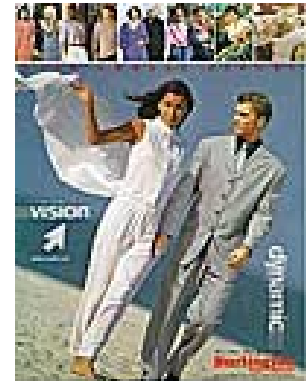


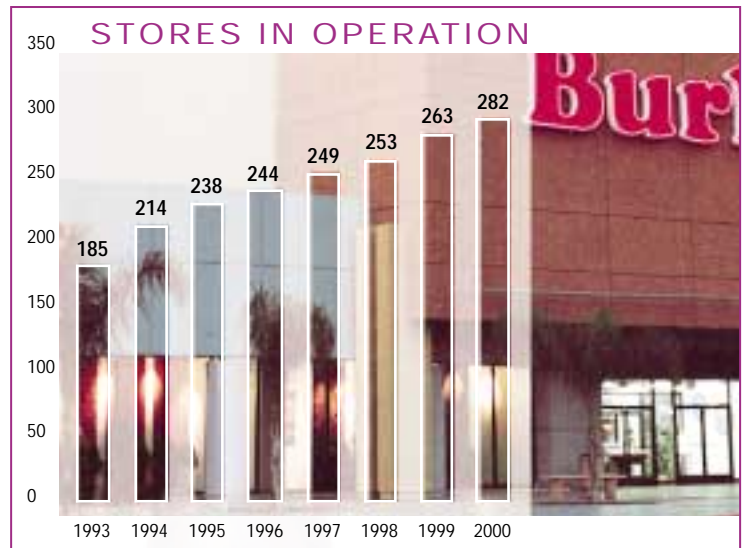
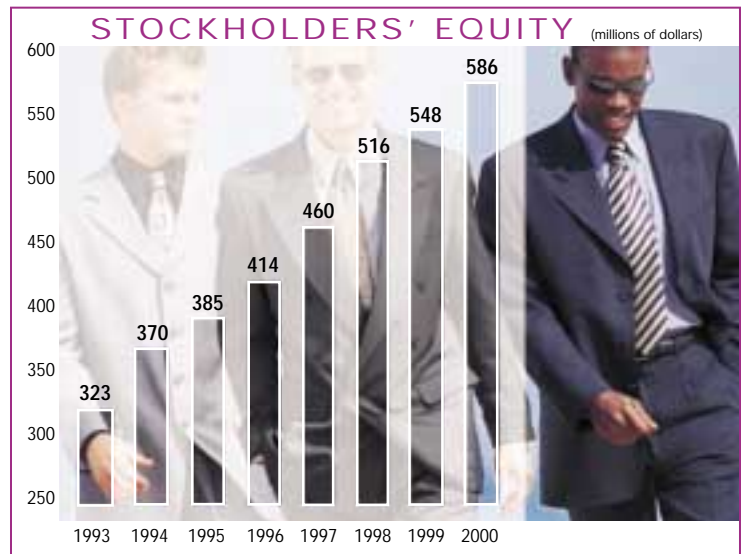
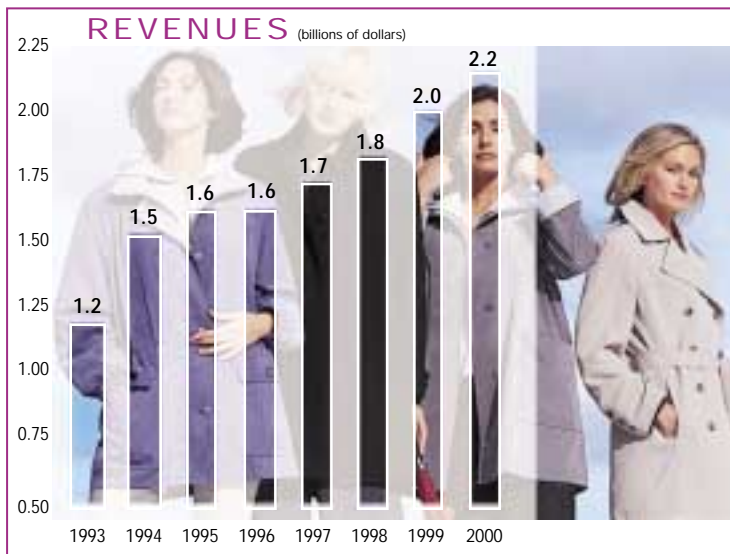
2000 ANNUAL REPORT

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We're More Than Great Coats
Burlington
Coat Factory
warehouse corporation and subsidiaries



Financial Highlights

Our Long-Term Initiatives for Continuing Growth and Market Leadership

- Achieve Greater Profitability • Expand Market Share
- Add To Merchandise Mix • Enhance Customer Service • Increase Operating Efficiency

FIVE YEAR FINANCIAL HIGHLIGHTS

Fiscal Year Ended	2000	1999	1998 ⁽¹⁾	1997	1996
Statement of Operations Data:					
Revenues	\$2,226,183	\$1,968,784	\$1,782,292	\$1,749,049	\$1,583,197
Net Income	62,476 ⁽³⁾	47,783	63,639	56,515	29,013
Net Income per Share	1.37 ⁽³⁾	1.02	1.34	1.17 ⁽²⁾	0.59 ⁽²⁾
Dividends per Share	.02	.02	.02	—	—
Balance Sheet Data:					
Total Assets	\$1,046,047	\$941,635	\$909,807	\$775,077	\$704,731
Working Capital	260,399	332,759	368,459	319,736	288,107
Long Term Debt	8,105	52,970	60,890	62,274	74,907
Stockholders' Equity	586,441	548,156	516,069	460,215	413,745

(in thousands of dollars, except per share data)

⁽¹⁾ Fiscal year ended May 30, 1998 consisted of eleven months.

⁽²⁾ Adjusted to give retroactive effect for six for five stock split effective October 1997.

⁽³⁾ Before cumulative effect of accounting change.

Company Profile

Burlington Coat Factory Warehouse Corporation, including subsidiaries Decelle, Cohoes, Luxury Linens, and Baby Depot, operates a total of 282 stores in 42 states. The Company traces its roots to the launching of a successful wholesale outerwear business by Abe Milstein in 1924. In 1946, Abe's son, Monroe Milstein, current President, CEO and Chairman of the Board, joined his father in business and started a small sideline retail outlet. In 1972, the Company began operations through the acquisition of one coat factory and retail outlet store in Burlington, New Jersey.

The Company is known coast to coast for tremendous selection, great quality and low prices. Burlington Coat Factory stores feature a broad range of the latest, first quality, brand name and designer clothing for the entire family at everyday low prices that are significantly below those found at traditional department and specialty stores. Most locations also carry large selections of shoes for ladies and men, linens, home fashions and gifts, and baby furniture and accessories.

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EXECUTIVE OFFICERS AND DIRECTORS

Monroe G. Milstein[#]
Chairman of the Board, President & Chief Executive Officer

Henrietta Milstein[†]
Executive Vice President, Secretary and Director

Andrew R. Milstein[#]
Executive Vice President, Executive Merchandise Manager, Assistant Secretary and Director

Stephen E. Milstein
Executive Vice President, General Merchandise Manager and Director

Mark A. Nesci
Executive Vice President, Chief Operating Officer and Director

Paul C. Tang
Executive Vice President, General Counsel & Assistant Secretary

Harvey Morgan^{*†}
Director, Executive Managing Director of JWGenesis Capital Markets Inc.

Irving Drillings^{*}
Director, Retired President of Arlette Fashions, Inc.

VICE PRESIDENTS

Carole Abbott
Customer Relations

Bernard Brodsky
Investor Relations, Treasurer

David Cestaro
Customer Services

Ilyse Cohen
Senior Divisional Merchandise Manager

Albert Cuccorelli
Store Operations

Lorenzo Figueroa
Logistics

Garry Graham
Marketing and Advertising

Robert Grapski
Real Estate

Angel Guzman
Store Merchandising

Gloria Johnson
Store Support & Development

Steve Koster
Senior Divisional Merchandise Manager

Robert L. La Penta, Jr.
Corporate Controller, Chief Accounting Officer

Jerry Lupia
Store Planning

Tara Newhall
Divisional Merchandise Manager

Sarah Orleck
Recruiting

Nancy Pickus
Divisional Merchandise Manager

Michael Prince
Chief Information Officer

John Putrino
Loss Prevention

Daniel Richman
Senior Divisional Merchandise Manager

Richard Rynda
Divisional Merchandise Manager

David Sanford
Warehousing and Distribution

Barbara Sosonka
Divisional Merchandise Manager

Karen Trombetta
Divisional Merchandise Manager

Melissa Walsh
Divisional Merchandise Manager

* Audit Committee Member

† Stock Incentive Committee Member

Executive Committee Member

To Our Valued Stockholders

Fiscal 2000 was a year of continued accomplishments for Burlington Coat Factory. Sales increased to \$2.2 billion, up 11.4% from the previous year (excluding the fifty-third week of the fiscal year). The number of our stores increased to a total of 282 nationwide, and the Company continued to aggressively remodel and expand its older stores. Our marketing continued to focus on prime-time television, while simultaneously expanding the use of targeted newspaper inserts. Earnings before the cumulative effect of an accounting change increased to \$1.37 per share, versus \$1.02 per share for the comparative period last year

The following are some of the results for fiscal year 2000:

- Stockholders' equity increased to \$586.4 million, compared with \$548.2 million at the end of May last year.
- The Company spent over \$22.4 million to repurchase over 1.9 million shares.
- Sales (excluding the fifty-third week) rose 11.4% while same-store sales increased by 2.2%.
- Gross square footage of our stores increased by 10.7%, averaging 72,000 square feet per store.
- Twenty-three new stores were opened, and four stores were relocated.

During the second quarter of fiscal 2000, unusually mild weather had an adverse impact on sales of fall and winter apparel as well as coats, causing disappointing earnings results during our most important quarter. However, as winter finally arrived in January, business rebounded with record third quarter earnings despite a relatively mild December. During fiscal 2000, our mens, accessories, linens and shoe departments led the way with significant same-store sales increases.

We continued our focus on image advertising and expanded the use of targeted newspaper inserts. Prime time television continued to be our largest marketing medium, featuring all of our departments. We strive to educate our customers that Burlington Coat Factory is a value-oriented department store offering high quality merchandise at affordable prices. Marketing also extends to store design and merchandise presentation. During the Fall of 1999, the Company introduced an improved store design for its new stores. The new design creates a more intimate, customer friendly environment by implementing changes in store layout, ceiling plan, lighting, fixture and overall color direction. This new design has also been an integral part of our expanded and remodeled stores.

During fiscal year 2001, we plan to open approximately fifteen to twenty additional Burlington Coat Factory stores, a substantial number of which will be located in power centers and malls.† The relocation, expansion and renovation of approximately twenty-five existing stores are also planned.†

Burlington Coat Factory continues to be the largest retailer of coats in the world, and we expect sales of coats to grow in the future.† Customers continue to respond to our marketing message ("We're more than great coats"), and our merchants aggressively work to adjust our merchandise mix accordingly. Our average store size has increased, providing space for the addition and/or expansion of other departments, including shoes, Baby Depot, and linens and home furnishings.

During fiscal 2000, the Company relaunched its on-line shopping site (www.coat.com) and began to expand the assortment of items offered over the Internet. During fiscal 2001 we will continue to expand the marketing of our on-line shopping site and the improvement of our fulfillment and customer service systems.† Another accomplishment in fiscal 2000 was the launching of our new national Baby Registry. This new computerized registry links all of our Baby Depot Departments and will be enhanced in fiscal 2001 to link with our on-line shopping site.†

Another exciting opportunity for fiscal 2001 is our new arrangement with Emmy Award Winner Christopher Lowell to create an exclusive line of home furnishing and accessories. The new Christopher Lowell Collection will be presented in a concept shop within our existing linens and gift area.

In closing, I wish to express my sincere gratitude to all of our dedicated and faithful employees, customers, stockholders and suppliers. Your contributions and support will enable Burlington Coat Factory to continue its tradition of success.

With best regards,



Monroe G. Milstein
Chairman of the Board, President
and Chief Executive Officer
August 23, 2000

Initiatives



Moving forward at the speed of e!

This spring, Burlington Coat Factory relaunched its on-line shopping site (www.coat.com) using Interworld's state-of-the-art Commerce Intelligence software. The completely revamped site features over 5,000 items, enhanced with full shopping cart functionality, item search capability, and a fully integrated, secure on-line payment processing system. A custom-developed order management system allows for fulfillment of customer orders. Web site product data is directly tied to our corporate inventory systems for efficiency and accurate maintenance of prices and item availability.

Plans for fiscal 2001 include expansion of our on-line merchandise selection, additional capabilities for promotion and marketing, further development and automation of fulfillment and customer service systems, new features in our on-line store locator, and integration of our store-based gift registry with our web site. The internet continues to be an exciting growth area for Burlington Coat Factory as we explore ways to use this medium to service our customers and promote our business.

Delivering on a national baby registry!



Baby Depot at Burlington Coat Factory had a new delivery on March 10, 2000, the launch of our new national Baby Registry.

This new electronic registry links all 219 Baby Depot departments, so that no matter where the mother and father-to-be, friends or relatives live, they can get exactly what mom and dad need and want for their new baby. Our registry updates every 3 to 5 minutes to greatly reduce the chance of duplicate gifts. Plus, we offer registered parents the opportunity to receive a gift certificate equal to 5% of qualified registry purchases. It's a great incentive for parents to buy most, if not all, of what they need at our stores. In addition, the gift certificate will bring them back into the store soon after the baby's arrival, further extending the customer's relationship with Burlington Coat Factory.

Giving the growing home fashions market a great name!

Emmy Award winner Christopher Lowell is working with Burlington Coat Factory to create an exclusive line of home furnishings and accessories. Christopher's show on the Discovery Channel has attracted a loyal following, and his "7 Layers of Interior Design" concept has been created to help people stay on budget and out of "overwhelm" as they design and decorate any room. The new **Christopher Lowell Collection** will be presented in a concept shop within our existing linens and gift area. The shop will feature Christopher's entire line of home furnishings including bedding, window treatments, bath accessories and picture frames plus his new paint line. Our customers will now have a complete solution for their room design needs.



Store Profile

Burlington Coat Factory now operates 282 stores in 42 states. Although coats still account for a large portion of our sales volume, a majority of our business comes from other departments. Burlington Coat Factory customers recognize that "We're More Than Great Coats!" They come to us to save up to 60% off other department store prices on more than 900 designer and brand name fashions and accessories... plus shoes, linens and baby furniture, too.

Ladies' Dresses And Suits

We are known for carrying one of the largest assortments of famous maker suits in the industry, along with the latest looks in casual, career, and evening dresses.

Ladies' Sportswear, Collections & Accessories

We carry a large selection of famous label and designer collections and separates for both career and weekend wear in all size ranges, including junior, missy, petite, and plus. We also carry handbags, costume jewelry and other accessories.

Men's Clothing And Furnishings

We offer famous label and designer suits, sport coats and tailored slacks from the best manufacturers in a wide range of prices, styles and sizes, including extra tall and portly sizes in most locations. We also carry an extensive selection of dress shirts, slacks, ties and furnishings.

Men's Sportswear

Casual clothing at work has made sportswear a growing part of our menswear business. We stock a large selection of famous maker jeans, casual pants, sweaters, sport shirts, and activewear in regular and tall sizes.

Children's Clothing

We have all the clothes kids want from the names parents trust... all at our famous low prices! Shoppers will find we have the latest styles for kids, from Kindergarten to Junior High.

Coats

Every store stocks between 10,000 and 20,000 coats for women, men and children — making us the largest retailer of coats in the world! The selection includes the same designer and name brands found at the finest department stores at significant savings.

Shoes

Many of our stores now stock the same famous label shoes that the better department stores carry. Our selection includes dress, casual and athletic shoes for both ladies and men.

Linens And Home Fashions

Our Luxury Linens department offers the latest in bedding, bath accessories, wall art, and gifts for all occasions... all at great savings.

Baby Furniture And Accessories

Most locations also feature our Baby Depot Department, offering customers "one stop shopping" for everything they need for infants and toddlers. We stock huge selections of car seats, cribs, strollers, play yards, dressers, layette items, infant apparel, baby gifts and more.



Management's Discussion and Analysis of Financial Condition and Results of Operations

During fiscal 1998 the Company changed its fiscal year from a 52-53 week fiscal year ending on the Saturday closest to June 30 to a fiscal year ending on the Saturday closest to May 31. The following discussion compares the twelve months (53 weeks) ended June 3, 2000 with the twelve months (52 weeks) ended May 29, 1999 and the twelve months (52 weeks) ended May 29, 1999 with the twelve months (52 weeks) ended May 30, 1998 (unaudited).

Results of Operations

Twelve Months Ended June 3, 2000 and May 29, 1999

The following table sets forth certain items in the consolidated statements of operations as a percentage of net sales for the twelve months ended June 3, 2000 and May 29, 1999.

	Percentage of Net Sales Twelve Months Ended	
	June 3, 2000	May 29, 1999
Net Sales	100.0%	100.0%
Costs and Expenses:		
Cost of Sales	64.0	63.9
Selling and Administrative Expenses	30.6	31.3
Depreciation and Amortization	1.9	1.8
Interest Expense	0.2	0.3
	<u>96.7</u>	<u>97.3</u>
Other Income	1.3	1.2
Income Before Provision for Income Taxes	4.6	3.9
Provision for Income Taxes	1.7	1.4
Income Before Cumulative Effect of Accounting Change	2.9	2.5
Cumulative Effect of Accounting Change	(0.1)	-
Net Income	<u>2.8%</u>	<u>2.5%</u>

Performance for the Twelve Months (53 weeks) Ended June 3, 2000 Compared With the Twelve Months (52 weeks) Ended May 29, 1999

Consolidated net sales increased \$254.6 million (13.1%) for fiscal 2000 compared with the similar period of a year ago. Comparative stores sales increased 2.2% for the period. Twenty-two new Burlington Coat Factory stores, opened during fiscal 2000, contributed \$118.6 million to this year's net sales. Stores opened a year ago contributed \$64.5 million to this year's net sales from the beginning of fiscal 2000 to the anniversary of their opening date. Stores which were in operation a year ago, but which were closed prior to this year, contributed \$7.0 million to last year's sales. Week 53 of the current fiscal year contributed \$31.3 million to this year's net sales for Burlington Coat Factory stores.

The Cohoes stores contributed \$39.9 million to consolidated sales for the twelve months ended June 3, 2000 compared with \$36.8 million for the twelve months ended May 29, 1999. Cohoes comparative store sales decreased 3.7% for the twelve month period. One new Cohoes store opened during the current fiscal year contributed \$3.7 million to this year's sales. Week 53 of the current fiscal year contributed \$0.6 million to this year's net sales.

Sales in fiscal 2000 for the Decelle stores were \$33.8 million compared with \$33.5 million for twelve months ended May 29, 1999. Decelle comparative store sales increased 0.7% for the twelve months ended June 3, 2000 compared with the similar

twelve month period of a year ago. One Decelle store was closed during fiscal 1999 which contributed \$0.4 million to last year's sales. Week 53 of the current fiscal year contributed \$0.6 million to this year's net sales.

Other income (consisting of rental income from leased departments, investment income and miscellaneous items) increased to \$27.5 million for fiscal 2000 compared with \$24.7 million for the similar period of a year ago. This increase is primarily the result of additional rental income from leased departments of approximately \$1.0 million. In addition, other income increased due to an increase in interest income, resulting from higher interest rates, during the comparative twelve month periods ended June 3, 2000 and May 29, 1999 and to the receipt of payment of \$0.5 million for certain non-recurring contractual obligations during fiscal 2000.

Cost of sales increased \$163.4 million (13.1%) for the twelve months ended June 3, 2000 compared with the twelve months ended May 29, 1999. The dollar increase in cost of sales was due to the increase in net sales during the current fiscal year compared with the prior year as well as an increase in cost of sales as a percentage of net sales, which increased from 63.9% to 64.0%. Improvements in initial margins were offset by increases in freight costs and slight increases in markdowns as a percentage of sales this year over last year.

Selling and administrative expenses increased \$64.4 million (10.6%) from the 1999 period to the 2000 period. This increase was due mainly to an increase in the number of stores in operation and increases in payroll and payroll related expenses. As a percentage of net sales, selling and administrative expenses were 30.6% for the twelve months ended June 3, 2000 compared with 31.3% for the twelve months ended May 29, 1999.

Depreciation and amortization expense amounted to \$41.0 million in the twelve months ended June 3, 2000 compared with \$35.0 million in the twelve months ended May 29, 1999. This increase of \$6.0 million in the fiscal 2000 period compared with the comparative 1999 period is attributable primarily to new stores opened during the year as well as remodeling and refixturing of existing stores.

Interest expense decreased \$0.4 million for the twelve months ended June 3, 2000 compared with the similar period of a year ago. The decrease in interest expense is the result of a decrease in long term debt due to the normal recurring repayments of the subordinated notes and the industrial development bonds.

The provision for income taxes increased to \$37.7 million for the twelve months ended June 3, 2000 from \$28.4 million for the similar fiscal period a year ago. This increase in the tax provision was due to higher earnings as well as an increase in the effective tax rate. The effective tax rate for fiscal 2000 was 37.6% compared with 37.2% in the prior fiscal year. This rate increase is due primarily to a slight increase in the effective state tax rate and a decrease in federal jobs tax credits available to the Company.

Income before cumulative effect of accounting change increased \$14.7 million to \$62.5 million for the fiscal 2000 period from \$47.8 million for the comparative 1999 period. Net income per share before cumulative effect of accounting change was \$1.37 per share for fiscal 2000 compared with \$1.02 per share for the comparative 1999 period.

Management's Discussion and Analysis of Financial Condition and Results of Operations

During the fiscal year ended June 3, 2000, the Company recorded a cumulative effect loss resulting from the adoption of SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*. The Company changed its method of accounting for layaway sales in compliance with SAB No. 101. Under the new accounting method, the Company will defer recognition of a layaway sale and its related profit to the accounting period when the customer picks up layaway merchandise. The cumulative effect of this change for periods prior to fiscal 2000 is shown as a cumulative effect of accounting change in the Consolidated Statements of Operations and amounted to a \$1.4 million decrease in income (net of income taxes) or \$0.03 per share. The accounting change has only a slight impact on annual sales and earnings. However, due to the seasonality of the Company's business, this change may result in shifts of sales and earnings among the Company's fiscal quarters.

Results of Operations

Twelve Months Ended May 29, 1999 and May 30, 1998

The following table sets forth certain items in the consolidated statements of operations as a percentage of net sales for the twelve months ended May 29, 1999 and May 30, 1998 (unaudited).

	Percentage of Net Sales Twelve Months Ended	
	May 29, 1999	May 30, 1998
Net Sales	100.0%	100.0%
Costs and Expenses:		
Cost of Sales	63.9	63.2
Selling and Administrative Expenses	31.3	30.5
Depreciation and Amortization	1.8	1.8
Interest Expense	0.3	0.4
	97.3	95.9
Other Income	1.2	1.5
Income Before Income Taxes	3.9	5.6
Provision for Income Taxes	1.4	2.2
Net Income	2.5%	3.4%

Performance for the Twelve Months (52 weeks) Ended May 29, 1999 Compared With the Twelve Months (52 weeks) Ended May 30, 1998 (unaudited)

Consolidated net sales increased \$97.0 million (5.3%) for fiscal 1999 compared with the similar period of the prior year. Comparative stores sales increased 2.7% for the period. Fifteen new Burlington Coat Factory stores, opened during fiscal 1999, contributed \$48.6 million to the year's sales. Stores opened in fiscal 1998 contributed \$31.2 million to net sales from the

beginning of fiscal 1999 to the anniversary of their opening date. Stores which were in operation during fiscal 1998, but which were closed prior to fiscal 1999, contributed \$20.8 million to fiscal 1998 sales.

The Cohoes stores contributed \$36.8 million to consolidated sales for the twelve months ended May 29, 1999 compared with \$37.3 million for the twelve months ended May 30, 1998. Cohoes comparative store sales decreased 2.7% for the twelve month period.

Sales in fiscal 1999 for the Decelle stores were \$33.5 million compared with \$39.7 million for twelve months ended May 30, 1998. Decelle comparative store sales decreased 8.9% for the twelve months ended May 29, 1999 compared with the similar twelve month period of the prior year. One Decelle store was closed during fiscal 1999 which contributed \$2.3 million to sales of the prior fiscal year.

Other income (consisting of rental income from leased departments, investment income and miscellaneous items) decreased to \$26.1 million for fiscal 1999 compared with \$28.6 million for the similar period of the prior year. This decrease is primarily the result of investment income decreases of approximately \$2.9 million, resulting from a decrease in investable funds during the comparative fiscal periods and a decrease in interest rates during most of the comparative period. Offsetting the decrease in investment income was an increase in rental income from lease departments of \$0.7 million.

Cost of sales increased \$76.0 million (6.5%) for the twelve months ended May 29, 1999 compared with the twelve months ended May 30, 1998. The dollar increase in cost of sales was due to the increase in net sales during the 1999 fiscal year compared with the prior year as well as an increase in cost of sales as a percentage of net sales, which increased from 63.2% to 63.9%. This increase was due mainly to higher markdowns as a percentage of sales in fiscal 1999 over fiscal 1998, and a slight increase in shrinkage loss.

Selling and administrative expenses increased \$45.5 million (8.1%) from the 1998 period to the 1999 period. This increase was due mainly to an increase in the number of stores in operation and to increases in payroll and payroll related expenses. As a percentage of net sales, selling and administrative expenses were 31.3% for the twelve months ended May 29, 1999 compared with 30.5% for the twelve months ended May 30, 1998.

Depreciation and amortization expense amounted to \$35.0 million in the twelve months ended May 29, 1999 compared with \$32.8 million in the twelve months ended May 30, 1998. This increase of \$2.2 million in the fiscal 1999 period compared with the comparative 1998 period is attributable primarily to new stores opened during the year as well as remodeling and refixturing of existing stores.

Interest expense decreased \$1.8 million for the twelve months ended May 29, 1999 compared with the similar period of the prior year. The decrease in interest expense is the result of a decrease in long term debt due to the normal recurring repayments of the subordinated notes and the industrial development bonds.

The provision for income taxes decreased to \$28.4 million for the twelve months ended May 29, 1999 from \$41.2 million for the similar fiscal period ended May 30, 1998. This decrease in the tax provision was due to lower earnings as well as a decrease in the effective tax rate. The effective tax rate for fiscal 1999 was 37.2% compared with 39.8% in the prior fiscal year. This rate decrease is due primarily to a decrease in the effective state tax rate and an increase in federal jobs tax credits available to the Company.

Net income decreased \$14.6 million to \$47.8 million for the 1999 period from \$62.4 million for the comparative 1998 period. Net income per share was \$1.02 per share for fiscal 1999 compared with \$1.31 per share for the comparative 1998 period.



Liquidity and Capital Resources

During fiscal 2000, the Company opened twenty-two Burlington Coat Factory Warehouse stores and one Cohoes store. The Company closed four stores and relocated four others to new locations within their trading areas. Expenditures incurred to acquire, set up and fixture new stores opened during fiscal 2000 were approximately \$38.6 million. Expenditures for store relocations, store expansions and store refurbishings were approximately \$28.6 million during fiscal 2000. During fiscal 2000, the Company purchased the land and building associated with two of its new stores for \$10.8 million and acquired the leases of two stores for \$1.5 million. In addition, expenditures for store locations to be opened during fiscal 2001, including the purchase of one building, amounted to \$9.0 million. Other capital expenditures, consisting primarily of computer system enhancements and distribution center improvements amounted to \$20.6 million for fiscal 2000. For fiscal 2001, the Company estimates that it will spend approximately \$93.0 million for capital expenditures (i.e., building acquisitions, fixtures, equipment and leasehold improvements) in connection with the opening of approximately nineteen to twenty-five new stores (including store relocations), remodeling and expansion of existing stores, expansion of the Company's home office and warehouse facilities, and computer enhancement projects.*

The Company repurchased 1,922,949 shares of its stock, costing approximately \$22.4 million, in the current fiscal period. These purchases are reflected as treasury stock in the equity section of the balance sheet. As of June 3, 2000 the Company had authority to purchase an additional \$7.0 million of its stock. Subsequent to June 3, 2000, the Company repurchased 229,100 shares of its stock, costing approximately \$2.8 million.

Working capital decreased to \$260.4 million at June 3, 2000 from \$332.8 million at May 29, 1999. At May 30, 1998, working capital was \$368.5 million.

Total funds provided from operations for the fiscal years ended June 3, 2000, May 29, 1999 and May 30, 1998 were \$112.1 million, \$94.7 million, and \$97.6 million, respectively. Total funds from operations are calculated by adding back to net income non-cash expenditures such as depreciation and deferred taxes.

Net cash provided by operating activities of \$162.9 million for fiscal 2000 increased by \$89.8 million from \$73.1 million in net cash provided from operating activities for fiscal 1999. This increase in net cash from operations was due in part to an increase in net income before depreciation expense of \$19.3 million, a smaller increase in inventory (\$12.0 million) in comparison with the increase in the prior fiscal year (\$26.2 million), and a larger increase in accounts payable in the latest fiscal year (\$51.6 million) in comparison with an increase in accounts payable of \$24.2 million in the prior fiscal year.

On September 17, 1999, the Board of Directors of the Company declared the annual cash dividend in the amount of two cents (\$0.02) per share. The cash dividend was paid on November 2, 1999, to stockholders of record on October 7, 1999. The paid dividend amounted to \$0.9 million.

The Company's long-term borrowings at June 3, 2000 include \$44.4 million of long term subordinated notes issued by the Company to institutional investors in June, 1990 ("the Notes") and an industrial development refunding bond of \$8.5 million issued by the New Jersey Economic Development Authority (the "Refunding Bonds").

The Notes were scheduled to mature on June 27, 2005 and bore interest at the rate of 10.6% per annum. As of June 3, 2000, the Notes had a remaining average scheduled maturity of approximately 3 years and were subject to mandatory payment in installments of \$7.4 million each without premium on June 27 of each year. The Notes were subordinated to senior debt, including, among others, bank debt and indebtedness for borrowed money. On June 27, 2000, the Company paid its mandatory \$7.4 million installment payment. In addition, the Company prepaid the remaining \$37.0 million balance of the Notes. The prepayment penalty was approximately \$1.0 million.

The Refunding Bonds consist of serial and term bonds. The serial bonds aggregate \$2.1 million and mature in series annually on September 1, through the year 2003. The term bonds consist of

two portions, \$1.4 million maturing on September 1, 2005 and \$5.0 million maturing on September 1, 2010. The serial bonds bear interest ranging from 3.75% to 5.4% per annum, and the term bonds bear interest at the rates of 5.60% for the portion maturing on September 1, 2005 and 6.125% per annum for the portion maturing on September 1, 2010. The average interest rate and average scheduled maturity of the Refunding Bonds are 5.8% and 6.5 years, respectively. During fiscal 2000, the Company expended approximately \$0.4 million for the repayment of the Refunding Bonds.

The Company has in place a committed line of credit agreement in the amount of \$50.0 million and an additional \$50.0 million in uncommitted lines of credit. The Company had no borrowings under these credit lines during the fiscal 2000 and fiscal 1999 periods. The Company had letter of credit commitments outstanding against these lines of credit of \$30.8 million at the end of fiscal 2000 and \$20.9 million at the end of fiscal 1999. Subsequent to June 3, 2000, as a result of the early payoff of the Notes, borrowings under the lines of credit were necessary. Through July 31, 2000, the Company had maximum borrowings against these credit lines of \$51.8 million.

The Company believes that its current capital expenditures and operating requirements can be satisfied from internally generated funds, from short term borrowings under its revolving credit and term loan agreement as well as uncommitted lines of credit.[†] Furthermore, to the extent that the Company decides to purchase additional store locations, or to undertake unusual transactions such as an acquisition, it may be necessary to finance such transactions with additional long term borrowings.[†]

Inflation

Historically, the Company has been able to increase its selling prices as the costs of merchandising and related operating expenses have increased, and therefore, inflation has not had a significant effect on operations.[†]

Quantitative and Qualitative Disclosures About Market Risks

The Company does not utilize financial instruments for trading purposes and holds no derivative financial instruments which could expose the Company to significant market risk. The Company's primary market risk exposure with regard to financial instruments is to changes in interest rates. Pursuant to the terms of certain revolving credit arrangements, changes in the lenders' prime rate, LIBOR or other stated interest rates could affect the rates at which the Company could borrow funds thereunder. At June 3, 2000, the Company had no outstanding borrowings against the credit facilities. The table below summarizes the fair value and contract

terms of the Company's fixed rate debt and long-term investments at June 3, 2000:

Scheduled Maturity Date of Long-Term Debt (Including Current Portion) and Long Term Investments at June 3, 2000 (in thousands)

	Fixed Rate Debt	Average Interest Rate	Long-Term Investments	Average Interest Rate
2001	\$7,905	10.3%	—	6.3%
2002	7,905	10.3%	\$4,200	6.3%
2003	7,955	10.2%	—	6.5%
2004	8,005	10.2%	20,000	6.5%
Thereafter	21,200	9.2%	—	—
Total	<u>\$52,970</u>		<u>\$24,200</u>	
Fair Value at June 3, 2000	<u>\$55,946</u>		<u>\$23,659</u>	

Safe Harbor Statement

Statements made in this report that are forward-looking (within the meaning of the Private Securities Litigation Reform Act of 1995) are not historical facts and involve a number of 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, and the Company's ability to maintain selling margins. Among the factors that could cause actual results to differ materially are the following: general economic conditions; consumer demand; consumer preferences; weather patterns; competitive factors, including pricing and promotional activities of major competitors; the availability of desirable store locations on suitable terms; the availability, selection and purchasing of attractive merchandise on favorable terms; import risks; the Company's ability to control costs and expenses; unforeseen computer related problems; any unforeseen material loss or casualty; the effect of inflation; and other factors that may be described in the Company's filings with the Securities and Exchange Commission. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied will not be realized.

[†] Forward Looking Statement. See Safe Harbor Statement on this page.

CONSOLIDATED STATEMENTS

Consolidated Balance Sheets

	June 3, 2000	May 29, 1999
Current Assets:		
Cash and Cash Equivalents	\$127,818	\$106,952
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$604 in 2000 and \$723 in 1999)	20,119	14,227
Merchandise Inventories	513,018	501,040
Deferred Tax Asset	8,813	10,231
Prepaid and Other Current Assets	23,766	18,247
Prepaid Income Tax	—	973
Total Current Assets	693,534	651,670
Property and Equipment Net of Accumulated Depreciation and Amortization	318,316	252,221
Long Term Investments	23,659	24,175
Intangible and Other Assets (Net of Amortization of \$6,911 in 2000 and \$5,952 in 1999)	10,538	13,569
Total Assets	\$1,046,047	\$941,635
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$274,337	\$222,766
Income Taxes Payable	16,472	—
Accrued Insurance Costs	8,109	10,814
Other Current Liabilities	89,352	77,412
Current Maturities of Long-Term Debt	44,865	7,919
Total Current Liabilities	433,135	318,911
Long-Term Debt	8,105	52,970
Other Liabilities	15,064	15,689
Deferred Tax Liability	3,302	5,909
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock, Par Value \$1; Authorized 5,000,000 shares; none issued and outstanding	—	—
Common Stock, Par Value \$1; Authorized 100,000,000 shares; 49,702,538 shares issued at June 3, 2000; 49,611,988 shares issued at May 29, 1999	49,703	49,612
Capital in Excess of Par Value	19,937	19,157
Retained Earnings	575,994	515,814
Unearned Compensation	—	(2)
Accumulated Other Comprehensive Income (Loss)	(359)	(29)
Treasury Stock at Cost; 2000-5,135,239 shares; 1999-3,212,290 shares	(58,834)	(36,396)
Total Stockholders' Equity	586,441	548,156
Total Liabilities and Stockholders' Equity	\$1,046,047	\$941,635

Consolidated Statements of Operations

	Twelve Months Ended June 3, 2000	Twelve Months Ended May 29, 1999	Eleven Months Ended May 30, 1998
REVENUES:			
Net Sales	\$2,198,696	\$1,944,106	\$1,756,232
Other Income	27,487	24,678	26,060
TOTAL REVENUES	2,226,183	1,968,784	1,782,292
COSTS AND EXPENSES:			
Cost of Sales (Exclusive of Depreciation and Amortization)	1,406,625	1,243,198	1,111,722
Selling and Administrative Expenses	673,027	608,629	528,354
Depreciation and Amortization	41,028	35,046	29,634
Interest Expense	5,377	5,771	6,829
TOTAL COSTS AND EXPENSES	2,126,057	1,892,644	1,676,539
Income Before Provision for Income Taxes	100,126	76,140	105,753
Provision for Income Taxes	37,650	28,357	42,114
Income Before Cumulative Effect of Accounting Change	62,476	47,783	63,639
Cumulative Effect of Accounting Change, Net of Income Taxes	(1,356)	—	—
Net Income	\$61,120	\$47,783	\$63,639
BASIC AND DILUTED NET INCOME PER SHARE:			
Basic and Diluted Net Income Per Share Before Cumulative Effect Of Accounting Change	\$1.37	\$1.02	\$1.34
Cumulative Effect of Accounting Change, Net of Income Taxes	(.03)	—	—
Net Income	\$1.34	\$1.02	\$1.34
Weighted Average Shares Outstanding	45,707,520	46,876,564	47,420,726
Dividends Per Share	\$.02	\$.02	\$.02

See notes to consolidated financial statements.

(All amounts in thousands except share data)

Consolidated Statements of Stockholders' Equity

Eleven months ended May 30, 1998, twelve months ended May 29, 1999, and twelve months ended June 3, 2000

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at June 28, 1997	\$41,259	\$25,997	\$406,123	(\$54)	—	(\$13,110)	\$460,215
Net Income			63,639				63,639
Stock Options Exercised	78	444					522
Tax Benefit From Exercise of Stock Options		526					526
Unearned Compensation				25			25
Treasury Stock Transactions						(8,054)	(8,054)
Stock Dividend	8,257	(8,257)					—
Dividends			(804)				(804)
Balance at May 30, 1998	49,594	18,710	468,958	(29)	—	(21,164)	516,069
Comprehensive Income:							
Net Income			47,783				47,783
Net Unrealized Loss on Noncurrent Marketable Securities, Net of Income Taxes					(\$29)		(29)
Total Comprehensive Income							47,754
Stock Options Exercised	18	198					216
Tax Benefit From Exercise of Stock Options		249					249
Unearned Compensation				27			27
Treasury Stock Transactions						(15,232)	(15,232)
Dividends			(927)				(927)
Balance at May 29, 1999	49,612	19,157	515,814	(2)	(29)	(36,396)	548,156
Comprehensive Income:							
Net Income			61,120				61,120
Net Unrealized Loss on Noncurrent Marketable Securities, Net of Income Taxes					(330)		(330)
Total Comprehensive Income							60,790
Stock Options Exercised	91	310					401
Tax Benefit From Exercise of Stock Options		470					470
Unearned Compensation				2			2
Treasury Stock Transactions						(22,438)	(22,438)
Dividends			(940)				(940)
Balance at June 3, 2000	\$49,703	\$19,937	\$575,994	—	(\$359)	(\$58,834)	\$586,441

See notes to consolidated financial statements.

(All amounts in thousands)

Consolidated Statements of Cash Flows

	Twelve Months Ended June 3, 2000	Twelve Months Ended May 29, 1999	Eleven Months Ended May 30, 1998
OPERATING ACTIVITIES			
Net Income	\$61,120	\$47,783	\$ 63,639
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	41,028	35,046	29,634
Provision for Losses on Accounts Receivable	8,482	7,978	7,187
Provision for Deferred Income Taxes	(1,189)	3,114	(4,658)
Loss on Disposition of Fixed Assets	314	836	794
Non-Cash Rent Expense and Other	3,414	1,061	1,047
Changes in Assets and Liabilities:			
Accounts Receivable	(9,970)	(7,443)	(7,931)
Merchandise Inventories	(11,978)	(26,223)	(108,584)
Prepays and Other Current Assets	(4,546)	4,746	(15,843)
Accounts Payable	51,571	24,169	54,757
Accrued and Other Current Liabilities	25,708	(16,873)	19,506
Deferred Rent Incentives	(1,085)	(1,085)	7,887
Net Cash Provided by Operating Activities	162,869	73,109	47,435
INVESTING ACTIVITIES			
Acquisition of Property and Equipment	(107,578)	(69,244)	(43,320)
Proceeds From Sale of Fixed Assets	1,186	3,682	13
Lease Acquisition Costs	(1,523)	(8,825)	—
Issuance of Notes Receivable	(3,601)	—	—
Receipts Against Long-Term Notes Receivable	119	3,197	1,118
Acquisition of Long Term Securities	—	(24,280)	—
Minority Interest and Other	(182)	58	58
Net Cash Used in Investing Activities	(111,579)	(95,412)	(42,131)
FINANCING ACTIVITIES			
Principal Payments on Long-Term Debt	(7,919)	(8,793)	(423)
Issuance of Common Stock Upon Exercise of Stock Options	873	243	547
Purchase of Treasury Stock	(22,438)	(15,232)	(8,054)
Payment of Dividends	(940)	(927)	(804)
Net Cash Used in Financing Activities	(30,424)	(24,709)	(8,734)
Increase (Decrease) in Cash and Cash Equivalents	20,866	(47,012)	(3,430)
Cash and Cash Equivalents at Beginning of Period	106,952	153,964	157,394
Cash and Cash Equivalents at End of Period	\$127,818	\$106,952	\$153,964
Supplemental Disclosure of Cash Flow Information:			
Interest Paid	\$5,616	\$6,431	\$ 4,000
Income Taxes Paid	\$19,921	\$36,588	\$ 42,240

(All amounts in thousands)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

A. Summary of Significant Accounting Policies

1. Business

Burlington Coat Factory Warehouse Corporation operates 282 stores, in 42 states, which sell apparel, shoes and accessories for men, women and children. A majority of those stores offer a home furnishings and linens department and a juvenile furniture department. The Company operates stores under the names "Burlington Coat Factory Warehouse" (two hundred sixty-two stores), "Cohoes Fashions" (five stores), "Decelle" (eight stores), "Luxury Linens" (five stores), "Totally 4 Kids" (one store), and "Baby Depot" (one store). Cohoes Fashions offers merchandise in the middle to higher price range. Decelle offers merchandise in the moderate price range for the entire family with an emphasis on children's and youth wear. Luxury Linens is a specialty store for linens, bath shop items, gifts and accessories and offers merchandise in the middle to higher price range. Totally 4 Kids is a moderate to upscale concept store offering maternity wear, baby furniture, children's wear from toddlers up to teens, children's books, toys, computer software for kids and educational tapes in a family environment. Baby Depot is a stand alone infant and toddler store specializing in infant and toddler apparel, furnishings and accessories.

2. Principles of Consolidation

The consolidated financial statements include the accounts of Burlington Coat Factory Warehouse Corporation and its subsidiaries (the "Company"). All intercompany transactions and balances have been eliminated in consolidation.

3. Use of Estimates

The Company's consolidated financial statements have been prepared in conformity with generally accepted accounting principles. Certain amounts included in the consolidated financial statements are estimated based on currently available information and management's judgment as to the outcome of future conditions and circumstances. While every effort is made to ensure the integrity of such estimates, including the use of third party specialists where appropriate, actual results could differ from these estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term, highly liquid investments with maturities of three months or less at the time of purchase. Cash equivalent investments amounted to \$120.8 million at June 3, 2000 and \$89.6 million at May 29, 1999.

5. Inventories

Merchandise inventories are valued at the lower of cost, on a First In First Out (FIFO) basis or market, as determined by the retail inventory method.

6. Property and Equipment

Property and equipment are stated at cost and depreciation is computed on the straight line method over the estimated useful lives of the assets. The estimated useful lives are between 20 and 40 years for buildings, depending upon the expected useful life of the facility, and three to ten years for store fixtures and equipment. Leasehold improvements are amortized over a ten year period or lease term, whichever is less. Repairs and maintenance expenditures are charged to expense as incurred. Renewals and betterments which significantly extend the useful lives of existing property and equipment are capitalized.

7. Long Term Investments

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

8. Intangible and Other Assets

Intangible and Other Assets primarily consisted of leasehold purchases, which are amortized over the minimum life of the related lease term.

9. Other Current Liabilities

Other current liabilities primarily consisted of sales tax payable, accrued operating expenses, payroll taxes payable and other miscellaneous items.

10. Store Opening Expenses

Expenses related to new store openings are charged to operations in the period incurred.

11. Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*. Deferred income taxes have been recorded to recognize temporary differences which result from revenues and expenses being recognized in different periods for financial reporting purposes than for income tax purposes.

12. Basic and Diluted Net Income Per Share

SFAS No. 128, *Earnings Per Share*, requires dual presentation of basic and diluted earnings per share and requires reconciliation of the numerators and denominators of the basic and diluted earnings per share calculation.

CONSOLIDATED STATEMENTS

Basic and diluted net income per share before cumulative effect of accounting change is based on the weighted average number of shares outstanding during each period. The amounts used in calculation of basic and diluted net income per share before cumulative effect of accounting change are as follows:

	Twelve Months Ended June 3, 2000	Twelve Months Ended May 29, 1999	Eleven Months Ended May 30, 1998
Income Before Cumulative Effect of Accounting Change	\$62,476	\$47,783	\$63,639
Weighted Average Shares Outstanding	45,708	46,877	47,421
Effect of Dilutive Stock Options	42	87	99
Weighted Average Shares Outstanding, Assuming Dilution	45,750	46,964	47,520
Basic and Diluted Net Income Per Share Before Cumulative Effect of Accounting Change	\$1.37	\$1.02	\$1.34

(all amounts in thousands except per share data)

Options to purchase 198,120 shares of common stock were outstanding during fiscal 2000, but were not included in the computation of weighted average shares outstanding, assuming dilution because the options' exercise price is greater than the average market price of common shares, and therefore would be antidilutive.

13. Fiscal Year End Date

Fiscal 2000 ended June 3, 2000 and consisted of 53 weeks. Fiscal 1999 ended May 29, 1999 and consisted of 52 weeks. Fiscal 1998 ended on May 30, 1998 and consisted of 48 weeks. For comparative purposes, financial data for the twelve months ended June 3, 2000 (53 weeks), the twelve months ended May 29, 1999 (52 weeks) and the twelve months ended May 30, 1998 (52 weeks - unaudited) is set forth below.

	Twelve Months Ended		
	June 3, 2000 (53 weeks)	May 29, 1999 (52 weeks)	May 30, 1998 (52 weeks) (unaudited)
Revenues	\$2,226,183	\$1,968,784	\$1,875,639
Gross Margin	792,071	700,908	679,871
Selling and Administrative Expenses	673,027	608,629	564,524
Provision for Income Taxes	37,650	28,357	41,195
Income Before Cumulative Effect of Accounting Change	62,476	47,783	62,358
Basic and Diluted Net Income Per Share Before Cumulative Effect of Accounting Change	\$1.37	\$1.02	\$1.31

(all amounts in thousands except share data)

14. Other Income

Other income is primarily rental income received from leased departments, interest income and miscellaneous items.

15. Advertising Costs

The Company's net advertising costs consist primarily of newspaper and television costs. The production costs of net advertising are charged to expenses as incurred. Net advertising expenses for the twelve months ended June 3, 2000, twelve months ended May 29, 1999, and eleven months ended May 30, 1998 were \$50.6 million, \$51.3 million and, \$44.5 million, respectively.

16. Impairment of Long-Lived Assets

The Company accounts for impaired long-lived assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of*. This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, in general, long-lived assets and certain intangibles to be disposed of should be reported at the lower of carrying amount or fair value less cost to sell. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments.

17. Stock-Based Compensation

SFAS No. 123, *Accounting for Stock Based Compensation*, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock (See Note K).

18. Comprehensive Income

The Company presents comprehensive income as a component of stockholders' equity in accordance with SFAS No. 130, *Reporting Comprehensive Income*.

19. Revenue Recognition

The company records revenue at the time of sale and delivery of merchandise.

20. Recent Accounting Pronouncements

a. Effective for the year ended June 3, 2000, the Company changed its method of accounting for layaway sales in compliance with Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*. Layaway sales for fiscal 2000 have been recognized upon delivery of merchandise to the customer. Layaway sales in prior fiscal years were recognized when the initial layaway deposit was received. The amount of cash received upon initiation of the layaway is recorded as a deposit liability within Other Current Liabilities. The accounting change has only a slight impact on annual sales and earnings. However, due to the seasonal influences of the business, the accounting change results in a shift of sales and earnings among the Company's quarterly periods. The cumulative effect of the change for periods prior to fiscal 2000 is a net decrease in income of \$1.4 million or \$.03 per share (See Note L). In addition, upon adoption of SAB No. 101, the Company changed its classification of lease department revenues and related expenses. Previously, the Company included these lease department revenues in Net Sales and their related costs in Cost of Sales. The Company presently records the net of leasee revenues and related costs to Other Income. Prior years' Statement of Operations have been reclassified to conform to the current year's presentation.

b. In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB No 133* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment of FASB Statement No. 133*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company has not yet assessed what the impact of SFAS No. 133 will be on the Company's future earnings or financial position.

c. In March 1998, the AICPA issued Statement of Position ("SOP") 98-1, *Accounting For the Costs of Computer Software Developed For or Obtained for Internal-Use*. The Company adopted SOP 98-1 for fiscal year ended June 3, 2000. The SOP requires the capitalization of certain costs incurred after the date of adoption in connection with developing or obtaining software for internal use. The Company capitalized \$1.9 million relating to these costs during fiscal 2000.

21. Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the classifications used in the current year.

B. Property and Equipment

Property and equipment consists of:

	June 3, 2000	May 29, 1999
Land	\$25,990	\$20,087
Buildings	100,628	83,211
Store Fixtures and Equipment	289,250	244,813
Leasehold Improvements	138,844	97,188
Construction in Progress	1,302	4,857
	<u>556,014</u>	<u>450,156</u>
Less Accumulated Depreciation and Amortization	(237,698)	(197,935)
	<u>\$318,316</u>	<u>\$252,221</u>

(in thousands)

C. Investments

Long term investment consists of the following:

	Cost	Unrealized Losses	Estimated Fair Value
Held-to-Maturity Investments			
	June 3, 2000		
Federal Home Loan Mortgage Corporation Note	\$1,500	(\$39)	\$1,461
Federal National Mortgage Association Note	4,200	(83)	4,117
	<u>\$5,700</u>	<u>(\$122)</u>	<u>\$5,578</u>
	May 29, 1999		
Federal National Mortgage Association Note	\$4,200	--	\$4,200
Available-for-Sale Investments			
	June 3, 2000		
Federal Home Loan Mortgage Corporation Note	\$18,500	(\$541)	\$17,959
	May 29, 1999		
Federal Home Loan Mortgage Corporation Note	\$20,021	(\$46)	\$19,975

(in thousands)

Held-to-maturity investments are pledged as collateral under certain insurance contracts which previously had been collateralized through the use of letter of credit agreements. The Federal National Mortgage Association Note matures on February 25, 2002. The Federal Home Loan Mortgage Corporation Note matures on March 3, 2004.

CONSOLIDATED STATEMENTS

D. Accounts Payable

Accounts payable consists of:

	June 3, 2000	May 29, 1999
Accounts Payable-Trade	\$243,933	\$195,231
Accounts Payable-Due Banks	10,291	13,245
Other	20,113	14,290
	<u>\$274,337</u>	<u>\$222,766</u>

(in thousands)

E. Lines of Credit

The Company had a committed line of credit of \$50.0 million at both June 3, 2000 and May 29, 1999. The Company's committed line of credit renews every three years and is available through December 2002. The Company also had an uncommitted line of credit of \$50.0 million at June 3, 2000 and May 29, 1999, respectively. The uncommitted lines of credit are cancelable by the bank at any time. Letters of credit outstanding against these lines were \$30.8 million and \$20.9 million at June 3, 2000 and May 29, 1999, respectively.

The Company had no borrowings under these credit lines during fiscal 2000 or 1999. Short-term borrowings against these lines of credit bear interest at or below the lending bank's prime rate (9.5% at June 3, 2000).

F. Long-Term Debt

Long-term debt consists of:

	June 3, 2000	May 29, 1999
Subordinated Notes, 10.6%, due in annual principal payments of \$7.4 million from June 2000 to June 2005 with interest due semi-annually	\$44,400	\$51,800
Industrial Revenue Bonds, 5.8%, due in semi-annual payments of various amounts from Sept. 1, 2000 to Sept. 1, 2010	8,525	8,945
Promissory note, due at various dates through 2000 (interest rate imputed at 10.6%)	45	144
Subtotal	52,970	60,889
Less current portion	(44,865)	(7,919)
Long-Term Debt	\$8,105	\$52,970

(in thousands)

The Industrial Revenue Bonds were issued in connection with the construction of the Company's distribution center. The Bonds are secured by a first mortgage on the Company's distribution center. Indebtedness totaling \$8.5 million is secured by land and buildings with a net book value of \$18.5 million at June 3, 2000.

Long-term debt scheduled maturities in each of the next five fiscal years is as follows: 2001 - \$7.9 million; 2002 - \$7.9 million; 2003 - \$8.0 million; 2004-\$8.0 million; and 2005-\$8.1 million. \$44.4 million of such maturities related to the Subordinated Notes were repaid subsequent to June 3, 2000 (\$7.4 million for each of the fiscal years 2001 through 2006). In anticipation of this prepayment of the notes, the Company has reclassified the remaining balance of the notes to Current Maturities of Long Term Debt on the Company's Consolidated Balance Sheet (See Note P).

As of June 3, 2000, the Company was in compliance with all covenants related to its loan agreements. Several loan agreements of the Company contain restrictions which, among other things, require maintenance of certain financial ratios, restrict encumbrance of assets and creation of indebtedness, and limit the payment of dividends. At June 3, 2000, \$384.1 million of the Company's retained earnings of \$576.0 million were unrestricted and available for the payment of dividends under the most restrictive terms of the agreements.

G. Lease Commitments

The Company leases 259 stores and office spaces under operating leases that will expire principally during the next twenty years. The leases typically include renewal options and escalation clauses and provide for contingent rentals based on a percentage of gross sales.

The following is a schedule of future minimum lease payments under the operating leases:

Fiscal Year	
2001	\$87,452
2002	84,219
2003	79,073
2004	72,412
2005	61,191
Thereafter	282,194
Total minimum lease payments	\$666,541

(in thousands)

The above schedule of future minimum lease payments has not been reduced by future minimum sublease rental income of \$12.9 million under non-cancelable subleases and other contingent rental agreements.

Total rental expenses under operating leases for the periods ended June 3, 2000, May 29, 1999, and May 30, 1998 were \$88.3 million, \$77.2 million, and \$66.2 million respectively, including contingent rentals of \$2.7 million, \$2.5 million, and \$2.3 million, respectively. Rent expense for the above periods has not been reduced by sublease rental income of \$11.6 million, \$10.1 million and \$10.3 million which has been included in other income for the periods ended June 3, 2000, May 29, 1999, and May 30, 1998, respectively.

The Company has irrevocable letters of credit in the amount of \$8.7 million to guarantee payment and performance under certain leases, insurance contracts and utility agreements.

CONSOLIDATED STATEMENTS

H. Employee Retirement Plans

The Company has a noncontributory profit-sharing plan covering employees who meet age and service requirements. The Company also provides additional retirement security to participants through a cash or deferred (salary deferral) feature qualifying under Section 401(k) of the Internal Revenue Code. Membership in the salary deferral feature is voluntary. Employees may, up to certain prescribed limits, contribute to the 401(k) plan and a portion of these contributions are matched by the Company. In addition, under the profit sharing feature, the Company's contribution to the plan is determined annually by the Board of Directors. The provision for Company profit sharing and 401(k) contributions for the twelve months ended June 3, 2000, May 29, 1999, and the eleven months ended May 30, 1998 were \$6.3 million, \$5.0 million, and \$6.5 million, respectively.

I. Income Taxes

The provision for income taxes is summarized as follows:

Period Ended	2000	1999	1998
Current:			
Federal	\$34,285	\$22,625	\$40,214
State and Other	4,367	2,617	6,559
Subtotal	38,652	25,242	46,773
Deferred	(1,002)	3,115	(4,659)
Total	\$37,650	\$28,357	\$42,114

(in thousands)

A reconciliation of the Company's effective tax rate with the statutory federal tax rate is as follows:

Period Ended	2000	1999	1998
Tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.7	2.7	3.9
Other charges	(.1)	(.5)	.9
Effective tax rate	37.6%	37.2%	39.8%

Deferred income taxes for 2000, 1999, and 1998 reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. These temporary differences are determined in accordance with SFAS No. 109.

Temporary differences which give rise to deferred tax assets and liabilities at June 3, 2000 and May 29, 1999 are as follows:

Period Ended	2000		1999	
	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Current:				
Allowance for doubtful accounts	\$237		\$291	
Compensated absences	979		917	
Inventory costs and reserves capitalized for tax purposes	5,010		5,397	
Insurance reserves	3,660		4,481	
Prepaid items deductible for tax purposes		\$1,836		\$1,383
Other	763		528	
	\$10,649	\$1,836	\$11,614	\$1,383
Non-Current:				
Depreciation		\$12,260		\$13,123
Accounting for rent expense	\$3,802		\$4,182	
Pre-opening costs	4,968		3,033	
Accounting for non-current marketable securities and other	188			1
	\$8,958	\$12,260	\$7,215	\$13,124

(in thousands)

No valuation account is deemed necessary.

J. Supplementary Income Statement Information

Period Ended	2000	1999	1998
Repairs and Maintenance	\$24,533	\$22,513	\$19,977

(in thousands)

All other required items are omitted since they are less than 1% of total revenues.

K. Incentive Plans

In April 1983, the stockholders of the Company adopted a Stock Option and Stock Appreciation Rights Plan (the "1983 Plan") which authorized the granting of options for the issuance of 1,125,000 shares of common stock. During 1988, the stockholders authorized the issuance of an additional 675,000 shares of common stock for a total of 1,800,000 shares under this Plan. The 1983 Plan provided for the issuance of incentive stock options, nonqualified stock options and stock appreciation rights. This plan expired in April, 1993. In November, 1993, the stockholders of the Company approved a stock incentive plan (the "1993 Plan"), authorizing the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance stock and other stock based compensation. A total of 540,000 shares of common stock have been reserved for issuance under the 1993 Plan. This plan expired in August, 1998. In October, 1998, the stockholders of the Company approved a stock incentive plan (the "1998 Plan"), authorizing the granting of incentive stock

CONSOLIDATED STATEMENTS

options, non-qualified stock options, stock appreciation rights restricted stock, performance stock and other stock based compensation. A total of 350,000 shares of common stock have been reserved for issuance under the 1998 Plan. A summary of stock options transactions in fiscal periods 1998, 1999, and 2000 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding June 28, 1997	330,124	\$ 7.91
Options issued	75,700	\$16.28
Options (cancelled) . . .	(2,813)	\$ 6.62
Options exercised . . .	(85,337)	\$ 6.12
Options outstanding May 30, 1998	317,674	\$10.40
Options issued	2,900	\$22.13
Options (cancelled) reversed . . .	541	\$ 4.56
Options exercised . . .	(18,372)	\$ 6.41
Options outstanding May 29, 1999	302,743	\$10.74
Options issued	191,200	\$14.29
Options (cancelled)	(10,753)	\$ 4.56
Options exercised . . .	(90,750)	\$ 4.56
Options outstanding June 3, 2000	392,440	\$14.02
Options exercisable . . .	201,240	\$13.76

The following table summarizes information about the stock options outstanding under the Company's option plans as of June 3, 2000:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding At 6/3/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 6/3/00	Weighted Average Exercise Price
\$8.85-\$9.58	93,720	5.3 yrs	\$ 9.37	93,720	\$ 9.37
\$12.00	100,600	9.7 yrs	\$12.00	-	-
\$16.28-\$16.84	166,100	8.6 yrs	\$16.59	75,500	\$16.28
\$20.57-\$22.13	32,020	4.1 yrs	\$20.66	32,020	\$20.66
	392,440			201,240	

The Company adopted the disclosure requirements of SFAS No. 123, *Accounting for Stock Based Compensation*, effective with the 1997 financial statements, but elected to continue to

measure compensation expense in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, no compensation expense for stock options has been recognized. If compensation expense had been determined based on the estimated fair value of options granted in 1998, 1999, and 2000 consistent with the methodology in SFAS No. 123, the pro forma effects on the Company's net income per share would have been as follows:

	2000	1999	1998
Net Income:			
As reported	\$61,120	\$47,783	\$63,639
Pro forma	\$60,799	\$47,374	\$63,540
Net Income per Share:			
As reported	\$1.34	\$1.02	\$1.34
Pro forma	\$1.33	\$1.01	\$1.34

(in thousands, except per share amounts)

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2000, 1999, and 1998.

	2000	1999	1998
Risk-free interest rate	5.85%	5.40%	5.65%
Expected volatility	48.4%	48.4%	42.9%
Expected life	6 years	8 years	10 years
Contractual life	10 years	10 years	10 years
Expected dividend yield	0.1%	--	--
Fair value of options granted	\$7.41	\$10.46	\$10.38

During the fiscal year ended June 29, 1996, a restricted stock award of 10,000 shares of the Company's common stock was made to an officer of the Company. The fair market value on the date of the award was \$108,800. The shares become vested to the officer over a four year period based on certain employment criteria. The unearned compensation related to this award is being amortized over the vesting period.

CONSOLIDATED STATEMENTS

L. Interim Financial Information (Unaudited)

(all amounts in thousands except per share data)

Fiscal Year Ended June 3, 2000	13 Weeks Ended			14 Weeks
	August 28, 1999	November 27, 1999	February 26, 2000	Ended June 3, 2000
Net Sales adjusted for lease department reclassification	\$382,432	\$611,971	\$680,435	\$526,238
Effect of change in accounting for layaway sales	(7,643)	(1,029)	6,292	—
Net Sales as restated	\$374,789	\$610,942	\$686,727	\$526,238
Gross Margin adjusted for lease department reclassification	\$135,112	\$234,021	\$227,742	\$196,986
Effect of change in accounting for layaway sales	(3,740)	(828)	2,778	—
Gross Margin as restated	\$131,372	\$233,193	\$230,520	\$196,986
Net Income (Loss) as originally reported	(\$6,345)	\$29,944	\$33,023	\$6,971
Effect of change in accounting for layaway sales	(2,333)	(517)	1,733	—
Net Income (Loss) before cumulative effect of accounting principle as restated	(8,678)	29,427	34,756	\$6,971
Cumulative effect of change in accounting for layaway sales	(1,356)	—	—	—
Net Income (Loss) as restated	(\$10,034)	\$29,427	\$34,756	\$6,971
Per common share – basic and diluted:				
Net Income (Loss) as originally reported	(\$0.14)	\$0.65	\$0.72	\$0.16
Effect of change in accounting for layaway sales	(0.05)	(0.01)	0.04	—
Income (Loss) before cumulative effect as restated	(0.19)	0.64	0.76	0.16
Cumulative effect of change in accounting for layaway sales	(0.03)	—	—	—
Net Income (Loss) as restated	(\$0.22)	\$0.64	\$0.76	\$0.16

Fiscal Year Ended May 29, 1999

	13 Weeks Ended			
	August 29, 1998	November 28, 1998	February 27, 1999	May 29, 1999
As Reported:				
Net Sales adjusted for lease department reclassification	\$337,112	\$587,400	\$573,508	\$446,086
Gross Margin adjusted for lease department reclassification	\$118,020	\$223,062	\$190,986	\$168,841
Net Income (Loss)	(\$11,477)	\$30,203	\$23,171	\$5,886
Per common share – basic and diluted:				
Net Income (Loss)	(\$0.24)	\$0.64	\$0.50	\$0.13
Pro forma amounts assuming the new layaway sales recognition is applied retroactively:				
Net Sales	\$329,189	\$586,146	\$580,902	\$447,035
Gross Margin	\$114,141	\$222,131	\$193,893	\$168,920
Net Income (Loss)	(\$13,903)	\$29,621	\$24,989	\$5,935
Per common share – basic and diluted:				
Net Income (Loss)	(\$0.29)	\$0.63	\$0.53	\$0.13

(1) Net Income (Loss) per share is based on the weighted average number of shares outstanding during each of the quarters. The sum of the four quarters may not equal the full year computation due to rounding.

During the fourth quarter of fiscal 2000, the Company changed its method of accounting for layaway sales. Quarterly results for fiscal 2000 in the table above have been restated to reflect the change in accounting. The cumulative effect of this change for periods prior to May 30, 1999 of \$1.4 million (net of income taxes of \$.8 million), is included in net income (loss) of the first quarter. All quarterly sales and gross margin results reflect the reclassifications made for lease department transactions.

On an interim basis during fiscal 2000 and fiscal 1999, the Company valued inventory at the lower of cost, on a first in first out (FIFO) basis, or market, as determined by the retail inventory method. Results of quarterly operations are impacted by the highly seasonal nature of the Company's business, timing of certain holiday selling seasons and the comparability of calendar weeks within a quarter as a result of the 52/53 week fiscal years.

M. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturities of these items.

Interest rates that are currently available to the Company for issuance of notes payable and long-term debt (including current maturities) with similar terms and remaining maturities are used to estimate fair value for debt issues. The estimated fair value of long term investments are based on market prices of the securities. The estimated fair values of long-term debt (including current maturities) and long term investments are as follows:

	June 3, 2000		May 29, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Investments	\$23,659	\$23,537	\$24,175	\$24,175
Long-Term Debt (including current maturities)	\$52,970	\$55,946	\$60,889	\$64,331

(in thousands)

The fair values presented herein are based on pertinent information available to management as of the respective year ends. 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 financial statements since that date, and current estimates of fair value may differ from amounts presented herein.

N. Segment Information

The Company reports segment information in accordance with SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*. The Company has one reportable segment, operating within the United States. Sales by major product categories are as follows:

Period Ended	June 3, 2000	May 29, 1999	May 30, 1998
Apparel	\$1,707,670	\$1,519,768	\$1,402,143
Home Products	491,026	424,338	354,089
	\$2,198,696	\$1,944,106	\$1,756,232

(in thousands)

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

O. Legal Matters

From time to time in the ordinary course of business, the Company is party to litigation. The Company has established reserves relating to its legal claims and believes that potential liabilities in excess of those recorded will not have a material adverse effect on the Company's Consolidated Financial Statements; however, there can be no assurance to this effect.

P. Subsequent Events

With respect to the Subordinated Notes, in addition to the \$7.4 million principal payment scheduled for June 27, 2000, the Company prepaid the remaining \$37.0 million balance on June 27, 2000. The Company incurred prepayment penalties of \$1.0 million due to the prepayment. As a result of this prepayment, the Company has classified the entire \$44.4 million balance of the Subordinated Notes as a component of Current Maturities of Long-Term Debt on the Company's Consolidated Balance Sheet of June 3, 2000.

Subsequent to June 3, 2000, the Company repurchased 229,100 shares of its stock, costing approximately \$2.8 million.

**Board of Directors & Stockholders
Burlington Coat Factory Warehouse
Corporation, Burlington, New Jersey**

We have audited the accompanying consolidated balance sheets of Burlington Coat Factory Warehouse Corporation and its subsidiaries as of June 3, 2000 and May 29, 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended June 3, 2000 and May 29, 1999 and for the eleven months in the period ended May 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Burlington Coat Factory Warehouse Corporation and subsidiaries at June 3, 2000 and May 29, 1999, and the results of their operations and their cash flows for the years ended June 3, 2000 and May 29, 1999 and for the eleven months in the period ended May 30, 1998 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the consolidated financial statements, during the year ended June 3, 2000, the Company changed its method of accounting for layaway sales.

Deloitte & Touche LLP

Philadelphia, Pennsylvania
July 26, 2000

Independent Auditors' Report

Dividend Policy

The Board of Directors of the Company declared an annual cash dividend of two cents (\$.02) per share in fiscal 2000, fiscal 1999 and fiscal 1998. The cash dividend for fiscal 2000 was declared on September 17, 1999, and was paid on November 2, 1999, to stockholders of record on October 7, 1999. The paid dividend amounted to \$0.9 million. Maintenance of the cash dividend policy or any change thereto in the future will be at the discretion of the Company's Board of Directors and will depend upon the financial condition, capital requirements and earnings of the Company as well as other factors which the Board of Directors may deem relevant. At present, the policy of the Board of Directors is to retain the majority of earnings to finance the growth and development of the Company's business. At June 3, 2000, \$384.1 million of the Company's retained earnings were unrestricted and available for the payment of dividends under the most restrictive terms of certain loan agreements.

Market for the Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded on the New York Stock Exchange and its trading symbol is "BCF." The following table provides the high and low closing prices on the New York Stock Exchange for each fiscal quarter for the period from May 31, 1998 to June 3, 2000 and for the two months ended July 31, 2000.

Period	Low Price	High Price
May 31, 1998 to August 29, 1998	18 ³ / ₈	27 ³ / ₈
August 30, 1998 to November 28, 1998	13 ¹⁵ / ₁₆	22 ¹¹ / ₁₆
November 29, 1998 to February 27, 1999	12 ¹³ / ₁₆	16 ⁵ / ₈
February 28, 1999 to May 29, 1999	11 ¹ / ₁₆	17 ⁵ / ₁₆
May 30, 1999 to August 28, 1999	16 ¹ / ₄	19 ¹ / ₂
August 29, 1999 to November 27, 1999	12 ³ / ₁₆	20 ¹ / ₂
November 28, 1999 to February 26, 2000	10 ¹ / ₁₆	13 ⁷ / ₈
February 27, 2000 to June 3, 2000	10 ¹¹ / ₁₆	17 ³ / ₁₆
June 4, 2000 to July 31, 2000	10 ¹³ / ₁₆	12 ¹ / ₂

As of July 31, 2000, there were 317 record holders of the Company's Common Stock. The number of record holders does not reflect that number of beneficial owners of the Company's Common Stock for whom shares are held by Cede & Co., certain brokerage firms and others.

STOCKHOLDER INFORMATION

COMMON SHARE LISTING

Found on the New York Stock Exchange under the ticker symbol "BCF" although it is frequently presented as "BurlCts" in various financial publications.

ANNUAL MEETING

The Annual Meeting of the Stockholders of the Company will be held on October 19, 2000, at 11:00 AM at the corporate offices of the Company, 1830 Route 130, Burlington, NJ 08016

FORM 10-K

A copy of the Company's 2000 Annual Report to the Securities and Exchange Commission on Form 10-K will be provided to stockholders upon written request to the Secretary, Burlington Coat Factory Warehouse Corporation, 1830 Route 130, Burlington, NJ 08016

TRANSFER AGENT AND REGISTRAR

American Stock Transfer
40 Wall Street,
New York, NY 10005

INDEPENDENT AUDITORS

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