BJS WHOLESALE CLUB INC
Form 10-K
April 18, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED FEBRUARY 3, 2001
OR
[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-13143

BJ'S WHOLESALE CLUB, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	04-3360747
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

One Mercer Road NATICK, MASSACHUSETTS	01760
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Registrant's telephone number, including area code: (508) 651-7400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant on March 31, 2001 was approximately $3,474,806,000 based on the closing price of $47.85 on the New York Stock Exchange on such date.

There were 72,782,067 shares of the Registrant's Common Stock, $.01 par value,

outstanding as of March 31, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2001 Annual Meeting of Stockholders (Part III).

PART I

Item 1. Business

General

BJ's Wholesale Club introduced the warehouse club concept to New England in 1984 and has since expanded in the eastern United States and the state of Ohio. As of February 3, 2001, BJ's operated 118 warehouse clubs in 15 states and had approximately 6.6 million members. The table below shows the number of BJ's locations by state.

State	Number of Locations
New York	26
Massachusetts	14
New Jersey	14
Florida	13
Pennsylvania	10
Ohio	8
Connecticut	7
Maryland	6
Virginia	6
New Hampshire	4
North Carolina	3
Rhode Island	3
Maine	2
Delaware	1
South Carolina	1
TOTAL	118

On July 28, 1997, BJ's Wholesale Club, Inc., a Delaware corporation, ("BJ's" or the "Company") became an independent, publicly owned entity when Waban Inc. ("Waban"), BJ's parent company at the time, distributed to its stockholders on a pro rata basis all of the Company's outstanding common stock. Before that date, BJ's business had operated as a division of Waban.

The fiscal year ended February 3, 2001 is referred to as "2000" or "fiscal 2000" below. Other fiscal years are referred to in a similar manner.

Industry Overview

Warehouse clubs offer a narrow assortment of brand name food and general merchandise items within a wide range of product categories. In order to achieve high sales volumes and rapid inventory turnover, merchandise selections are generally limited to items that are brand name leaders in their categories. Since warehouse clubs sell a diversified selection of product categories, they

attract customers from a wide range of other wholesale and retail distribution channels, such as supermarkets, supercenters, department stores, drug stores, discount stores, office supply stores, consumer electronics stores, automotive stores and wholesale distributors. BJ's believes that it is difficult for these higher cost channels of distribution to match the low prices offered by warehouse clubs.

Warehouse clubs eliminate many of the merchandise handling costs associated with traditional multiple-step distribution channels by purchasing full truckloads of merchandise directly from manufacturers and by storing merchandise on the sales floor rather than in central warehouses. By operating no-frills, self-service warehouse facilities, warehouse clubs have fixturing and operating costs substantially below those of traditional

retailers. Because of their higher sales volumes and rapid inventory turnover, warehouse clubs generate cash from the sale of a large portion of their inventory before they are required to pay merchandise vendors. As a result, a greater percentage of the inventory is financed through vendor payment terms than by working capital. Two broad groups of customers, individual households and small businesses, have been attracted to the savings made possible by the high sales volumes and operating efficiencies achieved by warehouse clubs. Customers at warehouse clubs are generally limited to members who pay an annual fee.

Business Model

The Company has developed an operating model that it believes differentiates it from its warehouse club competition. First, BJ's seeks to establish and maintain the leading industry position in each market where it operates. Second, by clustering its clubs, BJ's achieves the benefit of name recognition and maximizes the efficiencies of management support, distribution and marketing activities. Finally, BJ's places added focus on the retail customer, its Inner Circle(R) member, through merchandising strategies that emphasize a customer-friendly shopping experience. BJ's creates an exciting shopping experience for its members with a constantly changing mix of food and general merchandise items and carries a broader product assortment than its warehouse club competitors. By supplementing the warehouse format with aisle markers, express check-out lanes and low-cost video-based sales aids, BJ's makes shopping more efficient for its members. BJ's is also the only major warehouse club operator to accept manufacturers' coupons, which provides added value for its members, and to accept VISA(R), MasterCard(R) and Discover(R) payment cards chainwide. In 2000, BJ's equipped its clubs to process on-line debit transactions. Management believes these strategies aimed at the general consumer allow BJ's to achieve higher operating margins than its warehouse club competitors.

Expansion

Since the beginning of 1995, BJ's has grown from 62 clubs to 118 clubs in operation at February 3, 2001. Approximately 48% of BJ's clubs have been in operation for fewer than six years, and most of these are considered to be in the early stages of maturation.

BJ's plans to open approximately fourteen new clubs, including two relocations, in the current year, expanding its presence in Florida and the Carolinas, and continuing to fill in existing markets. Longer term, BJ's plans to increase the square footage of the chain by an average of 10% annually.

Year	Clubs in Operation at Beginning of Year	Clubs Opened During the Year	Clubs Closed During the Year	Clubs in Operation at End of Year
1995............................	62	9	--	71
1996............................	71	10	--	81
1997............................	81	4	1	84
1998............................	84	12	--	96
1999............................	96	11	--	107
2000............................	107	11	--	118

In addition to the club openings shown above, BJ's relocated one club in 2000.

Store Profile

As of February 3, 2001, BJ's operated 104 traditional size "big box" warehouse clubs that averaged approximately 111,000 square feet and 14 smaller format warehouse clubs that averaged approximately 69,000 square feet. The smaller format clubs are designed to serve markets whose population is not sufficient to support a full-sized warehouse club. Including space for parking, a typical full-sized BJ's club requires nine to eleven acres of land. The smaller version typically requires approximately eight acres. BJ's clubs are located in both free-standing locations and shopping centers.

Construction and site development costs for a full-sized BJ's club generally range from $5.0 million to $7.0 million. Land acquisition costs for a club generally range from $3.0 million to $5.0 million, but can be significantly higher in some locations. BJ's also invests approximately $2.6 million for fixtures and equipment and $2 million for inventory (net of accounts payable), and incurs approximately $.8 million for preopening costs in a new full-sized club.

Merchandising

BJ's services its existing members and attracts new members by providing a broad range of high quality, brand name merchandise at everyday prices that are consistently lower than the prices of traditional wholesalers, discount retailers, supermarkets, supercenters and specialty retail operations. BJ's limits the items offered in each product line to fast selling styles, sizes and colors, carrying an average of approximately 6,000 active stockkeeping units (SKU's). By contrast, supermarkets normally stock approximately 25,000 SKU's, and discount stores typically stock up to 60,000 SKU's. BJ's works closely with manufacturers to develop packaging and sizes which are best suited to selling through the warehouse club format in order to minimize handling costs and to provide increased value to members.

Excluding gasoline, food accounted for approximately 60% of BJ's sales in 2000. The remaining 40% consisted of a wide variety of general merchandise items. Food categories at BJ's include frozen foods, fresh meat and dairy products, dry grocery items, fresh produce and flowers, canned goods, and household paper products and cleaning supplies. General merchandise includes office supplies and equipment, consumer electronics, small appliances, auto accessories, tires, jewelry, housewares, health and beauty aids, computer software, books, greeting cards, apparel, tools, toys and seasonal items. BJ's

believes that more than 70% of its products are also sold in supermarkets.

To ensure that its merchandise selection is closely attuned to the tastes of its members, BJ's employs regional buyers who are responsible for tailoring the product selection in individual warehouse clubs to the regional and ethnic tastes of the local market. BJ's is increasingly using checkout data to understand and respond to member preferences.

BJ's expanded its private label program during 2000. Products are sold under two labels: "Executive Choice(TM)" for products targeted to business members, and "Berkley and Jensen(TM)" for products targeted to BJ's Inner Circle members. BJ's private label products are premium quality only and generally are priced 20% lower than the top branded competing product. At the end of 2000, products sold under BJ's private labels had achieved a sales penetration of 3.3% on an annualized basis. BJ's expects its private label products to represent an increasing percentage of total revenues over time.

BJ's also offers a number of specialty services that are designed to enable members to complete more of their shopping at BJ's and to encourage more frequent trips to the clubs. Most of these services are provided by outside operators in space leased from BJ's. Specialty services include full-service optical stores, food courts, some of which offer brand name fast food service, one-hour photo service, travel services, a selection of garden sheds and gazebos, a propane tank filling service, and a muffler and brake service operated in conjunction with Monro Muffler/Brake and Speedy Auto Service, and Tuffy Automobile Service Centers. A test of a mini-branch bank concept continues in three of BJ's clubs.

As of February 3, 2001, BJ's has opened gas stations at 34 of its clubs. The gas stations are generally self-service, relying on "pay at the pump" technology that accepts MasterCard, VISA, Discover and debit card transactions. Cash is also accepted at some locations. Both regular and premium gasoline are available. BJ's has generally maintained its price at 6 to 10 cents per gallon less than the average prices in each market. Results to date have shown increased sales and membership at clubs with gas stations. BJ's plans to continue expanding this service in 2001.

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The Company's "BJ's Premier Benefits(TM)" program is designed to enhance the value of BJ's membership, particularly to business members. Included in the program are discounted payroll processing, payment processing of all major credit cards, participation in an established preferred medical provider network that provides comprehensive health care services at discounted rates, local and long-distance phone and Internet access, rebates on the buying and selling of residential real estate, travel services and printing of business forms, checks and signs. Participation in Premier Benefits is open to all BJ's members and is included in the regular cost of BJ's membership.

Membership

Paid membership is an essential part of the warehouse club concept. In addition to providing a source of revenue which permits BJ's to offer low prices, membership reinforces customer loyalty. BJ's has two types of members: business members and Inner Circle members. BJ's Inner Circle members are likely to be home owners who have incomes which are above the average for the Company's trading areas. BJ's believes that a significant percentage of its business members also shops BJ's actively for their personal needs. The Company had approximately 6.6 million members (including supplemental cardholders) at February 3, 2001, which was 13.5% higher than the previous year.

Effective January 1, 2001, BJ's charges $40 per year for a primary Inner Circle membership that includes one free supplemental membership. Members in the same household may purchase additional supplemental memberships for $20 each. A business membership also costs $40 per year and includes one free supplemental membership. Additional paid supplemental business memberships cost $20 each. BJ's membership is open to all, whereas the Company's warehouse club competitors have typically required individual members to belong to certain qualifying groups. BJ's believes that its more liberal membership policy has attracted incremental sales without adversely affecting its costs.

Advertising and Public Relations

BJ's increases customer awareness of its warehouse clubs primarily through direct mail, public relations efforts, new store marketing programs, and limited vendor-funded television and radio advertising during the holiday season. BJ's also employs dedicated marketing personnel who solicit potential business members and who contact selected community groups to increase the number of members. From time to time, BJ's runs free trial membership promotions to attract new members, with the objective of converting them to paid membership status, and also uses one-day passes to introduce non-members to its warehouse clubs. These programs result in very low marketing expenses compared with typical retailers.

Club Operations

BJ's ability to achieve profitable operations depends upon high sales volumes and the efficient operation of its warehouse clubs. The Company buys most of its merchandise at volume discounts from manufacturers for shipment either to a BJ's cross-dock facility or directly to BJ's clubs. This eliminates many of the costs associated with traditional multiple-step distribution channels, including distributors' commissions and the costs of storing merchandise in central distribution facilities.

BJ's routes the majority of its purchases through cross-dock facilities which break down truckload quantity shipments from manufacturers and reallocate these goods for shipment to individual clubs, generally on a same-day basis. BJ's efficient distribution systems result in better volume discounts, reduced freight expenses and lower receiving costs.

The Company works closely with manufacturers to minimize the amount of handling required once merchandise is received at a club. Most merchandise is pre-marked by the manufacturer with the universal product code (UPC) so that it does not require ticketing at the club. Merchandise for sale is displayed on pallets containing large quantities of each item, thereby reducing labor required for handling, stocking and restocking.

Back-up merchandise is generally stored in steel racks above the sales floor. BJ's goal is to keep at least one day's supply of each item on the selling floor.

BJ's has been able to limit inventory losses to levels well below those typical of other retailers by strictly controlling the exits of its clubs, by generally limiting customers to members and by using state-of-the-art electronic article surveillance technology. BJ's inventory shrinkage was less than .20% of net sales in each of the last five fiscal years. Problems associated with payments by check have been insignificant, as members who issue dishonored checks are restricted to cash-only terms. BJ's policy is to accept returns of merchandise within 30 days after purchase.

BJ's was the first warehouse club chain to accept MasterCard and VISA. Beginning in 2000, BJ's equipped its clubs to process on-line debit transactions. Additionally, BJ's members may pay for their purchases by cash, check or Discover Card.

Information Systems

Over the course of its development, BJ's has made a significant investment in information systems. BJ's was the first warehouse club operator to introduce scanning devices which work in conjunction with its electronic point of sale (EPOS) terminals. During 2000, BJ's rolled out "360 degree" scanning and upgraded the cash register printers at the checkout stations in its clubs to enhance the efficiency of the checkout process. Sales data is analyzed daily for replenishment purposes. Detailed purchasing data on individual members permits the buying staff and store managers to track changes in members' buying behavior. Detailed shrinkage information by SKU by club allows management to quickly identify inventory shrinkage problems and formulate effective action plans.

Competition

BJ's competes with a wide range of national, regional and local retailers and wholesalers selling food or general merchandise in its markets, including supermarkets, supercenters, general merchandise chains, specialty chains and other warehouse clubs, some of which have significantly greater financial and marketing resources than BJ's. Major competitors that operate warehouse clubs include Costco Wholesale Corporation and Sam's Clubs (a division of Wal-Mart Stores, Inc.).

A large number of competitive membership warehouse clubs exists in BJ's markets. Approximately 86% of BJ's 104 "big box" warehouse clubs have at least one competitive membership warehouse club in their trading areas at a distance of about ten miles or less. None of the smaller format clubs has direct competition from other warehouse clubs within ten miles.

BJ's believes price is the major competitive factor in the markets in which it competes. Other competitive factors include store location, merchandise selection, member services and name recognition. BJ's believes its efficient, low-cost form of distribution gives it a significant competitive advantage over more traditional channels of wholesale and retail distribution.

Seasonality

Sales and net income have typically been strongest in the fourth quarter holiday season and lowest in the first quarter of each fiscal year.

Employees

As of February 3, 2001, BJ's had approximately 14,700 full-time and part-time employees ("team members"). None of the Company's team members is represented by a union. BJ's considers its relations with its team members to be excellent.

Item 2. Properties

BJ's operated 118 warehouse club locations as of February 3, 2001, of which 73 are leased under long-term leases and 35 are owned. BJ's owns the buildings at the remaining 10 locations, which are subject to long-term ground leases. A listing of BJ's locations within each state is shown on page 2.

The unexpired terms of BJ's leases range from approximately one to 40 years, and average approximately 14 years. BJ's has options to renew all but one of its leases for periods that range from approximately 5 to 50 years and average approximately 20 years. These leases require fixed monthly rental payments which are subject to various adjustments. Certain leases require payment of a percentage of the warehouse club's gross sales in excess of certain amounts. Generally, all leases require that BJ's pay all property taxes, insurance, utilities and other operating costs.

BJ's home offices in Natick, Massachusetts, occupy 156,000 square feet under leases expiring January 31, 2006, with options to extend these leases through January 31, 2011. The Company also leases two cross-dock facilities, which, effective in April 2001, occupy a total of 776,000 square feet under leases which expire in 2010 and 2021, with options to extend these leases through 2025 and 2041, respectively.

See Note D of Notes to Consolidated Financial Statements included elsewhere in this report for additional information with respect to the Company's leases.

Item 3. Legal Proceedings

BJ's is involved in various legal proceedings that are typical of a retail business. Although it is not possible to predict the outcome of these proceedings or any related claims, the Company believes that such proceedings or claims will not, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations.

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

No matter was submitted to a vote of the Company's security holders during the fourth quarter of the fiscal year ended February 3, 2001.

Item 4A. Executive Officers of the Registrant

Name	Age	Office and Employment During Last Five Years
Herbert J. Zarkin..	62	Chairman of the Board of the Company since July 1997; President, Chief Executive Officer and Director of Waban (1993-1997); Executive Vice President of Waban (1989-1993); President of the BJ's Division of Waban (the "BJ's Division") (1990-1993)
John J. Nugent.....	54	President, Chief Executive Officer and Director of the Company since July 1997; Executive Vice President of Waban and President of the BJ's Division (1993-1997)
Frank D. Forward...	46	Executive Vice President and Chief Financial Officer of the Company since July 1997; Executive Vice President, Finance of the BJ's Division from February 1997 to July 1997; Senior Vice President, Finance of the BJ's Division (1994-1997)
Laura J. Sen.......	44	Executive Vice President, Merchandising of the Company since July 1997; Executive Vice President,

		Merchandising of the BJ's Division from February 1997 to July 1997; Senior Vice President, General Merchandise of the BJ's Division (1993-1997)
Michael T. Wedge...	47	Executive Vice President, Club Operations of the Company since July 1997; Executive Vice President, Sales Operations of the BJ's Division from February 1997 to July 1997; Senior Vice President, Sales Operations of the BJ's Division (1993-1997)
Sarah M. Gallivan..	58	Vice President and General Counsel of the Company since July 1997; Vice President and General Counsel of Waban (1989-1997)

All officers serve at the discretion of the Board of Directors and hold office until the next annual meeting of the Board of Directors and until their successors are elected and qualified.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

The common stock of the Company is listed on the New York Stock Exchange (symbol "BJ"). The quarterly high and low stock prices for the fiscal years ended February 3, 2001 and January 29, 2000, adjusted for the effect of the two-for-one stock split on March 2, 1999, were:

	Fiscal Year Ended February 3, 2001		Fiscal Year Ended January 29, 2000	
Quarter	High	Low	High	Low
First..................................	$ 41.38	$ 26.75	$ 28.75	$ 20.38
Second.................................	38.00	27.88	33.19	24.50
Third..................................	37.94	29.25	32.44	25.75
Fourth.................................	43.35	28.88	39.00	29.19

The approximate number of stockholders of record at March 31, 2001 was 2,300. The Company has never declared or paid any cash dividends on its common stock. The Company currently intends to retain earnings to support its growth strategy and does not anticipate paying cash dividends in the foreseeable future. For restrictions on the payment of dividends, see Note C of Notes to the Consolidated Financial Statements included elsewhere in this report.

Item 6. Selected Financial Data

Fiscal Year Ended

	Feb. 3, 2001	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998	Jan. 25, 1997
	(53 Weeks)			(53 Weeks)	
	(Dollars in Thousands except Per Share Data)				
Income Statement Data					
Net sales...............	$4,828,273	$4,115,825	$3,476,846	$3,159,786	$2,859,950
Membership fees and other..................	103,822	90,422	75,335	67,556	64,746
Total revenues..........	4,932,095	4,206,247	3,552,181	3,227,342	2,924,696
Cost of sales, including buying and occupancy costs..................	4,376,451	3,725,638	3,154,017	2,872,303	2,605,602
Selling, general and administrative expenses...............	339,305	293,538	255,087	231,203	208,077
Preopening expenses.....	8,471	9,536	7,743	3,190	6,447
Pension termination costs..................	--	--	1,521	--	--
Operating income........	207,868	177,535	133,813	120,646	104,570
Interest income (expense), net.........	5,955	3,785	956	(8,733)	(16,838)
Income before income taxes and cumulative effect of accounting principle changes......	213,823	181,320	134,769	111,913	87,732
Provision for income taxes..................	82,322	70,171	52,964	43,646	34,108
Income before cumulative effect of accounting principle changes......	131,501	111,149	81,805	68,267	53,624
Cumulative effect of accounting principle changes................	--	--	(19,326)	--	--
Net income.............	$ 131,501	$ 111,149	$ 62,479	$ 68,267	$ 53,624
Income per common share:					
Basic earnings per share:					
Income before cumulative effect of accounting principle changes..............	$ 1.80	$ 1.51	$ 1.09	$ 0.91	$ 0.72
Cumulative effect of accounting principle changes..............	--	--	(0.26)	--	--
Net income............	$ 1.80	$ 1.51	$ 0.83	$ 0.91	$ 0.72
Diluted earnings per share:					
Income before cumulative effect of accounting principle changes..............	$ 1.77	$ 1.47	$ 1.07	$ 0.90	$ 0.72

Cumulative effect of accounting principle changes...............	--	--	(0.25)	--	--
Net income.............	$ 1.77	$ 1.47	$ 0.82	$ 0.90	$ 0.72
Pro forma amounts assuming accounting principle changes are applied retroactively:					
Net income.............	$ 131,501	$ 111,149	$ 81,805	$ 65,699	$ 53,201
Basic earnings per common share..........	$ 1.80	$ 1.51	$ 1.09	$ 0.88	$ 0.71
Diluted earnings per common share..........	$ 1.77	$ 1.47	$ 1.07	$ 0.87	$ 0.71
Balance Sheet Data					
Working capital.........	$ 179,928	$ 133,476	$ 108,979	$ 124,957	$ 62,942
Total assets............	1,233,734	1,131,019	952,468	848,792	737,211
Long-term debt and obligations under capital leases.........	1,828	2,050	32,249	44,930	2,592
Loans and advances from Waban Inc..............	--	--	--	--	148,081
Stockholders' equity....	664,915	577,398	485,042	446,257	275,607
Clubs open at end of year..................	118	107	96	84	81

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

BJ's Wholesale Club, Inc., which previously had been a wholly owned subsidiary of Waban Inc., became a separate and independent public entity on July 28, 1997, when Waban distributed to its stockholders on a pro rata basis all of the Company's outstanding common stock (the "spin-off").

Unless noted otherwise, the fiscal year ended February 3, 2001 is referred to as "2000." Other fiscal years are referred to in a similar manner.

Accounting Principle Changes

During 1998 (the fiscal year ended January 30, 1999), the Company adopted changes in methods of accounting for membership fee revenues and preopening expenses. The Company had previously recognized membership fee revenues as income when received. Under its current accounting method, the Company recognizes membership fee revenues as income over the life of the membership, which is typically twelve months. Previously, preopening expenses were charged ratably to operations between the date a new club opened and the end of the fiscal year. Upon implementing American Institute of CPA's Statement of Position ("AICPA SOP") 98-5, "Reporting on the Costs of Start-up Activities," the Company recognizes club preopening expenses when incurred. For additional information on these accounting principle changes, see Note A of Notes to Consolidated Financial Statements.

The following table excludes the cumulative effect of accounting principle changes from 1998's net income:

	Fiscal Year Ended					
	February 3, 2001 (53 weeks)		January 29, 2000		January 30, 1999	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
	(Dollars in Millions except Per Share Amounts)					
Net sales	$4,828.3	100.0%	$4,115.8	100.0%	$3,476.8	100.0%
Membership fees and other	103.8	2.2	90.4	2.2	75.4	2.2
Total revenues	4,932.1	102.2	4,206.2	102.2	3,552.2	102.2
Cost of sales, including buying and occupancy costs	4,376.4	90.7	3,725.7	90.5	3,154.1	90.7
Selling, general and administrative expenses	339.3	7.0	293.5	7.1	255.1	7.3
Preopening expenses	8.5	.2	9.5	.3	7.7	.2
Pension termination costs	--	--	--	--	1.5	.1
Operating income	207.9	4.3	177.5	4.3	133.8	3.9
Interest income, net	5.9	.1	3.8	.1	1.0	--
Income before income taxes	213.8	4.4	181.3	4.4	134.8	3.9
Provision for income taxes	82.3	1.7	70.2	1.7	53.0	1.5
Net income	$ 131.5	2.7%	$ 111.1	2.7%	$ 81.8	2.4%
Diluted net income per common share	$ 1.77		$ 1.47		$ 1.07	
Number of clubs in operation at year end	118		107		96	

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Stock Split

On February 4, 1999, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100% stock dividend, which was distributed on March 2, 1999 to stockholders of record on February 16, 1999. The split was effected by reissuing the 803,638 treasury shares held by the Company and issuing 36,098,862 additional shares of common stock on the distribution date. The stock split is recorded in the financial statements for the fiscal year ended January 30, 1999. All historical earnings per share amounts have been restated to reflect the stock split. Reference to stock activity before the distribution of the split has not been restated unless

otherwise noted.

Results of Operations

Net sales increased by 17.3% from 1999 to 2000 and by 18.4% from 1998 to 1999. 2000 was a 53-week fiscal year. The increases in both years were due to the opening of new stores and to comparable store sales increases. Comparable store net sales (on a same-week basis) increased by 5.1% from 1999 to 2000 and by 7.3% from 1998 to 1999. The Company's strong comparable store sales performance in 1999 was driven by a healthy consumer spending environment, favorable weather conditions throughout the year and millennium-related demand in the fourth quarter. Additionally, the Company expanded the number of gas stations it operates from five at the end of 1998 to 19 at the end of 1999 and 34 at the end of 2000.

Total revenues included membership fees of $91.3 million in 2000, $79.3 million in 1999, and $65.5 million in 1998. The increase from 1999 to 2000 was attributable primarily to new members. The increase from 1998 to 1999 was due to new members, as well as increases in the fees for Inner Circle members, effective February 1, 1998, and for business members, effective February 1, 1999.

Cost of sales (including buying and occupancy costs) was 90.64% of net sales in 2000, 90.52% in 1999 and 90.71% in 1998. The increase in the cost of sales percentage from 1999 to 2000 was due primarily to the increased contribution of gasoline sales. The gross margin on gas is significantly lower than the overall gross margin for the rest of BJ's business. Excluding gas, merchandise gross margin as a percentage of sales was slightly higher in 2000 than it was in 1999. The decrease in the cost of sales percentage from 1998 to 1999 was due mainly to a favorable merchandise mix, which resulted in a higher merchandise gross margin, and to leveraging fixed buying and occupancy costs against strong comparable store sales. This was offset in part by the impact of increased gasoline sales.

Selling, general and administrative ("SG&A") expenses were 7.03% of net sales in 2000, 7.13% in 1999 and 7.34% in 1998. The SG&A percentage was favorably impacted in the last two years by leveraging fixed expenses against both increased comparable store sales and a growing number of clubs, by effective control over operating expenses and by increased gasoline sales, which have low related SG&A costs. The Company completed its rollout of debit card acceptance during 2000, which helped to slow the growth rate of credit costs experienced in recent years. In 1999, the Company realized cost savings over 1998 from a new medical plan for employees, which became effective on January 1, 1999.

In 2000, the Company recorded pre-tax charges of $2.6 million associated with the relocation of its cross-dock facility from Bristol, Pennsylvania, to Burlington, New Jersey. This relocation was completed in April 2001. The Company recorded $1.6 million of the charges in SG&A expenses, and $1.0 million in cost of sales, including buying and occupancy costs.

Preopening expenses were $8.5 million in 2000, $9.5 million in 1999 and $7.7 million in 1998. The Company opened eleven new clubs in each of 2000 and 1999 and twelve in 1998. One club was relocated in 2000. A portion of 1999's preopening expenses was incurred for a club which opened in February 2000.

During 1998, the Company recorded a pre-tax charge of $1.5 million in connection with the termination of the Waban Inc. Retirement Plan, in which certain of the Company's employees participated. On a post-tax basis, this charge amounted to $.9 million, or $.01 per diluted share.

Interest income, net was $5.9 million in 2000, $3.8 million in 1999 and $1.0 million in 1998. The increases during this period were due primarily to higher invested cash balances and lower borrowing levels than those of 1998. See Note K of Notes to Consolidated Financial Statements for a summary of the components of interest income and expense.

The Company's income tax provision was 38.5% of pre-tax income in 2000, 38.7% in 1999 and 39.3% in 1998. The decreases in the rates in the last two years were due to reductions in the effective state income tax rates.

Net income was $131.5 million, or $1.77 per diluted share, in 2000, and $111.1 million, or $1.47 per diluted share, in 1999 versus income before the cumulative effect of accounting principle changes of $81.8 million, or $1.07 per diluted share, in 1998. The cumulative effect of accounting principle changes reduced net income in 1998 by $19.3 million, or $.25 per diluted share. Net income in 1998 was $62.5 million, or $.82 per diluted share.

The following table excludes the cumulative effect of accounting principle changes and the pension termination charge from 1998's results:

	Fiscal Year Ended					
	Feb. 3, 2001		Jan. 29, 2000		Jan. 30, 1999	
	$	% Incr.	$	% Incr.	$	% Incr.
	(Dollars in Millions except Per Share Amounts)					
Operating income...............	$207.9	17.1%	$177.5	31.2%	$135.3	17.2%
Net income.....................	131.5	18.3	111.1	34.4	82.7	21.6
Diluted earnings per share.....	1.77	20.4	1.47	34.9	1.09	22.5

During the last two years, the Company has increased the number of gas stations in operation from five at the end of 1998 to 19 at the end of 1999 and 34 at the end of 2000. Although the gas stations themselves operate at a much lower margin rate than does the rest of BJ's business, they have had a very positive effect on club sales and membership. Consequently, where it is possible to do so, the Company plans to include a gas station in its new clubs and to continue adding gas stations in existing clubs.

Effective January 1, 2001, the Company increased the membership fee for its Inner Circle and Business members from $35 to $40. Paid supplemental memberships were also increased from $15 to $20. Because members renew throughout the year and because membership fee income is realized over the life of the membership, the benefit of the fee increases will be spread over a two-year period. The income benefit in 2001 is projected to be largely offset by several factors. The Company will incur incremental costs for its new cross-dock facility in Burlington, New Jersey, which opened in April 2001, and which has approximately double the capacity of the facility it is replacing. Rate increases for utilities and employee medical benefits are expected to be higher than normal in 2001. Expenses are also planned in 2001 for the relocation of two clubs and for preopening costs for clubs expected to open early in 2002. Finally, the Company will not benefit from the impact of the 53-week fiscal year, as it did in 2000. Taken together, these expenses have the potential to offset the first year benefit from the membership fee increases.

Seasonality

The Company's business, in common with the business of retailers generally, is subject to seasonal influences. The Company's sales and operating income have typically been strongest in the fourth quarter holiday season and lowest in the first quarter of each fiscal year.

Recently Issued Accounting Standards

In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. The adoption of this statement, which becomes effective in 2001, is not expected to have a material impact on the Company's results of operations, financial position or cash flows, or to produce any major changes in current disclosures.

Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101 was released on December 3, 1999 and provides the staff's views in applying generally accepted accounting principles to selected revenue recognition issues. The implementation of SAB 101 in 2000 did not have a material effect on the Company's results of operations, financial position or cash flows.

In March 2000, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation". This pronouncement, which became effective July 1, 2000, clarifies the application of Accounting Principles Board Opinion No. 25 for certain stock compensation issues. The implementation of FASB Interpretation No. 44 in 2000 had no effect on the Company's results of operations, financial position or cash flows.

Liquidity and Capital Resources

Net cash provided by operating activities was $155.7 million in 2000 compared with $205.8 million in 1999. This decrease was attributable mainly to the decrease in cash provided by the change in accounts payable. Accounts payable balances were higher than normal at the beginning of 2000 due in part to the January replenishment of inventories in categories with millennium-related demand, much of which was paid for after the end of January. Cash provided by net income before depreciation and amortization was $186.5 million in 2000 versus $157.6 million in 1999.

Cash expended for property additions was $98.7 million in 2000 versus $87.5 million in 1999. The Company opened eleven new clubs in each of 2000 and 1999 and relocated one club in 2000. Two of the 2000 openings and the relocated club were at owned locations. One of the 1999 openings was at an owned location. The Company also opened 15 new gas stations in 2000 and 14 gas stations in 1999.

The Company expects that capital expenditures will total approximately $150 million in 2001, based on opening approximately fourteen new clubs, including the relocation of two clubs, opening approximately 25 gas stations, and relocating the Company's cross-dock facility from Bristol, Pennsylvania, to Burlington, New Jersey. The new 634,000 square foot facility, which opened in April of 2001, is approximately twice the size of the previous facility. The Company expects to own five or six of the new club locations opening in 2001 and also plans to spend approximately $20 to $25 million in 2001 for clubs that will open in 2002. The timing of actual location openings and the amount of related expenditures could vary from these estimates due, among other things, to the complexity of the real estate development process.

In May 2000, the Board of Directors authorized the repurchase of $50 million

of the Company's common stock in addition to the $100 million previously authorized. During 2000, the Company repurchased 2,088,200 shares of common stock for $64.3 million, or an average price of $30.81 per share. From the inception of its share repurchase activities in August 1998, the Company has repurchased a total of $130.3 million of stock at an average cost of $26.20 per share. As of February 3, 2001, the Company's remaining repurchase authorization was $19.7 million.

The Company has a $200 million unsecured credit agreement with a group of banks which expires July 9, 2002. The agreement includes a $50 million sub-facility for letters of credit, of which $3.4 million was outstanding at February 3, 2001. The Company is required to pay an annual facility fee which is currently 0.10% of the total commitment. Interest on borrowings is payable at the Company's option either at (a) the Eurodollar rate plus a margin which is currently 0.25%, (b) the agent bank's prime rate or (c) a rate determined by competitive bidding. The facility fee and Eurodollar margin are both subject to change based upon the Company's fixed charge coverage ratio. The agreement contains covenants which, among other things, include minimum net worth and fixed charge coverage requirements and a maximum funded debt-to-capital limitation, prohibit the payment of cash dividends on the Company's common stock, and generally limit the cumulative repurchase of the Company's common stock to $50 million plus 50% of net income (as defined by the agreement) earned after January 30, 1998.

The Company also maintains a separate $41 million facility for letters of credit, primarily to support the purchase of inventories, of which $10.8 million was outstanding at February 3, 2001, and an additional $20 million uncommitted credit line for short-term borrowings.

Increases in inventories from January 29, 2000 to February 3, 2001 were due primarily to the addition of new clubs.

Cash and cash equivalents totaled $120.4 million as of February 3, 2001, and there were no borrowings outstanding on that date. The Company expects that its current resources, together with anticipated cash flow from operations, will be sufficient to finance its operations through February 2, 2002. However, the Company may from time to time seek to obtain additional financing.

Factors Which Could Affect Future Operating Results

This report contains a number of "forward-looking statements," including statements regarding membership fee income, utility costs, employee medical benefit costs and preopening expenses, planned capital expenditures, planned store, gas station and cross-dock facility openings and relocations, plans to expand BJ's private label program, and other information with respect to the Company's plans and strategies. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "estimates," "expects" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause actual events or the Company's actual results to differ materially from those indicated by such forward-looking statements, including, without limitation, the factors set forth below. In addition, any forward-looking statements represent the Company's estimates only as of the day this annual report was first filed with the Securities and Exchange Commission and should not be relied upon as representing the Company's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so, even if its estimates change.

BJ's warehouse clubs are located in the eastern United States, primarily in the Northeast. The Company's business may be adversely affected from time to time by economic downturns in its markets. In addition, the Company may be impacted by state and local regulation in its markets and temporarily impacted by weather conditions prevailing in its markets.

The Company competes with national, regional and local retailers and wholesalers, including national chains in the warehouse merchandising business, some of which have significantly greater financial and marketing resources than the Company, which could adversely affect the Company's business, operating results and financial condition.

In connection with the spin-off of Waban by The TJX Companies, Inc. ("TJX") in 1989, Waban and TJX entered into an agreement pursuant to which Waban agreed to indemnify TJX against any liabilities that TJX might incur with respect to 42 current HomeBase leases as to which TJX was either a lessee or guarantor. In connection with the spin-off of the Company from Waban in 1997, the Company agreed to indemnify TJX for any liabilities TJX may incur with respect to HomeBase leases through January 31, 2003, and thereafter it will indemnify TJX for 50% of such liabilities. Although HomeBase is primarily liable for these leases, there can be no assurance that HomeBase will be able to make all future payments under these leases. As of February 3, 2001, the Company's maximum undiscounted pre-tax contingent liability under the TJX indemnification agreement was estimated to be approximately $220 to $230 million. As of January 31, 2003, the estimated amount decreases to approximately $130 to $140 million. These amounts include estimated real estate taxes and common area maintenance charges. These estimates do not take into consideration the reduction in the Company's contingent liability that would result from any subleasing of the properties. Pursuant to the agreements entered into in connection with the Company's spin-off from Waban, BJ's may not renew any of its real estate leases (other than ground leases) for which HomeBase may be liable during any period in which BJ's does not meet certain minimum standards of creditworthiness. BJ's currently meets such standards.

In connection with the spin-off in 1997, Waban received a letter ruling from the Internal Revenue Service to the effect that, for federal income tax purposes, the distribution of the Company's stock to Waban's stockholders (the "Distribution") and related asset transfers would be tax-free to Waban's stockholders. Certain future events not within the control of the Company or HomeBase, including, for example, certain dispositions of the Company's common stock or HomeBase's common stock, could cause the Distribution not to qualify for tax-free treatment. If this occurred, the related tax liability would be payable by HomeBase, although the Company has agreed to indemnify HomeBase under certain circumstances for all or a portion of such tax liability.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company believes that its potential exposure to market risk as of February 3, 2001 is not material because of the short contractual maturities of its cash and cash equivalents. No bank debt was outstanding at February 3, 2001. The Company has not used derivative financial instruments. See Summary of Accounting Policies--Disclosures about Fair Value of Financial Instruments and Note C in Notes to the Consolidated Financial Statements.

Item 8. Financial Statements and Supplementary Data

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BJ'S WHOLESALE CLUB, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(53 weeks)		
	(Dollars in Thousands except Per Share Amounts)		
Net sales	$ 4,828,273	$ 4,115,825	$ 3,476,846
Membership fees and other	103,822	90,422	75,335
Total revenues	4,932,095	4,206,247	3,552,181
Cost of sales, including buying and occupancy costs	4,376,451	3,725,638	3,154,017
Selling, general and administrative expenses	339,305	293,538	255,087
Preopening expenses	8,471	9,536	7,743
Pension termination costs	--	--	1,521
Operating income	207,868	177,535	133,813
Interest income, net	5,955	3,785	956
Income before income taxes and cumulative effect of			

accounting principle changes......................	213,823	181,320	134,769
Provision for income taxes....	82,322	70,171	52,964
Income before cumulative effect of accounting principle changes............	131,501	111,149	81,805
Cumulative effect of accounting principle changes......................	--	--	(19,326)
Net income..................	$ 131,501	$ 111,149	$ 62,479
Net income per common share:			
Basic earnings per share:			
Income before cumulative effect of accounting principle changes..........	$ 1.80	$ 1.51	$ 1.09
Cumulative effect of accounting principle changes....................	--	--	(0.26)
Net income..................	$ 1.80	$ 1.51	$ 0.83
Diluted earnings per share:			
Income before cumulative effect of accounting principle changes..........	$ 1.77	$ 1.47	$ 1.07
Cumulative effect of accounting principle changes....................	--	--	(0.25)
Net income..................	$ 1.77	$ 1.47	$ 0.82
Number of common shares for earnings per share computations:			
Basic.......................	72,870,668	73,657,016	74,804,538
Diluted.....................	74,380,544	75,391,489	76,095,876

The accompanying notes are an integral part of the financial statements.

BJ'S WHOLESALE CLUB, INC.

CONSOLIDATED BALANCE SHEETS

	February 3, 2001	January 29, 2000
	(Dollars in Thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents.........................	$ 120,392	$ 118,008
Accounts receivable...............................	55,250	51,998
Merchandise inventories...........................	495,285	446,771

Current deferred income taxes	7,677	5,995
Prepaid expenses	15,967	15,482
Total current assets	694,571	638,254
Property at cost:		
Land and buildings	364,418	342,817
Leasehold costs and improvements	67,565	59,350
Furniture, fixtures and equipment	331,129	279,381
	763,112	681,548
Less accumulated depreciation and amortization	239,198	201,486
	523,914	480,062
Property under capital leases	3,319	3,319
Less accumulated amortization	2,281	2,115
	1,038	1,204
Other assets	14,211	11,499
Total assets	$1,233,734	$1,131,019
LIABILITIES		
Current liabilities:		
Accounts payable	$ 335,060	$ 346,111
Accrued expenses and other current liabilities	147,536	137,641
Accrued federal and state income taxes	31,807	20,806
Obligations under capital leases due within one year	240	220
Total current liabilities	514,643	504,778
Obligations under capital leases, less portion due within one year	1,828	2,050
Other noncurrent liabilities	44,453	38,431
Deferred income taxes	7,895	8,362
STOCKHOLDERS' EQUITY		
Common stock, par value $.01, authorized 180,000,000 shares, issued 74,410,190 shares	744	744
Additional paid-in capital	75,583	85,958
Retained earnings	648,528	517,052
Treasury stock, at cost, 1,947,341 and 867,370 shares	(59,940)	(26,356)
Total stockholders' equity	664,915	577,398
Total liabilities and stockholders' equity	$1,233,734	$1,131,019

The accompanying notes are an integral part of the financial statements.

BJ'S WHOLESALE CLUB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(53 weeks)		
	(Dollars in Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$131,501	$111,149	$ 62,479
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting principle changes	--	--	19,326
Depreciation and amortization of property	54,953	46,476	40,854
Loss on property disposals	654	1,295	659
Other noncash items (net)	115	117	206
Deferred income taxes	(2,149)	2,426	1,942
Tax benefit from exercise of stock options	10,705	8,524	2,618
Increase (decrease) in cash due to changes in:			
Accounts receivable	(3,252)	(864)	(12,812)
Merchandise inventories	(48,514)	(74,031)	(40,466)
Prepaid expenses	(485)	(2,875)	3
Other assets	(2,804)	(674)	(25)
Accounts payable	(11,051)	87,571	20,998
Accrued expenses	8,981	14,121	12,727
Accrued income taxes	11,001	9,049	17,104
Other noncurrent liabilities	6,022	3,503	(1,468)
Net cash provided by operating activities	155,677	205,787	124,145
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of marketable securities	(5,001)	(1,582)	(95)
Sale of marketable securities	5,001	--	--
Maturity of marketable securities	--	1,682	--
Property additions	(98,680)	(87,475)	(78,338)
Proceeds from property disposals	301	125	548
Net cash used in investing activities	(98,379)	(87,250)	(77,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of capital lease obligations	(202)	(180)	(165)
Repayment of long-term debt	--	(30,000)	(12,500)
Cash dividends paid on preferred stock of subsidiary	(25)	(25)	(25)
Proceeds from sale and issuance of common stock	9,659	7,712	3,291
Purchase of treasury stock	(64,346)	(35,024)	(30,930)
Contribution to capital by Waban Inc.	--	--	1,188
Net cash used in financing activities	(54,914)	(57,517)	(39,141)
Net increase in cash and cash equivalents	2,384	61,020	7,119

Cash and cash equivalents at beginning of year	118,008	56,988	49,869
Cash and cash equivalents at end of year	$120,392	$118,008	$ 56,988
Supplemental cash flow information:			
Interest paid, net	$ (21)	$ 203	$ 420
Income taxes paid	74,470	58,696	33,918
Noncash financing and investing activities:			
Treasury stock issued for compensation plans and in connection with stock split	30,762	8,668	30,930

The accompanying notes are an integral part of the financial statements.

BJ'S WHOLESALE CLUB, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Par Value $.01	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	(Dollars In Thousands except Per Share Amount)				
Balance, January 31, 1998	$375	$102,408	$343,474	$ --	$446,257
Net income	--	--	62,479	--	62,479
Sale and issuance of common stock	2	4,433	--	1,638	6,073
Cash dividends on preferred stock of subsidiary	--	--	(25)	--	(25)
Purchase of treasury stock	--	--	--	(30,930)	(30,930)
Two-for-one stock split	361	(29,653)	--	29,292	--
Contribution to capital by Waban Inc	--	1,188	--	--	1,188
Balance, January 30, 1999	738	78,376	405,928	--	485,042
Net income	--	--	111,149	--	111,149
Sale and issuance of common stock	6	7,582	--	8,668	16,256
Cash dividends on preferred stock of subsidiary	--	--	(25)	--	(25)
Purchase of treasury stock	--	--	--	(35,024)	(35,024)
Balance, January 29, 2000	744	85,958	517,052	(26,356)	577,398

Net income	--	--	131,501	--	131,501
Sale and issuance of common stock	--	(10,375)	--	30,762	20,387
Cash dividends on preferred stock of subsidiary	--	--	(25)	--	(25)
Purchase of treasury stock	--	--	--	(64,346)	(64,346)
Balance, February 3, 2001	$744	$ 75,583	$648,528	$(59,940)	$664,915

The accompanying notes are an integral part of the financial statements.

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BJ'S WHOLESALE CLUB, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements of BJ's Wholesale Club, Inc. (the "Company") include the financial statements of all of the Company's subsidiaries, all of whose common stock is wholly owned by the Company.

Fiscal Year

Through January 30, 1999, the Company's fiscal year ended each year on the last Saturday in January. Beginning with the fiscal year ended January 29, 2000, the Company's fiscal year ended on the Saturday closest to January 31. The fiscal year ended February 3, 2001 included 53 weeks. The fiscal years ended January 29, 2000 and January 30, 1999 included 52 weeks.

Cash Equivalents and Marketable Securities

The Company considers highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents. Investments with maturities exceeding three months are classified as marketable securities.

Merchandise Inventories

Inventories are stated at the lower of cost, determined under the average cost method, or market. The Company recognizes the write-down of slow-moving or obsolete inventory in cost of sales when such write-downs are probable and estimable.

Property and Equipment

Property is depreciated by use of the straight-line method for financial reporting purposes. Buildings are depreciated over 33 1/3 years. Leasehold costs and improvements are amortized over the lease term or their estimated useful life, whichever is shorter. Furniture, fixtures and equipment are depreciated over three to ten years. Interest related to the development of owned facilities is capitalized.

Impairment of Long-lived Assets

The Company periodically reviews the realizability of its long-lived assets in relation to current and expected operating results and cash flows in order to assess whether there has been an impairment of their carrying values.

Accounts Payable

The Company's banking arrangements provide for the daily replenishment of vendor payable accounts as checks are presented. The balances of checks outstanding in these bank accounts totaling $54,918,000 at February 3, 2001 and $57,571,000 at January 29, 2000 are included in accounts payable on the balance sheet.

Membership Fees

Membership income is recognized over the life of the membership, which is typically twelve months. (See Notes A. and L.)

Preopening Costs

Preopening costs consist of direct incremental costs of opening or relocating a facility and are charged to operations as incurred. (See Note A.)

Stock-Based Compensation

The Company applies the accounting provisions prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related Interpretations in accounting for its stock-based compensation.

Disclosures about Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of these instruments.

Recently Issued Accounting Standards

In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. The adoption of this statement, which becomes effective in 2001, is not expected to have a material impact on the Company's results of operations, financial position or cash flows, or to produce any major changes in current disclosures.

Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101 was released on December 3, 1999 and provides the staff's views in applying generally accepted accounting principles to selected revenue recognition issues. The implementation of SAB 101 did not have a material effect on the Company's results of operations, financial position or cash flows.

In March 2000, The Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation." This pronouncement, which became effective July 1, 2000, clarifies the application of APB 25 for certain stock compensation issues. The application of FASB Interpretation No. 44 in 2000 had no effect on the Company's results of operations, financial position or cash flows.

Estimates Included in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other

Certain amounts in the prior years' financial statements have been reclassified for comparative purposes.

A. Accounting Principle Changes

During the fiscal year ended January 30, 1999, the Company adopted changes in methods of accounting for membership fee revenues and preopening expenses.

The Company had previously recognized membership fee revenues as income when received. Under its current accounting method, the Company recognizes membership fee revenues as income over the life of the membership, which is typically twelve months. The Company recorded a noncash charge of $18,216,000 (after reduction for income taxes of $11,646,000), or $.24 per diluted share, as of the beginning of 1998 to reflect the cumulative effect of this change on prior years.

Prior to 1998, preopening expenses were charged ratably to operations between the date a new club opened and the end of the fiscal year. Upon implementing the provisions of the American Institute of CPA's Statement of Position 98-5, "Reporting on the Costs of Start-up Activities," the Company recognizes club preopening expenses when incurred. The Company recorded a noncash charge of $1,110,000 (after reduction for income taxes of $710,000), or $.01 per diluted share, as of the beginning of 1998 to reflect the cumulative effect of this change on prior years.

B. Spin-off of the Company from Waban Inc. and Related Party Transactions

The Company, which previously had been a wholly owned subsidiary of Waban Inc. ("Waban"), became a separate and independent public entity on July 28, 1997, when Waban distributed to its stockholders on a pro rata basis all of the Company's outstanding common stock (the "spin-off").

Pursuant to the spin-off, the Company and Waban entered into a Tax Sharing Agreement to provide for the payment of taxes and the entitlement to tax refunds for periods prior to the spin-off date. Each party has agreed to indemnify the other in specified circumstances if certain events occurring after July 28, 1997 cause the spin-off or certain related transactions to become taxable.

Since the spin-off, the Company has provided certain services to Waban (which has since changed its name to HomeBase, Inc. ("HomeBase")) at rates negotiated in accordance with a Services Agreement entered into between the Company and HomeBase. The amounts received by the Company for these services were not material.

C. Debt

The Company has a $200 million unsecured credit agreement with a group of

banks which expires July 9, 2002. The agreement includes a $50 million sub-facility for letters of credit, of which $3.4 million was outstanding at February 3, 2001. The Company is required to pay an annual facility fee which is currently 0.10% of the total commitment. Interest on borrowings is payable at the Company's option either at (a) the Eurodollar rate plus a margin which is currently 0.25%, (b) the agent bank's prime rate or (c) a rate determined by competitive bidding. The facility fee and Eurodollar margin are both subject to change based upon the Company's fixed charge coverage ratio. The agreement contains covenants which, among other things, include minimum net worth and fixed charge coverage requirements and a maximum funded debt-to-capital limitation, prohibit the payment of cash dividends on the Company's common stock, and generally limit the cumulative repurchase of the Company's common stock to $50 million plus 50% of net income (as defined by the agreement) earned after January 30, 1998.

The Company also maintains a separate line in the amount of $41 million for letters of credit, primarily to support the purchase of inventories, of which $10.8 million was outstanding at February 3, 2001, and an additional $20 million uncommitted credit line for short-term borrowings.

There were no bank borrowings outstanding at February 3, 2001 and January 29, 2000.

D. Commitments and Contingencies

The Company is obligated under long-term leases for the rental of real estate and fixtures and equipment, some of which are classified as capital leases pursuant to SFAS No. 13. In addition, the Company is generally required to pay insurance, real estate taxes and other operating expenses and, in some cases, additional rentals based on a percentage of sales or increases in the Consumer Price Index. The real estate leases range up to 45 years and have varying renewal options. The fixture and equipment leases range up to 5 years.

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Future minimum lease payments as of February 3, 2001 were:

Fiscal Years Ending	Capital Leases	Operating Leases
	(Dollars in Thousands)	
February 2, 2002	$ 427	$ 81,943
February 1, 2003	449	80,378
January 31, 2004	456	81,961
January 29, 2005	456	81,440
January 28, 2006	456	79,718
Later years	570	864,185
Total minimum lease payments	2,814	$1,269,625
Less amount representing interest	746	
Present value of net minimum capital lease payments	$2,068	

Rental expense under operating leases (including contingent rentals, which

were not material) amounted to $68,906,000, $57,148,000 and $48,226,000 in 2000, 1999 and 1998, respectively.

The Company is involved in various legal proceedings that are typical of a retail business. Although it is not possible to predict the outcome of these proceedings or any related claims, the Company believes that such proceedings or claims will not, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations.

In connection with the spin-off of Waban by The TJX Companies, Inc. ("TJX") in 1989, Waban and TJX entered into an agreement pursuant to which Waban agreed to indemnify TJX against any liabilities that TJX might incur with respect to 42 current HomeBase leases as to which TJX was either a lessee or guarantor. In connection with the spin-off of the Company from Waban in 1997, the Company agreed to indemnify TJX for any liabilities TJX may incur with respect to HomeBase leases through January 31, 2003, and thereafter it will indemnify TJX for 50% of such liabilities. Although HomeBase is primarily liable for these leases, there can be no assurance that HomeBase will be able to make all future payments under these leases. As of February 3, 2001, the Company's maximum undiscounted pre-tax contingent liability under the TJX indemnification agreement was estimated to be approximately $220 to $230 million. As of January 31, 2003, the estimated amount decreases to approximately $130 to $140 million. These amounts include estimated real estate taxes and common area maintenance charges. These estimates do not take into consideration the reduction in the Company's contingent liability that would result from any subleasing of the properties.

E. Capital Stock

On February 4, 1999, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100% stock dividend, which was distributed on March 2, 1999 to stockholders of record on February 16, 1999. The split was effected by reissuing the 803,638 treasury shares held by the Company and issuing 36,098,862 additional shares of common stock on the distribution date. The stock split is recorded in the financial statements for the fiscal year ended January 30, 1999. All historical earnings per share amounts have been restated to reflect the stock split. Reference to stock activity before the distribution of the split has not been restated unless otherwise noted.

The Company has a shareholder rights plan, originally adopted in 1997 and amended in 1999, pursuant to which shareholders are issued one-half of a Right (as adjusted for the two-for-one stock split) for each share of common stock. Each Right entitles the holder to purchase from the Company 1/1000 share of Series A Junior Participating Preferred Stock ("Series A Preferred Stock") at a price of $120. The Company has designated 100,000 shares of Series A Preferred Stock for issuance under the shareholder rights plan; none has been issued to date. Generally, the terms of the Series A Preferred Stock are designed so that 1/1000 share of Series A Preferred Stock is the economic equivalent of one share of the Company's common stock. The Rights are

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exercisable only if a person acquires 20% or more of the Company's common stock or commences a tender offer that would result in such person owning 30% or more of the Company's common stock. In addition, in general, if after a person has become a 20% owner, the Company is involved in a business combination transaction in which it is not the surviving corporation or in connection with which the Company's common stock is changed, or the Company disposes of 50% or more of its assets or earning power, each Right that has not previously been exercised or voided will entitle its holder to purchase that number of shares

of common stock of such other person which equals $120 divided by one-half of the then current market price of such common stock. The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the tenth business day following public announcement that a person has become a 20% owner. The Rights expire on July 10, 2007, unless earlier redeemed or exchanged.

The Company has authorized 20,000,000 shares of preferred stock, $.01 par value, of which no shares have been issued.

In December 1997, one of the Company's subsidiaries issued 126 shares of non-voting preferred stock to individual stockholders at $2,200 per share. These shares are each entitled to receive ongoing annual dividends of $200 per share. The minority interest in this subsidiary is equal to the preferred shares' preference in an involuntary liquidation of $277,200 and is included in other noncurrent liabilities in the Company's consolidated balance sheets at February 3, 2001 and January 29, 2000.

F. Stock Incentive Plans

All references in this footnote to historical awards, outstanding awards and available shares for future grants under the Company's stock incentive plans and related per share amounts reflect the two-for-one stock split distributed on March 2, 1999.

Under its 1997 Stock Incentive Plan, the Company has granted certain key employees options to purchase common stock at prices equal to 100% of market price on the grant date. These options, which expire ten years from the grant date, are generally exercisable 25% per year starting one year after the grant date. The maximum number of shares of common stock issuable under this plan is 5,249,402 shares, plus shares subject to awards granted under the BJ's Wholesale Club, Inc. 1997 Replacement Stock Incentive Plan (the "Replacement Plan") which are not actually issued because such awards expire or are canceled. Under the Replacement Plan, which expired on January 28, 1998, BJ's employees who held Waban stock options and restricted stock were granted replacement BJ's options and restricted stock, which preserved the same inherent value, vesting terms and expiration dates as the Waban awards they replaced in connection with the spin-off.

Under its 1997 Director Stock Option Plan, BJ's external directors are granted options to purchase common stock at prices equal to 100% of market price on the grant date. These options expire ten years from the grant date and are exercisable in three equal annual installments beginning on the first day of the month which includes the first anniversary of the date of grant. A maximum of 300,000 shares may be issued under the 1997 Director Stock Incentive Plan.

As of February 3, 2001 and January 29, 2000, respectively, 1,349,287 and 2,635,708 shares were reserved for future stock awards under the Company's stock incentive plans.

The Company applies APB 25 and related Interpretations in accounting for its stock-based compensation. Total pre-tax compensation cost recognized in the statements of income for stock-based employee compensation awards was $23,000 in 2000, $19,000 in 1999 and $163,000 in 1998 and consisted entirely of restricted stock expense, which is charged to income ratably over the periods during which the restrictions lapse. 2,000 shares of restricted stock were issued during 2000 at a weighted-average grant-date fair value of $37.0625. No restricted stock was issued in 1999. During 1998, 2,000 shares of restricted stock were issued at a weighted-average grant-date fair value of $19.72. No compensation cost has been recognized under APB 25 for the Company's stock options because the exercise price equaled the market price of the underlying

stock on the date of grant.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its stock options under the fair value method of that statement. The fair value for these options was estimated at the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 6.12%, 6.19% and 5.16% in 2000, 1999 and 1998, respectively; volatility factor of the expected market price of the Company's common stock of .42 in 2000 and 1999 and .35 in 1998; and expected life of the options of 5 years in 2000, 1999 and 1998. No dividends were expected. The weighted-average fair value of options granted was $16.21 in 2000, $13.20 in 1999 and $7.21 in 1998.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(Dollars in Thousands except Per Share Amounts)		
Pro forma net income....	$ 126,161	$ 107,617	$ 60,004
Pro forma earnings per share:			
Basic..................	$ 1.73	$ 1.46	$ 0.80
Diluted................	$ 1.70	$ 1.43	$ 0.79

The effects of applying the provisions of SFAS No. 123 for pro forma disclosure are not necessarily representative of the effects on reported net income for future years because options vest over several years and additional awards generally are made each year. In accordance with the transition requirements of SFAS No. 123, the pro forma disclosures above include stock options awarded only after January 28, 1995.

Presented below is a summary of the status of stock option activity and weighted-average exercise prices for the last three fiscal years (number of options in thousands):

Fiscal Year Ended

	February 3, 2001		January 29, 2000		January 30, 1999	
	Options	Exercise Price	Options	Exercise Price	Options	Exercise Price
Outstanding, beginning of year....................	5,143	$14.45	5,392	$11.58	4,756	$9.48
Granted..................	1,361	35.21	699	28.51	1,181	18.19
Exercised................	(1,006)	9.60	(929)	8.31	(492)	6.86
Forfeited................	(77)	21.48	(19)	17.11	(53)	13.52
Outstanding, end of year..	5,421	20.47	5,143	14.45	5,392	11.58
Exercisable, end of year..	2,757	12.69	2,914	10.08	2,750	8.35

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Additional information related to stock options outstanding at February 3, 2001 is presented below (number of options in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (yrs.)	Number Exercisable	Weighted-Average Exercise Price
$ 5.37 - $ 9.45...	1,091	$ 7.96	4.2	1,091	$ 7.96
$10.22 - $15.06...	1,308	13.25	5.9	1,060	12.83
$18.16 - $27.94...	1,104	18.55	7.6	471	18.44
$29.75 - $37.06...	1,918	33.62	9.3	135	29.75
$ 5.37 - $37.06...	5,421	20.47	7.1	2,757	12.69

G. Earnings Per Share

The following details the calculation of earnings per share for the last three fiscal years:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(Dollars in Thousands except Per Share Amounts)		
Income before cumulative effect of accounting principle changes......................	$ 131,501	$ 111,149	$ 81,805

Less: Preferred stock dividends	25	25	25
Income available to common stockholders	$ 131,476	$ 111,124	$ 81,780
Weighted-average number of common shares outstanding, used for basic computation	72,870,668	73,657,016	74,804,538
Plus: Incremental shares from assumed conversion of stock options	1,509,876	1,734,473	1,291,338
Weighted-average number of common and dilutive potential common shares outstanding	74,380,544	75,391,489	76,095,876
Basic earnings per share	$ 1.80	$ 1.51	$ 1.09
Diluted earnings per share	$ 1.77	$ 1.47	$ 1.07

Options to purchase 942,800 shares at an exercise price of $37.06 and 589,700 shares at an exercise price of $29.75 were outstanding at February 3, 2001 and January 29, 2000, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares during the years then ended.

H. Income Taxes

The provision for income taxes includes the following:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(Dollars in Thousands)		
Federal:			
Current	$73,526	$57,153	$41,696
Deferred	(1,094)	1,684	1,872
State:			
Current	10,945	10,592	9,326
Deferred	(1,055)	742	70
Total income tax provision	$82,322	$70,171	$52,964

The following is a reconciliation of the statutory federal income tax rates and the effective income tax rates:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
Statutory federal income tax rates.....	35%	35%	35%
State income taxes, net of federal tax benefit..............................	4	4	4
Effective income tax rates............	39%	39%	39%

Significant components of the Company's deferred tax assets and liabilities as of February 3, 2001 and January 29, 2000 are as follows:

	February 3, 2001	January 29, 2000
	(Dollars in Thousands)	
Deferred tax assets:		
Self-insurance reserves..........................	$13,004	$12,122
Rental step liabilities..........................	5,208	4,770
Compensation and benefits........................	6,354	5,519
Other..	5,885	4,268
Total deferred tax assets.......................	30,451	26,679
Deferred tax liabilities:		
Accelerated depreciation - property...............	26,096	24,267
Real estate taxes................................	2,210	2,047
Other..	2,363	2,732
Total deferred tax liabilities..................	30,669	29,046
Net deferred tax (liabilities)......................	$ (218)	$(2,367)

The Company has not established a valuation allowance because its deferred tax assets can be realized by offsetting deferred tax liabilities and future taxable income, which management believes will more likely than not be earned, based on the Company's historical earnings record.

I. Pensions

The Company participated in the Waban Inc. Retirement Plan, a non-contributory defined benefit retirement plan covering full-time employees who had attained twenty-one years of age and had completed one

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year of service. Effective July 26, 1997, this plan was terminated. The Company recorded a pre-tax charge applicable to its participants of $1,521,000 in 1998 when the plan was settled through lump-sum cash payments and through the purchase of nonparticipating annuity contracts.

Under the Company's 401(k) Savings plans, participating employees may make pre-tax contributions up to 15% of covered compensation. The Company matches employee contributions at 100% of the first one percent of covered compensation and 50% of the next four percent. The Company's expense under these plans was $3,166,000, $2,657,000 and $2,471,000 in 2000, 1999 and 1998, respectively.

The Company has a non-contributory defined contribution retirement plan for certain key employees. Under this plan, the Company funds annual retirement contributions for the designated participants on an after-tax basis. For the last three years, the Company's contributions equaled 5% of the participants' base salary. Participants become fully vested in their contribution accounts at the end of the fiscal year in which they complete four years of service. The Company's pre-tax expense under this plan was $990,000, $856,000 and $718,000 in 2000, 1999 and 1998, respectively.

J. Postretirement Medical Benefits

The Company has a defined benefit postretirement medical plan which covers employees and their spouses who retire after age 55 with at least 10 years of service, who are not eligible for Medicare, and who participated in a Company-sponsored medical plan. Amounts contributed by retired employees under this plan are based on years of service prior to retirement. The plan is not funded.

Net periodic postretirement medical benefit cost included the following components:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(Dollars in Thousands)		
Service cost	$185	$165	$147
Interest cost	67	62	50
Amortization of unrecognized (gain) loss	(6)	8	6
Net periodic postretirement benefit cost	$246	$235	$203
Discount rate used to determine cost	7.75%	6.25%	6.75%

The following table sets forth the funded status of the Company's postretirement medical plan and the amount recognized in the balance sheets at February 3, 2001 and January 29, 2000:

	February 3, 2001	January 29, 2000
	(Dollars in Thousands)	
Unfunded accumulated postretirement benefit obligation (APBO)	$1,309	$1,081
Unrecognized net loss	(35)	(50)
Accrued postretirement benefit cost included in		

balance sheets	$1,274	$1,031
Discount rate used to value APBO	7.00 %	7.75 %
Weighted-average health care cost trend rate for valuing year-end obligations:		
Initial trend rate	11.00 %	7.00 %
Ultimate trend rate	5.00 %	5.00 %
Year ultimate trend rate to be attained	2003	2003

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The following tables present reconciliations of the APBO and plan assets for the fiscal years ended February 3, 2001 and January 29, 2000:

	Fiscal Year Ended	
	February 3, 2001	January 29, 2000
	(Dollars in Thousands)	
Reconciliation of APBO:		
APBO at beginning of year	$1,081	$ 979
Service cost	185	165
Interest cost	67	62
Contributions by plan participants	8	6
Actuarial (gains)	(21)	(121)
Benefits paid	(11)	(10)
APBO at end of year	$1,309	$1,081
Reconciliation of plan assets:		
Fair value of plan assets at beginning of year	$ --	$ --
Employer contributions	3	4
Contributions by plan participants	8	6
Benefits paid	(11)	(10)
Fair value of plan assets at end of year	$ --	$ --

The following table sets forth the impact of changes in the assumed health care cost trend rates for the fiscal year ended February 3, 2001:

	Dollars in Thousands
Impact of 1% increase in health care cost trend on:	
Aggregate of service and interest costs	$ 30
APBO at end of year	142
Impact of 1% decrease in health care cost trend on:	
Aggregate of service and interest costs	$ (27)
APBO at end of year	(127)

K. Interest

The following details the components of interest income, net for the last three fiscal years:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(Dollars in Thousands)		
Interest income	$6,028	$4,045	$1,404
Capitalized interest	454	302	657
Interest expense on debt	(302)	(317)	(842)
Interest expense on capital leases	(225)	(245)	(263)
Interest income, net	$5,955	$3,785	$ 956

L. Accrued Expenses and Other Current Liabilities

The major components of accrued expenses and other current liabilities are as follows:

	February 3, 2001	January 29, 2000
	(Dollars in Thousands)	
Employee compensation	$ 26,191	$ 26,617
Deferred membership fee income	47,368	40,632
Sales and use taxes, self-insurance reserves, rent, utilities, advertising and other	73,977	70,392
	$147,536	$137,641

The following table summarizes membership fee activity for each of the last three fiscal years:

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(Dollars in Thousands)		
Deferred membership fee income, beginning of year	$ 40,632	$ 35,246	$ --

Cumulative effect of accounting principle changes	--	--	29,862
Cash received from members	98,048	84,648	70,857
Revenue recognized in earnings	(91,312)	(79,262)	(65,473)
Deferred membership fee income, end of year	$ 47,368	$ 40,632	$ 35,246

M. Selected Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(b)
	(Dollars in Thousands except Per Share Amounts)			
Fiscal year ended February 3, 2001:				
Net sales	$1,021,073	$1,177,253	$1,151,506	$1,478,441
Total revenues	1,045,686	1,202,228	1,178,153	1,506,028
Gross earnings(a)	107,776	131,266	128,955	187,647
Net income	18,094	31,220	27,391	54,796
Per common share, diluted	0.24	0.42	0.37	0.74
Fiscal year ended January 29, 2000:				
Net sales	$ 858,761	$1,015,039	$ 990,638	$1,251,387
Total revenues	879,724	1,036,916	1,013,974	1,275,633
Gross earnings(a)	92,794	114,236	113,591	159,988
Net income	14,370	25,784	23,334	47,661
Per common share, diluted	0.19	0.34	0.31	0.63

(a) Gross earnings equals total revenues less cost of sales, including buying and occupancy costs.

(b) The fourth quarter of the fiscal year ended February 3, 2001 included 14 weeks.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of BJ's Wholesale Club, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of BJ's Wholesale Club, Inc. and its subsidiaries at February 3, 2001 and January 29, 2000, and the results of their operations and their cash flows for each of the three years in the period ended February 3, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A to the consolidated financial statements, the Company changed its methods of accounting for membership fee revenue and preopening expenses during the year ended January 30, 1999.

PricewaterhouseCoopers LLP

/s/PricewaterhouseCoopers LLP
Boston, Massachusetts
March 5, 2001

REPORT OF MANAGEMENT

The financial statements and related financial information in this annual report have been prepared by and are the responsibility of management. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts which are based upon judgments and estimates made by management.

The Company maintains a system of internal controls designed to provide, at appropriate cost, reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and the accounting records may be relied upon for the preparation of financial statements. The accounting and control systems are continually reviewed by management and modified as necessary in response to changing business conditions and the recommendations of the Company's internal auditors and independent public accountants.

The Audit Committee, comprised of members of the Board of Directors who are neither officers nor employees, meets periodically with management, the internal auditors and the independent public accountants to review matters relating to the Company's financial reporting, the adequacy of internal accounting control and the scope and results of audit work. The internal auditors and the independent public accountants have free access to the Committee.

The financial statements have been audited by PricewaterhouseCoopers LLP, whose opinion as to their fair presentation in accordance with accounting principles generally accepted in the United States of America appears above.

John J. Nugent	Frank D. Forward
/s/ John J. Nugent	/s/ Frank Forward
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

March 5, 2001

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company will file with the Securities and Exchange Commission a definitive Proxy Statement no later than 120 days after the close of its fiscal year ended February 3, 2001 (the "Proxy Statement"). The information required by this Item and not given in Item 4A, Executive Officers of the Registrant, is incorporated by reference from the Proxy Statement under "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the Proxy Statement under "Compensation of Directors" and "Executive Compensation." However, information under "Executive Compensation Committee's Report on Executive Compensation" in this Proxy Statement is not so incorporated.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference from the Proxy Statement under "Beneficial Ownership of Common Stock."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference from the Proxy Statement under "Relationship with HomeBase; Conflicts of Interest."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. The Financial Statements filed as part of this report are listed and indexed on page 17. Schedules have been omitted because they are not applicable or the required information has been included elsewhere in this report.

B. Listed below are all Exhibits filed as part of this report.

EXHIBIT NO.	Exhibit
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	Amended and Restated By-Laws (8)
4.1	Rights Agreement, dated as of July 10, 1997, between the Company and First Chicago Trust Company of New York (2)
4.1a	Amendment dated as of February 4, 1999 to Rights Agreement dated July 10, 1997 (7)
4.2	Specimen Certificate of Common Stock, $.01 par value per share (5)
10.1	Separation and Distribution Agreement, dated as of July 10, 1997 between the Company and Waban Inc. (3)
10.2	Services Agreement, dated as of July 28, 1997, between the Company and Waban Inc. (3)
10.3	Tax Sharing Agreement, dated as of July 28, 1997, between the Company and Waban Inc. (3)
10.4	Employee Benefits Agreement, dated as of July 28, 1997, between the Company and Waban Inc. (3)

10.5 BJ's Wholesale Club, Inc. Management Incentive Plan* (4)
10.6 BJ's Wholesale Club, Inc. Growth Incentive Plan* (4)
10.7 BJ's Wholesale Club, Inc. 1997 Director Stock Option Plan, as amended* (10)
10.8 BJ's Wholesale Club, Inc. Executive Retirement Plan, as amended* (11)
10.9 BJ's Wholesale Club, Inc. 1997 Replacement Stock Incentive Plan* (4)
10.10 BJ's Wholesale Club, Inc. 1997 Stock Incentive Plan, as amended* (9)

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10.11 BJ's Wholesale Club, Inc. General Deferred Compensation Plan* (4)
10.12 Employment Agreement, dated as of July 28, 1997 with Herbert J. Zarkin* (4)
10.12a Amendment effective September 14, 2000 to July 28, 1997 Employment Agreement with Herbert J. Zarkin* (12)
10.13 Employment Agreement, dated as of July 28, 1997 with John J. Nugent* (4)
10.13a Amended and Restated Change of Control Severance Agreement between the Company and John J. Nugent* (10)
10.14 Employment Agreement, dated as of July 28, 1997 with Frank D. Forward* (4)
10.15 Employment Agreement, dated as of July 28, 1997 with Michael T. Wedge* (4)
10.16 Employment Agreement, dated as of July 28, 1997 with Laura J. Sen* (4)
10.17 Employment Agreement, dated as of July 28, 1997 with Sarah M. Gallivan* (4)
10.18 Amended and Restated Form of Change of Control Severance Agreement between the Company and officers of the Company* (10)
10.19 Form of Indemnification Agreement between the Company and officers of the Company* (4)
10.20 BJ's Wholesale Club, Inc. Change of Control Severance Benefit Plan for Key Employees, as amended* (11)
10.21 Credit Agreement, dated July 9, 1997, among the Company and certain banks (4)
10.21a First Amendment dated as of December 19, 1997 to Credit Agreement dated July 9, 1997 (6)
10.21b Second Amendment dated as of September 21, 1999 to Credit Agreement dated July 9, 1997 (10)
10.22 Indemnification Agreement, dated as of April 18, 1997, between the Company and The TJX Companies, Inc. (5)
21.0 Subsidiaries of the Company
23.0 Consent of Independent Accountants

*Management contract or other compensatory plan or arrangement.

(1) Incorporated herein by reference to the Company's Registration Statement on Form S-8,(Commission File No. 333-31015)

(2) Incorporated herein by reference to the Company's Registration Statement on Form 8-A, dated July 10, 1997 (Commission File No. 001-13143)

(3) Incorporated herein by reference to the Current Report on Form 8-K, dated July 28, 1997, of HomeBase, Inc. (Commission File No. 001-10259)

(4) Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 26, 1997 (Commission File No. 001-13143)

(5) Incorporated herein by reference to the Company's Registration Statement on Form S-1 (Commission File No. 333-25511)

(6) Incorporated herein by reference to the Company's Annual Report on Form

10-K for the fiscal year ended January 31, 1998 (Commission file No. 001-13143)

(7) Incorporated herein by reference to the Company's Amendment No. 1 to Registration Statement on Form 8-A/A, dated March 5, 1999 (Commission File No. 001-13143)

(8) Incorporated herein by reference to the Company's Current Report on Form 8-K, dated as of April 7, 1999 (Commission File No. 001-13143)

(9) Incorporated herein by reference to the Company's Definitive Schedule 14A filed April 23, 1999 (Commission File No. 001-13143)

(10) Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 30, 1999 (Commission File No. 001-13143)

(11) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000 (Commission File No. 001-13143)

(12) Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 28, 2000 (Commission File No. 001-13143)

C. The Registrant did not file any reports on Form 8-K during the last quarter of the period covered by this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BJ'S WHOLESALE CLUB, INC.

Dated: April 18, 2001

/s/ JOHN J. NUGENT

John J. Nugent
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ JOHN J. NUGENT

John J. Nugent, President
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ HERBERT J. ZARKIN

Herbert J. Zarkin, Chairman
of the Board and Director

/s/ FRANK D. FORWARD	/s/ S. JAMES COPPERSMITH
Frank D. Forward, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	S. James Coppersmith, Director
/s/ RONALD R. DION	/s/ KERRY L. HAMILTON
Ronald R. Dion, Director	Kerry L. Hamilton, Director
/s/ BERT N. MITCHELL	/s/ THOMAS J. SHIELDS
Bert N. Mitchell, Director	Thomas J. Shields, Director
/s/ LORNE R. WAXLAX	/s/ EDWARD J. WEISBERGER
Lorne R. Waxlax, Director	Edward J. Weisberger, Director

Dated: April 18, 2001