BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-Q
December 11, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 27, 2012

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 333-137916-110

BURLINGTON COAT FACTORY

INVESTMENTS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant 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 x 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 g of the Exchange Act.

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

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

As of December 11, 2012, the registrant has 1,000 shares of common stock outstanding, all of which are owned by Burlington Coat Factory Holdings, Inc., the registrant s parent holding company, and are not publicly traded.

* The Registrant has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934, but is not required to file such reports under such sections.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(All amounts in thousands)

	October 27, 2012	January 28, 2012	October 29, 2011
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 30,169	$ 35,664	$ 45,843
Restricted Cash and Cash Equivalents	34,800	34,800	34,822
Accounts Receivable, Net of Allowances for Doubtful Accounts	43,638	40,119	41,946
Merchandise Inventories	844,991	682,260	945,719
Deferred Tax Assets	16,283	23,243	25,991
Prepaid and Other Current Assets	46,173	40,062	43,196
Prepaid Income Taxes	31,961	21,319	49,274
Assets Held for Sale	483	521	521
Total Current Assets	1,048,498	877,988	1,187,312
Property and Equipment - Net of Accumulated Depreciation	893,690	865,215	881,442
Tradenames	238,000	238,000	238,000
Favorable Leases - Net of Accumulated Amortization	338,443	359,903	367,493
Goodwill	47,064	47,064	47,064
Other Assets	114,307	112,973	90,258
Total Assets	$ 2,680,002	$ 2,501,143	$ 2,811,569
LIABILITIES AND STOCKHOLDER S DEFICIT			
Current Liabilities:			
Accounts Payable	$ 678,092	$ 276,285	$ 650,152
Other Current Liabilities	252,916	221,343	239,845
Current Maturities of Long Term Debt	5,515	7,659	5,728
Total Current Liabilities	936,523	505,287	895,725
Long Term Debt	1,422,571	1,605,464	1,605,238
Other Liabilities	217,313	224,352	208,404
Deferred Tax Liabilities	254,082	276,985	273,109
Commitments and Contingencies (Notes 3, 4, 10 and 11)			
Stockholder s Deficit:			
Common Stock (Par Value $0.01; 1,000 Shares Issued and Outstanding)			
Capital in Excess of Par Value	477,298	474,569	472,431
Accumulated Deficit	(627,785)	(585,514)	(643,338)
Total Stockholder s Deficit	(150,487)	(110,945)	(170,907)
Total Liabilities and Stockholder s Deficit	$ 2,680,002	$ 2,501,143	$ 2,811,569

See Notes to Condensed Consolidated Financial Statements.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(All amounts in thousands)

	Nine Months Ended		Three Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
REVENUES:				
Net Sales	$ 2,814,497	$ 2,621,094	$ 967,894	$ 898,663
Other Revenue	23,051	22,483	7,958	8,140
Total Revenue	2,837,548	2,643,577	975,852	906,803
COSTS AND EXPENSES:				
Cost of Sales	1,757,823	1,625,163	594,389	540,807
Selling and Administrative Expenses	948,432	882,668	335,106	317,134
Restructuring and Separation Costs (Note 4)	2,441	5,621	635	431
Depreciation and Amortization	120,748	113,174	40,844	39,188
Impairment Charges Long-Lived Assets	1,100	34	1,021	
Other Income, Net	(6,330)	(7,015)	(1,913)	(1,897)
Loss on Extinguishment of Debt	3,413	37,764		
Interest Expense (Inclusive of Gain (Loss) on Interest Rate Cap Agreements)	84,529	97,976	27,421	34,812
Total Costs and Expenses	2,912,156	2,755,385	997,503	930,475
Loss Before Income Tax Benefit	(74,608)	(111,808)	(21,651)	(23,672)
Income Tax Benefit	(31,964)	(47,712)	(14,204)	(13,395)
Net Loss	$ (42,644)	$ (64,096)	$ (7,447)	$ (10,277)
Total Comprehensive Loss	$ (42,644)	$ (64,096)	$ (7,447)	$ (10,277)

See Notes to Condensed Consolidated Financial Statements.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(All amounts in thousands)

	Nine Months Ended October 27, 2012	Nine Months Ended October 29, 2011
OPERATING ACTIVITIES		
Net Loss	$ (42,644)	$ (64,096)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	120,748	113,174
Impairment Charges Long-Lived Assets	1,100	34
Amortization of Debt Issuance Costs	4,138	10,297
Accretion of Senior Notes	1,241	60
Interest Rate Cap Agreement - Adjustment to Market	19	2,355
Provision for Losses on Accounts Receivable	105	1,241
Deferred Income Tax Provision (Benefit)	(16,021)	(7,113)
Loss on Retirement of Fixed Assets	396	708
Loss on Extinguishment of Debt Write-off of Deferred Financing Fees	3,413	16,435
Excess Tax Benefit from Stock Based Compensation	(302)	(213)
Non-Cash Stock Based Compensation Expense	1,968	4,917
Non-Cash Rent Expense	(6,532)	(3,177)
Changes in Assets and Liabilities:		
Accounts Receivable	(11,883)	(10,670)
Merchandise Inventories	(162,731)	(301,492)
Prepaid and Other Current Assets	(16,754)	(39,934)
Accounts Payable	401,807	459,692
Other Current Liabilities and Income Tax Payable	23,040	20,248
Deferred Rent Incentives	19,320	26,934
Other Long Term Assets and Long Term Liabilities	(7,232)	(4,218)
Net Cash Provided by Operating Activities	$ 313,196	$ 225,182
INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(129,254)	(116,246)
Proceeds Received from Sale of Property and Equipment	407	663
Increase in Restricted Cash and Cash Equivalents		(4,558)
Lease Acquisition Costs	(430)	(557)
Other		(1,064)
Net Cash Used in Investing Activities	$ (129,277)	$ (121,762)
FINANCING ACTIVITIES		
Proceeds from Long Term Debt ABL Line of Credit	404,500	687,800
Proceeds from Long Term Debt Senior Notes		450,000
Proceeds from Long Term Debt Term Loan	116,913	991,158
Principal Payments on Long Term Debt ABL Line of Credit	(572,800)	(698,300)
Principal Payments on Long Term Debt Senior Discount Notes		(99,309)
Principal Payments on Long Term Debt Senior Notes		(302,056)
Principal Payments on Long Term Debt	(521)	(622)
Principal Payments on Long Term Debt Term Loan	(135,749)	(790,050)
Payment of Dividends	(1,711)	(297,917)
Stock Option Exercise and Related Tax Benefits	761	760

Debt Issuance Costs	(807)	(29,255)
Net Cash Used in Financing Activities	$ (189,414)	$ (87,791)
(Decrease)/Increase in Cash and Cash Equivalents	(5,495)	15,629
Cash and Cash Equivalents at Beginning of Period	35,664	30,214
Cash and Cash Equivalents at End of Period	$ 30,169	$ 45,843
Supplemental Disclosure of Cash Flow Information		
Interest Paid	$ 91,274	$ 85,507
Net Income Tax Payments	$ 4,029	$ 4,064
Non-Cash Investing Activities:		
Accrued Purchases of Property and Equipment	$ 22,150	$ 19,950

See Notes to Condensed Consolidated Financial Statements.

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BURLINGTON COAT FACTORY INVESTMENTS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 27, 2012

(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Coat Factory Investments Holdings, Inc. and all of its subsidiaries (Company or Holdings). Holdings has no operations and its only asset is all of the stock of Burlington Coat Factory Warehouse Corporation. All discussions of operations in this report relate to Burlington Coat Factory Warehouse Corporation and its subsidiaries (BCFWC), which are reflected in the financial statements of Holdings. The Condensed Consolidated Financial Statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of operations for the interim periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended January 28, 2012 (Fiscal 2011 10-K). The balance sheet at January 28, 2012 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2011 10-K. Because the Company s business is seasonal in nature, the operating results for the three and nine month periods ended October 27, 2012 are not necessarily indicative of results for the fiscal year ending February 2, 2013 (Fiscal 2012).

Accounting policies followed by the Company are described in Note 1 to the audited Consolidated Financial Statements contained in the Fiscal 2011 10-K.

In July 2012, the FASB issued Accounting Standards Update No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment,* (ASU 2012-02). In accordance with ASU 2012-02, an entity has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If the entity determines that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than the carrying value, the entity will be required to perform the quantitative impairment test. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. However, early adoption is permitted. The Company has elected not to early adopt in the current fiscal year and does not expect ASU 2012-02, once adopted, to have a material impact on the Company s financial position or results of operations.

There were no new accounting standards that had a material impact on the Company s Condensed Consolidated Financial Statements during the nine month period ended October 27, 2012 and there were no new accounting standards or pronouncements that were issued but not yet effective as of October 27, 2012 that the Company expects to have a material impact on its financial position or results of operations upon becoming effective.

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2. Stockholder s Deficit

Activity for the three and nine month periods ended October 27, 2012 and October 29, 2011 in the Company s common stock, capital in excess of par value, accumulated deficit, and total stockholder s deficit are summarized below:

	(in thousands)			
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Total
Balance at January 28, 2012	$	$ 474,569	$ (585,514)	$ (110,945)
Net Loss			(3,940)	(3,940)
Stock Options Exercised and Related Tax Benefits		394		394
Stock Based Compensation		791		791
Dividends (b)			373	373
Balance at April 28, 2012		475,754	(589,081)	(113,327)
Net Loss			(31,257)	(31,257)
Stock Options Exercised and Related Tax Benefits		267		267
Stock Based Compensation		612		612
Balance at July 28, 2012		476,633	(620,338)	(143,705)
Net Loss			(7,447)	(7,447)
Stock Options Exercised and Related Tax Benefits		100		100
Stock Based Compensation		565		565
Balance at October 27, 2012	$	$ 477,298	$ (627,785)	$ (150,487)
Balance at January 29, 2011	$	$ 466,754	$ (279,242)	$ 187,512
Net Loss			(21,056)	(21,056)
Excess Tax Benefit from Stock Based Compensation		448		448
Stock Option Expense		705		705
Dividends (a)			(300,000)	(300,000)
Balance at April 30, 2011		467,907	(600,298)	(132,391)
Net Loss			(32,763)	(32,763)
Stock Options Exercised and Related Tax Benefits		310		310
Stock Based Compensation		195		195
Balance at July 30, 2011		468,412	(633,061)	(164,649)
Net Loss			(10,277)	(10,277)
Stock Options Exercised and Related Tax Benefits		2		2
Stock Based Compensation		4,017		4,017
Balance at October 29, 2011	$	$ 472,431	$ (643,338)	$ (170,907)

(a) Represents dividends payable to the stockholders of Burlington Coat Factory Holdings, Inc. (Parent) in conjunction with the Company s February 2011 debt refinancing, of which $297.9 million was paid as of April 30, 2011 and $1.7 million was paid as of April 28, 2012. Less than $0.1 million was paid during the three months ended July 28, 2012.

(b)

As a result of certain forfeitures of Parent s restricted stock prior to the payment date, $0.4 million of dividend payments were forfeited and reverted back to the Company.

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3. Long Term Debt

Long term debt consists of:

	October 27, 2012	January 28, 2012	October 29, 2011
		(in thousands)	
$1,000,000 Senior Secured Term Loan Facility, LIBOR (with a floor of 1.5%) plus 4.8%, due in quarterly payments of $2,400 from August 3, 2013 to January 28, 2017, matures on February 23, 2017.	$ 932,907	$ 949,123	$ 978,658
$450,000 Senior Notes, 10%, due at maturity on February 15, 2019, semi-annual interest payments on August 15 and February 15, from February 15, 2013 to February 15, 2019.	450,000	450,000	450,000
$600,000 ABL Senior Secured Revolving Facility, LIBOR plus spread based on average outstanding balance, expires September 2, 2016.	21,700	190,000	158,100
Promissory Note, non-interest bearing, due in monthly payments of $17 through January 1, 2012.			50
Promissory Note, 4.4% due in monthly payments of $8 through December 23, 2011.			16
Capital Lease Obligations	23,479	24,000	24,142
Total debt	1,428,086	1,613,123	1,610,966
Less: current maturities	(5,515)	(7,659)	(5,728)
Long-term debt, net of current maturities	$ 1,422,571	$ 1,605,464	$ 1,605,238

$1 Billion Senior Secured Term Loan Facility (Term Loan Facility)

On May 16, 2012, the Company entered into Amendment No. 1 (the Amendment) to the Term Loan Credit Agreement, which, among other things, reduces the applicable margin on the interest rates applicable to the Company s Term Loan Facility by 50 basis points. To accomplish this interest rate reduction, the Amendment provided for a replacement of the previously outstanding $950.5 million principal amount of term B loans (the Term B Loans) with a like aggregate principal amount of term B-1 loans (the Term B-1 Loans). The Company offered existing term loan lenders the option to convert their Term B Loans into Term B-1 Loans on a non-cash basis. The $119.3 million of Term B Loans held by existing lenders electing not to convert their Term B Loans into Term B-1 Loans were prepaid in full on the effective date of the Amendment from the proceeds of new Term B-1 Loans. The Term B-1 Loans have the same maturity date that was applicable to the Term B Loans. The Term Loan Credit Agreement provisions relating to the representations and warranties, covenants and events of default applicable to the Company and the guarantors were not modified by the Amendment.

As a result of this transaction, mandatory quarterly payments of $2.4 million are payable as of the last day of each quarter beginning with the quarter ended July 28, 2012. The Company elected to make a prepayment of $9.5 million in May 2012, which offsets the mandatory quarterly payments through August 3, 2013.

In accordance with ASC Topic No. 470-50, Debt Modifications and Extinguishments (Topic 470), the Company recognized a non-cash loss on the partial extinguishment of debt of $3.4 million, which was recorded in the line item Loss on the Extinguishment of Debt in the Company s Condensed Consolidated Statements of Operations and Comprehensive Loss during the nine months ended October 27, 2012. In connection with the Amendment, the Company incurred fees of $3.1 million, primarily related to legal and placement fees, which were recorded in the line item Selling and Administrative Expense in the Company s Condensed Consolidated Statements of Operations and Comprehensive Loss during the nine months ended October 27, 2012 related to the portion of the debt that was not extinguished.

The Term Loan Facility contains financial, affirmative and negative covenants and requires that BCFWC, exclusive of subsidiaries (referred to herein as BCFW), among other things, maintain on the last day of each fiscal quarter a consolidated leverage ratio not to exceed a maximum amount and maintain a consolidated interest coverage ratio of at least a certain amount. The consolidated leverage ratio compares our total debt to Adjusted EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months, and such ratios may not exceed 6.75 to 1 through October 27, 2012; 6.25 to 1 through November 2, 2013; 5.50 to 1 through November 1, 2014; 5.00 to 1 through October 31, 2015; and 4.75 to 1 at January 30, 2016 and thereafter. The consolidated interest coverage ratio compares our consolidated interest expense to Adjusted EBITDA, as each term is defined in the Term Loan Credit Agreement, for the trailing twelve months, and such ratios must exceed 1.75 to 1 through October 27, 2012; 1.85 to 1 through November 2, 2013; 2.00 to 1 through October 31, 2015; and 2.10 to 1 at January 30, 2016 and thereafter. Adjusted EBITDA is a non-GAAP financial measure of our liquidity. Adjusted EBITDA, as defined in the credit agreement governing the Company s Term Loan Facility, starts with consolidated net loss for the period and adds back (i) depreciation, amortization, impairments and other non-cash charges that were deducted in arriving at consolidated net loss, (ii) the (benefit) provision for taxes, (iii) interest expense, (iv) advisory fees, and (v) unusual, non-recurring or extraordinary expenses, losses or charges as reasonably approved by the administrative agent for such period. Adjusted EBITDA is used to calculate the consolidated leverage ratio. Adjusted EBITDA provides management, including the Company s chief operating decision maker, with helpful information with respect to its operations such as its ability to meet its future debt service, fund its capital expenditures and working capital requirements, and comply with various covenants in each indenture governing its outstanding notes and the credit agreements governing its senior secured credit facilities which are material to its financial condition and financial statements.

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The interest rates for the Term Loan Facility are based on: (i) for LIBO rate loans for any interest period, at a rate per annum equal to (a) the greater of (x) the LIBO 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) 1.50% (the Term Loan Adjusted LIBO 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 LIBO Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin. The interest rate on the Term Loan Facility was 5.5% as of October 27, 2012.

ABL Line of Credit

On September 2, 2011, the Company completed an amendment and restatement of the credit agreement governing the Company s $600 million ABL Line of Credit, which, among other things, extended the maturity date to September 2, 2016. The aggregate amount of commitments under the amended and restated credit agreement is $600 million and, subject to the satisfaction of certain conditions, the Company may increase the aggregate amount of commitments up to $900 million. Interest rates under the amended and restated credit agreement are based on LIBO rates as determined by the administrative agent plus an applicable margin of 1.75% to 2.25% based on daily availability, or various prime rate loan options plus an applicable margin of 0.75% to 1.25% based on daily availability. The fee on the average daily balance of unused loan commitments is 0.375%.

Prior to the September 2, 2011 ABL amendment and restatement, the ABL Line of Credit carried an interest rate of LIBOR plus a spread which was determined by the Company s annual average borrowings outstanding. Commitment fees of 0.75% to 1.0%, based on the Company s usage of the line of credit, were charged on the unused portion of the facility and were included in the line item Interest Expense on the Company s Condensed Consolidated Statements of Operations and Comprehensive Loss.

At October 27, 2012, the Company had $542.3 million available under the ABL Line of Credit and $21.7 million of outstanding borrowings. The maximum borrowings under the facility during the three and nine month periods ended October 27, 2012 amounted to $84.0 million and $213.7 million, respectively. Average borrowings during the three and nine month periods ended October 27, 2012 amounted to $41.1 million and $45.0 million, respectively, at average interest rates of 2.1% for both periods. At October 27, 2012 the Company s borrowing rate related to the ABL Line of Credit was 4.0%. At January 28, 2012, $190.0 million was outstanding under this facility.

At October 29, 2011, the Company had $401.3 million available under the ABL Line of Credit and $158.1 million of outstanding borrowings. The maximum borrowings under the facility during each of the three and nine month periods ended October 29, 2011 amounted to $195.0 million for both periods. Average borrowings during the three and nine month periods ended October 29, 2011 amounted to $142.1 million and $82.3 million, respectively, at average interest rates of 2.6% and 3.5%, respectively. At October 29, 2011 the Company s borrowing rate related to the ABL Line of Credit was 2.7%.

Both the Term Loan Facility and the ABL Line of Credit are fully, jointly, severally, unconditionally, and irrevocably guaranteed by all of the Company s subsidiaries (with the exception of one immaterial non-guarantor subsidiary). The ABL Line of Credit is collateralized by a first lien on the Company s inventory and receivables and a second lien on the Company s real estate and property and equipment. The Term Loan Facility is collateralized by a first lien on the Company s real estate, favorable leases, and machinery and equipment and a second lien on the Company s inventory and receivables.

As of October 27, 2012, the Company was in compliance with all of its debt covenants. The agreements regarding the ABL Line of Credit and the Term Loan Facility, as well as the indenture governing the Senior Notes, contain covenants that, among other things, limit the Company s ability, and the ability of the Company s restricted subsidiaries, to pay dividends on, redeem or repurchase capital stock; make investments; incur additional indebtedness or issue preferred stock; create liens; permit dividends or other restricted payments by the Company s subsidiaries; sell all or substantially all of the Company s assets or consolidate or merge with or into other companies; and engage in transactions with affiliates.

The Company had $26.2 million, $31.5 million and $31.8 million in deferred financing fees, net of accumulated amortization, as of October 27, 2012, January 28, 2012 and October 29, 2011, respectively, related to its debt instruments recorded in the line item Other Assets on the Company s Condensed Consolidated Balance Sheets. Amortization of deferred financing fees amounted to $1.4 million and $5.3 million for the three month periods ended October 27, 2012 and October 29, 2011, respectively, and is included in the line item Interest Expense in the Company s Condensed Consolidated Statements of Operations and Comprehensive Loss.

Amortization of deferred financing fees amounted to $4.1 million and $10.3 million for the nine months ended October 27, 2012 and October 29, 2011, respectively. During the nine months ended October 27, 2012, the Company recorded $0.8 million of new deferred financing costs and wrote off $2.0 million deferred financing costs and accumulated amortization related to the Amendment of the Term Loan Facility discussed above.

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4. Restructuring and Separation

The Company accounts for restructuring and separation costs in accordance with ASC Topic No. 420, *Exit or Disposal Cost Obligations* (Topic No. 420). In an effort to improve workflow efficiencies and realign certain responsibilities, the Company effected a reorganization of certain positions within its stores and corporate locations. During the three and nine months ended October 27, 2012, severance charges were $0.6 million and $2.4 million, respectively, and were recorded in the line item Restructuring and Separation Costs in the Company s Condensed Consolidated Statement of Operations and Comprehensive Loss.

In comparison, severance charges for the three and nine months ended October 29, 2011 were $0.4 million and $5.6 million, respectively. Severance charges for the three and nine months ended October 29, 2011 were also the result of the Company s efforts to improve workflow efficiencies and realign certain responsibilities, which effected the reorganization of certain positions within its stores and corporate locations.

The table below summarizes the charges and payments related to the Company s restructuring and separation costs, which are included in the line items Other Current Liabilities in the Company s Condensed Consolidated Balance Sheet as of October 27, 2012 and October 29, 2011:

			(in thousands)		
	January 28, 2012	**Charges**	**Cash Payments**	**Other**	**October 27, 2012**
Severance Restructuring	$	$ 1,015	$ (1,015)	$	$
Severance Separation Cost	979	1,426	(1,670)		735
Total	$ 979	$ 2,441	$ (2,685)	$	$ 735

			(in thousands)		
	January 29, 2011	**Charges**	**Cash Payments**	**Other**	**October 29, 2011**
Severance Restructuring	$ 6	$ 3,503	$ (3,286)	$	