

BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-Q
October 16, 2001

FORM 10-Q

SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 1, 2001

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 No. 1-8739

Burlington Coat Factory Warehouse Corporation

(Exact name of registrant as specified in its charter)

Delaware

22-1970303

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

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 by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding
12 months (or for such shorter period that the registrant was required to file such
Reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class ----- | Outstanding at October 5, 2001 ----- |
|-----------------------------|---|
| Common stock, par value \$1 | 44,395,861 |

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

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BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(All amounts in thousands)

| | September 1, 2001 <u>(Unaudited)</u> | June 2, 2001 <u>(Note A)</u> |
|--|--|------------------------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 15,615 | \$ 77,407 |
| Accounts Receivable | 20,382 | 20,334 |
| Merchandise Inventories | 652,758 | 535,429 |
| Deferred Tax Asset | 9,741 | 10,021 |
| Prepaid and Other Current Assets | 31,864 | 34,861 |
| Prepaid Income Tax | <u>10,708</u> | <u>-</u> |
| Total Current Assets | 741,068 | 678,052 |
| Property and Equipment (Net of Accumulated Depreciation and Amortization) | 402,732 | 364,025 |
| Long Term Investments | 6,200 | 6,200 |
| Intangible and Other Assets (Net of Accumulated Amortization) | <u>12,884</u> | <u>12,498</u> |
| Total Assets | <u>\$1,162,884</u> | <u>\$1,060,775</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--------------------------------------|------------|------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 332,743 | \$ 260,678 |
| Notes Payable | 50,200 | - |
| Income Taxes Payable | - | 8,355 |
| Other Current Liabilities | 122,243 | 111,860 |
| Current Maturities of Long Term Debt | <u>555</u> | <u>505</u> |

| | | |
|---|--------------------|--------------------|
| Total Current Liabilities | 505,741 | 381,398 |
| Long Term Debt | 7,005 | 7,560 |
| Other Liabilities | 14,619 | 14,648 |
| Deferred Tax Liability | 1,559 | 1,798 |
| Stockholders' Equity: | | |
| Preferred Stock | - | - |
| Common Stock | 49,720 | 49,715 |
| Capital in Excess of Par Value | 20,587 | 20,538 |
| Retained Earnings | 624,648 | 646,113 |
| Accumulated Other Comprehensive Income (Loss) | (3) | (3) |
| Treasury Stock at Cost | <u>(60,992)</u> | <u>(60,992)</u> |
| Total Stockholders' Equity | <u>633,960</u> | <u>655,371</u> |
| Total Liabilities and Stockholders' Equity | <u>\$1,162,884</u> | <u>\$1,060,775</u> |

See notes to the condensed consolidated financial statements.

NOTE A: The balance sheet at June 2, 2001 has been derived from the audited financial statements at that date.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)
(All amounts in thousands except share data)

| | Three Months Ended | |
|---------------------|-----------------------------|-----------------------------|
| | September 1, <u>2001</u> | September 2, <u>2000</u> |
| REVENUES: | | |
| Net Sales | \$ 451,551 | \$ 415,671 |
| Other Income | <u>4,725</u> | <u>5,535</u> |
| | <u>456,276</u> | <u>421,206</u> |
| COSTS AND EXPENSES: | | |

| | | |
|--|-------------------|-------------------|
| Cost of Sales (Exclusive of Depreciation and Amortization) | 294,860 | 272,354 |
| Selling and Administrative Expenses | 180,359 | 158,521 |
| Depreciation and Amortization | 13,720 | 11,199 |
| Interest Expense | <u>313</u> | <u>850</u> |
| | <u>489,252</u> | <u>442,924</u> |
| Loss Before Income Tax Benefit | (32,976) | (21,718) |
| Income Tax Benefit | <u>(12,399)</u> | <u>(8,182)</u> |
| Net Loss Before Extraordinary Loss | (20,577) | (13,536) |
| Extraordinary Loss from Early Extinguishment of Debt, Net of Tax | <u>-</u> | <u>(815)</u> |
| Net Loss | <u>(\$20,577)</u> | <u>(\$14,351)</u> |
| Basic and Diluted Earnings Per Share: | | |
| Basic and Diluted Net Loss Per Share Before Extraordinary Loss | (\$.46) | (\$.30) |
| Extraordinary Loss from Early Extinguishment of Debt, Net of Tax | <u>-</u> | <u>(.02)</u> |
| Net Loss | <u>(\$.46)</u> | <u>(\$.32)</u> |
| Weighted Average Shares Outstanding | <u>44,406,057</u> | <u>44,345,924</u> |
| Dividends Per Share | \$ <u>.02</u> | \$ <u>-</u> |

See notes to the condensed consolidated financial statements.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(All amounts in thousands)

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| | Three Months Ended | |
|--|-----------------------------|-----------------------------|
| | September 1, <u>2001</u> | September 2, <u>2000</u> |
| OPERATING ACTIVITIES | | |
| Net Loss | (\$20,577) | (\$14,351) |
| Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities: | | |
| Extraordinary Loss From Early Extinguishment of Debt, Net of Tax | - | 815 |
| Depreciation and Amortization | 13,720 | 11,199 |
| Provision for Losses on Accounts Receivable | 1,438 | 1,525 |
| Provision for Deferred Income Taxes | 41 | (288) |
| Loss on Disposition of Fixed Assets and Leaseholds | 360 | - |
| Non-Cash Rent Expense and Other | 774 | 496 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | (1,486) | 1,174 |
| Merchandise Inventories | (117,329) | (111,270) |
| Prepays and Other Current Assets | (7,711) | 817 |
| Accounts Payable | 72,065 | 29,441 |
| Accrued and Other Current Liabilities | <u>1,140</u> | <u>(12,613)</u> |
| Net Cash Used by Operating Activities | <u>(57,565)</u> | <u>(93,055)</u> |
| INVESTING ACTIVITIES | | |
| Acquisition of Property and Equipment | (52,781) | (17,441) |
| Acquisition of Leaseholds | (1,210) | (5,025) |
| Receipts Against Long Term Notes Receivable | 13 | 55 |
| Other | <u>2</u> | <u>30</u> |
| Net Cash Used in Investing Activities | <u>(53,976)</u> | <u>(22,381)</u> |
| FINANCING ACTIVITIES | | |
| Principal Payments on Long Term Debt | (505) | (44,887) |
| Net Borrowings on Line of Credit | 50,200 | 45,600 |
| Prepayment Penalty Associated with Payoff of Subordinated Notes | - | (1,047) |
| Issuance of Common Stock Upon Exercise of Stock Options | 54 | - |
| Purchase of Treasury Stock | <u>-</u> | <u>(2,754)</u> |
| Net Cash Provided (Used) in Financing Activities | <u>49,749</u> | <u>(3,088)</u> |

| | | |
|--|------------------|------------------|
| Decrease in Cash and Cash Equivalents | (61,792) | (118,524) |
| Cash and Cash Equivalents at Beginning of Period | <u>77,407</u> | <u>127,818</u> |
| Cash and Cash Equivalents at End of Period | <u>\$ 15,615</u> | <u>\$ 9,294</u> |
| Interest Paid: | <u>\$ 432</u> | <u>\$ 3,012</u> |
| Income Taxes Paid: | <u>\$ 6,623</u> | <u>\$ 15,757</u> |

See notes to the condensed consolidated financial statements.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 1, 2001 AND SEPTEMBER 2, 2000

1. The condensed consolidated financial statements include the accounts of the Company and all its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The accompanying financial statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for a fair presentation of the results of operations for the interim periods. Because the Company's business is seasonal in nature, the operating results for the three months ended September 1, 2001 and the corresponding period ended September 2, 2000 are not necessarily indicative of results for the fiscal year.
2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 31, 2001.
3. Merchandise inventories as of September 1, 2001 and June 2, 2001 are valued at the lower of cost, on a First In First Out (FIFO) basis, or market, as determined by the retail inventory method.
4. The Company classifies its investments in debt securities into held-to-maturity, available-for-sale or trading categories in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting For Certain Investments in Debt and Equity Securities*. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity are classified as 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.
5. The Company records revenue at the time of sale and delivery of merchandise.

6. As of September 1, 2001, the Company had a deferred tax liability of \$1.6 million and a current deferred tax asset of \$9.7 million. As of June 2, 2001, the Company had a deferred tax liability of \$1.8 million and a current deferred tax asset of

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\$10.0 million. Valuation allowances were not required. Deferred tax assets consisted primarily of certain operating costs, provisions for uncollectible receivables, and certain inventory related costs, not currently deductible for tax purposes and tax loss carryforwards. Deferred tax liabilities primarily reflected the excess of tax depreciation over book depreciation.

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

8. During the fourth quarter of fiscal 2001, management approved a plan to relocate several stores during fiscal 2002. At that time, the Company established a reserve of \$2.4 million for lease commitments and other expenses to be incurred subsequent to the closing of these stores. As of September 1, 2001, the closing of these stores had not occurred. The Company believes that the established reserve of \$2.4 million is adequate to cover the expected lease and other costs related to these closings.

9. Long-term debt consists of:

| | September 1, 2001 | June 2, 2001 |
|--|-----------------------|-----------------|
| | (unaudited) | |
| | <u>(in thousands)</u> | |
| Industrial Revenue Bonds, 5.85%, due in semi-annual payments of various amounts from September 1, 2001 to September 1, 2010 | \$7,560 | \$8,065 |
| Less Current Portion | <u>(555)</u> | <u>(505)</u> |
| Long-Term Debt | <u>\$7,005</u> | <u>\$7,560</u> |

During the first quarter of fiscal 2001, the Company prepaid the remaining balance of \$44.4 million of its long-term subordinated notes, which had been issued by the Company to institutional investors in June 1990. The notes were scheduled to mature June 27, 2005 and were subject to mandatory payment of \$7.4 million on June 27 of each year. The prepayment penalties associated with this prepayment amounted to approximately \$1.0 million. The Company recorded the prepayment penalties plus the write-off of approximately \$0.3 million of deferred debt charges, related to the debt, as an extraordinary loss.

10. On August 23, 2001, the Board of Directors of the Company declared a cash dividend in the amount of two cents (\$.02) per share. The cash dividend is payable on November 16, 2001 to stockholders of record on October 19, 2001 and amounted to \$0.9 million. In fiscal 2001, the Company declared and paid a dividend of two cents (\$.02) per share during the second fiscal quarter.

11. The Company presents comprehensive income as a component of stockholders' equity in accordance with SFAS No. 130, *Reporting Comprehensive Income*. For the three months ended September 1, 2001, comprehensive income consisted solely of net income.

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

| | Three Months Ended | |
|---------------|-----------------------------|-----------------------------|
| | September 1, <u>2001</u> | September 2, <u>2000</u> |
| Apparel | \$330,021 | \$301,921 |
| Home Products | <u>121,530</u> | <u>113,750</u> |
| | <u>\$451,551</u> | <u>\$415,671</u> |

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.

13. Licensed department income, included in other income, amounted to \$2.1 million for the three month period ended September 1, 2001, compared with \$2.1 million for the similar period of a year ago (See Note 17a).

14. 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 SOP requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. The Company capitalized \$0.4 million relating to these costs during the three months ended September 1, 2001. For the similar comparative three month period of a year ago, the Company capitalized \$0.6 million.

15. 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 three month period ended September 1, 2001 were \$10.0 million. For the three month period ended September 2, 2000, net advertising costs amounted to \$9.3 million.

16. Basic and diluted net loss per share is based on the weighted average number of shares outstanding during each period. The amounts used in the calculation of basic and dilutive net loss per share are as follows (unaudited):

| | Three Months Ended September 1, <u>2001</u> | Three Months Ended September 2, <u>2000</u> |
|--|---|---|
| | (all amounts in thousands except per share data) | |
| Net Loss | (\$20,577) | (\$14,351) |
| Weighted Average Shares Outstanding | 44,406 | 44,346 |
| Effect of Dilutive Stock Options | <u>48</u> | <u>22</u> |

| | | |
|---|-----------------|-----------------|
| Weighted Average Shares Outstanding Assuming Dilution | <u>44,454</u> | <u>44,368</u> |
| Basic and Diluted Net Loss Per Share | <u>(\$0.46)</u> | <u>(\$0.30)</u> |

17. a. The Company accounts for layaway sales and leased department revenue in compliance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*. Layaway sales for fiscal 2002 and 2001 have been recognized upon delivery of merchandise to the customer. The amount of cash received upon initiation of the layaway is recorded as a deposit liability within Other Current Liabilities. The Company records the net of leased department revenues and related costs to Other Income.

b. In June 1998, the Financial Accounting Standards Board ("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 Statement 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 assessed the impact of SFAS No. 133 and determined that the adoption did not have a material effect on the Company's earnings or financial position.

c. In May 2000, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-14, *Accounting for Certain Sales Incentives*. This Issue addresses the recognition, measurement and income statement classification of certain sales incentives. EITF No. 00-14 is effective for annual or interim financial statements for periods beginning after March 15, 2001. The Company adopted EITF No. 00-14 effective June 3, 2001 and determined that the adoption did not have a material effect on the Company's earnings or financial position.

d. In June 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives will not be amortized, but will rather be tested at least annually for impairment. Under the provisions of SFAS No. 142, any impairment loss identified upon adoption of this standard is recognized as a cumulative effect of a change in accounting principle. Any impairment loss incurred subsequent to initial adoption of SFAS No. 142 is recorded as a charge to current period earnings. SFAS 142 is effective for fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized in an entity's balance sheet at that date regardless of when those assets were initially recognized. The Company is currently evaluating the provisions of SFAS No. 142 and has not yet determined the effect that adoption of this standard will have on its financial statements. The Company has assessed the impact of SFAS No. 141 and determined that the adoption did not have a material effect on the Company's earnings or financial position.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

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

Results of Operations

The following table sets forth certain items in the condensed consolidated statements of operations as a percentage of net sales for the three month periods ended September 1, 2001 and September 2, 2000 (unaudited).

Percentage of Net Sales

| | <u>Three Months Ended</u> | |
|--|------------------------------|------------------------------|
| | <u>September 1, 2001</u> | <u>September 2, 2000</u> |
| Net sales | 100.0% | 100.0% |
| Costs and expenses: | | |
| Cost of sales | 65.3 | 65.5 |
| Selling & administrative expenses | 39.9 | 38.1 |
| Depreciation & amortization | 3.0 | 2.7 |
| Interest expense | <u>0.1</u> | <u>0.2</u> |
| | <u>108.3</u> | <u>106.5</u> |
| Other income | <u>1.0</u> | <u>1.3</u> |
| Loss before income taxes | <u>(7.3)</u> | <u>(5.2)</u> |
| Income tax benefit | <u>2.7</u> | <u>1.9</u> |
| Net loss before extraordinary loss from early extinguishment of debt | (4.6) | (3.3) |

| | | |
|--|--------|--------------|
| Extraordinary loss from early extinguishment of debt | — | <u>(0.2)</u> |
| Net Loss | (4.6%) | (3.5%) |

Three Months Ended September 1, 2001 and September 2, 2000

Consolidated sales increased \$35.9 million (8.6%) for the three month period ended September 1, 2001 compared with the three month period ended September 2, 2000. Comparative stores sales increased 3.0%. Three new Burlington Coat Factory stores and two relocated stores opened near the end of the first quarter contributed \$2.0 million to this year's net sales. Sales from stores opened subsequent to September 2, 2000 amounted to \$35.4 million for the three months ended September 1, 2001. Nine stores which were in operation a year ago, but which were closed prior to this year, contributed \$10.5 million to last year's sales.

Other income (consisting of investment income, rental income from leased departments and miscellaneous items) was \$4.7 million for the three months ended September 1, 2001 and \$5.5 million for the three months ended September 2, 2000. This decrease is due mainly to lower investment income resulting from decreases in investable funds and lower interest rates during the comparative periods.

Cost of sales increased \$22.5 million (8.3%) for the three month period ended September 1, 2001 compared with the similar period a year ago. For the comparative three month period, cost of sales, as a percentage of sales, decreased to 65.3% from 65.5%. This percentage decrease was primarily the result of lower markdowns and higher initial markons during the current three month period compared with the similar period of a year ago. These improvements were offset in part by a slightly higher adjustment for inventory shrinkage during the three months ended September 1, 2001 compared with the three months ended September 2, 2000.

Selling and administrative expenses increased by \$21.8 million (13.8%) for the three month period ended September 1, 2001 compared with the similar period a year ago. The increase in selling and administrative expenses was primarily a result of the increased number of stores operating during the three month period compared with the similar period a year ago, increases in warehousing costs associated with the opening of an additional warehouse facility in Bristol, Pennsylvania, increases in insurance costs, employee benefit costs and supply expenses. In addition, the Company incurred pre-opening rent related expenses of \$1.3 million during this year's first quarter in connection with the acquisition of existing leasehold interests for new stores. In the prior year, rent related expense for new stores generally did not commence until the stores opened for business. As a percentage of sales, selling and administrative expenses increased to 39.9% for the three months ended September 1, 2001 from 38.1% in the comparative three month period of a year ago.

Interest expense decreased \$0.5 million for the three months ended September 1, 2001 compared with the similar period of a year ago. The three month decrease in interest expense is the result of a decrease in long term debt due to the normal recurring repayment of the Company's industrial development bonds and to the prepayment of the entire remaining balance of the Company's subordinated notes in June 2000. Interest relating to the Company's borrowings under its lines of credit amounted to \$0.2 million for the three months ended September 1, 2001 compared with \$0.4 million in the comparative period of a year ago.

Income tax benefit increased to \$12.4 million for the three months ended September 1, 2001 from \$8.2 million for the similar period of a year ago. The effective tax rates were 37.6% and 37.7% for the three month period ended September 1, 2001 and September 2, 2000, respectively.

Net loss before extraordinary loss from early extinguishment of debt increased \$7.1 million to \$20.6 million for the three months ended September 1, 2001 from \$13.5 million for the comparative period of a year ago. Loss per share before extraordinary loss was \$0.46 per share for the current fiscal year's first quarter and \$0.30 for the comparative three month period of a year ago.

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During the prior year's first fiscal quarter, the Company prepaid the remaining balance of its long term subordinated notes. The prepayment penalty associated with this payment amounted to approximately \$1.0 million. This penalty, along with the write-off of unamortized deferred debt charges of approximately \$0.3 million, was recorded as an extraordinary loss. Net of income tax effect, the extraordinary loss amounted to \$0.8 million or \$0.02 per share.

As a result of the terrorist attack on the World Trade Center on September 11, 2001, one of the Company's stores, located in close proximity to the disaster, was damaged. The Company is in the process of ascertaining the damage to all merchandise and equipment as well as the building in which the store is located. The store has been closed since September 11, 2001, and a reopening date has not yet been determined.

The Company's business is seasonal, with its highest sales occurring in the months of September, October, November, December and January of each year. The Company's net income generally reflects the same seasonal pattern as its net sales. In the past, substantially all of the Company's profits have been derived from operations during the months of September, October, November, December and January.

Liquidity and Capital Resources

The Company estimates spending approximately \$130.0 million in capital expenditures during fiscal 2002 including \$31.3 million for land, buildings, and leasehold purchases for stores, \$74.5 million for store expenditures, \$16.2 million for upgrades and expansion of warehouse facilities, and \$8.0 million for computer and other equipment expenditures. For the first three months of fiscal 2002, capital expenditures amounted to approximately \$54.0 million.

Working capital was \$235.3 million at September 1, 2001 compared with \$296.7 million at June 2, 2001. This decrease was due primarily to purchases of property and equipment.

As of September 1, 2001, the Company had authorization to purchase an additional \$3.7 million of its stock. Subsequent to the end of the first fiscal quarter of 2002, the Company repurchased 10,000 shares of its stock costing approximately \$0.1 million.

Net cash used in operating activities was \$57.6 million for the three months ended September 1, 2001. The primary use of cash for operating activities during the current three month period was for the purchase of additional inventory. Inventory increases resulted from the stocking of new stores and from the normal seasonal buildup of inventory throughout the chain.

On August 23, 2001, the Board of Directors of the Company declared a cash dividend in the amount of two cents (\$.02) per share. The cash dividend is payable on November 16, 2001, to stockholders of record on October 19, 2001. In fiscal 2001, the Company declared and paid a dividend of two cents (\$.02) per share during the second fiscal quarter.

The Company's long term borrowings at September 1, 2001 consists of an industrial development bond of \$7.6 million issued by the New Jersey Economic Development Authority (the "Refunding Bonds"). The Refunding Bonds consist of serial and term bonds. The serial bonds aggregate \$1.2 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 5.20% 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 maturity of the Refunding Bonds are 5.90% and 5.6 years, respectively.

During the first quarter of fiscal 2001, the Company repaid the remaining balance of \$44.4 million of its long term subordinated notes, which had been issued by the Company to institutional investors in June 1990. The Notes were scheduled to mature on June 27, 2005 and were subject to mandatory payment of \$7.4 million on June 27 of each year. The prepayment penalty associated with the early payoff of the debt was approximately \$1.0 million.

The Company has in place a committed line of credit agreement in the amount of \$100.0 million and an additional \$65.0 million in uncommitted lines of credit. Short term borrowings against these lines of credit bear interest at or below the lending bank's prime rate (6.5% at September 1, 2001).

At September 1, 2001, the Company had borrowings under these lines of credit of \$50.2 million. Maximum borrowings during the quarter amounted to \$54.8 million. The average borrowings under these credit lines during the period of borrowing was \$38.1 million, at an average interest rate of 4.2%. Borrowings under the Company's lines of credit were necessary during the current year's first quarter primarily because of the Company's purchase of land and building associated with new stores to be opened during the current fiscal year and to the purchase of inventory during the quarter. At September 2, 2000, the Company had borrowings under these lines of credit of \$45.6 million. The average borrowings under the credit line during the period of borrowing was \$36.3 million, at an average interest rate of 7.0%. The Company had letter of credit commitments outstanding against these lines of credit of \$19.2 million as of the end of the first quarter of fiscal 2002 and \$17.5 million at June 2, 2001.

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, it may be necessary to finance such acquisitions with additional long term borrowings.

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.

Item 3. Quantitative and Qualitative Market Risk Disclosures.

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 September 1, 2001, the Company had \$50.2 million in borrowings under the lines of credit at an interest rate of 4.2%. This approximates the fair value of the borrowings at September 1, 2001. The table below summarizes the fair value and contract terms of the Company's fixed rate debt and long-term investments, at September 1, 2001 (in thousands):

Expected Maturity Date of Long-Term Debt (Including Current Portion) and Long Term Investments at September 1, 2001 (unaudited)

| | <u>Fixed Rate Debt</u> | <u>Average Interest Rate</u> | <u>Long-Term Investments</u> | <u>Average Interest Rate</u> |
|------------------------------------|----------------------------|----------------------------------|----------------------------------|----------------------------------|
| 2003 | \$ 555 | 5.2% | - | - |
| 2004 | 605 | 5.4% | - | - |
| Thereafter | <u>6,400</u> | 6.0% | <u>6,200</u> | 6.1% |
| Total | <u>\$7,560</u> | | <u>\$6,200</u> | |
| Fair Value at September 1, 2001 | <u>\$7,985</u> | | <u>\$6,225</u> | |

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BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits

None

b. The Company filed no reports n Form 8-K during the period ended September 1, 2001.

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SIGNATURES

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

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION

/s/ Monroe G. Milstein

Monroe G. Milstein

President & Chief Executive Officer

/s/ Robert L. LaPenta, Jr.

Robert L. LaPenta, Jr.

Corporate Controller & Chief Accounting Officer

Date: October 12, 2001

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