### 3. Derivative Instruments and Hedging Activities

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

As required by Topic No. 815, the Company records all derivatives on the balance sheet at fair value and adjusts to market on a quarterly basis. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

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

In accordance with Topic No. 820, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. There is no impact of netting because the Company's only derivatives are interest rate cap contracts that are with separate counterparties and are under separate master netting agreements.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of August 1, 2015, January 31,

2015 and August 2, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of its derivative portfolios. As a result, the Company classifies its derivative valuations in Level 2 of the fair value hierarchy.

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

#### *Cash Flow Hedges of Interest Rate Risk*

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract.

On August 19, 2014, the Company entered into four interest rate cap contracts which were designated as cash flow hedges (the Previous Interest Rate Cap Contracts). On April 24, 2015 the Company terminated and sold the Previous Interest Rate Cap Contracts. The Company received \$1.2 million in cash in connection with the termination and sale of the Previous Interest Rate Cap Contracts. As a result of these transactions, the amount of loss previously deferred in accumulated other comprehensive loss related to these caps was \$2.0 million, net of taxes of \$1.3 million. As the hedged transactions associated with the Previous Interest Rate Cap Contracts are still probable of occurring, the Company will amortize this loss from accumulated other comprehensive loss into interest expense over the original life of each respective cap through April 2019. Also on April 24, 2015, the Company entered into two new interest rate cap contracts (the New Interest Rate Cap Contracts) which were designated as cash flow hedges. The Company financed the cost of the New Interest Rate Cap Contracts, which will be amortized through the life of the caps.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in the line item "Accumulated other comprehensive loss" on the Company's Condensed Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the six month period ended August 1, 2015, such derivatives were used to hedge the variable cash flows associated with existing (or anticipated) variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company did not record any hedge ineffectiveness in its earnings during the three or six month periods ended August 1, 2015. Amounts reported in accumulated other comprehensive loss related to the New Interest Rate Cap Contracts will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

During the three and six month periods ended August 1, 2015, the Company reclassified less than \$0.1 million out of accumulated other comprehensive loss into interest expense. As of August 1, 2015, the Company estimates that approximately \$0.9 million will be reclassified into interest expense during the next twelve months.

As of August 1, 2015, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

<b>Interest Rate Derivative</b>	<b>Number of Instruments</b>	<b>Notional Principal Amount</b>	<b>Interest Cap Rate</b>	<b>Effective Date</b>	<b>Maturity Date</b>
Interest rate cap contracts	Two	\$ 800.0 million	1.0%	May 29, 2015	May 31, 2019

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements or the Company elected not to designate these derivatives as hedges. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. The Company had two interest rate cap contracts which limited our interest rate exposure to 7.0% on our first \$900.0 million of borrowings under our variable rate debt obligations that expired on May 31, 2015. As of August 1, 2015, the Company no longer has any outstanding derivatives that were not designated as hedges in qualifying hedging relationships.

*Tabular Disclosure*

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

	<i>(in thousands)</i>					
	Fair Values of Derivative Instruments					
	Asset Derivatives					
	August 1, 2015		January 31, 2015		August 2, 2014	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
<b>Derivatives Designated as Hedging Instruments</b>						
Interest rate cap contracts	Other assets	\$ 101	Other assets	\$ 1,572	Other assets	\$ —

	<i>(in thousands)</i>					
	Fair Values of Derivative Instruments					
	Liability Derivatives					
	August 1, 2015		January 31, 2015		August 2, 2014	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
<b>Derivatives Designated as Hedging Instruments</b>						
Interest rate cap contracts	Other liabilities	\$ 110	Other liabilities	\$ —	Other liabilities	\$ —

The tables below present the amounts of losses recognized in other comprehensive loss net of taxes, and the classifications and amounts of losses reclassified into earnings of the Company's derivative instruments designated as cash flow hedging instruments for each of the reporting periods.

	<i>(in thousands)</i>			
	Amount of Losses Recognized in Other Comprehensive Loss Related to Derivatives			
	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
<b>Derivatives Designated as Hedging Instruments</b>				
Interest rate cap contracts	\$ (1,722)	\$ —	\$ (821)	\$ —

	<i>(in thousands)</i>				Component of Earnings
	Amount of Loss Reclassified from Other Comprehensive Loss into Earnings Related to Derivatives				
	Three Months Ended		Six Months Ended		
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014	
<b>Derivatives Designated as Hedging Instruments</b>					
Interest rate cap contracts	\$ 24	\$ —	\$ 24	\$ —	Interest expense

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

	Location of Loss Recognized in Earnings Related to Derivatives	<i>(in thousands)</i>			
		Amount of Loss Recognized in Earnings Related to Derivatives			
		Three Months Ended		Six Months Ended	
		August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
<b>Derivatives Not Designated as Hedging Instruments</b>					
Interest rate cap contracts	Interest expense	\$ —	\$ —	\$ —	\$ 1

#### 4. Accumulated Other Comprehensive Loss

Amounts included in accumulated other comprehensive loss are recorded net of the related income tax effects. The following table details the changes in accumulated other comprehensive loss:

	<i>(in thousands)</i>	
	Derivative Instruments	Total
<b>Balance at January 31, 2015</b>	\$ 1,744	\$ 1,744
Unrealized losses arising during the period, net of related tax benefit of \$0.5 million for the six months ended August 1, 2015	821	821
Amount reclassified into earnings, net of related taxes of less than \$0.1 million for the six months ended August 1, 2015	(24)	(24)
<b>Balance at August 1, 2015</b>	<u>\$ 2,541</u>	<u>\$ 2,541</u>

#### 5. Fair Value Measurements

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

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Pricing inputs that are unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the assets and liabilities.

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

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

#### Financial Assets

The Company's financial assets as of August 1, 2015, January 31, 2015 and August 2, 2014 included cash equivalents and interest rate cap contracts. Refer to Note 3, "Derivative Instruments and Hedging Activities," for further discussion regarding the Company's interest rate cap contracts.

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

	<i>(in thousands)</i>		
	Fair Value Measurements at		
	August 1, 2015	January 31, 2015	August 2, 2014
<b>Assets:</b>			
Level 1			
Cash equivalents (including restricted cash)	\$ 28,104	\$ 28,094	\$ 32,338

## Long-Lived Assets

Long-lived assets are measured at fair value on a non-recurring basis for purposes of calculating impairment using the fair value hierarchy of Topic No. 820. The fair value of the Company's long-lived assets is generally calculated using discounted cash flows. During the six month period ended August 1, 2015, the Company recorded impairment charges of \$1.7 million, primarily related to declines in revenues and operating results for two stores, which was recorded in the line item "Impairment charges – long-lived assets" in the Company's Condensed Consolidated Statements of Operations. During the three and six month periods ended August 1, 2015, the Company also recorded impairment charges for capital expenditures for previously impaired stores of approximately \$0.2 million. One of the stores impaired during the six month period ended August 1, 2015 was fully impaired and therefore had zero fair value as of August 1, 2015, and would be categorized as Level 3 in the fair value hierarchy described above. The table below sets forth, by level within the fair value hierarchy, the fair value of the remaining, partially-impaired store, subsequent to impairment charges as of August 1, 2015:

	(in thousands)			Total	Total Impairment Losses
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-Observable Inputs (Level 3)		
Leasehold improvements	\$ —	\$ —	\$ 396	\$ 396	\$ 766
Building/Building Improvements	—	—	—	—	12
Furniture and fixtures	—	—	343	343	645
Other assets	—	—	242	242	320
Other property and equipment	—	—	21	21	160
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,002</b>	<b>\$ 1,002</b>	<b>\$ 1,903</b>

## Financial Liabilities

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

	(in thousands)					
	August 1, 2015		January 31, 2015		August 2, 2014	
	Carrying Amount (b)	Fair Value (b)	Carrying Amount (b)	Fair Value (b)	Carrying Amount (b)	Fair Value (b)
\$1,200,000 senior secured term loan facility (Term B-3 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, matures on August 13, 2021	\$ 1,112,176	\$ 1,114,011	\$ 1,161,541	\$ 1,150,410	\$ —	\$ —
\$1,000,000 senior secured term loan facility (Term B-2 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, redeemed in full on August 13, 2014	—	—	—	—	825,828	822,029
\$450,000 senior notes, 10%, redeemed in full on August 13, 2014	—	—	—	—	450,000	490,793
\$350,000 senior notes, 9% / 9.75%, redeemed in full on August 13, 2014	—	—	—	—	69,226	70,437
\$600,000 ABL senior secured revolving facility, LIBOR plus spread based on average outstanding balance, expires August 13, 2019(a)	213,700	213,700	63,300	63,300	—	—
<b>Total debt</b>	<b>\$ 1,325,876</b>	<b>\$ 1,327,711</b>	<b>\$ 1,224,841</b>	<b>\$ 1,213,710</b>	<b>\$ 1,345,054</b>	<b>\$ 1,383,259</b>

- (a) To the extent the Company has any outstanding borrowings under the ABL Line of Credit, the fair value would approximate its reported value because the interest rate is variable and reflects current market rates due to its short term nature (borrowings are typically done in 30 day increments).
- (b) Capital lease obligations are excluded from the table above.

The fair values presented herein are based on pertinent information available to management as of the respective period end dates. The estimated fair values of the Company's debt are classified as Level 2 in the fair value hierarchy. Although management is not aware of any factors that could significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these Condensed Consolidated Financial Statements since August 1, 2015, and current estimates of fair value may differ from amounts presented herein.

## 6. Income Taxes

Net deferred taxes are as follows:

	<i>(in thousands)</i>		
	<u>August 1, 2015</u>	<u>January 31, 2015</u>	<u>August 2, 2014</u>
Current deferred tax asset	\$ 34,446	\$ 37,229	\$ 14,172
Non-current deferred tax liability	223,305	234,360	229,132
Net deferred tax liability	<u>\$ 188,859</u>	<u>\$ 197,131</u>	<u>\$ 214,960</u>

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, intangible assets, and depreciation expense where the Company has a future obligation for tax purposes.

As of August 1, 2015, January 31, 2015 and August 2, 2014, valuation allowances amounted to \$6.2 million, \$6.1 million and \$5.7 million, respectively, primarily related to state tax net operating losses and state tax credit carry forwards. 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. As of August 1, 2015, the Company has \$7.4 million of deferred tax assets recorded for state net operating losses of which \$5.6 million will expire between 2015 and 2025.

In addition, management also determined that a full valuation allowance of \$5.1 million, \$4.5 million and \$3.8 million were required against the tax benefit associated with Puerto Rico deferred tax assets as of August 1, 2015, January 31, 2015 and August 2, 2014, respectively.

## 7. Capital Stock

### *Treasury Stock*

The Company accounts for treasury stock under the cost method.

During the six month period ended August 1, 2015, the Company acquired 8,270 shares of common stock from employees for \$0.4 million to satisfy their minimum statutory tax withholdings related to the vesting of restricted stock awards. These shares are considered treasury shares which are available for reissuance under the 2006 Management Incentive Plan.

### *Share Repurchase Program*

On June 9, 2015, the Company announced that its Board of Directors had authorized the repurchase of up to \$200 million of its common stock. The repurchase program will be funded using the Company's available cash and is expected to be executed through June 2017. The Company is authorized to repurchase shares of its outstanding common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and the Company has no obligation to repurchase any amount of its common stock under the program.

During the second quarter of Fiscal 2015, the Company repurchased 450,000 shares of its common stock for \$25.4 million under its share repurchase program, which was recorded in the line item "Treasury stock" on the Company's Condensed Consolidated Balance Sheet. As of August 1, 2015, the Company had \$174.6 million available for purchase under its share repurchase program.

## 8. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average common shares outstanding. Dilutive net income (loss) per share is calculated by dividing net income (loss) by the weighted-average common shares and potentially dilutive securities outstanding during the period using the treasury stock method.

	<i>(in thousands, except per share data)</i>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August 1, 2015</b>	<b>August 2, 2014</b>	<b>August 1, 2015</b>	<b>August 2, 2014</b>
<i>Basic net income (loss) per share</i>				
Net income (loss)	\$ 10,900	\$ (6,470)	\$ 36,595	\$ 5,304
Weighted average number of common shares – basic	75,181	73,966	75,081	73,806
Net income (loss) per common share – basic	\$ 0.14	\$ (0.09)	\$ 0.49	\$ 0.07
<i>Diluted net income (loss) per share</i>				
Net income (loss)	\$ 10,900	\$ (6,470)	\$ 36,595	\$ 5,304
Shares for basic and diluted net income (loss) per share:				
Weighted average number of common shares – basic	75,181	73,966	75,081	73,806
Assumed exercise of stock options and vesting of restricted stock	1,330	—	1,425	1,779
Weighted average number of common shares – diluted	76,511	73,966	76,506	75,585
Net income (loss) per common share – diluted	\$ 0.14	\$ (0.09)	\$ 0.48	\$ 0.07

Approximately 121,000 and less than 100,000 options to purchase shares of common stock and unvested restricted stock awards were excluded from diluted net income (loss) per share for the three and six month periods ended August 1, 2015, respectively, since their effect was anti-dilutive.

Less than 100,000 options to purchase shares of common stock and unvested restricted stock awards were excluded from diluted net income (loss) per share for the six month period ended August 2, 2014, since their effect was anti-dilutive.

## 9. Stock Option and Award Plans and Stock-Based Compensation

As of August 1, 2015, there were 10,125,258 shares of common stock authorized for issuance under the 2006 Management Incentive Plan (the 2006 Plan) and 6,000,000 shares of common stock authorized for issuance under the 2013 Omnibus Incentive Plan (the 2013 Plan and, together with the 2006 Plan, the Plans).

### *Stock Options*

The Company accounts for awards issued under the Plans in accordance with ASC Topic No. 718, “Stock Compensation.” Options granted during the six month period ended August 1, 2015 were all service-based awards and were granted under the 2006 Plan at exercise prices ranging from \$51.81 to \$55.75 per share. Options granted during the six month period ended August 2, 2014 were all service-based awards and were granted under the 2006 Plan at exercise prices ranging from \$27.40 to \$31.81 per share. All service-based awards granted during the six month period ended August 1, 2015 vest 25% on each of the first four anniversaries of the grant date. The final exercise date for any option granted is the tenth anniversary of the grant date.

In order to mitigate the impact of the \$336.0 million dividend paid in connection with the issuance of the Holdco Notes in February 2013, the Company’s Board of Directors in May 2013 approved a modification to all then outstanding options through a combination of exercise price reductions and cash payments to option holders. The modification did not affect the existing vesting schedules. The Company recorded \$0.3 million and \$0.8 million of incremental compensation expense during the three and six month periods ended August 1, 2015, respectively, of which less than \$0.1 million and \$0.2 million, respectively, will be paid in cash. The Company recorded \$1.0 million and \$1.8 million of incremental compensation expense during the three and six month periods ended August 2, 2014, respectively, of which \$0.2 million and \$0.4 million, respectively, was paid in cash. These costs were recorded in the line item “Stock option modification expense” in the Company’s Condensed Consolidated Statements of Operations. As of August 1, 2015, the Company expects to recognize \$1.3 million of incremental compensation expense to be recorded over the remaining vesting periods through the fiscal year ended February 3, 2018, of which \$0.2 million will be paid in cash.

During the second quarter of Fiscal 2013, the Company made a special one-time grant of options to purchase shares of common stock under the 2006 Plan to certain members of its management team. These one-time grants vest 20% on each of the first five

anniversaries of the Trigger Date. The Trigger Date is defined as the date after the vesting of all other options held by the grantee which were granted to the grantee prior to May 2013 and remain outstanding and unvested as of the date of the one-time grant.

With the exception of the special one-time grants made during Fiscal 2013, all options awarded pursuant to the 2006 Plan become exercisable upon a change of control as defined in the Stockholders Agreement. The vesting of special one-time grants will not be accelerated in the event of a change of control, provided, however, that in the event that within two years after a change of control, the grantee's employment is terminated without cause or the grantee resigns with good reason, then an incremental 20% of the special one-time grants shall be deemed vested as of the date of termination of grantee's employment, but in no event more than the total number of special one-time grants granted to such grantee. Unless determined otherwise by the plan administrator, upon cessation of employment, the majority of options that have not vested will terminate immediately (subject to the potential acceleration of special one-time grants in the event of a change of control, as described above) and 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.

Non-cash stock compensation expense is as follows:

Type of Non-Cash Stock Compensation	(in thousands)			
	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Restricted stock issuances (a)	\$ 1,733	\$ 212	\$ 2,951	\$ 281
Stock option grants (a)	1,104	758	1,665	1,471
Stock option modification (b)	302	815	642	1,400
Total (c)	\$ 3,139	\$ 1,785	\$ 5,258	\$ 3,152

- (a) Included in the line item "Selling, general and administrative expenses" in the Company's Condensed Consolidated Statements of Operations.
- (b) Represents non-cash compensation related to the modification of outstanding stock options granted under the 2006 Plan which is included in the line item "Stock option modification expense" in the Company's Condensed Consolidated Statements of Operations.
- (c) For the three and six month periods ended August 1, 2015, the tax benefit related to the Company's non-cash stock compensation was approximately \$1.3 million and \$2.0 million, respectively. For the three and six month periods ended August 2, 2014, the tax benefit related to the Company's non-cash stock compensation was approximately \$0.7 million and \$1.3 million, respectively.

As of August 1, 2015, the Company had 2,930,881 options outstanding to purchase shares of common stock, all of which are service-based awards issued under the 2006 Plan. As of August 1, 2015, no options were outstanding under the 2013 Plan.

Stock option transactions during the six month period ended August 1, 2015 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding, January 31, 2015	3,218,845	\$ 4.93
Options granted	408,094	52.30
Options exercised (a)	(433,747)	3.46
Options forfeited	(262,311)	4.30
Options outstanding, August 1, 2015	2,930,881	\$ 11.80

- (a) Options exercised during the six month period ended August 1, 2015 had a total intrinsic value of \$23.0 million.

The following table summarizes information about the stock options vested and expected to vest during the contractual term as of August 1, 2015:

	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Vested and expected to vest	2,534,290	7.60	\$ 11.44	\$ 110.5 million



The fair value of each stock option granted during the six month period ended August 1, 2015 was estimated using the Black Scholes option pricing model using the following assumptions:

	Six Months Ended August 1, 2015
Risk-free interest rate	1.81%
Expected volatility	36.0%
Expected life (years)	6.25
Contractual life (years)	10.0
Expected dividend yield	0.0%
Weighted average grant date fair value of options issued	\$ 19.99

The expected dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. Since the Company completed its initial public offering in October 2013, it does not have sufficient history as a publicly traded company to evaluate its volatility factor. As such, the expected stock price volatility is based upon the historical volatility of the stock price over the expected life of the options of peer companies that are publicly traded. The risk free interest rate was based on the U.S. Treasury rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued. For grants issued during the six month period ended August 1, 2015 and August 2, 2014, the expected life of the options was calculated using the simplified method. The simplified method defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. This methodology was utilized due to the short length of time our common stock has been publicly traded.

#### *Restricted Stock Awards*

Under the 2006 Plan, the Company also has the ability to grant shares of restricted stock. All shares of restricted stock granted to date under the 2006 Plan are service-based awards that cliff vest at the end of the requisite service period that typically ranges from three to four years. Following a change of control, all unvested shares of restricted stock shall remain unvested, provided, however, that 100% of such shares shall vest if, following such change of control, the employment of the recipient is terminated without cause or the recipient resigns with good reason.

Restricted stock transactions during the six month period ended August 1, 2015 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Awards
Non-vested awards outstanding, January 31, 2015	392,178	\$ 38.56
Awards granted	170,986	52.06
Awards vested	(23,542)	27.79
Awards forfeited	(38,401)	13.48
Non-vested awards outstanding, August 1, 2015	<u>501,221</u>	<u>\$ 45.57</u>

The fair value of each share of restricted stock granted during the six month period ended August 1, 2015 was based upon the closing price of the Company's common stock on the date of grant.

## **10. Other Liabilities**

#### *Other Liabilities*

Other liabilities primarily consist of deferred lease incentives, the long term portion of self-insurance reserves, the excess of straight-line rent expense over actual rental payments and tax liabilities associated with the uncertain tax positions recognized by the Company in accordance with Topic No. 740.

Deferred lease incentives are funds received or receivable from landlords used primarily to offset the costs incurred for remodeling of stores. These deferred lease incentives are amortized over the expected lease term including rent holiday periods and option periods where the exercise of the option can be reasonably assured. Amortization of deferred lease incentives is included in the line item "Selling, general and administrative expenses" on the Company's Condensed Consolidated Statements of Operations. At August 1, 2015, January 31, 2015 and August 2, 2014, deferred lease incentives were \$170.4 million, \$176.3 million and \$158.8 million, respectively.

## 11. Commitments and Contingencies

### *Legal*

The Company establishes accruals relating to legal claims, in connection with litigation to which the Company is party from time to time in the ordinary course of business. The aggregate amount of such accruals were \$14.7 million, \$12.9 million and \$3.6 million as of August 1, 2015, January 31, 2015 and August 2, 2014, respectively.

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

In the matter of *Burlington Coat Factory Song Beverly Cases* which is currently pending in the Superior Court of the State of California, Complex Division, County of Orange (Case No. JCCP No. 4681), plaintiff, on behalf of herself and others similarly situated, alleges that the Company is in violation of the Song Beverly Credit Card Act of 1971, California Civil Code section 1747.08 for collecting personal information from customers in connection with the use of credit cards by such customers to pay for merchandise at the Company's stores. At trial held in January 2015, the Superior Court held that the Company was in violation of California law and set May 1, 2015 as the date for a conference to set a date for trial to determine the penalty to be assessed against the Company. This court stayed this conference date pending settlement discussions between the Company and plaintiffs.

Separately, on May 19, 2015, the First Appellate District, Division Three, of the California Court of Appeal handed down a decision in the case of *Harrold v. Levi Strauss & Co.*, Supr. Ct. No. 26-60136, holding that a finding of liability under the Act does not occur when a retailer requests personal information after a credit card transaction has been completed. In light of this decision, the Company suspended settlement discussions and filed a motion in its Song Beverly cases, requesting the court to reverse its decision in favor of plaintiffs on the basis of the *Harrold* case. The Company's motion was scheduled for oral argument on August 7, 2015, but was adjourned to September 25, 2015. Notwithstanding the adjournment, the Superior Court expressed its tentative view that the *Harrold* decision was distinguishable from the Song Beverly cases pending against the Company, and thus would not warrant a reversal of the finding of liability against the Company. On August 26, 2015, the California Supreme Court denied the petition to review the *Harrold* decision. The Company is unable to predict the amount of penalty that may be assessed by the court, in excess of the amount accrued, after its consideration of various factors, including, among others, how information was used, how much revenue was derived from the information, what procedures were in place to control the maintenance and dissemination of the information, the duration of the practice to collect information and other relevant factors; however, such penalty assessment could be material.

The accrual for this matter is included in the \$14.7 million legal accrual discussed above.

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

### *Lease Agreements*

The Company enters into lease agreements during the ordinary course of business in order to secure favorable store locations. The Company's minimum lease payments for all operating leases are expected to be \$144.6 million for the remainder of Fiscal 2015 and \$301.9 million, \$289.1 million, \$264.3 million, \$219.3 million and \$1,009.5 million for the fiscal years ended January 28, 2017, February 3, 2018, February 2, 2019, February 1, 2020 and all subsequent years thereafter, respectively. Total future minimum lease payments include \$88.4 million related to options to extend lease terms that are reasonably assured of being exercised and also includes \$350.1 million of minimum lease payments for 32 stores that the Company has committed to open or relocate.

### *Letters of Credit*

The Company had letters of credit arrangements with various banks in the aggregate amount of \$50.7 million, \$48.1 million and \$47.9 million as of August 1, 2015, January 31, 2015 and August 2, 2014, respectively. Among these arrangements as of August 1, 2015, January 31, 2015 and August 2, 2014, the Company had letters of credit in the amount of \$35.3 million, \$33.4 million and \$29.6 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. In addition, the Company

had outstanding letters of credit agreements in the amounts of \$15.4 million, \$14.7 million and \$18.3 million at August 1, 2015, January 31, 2015 and August 2, 2014, respectively, related to certain merchandising agreements. Based on the terms of the credit agreement related to the ABL Line of Credit, the Company had the ability to enter into letters of credit up to \$329.6 million, \$386.9 million and \$447.6 million as of August 1, 2015, January 31, 2015 and August 2, 2014, respectively.

#### *Purchase Commitments*

The Company had \$896.5 million of purchase commitments related to goods that were not received as of August 1, 2015.

#### *Death Benefits*

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

## **12. Related Parties**

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

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this report and in our Annual Report on Form 10-K related to the fiscal year ended January 31, 2015.

In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements due to various factors, including those discussed under the section of this Item 2 entitled "Safe Harbor Statement."

**Executive Summary***Introduction and Overview of Operating Results*

We are a nationally recognized retailer of high-quality, branded apparel at everyday low prices. We opened our first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, we have expanded our store base to 546 stores, inclusive of an internet store, in 45 states and Puerto Rico, and diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise, including: women's ready-to-wear apparel, menswear, youth apparel, baby, footwear, accessories, home and coats. We acquire a broad selection of desirable, first-quality, current-brand, labeled merchandise directly from nationally-recognized manufacturers and other suppliers.

Highlights from the three month period ended August 1, 2015 compared with the three month period ended August 2, 2014 include the following:

- We generated total revenues of \$1,151.6 million compared with \$1,051.1 million.
- Net sales increased \$100.6 million to \$1,144.2 million (inclusive of a 5.6% comparable store sales increase).
- Gross margin as a percentage of net sales improved to 39.2% compared with 38.2% which was partially offset by an approximate 50 basis point increase in product sourcing costs which are included in selling, general and administrative expenses.
- Selling, general and administrative expenses as a percentage of net sales improved to 33.4% compared with 33.5%, inclusive of the 50 basis point increase in product sourcing costs noted above.
- We earned net income of \$10.9 million compared with a net loss of \$6.5 million.
- Adjusted Net Income (Loss) (as subsequently defined in this Form 10-Q) improved to \$14.9 million from a loss of \$0.9 million.
- Adjusted EBITDA (as subsequently defined in this Form 10-Q) improved \$17.3 million to \$75.4 million.

Highlights from the six month period ended August 1, 2015 compared with the six month period ended August 2, 2014 include the following:

- We generated total revenues of \$2,342.5 million compared with \$2,187.0 million.
- Net sales increased \$155.4 million to \$2,327.3 million (inclusive of a 3.1% comparable store sales increase).
- Gross margin as a percentage of net sales improved to 39.5% compared with 38.1% which was partially offset by an approximate 60 basis point increase in product sourcing costs which are included in selling, general and administrative expenses.
- Selling, general and administrative expenses as a percentage of net sales increased to 32.6% compared with 32.1%, inclusive of the 60 basis point increase in product sourcing costs noted above.
- We earned net income of \$36.6 million compared with \$5.3 million.
- Adjusted Net Income (Loss) (as subsequently defined in this Form 10-Q) improved \$28.4 million to \$46.1 million.
- Adjusted EBITDA (as subsequently defined in this Form 10-Q) improved \$26.4 million to \$176.8 million.

## *Fiscal Year*

Fiscal 2015 is defined as the 52 week year ending January 30, 2016. We define the 2014 fiscal year (Fiscal 2014) as the 52 week year ending January 31, 2015.

## *Store Openings, Closings, and Relocations*

During the six month period ended August 1, 2015, we opened five new stores under the name “Burlington Stores” and closed one Burlington Store. We continue to pursue our growth plans and invest in capital projects that meet our financial requirements. We continue to expect to open 25 net new stores during Fiscal 2015.

## *Hedging Transactions*

On August 19, 2014, we entered into four interest rate cap contracts which were designated as cash flow hedges (the Previous Interest Rate Cap Contracts). On April 24, 2015 we received \$1.2 million in cash in connection with the termination and sale of the Previous Interest Rate Cap Contracts. As a result of these transactions, the amount of loss deferred in accumulated other comprehensive loss related to these caps was \$2.0 million, net of taxes. As the hedged transactions associated with the Previous Interest Rate Cap Contracts are still probable of occurring, we will amortize this loss from accumulated other comprehensive loss into interest expense over the original life of each respective cap through April 2019. Also on April 24, 2015, we entered into two new interest rate cap contracts (the New Interest Rate Cap Contracts) which were designated as cash flow hedges. Refer to Note 3, “Derivative Instruments and Hedging Activities,” for further details.

## *Secondary Offerings*

On April 7, 2015, we closed a secondary public offering of 12,490,154 shares of our common stock (the Secondary Offering). All of the shares sold in the Secondary Offering were offered by selling stockholders. We did not receive any of the proceeds from the Secondary Offering. We incurred \$0.2 million in offering costs related to the Secondary Offering, which are included in the line item “Costs related to debt amendments, secondary offerings and other” on our Condensed Consolidated Statements of Operations.

## *Share Repurchase Program*

On June 9, 2015, we announced that our Board of Directors had authorized the repurchase of up to \$200 million of our common stock. The repurchase program will be funded using our available cash and is expected to be executed through June 2017. We are authorized to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any amount of our common stock under the program.

During the second quarter of Fiscal 2015, we repurchased 450,000 shares of common stock for \$25.4 million under our share repurchase program. As of August 1, 2015, we had \$174.6 million available for purchase under our share repurchase program.

## *Ongoing Initiatives for Fiscal 2015*

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

### **Driving Comparable Store Sales Growth.**

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

- *Continuing to Enhance Execution of the Off-Price Model.* We plan to drive comparable store sales by focusing on product freshness to ensure that we consistently deliver newness to the selling floors. We plan to continue to reduce comparable store inventories which we believe will result in faster inventory turnover. We maintain our ability to leverage our pack-and-hold program which is designed to take advantage of terrific buys of either highly desirable branded product or key seasonal merchandise for the next year. While the amount of goods we purchase on pack-and-hold is purely based on the right opportunities in the marketplace, this continues to be a great avenue to source product. We also intend to use our business intelligence systems to identify sell-through rates by product, capitalize on strong performing categories, identify and buy into new fashion trends and opportunistically acquire products in the marketplace.
- *Sharpening Focus on Our Core Female Customer.* We have focused on better serving our core female customer, a brand-conscious fashion enthusiast, aged 25-49, with an average annual household income of \$25,000-\$75,000, by improving

our product offering, store merchandising and marketing focus on women's ready-to-wear apparel and accessories to capture incremental sales from our core female customer and become a destination for her across all categories. We believe that these efforts will increase the frequency of her visits and her average spend, further improving the comparable store sales performance in women's categories.

- *Continuing to Improve Our Customer Experience.* We have significantly enhanced the store experience and ease of shopping at all of our stores by implementing a comprehensive program focused on offering more brands and styles and simplifying store navigation. We have accomplished this by utilizing clear way-finding signs and distinct product signage, highlighting key brands and new arrivals, improving organization of the floor space, reducing rack density, facilitating quicker checkouts and delivering better customer service. We have made particular improvements in product size visibility, queuing and fitting rooms. To ensure consistent execution of our customer experience priorities, we have improved our store associate training and reorganized and strengthened our field management organization. We have also implemented operational audits to measure performance against clearly articulated operational standards. To date, stores that have achieved superior audit scores have generated materially higher comparable store sales.
- *Increasing Our e-Commerce Sales.* We have been selling to our customers online for more than a decade. We plan to leverage this heritage, along with our renewed focus on e-commerce, to expand our online assortment and utilize e-commerce strategies to drive incremental traffic to our stores.
- *Enhancing Existing Categories and Introducing New Categories.* We have opportunities to expand the depth and breadth of certain existing categories such as ladies' apparel, children's products and housewares and décor for the home, while continuing to remain the destination for coats, and maintaining the flexibility to introduce new categories such as bath and cosmetic merchandise.

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

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

- *Adhering to an Opportunistic Yet Disciplined Real Estate Strategy.* We have grown our store base consistently since our founding in 1972, developing more than 99% of our stores organically rather than through acquisition. We believe there is significant opportunity to expand our retail store base in the United States. In line with recent growth, our goal is to open approximately 25 net new stores annually and continue to do so for the foreseeable future.
- *Maintaining Focus on Unit Economics and Returns.* We have adopted a prudent approach to new store openings with a specific focus on achieving attractive unit economics and returns. This focus is demonstrated by the fact that the vast majority of our existing stores had positive Adjusted EBITDA for Fiscal 2014. By focusing on opening stores with attractive unit economics we are able to minimize costs associated with store relocations and closures, achieve attractive returns on capital and continue to grow our margins. We continue to explore the potential for modified store formats to provide incremental growth.
- *Enhancing the Store Experience Through Store Refreshes and Remodels.* Since 2006, the majority of our stores are either new, refreshed, remodeled or relocated. In our refreshed and remodeled stores, we have incorporated new flooring, painting, lighting and graphics, relocated our fitting rooms to maximize productive selling space and made various other improvements as appropriate by location. We continue to invest in store refreshes and remodels on a store-by-store basis where appropriate, taking into consideration the age, sales and profitability of a store, as well as the potential impact to the customer shopping experience.

### **Enhancing Operating Margins.**

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

- *Optimize Markdowns.* We believe that our markdown system allows us to maximize sales and gross margin dollars based on forward-looking sales forecasts, sell-through targets, and exit dates. This allows us to optimize markdowns at the style and color level by store cluster.
- *Enhance Purchasing Power.* We believe that our growth and West Coast buying office provide us with the opportunity to capture incremental buying opportunities and realize economies of scale in our merchandising and non-merchandising purchasing activities.
- *Drive Operating Leverage.* We believe that we will be able to leverage our growing sales over the fixed costs of our business. In addition, we are focused on continuing to improve the efficiency of our corporate and in-store operations.

## ***Uncertainties and Challenges***

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

*General Economic Conditions.* Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing global economic conditions, inflation, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, commodities pricing, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels.

An incremental slowdown in the U.S. economy, an uncertain global economic outlook or an expanded credit crisis could adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. Consumer confidence is also affected by the domestic and international political situation. Our financial condition and operations could be impacted by changes in government regulations in areas including, but not limited to, taxes and healthcare. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the U.S., could lead to a decrease in spending by consumers. In addition, natural disasters, industrial accidents and acts of war in various parts of the world could have the effect of disrupting supplies and raising prices globally which, in turn, may have adverse effects on the world and U.S. economies and lead to a downturn in consumer confidence and spending.

We closely monitor our net sales, gross margin, expenses and working capital. We have performed scenario planning such that if our net sales decline, we have identified variable costs that could be reduced to partially mitigate the impact of these declines. If we were to experience adverse economic trends and/or if our efforts to counteract the impacts of these trends are not sufficiently effective, there could be a negative impact on our financial performance and position in future fiscal periods.

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

The U.S. retail apparel and home furnishings markets are highly fragmented and competitive. We compete for business with department stores, off-price retailers, specialty stores, discount stores, wholesale clubs, and outlet stores. At various times throughout the year, traditional full-price department store chains and specialty shops offer brand-name merchandise at substantial markdowns, which can result in prices approximating those offered by us at our Burlington Stores. We anticipate that competition will increase in the future. Therefore, we will continue to look for ways to differentiate our stores from those of our competitors.

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

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

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

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

## Key Performance Measures

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

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

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

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

- Adjusted Net Income (Loss) does not reflect the amortization of net favorable leases which are amortized over the life of the lease;
- Adjusted Net Income (Loss) does not reflect costs related to debt amendments or secondary offerings that were expensed during the fiscal periods;
- Adjusted Net Income (Loss) does not reflect expenses related to our May 2013 stock option modification;
- Adjusted Net Income (Loss) does not reflect losses on the extinguishment of debt;
- Adjusted Net Income (Loss) does not reflect impairment charges on long-lived assets;
- Adjusted Net Income (Loss) does not reflect other unusual, non-recurring or extraordinary expenses, losses or charges; and
- Adjusted Net Income (Loss) does not reflect the annual advisory fees paid to Bain Capital pursuant to the Advisory Agreement that were expensed during the fiscal periods.

During the three and six months ended August 1, 2015, Adjusted Net Income (Loss) improved \$15.7 million and \$28.4 million, respectively, to \$14.9 million and \$46.1 million, respectively. This improvement in Adjusted Net Income (Loss) was driven by our improved gross margin and a reduction in our interest expense, partially offset by increased costs, primarily selling, general and administrative expenses and income tax expense, net of the tax effect of the adjustments cited above. Refer to the section below entitled "Results of Operations" for further explanation.

The following table shows our reconciliation of net income (loss) to Adjusted Net Income (Loss) for the three and six months ended August 1, 2015 compared with the three and six months ended August 2, 2014:

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	<i>(in thousands)</i>			
<b>Reconciliation of net income (loss) to Adjusted Net Income (Loss):</b>				
Net income (loss)	\$ 10,900	\$ (6,470)	\$ 36,595	\$ 5,304
Net favorable lease amortization (a)	5,992	6,535	12,049	13,106
Costs related to debt amendments, secondary offerings and other (b)	(12)	917	247	1,341
Stock option modification expense (c)	335	963	795	1,791
Loss on extinguishment of debt (d)	—	—	649	3,681
Impairment charges (e)	188	829	1,903	848
Advisory fees (f)	—	60	72	126
Tax effect (g)	(2,546)	(3,711)	(6,161)	(8,462)
<b>Adjusted Net Income (Loss)</b>	<u>\$ 14,857</u>	<u>\$ (877)</u>	<u>\$ 46,149</u>	<u>\$ 17,735</u>

- (a) Net favorable lease amortization represents the non-cash amortization expense associated with favorable and unfavorable leases that were recorded as a result of purchase accounting related to the acquisition of our indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC) on April 13, 2006 by affiliates of Bain Capital Partners, LLC (along with its associated



investment funds, or any successor to its investment management business, Bain Capital) in a take private transaction, and are recorded in the line item “Depreciation and amortization” in our Condensed Consolidated Statements of Operations.

- (b) Costs are primarily related to our secondary offerings.
- (c) Represents expenses incurred as a result of our May 2013 stock option modification.
- (d) For Fiscal 2015, amounts relate to the May 2015 prepayment on our Term Loan Facility. For Fiscal 2014, amounts relate to our April 2014 partial redemption of our Holdco Notes and excess cash flow payment of our Term Loan Facility.
- (e) Represents impairment charges on long-lived assets.
- (f) Amounts represent reimbursement for out-of-pocket expenses that were paid to Bain Capital. Amounts are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of Operations.
- (g) Tax effect is calculated based on the effective tax rates (before discrete items) for the respective periods, adjusted for the tax effect for the impact of items (a) through (f).

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

- Adjusted EBITDA does not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Adjusted EBITDA does not reflect losses on the extinguishment of debt;
- Adjusted EBITDA does not reflect costs related to debt amendments or secondary offerings that were expensed during the fiscal periods;
- Adjusted EBITDA does not reflect expenses related to our May 2013 stock option modification;
- Adjusted EBITDA does not reflect the annual advisory fees paid to Bain Capital pursuant to the Advisory Agreement that were expensed during the fiscal periods;
- Adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will likely have to be replaced in the future, and Adjusted EBITDA measures do not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect impairment charges on long-lived assets;
- Adjusted EBITDA does not reflect other unusual, non-recurring or extraordinary expenses, losses or charges; and
- Adjusted EBITDA does not reflect our income tax expense or the cash requirements to pay our taxes.

During the three and six months ended August 1, 2015, Adjusted EBITDA improved \$17.3 million and \$26.4 million, respectively, to \$75.4 million and \$176.8 million, respectively. This improvement was the result of our improved gross margin, partially offset by increased selling, general and administrative expenses (refer to the section below entitled “Results of Operations” for further explanation).

The following table shows our reconciliation of net income (loss) to Adjusted EBITDA for the three and six months ended August 1, 2015 compared with the three and six months ended August 2, 2014:

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
	<i>(in thousands)</i>			
<b>Reconciliation of net income (loss) to Adjusted EBITDA:</b>				
Net income (loss)	\$ 10,900	\$ (6,470)	\$ 36,595	\$ 5,304
Interest expense	14,598	25,546	29,401	52,098
Interest income	(48)	(12)	(62)	(24)
Loss on extinguishment of debt (a)	—	—	649	3,681
Costs related to debt amendments, secondary offerings and other (b)	(12)	917	247	1,341
Stock option modification expense (c)	335	963	795	1,791
Advisory fees (d)	—	60	72	126
Depreciation and amortization	41,746	40,549	83,901	81,757
Impairment charges (e)	188	829	1,903	848
Tax expense (benefit)	7,686	(4,293)	23,332	3,493
<b>Adjusted EBITDA</b>	<b>\$ 75,393</b>	<b>\$ 58,089</b>	<b>\$ 176,833</b>	<b>\$ 150,415</b>

- 
- (a) For Fiscal 2015, amounts relate to the May 2015 prepayment on our Term Loan Facility. For Fiscal 2014, amounts relate to our April 2014 partial redemption of our Holdco Notes and excess cash flow payment of our Term Loan Facility.
  - (b) Costs are primarily related to our secondary offerings.
  - (c) Represents expenses incurred as a result of our May 2013 stock option modification.
  - (d) Amounts represent reimbursement for out-of-pocket expenses that were paid to Bain Capital. Amounts are recorded in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations.
  - (e) Represents impairment charges on long-lived assets.

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

We define comparable store sales as sales of those stores, including online sales, commencing on the first day of the fiscal month one year after the end of their grand opening activities, which normally conclude within the first two months of operations. For the three and six months ended August 1, 2015, we experienced an increase in comparable store sales of 5.6% and 3.1%, respectively.

Various factors affect comparable store sales, including, but not limited to, weather conditions, current economic conditions, the timing of our releases of new merchandise and promotional events, the general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, competition, and the success of marketing programs.

*Gross Margin.* Gross margin is the difference between net sales and the cost of sales. Our cost of sales and gross margin may not be comparable to those of other entities, since some entities include all of the costs related to their buying and distribution functions, and other costs, in cost of sales. We include certain of these costs in the line items "Selling, general and administrative expenses" and "Depreciation and amortization" in our Condensed Consolidated Statements of Operations. We include in our "Cost of sales" line item all costs of merchandise (net of purchase discounts and certain vendor allowances), inbound freight, distribution center outbound freight and certain merchandise acquisition costs, primarily commissions and import fees. Gross margin as a percentage of net sales expanded by approximately 100 basis points to 39.2% during the three month period ended August 1, 2015. Gross margin as a percentage of net sales expanded by approximately 140 basis points to 39.5% during the six month period ended August 1, 2015. The improvements in margin were primarily due to a reduction in markdowns, and more than offset the approximate 50 basis point and 60 basis point increases in product sourcing costs during the three and six months ended August 2, 2014, respectively, which are included in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations. Our margin rate during the three month period ended August 1, 2015 also benefitted from reduced freight costs, driven by product mix resulting in lower pounds per unit, and by lower fuel costs.

*Inventory.* Inventory at August 1, 2015 increased to \$802.3 million compared with \$711.5 million at August 2, 2014. This was primarily driven by an increase in our pack-and-hold inventory of approximately \$55 million and our 23 net new stores opened since August 2, 2014. This increase was partially offset by a decrease in our comparable store inventory of approximately 7% as a result of our ongoing initiative to reduce inventory levels and increase inventory turnover.

Inventory at January 31, 2015 was \$788.7 million. The increase in inventory from January 31, 2015 was primarily driven by the seasonality of our business, our new and non-comp stores and an increase in our pack-and-hold inventory of approximately \$15 million.

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

Comparable store inventory turnover is a measure that indicates how efficiently inventory is bought and sold. It measures the length of time that we own our inventory. This is significant because usually the longer the inventory is owned, the more likely markdowns may be required to sell the inventory. Comparable store inventory turnover is calculated by dividing comparable store sales by the average comparable store retail value of inventory for the period being measured. Our comparable store inventory turnover improved by approximately 13% for the second quarter of Fiscal 2015 compared with the second quarter of Fiscal 2014.

*Store Payroll as a Percentage of Net Sales.* Store payroll as a percentage of net sales measures our ability to manage our payroll in accordance with increases or decreases in net sales. The method of calculating store payroll varies across the retail industry. As a result, our store payroll as a percentage of net sales may differ from other retailers. We define store payroll as regular and overtime

payroll for all store personnel as well as regional and territory personnel, exclusive of payroll charges related to corporate and warehouse employees. Store payroll as a percentage of net sales was 9.4% and 9.0% for the three and six months ended August 1, 2015, respectively, compared with 9.7% and 9.1% for the three and six months ended August 2, 2014, respectively. The improvement in store payroll as a percentage of net sales was primarily driven by the benefit from efficiencies realized in our stores as we continue to simplify operating procedures and improve the execution within store operations.

*Liquidity.* Liquidity measures our ability to generate cash. Management measures liquidity through cash flow and working capital position. Cash flow is the measure of cash generated from or used in operating, financing, and investing activities. Cash and cash equivalents increased \$1.9 million during the six months ended August 1, 2015 resulting in a cash and cash equivalent balance of \$27.2 million compared with a decrease in cash and cash equivalents of \$103.7 million during the six months ended August 2, 2014. The increase in cash flows was driven by the net change in our debt obligations, primarily related to net borrowings on our ABL Line of Credit, and our improved operating results. These increases were partially offset by changes in our accounts payable, resulting from the timing of our inventory purchases, and lower interest and income tax payments during the six months ended August 1, 2015. Refer to the section below entitled “Liquidity and Capital Resources” for further explanation.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. Working capital at August 1, 2015 was \$138.8 million compared with \$70.2 million at August 2, 2014. The change in our working capital from August 2, 2014 was primarily attributable to an increase in our inventories as noted above, partially offset by changes in our accounts payable resulting from the timing of our inventory purchases. Refer to the sections below entitled “Results of Operations” for further explanations.

## Results of Operations

The following table sets forth certain items in the Condensed Consolidated Statements of Operations as a percentage of net sales for the three and six months ended August 1, 2015 and the three and six months ended August 2, 2014.

	Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net sales	100.0%	100.0%	100.0%	100.0%
Other revenue	0.6	0.7	0.7	0.7
Total revenue	100.6	100.7	100.7	100.7
Cost of sales	60.8	61.8	60.5	61.9
Selling, general and administrative expenses	33.4	33.5	32.6	32.1
Costs related to debt amendments, secondary offerings and other	—	0.1	—	0.1
Stock option modification expense	—	0.1	0.1	0.1
Depreciation and amortization	3.6	3.9	3.6	3.7
Impairment charges – long-lived assets	—	—	0.1	—
Other (income) expense, net	(0.1)	(0.2)	(0.1)	(0.2)
Loss on extinguishment of debt	—	—	—	0.2
Interest expense	1.3	2.5	1.3	2.4
Total expense	99.0	101.7	98.1	100.3
Income (loss) before income tax expense (benefit)	1.6	(1.0)	2.6	0.4
Income tax expense (benefit)	0.7	(0.4)	1.0	0.2
Net income (loss)	0.9%	(0.6)%	1.6%	0.2%

### Three Month Period Ended August 1, 2015 Compared With the Three Month Period Ended August 2, 2014

#### *Net sales*

We experienced an increase in net sales for the second quarter of Fiscal 2015 of \$100.6 million, or 9.6%, to \$1,144.2 million. This increase was primarily attributable to the following:

- an increase in comparable store sales of \$58.3 million, or 5.6%, to \$1,094.6 million; and
- an increase in net sales of \$46.7 million from new stores opened during Fiscal 2015 and stores previously opened that were not included in our comparable store sales; partially offset by
- a \$4.4 million decrease related to the net impact of closed stores and other sales adjustments.

We believe that the comparable store sales increase was primarily due to our improved execution of our off-price model.

### Cost of sales

Cost of sales as a percentage of net sales improved approximately 100 basis points during the second quarter of Fiscal 2015, primarily driven by a reduction in markdowns. In addition, we benefitted from reduced freight costs, driven by product mix resulting in lower pounds per unit, and by lower fuel costs. This improvement was partially offset by an approximate 50 basis point increase in product sourcing costs, which are included in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations. On a dollar basis, cost of sales increased \$50.9 million, or 7.9%, for the second quarter of Fiscal 2015, primarily driven by our overall increase in sales.

### Selling, general and administrative expenses

Selling, general and administrative expenses as a percentage of net sales improved approximately 10 basis points for the second quarter of Fiscal 2015 as can be seen from the table below:

	<i>(in millions)</i>					
	<b>Three Months Ended</b>					
	<b>August 1, 2015</b>	<b>Percentage of Net Sales</b>	<b>August 2, 2014</b>	<b>Percentage of Net Sales</b>	<b>\$ Variance</b>	<b>% Change</b>
Store related costs	\$ 260.4	22.8%	\$ 243.1	23.3%	\$ 17.3	7.1%
Product sourcing costs	56.8	5.0	47.0	4.5	9.8	20.9
Corporate costs	41.6	3.6	36.9	3.5	4.7	12.7
Marketing and strategy costs	9.7	0.8	10.8	1.0	(1.1)	(10.2)
Other selling, general and administrative expenses	13.1	1.2	12.2	1.2	0.9	7.4
<b>Selling, general and administrative expenses</b>	<b>\$ 381.6</b>	<b>33.4%</b>	<b>\$ 350.0</b>	<b>33.5%</b>	<b>\$ 31.6</b>	<b>9.0%</b>

Store related costs as a percentage of net sales improved approximately 50 basis points during the second quarter of Fiscal 2015, driven by improved leverage in store payroll, inclusive of incentive compensation and other payroll-related benefits, and occupancy.

On a dollar basis, the \$17.3 million increase in store related costs was primarily driven by our 23 net new stores that have opened since August 2, 2014, as well as stores that opened during the second quarter of Fiscal 2014 that did not operate for a full 13 weeks.

Product sourcing costs as a percentage of net sales increased approximately 50 basis points during the second quarter of Fiscal 2015, which partially offset the improvement in cost of sales as noted above. The increase in product sourcing costs as a percentage of net sales was driven by an increase in our supply chain and merchandising costs of approximately \$9.0 million.

Corporate costs as a percentage of net sales increased approximately 10 basis points during the second quarter of Fiscal 2015 driven by an increase in our stock compensation of approximately \$1.8 million.

### Depreciation and amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to \$41.7 million during the second quarter of Fiscal 2015 compared with \$40.5 million during the comparative period. The increase in depreciation and amortization expense was primarily driven by our 23 net new stores opened since August 2, 2014 and our new corporate headquarters.

### Interest expense

Interest expense decreased \$10.9 million to \$14.6 million, primarily driven by our August 2014 debt refinancing and our principal repayments since August 2, 2014. The details of the change in interest expense are as follows:

- a decrease of \$11.3 million of interest expense related to our Senior Notes as a result of the \$450.0 million principal payment in August 2014;
- a decrease of \$1.7 million of interest expense related to our Holdco Notes as a result of the \$58.0 million and \$70.2 million principal payments in April 2014 and August 2014, respectively; and

- a decrease of \$1.4 million in amortization of deferred debt fees related to the principal repayments on our Holdco Notes, Senior Notes and Term Loan Facility mentioned above; partially offset by
- an increase of \$2.8 million related to our Term Loan Facility as a result of our August 2014 refinancing which increased the principal balance outstanding on our Term Loan Facility, partially offset by our \$50.0 million paydown on May 1, 2015; and
- an increase of \$0.5 million related to our ABL Line of Credit as a result of an increase in outstanding borrowings during the period.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit, for the second quarter of Fiscal 2015 compared with the prior year's quarter, are summarized in the table below:

	Three Months Ended	
	August 1, 2015	August 2, 2014
Average interest rate – ABL Line of Credit	1.5%	1.9%
Average interest rate – Term Loan Facility	4.3%	4.3%
Average balance – ABL Line of Credit	\$ 215.5 million	\$ 15.9 million
Average balance – Term Loan Facility	\$ 1,117.0 million	\$ 830.6 million

#### ***Income tax expense (benefit)***

Income tax expense was \$7.7 million during the second quarter of Fiscal 2015 compared with an income tax benefit of \$4.3 million during the second quarter of Fiscal 2014. The effective tax rate for the second quarter of Fiscal 2015 was 41.4% compared with 39.9% during the second quarter of Fiscal 2014. The increase in the effective tax rate for the second quarter of Fiscal 2015 was primarily driven by the Affordable Care Act Penalty incurred in the second quarter of the current year.

In accordance with ASC Topic No. 270, "Interim Reporting" (Topic No. 270), and ASC Topic No. 740, "Income Taxes" (Topic No. 740), at the end of each interim period we are required to determine the best estimate of our annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. We used this methodology during the second quarter of Fiscal 2015, resulting in the annual effective income tax rate of 39.2% (before discrete items) being our best estimate. Our best estimate of the projected annual effective income tax rate for the second quarter of Fiscal 2014 was 40.9% (before discrete items). The decrease in the annual effective tax rate for the second quarter of Fiscal 2015 was primarily driven by lower state tax rate due to NJ Grow Tax Credit available for our new corporate headquarters.

#### ***Net income (loss)***

We earned net income of \$10.9 million for the second quarter of Fiscal 2015 compared with a net loss of \$6.5 million for the comparative quarter. The increase in our net income was primarily driven by our improved gross margin and lower interest expense, partially offset by increased selling, general and administrative expenses and income tax expense.

#### **Six Month Period Ended August 1, 2015 Compared With the Six Month Period Ended August 2, 2014**

##### ***Net sales***

We experienced an increase in net sales for the six month period ended August 1, 2015 of \$155.4 million, or 7.2%, to \$2,327.3 million. This increase was primarily attributable to the following:

- an increase in net sales of \$95.9 million from new stores opened during Fiscal 2015 and stores previously opened that were not included in our comparable store sales; and
- an increase in comparable store sales of \$67.3 million, or 3.1%, to \$2,226.8 million; partially offset by
- a \$7.8 million decrease related to the net impact of closed stores and other sales adjustments.

We believe that the comparable store sales increase was primarily due to our improved execution of our off-price model.

##### ***Cost of sales***

Cost of sales as a percentage of net sales improved approximately 140 basis points during the six month period ended August 1, 2015, primarily driven by a reduction in markdowns. This improvement was partially offset by an approximate 60 basis point increase in product sourcing costs, which are included in the line item "Selling, general and administrative expenses" in our Condensed

Consolidated Statements of Operations. On a dollar basis, cost of sales increased \$65.4 million, or 4.9%, primarily driven by our overall increase in sales.

### **Selling, general and administrative expenses**

Selling, general and administrative expenses as a percentage of net sales increased approximately 50 basis points the six month period ended August 1, 2015 as can be seen from the table below:

	<i>(in millions)</i>					
	<b>Six Months Ended</b>					
	<b>August 1, 2015</b>	<b>Percentage of Net Sales</b>	<b>August 2, 2014</b>	<b>Percentage of Net Sales</b>	<b>\$ Variance</b>	<b>% Change</b>
Store related costs	\$ 511.0	22.0%	\$ 480.0	22.1%	\$ 31.0	6.5%
Product sourcing costs	111.1	4.8	90.2	4.2	20.9	23.2
Corporate costs	79.7	3.4	71.1	3.3	8.6	12.1
Marketing and strategy costs	31.6	1.4	31.0	1.4	0.6	1.9
Other selling, general and administrative expenses	25.9	1.0	24.7	1.1	1.2	4.9
<b>Selling, general and administrative expenses</b>	<b>\$ 759.3</b>	<b>32.6%</b>	<b>\$ 697.0</b>	<b>32.1%</b>	<b>\$ 62.3</b>	<b>8.9%</b>

Store related costs as a percentage of net sales improved approximately 10 basis points during the six month period ended August 1, 2015, driven by improved leverage in store payroll, inclusive of incentive compensation and other payroll-related benefits, and occupancy.

On a dollar basis, the \$31.0 million increase in store related costs was primarily driven by our 23 net new stores that have opened since August 2, 2014 as well as stores that opened during the first half of Fiscal 2014 that did not operate for a full 26 weeks.

Product sourcing costs as a percentage of net sales increased approximately 60 basis points during the six month period ended August 1, 2015, which partially offset the improvement in cost of sales as noted above. The increase in product sourcing costs as a percentage of net sales was driven by an increase in our supply chain and merchandising costs of approximately \$20.2 million.

Corporate costs as a percentage of net sales increased approximately 10 basis points during the six month period ended August 1, 2015 driven by an increase in our stock compensation of approximately \$2.8 million on a dollar basis.

### **Depreciation and amortization**

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to \$83.9 million during the six month period ended August 1, 2015 compared with \$81.8 million during the comparative period. The increase in depreciation and amortization expense was primarily driven by our 23 net new stores opened since August 2, 2014 and our new corporate headquarters.

### **Loss on extinguishment of debt**

During the six month period ended August 1, 2015, we recorded a loss on extinguishment of debt of \$0.6 million as a result of our May 1, 2015 prepayment on our Term Loan Facility. Refer to Note 2, "Long Term Debt," to our Condensed Consolidated Financial Statements for further details on our refinancing transaction.

During the six month period ended August 2, 2014, we recorded a loss on the extinguishment of debt of \$3.7 million, primarily related to the \$58.0 million prepayment of our Holdco Notes in April 2014.

### **Interest expense**

Interest expense decreased \$22.7 million to \$29.4 million, primarily driven by our August 2014 debt refinancing and our principal repayments since August 2, 2014. The details of the change in interest expense are as follows:

- a decrease of \$22.6 million of interest expense related to our Senior Notes as a result of the \$450.0 million principal payment in August 2014;

- a decrease of \$4.3 million of interest expense related to our Holdco Notes as a result of the \$58.0 million and \$70.2 million principal payments in April 2014 and August 2014, respectively; and
- a decrease of \$2.9 million in amortization of deferred debt fees related to the principal repayments on our Holdco Notes, Senior Notes and Term Loan Facility mentioned above; partially offset by
- an increase of \$6.1 million related to our Term Loan Facility as a result of August 2014 refinancing which increased the principal balance outstanding on our Term Loan Facility, partially offset by the \$50.0 million pay down on May 1, 2015; and
- an increase of \$0.6 million related to our ABL Line of Credit as a result of an increase in outstanding borrowings during the period.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit, for the six month period ended August 1, 2015 compared with the prior year's quarter are summarized in the table below:

	Six Months Ended	
	August 1, 2015	August 2, 2014
Average interest rate – ABL Line of Credit	1.6 %	1.9 %
Average interest rate – Term Loan Facility	4.3 %	4.3 %
Average balance – ABL Line of Credit	\$ 164.4 million	\$ 12.4 million
Average balance – Term Loan Facility	\$ 1,141.7 million	\$ 832.5 million

### **Income tax expense**

Income tax expense was \$23.3 million during the six month period ended August 1, 2015 compared with \$3.5 million during the six month period ended August 2, 2014. The effective tax rate for the six month period ended August 1, 2015 was 38.9% compared with 39.7% during the six month period ended August 2, 2014. The decrease in the effective tax rate was primarily driven by the benefit of state credits related to our new corporate headquarters as well as 2014 federal hiring credits recorded during the first six months of Fiscal 2015 resulting from the issuance of a special IRS relief notice.

In accordance with Topic No. 270 and Topic No. 740, at the end of each interim period we are required to determine the best estimate of our annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. We used this methodology during the six month period ended August 1, 2015, resulting in the annual effective income tax rate of 39.2% (before discrete items) being our best estimate. Our best estimate of the projected annual effective income tax rate for the six month period ended August 2, 2014 was 40.9% (before discrete items). The decrease in the effective tax rate for the six month period ended August 1, 2015 was primarily driven by lower state tax rate due to the NJ Grow Tax Credit available for our new corporate headquarters.

### **Net income**

We earned net income of \$36.6 million for the six month period ended August 1, 2015 compared with \$5.3 million for the comparative quarter. The increase in our net income was primarily driven by our improved gross margin and lower interest expense, partially offset by increased selling, general and administrative expenses.

### **Liquidity and Capital Resources**

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

We believe that cash generated from operations, along with our existing cash and our ABL Line of Credit, will be sufficient to fund our expected cash flow requirements and planned capital expenditures for at least the next twelve months as well as the foreseeable future. However, there can be no assurance that we would be able to offset declines in our comparable store sales with savings initiatives in the event that the economy declines.

### ***Cash Flow for the Six Months ended August 1, 2015 Compared with the Six Months ended August 2, 2014***

We generated \$1.9 million of cash flow during the six month period ended August 1, 2015 compared with a use of \$103.7 million during the comparative period.

Net cash used in operating activities amounted to \$0.7 million during the six month period ended August 1, 2015 compared with cash provided by operating activities of \$51.6 million during the six month period ended August 2, 2014. The change in our operating cash flow was primarily driven by changes in our accounts payable, resulting from the timing of our inventory purchases, lower interest and income tax payments during the six months ended August 1, 2015 and changes in our prepaid rent due to the timing of our rental payments, partially offset by our improved operating results.

Net cash used in investing activities was \$81.8 million and \$94.4 million during the first six months of Fiscal 2015 and Fiscal 2014, respectively. This decrease was primarily the result of reduced capital expenditures on our new corporate headquarters, partially offset by store expenditures (new stores, store refreshes and remodels and other store expenditures).

Net cash provided by financing activities was \$84.4 million during the first six months of Fiscal 2015 compared with cash used in financing activities of \$60.8 million during the first six months of Fiscal 2014. This increase in cash was primarily related to the following:

- a \$150.4 million increase related to net proceeds on our ABL Line of Credit (\$150.4 million net proceeds during the six month period ended August 1, 2015 compared with borrowings equaling repayments during the six month period ended August 2, 2014);
- a \$58.0 million increase related to repayments on our Holdco Notes (zero repayments during the six month period ended August 1, 2015 compared with \$58.0 million increase related to net repayments during the six month period ended August 2, 2014); and
- a \$4.4 million increase in the excess tax benefit from stock based compensation; partially offset by
- a \$22.7 million decrease related to the purchase of treasury shares (\$25.8 million during the six month period ended August 1, 2015 compared with \$3.1 million during the six month period ended August 2, 2014); and
- a \$46.0 million decrease related to net borrowings on our Term Loan Facility (\$50.0 million repayments during the six month period ended August 1, 2015 compared with \$4.0 million repayments during the six month period ended August 2, 2014).

Cash flow and working capital levels assist management in measuring our ability to meet our cash requirements. Changes in working capital also impact our cash flows. Working capital at August 1, 2015 increased \$68.6 million to \$138.8 million compared with \$70.2 million at August 2, 2014, primarily driven an increase in our inventories as noted above, partially offset by changes in our accounts payable resulting from the timing of our inventory purchases. Working capital at January 31, 2015 was \$26.6 million.

### ***Capital Expenditures***

For the six month period ended August 1, 2015, cash spend for capital expenditures, net of \$16.9 million of landlord allowances, amounted to \$65.0 million. We estimate that we will spend \$155 million to \$160 million, net of approximately \$35 million of landlord allowances, in capital expenditures during Fiscal 2015, including approximately \$70 million, net of the landlord allowances, for store expenditures (new stores, store refreshes and remodels and other store expenditures), approximately \$50 million to support our supply chain initiatives and approximately \$12 million to renovate our previous corporate headquarters as part of the build-out of our corporate campus. We expect to use the remaining capital to support information technology and other initiatives.

### ***Share Repurchase Program***

On June 9, 2015, we announced that our Board of Directors had authorized the repurchase of up to \$200 million of our common stock. The repurchase program will be funded using our available cash and is expected to be executed through June 2017. We are authorized to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any amount of our common stock under the program.

During the six month period ended August 1, 2015, we repurchased 450,000 shares of common stock for \$25.4 million under our share repurchase program. As of August 1, 2015, we had \$174.6 million available for purchase under our share repurchase program.



## **Dividends**

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

In addition, since we are a holding company, substantially all of the assets shown on our consolidated balance sheets are held by our subsidiaries. Accordingly, our earnings, cash flow and ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

## **Operational Growth**

As of August 1, 2015, we operated 546 stores primarily under the name "Burlington Stores." During the six month period ended August 1, 2015, we opened five new Burlington Stores and closed one Burlington Store. We continue to expect to open 25 net new stores during Fiscal 2015.

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

## **Debt**

As of August 1, 2015, our obligations include \$1,112.2 million, inclusive of original issue discount, under our Term Loan Facility and \$213.7 million under our ABL Line of Credit.

### *Term Loan Facility*

We elected to make a prepayment of \$50.0 million on our Term Loan Facility on May 1, 2015, which offset the mandatory quarterly payments through May 1, 2021. As a result of this transaction, we recognized a non-cash loss on the partial extinguishment of debt of \$0.6 million, representing the write-off of \$0.4 million and \$0.2 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item "Loss on extinguishment of debt" in our Condensed Consolidated Statements of Operations.

At August 1, 2015, our borrowing rate related to the Term Loan Facility was 4.25%.

### *ABL Line of Credit*

During the six month period ended August 1, 2015, we made net borrowings on our ABL Line of Credit of \$150.4 million to make our \$50.0 million prepayment on our Term Loan Facility, our \$25.4 million share repurchase and for general working capital requirements.

At August 1, 2015, we had \$329.6 million available under the Amended ABL Line of Credit and \$213.7 million of outstanding borrowings. The maximum borrowings under the facility during the six month period ended August 1, 2015 amounted to \$280.0 million. Average borrowings during the six month period ended August 1, 2015 amounted to \$164.4 million at an average interest rate of 1.6%.

## **Certain Information Concerning Contractual Obligations**

The Company had \$896.5 million of purchase commitments related to goods that were not received as of August 1, 2015. There were no other significant changes regarding our obligations to make future payments under current contracts since January 31, 2015.

## Critical Accounting Policies and Estimates

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

Our critical accounting policies and estimates are consistent with those disclosed in Note 1 to the audited Consolidated Financial Statements, "Summary of Significant Accounting Policies," and notes included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

## Safe Harbor Statement

This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "opportunity," "potential" or "may," variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Our forward-looking statements are subject to risks and uncertainties. Such statements include but are not limited to, proposed store openings and closings, proposed capital expenditures, projected financing requirements, proposed developmental projects, projected sales and earnings, our ability to maintain selling margins, and the effect of the adoption of recent accounting pronouncements on our consolidated financial position, results of operations and cash flows. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include: competition in the retail industry, seasonality of our business, adverse weather conditions, changes in consumer preferences and consumer spending patterns, import risks, inflation, general economic conditions, our ability to implement our strategy, our substantial level of indebtedness and related debt-service obligations, restrictions imposed by covenants in our debt agreements, availability of adequate financing, our dependence on vendors for our merchandise, events affecting the delivery of merchandise to our stores, existence of adverse litigation, availability of desirable locations on suitable terms, and other risks discussed from time to time in our filings with the Securities and Exchange Commission (SEC).

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

## Recent Accounting Pronouncements

Refer to Note 1 to our Condensed Consolidated Financial Statements, "Summary of Significant Accounting Policies," for a discussion of recent accounting pronouncements and their impact in our Condensed Consolidated Financial Statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations. Primary exposures include (i) changes in interest rates, as borrowings under our ABL Line of Credit and Term Loan Facility bear interest at floating rates based on LIBOR or the base rate, in each case plus an applicable borrowing margin and (ii) investing activities. The interest rate of our Term Loan Facility

is also dependent on the LIBOR, prime rate, and the federal funds rate as further discussed in Note 2 to our Condensed Consolidated Financial Statements, "Long Term Debt."

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

On April 24, 2015 we entered into two interest rate cap contracts which were designated as cash flow hedges. These interest rate cap contracts have an aggregate notional principal amount of \$800.0 million, cap rates of 1.0%, are effective May 29, 2015 and mature on May 31, 2019. We had two interest rate cap contracts which limited our interest rate exposure to 7.0% on our first \$900.0 million of borrowings under our variable rate debt obligations that expired on May 31, 2015. Currently, we have unlimited interest rate risk related to borrowings on our variable rate debt in excess of the notional principal amount of our interest rate cap contracts.

At August 1, 2015, we had \$1,330.7 million of floating-rate debt, exclusive of original issue discount. Based on \$1,330.7 million outstanding as floating-rate debt, a one percentage point increase as of August 1, 2015 (after considering our 1.0% interest rate cap contracts), would cause an increase to cash interest expense of \$5.3 million per year, resulting in \$5.3 million less in our pre-tax earnings. This sensitivity analysis assumes our mix of financial instruments and all other variables will remain constant in future periods. These assumptions are made in order to facilitate the analysis and are not necessarily indicative of our future intentions.

If a one percentage point increase in interest rates were to occur as of August 1, 2015, such an increase would result in the following additional interest expenses (assuming current borrowing level remains constant):

Floating Rate Debt	(in millions)				
	Principal Outstanding at August 1, 2015	Additional Interest Expense Q3 2015	Additional Interest Expense Q4 2015	Additional Interest Expense Q1 2016	Additional Interest Expense Q2 2016
Term Loan Facility (a)	\$ 1,117.0	\$ 792.5	\$ 792.5	\$ 792.5	\$ 792.5
ABL Line of Credit	213.7	534.3	534.3	534.3	534.3
	<u>\$ 1,330.7</u>	<u>\$ 1,326.8</u>	<u>\$ 1,326.8</u>	<u>\$ 1,326.8</u>	<u>\$ 1,326.8</u>

(a) Principal balance represents carrying value of our Term Loan Facility exclusive original issue discount.

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

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

#### Item 4. Controls and Procedures.

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the last day of the fiscal period covered by this report, August 1, 2015. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of August 1, 2015.

During the quarter ended August 1, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 1. Legal Proceedings.**

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

In the matter of Burlington Coat Factory Song Beverly Cases which is currently pending in the Superior Court of the State of California, Complex Division, County of Orange (Case No. JCCP No. 4681), plaintiff, on behalf of herself and others similarly situated, alleges that the Company is in violation of the Song Beverly Credit Card Act of 1971, California Civil Code section 1747.08, for collecting personal information from customers in connection with the use of credit cards by such customers to pay for merchandise at the Company's stores. At trial held in January 2015, the Superior Court held that the Company was in violation of California law and set May 1, 2015 as the date for a conference to set a date for trial to determine the penalty to be assessed against the Company. This court stayed this conference date pending settlement discussions between the Company and plaintiffs.

Separately, on May 19, 2015, the First Appellate District, Division Three, of the California Court of Appeal handed down a decision in the case of *Harrold v. Levi Strauss & Co.*, Supr. Ct. No. 26-60136, holding that a finding of liability under the Act does not occur when a retailer requests personal information after a credit card transaction has been completed. In light of this decision, the Company suspended settlement discussions and filed a motion in its Song Beverly cases, requesting the court to reverse its decision in favor of plaintiffs on the basis of the *Harrold* case. The Company's motion was scheduled for oral argument on August 7, 2015, but was adjourned to September 25, 2015. Notwithstanding the adjournment, the Superior Court expressed its tentative view that the *Harrold* decision was distinguishable from the Song Beverly cases pending against the Company, and thus would not warrant a reversal of the finding of liability against the Company. On August 26, 2015, the California Supreme Court denied the petition to review the *Harrold* decision. The Company is unable to predict the amount of penalty that may be assessed by the court, in excess of the amount accrued, after its consideration of various factors, including, among others, how information was used, how much revenue was derived from the information, what procedures were in place to control the maintenance and dissemination of the information, the duration of the practice to collect information and other relevant factors; however, such penalty assessment could be material.

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

**Item 1A. Risk Factors.**

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.*****Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

The following table provides information regarding our purchases of common stock during the three fiscal months ended August 1, 2015:

<b>Month</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)</b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs</b>
May 3, 2015 through May 30, 2015	626 (1)	\$ 51.23	—	\$ 200,000,000
May 31, 2015 through July 4, 2015	1,182 (1)	52.16	—	200,000,000
July 5, 2015 through August 1, 2015	450,143 (2)	56.35	450,000	174,642,500
<b>Total</b>	<b>451,951</b>		<b>450,000</b>	

- (1) Represents shares which were withheld for tax payments due upon the vesting of employee restricted stock awards.
- (2) Represents shares which were withheld for tax payments due upon the vesting of employee restricted stock awards and shares repurchased as part of our publicly announced share repurchase program.
- (3) On June 9, 2015, we announced that our Board of Directors had authorized the repurchase of up to \$200 million of our common stock. The share repurchase program will be funded using the Company's available cash and is expected to be executed through June 2017. For a further discussion of our share repurchase program, see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Share Repurchase Program."

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<u>Exhibit</u>	<u>Description</u>
10.1†	Amendment No. 3 to Employment Agreement, dated as of May 18, 2015, by and among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Holdings, LLC, Burlington Stores, Inc. and Thomas A. Kingsbury
10.2	Amendment No. 4 to Employment Agreement, dated as of May 29, 2015, by and among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Holdings, LLC, Burlington Stores, Inc. and Thomas A. Kingsbury (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on June 1, 2015)
10.3	Amendment No. 5 to Employment Agreement, dated as of July 7, 2015, by and among Burlington Coat Factory Warehouse Corporation, Burlington Coat Factory Holdings, LLC, Burlington Stores, Inc. and Thomas A. Kingsbury (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on July 7, 2015)
10.4†	Employment Agreement, dated as of July 20, 2015, by and between Burlington Coat Factory Warehouse Corporation and Janet Dhillon
10.5†	Amended and Restated Employment Agreement, dated as of July 28, 2015, by and between Burlington Coat Factory Warehouse Corporation and Jennifer Vecchio
31.1†	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase
101.DEF†	XBRL Taxonomy Extension Definition Linkbase
101.LAB†	XBRL Taxonomy Extension Label Linkbase
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase

† Filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BURLINGTON STORES, INC.**

/s/ Thomas A. Kingsbury

Thomas A. Kingsbury  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Marc Katz

Marc Katz  
Executive Vice President—Chief Financial Officer  
(Principal Financial Officer)

Date: August 31, 2015

## INDEX TO EXHIBITS

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**AMENDMENT NO. 3**  
**TO**  
**EMPLOYMENT AGREEMENT**

This AMENDMENT NO. 3 TO EMPLOYMENT AGREEMENT (this "Amendment") is made as of May 18, 2015 by Burlington Coat Factory Warehouse Corporation, a Delaware corporation (the "Company"), Burlington Coat Factory Holdings, LLC, a Delaware limited liability company ("Parent"), Burlington Stores, Inc., a Delaware corporation, and Thomas A. Kingsbury ("Executive").

**W I T N E S S E T H.**

WHEREAS, the Company, Parent (f/k/a Burlington Coat Factory Holdings, Inc., a Delaware corporation) and Executive entered into that certain Employment Agreement, dated as of December 2, 2008, and amended on October 23, 2012 and December 8, 2014 (the "Employment Agreement") (capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Employment Agreement); and

WHEREAS, the parties hereto desire to amend the Employment Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The definition of "Special Vesting Conditions" appearing in Section 3(g) of the Employment Agreement is hereby amended and restated in its entirety as follows:

"Special Vesting Conditions" means the following: (x) for LTIP Awards that are subject solely to time based vesting conditions ("Time Awards"), (I) 100% of such Time Awards shall vest if Executive's employment is terminated due to death, and (II) a pro rata portion of the portion of each Time Award that would vest on the next regular vesting date for such Time Award shall vest if Executive's employment is terminated by the Company for a reason other than Cause, by Executive for Good Reason or due to his Disability (with such pro-rated portion being equal to the portion of the period from the later of the date of grant of such Time Award or the last regular vesting date for such Time Award to such next regular vesting that occurs before the termination of the Employment Period and (y) for LTIP Awards that are not subject solely to time based vesting conditions ("Performance Awards"), the vesting provisions described in clause (x), above, shall also be applied, but the portion of the Performance Awards that would otherwise vest pursuant to clause (x) shall vest only to the extent the applicable performance vesting conditions have been achieved at the end of the applicable performance periods (so that no vesting shall occur under this clause (y) until the end of the applicable performance period)."

2. Except as specifically set forth herein, the Employment Agreement and all of its terms and conditions remain in full force and effect, and the Employment Agreement is hereby ratified and confirmed in all respects, except that on or after the date of this Amendment all
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references in the Employment Agreement to “this Agreement,” “hereto,” “hereof,” “hereunder,” or words of like import shall mean the Employment Agreement as amended by this Amendment.

3. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and such counterpart together shall constitute one and the same instrument.
4. This Amendment, including the validity, interpretation, construction and performance of this Amendment, shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State, without regard to such State’s conflicts of law principles.
5. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. The Employment Agreement, as amended by this Amendment, embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

*[remainder of page intentionally left blank; signature page follows]*

**SIGNATURE PAGE TO AMENDMENT NO. 3 TO EMPLOYMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties hereto have executed this Amendment as of the date first written above.

**BURLINGTON COAT FACTORY WAREHOUSE CORPORATION**

By: /s/ Joyce Manning Magrini  
Name: Joyce Manning Magrini  
Title: EVP – Human Resources

**BURLINGTON COAT FACTORY HOLDINGS, LLC**

By: Burlington Holdings, LLC, its Managing Member

By: /s/ Joyce Manning Magrini  
Name: Joyce Manning Magrini  
Title: EVP – Human Resources

**BURLINGTON STORES, INC.**

By: /s/ Joyce Manning Magrini  
Name: Joyce Manning Magrini  
Title: EVP – Human Resources

**EXECUTIVE**

/s/ Thomas A. Kingsbury  
Thomas A. Kingsbury

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of July 20, 2015, by and between Burlington Coat Factory Warehouse Corporation, a Delaware corporation (the "Company"), and Janet Dhillon ("Executive").

WHEREAS, the Company desires to employ Executive during the Employment Period, and Executive is willing to accept employment with the Company, on the terms and conditions set forth herein; and

WHEREAS, the agreements of Executive in Sections 5, 6 and 7 are material inducements to enter into this Agreement.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In this Agreement:

"Base Salary" has the meaning given to that term in Section 3(a).

"Board" means the Board of Directors of the Company.

"Cause" means Executive (i) is convicted of a felony or other crime involving dishonesty towards the Company or any of its Subsidiaries or material misuse of property of the Company or any of its Subsidiaries; (ii) engages in willful misconduct or fraud with respect to the Company or any of its Subsidiaries or any of their customers or suppliers or an intentional act of dishonesty or disloyalty in the course of Executive's employment; (iii) refuses to perform Executive's material obligations under this Agreement (except in connection with a Disability) as reasonably directed by the Board or the Company's chief executive officer, which failure is not cured within 15 days after written notice thereof to Executive; (iv) misappropriates one or more of the Company's or any of its Subsidiaries material assets or business opportunities; or (v) breaches Sections 5, 6 or 7 hereof which breach, if capable of being cured, is not cured within 10 days of written notice thereof has been delivered to Executive. The Company may allow Executive an extension of time to cure a breach if the Board, in its sole discretion, determines that such extension is appropriate under the circumstances.

"Company" has the meaning set forth in the preamble above; together with its Subsidiaries and affiliates and includes all predecessor entities.

"Confidential Information" has the meaning given to that term in Section 5(a).

"Court" has the meaning given to that term in Section 8(b).

"Disability" means Executive's inability to perform the essential duties, responsibilities and functions of Executive's position with the Company and its Subsidiaries for any period totaling one hundred and eighty (180) days in any consecutive twelve (12) month

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period as a result of any mental or physical disability or incapacity, as determined under the definition of disability in the Company's long-term disability plan so as to qualify Executive for benefits under the terms of that plan or as determined by an independent physician to the extent no such plan is then in effect. Executive shall cooperate in all respects with the Company if a question arises as to whether Executive has become disabled (including, without limitation, submitting to an examination by a medical doctor or other health care specialists selected by the Company and authorizing such medical doctor or such other health care specialist to discuss Executive's condition with the Company).

"Employment Period" means the period commencing on July 20, 2015 (the "Commencement Date") and ending on the Expiration Date or such earlier date as contemplated in the proviso to Section 4(a).

"Expiration Date" means the first anniversary of the Commencement Date; provided, that if a written notice is not given by the Company at least ninety (90) days prior to such anniversary (or any subsequent anniversary if this Agreement is extended) stating that such party is electing not to extend the Employment Period, then the Expiration Date will automatically be extended to the next anniversary of the date hereof.

"Expiration Year" means the calendar year in which the Employment Period expires.

"Good Reason" means the occurrence of any of the following events without the written consent of Executive: (i) a material diminution of Executive's duties or the assignment to Executive of duties that are inconsistent in any substantial respect with the position, authority or responsibilities associated with Executive's position as set forth pursuant to Section 2(b), other than any such authorities, duties or responsibilities assigned at any time which are by their nature, or which are identified at the time of assignment, as being temporary or short-term; (ii) the Company's requiring Executive to be based at a location which is fifty (50) or more miles from Executive's principal office location on the Commencement Date; or (iii) a material breach by the Company of its obligations pursuant to this Agreement (including, without limitation, its obligations pursuant to Section 3) (which such breach goes uncured after notice and a reasonable opportunity to cure); provided, however, no condition enumerated in the preceding shall be deemed to be "Good Reason" unless within thirty (30) days of the initial existence of such condition, Executive shall have given the Company written notice thereof specifically describing the condition giving rise to "Good Reason" and allowing the Company a period of at least thirty (30) days from the date of receipt of the notice to remedy such condition. Notwithstanding the foregoing, in no event will a condition give rise to "Good Reason" hereunder unless within ten (10) days after the expiration of the period provided in the Executive's notice for the Company to remedy said condition but in no event later than one hundred and twenty (120) days initial existence of said condition, Executive shall have actually terminated her employment with the Company by giving written notice of resignation for failure of the Company to remedy such condition.

"Termination Year" means the calendar year in which the Employment Period is terminated.

“Subsidiaries” means any corporation or other entity of which the securities or other ownership interests having the voting power to elect a majority of the board of directors or other governing body are, at the time of determination, owned by the Company, directly or through one of more Subsidiaries.

“Work Product” has the meaning given to that term in Section 6.

2. Employment, Position and Duties.

(a) The Company shall employ Executive and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the Employment Period.

(b) During the Employment Period, Executive shall serve as Executive Vice President/General Counsel and Corporate Secretary of the Company and shall perform the normal duties, responsibilities and functions of an executive officer with similar role of a company of a similar size and type and shall have such power and authority as shall reasonably be required to enable Executive to perform Executive’s duties hereunder, subject to the power and authority of the Board to expand or limit such duties, responsibilities, functions, power and authority and to overrule actions of officers of the Company in a manner consistent with the traditional responsibilities of such office.

(c) During the Employment Period, Executive shall (i) render such administrative, financial and other executive and managerial services to the Company and its Subsidiaries which are consistent with Executive’s position as the Board may from time to time direct, (ii) report to the Company’s Chief Executive Officer or, if the Company does not have a Chief Executive Officer, to the Company’s most senior executive officer or body, provided that the Executive may report to another senior executive for succession planning purposes for no more than 60 days in a calendar year, (iii) devote Executive’s best efforts and Executive’s full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Subsidiaries, and (iv) submit to the Board all business, commercial and investment opportunities presented to Executive or of which Executive becomes aware which relate to the business of the Company and its Subsidiaries, and unless approved by the Board in writing, Executive shall not pursue, directly or indirectly, any such opportunities on Executive’s own behalf. Executive shall perform Executive’s duties, responsibilities and functions to the Company and its Subsidiaries hereunder to the best of Executive’s abilities in a diligent, trustworthy and professional manner.

3. Compensation and Benefits.

(a) During the Employment Period, Executive’s base salary shall be a minimum of Five Hundred Thousand Dollars (\$500,000.00) per annum (as increased or decreased in accordance with this Agreement from time to time, the “Base Salary”), which salary shall be payable by the Company in regular installments in accordance with the Company’s general payroll practices (in effect from time to time). Executive’s Base Salary will be subject to annual review and increase or decrease (but shall not be decreased below the Base Salary in effect on the date of this Agreement) by the Board during the Employment Period.

(b) Executive shall be entitled to participate in the Company's Management Bonus Plan applicable to employees of comparable level with Executive as approved by the Board or a committee thereof, as in effect from time to time, with a target annual bonus of seventy-five percent (75%) of Executive's Base Salary ("Target Bonus"); provided, however, that, with respect to the bonus period within which the Commencement Date occurs (and subject to Executive's meeting all requirements under the applicable bonus plan in such period), the bonus payable to Executive, if any, will be prorated based on the number of days between the Commencement Date and the end of such bonus period divided by the total number of days in the bonus period. Bonuses under any bonus plan (including, without limitation, the Company's Management Bonus Plan) are forfeited and not payable in the event that Executive is not employed by Company on the payment date of any such bonus.

(c) The Board, or a committee or appointee thereof, during the term of this Agreement, shall review annually, or at more frequent intervals which the Board determines is appropriate, Executive's compensation and may award Executive compensation as the Board deems appropriate in its sole discretion; provided, however, that Executive's Base Salary shall not be reduced below the Base Salary in effect on the date of this Agreement pursuant to any such review or otherwise.

(d) Executive shall be entitled to the number of paid vacation and other paid time off days in each calendar year in accordance with the Company's policies applicable to employees of comparable level, which if not taken in any year may not be carried forward to any subsequent calendar year and no compensation shall be payable in lieu thereof. Such vacation will accrue as of January 1 of each year, except that if Executive's employment commences after January 31 of any calendar year, Executive shall accrue the total number of paid time off days available for a calendar year pro rated for the number of full calendar months remaining in the calendar year in which the Employment Period commences, divided by 12.

(e) During the Employment Period, the Company shall reimburse Executive for all reasonable business expenses incurred by Executive in the course of performing Executive's duties, responsibilities and functions under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(f) Executive shall be entitled to participate, on the same basis as other executives of comparable level in the Company, in any compensation, bonus, incentive, award, executive medical reimbursement, deferred compensation, pension, retirement, stock award, stock option or other benefit, plan or arrangement of the Company (including, without limitation, any plan sponsored by the entity owning or controlling the Company, or any affiliate of such entity) now existing or hereafter adopted, all upon terms at least as favorable as those enjoyed by other salaried employees of comparable level of the Company; provided, however, the Company may restrict or exclude Executive's participation in any such plan, or the benefits thereunder, on such terms and conditions as the Company shall in its sole discretion determine, if at any time Executive shall be working fewer than five days a week or on other part-time basis during regular business days, in each case other than as a result of Executive's use of paid vacation or other paid time off days pursuant to Section 3(d). Executive also shall be entitled to

hospital, health, disability, medical and life insurance, and any other benefits enjoyed, from time to time, by other salaried employees of the Company of comparable level, all upon terms as favorable as those enjoyed by other salaried employees of comparable level of the Company. Notwithstanding anything in this Section 3(f) to the contrary, if the Company adopts any change in the benefits provided for other salaried employees of the Company of comparable level, and such policy is uniformly applied to all such employees of the Company (and any successor or acquirer of the Company, if any), then no such change shall be deemed a breach by the Company of this Section 3(f).

(g) Executive shall be entitled to participate in the Company automobile program in effect from time to time on the same terms as made available to employees of comparable level. Currently, such program provides for a car allowance for executive of \$2,083 per month.

(h) Executive will be indemnified and defended for acts performed (or omissions made) in Executive's capacity as an officer or director of the Company to the fullest extent specified in the Company's certificate of incorporation and bylaws and as permitted under Delaware law.

(i) For the period from the Commencement Date to the earlier of (x) six (6) months after the Commencement Date and (y) the time Executive sells her current primary residence in Dallas, Texas (the "Current Home") and relocates her primary residence to a non-temporary residence within reasonable commuting distance from the Company's principal offices in Burlington, New Jersey (the "New Home"), the Company will reimburse to the Executive, reasonable housing accommodations for Executive and her family (not to exceed Four Thousand Dollars (\$4,000.00) per month) (the "Housing Allowance"). Executive acknowledges that she will be solely responsible for the excess of the amount of Executive's actual cost of housing accommodations over Four Thousand Dollars (\$4,000.00) per month. The Company shall also reimburse Executive for any applicable federal and state income and payroll taxes paid by Executive resulting from the inclusion of the Housing Allowance in her taxable income, payable in accordance with the Company's general payroll practices and based on the highest applicable marginal state and federal income tax rates. Executive agrees to provide to the Company documentation showing that the reimbursed amounts are taxable at such rates for the year in question. The obligation of the Company to provide reimbursement for Executive's federal tax liability will be adjusted to take into account the federal tax benefit, if any, of state income taxes applicable to the inclusion in taxable income of the amount of such amounts paid or reimbursed, regardless of the year in which such federal tax benefit is realized by Executive. Notwithstanding the preceding or anything herein to the contrary, it is understood and agreed that the gross up of taxes hereunder shall only apply to reimburse Executive for taxes assessed or levied upon the Housing Allowance on a one-time basis and shall not apply to any tax assessed or levied against such reimbursement of taxes. In addition to the preceding, in the event that Executive sells, disposes of or otherwise relinquishes her Current Home and relocates to (and establishes her primary residence at) the New Home, in each case within eighteen (18) months of the Commencement Date, the Company shall pay (i) Executive a relocation allowance of Three Hundred Thousand Dollars (\$300,000.00) (the "Relocation Allowance"), and (ii) directly the costs associated with moving, storage and pickup (estimated at \$37,600) (the "Moving Costs"), provided the payment of the Relocation



Allowance shall be paid only after the Company receives satisfactory documentation regarding such relocation, and the Moving Costs shall be paid only after the Company receives satisfactory documentation of such costs. Such Relocation Allowance shall be subject to tax, shall not be grossed up for tax purposes and shall be in lieu of any other payment or reimbursement for the costs of relocation by Executive from her Current Home including, without limitation, moving expenses, temporary housing expense, travel, loss on sale of current home, financing on purchase of new home, brokerage commissions, attorneys fees, title, insurance, income and employment tax and any other expense.

Executive shall be entitled to a Commencement Date bonus equal to One Hundred Thousand Dollars (\$100,000.00) payable within fifteen (15) days after the Commencement Date. Such bonus shall be subject to tax and shall not be grossed up for tax purposes.

(j) Notwithstanding anything herein to the contrary, in the event Executive's employment with the Company is terminated either voluntarily by Executive (other than for Good Reason) or for Cause by the Company within eighteen (18) months after the respective dates on which Executive receives payment under Section 3(i) above, Executive shall immediately repay to the Company the net after-tax amount of all amounts paid to Executive or on Executive's behalf by the Company or reimbursed to Executive by the Company pursuant to said Section 3(i).

4. Termination and Payment Terms.

(a) The Employment Period shall end on the Expiration Date; provided, that (i) the Employment Period shall terminate prior to such date immediately upon Executive's resignation, death or Disability and (ii) the Employment Period may be terminated by resolution of the Board, with or without Cause at any time prior to such date. Except as otherwise provided herein, any termination of the Employment Period by the Company shall be effective as specified in a written notice from the Company to Executive.

(b) If the Employment Period is terminated by the Company on or prior to the Expiration Date:

(i) (A) by resolution of the Board (other than for Cause) or by Executive resigning for Good Reason or (B) if the Employment Period expires on the Expiration Date, Executive shall be entitled to receive (1) all previously earned and accrued but unpaid Base Salary and vacation and unpaid business expenses up to the date of such termination or the Expiration Date, as applicable, (2) severance pay in the full amount of Base Salary at the time of termination or expiration from the date of termination or the Expiration Date, as applicable, through the period ending on the first anniversary of the date of termination or the Expiration Date, as applicable, and (3) full continuation of Executive's medical, dental and vision insurance benefits during the one year severance period (but only to the extent such medical, dental and vision insurance benefits (i) were previously elected by Executive and in effect immediately prior to the date of termination of the Employment Period or Expiration Date, as applicable, and (ii) can be provided by Company under the Company's insurance plans during the one year severance period (to the extent any of those benefits cannot be provided by the Company during the one year severance period, the Company will provide Executive with a sum of money

calculated to permit Executive to obtain the same benefits individually, grossed up for tax purposes so that Executive remains whole); provided, however, that, if after the date of termination of the Employment Period or Expiration Date, as applicable, and during the period when Executive is receiving continuation payments under clause (2) above or medical, dental and vision insurance benefits under clause (3) above, Executive shall receive compensation from any source for services provided by Executive which are substantially similar to services provided by Executive under this Agreement or accepts employment with a third party, (x) Executive shall give notice to the Company immediately upon entering into any such arrangement or employment together with the full details thereof, (y) the amounts payable to Executive pursuant to clause (2) shall be reduced by the amount of any compensation received by Executive from such third party or new employer in respect of any services to be provided by Executive to such third party or new employer during the period prior to the first anniversary of the date of termination of the Employment Period or the Expiration Date, as applicable, and (z) the medical, dental and vision insurance benefits provided pursuant to clause (3) shall immediately cease on the earlier of (i) the date Executive is first entitled to receive such benefits from Executive's new employer (such date to be promptly reported to the Company), or (ii) the first anniversary of the date of termination or the Expiration Date, as applicable.

(ii) for any other reason, including as a result of Executive's death, Disability, voluntary resignation for other than Good Reason or by resolution of the Board for Cause, Executive's sole entitlement shall be to receive all previously earned and accrued but unpaid Base Salary, vacation and unpaid business expenses up to the date of such termination or expiration and Executive shall not be entitled to any further Base Salary, bonus payments or benefits for that year or any future year, except as required by law, or to any other severance compensation of any kind.

(c) Executive agrees that: (i) Executive shall be entitled to the payments and services provided for in Sections 4(b)(i)(2) and 4(b)(i)(3), if any, if and only if Executive has executed and delivered the Release (and no longer subject to revocation, if applicable) attached as Exhibit A within sixty days following the date of termination and Executive has not breached as of the date of termination of the Employment Period the provisions of Sections 5, 6 and 7 hereof and does not breach such sections or such covenants at any time during the period for which such payments or services are to be made; and (ii) the Company's obligation to make such payments and services will terminate upon the occurrence of any such breach during such period.

(d) Except as stated above, any payments pursuant to Section 4(b) shall be paid by the Company in regular installments in accordance with the Company's general payroll practices, and following such payments the Company shall have no further obligation to Executive pursuant to this Section 4 except as provided by law; provided that to the extent that the payment of any amount constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code (as defined in subsection (g) hereof), any such payment scheduled to occur during the first sixty (60) days following the termination of employment shall not be paid until the first regularly scheduled pay period following the sixtieth (60<sup>th</sup>) day following such termination and shall include payment of any amount that was otherwise scheduled to be paid prior thereto. All amounts payable to Executive as compensation hereunder shall be subject to all customary withholding, payroll and other taxes. The Company shall be entitled to deduct or

withhold from any amounts payable to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes imposed with respect to Executive's compensation or other payments or Executive's ownership interest in the Company (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity).

(e) Executive hereby agrees that except as expressly provided herein, no severance compensation of any kind, nature or amount shall be payable to Executive and except as expressly provided herein, Executive hereby irrevocably waives any claim for severance compensation.

(f) Except as provided in Sections 4(b)(i) and (b)(ii) above, all of Executive's rights pursuant to Sections 3(c), 3(d), 3(e), 3(f), 3(g), and 3(i) shall cease upon the termination of the Employment Period.

(g) Notwithstanding anything herein to the contrary, if, at the time any payment is payable to Executive pursuant to the provisions of Section 4(b)(i) above as a result of Executive's "separation from service" (within the meaning of Section 409A of the Internal revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder, the Company or any company in the affiliate group in which the Company's financial statements are consolidated in accordance with generally accepted accounting principles has a class of equity securities traded on an established domestic or foreign securities market or otherwise including, without limitation, trading on an American exchange only as American Depositary receipts ("ADR'S") and Executive is designated a "specified person" (as such term is defined in Section 409A of the Code and the regulations promulgated thereunder) on a list prepared by the Company periodically pursuant to Section 409A of the Code and the regulations promulgated thereunder, then during the six month period from and after the date of Executive's "separation from service" the amount payable to Executive pursuant to the provisions of Section 4(b)(i) of the Employment Agreement that is subject to Section 409A of the Code shall not exceed the lesser of (x) two times Executive's annual base compensation or (y) two times the amount determined pursuant to Section 401(a)(17) of the Code, and any excess amount which accrues to Executive during such period shall be withheld during such period and paid to Executive in a lump sum upon the expiration of six months after the date of "separation from service" (or , if earlier than the end of such six month period, upon Executive's death). Any further amounts payable to Executive pursuant to Section 4(b) (i) thereafter accruing shall be paid on their scheduled payment dates.

#### 5. Confidential Information.

(a) Executive acknowledges and agrees that the information, observations and data (including trade secrets) obtained by Executive while employed by the Company and its Subsidiaries concerning the business or affairs of the Company and its Subsidiaries are the confidential information ("Confidential Information"), and the property, of the Company and/or its Subsidiaries. Without limiting the foregoing, the term "Confidential Information" shall be interpreted as broadly as possible to include all observations, data and other information of any sort that are (i) related to any past, current or potential business of the

Company or any of its Subsidiaries or any of their respective predecessors, and any other business related to any of the foregoing, and (ii) not generally known to and available for use by those within the line of business or industry of the Company or by the public (except to the extent such information has become generally known to and available for use by the public as a direct or indirect result of Executive's acts or omissions) including all (A) Work Product (as defined below); (B) information concerning development, acquisition or investment opportunities in or reasonably related to the business or industry of the Company or any of its Subsidiaries of which Executive is aware or becomes aware during the term of her employment; (C) information identifying or otherwise concerning any current, former or prospective suppliers, distributors, contractors, agents or customers of the Company or any of its Subsidiaries; (D) development, transition, integration and transformation plans, methodologies, processes and methods of doing business; (E) strategic, marketing, promotional and financial information (including all financial statements), business and expansion plans, including plans and information regarding planned, projected and/or potential sales, pricing, discount and cost information; (F) information identifying or otherwise concerning employees, independent contractors and consultants; (G) information on new and existing programs and services, prices, terms, and related information; (H) the terms of this Agreement; (I) all information marked, or otherwise designated, as confidential by the Company or any of its Subsidiaries or which Executive should reasonably know is confidential or proprietary information of the Company or any of its Subsidiaries; (J) all information or materials similar or related to any of the foregoing, in whatever form or medium, whether now existing or arising hereafter (and regardless of whether merely stored in the mind of Executive or employees or consultants of the Company or any of its Subsidiaries, or embodied in a tangible form or medium); and (K) all tangible embodiments of any of the foregoing.

(b) Therefore, Executive agrees that, except as required by law or court order, including, without limitation, depositions, interrogatories, court testimony, and the like (and in such case provided that Executive must give the Company and/or its Subsidiaries, as applicable, prompt written notice of any such legal requirement, disclose no more information than is so required and seek, at the Company's sole cost and expense, confidential treatment where available and cooperate fully with all efforts by the Company and/or its Subsidiaries to obtain a protective order or similar confidentiality treatment for such information), Executive shall not disclose to any unauthorized person or entity or use for Executive's own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a direct or indirect result of Executive's acts or omissions. Executive shall deliver to the Company at the termination or expiration of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to the Confidential Information (including any Work Product (as defined below)) or the business of the Company and its Subsidiaries which Executive may then possess or have under Executive's control and if, at any time thereafter, any such materials are brought to Executive's attention or Executive discovers them in her possession or control, Executive shall deliver such materials to the Company immediately upon such notice or discovery.

6. Intellectual Property, Inventions and Patents. Executive acknowledges and agrees that all discoveries, concepts, ideas, inventions, innovations, improvements,

developments, methods, specifications, designs, analyses, drawings, reports, patents and patent applications, processes, programs, systems, software, firmware, materials, plans, sketches, models, know-how, devices, developments, data, databases, technology, trade secrets, works of authorship, copyrightable works and mask works (whether or not including any confidential information) and all registrations or applications related thereto, all other intellectual property or proprietary information and all similar or related information (whether or not patentable or copyrightable and whether or not reduced to tangible form or practice) which relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company or its predecessors and its Subsidiaries ("Work Product") shall be deemed to be "work made for hire" (as defined in the Copyright Act, 17 U.S.C.A. §101 et seq., as amended) and owned exclusively by the Company. To the extent that any Work Product is not deemed to be "work made for hire" under applicable law, and all right, title and interest in and to such Work Product have not automatically vested in the Company, Executive hereby (A) irrevocably assigns, transfers and conveys, and shall assign transfer and convey, to the full extent permitted by applicable law, all right, title and interest in and to the Work Product on a worldwide basis to the Company (or such other person or entity as the Company shall designate), without further consideration, and (B) waives all moral rights in or to all Work Product, and to the extent such rights may not be waived, agrees not to assert such rights against the Company or its respective licensees, successors or assigns. Executive shall, at the Company's expense, execute all documents and perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish, confirm, evidence, effectuate, maintain, protect, enforce, perfect, record, patent or register any of the Company's rights hereunder (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Non-Compete, Non-Solicitation.

(a)

In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges and agrees that during the course of Executive's employment with the Company and its Subsidiaries Executive shall become familiar with the Company's trade secrets and with other Confidential Information and that Executive's services have been and shall be of special, unique and extraordinary value to the Company and its Subsidiaries, and therefore, Executive agrees that, during her employment with the Company and for a period of one year thereafter (the "Non-Compete Period"), Executive shall not directly or indirectly (whether as an owner, partner, shareholder, agent, officer, director, employee, independent contractor, consultant or otherwise) own any interest in, operate, invest in, manage, control, participate in, consult with, render services for (alone or in association with any person or entity), in any manner engage in any business activity on behalf of a Competing Business within any geographical area in which the Company or its Subsidiaries operates or plan to operate. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation. For purposes of this paragraph, "Competing Business" means each of the following entities, together with their respective subsidiaries and affiliates: Macy's, TJ Maxx, Marshalls, Ross Stores, Stein Mart, Century 21, Forman Mills and Schottenstein Stores.

(b) During the Non-Compete Period, Executive shall not, directly or indirectly, and shall ensure that any person or entity controlled by Executive does not, (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire, directly or through another person, any person (whether or not solicited) who was an executive of the Company or any Subsidiary at any time within the one year period before Executive's termination from employment, (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, engage in or assist any person or entity in engaging in any Competing Business or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (Executive understands that any person or entity that Executive contacted during the one year period prior to the date of Executive's termination of employment for the purpose of soliciting sales from such person or entity shall be regarded as a "potential customer" of the Company and its Subsidiaries as to whom the Company has a protectible proprietary interest) or (iv) make or solicit or encourage others to make or solicit directly or indirectly any defamatory statement or communication about the Company or any of its Subsidiaries or any of their respective businesses, products, services or activities (it being understood that such restriction shall not prohibit truthful testimony compelled by valid legal process).

8. Enforcement.

(a) Executive acknowledges and agrees that the Company entered into this Agreement in reliance on the provisions of Sections 5, 6 and 7 and the enforcement of this Agreement is necessary to ensure the preservation, protection and continuity of the business of the Company and its Subsidiaries and other Confidential Information and goodwill of the Company and its Subsidiaries to the extent and for the periods of time expressly agreed to herein. Executive acknowledges and agrees that she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company and its Subsidiaries now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

(b) Notwithstanding any provision to the contrary herein, the Company or its Subsidiaries may pursue, at its discretion, enforcement of Sections 5, 6 and 7 in any court of competent jurisdiction (each a "Court").

(c) Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. More specifically, if any Court determines that any of the

covenants set forth in Sections 5, 6 and 7 are overbroad or unreasonable under applicable law in duration, geographical area or scope, the parties to this Agreement specifically agree and authorize such Court to rewrite this Agreement to reflect the maximum duration, geographical area and/or scope permitted under applicable law.

(d) Because Executive's services are unique and because Executive has intimate knowledge of and access to Confidential Information and Work Product, the parties hereto agree that money damages would not be an adequate remedy for any breach of Sections 5, 6 and 7, and any breach of the terms of Sections 5, 6 and 7 would result in irreparable injury and damage to the Company and its Subsidiaries for which the Company and its Subsidiaries would have no adequate remedy at law. Therefore, in the event of a breach or threatened breach of Sections 5, 6 and 7, the Company or its successors or assigns, in addition to any other rights and remedies existing in their favor at law or in equity, shall be entitled to specific performance and/or immediate injunctive or other equitable relief from a Court in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), without having to prove damages. The terms of this Section 8 shall not prevent the Company or any of its Subsidiaries from pursuing any other available remedies for any breach or threatened breach of this Agreement, including the recovery of damages from Executive.

9. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which she is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. **EXECUTIVE HEREBY ACKNOWLEDGES, AGREES AND REPRESENTS THAT EXECUTIVE HAS CONSULTED WITH INDEPENDENT LEGAL COUNSEL REGARDING EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT AND THE TERMS OF THE RELEASE ATTACHED AS EXHIBIT A AND THAT EXECUTIVE FULLY UNDERSTANDS THE TERMS AND CONDITIONS CONTAINED HEREIN AND THEREIN.**

10. Survival. The provisions of Sections 3(h) and 3(j) and Sections 4 through 20, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the termination of the Employment Period.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service with confirmation of delivery, sent by facsimile (with evidence of transmission) or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

To Executive:

Janet Dhillon  
10 Ashby Street  
Alexandria, Virginia 22305

To the Company:

Burlington Coat Factory Warehouse Corporation  
2006 Route 130  
Burlington, New Jersey 08016  
Attention: Corporate Counsel  
Facsimile No.: (609) 589-2978

with copies (which shall not constitute notice) to:

Kirkland & Ellis LLP  
601 Lexington Avenue  
New York, NY 11002-4675  
Attention:  
Facsimile No.: (212) 446-6460

Josh Korff, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when personally delivered, one (1) business day following delivery to the overnight courier service, if given by facsimile, when such facsimile is transmitted to the applicable fax number specified above and the appropriate facsimile confirmation is received, or if so mailed, on receipt.

12. Complete Agreement. This Agreement and those other documents expressly referred to herein embody the complete agreement and understanding among the parties hereto and supersede and preempt any prior understandings, agreements or representations by or among the parties hereto, written or oral, which may have related to the subject matter hereof in any way.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns; provided, that the services provided by Executive under this Agreement are of a personal nature and rights and obligations of Executive under this Agreement shall not be assignable.

15. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction)



that would cause the application of the laws of any jurisdiction other than the State of New York. In furtherance of the foregoing, the internal law of the State of New York shall control the interpretation and construction of this Agreement, even though under that jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

16. Consent to Jurisdiction. EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE OR FEDERAL COURTS LOCATED IN THE CITY AND STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO FURTHER AGREES THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY U.S. REGISTERED MAIL TO SUCH PARTY'S RESPECTIVE ADDRESS SET FORTH IN SECTION 11 SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTERS TO WHICH IT HAS SUBMITTED TO JURISDICTION IN THIS SECTION 16. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY IN THE STATE OR FEDERAL COURTS LOCATED IN THE CITY AND STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN AND HEREBY AND THEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

17. Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL, EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

18. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

19. Key Man Life Insurance. The Company may apply for and obtain and maintain a key man life insurance policy in the name of Executive together with other executives of the Company in an amount deemed sufficient by the Board, the beneficiary of which shall be the Company. Executive shall submit to physical examinations and answer reasonable questions

in connection with the application and, if obtained, the maintenance of, as may be required, such insurance policy.

20. Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation or administrative, regulatory or judicial proceeding as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments). In the event the Company requires Executive's cooperation in accordance with this section after the termination of the Employment Period, the Company shall reimburse Executive for all of Executive's reasonable costs and expenses incurred, in connection therewith, plus pay Executive a reasonable amount per day for Executive's time spent.

21. Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Section 409A of the Code or damages for failing to comply with Section 409A of the Code. To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Code Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

\* \* \* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION

By: /s/ Joyce Manning Magrini  
Name: Joyce Manning Magrini  
Title: EVP – Human Resources

/s/ Janet Dhillon  
EXECUTIVE: Janet Dhillon

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GENERAL RELEASE

I, [\_\_\_\_\_], in consideration of and subject to the performance by Burlington Coat Factory Warehouse Corporation, a Delaware corporation (together with its subsidiaries, the "Company"), of its obligations with respect to the payment of severance pursuant to Sections 4(b)(i)(2) and 4(b)(i)(3) of the Employment Agreement, dated as of \_\_\_\_\_, 20\_\_ (the "Agreement") and this General Release (the "General Release"), do hereby release and forever discharge as of the date hereof the Company, its subsidiaries and affiliates and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Companies and their subsidiaries and affiliates and the Company's direct and indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments paid to me under Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement represent consideration for signing this General Release and are not salary or wages to which I was already entitled. I understand and agree that I will not receive the payments specified in Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release or Sections 5, 6 or 7 of the Agreement. Such payments will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates. I also acknowledge and represent that I have received all salary, wages and bonuses that I am entitled to receive (as of the date hereof) by virtue of any employment by the Company.
2. Except as provided in paragraphs 4, 12 and 13 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act, collectively, the "ADEA"); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies,

practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.
4. I agree that this General Release does not waive or release any rights or claims that I may have under the the ADEA which arise after the date I execute this General Release. I acknowledge and agree that my engagement and employment by, and separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the ADEA).
5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to make any payments pursuant to the terms of Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company or any other Released Party, or in the event I should seek to recover against the Company or any other Released Party in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.
6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.
7. I agree that I will forfeit all amounts payable by the Company pursuant to Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will return all severance payments received by me pursuant to Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement (except to the extent that any such return is prohibited by the ADEA).
8. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other advisor I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

9. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority, Inc. (FINRA), any other self-regulatory organization or governmental entity.
10. I agree that, as of the date hereof, I have returned to the Company any and all property, tangible or intangible, relating to its business, which I possessed or had control over at any time (including, but not limited to, company-provided credit cards, building or office access cards, keys, computer equipment, manuals, files, documents, records, software, customer data base and other data) and that I shall not retain any copies, compilations, extracts, excerpts, summaries or other notes of any such manuals, files, documents, records, software, customer data base or other data other than such documents as are generally or publicly known; provided, that such documents are not known as a result of my breach or actions in violation of the Agreement or this General Release.
11. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof or any other rights or claims I may have against the Company or any Released Party arising after the date hereof.
12. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
13. As set forth in Section 10 of the Agreement, Section 3(h) and 3(j) and Sections 4 through 20 of the Agreement, inclusive, survived the termination of my employment and are incorporated herein and made part hereof.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

- (i) I HAVE READ IT CAREFULLY;
- (ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963 AND THE AMERICANS WITH DISABILITIES ACT OF 1990;
- (iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

- (iv) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
- (v) I HAVE HAD AT LEAST 21 DAYS (OR 45 DAYS, AS REQUIRED BY LAW) FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON \_\_\_\_\_, \_\_\_\_\_ TO CONSIDER IT AND THE CHANGES MADE SINCE THE \_\_\_\_\_, \_\_\_\_\_ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY (OR 45-DAY, AS APPLICABLE) PERIOD;
- (vi) ANY CHANGES TO THE AGREEMENT SINCE [\_\_\_\_\_, 200\_] EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.
- (vii) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED WITHOUT NOTICE OF ANY SUCH REVOCATION HAVING BEEN RECEIVED BY THE COMPANY;
- (viii) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (ix) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: \_\_\_\_\_

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made as of July 28, 2015, by and between Burlington Coat Factory Warehouse Corporation, a Delaware corporation (the “Company”), and Jennifer Vecchio (“Executive”).

WHEREAS, Executive and the Company previously entered into an employment agreement dated May 11, 2015; and

WHEREAS, Executive and the Company desire to amend and restate the employment agreement in its entirety on the terms and conditions set forth herein; and

WHEREAS, the Company desires to employ Executive during the Employment Period, and Executive is willing to accept employment with the Company, on the terms and conditions set forth herein; and

WHEREAS, the agreements of Executive in Sections 5, 6 and 7 are material inducements to enter into this Agreement.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In this Agreement:

“Base Salary” has the meaning given to that term in Section 3(a).

“Board” means the Board of Directors of the Company.

“Cause” means Executive (i) is convicted of a felony or other crime involving dishonesty towards the Company or any of its Subsidiaries or material misuse of property of the Company or any of its Subsidiaries; (ii) engages in willful misconduct or fraud with respect to the Company or any of its Subsidiaries or any of their customers or suppliers or an intentional act of dishonesty or disloyalty in the course of Executive’s employment; (iii) refuses to perform Executive’s material obligations under this Agreement (except in connection with a Disability) as reasonably directed by the Board or the Company’s chief executive officer, which failure is not cured within 15 days after written notice thereof to Executive; (iv) misappropriates one or more of the Company’s or any of its Subsidiaries material assets or business opportunities; or (v) breaches Sections 5, 6 or 7 hereof which breach, if capable of being cured, is not cured within 10 days of written notice thereof has been delivered to Executive. The Company may allow Executive an extension of time to cure a breach if the Board, in its sole discretion, determines that such extension is appropriate under the circumstances.

“Company” has the meaning set forth in the preamble above; together with its Subsidiaries and affiliates and includes all predecessor entities.

“Confidential Information” has the meaning given to that term in Section 5(a).

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“Consulting Agreement” shall mean that certain Consulting Agreement by and between Burlington Stores, Inc. and Jennifer Vecchio dated December 13, 2013.

“Court” has the meaning given to that term in Section 8(b).

“Disability” means Executive’s inability to perform the essential duties, responsibilities and functions of Executive’s position with the Company and its Subsidiaries for any period totaling one hundred and eighty (180) days in any consecutive twelve (12) month period as a result of any mental or physical disability or incapacity, as determined under the definition of disability in the Company’s long-term disability plan so as to qualify Executive for benefits under the terms of that plan or as determined by an independent physician to the extent no such plan is then in effect. Executive shall cooperate in all respects with the Company if a question arises as to whether Executive has become disabled (including, without limitation, submitting to an examination by a medical doctor or other health care specialists selected by the Company and authorizing such medical doctor or such other health care specialist to discuss Executive’s condition with the Company).

“Employment Period” means the period commencing on May 11, 2015 (the “Commencement Date”) and ending on the Expiration Date or such earlier date as contemplated in the proviso to Section 4(a).

“Expiration Date” means the first anniversary of the Commencement Date; provided, that if a written notice is not given by the Company at least ninety (90) days prior to such anniversary (or any subsequent anniversary if this Agreement is extended) stating that such party is electing not to extend the Employment Period, then the Expiration Date will automatically be extended to the next anniversary of the date hereof.

“Expiration Year” means the calendar year in which the Employment Period expires.

“Good Reason” means the occurrence of any of the following events without the written consent of Executive: (i) a material diminution of Executive’s duties or the assignment to Executive of duties that are inconsistent in any substantial respect with the position, authority or responsibilities associated with Executive’s position as set forth pursuant to Section 2(b), other than any such authorities, duties or responsibilities assigned at any time which are by their nature, or which are identified at the time of assignment, as being temporary or short-term; (ii) the Company’s requiring Executive to be based at a location which is fifty (50) or more miles from Executive’s principal office location on the Commencement Date; or (iii) a material breach by the Company of its obligations pursuant to this Agreement (including, without limitation, its obligations pursuant to Section 3) (which such breach goes uncured after notice and a reasonable opportunity to cure); provided, however, no condition enumerated in the preceding shall be deemed to be “Good Reason” unless within thirty (30) days of the initial existence of such condition, Executive shall have given the Company written notice thereof specifically describing the condition giving rise to “Good Reason” and allowing the Company a period of at least thirty (30) days from the date of receipt of the notice to remedy such condition. Notwithstanding the foregoing, in no event will a condition give rise to “Good Reason” hereunder unless within ten (10) days after the expiration of the period provided in the Executive’s notice for the Company to

remedy said condition but in no event later than one hundred and twenty (120) days initial existence of said condition, Executive shall have actually terminated her employment with the Company by giving written notice of resignation for failure of the Company to remedy such condition.

“Termination Year” means the calendar year in which the Employment Period is terminated.

“Subsidiaries” means any corporation or other entity of which the securities or other ownership interests having the voting power to elect a majority of the board of directors or other governing body are, at the time of determination, owned by the Company, directly or through one of more Subsidiaries.

“Work Product” has the meaning given to that term in Section 6.

2. Employment, Position and Duties.

(a) The Company shall employ Executive and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the Employment Period.

(b) During the Employment Period, Executive shall serve as Executive Vice President and Chief Merchandising Officer of the Company and shall perform the normal duties, responsibilities and functions of an executive officer with similar role of a company of a similar size and type and shall have such power and authority as shall reasonably be required to enable Executive to perform Executive’s duties hereunder, subject to the power and authority of the Board to expand or limit such duties, responsibilities, functions, power and authority and to overrule actions of officers of the Company in a manner consistent with the traditional responsibilities of such office. Executive shall be based out of the Company’s New York City buying office but shall be required to spend at least one (1) day each week in the Company’s Florence, New Jersey headquarters; provided, however, that Executive shall be permitted to work remotely during July 2015 and August 2015 (with such exceptions as are reasonably requested by the Company).

(c) During the Employment Period, Executive shall (i) render such administrative, financial and other executive and managerial services to the Company and its Subsidiaries which are consistent with Executive’s position as the Board may from time to time direct, (ii) report to the Company’s President and Chief Executive Officer or such other person designated by the Company’s President and Chief Executive Officer from time to time and shall devote Executive’s best efforts and Executive’s full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Subsidiaries and (iii) submit to the Board all business, commercial and investment opportunities presented to Executive or of which Executive becomes aware which relate to the business of the Company and its Subsidiaries, and unless approved by the Board in writing, Executive shall not pursue, directly or indirectly, any such opportunities on Executive’s own behalf. Executive shall perform Executive’s duties, responsibilities and

functions to the Company and its Subsidiaries hereunder to the best of Executive's abilities in a diligent, trustworthy and professional manner.

3. Compensation and Benefits.

(a) During the Employment Period, Executive's base salary shall be a minimum of Six Hundred and Fifty Thousand Dollars (\$650,000.00) per annum (as increased or decreased in accordance with this Agreement from time to time, the "Base Salary"), which salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices (in effect from time to time). Executive's Base Salary will be subject to annual review and increase or decrease (but shall not be decreased below the Base Salary in effect on the date of this Agreement) by the Board during the Employment Period.

(b) Executive shall be entitled to participate in the Company's Management Bonus Plan applicable to employees of comparable level with Executive as approved by the Board or a committee thereof, as in effect from time to time, with a target annual bonus of seventy-five percent (75%) of Executive's Base Salary ("Target Bonus"); provided, however, that, (i) with respect to the bonus period within which the Commencement Date occurs (and subject to Executive's meeting all requirements under the applicable bonus plan in such period), the bonus payable to Executive, if any, will be prorated based on the number of days between the Commencement Date and the end of such bonus period divided by the total number of days in the bonus period; and (ii) Executive shall be entitled to receive a bonus pursuant to Section 4(b) of the Consulting Agreement with respect to the period commencing February 1, 2015 and ending on the date prior to the Commencement Date, solely to the extent the criteria and metrics set forth in such section are satisfied, which bonus (if any) shall be payable as set forth in the Consulting Agreement. For clarification purposes, no bonus shall be payable pursuant to Section 4(b) of the Consulting Agreement for any period from or after the Commencement Date, and the Consulting Agreement shall terminate and be of no further force or effect as of the Commencement Date. Bonuses under any bonus plan (including, without limitation, the Company's Management Bonus Plan) are forfeited and not payable in the event that Executive is not employed by Company on the payment date of any such bonus.

(c) The Board, or a committee or appointee thereof, during the term of this Agreement, shall review annually, or at more frequent intervals which the Board determines is appropriate, Executive's compensation and may award Executive compensation as the Board deems appropriate in its sole discretion; provided, however, that Executive's base salary shall not be reduced pursuant to any such review or otherwise.

(d) Executive shall be entitled to the number of paid vacation and other paid time off in each calendar year in accordance with the Company's policies applicable to employees of comparable level, which if not taken in any year may not be carried forward to any subsequent calendar year and no compensation shall be payable in lieu thereof. Such vacation will accrue as of January 1 of each year, except that if Executive's employment commences after January 31 of any calendar year, Executive shall accrue the total number of paid time off days available for a calendar year pro rated for the number of full calendar months remaining in the calendar year in which the Employment Period commences, divided by 12.

(e) During the Employment Period, the Company shall reimburse Executive for all reasonable business expenses incurred by Executive in the course of performing Executive's duties, responsibilities and functions under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(f) Executive shall be entitled to participate, on the same basis as other executives of comparable level in the Company, in any compensation, bonus, incentive, award, executive medical reimbursement, deferred compensation, pension, retirement, stock award, stock option or other benefit, plan or arrangement of the Company (including, without limitation, any plan sponsored by the entity owning or controlling the Company, or any affiliate of such entity) now existing or hereafter adopted, all upon terms at least as favorable as those enjoyed by other salaried employees of comparable level of the Company; provided, however, the Company may restrict or exclude Executive's participation in any such plan, or the benefits thereunder, on such terms and conditions as the Company shall in its sole discretion determine, if at any time Executive shall be working fewer than five days a week or on other part-time basis during regular business days. Executive also shall be entitled to hospital, health, disability, medical and life insurance, and any other benefits enjoyed, from time to time, by other salaried employees of the Company of comparable level, all upon terms as favorable as those enjoyed by other salaried employees of comparable level of the Company. Notwithstanding anything in this Section 3(f) to the contrary, if the Company adopts any change in the benefits provided for other salaried employees of the Company of comparable level, and such policy is uniformly applied to all such employees of the Company (and any successor or acquirer of the Company, if any), then no such change shall be deemed a breach by the Company of this Section 3(f).

(g) Executive shall be entitled to participate in the Company automobile program in effect from time to time on the same terms as made available to employees of comparable level. Currently, such program provides for a car allowance for executive of \$2,083 per month. Executive, at Executive's discretion, may apply such allowance towards the cost of lease or purchase of an automobile or towards the costs of car service or other similar transportation service, but Executive shall not be entitled to any additional allowance or reimbursement in respect of the same.

(h) Executive will be indemnified and defended for acts performed (or omissions made) in Executive's capacity as an officer or director of the Company to the fullest extent specified in the Company's certificate of incorporation and bylaws and as permitted under Delaware law.

(i) Executive shall be entitled to a Commencement Date Bonus equal to One Hundred Thousand Dollars (\$100,000.00) payable within fifteen (15) days after the Commencement Date.

(j) Notwithstanding anything herein to the contrary, in the event Executive's employment with the Company is terminated either voluntarily by Executive (other than for Good Reason) or for Cause by the Company within eighteen (18) months after the date on which Executive receives payment under Section 3(i) above, Executive shall immediately

repay to the Company the net after-tax amount of all amounts paid to Executive or on Executive's behalf by the Company or reimbursed to Executive by the Company pursuant to said Section 3(i).

(k) On or about the six (6) month anniversary of the Commencement Date, the Company's Chief Executive Officer shall review Executive's performance. In the event that Executive's performance is determined to be satisfactory to the Chief Executive Officer and subject to the approval of the Compensation Committee of the Board of Directors of Burlington Stores, Inc., Executive shall be entitled to receive a one-time grant of fifty thousand (50,000) shares of restricted Company common stock, such shares vesting twenty-five percent (25%) on each of the first four anniversaries of the grant date subject to Executive's continued employment.

4. Termination and Payment Terms.

(a) The Employment Period shall end on the Expiration Date; provided, that (i) the Employment Period shall terminate prior to such date immediately upon Executive's resignation, death or Disability and (ii) the Employment Period may be terminated by resolution of the Board, with or without Cause at any time prior to such date. Except as otherwise provided herein, any termination of the Employment Period by the Company shall be effective as specified in a written notice from the Company to Executive.

(b) If the Employment Period is terminated by the Company on or prior to the Expiration Date:

(i) (A) by resolution of the Board (other than for Cause) or by Executive resigning for Good Reason or (B) if the Employment Period expires on the Expiration Date, Executive shall be entitled to receive (1) all previously earned and accrued but unpaid Base Salary and vacation and unpaid business expenses up to the date of such termination or the Expiration Date, as applicable, (2) severance pay in the full amount of Base Salary at the time of termination or expiration from the date of termination or the Expiration Date, as applicable, through the period ending on the first anniversary of the date of termination or the Expiration Date, as applicable, and (3) full continuation of Executive's medical, dental and vision insurance benefits during the one year severance period (but only to the extent such medical, dental and vision insurance benefits (i) were previously elected by Executive and in effect immediately prior to the date of termination of the Employment Period or Expiration Date, as applicable, and (ii) can be provided by Company under the Company's insurance plans during the one year severance period (to the extent any of those benefits cannot be provided by the Company during the one year severance period, the Company will provide Executive with a sum of money calculated to permit Executive to obtain the same benefits individually, grossed up for tax purposes so that Executive remains whole); provided, however, that, if after the date of termination of the Employment Period or Expiration Date, as applicable, and during the period when Executive is receiving continuation payments under clause (2) above or medical, dental and vision insurance benefits under clause (3) above, Executive shall receive compensation from any source for services provided by Executive which are substantially similar to services provided by Executive under this Agreement or accepts employment with a third party, (x) Executive shall give notice to the Company immediately upon entering into any such

arrangement or employment together with the full details thereof, (y) the amounts payable to Executive pursuant to clause (2) shall be reduced by the amount of any compensation received by Executive from such third party or new employer in respect of any services to be provided by Executive to such third party or new employer during the period prior to the first anniversary of the date of termination of the Employment Period or the Expiration Date, as applicable, and (z) the medical, dental and vision insurance benefits provided pursuant to clause (3) shall immediately cease on the earlier of (i) the date Executive is first entitled to receive such benefits from Executive's new employer (such date to be promptly reported to the Company), or (ii) the first anniversary of the date of termination or the Expiration Date, as applicable.

(ii) for any other reason, including as a result of Executive's death, Disability, voluntary resignation for other than Good Reason or by resolution of the Board for Cause, Executive's sole entitlement shall be to receive all previously earned and accrued but unpaid Base Salary, vacation and unpaid business expenses up to the date of such termination or expiration and Executive shall not be entitled to any further Base Salary, bonus payments or benefits for that year or any future year, except as required by law, or to any other severance compensation of any kind.

(c) Executive agrees that: (i) Executive shall be entitled to the payments and services provided for in Sections 4(b)(i)(2) and 4(b)(i)(3), if any, if and only if Executive has executed and delivered the Release (and no longer subject to revocation, if applicable) attached as Exhibit A within sixty days following the date of termination and Executive has not breached as of the date of termination of the Employment Period the provisions of Sections 5, 6 and 7 hereof and does not breach such sections or such covenants at any time during the period for which such payments or services are to be made; and (ii) the Company's obligation to make such payments and services will terminate upon the occurrence of any such breach during such period.

(d) Except as stated above, any payments pursuant to Section 4(b) shall be paid by the Company in regular installments in accordance with the Company's general payroll practices, and following such payments the Company shall have no further obligation to Executive pursuant to this Section 4 except as provided by law; provided that to the extent that the payment of any amount constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code (as defined in subsection (g) hereof), any such payment scheduled to occur during the first sixty (60) days following the termination of employment shall not be paid until the first regularly scheduled pay period following the sixtieth (60<sup>th</sup>) day following such termination and shall include payment of any amount that was otherwise scheduled to be paid prior thereto. All amounts payable to Executive as compensation hereunder shall be subject to all customary withholding, payroll and other taxes. The Company shall be entitled to deduct or withhold from any amounts payable to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes imposed with respect to Executive's compensation or other payments or Executive's ownership interest in the Company (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity).

(e) Executive hereby agrees that except as expressly provided herein, no severance compensation of any kind, nature or amount shall be payable to Executive and

except as expressly provided herein, Executive hereby irrevocably waives any claim for severance compensation.

(f) Except as provided in Sections 4(b)(i) and (b)(ii) above, all of Executive's rights pursuant to Sections 3(c), 3(d), 3(e), 3(f), 3(g), and 3(i) shall cease upon the termination of the Employment Period.

(g) Notwithstanding anything herein to the contrary, if, at the time any payment is payable to Executive pursuant to the provisions of Section 4(b)(i) above as a result of Executive's "separation from service" (within the meaning of Section 409A of the Internal revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder, the Company or any company in the affiliate group in which the Company's financial statements are consolidated in accordance with generally accepted accounting principles has a class of equity securities traded on an established domestic or foreign securities market or otherwise including, without limitation, trading on an American exchange only as American Depositary receipts ("ADR'S") and Executive is designated a "specified person" (as such term is defined in Section 409A of the Code and the regulations promulgated thereunder) on a list prepared by the Company periodically pursuant to Section 409A of the Code and the regulations promulgated thereunder, then during the six month period from and after the date of Executive's "separation from service" the amount payable to Executive pursuant to the provisions of Section 4(b)(i) of the Employment Agreement that is subject to Section 409A of the Code shall not exceed the lesser of (x) two times Executive's annual base compensation or (y) two times the amount determined pursuant to Section 401(a)(17) of the Code, and any excess amount which accrues to Executive during such period shall be withheld during such period and paid to Executive in a lump sum upon the expiration of six months after the date of "separation from service" (or , if earlier than the end of such six month period, upon Executive's death). Any further amounts payable to Executive pursuant to Section 4(b) (i) thereafter accruing shall be paid on their scheduled payment dates.

5. Confidential Information.

(a) Executive acknowledges and agrees that the information, observations and data (including trade secrets) obtained by Executive while employed by the Company and its Subsidiaries concerning the business or affairs of the Company and its Subsidiaries are the confidential information ("Confidential Information"), and the property, of the Company and/or its Subsidiaries. Without limiting the foregoing, the term "Confidential Information" shall be interpreted as broadly as possible to include all observations, data and other information of any sort that are (i) related to any past, current or potential business of the Company or any of its Subsidiaries or any of their respective predecessors, and any other business related to any of the foregoing, and (ii) not generally known to and available for use by those within the line of business or industry of the Company or by the public (except to the extent such information has become generally known to and available for use by the public as a direct or indirect result of Executive's acts or omissions) including all (A) Work Product (as defined below); (B) information concerning development, acquisition or investment opportunities in or reasonably related to the business or industry of the Company or any of its Subsidiaries of which Executive is aware or becomes aware during the term of her employment;

(C) information identifying or otherwise concerning any current, former or prospective suppliers, distributors, contractors, agents or customers of the Company or any of its Subsidiaries; (D) development, transition, integration and transformation plans, methodologies, processes and methods of doing business; (E) strategic, marketing, promotional and financial information (including all financial statements), business and expansion plans, including plans and information regarding planned, projected and/or potential sales, pricing, discount and cost information; (F) information identifying or otherwise concerning employees, independent contractors and consultants; (G) information on new and existing programs and services, prices, terms, and related information; (H) the terms of this Agreement; (I) all information marked, or otherwise designated, as confidential by the Company or any of its Subsidiaries or which Executive should reasonably know is confidential or proprietary information of the Company or any of its Subsidiaries; (J) all information or materials similar or related to any of the foregoing, in whatever form or medium, whether now existing or arising hereafter (and regardless of whether merely stored in the mind of Executive or employees or consultants of the Company or any of its Subsidiaries, or embodied in a tangible form or medium); and (K) all tangible embodiments of any of the foregoing.

(b) Therefore, Executive agrees that, except as required by law or court order, including, without limitation, depositions, interrogatories, court testimony, and the like (and in such case provided that Executive must give the Company and/or its Subsidiaries, as applicable, prompt written notice of any such legal requirement, disclose no more information than is so required and seek, at the Company's sole cost and expense, confidential treatment where available and cooperate fully with all efforts by the Company and/or its Subsidiaries to obtain a protective order or similar confidentiality treatment for such information), Executive shall not disclose to any unauthorized person or entity or use for Executive's own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a direct or indirect result of Executive's acts or omissions. Executive shall deliver to the Company at the termination or expiration of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to the Confidential Information (including any Work Product (as defined below)) or the business of the Company and its Subsidiaries which Executive may then possess or have under Executive's control and if, at any time thereafter, any such materials are brought to Executive's attention or Executive discovers them in her possession or control, Executive shall deliver such materials to the Company immediately upon such notice or discovery.

6. Intellectual Property, Inventions and Patents. Executive acknowledges and agrees that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, specifications, designs, analyses, drawings, reports, patents and patent applications, processes, programs, systems, software, firmware, materials, plans, sketches, models, know-how, devices, developments, data, databases, technology, trade secrets, works of authorship, copyrightable works and mask works (whether or not including any confidential information) and all registrations or applications related thereto, all other intellectual property or proprietary information and all similar or related information (whether or not patentable or copyrightable and whether or not reduced to tangible form or practice) which relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development



or existing or future products or services and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company or its predecessors and its Subsidiaries (“Work Product”) shall be deemed to be “work made for hire” (as defined in the Copyright Act, 17 U.S.C.A. §101 et seq., as amended) and owned exclusively by the Company. To the extent that any Work Product is not deemed to be “work made for hire” under applicable law, and all right, title and interest in and to such Work Product have not automatically vested in the Company, Executive hereby (A) irrevocably assigns, transfers and conveys, and shall assign transfer and convey, to the full extent permitted by applicable law, all right, title and interest in and to the Work Product on a worldwide basis to the Company (or such other person or entity as the Company shall designate), without further consideration, and (B) waives all moral rights in or to all Work Product, and to the extent such rights may not be waived, agrees not to assert such rights against the Company or its respective licensees, successors or assigns. Executive shall, at the Company’s expense, execute all documents and perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish, confirm, evidence, effectuate, maintain, protect, enforce, perfect, record, patent or register any of the Company’s rights hereunder (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Non-Compete, Non-Solicitation.

(a) In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges and agrees that during the course of Executive’s employment with the Company and its Subsidiaries Executive shall become familiar with the Company’s trade secrets and with other Confidential Information and that Executive’s services have been and shall be of special, unique and extraordinary value to the Company and its Subsidiaries, and therefore, Executive agrees that, during her or her employment with the Company and for a period of one year thereafter (the “Non-Compete Period”), Executive shall not directly or indirectly (whether as an owner, partner, shareholder, agent, officer, director, employee, independent contractor, consultant or otherwise) own any interest in, operate, invest in, manage, control, participate in, consult with, render services for (alone or in association with any person or entity), in any manner engage in any business activity on behalf of a Competing Business within any geographical area in which the Company or its Subsidiaries operates or plan to operate. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation. For purposes of this paragraph, “Competing Business” means each of the following entities, together with their respective subsidiaries and affiliates: Macy’s, TJ Maxx, Marshalls, Ross Stores, Stein Mart, Century 21 Forman Mills and Schottenstein Stores.

(b) During the Non-Compete Period, Executive shall not, directly or indirectly, and shall ensure that any person or entity controlled by Executive does not, (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire, directly or through another person, any person (whether or not solicited) who was an executive of the Company or any Subsidiary at any time within the one year period before Executive’s termination from employment, (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation

of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, engage in or assist any person or entity in engaging in any Competing Business or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (Executive understands that any person or entity that Executive contacted during the one year period prior to the date of Executive's termination of employment for the purpose of soliciting sales from such person or entity shall be regarded as a "potential customer" of the Company and its Subsidiaries as to whom the Company has a protectible proprietary interest) or (iv) make or solicit or encourage others to make or solicit directly or indirectly any defamatory statement or communication about the Company or any of its Subsidiaries or any of their respective businesses, products, services or activities (it being understood that such restriction shall not prohibit truthful testimony compelled by valid legal process).

8. Enforcement.

(a) Executive acknowledges and agrees that the Company entered into this Agreement in reliance on the provisions of Sections 5, 6 and 7 and the enforcement of this Agreement is necessary to ensure the preservation, protection and continuity of the business of the Company and its Subsidiaries and other Confidential Information and goodwill of the Company and its Subsidiaries to the extent and for the periods of time expressly agreed to herein. Executive acknowledges and agrees that she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company and its Subsidiaries now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

(b) Notwithstanding any provision to the contrary herein, the Company or its Subsidiaries may pursue, at its discretion, enforcement of Sections 5, 6 and 7 in any court of competent jurisdiction (each a "Court").

(c) Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. More specifically, if any Court determines that any of the covenants set forth in Sections 5, 6 and 7 are overbroad or unreasonable under applicable law in duration, geographical area or scope, the parties to this Agreement specifically agree and authorize such Court to rewrite this Agreement to reflect the maximum duration, geographical area and/or scope permitted under applicable law.

(d) Because Executive's services are unique and because Executive has intimate knowledge of and access to Confidential Information and Work Product, the parties hereto agree that money damages would not be an adequate remedy for any breach of Sections 5,

6 and 7, and any breach of the terms of Sections 5, 6 and 7 would result in irreparable injury and damage to the Company and its Subsidiaries for which the Company and its Subsidiaries would have no adequate remedy at law. Therefore, in the event of a breach or threatened breach of Sections 5, 6 and 7, the Company or its successors or assigns, in addition to any other rights and remedies existing in their favor at law or in equity, shall be entitled to specific performance and/or immediate injunctive or other equitable relief from a Court in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), without having to prove damages. The terms of this Section 8 shall not prevent the Company or any of its Subsidiaries from pursuing any other available remedies for any breach or threatened breach of this Agreement, including the recovery of damages from Executive.

9. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which she is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. **EXECUTIVE HEREBY ACKNOWLEDGES, AGREES AND REPRESENTS THAT EXECUTIVE HAS CONSULTED WITH INDEPENDENT LEGAL COUNSEL REGARDING EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT AND THE TERMS OF THE RELEASE ATTACHED AS EXHIBIT A AND THAT EXECUTIVE FULLY UNDERSTANDS THE TERMS AND CONDITIONS CONTAINED HEREIN AND THEREIN.**

10. Survival. The provisions of Sections 3(h) and 3(j) and Sections 4 through 20, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the termination of the Employment Period.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service with confirmation of delivery, sent by facsimile (with evidence of transmission) or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

To Executive:

Jennifer Vecchio  
8 Warren Street, No. 7  
New York, New York 10007

To the Company:

Burlington Coat Factory Warehouse Corporation  
2006 Route 130  
Burlington, New Jersey 08016  
Attention: General Counsel  
Facsimile No.: (609) 239-9675

with copies (which shall not constitute notice) to:

Kirkland & Ellis LLP  
601 Lexington Avenue  
New York, NY 11002-4675  
Attention:  
Facsimile No.: (212) 446-6460

Josh Korff, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when personally delivered, one (1) business day following delivery to the overnight courier service, if given by facsimile, when such facsimile is transmitted to the applicable fax number specified above and the appropriate facsimile confirmation is received, or if so mailed, on receipt.

12. Complete Agreement. This Agreement and those other documents expressly referred to herein embody the complete agreement and understanding among the parties hereto and supersede and preempt any prior understandings, agreements or representations by or among the parties hereto, written or oral, which may have related to the subject matter hereof in any way.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns; provided, that the services provided by Executive under this Agreement are of a personal nature and rights and obligations of Executive under this Agreement shall not be assignable.

15. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. In furtherance of the foregoing, the internal law of the State of New York shall control the interpretation and construction of this Agreement, even though under that jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

16. Consent to Jurisdiction. EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE OR FEDERAL COURTS LOCATED IN THE CITY AND STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES

HERETO FURTHER AGREES THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY U.S. REGISTERED MAIL TO SUCH PARTY'S RESPECTIVE ADDRESS SET FORTH IN SECTION 11 SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTERS TO WHICH IT HAS SUBMITTED TO JURISDICTION IN THIS SECTION 16. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY IN THE STATE OR FEDERAL COURTS LOCATED IN THE CITY AND STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN AND HEREBY AND THEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

17. Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL, EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

18. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

19. Key Man Life Insurance. The Company may apply for and obtain and maintain a key man life insurance policy in the name of Executive together with other executives of the Company in an amount deemed sufficient by the Board, the beneficiary of which shall be the Company. Executive shall submit to physical examinations and answer reasonable questions in connection with the application and, if obtained, the maintenance of, as may be required, such insurance policy.

20. Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation or administrative, regulatory or judicial proceeding as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments). In the event the Company

requires Executive's cooperation in accordance with this section after the termination of the Employment Period, the Company shall reimburse Executive for all of Executive's reasonable costs and expenses incurred, in connection therewith, plus pay Executive a reasonable amount per day for Executive's time spent.

21. Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Section 409A of the Code or damages for failing to comply with Section 409A of the Code. To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Code Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

\* \* \* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION

By: /s/ Joyce Manning Magrini  
Name: Joyce Manning Magrini  
Title: EVP – Human Resources

/s/ Jennifer Vecchio  
EXECUTIVE: Jennifer Vecchio

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GENERAL RELEASE

I, [\_\_\_\_], in consideration of and subject to the performance by Burlington Coat Factory Warehouse Corporation, a Delaware corporation (together with its subsidiaries, the "Company"), of its obligations with respect to the payment of severance pursuant to Sections 4(b)(i)(2) and 4(b)(i)(3) of the Employment Agreement, dated as of \_\_\_\_\_, 20\_\_ (the "Agreement") and this General Release (the "General Release"), do hereby release and forever discharge as of the date hereof the Company, its subsidiaries and affiliates and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Companies and their subsidiaries and affiliates and the Company's direct and indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments paid to me under Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement represent consideration for signing this General Release and are not salary or wages to which I was already entitled. I understand and agree that I will not receive the payments specified in Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release or Sections 5, 6 or 7 of the Agreement. Such payments will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates. I also acknowledge and represent that I have received all salary, wages and bonuses that I am entitled to receive (as of the date hereof) by virtue of any employment by the Company.
2. Except as provided in paragraphs 4, 12 and 13 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act, collectively, the "ADEA"); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies,



practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.
4. I agree that this General Release does not waive or release any rights or claims that I may have under the the ADEA which arise after the date I execute this General Release. I acknowledge and agree that my engagement and employment by, and separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the ADEA).
5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to make any payments pursuant to the terms of Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company or any other Released Party, or in the event I should seek to recover against the Company or any other Released Party in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.
6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.
7. I agree that I will forfeit all amounts payable by the Company pursuant to Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will return all severance payments received by me pursuant to Sections 4(b)(i)(2) and 4(b)(i)(3) of the Agreement (except to the extent that any such return is prohibited by the ADEA).
8. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other advisor I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

9. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority, Inc. (FINRA), any other self-regulatory organization or governmental entity.
10. I agree that, as of the date hereof, I have returned to the Company any and all property, tangible or intangible, relating to its business, which I possessed or had control over at any time (including, but not limited to, company-provided credit cards, building or office access cards, keys, computer equipment, manuals, files, documents, records, software, customer data base and other data) and that I shall not retain any copies, compilations, extracts, excerpts, summaries or other notes of any such manuals, files, documents, records, software, customer data base or other data other than such documents as are generally or publicly known; provided, that such documents are not known as a result of my breach or actions in violation of the Agreement or this General Release.
11. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof or any other rights or claims I may have against the Company or any Released Party arising after the date hereof.
12. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
13. As set forth in Section 10 of the Agreement, Section 3(h) and 3(j) and Sections 4 through 20 of the Agreement, inclusive, survived the termination of my employment and are incorporated herein and made part hereof.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

- (i) I HAVE READ IT CAREFULLY;
- (ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963 AND THE AMERICANS WITH DISABILITIES ACT OF 1990;
- (iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

- (iv) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
- (v) I HAVE HAD AT LEAST 21 DAYS (OR 45 DAYS, AS REQUIRED BY LAW) FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON \_\_\_\_\_, \_\_\_\_\_ TO CONSIDER IT AND THE CHANGES MADE SINCE THE \_\_\_\_\_, \_\_\_\_\_ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY (OR 45-DAY, AS APPLICABLE) PERIOD;
- (vi) ANY CHANGES TO THE AGREEMENT SINCE [\_\_\_\_\_, 200\_] EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.
- (vii) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED WITHOUT NOTICE OF ANY SUCH REVOCATION HAVING BEEN RECEIVED BY THE COMPANY;
- (viii) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (ix) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: \_\_\_\_\_

I, Thomas A. Kingsbury, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Burlington Stores, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2015

/s/ Thomas A. Kingsbury

\_\_\_\_\_  
Thomas A. Kingsbury

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

I, Marc Katz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Burlington Stores, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2015

/s/ Marc Katz

\_\_\_\_\_  
Marc Katz

Executive Vice President—Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Burlington Stores, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended August 1, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Kingsbury, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial position and results of operations of the Company.

Date: August 31, 2015

/s/ Thomas A. Kingsbury

\_\_\_\_\_  
Thomas A. Kingsbury

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Burlington Stores, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended August 1, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc Katz, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial position and results of operations of the Company.

Date: August 31, 2015

/s/ Marc Katz

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Marc Katz

Executive Vice President—Chief Financial Officer  
(Principal Financial Officer)