

BURLINGTON COAT FACTORY WAREHOUSE CORP
Form 10-Q/A
April 27, 2005

SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 27, 2004

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

(State or other jurisdiction of
incorporation or organization)

22-1970303

(I.R.S. Employer
Identification Number)

1830 Route 130
Burlington, New Jersey

(Address of principal
executive offices)

08016

(Zip Code)

Registrant's telephone number, including area code (609) 387-7800

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such Reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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 December 27, 2004
----- Common stock, par value \$1	----- 44,648,289

EXPLANATORY NOTE

As previously disclosed in our Current Report on Form 8-K dated April 4, 2005, the Company, with the concurrence of the Audit Committee of the Company's Board of Directors, concluded that the Company's previously issued financial statements for each of the fiscal years ended May 29, 2004, May 31, 2003 and June 1, 2002 and for the first two quarters of fiscal 2005 should be restated as a result of a recent letter issued by the Securities and Exchange Commission (the "SEC") regarding the application of generally accepted accounting principles for lease accounting.

Historically, when accounting for leases with renewal options, the Company recorded rent expense on a straight-line basis over the fixed initial term, with the term commencing when rental payments actually began, and computed depreciation/amortization on the related leasehold improvements and other long-lived assets located on these properties over their useful lives. The Company has restated the financial statements to recognize rent expense on a straight-line basis over the expected lease term, including rent holidays and option periods where exercise of such option periods is reasonably assured. In addition, the commencement date of the period over which rental expense is recognized is the earlier of the date on which the Company becomes legally obligated for rental payments or the date on which the Company takes possession of the property. The resulting adjustments have no effect on historical or future cash flows or timing of payments under pertinent leases.

In addition, the Company previously netted lease incentives received from the lessor for the reimbursement of costs of leasehold improvements against the incurred capital expenditures. The Company has restated the financial statements to account for these lease incentives by recording them as deferred rent and amortizing them over the lease term.

In addition, the Company identified other matters requiring the reclassification of certain items in its statements of operations and cash flows, as discussed in Note 2 to the accompanying condensed consolidated financial statements.

This Amendment No. 1 to our Quarterly Report on Form 10-Q/A ("Form 10-Q/A") for the quarterly period ended

November 27, 2004, initially filed with the SEC on January 6, 2005 (the "Original Filing"), is being filed to restate (i) the Company's condensed consolidated balance sheet at November 27, 2004; (ii) the Company's condensed consolidated statements of operations for the six and three month periods ended November 27, 2004 and November 29, 2003; (iii) the Company's condensed consolidated statements of cash flows for the six month periods ended November 27, 2004 and November 29, 2003, and the notes related thereto. For a more detailed description of these restatements, see Note 2, "Restatement of Financial Statements" to the accompanying condensed consolidated financial statements and the section entitled "Restatement" in Management's Discussion and Analysis of Results of Operations and Financial Condition in this Form 10-Q/A.

For the convenience of the reader, this Form 10-Q/A sets forth the Original Filing in its entirety, as amended by this Form 10-Q/A. However, this Form 10-Q/A amends only Items 1, 2 and 4 of Part I in their entirety, in each case, solely as a result of, and to reflect, the Restatement (as defined in Management's Discussion and Analysis of Results of Operations and Financial Condition in this Form 10-Q/A), and, except as noted above, in Management's Discussion and Analysis and in Note 2 to the accompanying condensed consolidated financial statements, no other information in the Original Filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. In addition, Item 6 of Part II of this Form 10-Q/A has been amended to contain the currently-dated certifications from our Chief Executive Officer and Chief Accounting Officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. These certifications are attached to this Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2.

Except for the foregoing amended information, this Form 10-Q/A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosure made in this Form 10-Q/A to reflect events occurring after the Original Filing. Disclosure reflecting events occurring after the Original Filing or modifying or updating information in this Form 10-Q/A that is required to be made by the Company has been or will be addressed, as of their respective dates, in our Quarterly Report on Form 10-Q for the quarter ended February 26, 2005 or other reports filed with the SEC subsequent to the Original Filing.

We have not amended and do not intend to amend our previously filed Annual Reports on Form 10-K or our Quarterly Reports on Form 10-Q for the periods affected by the Restatement that ended prior to May 29, 2004. For this reason, the consolidated financial statements, auditors' reports and related financial information for the affected periods contained in such reports should no longer be relied upon.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

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BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(All amounts in thousands)

	November 27, 2004 (As Restated, <u>See Note 2</u>)	<u>May 29, 2004</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 32,657	\$ 29,817
Restricted Cash and Cash Equivalents	10,380	9,304
Investments	161,524	168,474
Accounts Receivable, Net	40,062	23,744
Merchandise Inventories	880,039	622,538
Deferred Tax Assets	19,740	19,660
Prepaid and Other Current Assets	<u>16,890</u>	<u>17,131</u>
Total Current Assets	1,161,292	890,668
Property and Equipment (Net of Accumulated Depreciation)		
	636,027	624,894
Investments	25	23
Intangible Assets (Net of Accumulated Amortization)	46,535	48,825
Deferred Tax Assets	13,614	13,578
Other Assets	<u>1,131</u>	<u>1,190</u>
Total Assets	<u>\$1,858,624</u>	<u>\$1,579,178</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 607,771	\$ 364,335
Income Taxes Payable	12,410	20,829
Other Current Liabilities	199,747	174,450
Current Maturities of Long Term Debt and Obligations Under Capital Leases	<u>1,180</u>	<u>1,047</u>

Total Current Liabilities	821,108	560,661
Long Term Debt and Obligations Under		
Capital Leases	132,578	133,538
Other Liabilities	38,056	39,547
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock	-	-
Common Stock	49,826	49,809
Capital in Excess of Par Value	23,211	23,016
Retained Earnings	853,155	831,926
Accumulated Other Comprehensive Income	3	2
Note Receivable from Stock Options Exercised	(58)	(63)
Treasury Stock at Cost	<u>(59,255)</u>	<u>(59,258)</u>
Total Stockholders' Equity	<u>866,882</u>	<u>845,432</u>
Total Liabilities and Stockholders' Equity	<u>\$1,858,624</u>	<u>\$1,579,178</u>

See notes to the condensed consolidated financial statements.

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

(All amounts in thousands, except share data)

	Six Months Ended		Three Months Ended	
	November 27, 2004 (As Restated, <u>See Note 2</u>)	November 29, 2003 (As Restated, <u>See Note 2</u>)	November 27, 2004 (As Restated, <u>See Note 2</u>)	November 29, 2003 (As Restated, <u>See Note 2</u>)
REVENUES:				
Net Sales	\$1,452,559	\$1,312,132	\$ 875,708	\$ 786,659
Other Revenue	<u>14,367</u>	<u>13,023</u>	<u>7,967</u>	<u>7,360</u>

	<u>1,466,926</u>	<u>1,325,155</u>	<u>883,675</u>	<u>794,019</u>
COSTS AND EXPENSES:				
Cost of Sales (Exclusive of Depreciation)	916,710	819,919	542,643	486,975
Selling and Administrative Expenses	470,381	443,524	253,024	239,543
Depreciation	44,383	39,445	22,932	20,304
Interest Expense	3,572	2,467	1,769	1,686
Other Income, Net	<u>(5,909)</u>	<u>(431)</u>	<u>(5,157)</u>	<u>(46)</u>
	1,429,137	1,304,924	815,211	748,462
Income From Continuing Operations Before Provision for Income Taxes	37,789	20,231	68,464	45,557
Provision for Income Taxes	<u>14,775</u>	<u>7,830</u>	<u>26,769</u>	<u>17,633</u>
Income from Continuing Operations	23,014	12,401	41,695	27,924
Loss from Discontinued Operations, Net of Tax Benefit	<u>-</u>	<u>(2,057)</u>	<u>-</u>	<u>(742)</u>
Net Income	23,014	10,344	41,695	27,182
Net Unrealized Gain (Loss) on Non-Marketable Securities, Net of Tax	<u>1</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Total Comprehensive Income	<u>\$ 23,015</u>	<u>\$ 10,344</u>	<u>\$ 41,695</u>	<u>\$ 27,180</u>
Basic and Diluted Earnings Per Share:				
Basic Income Per Share from Continuing Operations	\$ 0.52	\$ 0.28	\$ 0.93	\$ 0.63
Basic Loss Per Share from Discontinued Operations	<u>-</u>	<u>(0.05)</u>	<u>-</u>	<u>(0.02)</u>
Basic Net Income Per Share	<u>\$ 0.52</u>	<u>\$ 0.23</u>	<u>\$ 0.93</u>	<u>\$ 0.61</u>
Diluted Income Per Share from Continuing Operations Diluted	\$ 0.51	\$ 0.28	\$ 0.93	\$ 0.63

Loss Per Share	<u> -</u>	<u> (0.05)</u>	<u> -</u>	<u> (0.02)</u>
from Discontinued Operations Diluted	\$ <u> 0.51</u>	\$ <u> 0.23</u>	\$ <u> 0.93</u>	\$ <u> 0.61</u>
Net Income Per Share	<u>44,640,819</u>	<u>44,555,166</u>	<u>44,645,790</u>	<u>44,562,907</u>
Basic Weighted Average Shares Outstanding				
Diluted Weighted Average Shares Outstanding	<u>44,731,072</u>	<u>44,644,431</u>	<u>44,752,652</u>	<u>44,662,796</u>
Dividends Per Share	\$ <u> 0.04</u>	\$ <u> 0.03</u>	\$ <u> -</u>	\$ <u> -</u>

See notes to the condensed consolidated financial statements.

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

Six Months Ended
November 27, 2004 November 29, 2003
(As Restated, (As Restated,
See Note 2) See Note 2)

OPERATING ACTIVITIES

Net Income	\$23,014	\$10,344
Loss from Discontinued Operations, Net of Tax	<u> -</u>	<u> 2,057</u>
Income from Continuing Operations	23,014	12,401
Adjustments to Reconcile Net Income from Continuing Operations to Net Cash Provided by Operating Activities:		
Depreciation	44,383	39,445
Provision for Losses on Accounts Receivable	3,777	4,786
Provision for Deferred Income Taxes	(116)	(125)
Loss on Disposition of Fixed Assets and Leasehold Purchases	662	1,336
Proceeds from Sale of Trading Securities	294,513	15,266
Acquisition of Trading Securities	(287,317)	(8,953)

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Gain on Sale of Trading Securities	(289)	-
Unrealized Loss on Trading Securities	43	-
Non-Cash Rent Expense and Other	623	3,046
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(20,125)	(18,514)
Merchandise Inventories	(257,501)	(207,762)
Prepays and Other Current Assets	241	(243)
Accounts Payable	243,436	230,268
Other Current Liabilities and Income Taxes Payable	<u>15,415</u>	<u>(1,663)</u>
Net Cash Provided by Continuing Operations	60,759	69,288
Net Cash Used in Discontinued Operations	<u>-</u>	<u>(1,711)</u>
Net Cash Provided by Operating Activities	60,759	67,577
INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(56,180)	(70,842)
Change in Restricted Cash and Cash Equivalents	(1,076)	-
Proceeds from Sale of Fixed Assets and Leaseholds	2	1,303
Receipts Against Long Term Notes Receivable	35	24
Minority Interest	<u>(88)</u>	<u>108</u>
Net Cash Used in Investing Activities from Continuing Operations	(57,307)	(69,407)
Net Cash Used in Investing Activities from Discontinued Operations	<u>-</u>	<u>(214)</u>
Net Cash Used in Investing Activities	(57,307)	(69,621)
FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	100,000
Principal Payments on Long Term Debt	(827)	(762)
Issuance of Common Stock Upon Exercise of Stock Options	212	519
Treasury Stock Transactions	<u>3</u>	<u>-</u>

Net Cash (Used in) Provided by Financing Activities from Continuing Operations	<u>(612)</u>	<u>99,757</u>
Increase in Cash and Cash Equivalents	2,840	97,713
Cash and Cash Equivalents Beginning of Period	<u>29,817</u>	<u>27,904</u>
Cash and Cash Equivalents at End of Period	<u>\$ 32,657</u>	<u>\$125,617</u>
Interest Paid:	<u>\$ 5,803</u>	<u>\$ 1,536</u>
Income Taxes Paid:	<u>\$ 23,310</u>	<u>\$ 14,672</u>

See notes to the condensed consolidated financial statements.

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BURLINGTON COAT FACTORY WAREHOUSE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX AND THREE MONTH PERIODS ENDED NOVEMBER 27, 2004 AND
NOVEMBER 29, 2003 (UNAUDITED)

1. The condensed consolidated financial statements include the accounts of Burlington Coat Factory Warehouse Corporation and all its subsidiaries in which it has the controlling financial interest through direct ownership of a majority voting interest or a controlling managerial interest ("the Company"). All subsidiaries are wholly owned except three. The Company maintains a ninety percent interest and a seventy-five percent interest, respectively, in two investments. The Company maintains a fifty percent interest in a third investment in which it maintains managerial and financial control. These investments are consolidated, net of their minority interest. 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. The balance sheet at May 29, 2004 has been derived from the audited financial statements in Amendment No. 4 to the Company's Annual Report on Form 10-K/A for the fiscal year ended May 29, 2004, filed with the Securities and Exchange Commission ("SEC") on April 19, 2005. Because the Company's business is seasonal in nature, the operating results for the six and three month periods ended November 27, 2004 and the corresponding periods ended November 29, 2003 are not necessarily indicative of results for the fiscal year.

2. Restatement of Financial Statements

Subsequent to the issuance of the Company's condensed consolidated financial statements for the six and three month periods ended November 27, 2004 and November 29, 2003, the Company's management reviewed its

accounting for leases with renewal options. Historically, the Company recorded rent expense on a straight-line basis over the fixed initial term, with the term commencing when rental payments actually began, and computed depreciation/amortization on the related leasehold improvements and other long-lived assets located on these properties over their useful lives. The Company has restated the financial statements to recognize rent expense on a straight-line basis over the expected lease term, including rent holidays and option periods where exercise of such option periods is reasonably assured. In addition, the commencement date of the period over which rental expense is recognized is the earlier of the date on which the Company becomes legally obligated for rental payments or the date on which the Company takes possession of the property. The resulting adjustments did not affect historical or future cash flows or timing of payments under pertinent leases.

In addition, the Company previously netted lease incentives received from the lessor for the reimbursement of costs of leasehold improvements against the incurred capital expenditures. The Company has restated its previously issued financial statements for the six and three month periods ended November 27, 2004 and November 29, 2003 to account for these lease incentives by recording them as deferred rent and amortizing them over the lease term.

Also, the Company concluded to reclassify its other income items, including investment income, gains or losses on disposition of fixed assets and other miscellaneous income items under the caption Other Income, Net, previously reported under the caption Other Revenue, in its condensed consolidated statements of operations for the six and three month periods ended November 27, 2004 and November 29, 2003.

Also, the Company previously included restricted cash and cash equivalents as part of cash and cash equivalents in the condensed consolidated statements of cash flows. The Company has restated the condensed consolidated statements of cash flows for the six month periods ended November 27, 2004 and November 29, 2003 to treat only unrestricted amounts as cash and cash equivalents. Cash and cash equivalents changed from \$39.1 million to \$29.8 million at the beginning of the six month period ended November 27, 2004 and from \$43.0 million to \$32.7 million at the end of the same period as a result of the Restatement. Cash and cash equivalents changed from \$36.7 million to \$27.9 million at the beginning of the six month periods ended November 29, 2003 and from \$134.4 million to \$125.6 million at the end of the same period.

These adjustments, described above, are collectively referred to as the "Restatement."

The condensed consolidated financial statements included in this Form 10-Q/A have been restated to reflect the adjustments described above. The effects of the Restatement have also been set forth, for the periods presented therein, in Amendment No. 4 to the Company's Annual Report on Form 10-K/A for the fiscal year ended May 29, 2004, which was filed with the SEC on April 19, 2005, and in Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended August 28, 2004, which we are concurrently filing with this Form 10-Q/A.

The following is a summary of the impact of the Restatement on the Company's condensed consolidated balance sheet at November 27, 2004 and the Company's condensed consolidated statements of operations for the six and three month periods ended November 27, 2004 and November 29, 2003.

(dollar amounts in thousands, except per share amounts)

November 27, 2004

As Previously
Reported

Restatement
Adjustments

As Restated

Condensed Consolidated Balance Sheet

ASSETS			
Property and Equipment (Net of Accumulated Depreciation)	\$ 631,249	\$ 4,778	\$ 636,027
Intangible Assets (Net of Accumulated Amortization)	35,854	10,681	46,535
Deferred Tax Assets	6,519	7,095	13,614
 Total Assets	 1,836,070	 22,554	 1,858,624
LIABILITIES AND STOCKHOLDERS' EQUITY			
Other Current Liabilities	193,177	6,570	199,747
Other Liabilities	11,573	26,483	38,056
Retained Earnings	863,654	(10,499)	853,155
Total Stockholders' Equity	877,381	(10,499)	866,882
Total Liabilities and Stockholders' Equity	1,836,070	22,554	1,858,624

Six Months Ended November 27, 2004

	<u>As Previously Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Condensed Consolidated Statement of Operations			
Other Revenue	\$ 20,276	\$ (5,909)	\$ 14,367
COSTS AND EXPENSES			
Selling and Administrative Expenses	471,224	(843)	470,381
Depreciation	43,472	911	44,383
Other Income, Net	-	(5,909)	(5,909)
Total Costs and Expenses	1,434,978	(5,841)	1,429,137
 Income from Continuing Operations Before Provision for Income Taxes	 37,857	 (68)	 37,789
Provision for Income Taxes	14,802	(27)	14,775
 Income from Continuing Operations	 23,055	 (41)	 23,014
 Net Income	 23,055	 (41)	 23,014

Total Comprehensive Income	23,056	(41)	23,015
Diluted Earnings Per Share:			
Diluted Income Per Share from Continuing Operations	\$0.52	(\$0.01)	\$0.51
Diluted Net Income Per Share	\$0.52	(\$0.01)	\$0.51

Six Months Ended November 29, 2003

	<u>As Previously Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Condensed Consolidated Statement of Operations			
Other Revenue	\$ 13,454	\$ (431)	\$ 13,023
COSTS AND EXPENSES			
Selling and Administrative Expenses	444,899	(1,375)	443,524
Depreciation	38,613	832	39,445
Other Income, Net	-	(431)	(431)
Total Costs and Expenses	1,305,898	(974)	1,304,924
Income from Continuing Operations Before Provision for Income Taxes	19,688	543	20,231
Provision for Income Taxes	7,620	210	7,830
Income from Continuing Operations	12,068	333	12,401
Loss from Discontinued Operations, Net of Tax Benefit	(2,012)	(45)	(2,057)
Net Income	10,056	288	10,344
Total Comprehensive Income	10,056	288	10,344
Basic and Diluted Earnings Per Share:			

Basic Income Per Share from Continuing Operations	\$0.27	\$0.01	\$0.28
Basic Loss Per Share from Discontinued Operations	(0.04)	(\$0.01)	(\$0.05)
Diluted Income Per Share from Continuing Operations	\$0.27	\$0.01	\$0.28
Diluted Loss Per Share from Discontinued Operations	(\$0.04)	(\$0.01)	(\$0.05)

Three Months Ended November 27, 2004

	<u>As Previously Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Condensed Consolidated Statement of Operations			
Other Revenue	\$ 13,124	\$ (5,157)	\$ 7,967
COSTS AND EXPENSES			
Selling and Administrative Expenses	253,407	(383)	253,024
Depreciation	22,476	456	22,932
Other Income, Net	-	(5,157)	(5,157)
Total Costs and Expenses	820,295	(5,084)	815,211
Income from Continuing Operations Before Provision for Income Taxes	68,537	(73)	68,464
Provision for Income Taxes	26,798	(29)	26,769
Income from Continuing Operations	41,739	(44)	41,695
Net Income	41,739	(44)	41,695
Total Comprehensive Income	41,739	(44)	41,695

Three Months Ended November 29, 2003

	<u>As Previously Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Condensed Consolidated Statement of Operations			
Other Revenue	\$ 7,406	\$ (46)	\$ 7,360
COSTS AND EXPENSES			
Selling and Administrative Expenses	240,092	(549)	239,543
Depreciation	19,888	416	20,304
Other Income, Net	-	(46)	(46)
Total Costs and Expenses	748,641	(179)	748,462
Income from Continuing Operations			
Before Provision for Income Taxes	45,424	133	45,557
Provision for Income Taxes	17,581	52	17,633
Income from Continuing Operations	27,843	81	27,924
Loss from Discontinued Operations, Net of Tax Benefit	(720)	(22)	(742)
Net Income	27,123	59	27,182
Total Comprehensive Income	27,121	59	27,180
Basic and Diluted Earnings Per Share:			
Basic Income Per Share from Continuing Operations	\$0.62	\$0.01	\$0.63
Basic Loss Per Share from Discontinued Operations	(\$0.01)	(\$0.01)	(\$0.02)
Diluted Income Per Share from Continuing Operations	\$0.62	\$0.01	\$0.63
Diluted Loss Per Share from Discontinued Operations	(\$0.01)	(\$0.01)	(\$0.02)

3. 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 Amendment No. 4 to the Company's Annual Report on Form 10-K/A.

4. Restricted cash and cash equivalents consist of \$0.4 million of compensating cash balances at two of the Company's banks, \$7.4 million pledged as collateral for certain insurance contracts and \$2.6 million contractually restricted and related to the acquisition and maintenance of a building related to a store operated by the Company.

5. Merchandise inventories as of November 27, 2004 and May 29, 2004 are valued at the lower of cost, on a First In First Out (FIFO) basis, or market, as determined by the retail inventory method. The Company records its cost of merchandise (net of purchase discounts and certain vendor allowances), certain merchandise acquisition costs (primarily commissions and import fees), inbound freight, warehouse outbound freight, and freight on internally transferred merchandise in the line item "Cost of Sales" in the Company's Condensed Consolidated Statement of Operations. Costs associated with the Company's warehousing, distribution, buying, and store receiving functions are included in the line items "Selling and Administrative Expenses" and "Depreciation" in the Company's Condensed Consolidated Statement of Operations. Warehousing and purchasing costs included in Selling and Administrative Expenses amounted to \$22.5 million and \$11.9 million for the six and three month periods ended November 27, 2004, respectively, and \$21.7 million and \$12.0 million for the similar periods of fiscal 2004. Depreciation related to the warehousing and purchasing functions amounted to \$4.4 million and \$2.2 million for the six and three month periods ended November 27, 2004 and \$4.1 million and \$2.2 million for the similar periods of fiscal 2004. Also included in Selling and Administrative Expenses are payroll and payroll related expenses, occupancy related expenses, advertising expenses, store operating expenses and corporate overhead expenses.

6. 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 trading securities and are carried at fair market value, with unrealized gains and losses included in net income. The Company's investments not classified as held-to-maturity or trading securities are classified as available-for-sale and are carried at fair market value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. At the balance sheet dates presented, investments consisted of (in thousands):

November 27, 2004

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Market Value</u>
Trading Securities (Current):			
Short Term Municipal Bond Fund	\$161,673	(\$149)	\$161,524
Available-for-Sale Investments (Long Term):			
Equity Investments	\$22	\$ 3	\$25

May 29, 2004

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Market Value</u>
Trading Securities (Current):			

Short Term Municipal Bond Fund	\$163,863	(\$392)	\$163,471
Short Term Bond Fund	<u>5,080</u>	<u>(77)</u>	<u>5,003</u>
)		
	<u>\$168,943</u>	<u>(\$469)</u>	<u>\$168,474</u>
)		

Available-for-Sale

Investments (Long Term):

Equity Investments	\$22	\$1	\$23
--------------------	------	-----	------

7. The Company records revenue at the time of sale and delivery of merchandise. The Company records revenue net of allowances for estimated future returns. 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 are recognized upon delivery of merchandise to the customer. The amount of cash received upon initiation of the layaway is recorded as a deposit liability within other current liabilities. Gift cards are recorded as a liability at the time of issuance, and upon redemption the related sale is recorded.

8. As of November 27, 2004, the Company had a current deferred tax asset of \$19.7 million and a non-current deferred tax asset of \$13.6 million. As of May 29, 2004, the Company had a current deferred tax asset of \$19.7 million and a non-current deferred tax asset of \$13.6 million. Income taxes are provided on an interim basis based upon the Company's estimate of the effective annual income tax rate.

Valuation allowances were not required. Current deferred tax assets consisted primarily of certain operating costs, provisions for uncollectible receivables and certain inventory related costs not currently deductible for tax purposes. Non-current deferred tax assets primarily reflected the excess of store opening costs over book and tax depreciation differences.

9. The Company accounts for intangible assets in compliance with SFAS No. 142, *Goodwill and Other Intangible Assets*. The Company's intangible assets primarily represent costs incurred to acquire long term store leases. These leasehold purchases are recorded at cost, which approximates fair value, and, in accordance with SFAS No. 142, are amortized over the minimum lease term including option periods where the exercise of the option period can be reasonably assured, which approximates the leasehold's useful life. Amortization of intangibles is included in Selling and Administrative Expenses in the Company's Condensed Consolidated Statements of Operations. Intangible assets as of November 27, 2004 and May 29, 2004 are as follows (in thousands):

	November 27, 2004			May 29, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Leasehold Purchases	\$59,920	\$14,061	\$45,859	\$59,920	\$11,820	\$48,100
Other	<u>1,042</u>	<u>366</u>	<u>676</u>	<u>1,042</u>	<u>317</u>	<u>725</u>

\$60.962 \$14.427 \$46.535 \$60.962 \$12.137 \$48.825

Amortization expense amounted to \$2.3 million and \$1.3 million for the six and three month periods ended November 27, 2004, respectively, compared with \$2.0 million and \$1.0 million for the six and three month periods ended November 29, 2003, respectively. Amortization expense for each of the next five fiscal years is estimated to be as follows: fiscal 2006 - \$3.6 million; fiscal 2007 - \$3.5 million; fiscal 2008 - \$3.5 million; fiscal 2009 - \$3.3 million; fiscal 2010 - \$3.2 million. Amortization for the remainder of fiscal 2005 is expected to be approximately \$1.8 million.

10. Other assets consist primarily of notes receivable.

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

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

13. In May 2003, the Company established a reserve of \$0.4 million covering lease obligations of closed stores extending beyond May 31, 2003. Scheduled rent and rent related payments for each of the fiscal years 2004 and 2005 amount to \$0.2 million. During the six month period ended November 27, 2004, \$0.1 million of payments were applied against this reserve. The remaining \$0.1 million will be paid during the remainder of fiscal 2005.

In November 2003, additions to the Company's reserve for lease related obligations of closed stores amounted to \$1.5 million. Payments applied against this reserve during the six month period ended November 27, 2004 amounted to \$0.3 million. At November 27, 2004, the reserve amounted to \$0.9 million. Scheduled rent related payments over the next five years are as follows: fiscal 2005 - \$0.2 million; fiscal 2006 - \$0.2 million; fiscal 2007 - \$0.2 million; fiscal 2008 - \$0.2 million; and fiscal 2009 - \$0.1 million. The Company believes these reserves are adequate to cover the expected contractual lease payments and other ancillary costs associated with these closings. *

*Forward Looking Statement. See Safe Harbor Statement on Page 33.

14. Long-term debt consists of (in thousands):

	<u>November 27, 2004</u>	<u>May 29, 2004</u>
Senior Notes, 4.06% due in annual payments of various amounts from September 30, 2006 to September 30, 2010	\$36,000	\$36,000
Senior Notes, 4.67% due in annual payments of various amounts from September 30, 2007 to September 30, 2013	64,000	64,000

Industrial Revenue Bonds, 6.0% due in semi-annual payments of various amounts from September 1, 2005 to September 1, 2010	5,735	6,400
Promissory Note, non-interest bearing, due in monthly payments of \$17 through January 1, 2012	1,433	1,534
Capital Lease Obligations	<u>26,590</u>	<u>26,651</u>
Subtotal	133,758	134,585
Less Current Portion	<u>(1,180)</u>	<u>(1,047)</u>
))
Long-Term Debt and Obligations Under Capital Leases	<u>\$132,578</u>	<u>\$133,538</u>

15. On August 5, 2004, the Board of Directors of the Company declared a cash dividend in the amount of four cents (\$0.04) per share payable on December 15, 2004 to stockholders of record on November 22, 2004. The Company has recognized a dividend accrual of \$1.8 million at November 27, 2004.

16. The Company presents comprehensive income as a component of stockholders' equity in accordance with SFAS No. 130, *Reporting Comprehensive Income*. For the six and three month periods ended November 27, 2004 and the six and three month periods ended November 29, 2003, comprehensive income consisted of net income and net unrealized gains (loss) on available-for-sale investments.

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

	Six Months Ended		Three Months Ended	
	November 27, <u>2004</u>	November 29, <u>2003</u>	November 27, <u>2004</u>	November 29, <u>2003</u>
Apparel	\$1,139,341	\$1,017,953	\$703,956	\$626,062
Home Products	<u>313,218</u>	<u>294,179</u>	<u>171,752</u>	<u>160,597</u>
	<u>\$1,452,559</u>	<u>\$1,312,132</u>	<u>\$875,708</u>	<u>\$786,659</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.

18. Rental income from leased departments, included in Other Revenue, amounted to \$4.3 million and \$2.3 million for the six and three month periods ended November 27, 2004 compared with \$4.3 million and \$2.2 million in the similar periods of the prior year.

19. Rebates and allowances received from vendors are accounted for in compliance with Emerging Issues Task Force ("EITF") Issue No. 02-16, *Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor*. EITF Issue No. 02-16 specifically addresses whether a reseller should account for cash consideration

received from a vendor as an adjustment of cost of sales, revenue, or as a reduction to a cost incurred by the reseller. Rebates and allowances received from vendors that are dependent on purchases of inventories are recognized as a reduction of cost of goods sold when the related inventory is sold or marked down. Rebates and allowances that are reimbursements of specific expenses are recognized as a reduction of selling and administrative expenses when earned, up to the amount of the incurred cost. Any vendor reimbursement in excess of the related incurred cost is recorded as a reduction of cost of sales. Application of EITF Issue No. 02-16 resulted in a reduction of net income of \$0.1 million and \$0.2 million for the six and three month periods ended November 27, 2004, respectively. For the six month period ended November 29, 2003, application of EITF Issue No. 02-16 resulted in a \$0.2 million increase in the Company's net income. Net income was reduced by \$0.1 million for the three month period ended November 29, 2003. Rebates and allowances that were reimbursements of specific expenses, which were recognized as a reduction of selling and administrative expenses, amounted to \$0.4 million and \$0.2 million for the six and three month periods ended November 27, 2004, respectively. Reimbursement of expenses for the six and three month periods ended November 29, 2003 amounted to \$0.6 million and \$0.3 million, respectively.

20. In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, *Accounting For the Costs of Computer Software Developed For or Obtained for Internal-Use*. The SOP requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. The Company capitalized \$1.3 million and \$0.6 million during the six and three month periods ended November 27, 2004, respectively. For the comparative six and three month periods of fiscal 2004, the Company capitalized \$2.1 million and \$0.7 million, respectively.

21. SFAS No. 123, *Accounting for Stock Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock Based Compensation - Transition and Disclosure*, an Amendment of FASB Statement No. 123, 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 ("APB") 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. The Company issued 87,700 stock options during the second quarter of fiscal 2005. The Company did not issue stock options during fiscal 2004. The following table illustrates the effect on net income and net income per share for the six and three month periods ended November 27, 2004 and November 29, 2003 if the Company had applied the fair value recognition provisions of SFAS No. 123 (in thousands, except per share data):

	Six Months Ended November 27, <u>2004</u>	Six Months Ended November 29, <u>2003</u>	Three Months Ended November 27, <u>2004</u>	Three Months Ended November 29, <u>2003</u>
Net income as reported	\$23,014	\$10,344	\$41,695	\$27,182
Expense under fair value method, net of tax effect	<u>(93)</u>	<u>-</u>	<u>(93)</u>	<u>-</u>
Pro forma net income	<u>\$22,921</u>	<u>\$10,344</u>	<u>\$41,602</u>	<u>\$27,182</u>
Income per share:				
Basic - as reported	<u>\$0.52</u>	<u>\$0.23</u>	<u>\$0.93</u>	<u>\$0.61</u>

Diluted - as reported	<u>\$0.51</u>	<u>\$0.23</u>	<u>\$0.93</u>	<u>\$0.61</u>
Basic - pro forma	<u>\$0.51</u>	<u>\$0.23</u>	<u>\$0.93</u>	<u>\$0.61</u>
Diluted - pro forma	<u>\$0.51</u>	<u>\$0.23</u>	<u>\$0.93</u>	<u>\$0.61</u>

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 made in the first six months of fiscal 2005:

Risk-free interest rate	2.73%
Expected volatility	37.70%
Expected life	10 years
Contractual life	10 years
Expected dividend yield	0.20%
Fair value of options granted	\$9.14

The Company did not issue, and there was no compensation expense related to, the issuance of any stock options during the six and three month periods ended November 29, 2003. Therefore, there would have been no effect on net income and net income per share had the Company applied the fair value recognition provisions of SFAS No. 123.

22. The Company accounts for impaired long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, in general, long-lived assets and certain intangibles to be disposed of should be reported at the lower of the carrying amount or fair value less cost to sell. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. During the six and three month periods ended November 27, 2004, the Company recorded impairment charges related to leasehold improvements of \$1.1 million. During the prior year's six and three month periods, there were no impairment charges recorded.

23. The Company continuously monitors and evaluates store profitability. Based upon these evaluations, the decision to permanently close a store or to relocate a store within its same trading market is made. Only those stores permanently closed where sales by another store will not absorb the closed store's sales are included in the Company's calculation of discontinued operations. In accordance with SFAS No. 144, the Company's discontinued operations reflect the operating results for the eight stores closed during fiscal 2004. There were no stores closed during the six month period ended November 27, 2004.

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	Six Months Ended (All amounts in thousands)		Three Months Ended (All amounts in thousands)	
	November 27, <u>2004</u>	November 29, <u>2003</u>	November 27, <u>2004</u>	November 29, <u>2003</u>
	Revenues	-	\$7,141	-
Gross Margin	-	1,555	-	1,020
Selling and Administrative Expenses	-	4,162	-	1,821
Depreciation	-	301	-	190
Loss from Discontinued Operations Before Income Tax Benefit	-	(3,356)	-	(1,211)
Loss from Discontinued Operations, Net of Tax	-	(\$2,057)	-	(\$742)

24. The Company's net advertising costs consist primarily of newspaper and television costs. The production costs of net advertising are charged to expenses as incurred. Net advertising expenses for the six and three month periods ended November 27, 2004 were \$35.1 million and \$24.3 million, respectively. For the similar periods of last year, net advertising costs were \$33.2 million and \$22.1 million, respectively. The Company nets certain cooperative advertising reimbursements received from vendors against specific, incremental, identifiable costs incurred in connection with selling the vendors' products. Any excess reimbursement is characterized as a reduction of inventory and is recognized as a reduction to cost of sales as inventories are sold. Vendor rebates netted against advertising expense were less than \$0.4 million for the six and three month periods ended November 27, 2004, respectively. For the six and three month periods ended November 29, 2003 vendor rebates amounted to \$0.6 million.

25. Basic and diluted income per share is based on the weighted average number of shares outstanding during each period. The amounts used in the calculation of basic and diluted income per share from continuing operations are as follows (in thousands):

	Six Months Ended November 27, 2004			Six Months Ended November 29, 2003		
	<u>Income</u>	<u>Shares</u>	<u>Per Share</u>	<u>Income</u>	<u>Shares</u>	<u>Per Share</u>
Basic Income Per Share:						
Income from Continuing Operations	\$23,014	44,641	\$0.52	\$12,401	44,555	\$0.28
Dilutive Effect of Stock Options	<u>-</u>	<u>90</u>	<u>(.01)</u>	<u>-</u>	<u>89</u>	<u>-</u>
Diluted Income Per Share:						
Income from Continuing Operations	<u>\$23,014</u>	<u>44,731</u>	<u>\$0.51</u>	<u>\$12,401</u>	<u>44,644</u>	<u>\$0.28</u>
	Three Months Ended November 27, 2004			Three Months Ended November 29, 2003		
	<u>Income</u>	<u>Shares</u>	<u>Per Share</u>	<u>Income</u>	<u>Shares</u>	<u>Per Share</u>

Basic Income Per Share:

Income from Continuing Operations	\$41,695	44,646	\$0.93	\$27,924	44,563	\$0.63
Dilutive Effect of Stock Options	<u> -</u>	<u> 107</u>	<u> -</u>	<u> -</u>	<u> 100</u>	<u> -</u>

Diluted Income Per Share:

Income from Continuing Operations	<u>\$41,695</u>	<u>44,753</u>	<u>\$0.93</u>	<u>\$27,924</u>	<u>44,663</u>	<u>\$0.63</u>
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Options to purchase 87,700 shares of common stock were outstanding during the first six months of fiscal 2005, but were not included in the computation of weighted average shares outstanding, assuming dilution, because the exercise price of the options is greater than the average market price of common stock as of November 27, 2004 and therefore would be antidilutive. Options to purchase 1,900 shares of common stock were outstanding during the first six months of fiscal 2004 but were not included in the computation of weighted average shares outstanding, assuming dilution, because the exercise price of the options is greater than the average market price of common stock as of November 29, 2003 and therefore would be antidilutive.

26. The Company holds no derivative financial instruments.

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

28. Certain reclassifications have been made to the prior period's financial statements to conform to the classifications used in the current period. These reclassifications primarily relate to the treatment of discontinued store operations.

29. In March 2004, the EITF issued a consensus on EITF Issue No. 03-01, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. In this consensus, the EITF required certain quantitative and qualitative disclosures related to debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115 that are in an unrealized loss position at the balance sheet date but for which an other-than-temporary impairment has not been recognized. In addition, the EITF developed a basic model in evaluating whether investments within the scope of EITF Issue No. 03-01 have other-than-temporary impairment. In September 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position 03-1-1, which delays the effective date of paragraph 10-20 of EITF Issue No. 03-01 until additional guidance is issued for the application of the recognition and measurement provisions of EITF 03-1 to investments in securities that are impaired. The Company does not believe the adoption of EITF Issue No. 03-01 will have a material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123(R) *Share Based Payment*. Statement No. 123(R) requires all entities to recognize compensation expense in an amount equal to the fair value of share based payments granted to employees. This statement is effective for the first reporting period beginning after June 15, 2005. The Company will adopt Statement No. 123(R) beginning with its second quarter of fiscal 2006. Adoption of the statement will require

the Company to record compensation expense relating to the issuance of employee stock options. Currently, the Company follows APB No. 25 which does not require the recognition of compensation expense relating to the issuance of stock options so long as the quoted market price of the Company's stock at the date of grant is less than or equal to the amount an employee must pay to acquire the stock. The Company is currently evaluating the provisions of SFAS No. 123(R) and has not yet determined the effect that adoption of this standard will have on its financial statements.

In November 2004, the EITF issued a consensus on EITF Issue No. 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", in Determining Whether to Report Discontinued Operations*. In this consensus, the EITF provided guidance on how an ongoing entity should evaluate whether the operations and cash flow of a disposed component have been or will be eliminated from the ongoing operations of the entity. The Company adopted the requirements of EITF No. 03-13 during fiscal 2005. The adoption did not have a material effect on the Company's consolidated financial statements.

30. There have been no material changes from the disclosures made regarding commitments and contingencies in Amendment No. 4 to the Company's Annual Report on Form 10-K/A for the year ended May 29, 2004 filed with the Securities and Exchange Commission on April 19, 2005.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

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

Burlington Coat Factory's management intends for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The following discussion contains forward-looking information and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report and in Amendment No. 4 to the Company's Annual Report on Form 10-K/A filed with the Securities and Exchange Commission ("SEC") on April 19, 2005. Our actual results could differ materially from the results contemplated by these forward-looking statements due to various factors, including those discussed under the section entitled "Safe Harbor Statement." All applicable disclosures in the following discussion have been modified to reflect the Restatement as described below.

Restatement

Subsequent to the Company's issuance of its condensed consolidated financial statements for the six and three month periods ended November 27, 2004 and November 29, 2003, the Company's management reviewed its application of generally accepted accounting principles for lease accounting. Based on this review and discussions that the Company had with the Audit Committee of the Company's Board of Directors, on April 4, 2005, the Company concluded to restate its previously issued financial statements for each of the fiscal years ended May 29, 2004, May 31, 2003 and June 1, 2002, and for the first two quarters of fiscal 2005 related to its computation of depreciation/amortization, straight-line rent expense and the related deferred rent liability. In addition, the Company identified other matters requiring the reclassification of certain items in the statements of operations and cash flows, as discussed in Note 2 to the condensed consolidated financial statements. These adjustments, collectively, are referred to as the "Restatement".

Historically, when accounting for leases with renewal options, the Company recorded rent expense on a straight-line basis over the fixed initial term, with the term commencing when rental payments actually began, and computed depreciation/amortization on the related leasehold improvements and other long-lived assets located on these properties over their useful lives. The Company has restated the financial statements to recognize rent expense on a straight-line basis over the expected lease term, including rent holidays and option periods where exercise of such option periods is reasonably assured. In addition, the commencement date of the period over which rental expense is recognized is the earlier of the date on which the Company becomes legally obligated for rental payments or the date on which the Company takes possession of the property. The resulting adjustments have no effect on historical or future cash flows or timing of payments under pertinent leases.

In addition, the Company previously netted lease incentives received from the lessor for the reimbursement of costs of leasehold improvements against the incurred capital expenditures. The Company has restated its previously issued financial statements for the six and three month periods ended November 27, 2004 and the comparative period ended November 29, 2003 to account for these lease incentives by recording them as deferred rent and amortizing them over the lease term.

The Restatement did not have an effect on comparative sales or on the Company's compliance with any covenant under the Company's line of credit facility or other debt instruments.

Management's Discussion and Analysis of Financial Condition and Results of Operations has been revised for the effects of the Restatement. See Note 2 to the condensed consolidated financial statements.

Overview

Burlington Coat Factory experienced an increase in sales in both the first six months and the second quarter of fiscal 2005. Net sales from continuing operations for the first six months of fiscal 2005 ended November 27, 2004 were \$1.45 billion compared with \$1.31 billion for the comparative period ended November 29, 2003, a 10.7% increase. These results reflect a 4.0% comparative store sales increase over the comparative period in the prior year. For the three month period ended November 27, 2004, net sales were \$875.7 million compared with \$786.7 million for the three month period ended November 29, 2003. Comparative store sales increased 4.8 % during the three month period. Comparative store sales decreased 1.3% in September, increased 12.1% in October and increased 3.9% in November compared with the same periods last year. Gross margins decreased during the six month period ended November 27, 2004 compared with the six month period ended November 29, 2003 due to higher markdowns taken during the six month period ended November 27, 2004. Gross margins increased during the three month comparative period as decreases in the Company's interim provision for inventory shrinkage and sales discounts were offset in part by decreases in initial margins and increases in markdown expense.

During the six months of fiscal 2005, the Company opened six Burlington Coat Factory stores and relocated four Burlington Coat Factory stores to new locations within their existing trading markets. Three MJM Designer Shoes stores and one Super Baby Depot store were opened during the period. In addition, the Company reopened two locations previously operated as Decelle stores as new Cohoes stores. The Company plans to open an additional three Burlington Coat Factory stores and one Super Baby Depot store during fiscal 2005. Two relocations of existing Burlington Coat Factory stores are planned for the remainder of fiscal 2005.

Key Performance Measures

Management considers numerous factors in assessing the Company's performance. Key performance measures used by management include comparative store sales, inventory turnover, inventory levels, gross margin, net operating margin and liquidity.

Comparative store sales is a measure of the performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. The Company experienced an increase in comparative store sales of 4.0% and 4.8% in the six and three month periods of fiscal 2005 compared with similar periods of fiscal 2004.

Inventory turnover is a measure that indicates how efficiently inventory is bought and sold. It measures the length of time the Company owns its inventory. This is significant because usually the longer the inventory is owned, the more likely markdowns may be required to sell the inventory. Inventory turnover is calculated by dividing the retail sales before sales discounts by the average retail stock for the period being measured. The Company's inventory turnover rate for the six month periods ended November 27, 2004 and November 29, 2003 was 2.1 in each period.

Inventory levels are monitored by management to assure that the stores are properly stocked to service customer needs while at the same time assuring that stores are not over-stocked which would necessitate increased markdowns to move slow-selling merchandise. At November 27, 2004, inventory was \$880.0 million, an average of \$2.44 million per store versus \$790.9 million, an average of \$2.3 million per store, at November 29, 2003. This increase in inventory is due to the increase in the number of stores operating in the first six month period of fiscal 2005 compared with the first six month period of fiscal 2004 and to an increase in inventory at comparative stores of 4.0%.

Gross margin is a measure used by management to indicate whether the Company is selling merchandise at an appropriate gross profit. Gross margin is the difference between net sales and the cost of sales. For the six month period ended November 27, 2004, the Company experienced a decrease in gross margin to 36.9% from 37.5%. This decrease is due primarily to increases in markdowns, decreases in initial markons and increases in freight charges in the current year's six month period compared with the similar period of last year. For the comparative three month periods ended November 27, 2004 and November 29, 2003, gross margin decreased to 38.0 % from 38.1%. This decrease was a result of increases in markdown expenses, slightly lower initial margin, and increased freight charges being offset in part by a decrease in the Company's interim provision for inventory shrinkage and a decrease in sales discounts.

Net operating margin provides management with an indication of the operating profitability of the Company. Net operating margin is the difference between revenues (net sales and other revenue) and the combination of the Cost of Sales and Operating Expenses (Selling and Administrative Expenses and Depreciation). Net operating margin for the six and three month periods ended November 27, 2004 was \$35.5 million and \$65.1 million, respectively. For the similar six and three month periods of last fiscal year, net operating margin was \$22.3 million and \$47.2 million, respectively.

Liquidity measures the Company's ability to generate cash. Management measures liquidity through cash flow and working capital. Cash flow is the measure of cash generated from operating, financing, and investing activities. In the prior year's six month period, the Company experienced an increase in cash flow of \$100 million from the sale of long term notes. This year's increase in cash flow of \$2.8 million primarily is the result of income from continuing operations offset by acquisitions of inventory and property and equipment. Along with cash flow, working capital assists management in determining the Company's ability to meet its cash requirements. Working capital measures the Company's current financial position. Working capital is current assets, excluding assets from discontinued operations, minus current liabilities. Working capital at November 27, 2004 was \$340.2 million compared with \$278.9 million at November 29, 2003.

Critical Accounting Policies and Estimates

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and (iii) the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue returns, bad debts, inventories, income taxes, financing operations, asset impairment, retirement benefits, risk participation agreements, vendor promotional allowances, reserves for closed store and contingencies and litigation. Historical experience and various other factors, that are believed to be reasonable under the circumstances, form the basis for making estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes that the following represent its more critical estimates and assumptions used in the preparation of the condensed consolidated financial statements:

Inventory

. The Company's inventory is valued at the lower of cost or market using the retail first-in, first-out ("FIFO") inventory method. Under the retail inventory method, the valuation of inventory at cost and resulting gross margin are calculated by applying a calculated cost to retail ratio to the retail value of inventory. The retail inventory method is an averaging method that has been widely used in the retail industry due to its practicality. Additionally, the use of the retail inventory method will result in valuing inventory at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventory. Inherent in the retail inventory method calculation are certain significant management judgments and estimates including, merchandise markon, markups, markdowns and shrinkage which significantly impact the ending inventory valuation at cost as well as the resulting gross margin. Management believes that the Company's retail inventory method and application of FIFO provides an inventory valuation which approximates cost using a first-in, first-out assumption and results in carrying value at the lower of cost or market. Estimates are used to charge inventory shrinkage for the first three fiscal quarters of the fiscal year. An actual physical inventory is conducted at the end of the fiscal year to calculate actual shrinkage. The Company also estimates its required markdown allowances. If actual market conditions are less favorable than those projected by management, additional markdowns may be required. While the Company makes estimates on the basis of the best information available to it at the time estimates are made, over accruals or under accruals may be uncovered as a result of the physical inventory requiring fourth quarter adjustments.

Insurance. The Company has risk participation agreements with insurance carriers with respect to workers' compensation and liability insurance. Pursuant to these arrangements, the Company is responsible for paying individual claims up to designated dollar limits. The amounts included in the Company's costs related to these claims are estimated and can vary based on changes in assumptions or claims experience included in the associated insurance programs. An increase in worker's compensation claims by employees or liability claims will result in a corresponding increase in the Company's costs related to these claims.

Reserves for Revenue Returns. The Company records reserves for future revenue returns. The reserves are based on current revenue volume and historical claim experience. If claims experience differs from historical levels, revisions in the Company's estimates may be required.

Long-Lived Assets

. The Company tests for recoverability of long-lived assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This includes performing an analysis of anticipated undiscounted future net cash flows of long-lived assets. If the carrying value of the related assets exceeds the undiscounted cash flow, the Company reduces the carrying value to its fair value, which is generally calculated using discounted cash flows. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections change, the conclusion regarding impairment may differ from the estimates. Future adverse changes in market conditions or poor operating results of underlying assets could result in losses or an inability to recover the carrying value of the assets that may not be reflected in an asset's current carrying value, thereby possibly requiring an impairment charge in the future.

Allowance for Doubtful Accounts

. The Company maintains allowances for bad checks and losses on credit card accounts. This reserve is calculated based upon historical collection activities adjusted for current conditions.

Recent Accounting Pronouncements

In March 2004, the Emerging Issues Task Force ("EITF") issued a consensus on EITF Issue No. 03-01, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. In this consensus, the EITF required certain quantitative and qualitative disclosures related to debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115 that are in an unrealized loss position at the balance sheet date but for which an other-than-temporary impairment has not been recognized. In addition, the EITF developed a basic model in evaluating whether investments within the scope of EITF Issue No. 03-01 have other-than-temporary impairment. In September 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position EITF 03-1-1, which delays the effective date until additional guidance is issued for the application of the recognition and measurement provisions of EITF 03-1 to investments in securities that are impaired. The Company does not believe the adoption of EITF Issue No. 03-01 will have a material impact on the Company's consolidated financial statements.*

* Forward Looking Statement. See Safe Harbor Statement on Page 33.

In December 2004, the FASB issued SFAS No. 123(R) *Share-Based Payment*. Statement No. 123(R) requires all entities to recognize compensation expense in an amount equal to the fair value of share based payments granted to employees. This statement is effective for the first reporting period beginning after June 15, 2005. The Company will adopt Statement No. 123(R) beginning with its second quarter of fiscal 2006. Adoption of the statement will require the Company to record compensation expense relating to the issuance of employee stock options. Currently, the Company follows APB No. 25 which does not require the recognition of compensation expense relating to the issuance of stock options so long as the quoted market price of the Company's stock at the date of grant is less than or equal to the amount an employee must pay to acquire the stock. The Company is currently evaluating the provisions of SFAS No. 123(R) and has not yet determined the effect that adoption of this standard will have on its financial statements.

In November 2004, the EITF issued a consensus on EITF Issue No. 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", in Determining Whether to Report Discontinued Operations*. In this consensus, the EITF provided guidance on how an ongoing entity should evaluate whether the operations and cash flow of a disposed component have been or will be eliminated from the ongoing operations of the entity. The Company adopted the requirements of EITF No. 03-13 during fiscal 2005. The adoption did not have a material effect on the Company's consolidated financial statements.

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 six and three month periods ended November 27, 2004 and November 29, 2003.

Percentage of Net Sales

	<u>Six Months Ended</u>		<u>Three Months Ended</u>	
	November 27, <u>2004</u>	November 29, <u>2003</u>	November 27, <u>2004</u>	November 29, <u>2003</u>
Net Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of Sales	63.1	62.5	62.0	61.9
Selling & Administrative Expenses	32.4	33.8	28.9	30.5
Depreciation	3.1	3.0	2.6	2.6
Interest Expense	0.2	0.2	0.2	0.2
Other Income, Net	0.4	-	0.6	-
Other Revenue	1.0	1.0	0.9	0.9
Income from Continuing Operations Before Income Taxes	2.6	1.5	7.8	5.8
Income Tax Expense	1.0	0.6	3.0	2.2
Net Income	1.6 %	0.8 %	4.8 %	3.5 %

Six and Three Month Periods Ended November 27, 2004 and November 29, 2003

Sales

Consolidated net sales increased \$140.4 million (10.7%) for the six month period ended November 27, 2004 compared with the similar period of a year ago. Comparative stores sales increased 4.0% for the first six months of fiscal 2005.

Beginning in fiscal 2004, the Company defines its comparative store sales as sales of those stores (net of sales discounts) that are beginning their four hundred and twenty-fifth day of operation (approximately 1 year and 2 months). Existing stores whose square footage has been changed by more than 20% and relocated stores are classified as new stores for comparative store sales purposes. This method is used in this section in comparing the results of operations for the six and three month periods ended November 27, 2004 with the results of operations for the six and

three month periods ended November 29, 2003.

Six new and four relocated Burlington Coat Factory department stores opened during the first six months of fiscal 2005 contributed \$25.9 million to net sales for the first six month period of fiscal 2005. Stores opened during fiscal 2004 contributed \$54.4 million to this year's net sales in their non-comparative periods.

Net sales increased \$89.0 million (11.3%) for the three month period ended November 27, 2004 compared with the similar period of a year ago. Comparative store sales increased 4.8% for the three month period. The increase in comparative store sales was in part the result of colder temperatures throughout the country compared with the prior year.

The Cohoes Fashions stores contributed \$21.1 million and \$13.2 million to consolidated sales for the six and three month periods ended November 27, 2004 compared with \$17.9 million and \$10.1 million for the similar periods ended November 29, 2003. During the second quarter, two stores previously operated as Decelle stores were reopened as Cohoes Fashions stores. These two stores contributed \$2.6 million to Cohoes sales.

The MJM Designer Shoes stores contributed \$18.9 million and \$12.1 million to sales for the six and three month periods ended November 27, 2004 compared with \$12.6 million and \$7.8 million for the comparative periods of a year ago. As of November 27, 2004, fourteen MJM Designer Shoes stores were operating. Three new MJM Designer Shoes stores opened during the current year's second quarter contributed \$1.2 million to net sales.

Through June 2003, the Company operated seven stores under the name "Decelle." During July 2003, these stores were closed. The Company converted three of these stores to Burlington Coat Factory stores and two stores to Cohoes Fashions stores. Sales in fiscal 2004 for the Decelle stores were \$2.6 million.

During the second quarter of fiscal 2005, the Company opened a new Super Baby Depot store in Moorestown, New Jersey. The store contributed \$0.4 million to fiscal 2005's net sales.

Other Revenue

Other Revenue (consisting of rental income from leased departments, sublease rental income, layaway and alteration service charges and miscellaneous items) increased to \$14.4 million and \$8.0 million for the six and three month periods ended November 27, 2004 compared with \$13.0 million and \$7.4 million for the similar periods of a year ago. Rental income increased \$0.9 million to \$8.8 million and \$0.5 million to \$4.6 million for the six and three month period periods ended November 27, 2004, over the similar periods of a year ago. Rental income increases were primarily related to sublease rental and license fee income from new stores and from two shopping centers controlled by the Company.

Cost of Sales

Cost of sales increased \$96.8 million (11.8%) for the six month periods ended November 27, 2004 compared with the similar period a year ago. The dollar increase in cost of sales was due primarily to the increase in net sales during the current year six month period compared with the similar period a year ago and to increased markdown costs in the six month period ended November 27, 2004. Cost of sales as a percentage of net sales increased from 62.5% in the fiscal 2004 period to 63.1% in the fiscal 2005 period. The increase in cost of sales, as a percentage of net sales, for the fiscal 2005 period compared with the fiscal 2004 period, was primarily the result of increases in markdown related expenses, slightly lower initial margins, and increased freight charges. These increases were partially offset by a decrease in the Company's interim provision for inventory shrinkage for this year's six month period compared with

the similar period of a year ago. The Company's cost of sales and gross margin may not be comparable to those of other entities, since some entities include all of the costs related to their buying and distribution functions in cost of sales. The Company includes these costs in the Selling and Administrative Expenses line item in the Condensed Consolidated Statements of Operations. The Company includes in its Cost of Sales line item all costs of merchandise (net of purchase discounts and certain vendor allowances), inbound freight, warehouse outbound freight and freight related to internally transferred merchandise and certain merchandise acquisition costs, primarily commissions and import fees.

For the three month period ended November 27, 2004, compared with the three month period ended November 29, 2003, cost of sales increased from \$487.0 million to \$542.6 million. For the comparative three month periods, as a percentage of sales, cost of sales increased to 62.0% from 61.9%. This increase is primarily attributable to increases in markdowns, lower initial margins, and increases in freight charges offset in part by decreases in the Company's provision for inventory shrinkage and sales discounts.

Selling and Administrative Expense

Selling and Administrative Expenses were \$470.4 million and \$253.0 million for the six and three month period ended November 27, 2004, respectively, compared with \$443.5 million and \$239.5 million for the comparative periods of a year ago. As a percentage of net sales, Selling and Administrative Expenses were 32.4% and 28.9% for the six and three month period ended November 27, 2004, respectively. For the comparative six and three month periods ended November 29, 2003, Selling and Administrative Expenses were 33.8% and 30.5% of sales, respectively. The dollar increase in Selling and Administrative Expenses was primarily the result of the increased number of stores operating during the six and three month periods of this fiscal year compared with the similar periods of a year ago. As a percentage of net sales, occupancy costs declined 0.7% for the six and three month periods of fiscal 2005 compared with the similar periods of fiscal 2004. In addition, payroll related costs, as a percentage of net sales, declined 0.6% for the six and three month comparative periods. These decreases are primarily related to sales increases during the periods. During fiscal 2004 and fiscal 2003, the Company established reserves of \$1.5 million and \$0.4 million, respectively, for future lease obligations relating to stores closed during these periods of which \$0.4 million was paid during the first six months of fiscal 2005.

Depreciation Expense

Depreciation expense amounted to \$44.4 million and \$22.9 million in the six and three month period ended November 27, 2004 compared with \$39.4 million and \$20.3 million in the six and three month periods ended November 29, 2003. These increases are attributable primarily to capital additions relating to new store purchases, improvements, expansions and remodelings over the past two fiscal years.

Interest Expense

Interest expense increased \$1.1 million to \$3.6 million for the six month period ended November 27, 2004 compared with the similar period of a year ago. For the three month period ended November 27, 2004, compared with the three month period ended November 29, 2003, interest expense increased \$0.1 million to \$1.8 million. The six month increase in interest expense is primarily related to the \$100.0 million of senior notes issued by the Company in September 2003.

Other Income, Net

Other Income, Net (consisting of investment income, gains and losses on disposition of assets and other miscellaneous items) increased \$5.5 million to \$5.9 million for the six month period ended November 27, 2004 compared with the similar period of last year. Other Income, Net increased \$5.1 million in the comparative three month periods. During the second quarter of fiscal 2005, the Company received \$3.9 million in settlement of claims the Company had filed in the bankruptcy proceedings of Kmart Corporation in respect of four lease locations which it had subleased to the Company. Investment related income amounted to \$1.5 million and \$0.9 million for the six and three month periods ended November 27, 2004 compared with \$0.8 million and \$0.1 million for the similar periods of a year ago. These increases are primarily related to increases in interest income realized from higher amounts of investable funds and to gains on the sale of investments.

Income Tax

Income tax expense was \$14.8 million and \$26.8 million for the six and three month period ended November 27, 2004, respectively compared to \$7.8 million and \$17.6 million for the similar fiscal periods of last year. The effective tax rate for the first six months of fiscal 2004 was 38.7% compared with 39.1% in the first six months of fiscal 2005. The increase in the effective tax rate is primarily the result an increase in the Company's expected effective state income tax rate.

Income from Continuing Operations

Income from continuing operations amounted to \$23.0 million and \$41.7 million for the six and three month periods ended November 27, 2004 compared with \$12.4 million and \$27.9 million for the comparative periods of a year ago. Basic income per share from continuing operations was \$0.52 per share and \$0.93 per share for the six and three month periods ended November 27, 2004 compared with basic income per share from continuing operations of \$0.28 and \$0.63 per share for the similar periods of fiscal 2004.

Diluted income per share from continuing operations was \$0.51 per share and \$0.93 per share for the six and three month periods ended November 27, 2004 compared with \$0.28 per share and \$0.63 per share for the similar periods of a year ago.

Discontinued Operations

During fiscal 2004, the Company discontinued the operations of eight stores. During the six and three month periods ended November 29, 2003, net sales for these stores amounted to \$7.1 million and \$3.0 million, respectively. Gross margin amounted to \$1.6 million and \$1.0 million for the six and three month periods ended November 29, 2003. Loss from discontinued operations amounted to \$2.1 million during the six month periods ended November 29, 2003 and \$0.7 million for the three month period. Loss per share from discontinued operations for the six and three month periods ended November 29, 2003 were \$0.05 per share and \$0.02 per share, respectively. There were no discontinued operations recorded during the first six months of fiscal 2005.

Net Income

Net income increased \$12.7 million to \$23.0 million for the first six month period of fiscal 2005 from \$10.3 million for the comparative 2004 period. Net income was \$41.7 million and \$27.2 million for the three month period ended November 27, 2004 and November 29, 2003, respectively. Basic income per share was \$0.52 per share and \$0.93 per share for the six and three month periods ended November 27, 2004 compared with \$0.23 per share and \$0.61 per share for the similar periods of fiscal 2004. Diluted net income per share was \$0.51 per share and \$0.93 per share for the six and three month periods ended November 27, 2004 compared with \$0.23 per share and \$0.61 per share for the

similar periods of fiscal 2004.

Liquidity and Capital Resources

Overview

The Company was able to satisfy its cash requirements for current operations, expansions (such as new store openings), and other initiatives primarily from cash flows provided by operating activities, combined with the sale of senior notes, short-term borrowings and utilizing available lines of credit.

Operational Growth

During the first six months of fiscal 2005, the Company opened six Burlington Coat Factory Warehouse department stores and relocated four Burlington Coat Factory Warehouse department stores to new locations within their trading areas. The Company opened three MJM Designer Shoes stores, one Super Baby Depot store and converted two closed Decelle stores to new Cohoes Fashion stores. The Company estimates spending approximately \$108.5 million in capital expenditures during fiscal 2005 including \$92.5 million for store expenditures, \$2.6 million for upgrades of warehouse facilities and \$13.4 million for computer and other equipment expenditures. For the first six months of fiscal 2005, capital expenditures amounted to approximately \$56.2 million.

The Company monitors the availability of desirable locations for its stores from such sources as dispositions by other retail chains and bankruptcy auctions. The Company may seek to acquire a number of such locations in one or more transactions. Additionally, the Company may consider strategic acquisitions. If the Company undertakes such transactions, the Company may seek additional financing to fund acquisition and carrying charges (i.e., the cost of rental, maintenance, tax and other obligations associated with such properties from the time of commitment to acquire to the time that such locations can be readied for opening as Company stores) related to these stores.* There can be no assurance, however, that any additional locations will become available from other retailers or that, if available, the Company will undertake to bid or be successful in bidding for such locations. 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.*

Stock Repurchases

From time to time, the Company repurchases shares of its stock. These purchases are reflected as treasury stock in the equity section of the balance sheet. During fiscal 2004 and the first six months of fiscal 2005, the Company did not repurchase any shares of its stock. During fiscal 2004, the Company reissued 46,402 shares of treasury stock as part of its required contribution to the Company's 401(k) and profit sharing plans. As of November 27, 2004, the Company had authority to purchase an additional \$10.0 million of its stock.

Working Capital

Working capital increased to \$340.2 million at November 27, 2004 from \$330.0 million at May 29, 2004.

Net Cash Provided by Continuing Operations

Net cash provided by continuing operations of \$60.8 million for the first six months of fiscal 2005 decreased by \$8.5 million from \$69.3 million of net cash provided by continuing operations for the similar period of fiscal 2004. Increases in purchases of merchandise inventory, offset in part by accounts payable, other current liabilities and cash

related items included in net income, resulted in the decrease in net cash provided by continuing operations.

Dividends

On August 5, 2004, the Board of Directors of the Company declared a cash dividend in the amount of four cents (0.04) per share payable on December 15, 2004 to stockholders of record on November 22, 2004. The Company recognized a dividend accrual of \$1.8 million at November 27, 2004.

* Forward Looking Statement. See Safe Harbor Statement on Page 33.

Long-Term Borrowings and Capital Lease Obligations

The Company's long-term borrowings at November 27, 2004 consisted of \$100 million of Senior Notes issued to institutional investors in a private placement, an industrial development refunding bond of \$5.7 million issued by the New Jersey Economic Development Authority (the "Refunding Bonds"), a \$1.4 million loan from the Burlington County Board of Chosen Freeholders and capital lease obligations of \$26.6 million.

Refunding Bonds

. The Refunding Bonds consist of term bonds. The term bonds consist of two portions, \$0.7 million maturing on September 1, 2005 and \$5.0 million maturing on September 1, 2010. The term bonds bear interest at the rates of 5.6% 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 6.1% and 3.5 years, respectively. Payment of the principal and interest are guaranteed under an irrevocable letter of credit in the amount of \$5.9 million.

Loan from Burlington County Board of Freeholders

. On December 5, 2001, the Company borrowed \$2.0 million from the Burlington County Board of Chosen Freeholders. The proceeds were used for part of the acquisition and development costs of a new warehouse facility in Edgewater Park, New Jersey. The loan is interest-free and matures on January 1, 2012. The loan is to be repaid in monthly installments of \$16,667 which began on February 1, 2002.

Senior Notes

. On August 15, 2003, the Company and its wholly-owned subsidiary, Burlington Coat Factory Warehouse of New Jersey, Inc., entered into a Note Purchase Agreement with a group of institutional investors for the sale of an aggregate of \$100 million of Senior Notes. The Notes were issued on September 30, 2003 in two tranches. The Series A Notes aggregated \$36 million at an interest rate of 4.06% due in annual payments of various amounts from September 30, 2006 to September 30, 2010. The Series B Notes aggregated \$64 million at an interest rate of 4.67% due in annual payments of various amounts from September 30, 2007 to September 30, 2013. The Company intends to use the proceeds from the sale of the Notes for general corporate purposes and the build-out of additional stores, including associated real estate acquisitions.

Capital Lease Obligations

. The Company has capital lease obligations relating to two of its stores. The lease terms for these locations extend over twenty-three years and twenty-one years. The capital lease obligations equal the present value of the minimum

lease payments under the leases and amounted to \$27.1 million. At November 27, 2004, capital lease obligations amounted to \$26.6 million. During the six and three month periods ended November 27, 2004, \$1.1 million and \$0.6 million of lease payments were applied to interest and \$0.1 million were applied against capital lease obligations.

Lines of Credit

As of November 27, 2004 and November 29, 2003, the Company had in place a committed four year revolving line of credit agreement in the amount of \$100.0 million. The term of the committed revolving line of credit automatically renews for an additional year on its anniversary unless the lender gives notice of its intention to not renew in which case the revolving line of credit will continue until the remaining three year term expires. Short term borrowings against the Company's lines of credit bear interest at or below the lending bank's prime rate (5.0% at November 27, 2004). The Company had letter of credit commitments outstanding against the committed line of credit of \$25.4 million at November 27, 2004 and \$22.7 million at November 29, 2003. For the six and three month periods ended November 27, 2004, the Company had no borrowing under these lines of credit.

At November 29, 2003, the Company had no borrowings under the line of credit. Maximum borrowing amounted to \$62.9 million during the first quarter of fiscal 2004. The average borrowing under these credit lines during the first quarter of fiscal 2004 was \$33.3 million, at an average interest rate of 1.6%. During last fiscal year's second quarter, the maximum borrowing under the line of credit amounted to \$74.9 million. The average borrowings during this period amounted to \$53.7 million at an average interest rate of 1.6%. Borrowings under the Company's lines of credit were necessary during the prior year's first six months primarily because of the purchase of inventory during the period and capital expenditure requirements.

Letters of Credit

The Company also had letter of credit agreements with a bank in the amount of \$2.2 million and \$3.5 million guaranteeing performance under various leases, insurance contracts and utility agreements at November 27, 2004 and November 29, 2003, respectively.

Off-Balance Sheet Arrangements and Contractual Obligations

As of November 27, 2004, the Company had no material off-balance sheet arrangements. The Company's contractual obligations and commitments, which consist of debt, capital and operating leases, open purchase orders, outstanding letters of credit and other miscellaneous commitments, have not changed materially from the amounts disclosed in Amendment No. 4 to the Company's Annual Report on Form 10-K/A for the fiscal year ended May 29, 2004 filed with the Securities and Exchange Commission.

Liquidity and Capital Resources Summary

The Company believes that its current capital expenditures and operating requirements can be satisfied from internally generated funds, from the proceeds of the sale of the \$100 million of senior notes and from short term borrowings under its revolving credit loan agreement.* 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.*

* Forward Looking Statement. See Safe Harbor Statement on Page 33.

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 have any derivative financial instruments. 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 November 27, 2004, 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 capital lease obligations at November 27, 2004:

Expected Maturity Date of Long-Term Debt and Capital Lease Obligations (Including Current Portion) at November 27, 2004 (unaudited) (dollar amounts in thousands):

	<u>Fixed Rate Debt</u>	<u>Average Interest Rate</u>
2005	\$ 220	4.6%
2006	1,190	5.3%
2007	8,488	4.3%
2008	17,740	4.5%
2009	17,861	4.5%

2010	18,056	4.6%
Thereafter	<u>70,203</u>	6.0%
Total	<u>\$133,758</u>	

Fair Value at
November 27, 2004 \$129,884

* Forward Looking Statement. See Safe Harbor Statement on Page 33.

Item 4. Controls and Procedures.

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

In connection with the Restatement and the filing of this Form 10-Q/A, the Company's management, with the participation of the Company's principal executive officer and principal financial officer, re-evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of such period, the Company's disclosure controls and procedures as of the end of the period covered by this report were functioning effectively.

In concluding that the Company's disclosure controls and procedures were effective as of November 27, 2004, management considered, among other things, the circumstances that resulted in the restatement of its previously issued financial statements as more fully described in Note 2, "Restatement of Financial Statements," to the condensed consolidated financial statements included within this Form 10-Q/A. The Company's management also considered the materiality of the restatement adjustments on its condensed consolidated balance sheet and statement of operations included in this Form 10-Q/A and that these non-cash adjustments had no effect on historical or future cash flows or timing of payments under pertinent leases. Finally the Company's management considered that restatements of financial statements in prior filings made with the SEC may be an indicator of the existence of weaknesses in the design or operation of internal control over financial reporting.

While the Company's principal executive officer and principal financial officer concluded that, as of November 27, 2004, disclosure controls and procedures are functioning effectively, the Company remains in the process of performing the system and process documentation, evaluation and testing required for management to provide an assessment of the effectiveness of the Company's internal control over financial reporting. At the end of fiscal 2005, the Company's management will be required under applicable securities laws to provide an assessment of the effectiveness of the Company's internal control over financial reporting, and the Company's independent registered

public accountant will be required to audit management's assessment. In the course of evaluating and testing its internal control of financial reporting, management may identify deficiencies that will need to be addressed and remediated.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION
AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

The Company did not repurchase any shares of its stock during the three month period ended November 27, 2004. As of November 27, 2004, the Company had authority to purchase an additional \$10.0 million of its stock.

The following table summarizes the Company's common stock repurchase activity for the three month period ended November 27, 2004 and the approximate value of shares of common stock that may yet be repurchased.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Maximum Value of Shares that May Yet be Purchased Under Publicly Announced Program</u>
May 30, 2004 to June 30, 2004	-0-	N/A	-0-	\$0
July 1, 2004 to July 31, 2004	-0-	N/A	-0-	\$0
August 1, 2004 to November 27, 2004	-0-	N/A	-0-	\$10.0 million
Total	-0-	N/A	-0-	

Item 4. Submission of Matters to a Vote of Security Holders.

The Company's annual meeting of stockholders was held on November 4, 2004. At the meeting, the following actions were taken: 1) stockholders elected directors to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified; and 2) stockholders ratified the appointment of Deloitte & Touche LLP as

independent registered public accounting firm for the Company for the fiscal year ending May 28, 2005. The following tables set forth the results of the votes cast at the meeting for each matter submitted to stockholders:

1) <u>Election of Directors</u>	<u>Votes For</u>	<u>Votes</u>		<u>Broker</u>
			<u>Withheld</u>	<u>Non-Votes</u>
Monroe G. Milstein	37,469,486	4,786,253	-0-	
Andrew R. Milstein	37,104,934	5,150,805	-0-	
Irving Drillings	41,903,566	352,173	-0-	
Harvey Morgan	41,374,158	881,581	-0-	
Stephen E. Milstein	37,166,896	5,088,843	-0-	
Mark A. Nesci	37,144,239	5,111,500	-0-	
Roman Ferber	41,914,596	341,143	-0-	

2) Ratify appointment of Deloitte & Touche LLP as Independent Registered Public Accounting Firm:

Votes For	42,171,724
Votes Against	82,915
Votes Abstained	1,100
Broker Non-Votes	0

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

a. Exhibits

31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b. The Company filed three reports on Form 8-K during the period ended November 27, 2004. The first was filed September 8, 2004 and reported under Item 12 that the Company issued a press release reporting its sales for its first fiscal quarter of 2005. The second was filed on October 6, 2004 and reported under Item 12 that the Company issued a press release reporting its sales and net income for its first fiscal quarter of 2005. The third was filed on November 5, 2004 and reported under Item 8.01 that the Company issued a press release announcing that the Company adopted a new stock repurchase program. The reports on Form 8-K filed on September 8, 2004 and November 5, 2004 did not contain any financial statements. The report on Form 8-K filed on October 6, 2004 contained Consolidated Statements of Income (Unaudited) for the three months ended August 28, 2004.

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.
Vice President - Chief Accounting Officer

Date: April 27, 2005