BON TON STORES INC

FORM 10-K
(Annual Report)

Filed 5/2/2002 For Period Ending 2/2/2002

Address	2801 E MARKET ST
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Telephone	717-757-7660
CIK	0000878079
Industry	Retail (Department & Discount)
Sector	Services
Fiscal Year	01/31

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended February 2, 2002	Commission File Number 0-19517

THE BON-TON STORES, INC.

2801 EAST MARKET STREET
YORK, PENNSYLVANIA 17402
(717) 757-7660

INCORPORATED IN PENNSYLVANIA IRS NO. 23-2835229

Securities registered pursuant to Section 12(b) of the Act:	None
Securities registered pursuant to Section 12(g) of the Act:	Common Stock, $.01 par value

The Registrant 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 and has been subject to such filing requirements for the past 90 days.

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in Registrant's proxy statement incorporated by reference in Part III of this Form 10-K.

As of April 5, 2002, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $38,671,578, based upon the closing price of $4.40 per share.*

As of April 5, 2002, there were 12,472,456 shares of Common Stock, $.01 par value, and 2,989,853 shares of Class A Common Stock, $.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part II - Portions of the 2001 Annual Report to security holders ("Annual Report").

Part III - Portions of the Proxy Statement for the 2002 Annual Meeting of Shareholders ("Proxy Statement").

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* Calculated by excluding all shares that may be deemed to be beneficially owned by executive officers and directors of the Registrant, without conceding that all such persons are "affiliates" of the Registrant for purposes of the federal securities laws.

References to a year in this Form 10-K refer to The Bon-Ton's fiscal year, which is the 52 or 53 week period ending on the Saturday nearer January 31 of the following calendar year (e.g., a reference to 2001 is a reference to the fiscal year ended February 2, 2002).

PART I

ITEM 1. BUSINESS.

GENERAL

The Bon-Ton Stores, Inc., together with its subsidiaries, is the successor to S. Grumbacher & Son, a family business founded in 1898, and operates quality fashion department stores offering moderate and better apparel, home furnishings, cosmetics, accessories and shoes. In many of its markets, The Bon-Ton is the primary destination for branded fashion merchandise such as Calvin Klein, Liz Claiborne, Nautica, Ralph Lauren and Tommy Hilfiger. We presently operate 73 stores in secondary markets - 36 stores in Pennsylvania, 26 stores in New York, three stores in each of New Jersey and Maryland and one store in each of Connecticut, New Hampshire, Massachusetts, Vermont and West Virginia. Our strategy focuses on being the premier fashion apparel retailer in markets that demand, but often have limited access to, better branded merchandise.

The Bon-Ton's executive offices are located at 2801 East Market Street, York, Pennsylvania.

MERCHANDISING

The Bon-Ton stores offer moderate and better fashion apparel, home furnishings, cosmetics, accessories, shoes and other items. Sales of apparel constituted 60.7% of sales in 2001. The following chart illustrates sales by product category for 2001, 2000 and 1999:

MERCHANDISE CATEGORY	2001	2000	1999
Women's clothing	27.5%	27.6%	27.2%
Men's clothing	16.5	18.0	18.0
Home	14.5	13.5	13.6
Cosmetics	11.1	10.9	10.5
Accessories	7.9	7.9	7.8
Children's clothing	6.8	6.9	7.1
Shoes	5.8	5.3	5.8
Intimate apparel	5.0	5.2	5.2
Junior's clothing	4.9	4.7	4.8
Total	100.0%	100.0%	100.0%

We carry a number of highly recognized brand names, including Calvin Klein, Cole-Haan, Estee Lauder, Jones New York, Liz Claiborne, Nautica, Nine West, Ralph Lauren and Tommy Hilfiger, and within these brands choose collections which balance fashion, price and selection.

We depend on our relationships with our key vendors and our ability to purchase branded merchandise from them at competitive prices. If we lose the support of these vendors, it could have a material adverse effect on The Bon-Ton.

Complementing branded merchandise, our private brand merchandise provides fashion at competitive pricing under names such as Andrea Viccaro, Jenny Buchanan, Madison & Max and Zigg's. We view this private brand merchandise as a strategic addition to our strong array of highly recognized, quality national brands and as an opportunity to increase brand exclusiveness, customer loyalty and competitive differentiation. Private brand merchandise represented approximately 9.8% of 2001 sales excluding leased department sales.

Our business, like that of most retailers, is subject to seasonal fluctuations, with the major portion of sales and income realized during the latter half of each year, which includes the back-to-school and holiday seasons.

MARKETING

We attract customers by offering services such as free gift wrap and special order capability. In addition, through our "Certified Value" program, we maintain everyday value prices on staple items such as turtlenecks, T-shirts, shorts and denim within major product groups.

Our advertising and promotional programs are conducted through newspaper advertisements, direct mail and, to a lesser extent, local television and radio. We maintain an in-house advertising group that produces substantially all our print advertising.

MANAGEMENT INFORMATION AND CONTROL SYSTEM

We are continuing to enhance our management information and control system in order to expedite the flow of merchandise through the distribution centers. This should provide improved productivity, lower labor costs and better in-stock availability. We also installed an updated price change system.

CUSTOMER CREDIT

Our customers may pay for their purchases with The Bon-Ton proprietary credit card, Visa, Mastercard, cash or check.

The Bon-Ton credit card holders generally constitute our most loyal and active customers; during 2001, the average dollar amount for proprietary credit card purchases substantially exceeded the average dollar amount for cash purchases. We believe our credit card is a particularly productive tool for customer segmentation and target marketing.

The following table summarizes the percentage of total sales generated by payment type:

TYPE OF PAYMENT

	2001	2000	1999
Bon-Ton credit card	52%	48%	47%
Visa, Mastercard	24	26	25
Cash or check	24	26	28
Total	100%	100%	100%

Sales on The Bon-Ton's proprietary credit card represent a significant portion of our business. Deterioration in the quality of these accounts receivable because customers fail to pay on time or at all, or any adverse changes in laws regulating the granting or servicing of credit, could have a material adverse effect on our business and financial condition.

COMPETITION

We face competition for customers from traditional department stores such as those operated by J.C. Penney Company, Inc., Federated Department Stores Inc., The May Department Stores Company, Kohl's Corporation and Sears, Roebuck and Co.; from regional department stores such as Boscov's Department Store, Inc.; from specialty stores; and, to a lesser extent, catalogue and internet retailers. In a number of our markets, we compete with national department store chains which are better established, and in other markets we face potential competition from national chains that have not yet entered such markets. In all markets, we generally compete for customers with department stores offering moderately priced goods. Many of our competitors have substantially greater financial and other resources than The Bon-Ton, and some of our competitors have greater leverage with vendors, which may allow such competitors to obtain merchandise more easily or on better terms. In several of our markets, we compete with department stores which have a larger store or a better location in the market.

We believe we compare favorably with our competitors with respect to quality, depth and breadth of merchandise, prices for comparable quality merchandise, customer service and store environment. We also believe our knowledge of secondary markets, developed over many years of operation, gives us a competitive advantage as we focus on secondary markets as our primary area of operation.

ASSOCIATES

As of February 2, 2002, we had approximately 3,600 full-time and 5,100 part-time associates. We employ additional part-time associates during peak periods. None of our associates are represented by a labor union. We believe that our relationship with our associates is good.

EXECUTIVE OFFICERS

The Executive Officers of the Company are:

NAME	AGE	POSITION
Tim Grumbacher	62	Chairman of the Board and Chief Executive Officer
James H. Baireuther	55	Vice Chairman and Chief Administrative Officer and Director
Frank Tworecke	55	Vice Chairman and Chief Merchandising Officer and Director
Lynn C. Derry	46	Senior Vice President - General Merchandise Manager
John S. Farrell	56	Senior Vice President - Stores
Robert A. Geisenberger	41	Senior Vice President - General Merchandise Manager
William T. Harmon	47	Senior Vice President - Sales Promotion and Marketing
Patrick J. McIntyre	57	Senior Vice President - Chief Information Officer
Jeffrey D. Moore	35	Senior Vice President - General Merchandise Manager
Keith E. Plowman	44	Senior Vice President - Finance
Ryan J. Sattler	57	Senior Vice President - Human Resources and Operations

Mr. Grumbacher has been Chairman of the Board for more than five years, and has served as Chief Executive Officer since June 2000.

Mr. Baireuther has been Vice Chairman and Chief Administrative Officer since September 2001. From February 2000 to September 2001, he was Executive Vice President - Chief Financial Officer, and for more than three years prior to that time he was Senior Vice President - Chief Financial Officer.

Mr. Tworecke joined the Company in November 1999 as Vice Chairman and Chief Merchandising Officer and a Director. From January 1996 until November 1999, he was President and Chief Operating Officer of Jos. A. Bank Clothiers.

Ms. Derry was appointed Senior Vice President - General Merchandise Manager in February 2001. For more than four years prior to that time, Ms. Derry was a Divisional Merchandise Manager for The Bon-Ton.

Mr. Farrell was appointed Senior Vice President - Stores in June 2000. For more than four years prior to that time, Mr. Farrell was Vice President - Stores for The Bon-Ton.

Mr. Geisenberger was appointed Senior Vice President - General Merchandise Manager in July 2000. For more than four years prior to that time, Mr. Geisenberger was a Divisional Merchandise Manager for The Bon-Ton.

Mr. Harmon joined the Company as Senior Vice President - Sales Promotion, Marketing and Strategic Planning in June 1997. From 1989 to 1997, Mr. Harmon was with The May Department Stores Company, serving in various executive positions.

Mr. McIntyre joined The Bon-Ton as Senior Vice President - Chief Information Officer in June 1997. From 1988 to June 1997, Mr. McIntyre was Senior Vice President - Chief Information Officer for the Cato Corporation, a women's specialty retailer.

Mr. Moore was appointed Senior Vice President - General Merchandise Manager in February 2001. He joined the Company as Vice President - Divisional Merchandise Manager in July 1998. From July 1990 to 1998, Mr. Moore was with Lord & Taylor, most recently as the divisional merchandise manager for men's clothing and furnishings.

Mr. Plowman was appointed Senior Vice President - Finance in September 2001. From May 1999 to September 2001, he was Vice President - Controller, and from August 1997 to May 1999 he was Divisional Vice President - Controller. Prior to that, he was controller for the York Group, Inc., a manufacturing concern.

Mr. Sattler was appointed Senior Vice President - Human Resources and Operations in June 2000. For more than four years prior to that time, Mr. Sattler was Senior Vice President - Operations.

CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING INFORMATION

The Company and its representatives may, from time to time, make written or verbal forward-looking statements. Those statements relate to developments, results, conditions or other events the Company expects or anticipates will occur in the future. Without limiting the foregoing, those statements may relate to future revenues, earnings, store openings, market conditions and the competitive environment. Forward-looking statements are based on management's then-current views and assumptions and, as a result, are subject to risks and uncertainties that could cause actual results to differ materially from those projected.

All forward-looking statements are qualified by the following which contain several of the important factors that could cause actual results to differ materially from those predicted by the forward-looking statements:

Competitive Pressures

Our retail business is highly competitive. We compete for customers, employees, locations, products, services and other important items necessary for the successful operation of our business with local, regional and national retailers. Those competitors, some of which have greater financial and other resources than those of the Company, include department stores, specialty apparel stores, outlet stores, discount stores, general and mass merchandisers, mail-order and electronic commerce retailers, and other forms of retail commerce.

Customer Trends

It is difficult to predict what merchandise consumers will want. A substantial part of our business is dependent on our ability to make correct trend decisions for a wide variety of goods and services. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions could adversely affect short-term results and long-term relationships with our customers.

Credit Operations

Sales of merchandise and services are facilitated by the Company's credit card operations. These credit card operations also generate additional revenue from fees related to extending credit. Our ability to extend credit to our customers depends on many factors, including compliance with federal and state laws which may change from time to time. In addition, changes in credit card use, payment patterns and default rates may result from a variety of economic, legal, social and other factors that we cannot control or predict with certainty. Changes that adversely affect our ability to extend credit and collect payments could negatively affect our results and financial condition.

General Economic Conditions

General economic factors that are beyond our control influence the Company's forecasts and directly affect performance. These factors include interest rates, recession, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends and other matters that influence consumer confidence and spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

Product Sourcing

The products we sell are sourced from a wide variety of domestic and international vendors. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge which is typically even more difficult with respect to goods sourced outside of the United

States. Trade restrictions, tariffs, currency exchange rates, transport capacity and costs, and other factors significant to this trade are beyond our control and could adversely affect our business.

Advertising and Marketing Programs

The Company spends extensively on advertising and marketing. Our business depends on high customer traffic in our stores and effective marketing. If our advertising and marketing efforts are not effective, this could negatively affect our results.

Inventory Control

The Company's merchants focus on inventory levels and balance these levels with plans and trends. Excess inventories could result in significant markdowns, which could adversely affect our results.

Cost Containment

The Company's performance depends on appropriate management of its expense structure, including its selling, general and administrative costs. The Company is continuously focused on reducing expenses as a percent of sales. The Company's failure to meet its expense budget or to appropriately reduce expenses during a weak sales season could adversely affect our results.

Other Factors

Other factors that could cause actual results to differ materially from those predicted include: weather, changes in the availability or cost of capital, the availability of suitable new store locations on acceptable terms, shifts in seasonality of shopping patterns, work interruptions, the effect of excess retail capacity in our markets, material acquisitions or dispositions, or adverse results in material litigation.

The foregoing list of important factors is not exclusive, and the Company does not undertake to revise any forward-looking statement to reflect events or circumstances that occur after the date the statement is made.

ITEM 2. PROPERTIES.

Our stores, which all operate under "The Bon-Ton" name, vary in size from approximately 33,000 to 160,000 square feet.

The following table sets forth the number of stores at the beginning and end of each of the last five years:

Fiscal Year	2001	2000	1999	1998	1997
Number of stores:					
Beginning of year	73	72	65	64	64
Additions	0	1	7	2	0
Closings	0	0	0	(1)	0
End of year	73	73	72	65	64

We plan to maintain our growth by expanding and upgrading existing stores and by opening new stores. In addition, we will consider acquisitions of department store companies or their real estate assets if and when such opportunities arise. Our market positioning strategy has been to locate new stores, or acquire existing companies or their stores, in secondary markets generally within or contiguous to existing areas of operation.

The following table provides certain information regarding our store properties:

MARKET	LOCATION	APPROXIMATE SQUARE FOOTAGE	YEAR OPENED OR ACQUIRED
PENNSYLVANIA			
Allentown	South Mall	101,800	1994
Bethlehem	Westgate Mall	102,000	1994
Bloomsburg	Columbia Mall	46,100	1988
Butler	Clearview Mall	100,800	1982
Carlisle	Carlisle Plaza Mall	59,900	1977
Chambersburg	Chambersburg Mall	55,600	1985
Doylestown	Doylestown Shopping Center	55,500	1994
Easton	Palmer Park Mall	115,100	1994
Greensburg	Westmoreland Mall	100,000	1987
Hanover	North Hanover Mall	67,600	1971
Harrisburg	Capital City Commons	141,200	1987
	Colonial Park Shopping Center	136,500	1987
Indiana	Indiana Mall	60,400	1979
Johnstown	The Galleria	80,900	1992
Lancaster	Park City Center	144,800	1992
Lebanon	Lebanon Plaza Mall	53,700	1994
Lewistown	Central Business District	46,700	1972
Oil City	Cranberry Mall	45,200	1982
Pottstown	Coventry Mall	88,300	1999
Pottsville	Schuylkill Mall	61,100	1987
Quakertown	Richland Mall	88,100	1994
Reading	Berkshire Mall	159,400	1987
Scranton	The Mall at Steamtown	102,500	2000
State College	Nittany Mall	70,200	1994
Stroudsburg	Stroud Mall	87,000	1994
Sunbury	Susquehanna Valley Mall	90,000	1978
Trexlertown	Trexler Mall	54,000	1994
Uniontown	Uniontown Mall	71,000	1976
Warren	Warren Mall	50,000	1980

MARKET	LOCATION	APPROXIMATE SQUARE FOOTAGE	YEAR OPENED OR ACQUIRED
Washington	Crown Washington Center	78,100	1987
Williamsport	Lycoming Mall	60,900	1986
Wilkes-Barre	Midway Shopping Center	66,000	1987
	Wyoming Valley Mall	159,500	1987
York	York Galleria	132,000	1989
	Queensgate Shopping Center	85,100	1962
	West Manchester Mall	80,200	1981
NEW YORK			
Binghamton	Oakdale Mall	80,000	1981
Buffalo	Northtown Plaza	100,800	1994
	Walden Galleria	150,000	1994
	Eastern Hills Mall	151,200	1994
	McKinley Mall	97,200	1994
	Sheridan/Delaware Plaza	124,100	1994
	Southgate Plaza	100,500	1994
Elmira	Arnot Mall	74,800	1995
Glens Falls	Aviation Mall	80,300	1999
Ithaca	Pyramid Mall	52,400	1991
Jamestown	Chautauqua Mall	59,900	1998
Lockport	Lockport Mall	82,000	1994
Massena	St. Lawrence Centre	51,000	1994
Newburgh	Newburgh Mall	61,800	2000
Niagara Falls	Summit Park Mall	88,100	1994
Olean	Olean Mall	73,000	1994
Rochester	Greece Ridge Center	144,600	1996
	The Marketplace Mall	100,000	1995
	Irondequoit Mall	102,600	1995
	Eastview Mall	120,600	1995
Saratoga Springs	Wilton Mall	71,700	1993
Syracuse	Carousel Center	80,000	1994
	Camillus Mall	64,700	1994
	Great Northern Mall	98,400	1994
	Shoppingtown Mall	70,100	1994
Watertown	Salmon Run Mall	50,200	1992
MARYLAND			
Cumberland	Country Club Mall	60,900	1981
Frederick	Frederick Towne Mall	97,700	1972
Hagerstown	Valley Mall	126,000	1974
NEW JERSEY			
Brick	Brick Plaza	53,500	1999
Phillipsburg	Phillipsburg Mall	65,000	1994
Red Bank	Central Business District	33,300	1999

MARKET	LOCATION	APPROXIMATE SQUARE FOOTAGE	YEAR OPENED OR ACQUIRED
WEST VIRGINIA			
Martinsburg	Martinsburg Mall	65,800	1994
CONNECTICUT			
Hamden	Hamden Mart	58,900	1999
MASSACHUSETTS			
Westfield	Westfield Shops	50,600	1998
NEW HAMPSHIRE			
Concord	Steeplegate Mall	87,700	1999
VERMONT			
S. Burlington	University Mall	60,000	1999

We lease 65 of our stores and own eight stores, two of which are subject to ground leases. We lease a total of 178,600 square feet for our executive and administrative offices in York, Pennsylvania, lease our 143,700 square foot distribution center in York, Pennsylvania, and lease our 326,000 square foot distribution center in Allentown, Pennsylvania.

ITEM 3. LEGAL PROCEEDINGS.

We are a party to legal proceedings and claims which arise during the ordinary course of business. We do not expect the ultimate outcome of all such litigation and claims to have a material adverse effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Common Stock is traded on the Nasdaq Stock Market (symbol: BONT). There is no established public trading market for the Class A Common Stock. The Class A Common Stock is convertible on a share for share basis into Common Stock. The following table sets forth the high and low

sales price of the Common Stock as furnished by Nasdaq:

	2001		2000	
	High	Low	High	Low
1st Quarter	$ 3.50	$ 2.12	$ 4.00	$ 2.28
2nd Quarter	3.16	2.45	2.88	1.75
3rd Quarter	3.00	1.77	2.44	1.69
4th Quarter	3.39	2.25	3.50	1.69

On April 5, 2002, there were approximately 336 shareholders of record of Common Stock and five shareholders of record of Class A Common Stock.

We have not paid cash dividends since our initial public offering in September 1991 and do not anticipate paying cash dividends in the foreseeable future. The Company intends to retain its earnings, if any, for operation and expansion of the business. The payment and rate of future dividends, if any, are subject to the discretion of the Board of Directors and will depend upon earnings, financial condition, capital requirements, contractual restrictions under current indebtedness and other factors. Our revolving credit agreement contains restrictions on our ability to pay dividends and make other distributions.

ITEM 6. SELECTED FINANCIAL DATA.

Item 6 is hereby incorporated by reference to the material under
"Selected Consolidated Financial and Operating Data" on page 20 of our Annual Report, attached hereto as Exhibit 13.1.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Item 7 is hereby incorporated by reference to the material under
"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 21 through 27 of our Annual Report, attached hereto as Exhibit 13.2.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Item 7A is hereby incorporated by reference to the material under
"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 21 through 27 of our Annual Report, attached hereto as Exhibit 13.2.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Item 8 is hereby incorporated by reference to the Report of Independent
Public Accountants, Consolidated Financial Statements and Notes thereto on pages 28 through 46 of our Annual Report,

attached hereto as Exhibit 13.3.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information regarding executive officers is included in Part I under the heading Executive Officers. The remainder of the information called for by this Item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

ITEM 11. EXECUTIVE COMPENSATION.

The information called for by this Item will be contained in our Proxy Statement and is hereby incorporated by reference thereto (other than the information called for by Items 402(k) and (l) of Regulation S-K, which is not incorporated herein by reference).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information called for by this Item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by this Item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

PART IV

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

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements -- See Item 8 above.

2. Consolidated Financial Statement Schedules -- See the Index to Consolidated Financial Statement Schedules on page F-1.

3. The Securities and Exchange Commission allows us to "incorporate by reference" information into this Form 10-K, which means we can disclose important information by referring to another document filed with the Commission. The following are exhibits to this Form 10-K and, if incorporated by reference, we have indicated the document previously filed with the Commission in which the exhibit was included.

	EXHIBIT NO.		DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
	3.1		Articles of Incorporation	Exhibit 3.1 to the Report on Form 8-B, File No. 0-19517 ("Form 8-B")
	3.2		Bylaws	Exhibit 3.2 to Form 8-B
	10.1		Shareholders' Agreement among the Company and the shareholders named therein	Exhibit 10.3 to Amendment No. 2 to the Registration Statement on Form S-1, File No. 33-42142 ("1991 Form S-1")
*	10.2	(a)	Employment Agreement with Michael L. Gleim	Exhibit 10.4 to Form 8-B
*		(b)	First Amendment to Employment Agreement with Michael L. Gleim	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended October 31, 1998
*		(c)	Second Amendment to Employment Agreement with Michael L. Gleim	Exhibit 10.3(c) to the Annual Report on Form 10-K for the fiscal year ended January 29, 2000 ("1999 Form 10-K")
*	10.3	(a)	Employment Agreement with Frank Tworecke	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended October 30, 1999
		(b)	First Amendment to Employment Agreement with Frank Tworecke	
*	10.4		Employment Agreement with James H. Baireuther	
*	10.5		Form of severance agreement with certain executive officers	Exhibit 10.14 to Form 8-B
*	10.6		Supplemental Executive Retirement Plan	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2001
	10.7		Consulting and Noncompetition Agreement Between the Company and Leon D. Starr	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended November 3, 2001
*	10.8		Amended and Restated 1991 Stock Option and Restricted Stock Plan	Exhibit 4.1 to the Registration Statement on Form S-8, File No. 333-36633
*	10.9		2000 Stock Incentive Plan	Exhibit 10.2 to the 7/29/00 10-Q
*	10.10		Phantom Equity Replacement Stock Option Plan	Exhibit 10.18 to the 1991 Form S-1

*	10.11		Management Incentive Plan and Addendum to Management Incentive Plan	Exhibit 10.13 to the Annual Report on Form 10-K for the fiscal year ended February 1, 1997
	10.12	(a)	Sublease of Oil City, Pennsylvania store between the Company and M. Thomas Grumbacher	Exhibit 10.16 to the 1991 Form S-1
		(b)	First Amendment to Oil City, Pennsylvania sublease	Exhibit 10.22 to Amendment No. 1 to the 1991 Form S-1
		(c)	Corporate Guarantee with respect to Oil City, Pennsylvania lease	Exhibit 10.26 to Amendment No. 1 to the 1991 Form S-1
	10.13	(a)	Amended and Restated Receivables Purchase Agreement dated as of January 12, 1995 ("Receivables Purchase Agreement") among The Bon-Ton Receivables Corp., The Bon-Ton Receivables Partnership, L.P., Falcon Asset Securitization Corporation, The First National Bank of Chicago, and the other financial institutions party thereto	Exhibit 10.16(a) to Amendment No. 2 to the 1998 Form S-1
		(b)	Amendment dated as of June 30, 1995 to Receivables Purchase Agreement	Exhibit 10.16(b) to Amendment No. 1 to the 1998 Form S-1
		(c)	Amendment dated as of October 29, 1999 to Receivables Purchase Agreement	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended October 30, 1999
		(d)	Amendment dated as of June 27, 2001 to Receivables Purchase Agreement	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2001
	10.14	(a)	Credit Agreement dated as of April 15, 1997 among the Company, Adam, Meldrum & Anderson Co., Inc., and The Bon-Ton Stores of Lancaster, Inc., the Other Credit Parties Signatory thereto, the Lenders Signatory thereto from time to time, the First National Bank of Boston and General Electric Capital Corporation	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended May 3, 1997
		(b)	First Amendment to Credit Agreement	Exhibit 10.3(b) to the 1998 Form S-1
		(c)	Second Amendment to Credit Agreement	Exhibit 10.3(c) to the 1998 Form S-1
		(d)	Third Amendment to Credit Agreement	Exhibit 10.3(d) to the 1998 Form S-1
		(e)	Fourth Amendment to Credit Agreement	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended October 31, 1998
		(f)	Fifth Amendment to Credit Agreement	Exhibit 10.14(f) to the Annual Report on Form 10-K for the fiscal year ended January 30, 1999
		(g)	Sixth Amendment to Credit Agreement	Exhibit 10.5(g) to the 1999 Form 10-K
		(h)	Seventh Amendment to Credit Agreement	Exhibit 10.1 to the 7/29/00 10-Q

(i) Eighth Amendment to Credit Agreement

13.1 Page 20 of the Annual Report.

13.2 Pages 21 through 27 of the Annual Report.

13.3 Pages 28 through 46 of the Annual Report.

21. Subsidiaries of The Bon-Ton.

23. Consent of Arthur Andersen LLP.

99.1 Letter to the SEC pursuant to Temporary Rule 3T.

* Constitutes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K filed during the fourth quarter.

None

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.

THE BON-TON STORES, INC.

Dated: April 16, 2002

By: /s/ Tim Grumbacher
Tim Grumbacher
Chairman of the Board
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 dates indicated.

Signature	Capacity	Date
/s/ Tim Grumbacher Tim Grumbacher	Chairman of the Board and Chief Executive Officer	April 16, 2002
/s/ James H. Baireuther James H. Baireuther	Vice Chairman, Chief Administrative Officer and Director (principal financial and accounting officer)	April 16, 2002
/s/ Samuel J. Gerson Samuel J. Gerson	Director	April 16, 2002
/s/ Michael L. Gleim Michael L. Gleim	Director	April 16, 2002
/s/ Lawrence J. Ring Lawrence J. Ring	Director	April 16, 2002
/s/ Robert C. Siegel Robert C. Siegel	Director	April 16, 2002
/s/ Leon D. Starr Leon D. Starr	Director	April 16, 2002
/s/ Frank Tworecke Frank Tworecke	Vice Chairman, Chief Merchandising Officer and Director	April 16, 2002
/s/ Leon F. Winbigler Leon F. Winbigler	Director	April 16, 2002
/s/ Thomas W. Wolf Thomas W. Wolf	Director	April 16, 2002

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To The Bon-Ton Stores, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in The Bon-Ton Stores, Inc.'s annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated March 6, 2002. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Philadelphia, PA
March 6, 2002

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS

THE BON-TON STORES, INC. AND SUBSIDIARIES

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS & EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
YEAR ENDED JANUARY 29, 2000:				
Allowances for doubtful accounts and sales returns..........	$ 3,692,000	$ 7,038,000(1)	$ (7,563,000)(2)	$ 3,167,000
Reserve for store closing.............	$ 2,808,000	$(2,492,000)(4)	$ (86,000)(3)	$ 230,000
YEAR ENDED FEBRUARY 3, 2001:				
Allowances for doubtful accounts and sales returns..........	$ 3,167,000	$ 7,797,000(1)	$ (6,919,000)(2)	$ 4,045,000
Reserve for store closing.............	$ 230,000	$ --	$ (140,000)(3)	$ 90,000
YEAR ENDED FEBRUARY 2, 2002:				
Allowances for doubtful accounts and sales returns..........	$ 4,045,000	$ 7,682,000 (1)	$ (8,319,000)(2)	$ 3,408,000
Reserve for store closing.............	$ 90,000	$ --	$ (4,000)(3)	$ 86,000

NOTES:

(1) Provision for merchandise returns and loss on credit sales.

(2) Uncollectible accounts written off, net of recoveries.

(3) Store closing expenses, net of recoveries.

(4) Restructuring income, relating to the lease termination as discussed in Note 16 of the financial statements.

EXHIBIT INDEX

Exhibit	Description
10.3(b)	First Amendment to Employment Agreement with Frank Tworecke.
10.4	Employment Agreement with James H. Baireuther.
10.14(i)	Eighth Amendment to Credit Agreement.
13.1	Page 20 of the Company's Annual Report.
13.2	Pages 21 through 27 of the Company's Annual Report.
13.3	Pages 28 through 46 of the Company's Annual Report.
21.	Subsidiaries of the Registrant.
23.	Consent of Arthur Andersen LLP.
99.1	Letter to SEC pursuant to Temporary Rule 3T.

EXHIBIT 10.3(B)

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment made as of this 10th day of April, 2002 is by and between The Bon-Ton Stores, Inc., a Pennsylvania corporation ("the Company") and Frank Tworecke ("Employee").

W I T N E S S E T H

WHEREAS, Employee is currently employed by the Company pursuant to an Employment Agreement dated November 11, 1999 ("Employment Agreement"); and

WHEREAS, the Company and Employee mutually desire to amend the Employment Agreement and to extend its term;

NOW THEREFORE, in consideration of the facts, mutual promises and covenants contained herein and intending to be legally bound hereby, the Company and Employee hereby agree as follows:

1. Effective March 16, 2001, paragraph 4(a) of the Employment Agreement shall be amended to provide for an increase in Employee's base salary to an annual rate of $475,000.

2. Paragraph 2 of the Employment Agreement is amended to provide that the Employment Agreement shall continue through and terminate on January 29, 2005, unless sooner terminated in accordance with paragraph 13 of the Employment Agreement.

3. Paragraph 9 of the Employment Agreement is superceded in its entirety by the terms and provisions of The Bon-Ton Stores, Inc. Supplemental Executive Retirement Plan.

4. Except as provided in this Amendment, the terms of the Employment Agreement shall remain in effect and Employee shall retain all compensation, benefits and stock options previously granted to him, subject to the vesting schedule set forth in the Employment Agreement.

THE BON-TON STORES, INC.

By: /s/ Tim Grumbacher
Tim Grumbacher
Chief Executive Officer

/s/ Frank Tworecke
Frank Tworecke

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of this 3rd day of February, 2002, by and between THE BON-TON STORES, INC., a Pennsylvania corporation (the "Company"), and JAMES H. BAIREUTHER ("Employee").

W I T N E S S E T H:

In consideration of the mutual promises and covenants contained herein and intending to be legally bound hereby, the Company and Employee agree as follows:

1. Position and Responsibilities.

(a) The Company hereby employs Employee and Employee hereby accepts employment by the Company as the Company's Vice Chairman and Chief Administrative Officer or in a position of comparable status and responsibility. Employee shall have all the duties and responsibilities normally attendant to the position of Vice Chairman and Chief Administrative Officer (or a position of comparable status and responsibility) and shall report directly to the Chief Executive Officer of the Company or such other person as the Company's Board of Directors ("Board") may designate in the absence of the Chief Executive Officer.

(b) Throughout the term of this Agreement, Employee shall devote his entire working time, energy, attention, skill and best efforts to the affairs of the Company and to the performance of his duties hereunder in a manner which will faithfully and diligently further the business and interests of the Company. Employee may not, directly or indirectly, do any work for or on behalf of a competitor or any other company while employed by the Company. However, nothing herein contained shall be deemed to prevent or limit the right of Employee to invest any of his personal funds in less than one percent of the capital stock or other securities of any corporation whose stock or securities are publicly owned or are regularly traded on any public exchange, nor shall this clause be construed as preventing Employee from investing his assets in such other form or manner as will not require any services on the part of Employee in the operation or the affairs of entities in which such investments are made.

(c) Employee shall not obtain goods or services or otherwise deal on behalf of the Company with any business or entity in which Employee or a member of his immediate family has a financial interest or from which Employee or a member of his immediate family may derive a financial benefit as a result of such transaction, except that this prohibition shall not

apply to any public company in which Employee or a member of his immediate family owns less than one percent of the outstanding stock.

2. Term of Agreement. This Agreement, and Employee's employment hereunder, shall commence as of February 3, 2002 (the "Effective Date") and shall continue through and terminate on January 31, 2004, unless sooner terminated in accordance with Paragraph 10 below.

3. Place of Performance. Employee shall be based at the regular executive offices of the Company, except for travel required for Company business. The Company's executive offices currently are located in York, Pennsylvania, but may be relocated at the sole discretion of the Board.

4. Compensation.

(a) Salary. Employee shall receive a base salary at the annual rate of $400,000. This base salary, less taxes and normal deductions, shall be paid to Employee in substantially equal installments in accordance with the Company's regular executive payroll practices in effect from time to time. The annual base salary may be reviewed from time to time during the term of this Agreement by the Compensation Committee of the Board to ascertain whether, in the sole discretion of the Compensation Committee, such base salary should be increased or decreased but in no event will the base salary be less than $400,000 per year.

(b) Bonus. Employee shall be eligible to receive an annual bonus, not to exceed 75% of annual base salary, in accordance with objectives to be determined by the Company. To the extent reasonably possible, the annual bonus shall be computed within 90 days following the close of the Company's fiscal year and paid within 30 days of its computation.

5. Car Allowance. The Company shall pay to Employee $791.67 per month, less taxes and normal deductions, as a car allowance.

6. Insurance.

(a) Life Insurance. Employee shall receive term life insurance coverage equal to two times his base salary not to exceed $650,000, subject to the restrictions, limitations and requirements contained in the insurance agreement(s), provided that he passes the insurance company's required medical examination and is insurable at standard rates.

(b) Medical Insurance. Employee and his eligible dependents shall be eligible to participate in the Company's group medical plans in accordance with the terms of such plans

and, subject to the restrictions and limitations contained in the insurance agreement or agreements.

(c) Medical Allowance. The Company shall pay Employee $191.67 per month, less taxes and normal deductions, as a medical allowance. If Employee pays medical expenses (other than for medical insurance) in excess of $2300.00 in either of the years during the term of this Agreement, the Company shall pay Employee an amount, less taxes and normal deductions, equal to the medical expenses (other than for medical insurance) paid by Employee in excess of $2300.00 up to but not exceeding $8000.00 for such year, upon receipt of proper receipts therefore.

7. Other Benefits. Employee shall be eligible to participate in the Company's profit sharing plan, discount program, vacation plan, long-term disability plan and other benefit and policy programs generally made available to other executives of the Company, subject to their respective eligibility requirements and other terms, conditions and restrictions, except to the extent that such benefits and programs (including, without limitation, severance) are addressed in this Agreement. However, nothing in this Agreement shall preclude the Company from amending or terminating any such insurance, benefit, program or plan so long as the amendment or termination is applicable to the Company's executives generally. Moreover, the Company's obligations under this provision shall not apply to any insurance, benefit, program or plan made available on an individual basis to one or more select executive employees if such insurance, benefit, program or plan is not made available to all executive employees. With respect to Employee's participation in the Company's vacation plan, Employee shall be eligible for four weeks vacation per fiscal year, which vacation entitlement shall be pro-rated in any fiscal year in which Employee does not work the entire fiscal year.

8. Business Expenses. The Company shall pay or reimburse Employee for reasonable entertainment and other expenses incurred by Employee in connection with the performance of Employee's duties under this Agreement upon receipt of vouchers therefore and in accordance with the Company's regular reimbursement procedures and practices in effect from time to time.

9. Disability or Incapacity. If Employee becomes physically or mentally unable to perform his essential duties hereunder, with or without reasonable accommodations, the Company will continue Employee's benefits provided under this Agreement to the extent permitted by the applicable plan documents or insurance agreements and will pay Employee the

difference between his base salary and any benefits received by him under any disability insurance policy during the period of the disability or incapacity for up to the lesser of either 13 weeks following the date Employee is first unable to perform his duties due to such disability or incapacity or for a cumulative period of 26 weeks during the term of this Agreement. In addition, the Company shall continue such benefits and compensation referred to above for so long as the Company elects not to terminate Employee pursuant to Paragraph 10 below.

10. Termination of Employment. Notwithstanding any other provision of this Agreement, Employee's employment and all of the Company's obligations or liabilities under this Agreement may be terminated immediately, excluding any obligations the Company may have under Paragraph 11 below, in any of the following circumstances:

(a) Disability of Incapacity. In the event of Employee's physical or mental inability to perform his essential duties hereunder, with or without reasonable accommodation, for a period of 13 consecutive weeks or for a cumulative period of 26 weeks during the term of this Agreement.

(b) Death of Employee. In the event of Employee's death.

(c) Resignation for Good Reason. Employee may resign for "Good Reason", defined below, upon 30 days' written notice by Employee to the Company except as set forth in paragraph 10(d) below. The Company may waive Employee's obligation to work during this 30 day notice period and terminate his employment immediately, but if the Company takes this action in the absence of agreement by Employee, Employee shall receive the salary which otherwise would be due through the end of the notice period. For purposes of this Agreement, "Good Reason" shall mean a substantial change in Employee's duties and responsibilities requiring Employee to work in a non-senior executive capacity.

(d) Change of Control. In the event of a Change of Control, Employee shall be prohibited from resigning for Good Reason for a period of six months following the Change of Control. For purposes of this Agreement, a Change of Control shall be deemed to occur if:

(i) any "person", as such term is defined under Sections 3(a)(9) and 13(d) of the Exchange Act, who is not an Affiliate of the Company on the date hereof, becomes a "beneficial owner", as such term is used in Rule 13d-3 under the Exchange Act, of a majority of the Company's Voting Stock;

(ii) the Company adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; or

(iii) the Company is party to a merger, consolidation, other form of business combination or a sale of all or substantially all of its assets, unless the business of the Company is continued following any such transaction by a resulting entity (which may be, but need not be, the Company) and the shareholders of the Company immediately prior to such transaction (the "Prior Shareholders") hold, directly or indirectly, a majority of the voting power of the resulting entity.

(e) Discharge for Cause. The Company may discharge Employee at any time for "Cause", which shall include but not be limited to: willful misconduct; fraud; misappropriation; embezzlement; gross negligence; self-dealing; dishonesty; misrepresentation; conflict of interest; conviction of a crime of moral turpitude; material violation of any material Company policy; or breach of any provision of this Agreement (including, without limitation, acceptance of employment with another company or performing work or providing advice to another company, as an employee, consultant or in any other capacity, while still an employee of the Company).

(f) Discharge without Cause. Notwithstanding any other provision of this Agreement, Employee's employment and any and all of the Company's obligations under this Agreement (excluding any obligations the Company may have under Paragraph 11 below) may be terminated by the Company at any time without Cause.

(g) General.

(i) Termination of Employee's employment pursuant to this Paragraph 10 shall release the Company of all of its liabilities and obligations under this Agreement, except as expressly provided under Paragraph 11 below.

(ii) Termination of Employee's employment pursuant to this Paragraph 10 shall not release Employee from Employee's obligations and restrictions under Paragraphs 12 and 13 of this Agreement.

11. Payments Upon Termination.

(a) Discharge Without Cause or Resignation for Good Reason. If Employee is discharged without Cause or resigns for Good Reason:

(i) Employee shall receive base salary (paid in monthly installments) and the medical and term life insurance coverages provided herein (or equivalent) for the greater of the remaining term of this Agreement or one year.

(ii) If Employee has been employed for at least three months in the Company's fiscal year in which the termination of his employment occurs, Employee will receive a prorated portion (based on the number of days employed in the fiscal year) of the bonus which would have been earned by Employee under Paragraph 4(b) above for said fiscal year based on the Company's full year's performance. The bonus, if any, will be paid as soon as practicable after the end of the fiscal year in which the termination occurs.

(iii) Except as set forth above in this Paragraph 11(a) and in Paragraph 16, Employee shall not be eligible for any payments or other benefits upon termination of his employment without Cause or resignation for Good Reason.

(iv) Notwithstanding any other provision of this

Agreement, if the aggregate present value of the "parachute payments" to Employee, determined under Section 280G(b) of the Internal Revenue Code of 1986, as amended (the "Code"), is at least three times the "base amount" determined under such Section 280G, then the compensation otherwise payable under this Agreement and any other amount payable hereunder or pursuant to any other severance plan, program, policy or obligation of the Company or any affiliate thereof shall be reduced so that the aggregate present value of the parachute payments to Employee, determined under such Section 280G, does not exceed 2.99 times the base amount. In no event, however, shall any benefit provided hereunder be reduced to the extent such benefit is specifically excluded by
Section 280G(b) of the Code as a "parachute payment" or as an "excess parachute payment". Any decisions regarding the requirement or implementation of such reductions shall be made by such tax counsel as may be selected by the Company and acceptable to Employee.

(v) Employee's right to commencement and continuation of payments and benefits under Paragraph 11(a)(i)-(ii) shall be contingent upon
(i) execution by Employee at or about the time of termination of his employment of a general release of claims (including without limitation contractual, common law and statutory claims) in a form satisfactory to the Company in favor of the Company and its officers, directors, executives and agents substantially similar in substance to the release attached as Exhibit "A" which he does not revoke; and (ii)

compliance by Employee with all of the terms of this Agreement including without limitation Paragraphs 12 and 13 hereof.

(b) Death or Disability/Incapacity.

(i) On death, Employee's estate's sole entitlement will be to base salary for any days worked prior to his death, amounts payable on account of Employee's death under any insurance or benefit plans or policies maintained by the Company, and any payouts to which he is entitled under the bonus plan then in effect, if any, and the Company's stock option plans in accordance with, to the extent provided in, and subject to the restrictions and payout schedules contained in those plans.

(ii) On termination for disability or incapacity, Employee's sole entitlement will be to base salary for any days worked prior to the date of termination, amounts payable on account of disability or incapacity under any insurance or benefit plans or policies maintained by the Company, and any payouts to which he is entitled under the bonus plan then in effect, if any, and the Company's stock option plans in accordance with, to the extent provided in, and subject to the restrictions and payout schedules contained in those plans.

(c) Discharge for Cause. If Employee is discharged for Cause or resigns without Good Reason, Employee's sole entitlement will be the receipt of base salary for any days worked through the date of termination and any payouts to which he is entitled under the bonus plan then in effect, if any, and the Company's stock option plans in accordance with, to the extent provided in, and subject to the restrictions and payout schedules contained in those plans and this Agreement.

12. Company Property. All advertising, sales, manufacturers' and other materials or articles or information, including without limitation data processing reports, customer sales analyses, invoices, price lists or information or any other materials or data of any kind furnished to Employee by the Company or developed by Employee on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with Employee's employment with the Company, are and shall remain the sole and confidential property of the Company.

13. Non-Competition and Confidentiality. To the maximum extent permissible by law:

(a) During his employment with the Company and for a period equal to the greater of (x) one year after the termination of his employment with the Company for any reason

whatsoever, whether by Employee or by the Company and whether during the term of this Agreement or subsequent to the expiration of this Agreement, or (y) the period during which Employee is entitled to receive any payments under Paragraph 11(a) of this Agreement, Employee shall not, directly or indirectly:

(i) Induce or influence any customer, employee, consultant, independent contractor or supplier of the Company to cease to do business with or terminate his or her employment with the Company.

(ii) Engage in (as a principal, partner, director, officer, agent, employee, consultant, owner, independent contractor or otherwise) or be financially interested in any retail department store business:
(a) that is a direct competitor of the Company (i.e. competitive lines generate at least 30% of the Company's revenues and at least 30% of the competitor's revenues); (b) with at least $250 million in gross annual sales; and (c) operating a store or stores within a 15 mile radius of any Company store which is in existence or which is under contract to be acquired or constructed by the Company at the time of Employee's termination of employment, and which competing store or stores have total gross annual sales in excess of 15% of the Company's gross annual sales for the prior year, including owned and leased businesses.

(b) During his employment with the Company and at all times thereafter, Employee shall not use for his personal benefit, or disclose, communicate or divulge to, or use for the direct or indirect benefit of, any person, firm, association or company other than the Company, any confidential information of the Company which Employee acquires in the course of his employment, which is not otherwise lawfully known by and readily available to the general public. This confidential information includes, but is not limited to: any material referred to in Paragraph 12 or any information regarding the business, marketing, legal or accounting methods, policies, plans, procedures, strategies or techniques; research or development projects or results; trade secrets or other knowledge or processes of, or developed by, the Company; names and addresses of employees, suppliers or customers. Employee confirms that such information is confidential and constitutes the exclusive property of the Company and agrees that, immediately upon his termination, whether by Employee or by the Company and whether during the term of this Agreement or subsequent to the expiration of this Agreement, Employee shall deliver to the Company all correspondence, documents, books, records, lists, computer programs and other

writings relating to the Company's business; and Employee shall retain no copies, regardless of where or by whom said writings were kept or prepared.

(c) Both during his employment with the Company and following his termination for any reason, whether by Employee or by the Company and whether during the term of this Agreement or following the expiration of the Agreement, Employee shall, upon reasonable notice, furnish to the Company such information pertaining to his employment with the Company as may be in his possession. The Company shall reimburse Employee for all reasonable expenses incurred by him in fulfilling his obligation under this subparagraph(c).

(d) The provisions of subparagraphs (a), (b) and (c) shall survive the termination of Employee's employment as well as the expiration of this Agreement at the end of its term or at any time prior thereto.

(e) Employee acknowledges that the restrictions contained in this Paragraph 13, in view of the nature of the business in which the Company is engaged and Employee's position with the Company, are reasonable and necessary to protect the legitimate interests of the Company, and that any violation of those restrictions would result in irreparable injury to the Company. Employee therefore agrees that, in the event of his violation of any of those restrictions, the Company shall be entitled to obtain from any court of competent jurisdiction preliminary and permanent injunctive relief against Employee, in addition to damages from Employee and an equitable accounting of all commissions, earnings, profits and other benefits arising from such violation, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

(f) Employee agrees that if any or any portion of the foregoing covenants, or the application thereof, is construed to be invalid or unenforceable, the remainder of such covenant or covenants or the application thereof shall not be affected and the remaining covenant or covenants will then be given full force and effect without regard to the invalid or unenforceable portions. If any covenant is held to be unenforceable because of the area covered, the duration thereof, or the scope thereof, Employee agrees that the Court making such determination shall have the power to reduce the area and/or the duration, and/or limit the scope thereof, and the covenant shall then be enforceable in its reduced form. If Employee violates any of the restrictions contained in subparagraph (a), the period of such violation (from the commencement of any such violation until such time as such violation shall be cured by Employee to the

satisfaction of the Company) shall not count toward or be included in the one year (or such longer period as may be prescribed by such section) restrictive period contained in subparagraph (a).

(g) Employee represents and warrants that the knowledge, skill and abilities he possesses at the time of his execution of this Agreement are sufficient to permit him to earn a living by working for a non-competitor of the Company for the restrictive period set forth in subparagraph (a) above.

(h) For purposes of Paragraphs 12 and 13 of this Agreement, the term "Company" shall include not only The Bon-Ton Stores, Inc., but also any of its successors, subsidiaries or affiliates.

15. Prior Agreements. Employee represents to Company that: (a) there are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful his execution of this Agreement or his employment hereunder, (b) his execution of this Agreement and his employment hereunder shall not constitute a breach of any contract agreement or understanding, oral or written, to which he is a party or by which he is bound; and (c) he is free and able to execute this Agreement and to enter into employment with the Company.

16. Stock Option Grants/Restricted Stock Awards. Employee has heretofore received options to purchase shares of Common Stock of the Company ("Stock Option Grants") and an award of Common Stock of the Company subject to restrictions ("Restricted Stock Award"), all as noted below:

Date	No. of shares	Type	Termination Date
6-26-96	20,000	Stock Option Grant	6-26-05
2-27-98	10,000	Stock Option Grant	2-26-08
4-17-01	51,000	Restricted Stock Award	N.A.
1-25-02	100,000	Stock Option Grant	1-24-12

Notwithstanding anything to the contrary provided in any Stock Option Grant or Restricted Stock Award, if Employee is discharged without Cause or resigns for Good Reason, all Stock Option Grants vested as of the date of such discharge or resignation shall remain exercisable until the Termination Date noted above with respect to such Stock Option Grant, and further, in the event of a Change of Control, all Stock Option Grants and the Restricted Stock Award shall immediately vest.

17. Entire Understanding. This Agreement and The Bon-Ton Stores, Inc. Supplemental Executive Retirement Plan contain the entire understanding between the Company and Employee with respect to the subject matter hereof and supersede all prior and contemporary agreements and understandings, inducements or conditions, express or implied, written or oral, between the Company and Employee except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

18. Supplemental Executive Retirement Plan. The rights and obligations of each of Employee and the Company as provided in the Supplemental Executive Retirement Plan shall not be altered in any respect due to the terms and provisions of this Agreement.

19. Modifications. This Agreement may not be modified orally but only by written agreement signed by Employee and the Company's Chief Executive Officer or such other person as the Board may designate specifically for this purpose.

20. Provisions Separable. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

21. Consolidation, Merger or Sale of Assets. Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another entity which assumes this Agreement and all obligations and undertakings of the Company hereunder. Under such consolidation, merger or transfer of assets and assumptions, the term "the Company" as used herein, shall mean such other entity and this Agreement shall continue in full force and effect.

22. Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received when delivered (personally, by courier service such as Federal Express, or by messenger) or when deposited in the United States mails, registered or certified mail, postage pre-paid, return receipt requested, addressed as set forth below:

(a) If to the Company:

The Bon-Ton Stores, Inc.
2801 E. Market Street

York, PA 17402
Attention: Chief Executive Officer

with a copy to:

Henry F. Miller, Esquire
Wolf, Block, Schorr and Solis-Cohen
1650 Arch Street, 22nd Floor
Philadelphia, PA 19103

(b) If to Employee:

James H. Baireuther
942 High Meadow Court
Lancaster, PA 17601

In addition, notice by mail shall be by air mail if posted outside of the continental United States. Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this paragraph for the giving of notice.

23. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

24. Binding Agreement. This Agreement shall be binding upon, and shall inure to the benefit of, the Company and its successors, representatives, and assigns and shall be binding upon Employee, his heirs, executors and legal representatives.

25. No Assignment by Employee. Employee acknowledges that the services to be rendered by him are unique and personal. Accordingly, Employee may not assign or delegate any of his rights or obligations hereunder, except that he may assign certain rights hereunder if agreed to in writing by the Chief Executive Officer.

26. Indulgences. Neither the failure nor any delay on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege with respect to any

occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

27. Paragraph Headings. The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

28. Controlling Law. This Agreement and all questions relating to its validity, interpretation, performance and enforcement (including, without limitation, provisions concerning limitations of actions), shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, notwithstanding any conflict-of-laws doctrines of such state or any other jurisdiction to the contrary, and without the aid of any canon, custom or rule of law requiring construction against the draftsman.

29. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed and delivered, in Pennsylvania, this Agreement as of the date first above written.

THE BON-TON STORES, INC.

By /s/ Tim Grumbacher
Tim Grumbacher
Chief Executive Officer

JAMES H. BAIREUTHER

/s/ James H. Baireuther

EXHIBIT 10.14(I)

EIGHTH AMENDMENT TO THE CREDIT AGREEMENT

EIGHTH AMENDMENT, dated as of December 6, 2001 (this
"Amendment"), among THE BON-TON DEPARTMENT STORES, INC. and THE BON-TON STORES OF LANCASTER, INC. (collectively, the "Borrowers"), the other Credit Parties party to the Credit Agreement referred to below, the Lenders party to such Credit Agreement and GENERAL ELECTRIC CAPITAL CORPORATION, as Administrative Agent (in such capacity, the "Agent"), Collateral Agent (in such capacity, the "Collateral Agent") and Lender.

W I T N E S S E T H :

WHEREAS, the parties hereto have entered into that certain Credit Agreement, dated as of April 15, 1997 (such Agreement, as amended, supplemented or otherwise modified from time to time, being hereinafter referred to as the "Credit Agreement," and capitalized terms defined therein and not otherwise defined herein are used herein as therein defined); and

WHEREAS, the Borrowers desire to have the Lenders amend certain provisions of the Credit Agreement; and

WHEREAS, the Lenders have agreed to such amendments upon the terms and subject to the conditions provided herein;

NOW, THEREFORE, in consideration of the premises, covenants and agreements contained herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Amendment. The Lenders, the Agent, the Borrowers and the other Credit Parties hereby agree to the following amendment to the Credit Agreement:

(a) The definition of "Commitments" contained in Annex A (Recitals) to Credit Agreement; Definitions is hereby amended by (i) replacing the phrase "the signature page" in the third line thereof with the phrase "ANNEX J" and (ii) replacing the phrase "Two Hundred Million Dollars ($200,000,000) on the Closing Date" in the sixth line thereof with the phrase "One Hundred Seventy Five Million Dollars ($175,000,000)".

(b) The definition of "Credit Parties" contained in Annex A (Recitals) to Credit Agreement; Definitions is hereby amended by inserting the phrase "each of the Guarantors," immediately after the phrase "each Borrower," in the first line thereof.

(c) The definition of "Revolving Loan Commitment" contained in Annex A (Recitals) to Credit Agreement; Definitions is hereby amended by (i) replacing the phrase "the signature page" in the third line thereof with the phrase "ANNEX J" and (ii) replacing the phrase "Two Hundred Million Dollars ($200,000,000) on the Closing Date" in the seventh line thereof with the phrase "One Hundred Seventy Five Million Dollars ($175,000,000)".

(d) The Appendices to the Credit Agreement are hereby amended by adding immediately after ANNEX I a new ANNEX J (Revolving Loan Commitment), attached hereto as Schedule 1.

Section 2. Consent. The Lenders hereby consent to the creation of a wholly-owned Subsidiary of The Bon-Ton National Corp. (the "Gift Certificate Subsidiary") for the sole purpose of operating a gift certificate program (the "Gift Certificate Program"). The Credit Parties may transfer assets to the Gift Certificate Subsidiary, whether as capital, a loan or otherwise, only to the extent that a transfer is required to allow the Gift Certificate Subsidiary to operate the Gift Certificate Program. The Gift Certificate Subsidiary may not engage in any business, other than operating the Gift Certificate Program, or incur any Indebtedness, other than the Indebtedness permitted in Section 6.3 (Indebtedness) of the Credit Agreement. The Bon-Ton National Corp. shall pledge the shares of the Gift Certificate Subsidiary to the Agent pursuant to the Pledge Agreement and the Gift Certificate Subsidiary shall enter into a Joinder Agreement to become (a) a Grantor under the Security Agreement and (b) a Guarantor under the Guaranty.

Section 3. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof when the Agent shall have received by no later than December 7, 2001, the following:

(a) counterparts of this Amendment executed by each Borrower, each Credit Party, the Agent and the Requisite Lenders or, as to the Requisite Lenders, advice satisfactory to the Agent that the Requisite Lenders have executed this Amendment; and

(b) an amendment fee equal to 0.02% of the amount of the Commitment, as in effect immediately after giving effect to this Amendment, of each Lender that has executed this Amendment and delivered evidence thereof satisfactory to the Agent at or before 5:00 p.m. New York City time on the effective date of the Amendment and paid to each such Lender.

Section 4. Affirmative Covenant. The Borrower agrees that it shall deliver to the Administrative Agent within 15 Business Days of the formation of the Gift Certificate Subsidiary (a) a Joinder Agreement substantially in the form of Exhibit A attached hereto duly executed by the Gift Certificate Subsidiary and (ii) a Pledge Amendment, as set forth in Section 6(d) of the Pledge Agreement, pledging the stock of the Gift Certificate Subsidiary.

Section 5. Representations and Warranties. The Borrowers and the other Credit Parties hereby jointly and severally represent and warrant to the Lenders and the Agent as follows:

(a) After giving effect to this Amendment, each of the representations and warranties in Section 3 of the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein not prohibited by the Credit Agreement.

(b) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

(c) The execution, delivery and performance by the Credit Parties of this Amendment have been duly authorized by all necessary or proper corporate action and do not require the consent or approval of any Person which has not been obtained.

(d) This Amendment has been duly executed and delivered by each Credit Party and each of this Amendment and the Credit Agreement as amended hereby constitutes the legal, valid and binding obligation of the Credit Parties, enforceable against them in accordance with its terms.

Section 6. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Credit Agreement "this Agreement," "hereunder," "hereof," "herein," or words of like import, shall mean and be a reference to the Credit Agreement as amended hereby and each reference in the other Loan Documents to "the Credit Agreement" shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except to the extent amended hereby, the provisions of the Credit Agreement and all of the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders or the Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

Section 7. Costs and Expenses. The Borrowers agree to pay on demand all costs, fees and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered pursuant hereto, including the reasonable fees and out-of-pocket expenses of counsel for the Agent with respect thereto.

Section 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

Section 9. Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of New York applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

BORROWERS:

THE BON-TON DEPARTMENT STORES, INC.

By: /s/ H. Todd Dissinger
Name: H. Todd Dissinger
Title: Treasurer

THE BON-TON STORES OF LANCASTER, INC.

By: /s/ Robert E. Stern
Name: Robert E. Stern
Title: Secretary/Treasurer

OTHER CREDIT PARTIES:

THE BON-TON STORES, INC.

By: /s/ H. Todd Dissinger
Name: H. Todd Dissinger
Title: Treasurer

THE BON-TON CORP.

By: /s/ Robert E. Stern
Name: Robert E. Stern
Title: Secretary

THE BON-TON NATIONAL CORP.

By: /s/ Robert E. Stern
Name: Robert E. Stern
Title: Secretary

THE BON-TON TRADE CORP.

By: /s/ Robert E. Stern
Name: Robert E. Stern
Title: Secretary

[SIGNATURE PAGE TO EIGHTH AMENDMENT TO THE BON-TON CREDIT AGREEMENT]

AGENT AND LENDERS:
GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Charles Chiodo
Name: Charles Chiodo
Title: Authorized Signatory

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Steven Schuit
Name: Steven Schuit
Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ Joan Anderson
Name: Joan Anderson
Title: Vice President

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ C. Gregory Vogelsang
Name: C. Gregory Vogelsang
Title: Assistant Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora
Name: Robert J. Cambora
Title: Senior Vice President

FLEET BUSINESS CREDIT CORPORATION

By: --------------------------------
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Albert R. Joseph
Name: Albert R. Joseph
Title: Vice President

[SIGNATURE PAGE TO EIGHTH AMENDMENT TO THE BON-TON CREDIT AGREEMENT]

Schedule 1

**ANNEX J (FROM ANNEX A
REVOLVING LOAN COMMITMENT DEFINITION)**

TO

CREDIT AGREEMENT

Revolving Loan Commitment:	
42,000,000 (24.0%)	General Electric Capital Corporation
21,875,000 (12.5%)	The CIT Group/Business Credit, Inc.
21,875,000 (12.5%)	First Union National Bank
17,500,000 (10.0%)	Manufacturers and Traders Trust Company
26,250,000 (15.0%)	Foothill Capital Corporation
31,500,000 (18.0%)	Fleet Business Credit Corporation
14,000,000 (08.0%)	Union Bank of California, N.A.

Exhibit A

JOINDER AGREEMENT

This JOINDER AGREEMENT, dated as of ________ __, 2001 is delivered in connection with the Eighth Amendment to the Credit Agreement, dated as of April 15, 1997, among The Bon-Ton Department Stores, Inc. and The Bon-Ton Stores of Lancaster, Inc., (collectively, the "Borrowers"), the other Credit Parties party thereto, the lenders party thereto and General Electric Capital Corporation, as Administrative Agent (in such capacity, the "Administrative Agent"), Collateral Agent (in such capacity, the "Collateral Agent") and Lender. Capitalized terms used herein but not defined herein are used with the meanings given them in the Credit Agreement.

By executing and delivering this Joinder Agreement, the undersigned hereby becomes a party to (i) the Security Agreement as a Grantor thereunder with the same force and effect as if originally named as a Grantor and (ii) the Guaranty Agreement as a Guarantor thereunder with the same force and effect as if originally named as a Guarantor. Without limiting the generality of the foregoing, the undersigned hereby grants to the Administrative Agent, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of the undersigned, hereby collaterally assigns, conveys, mortgages, pledges, hypothecates and transfers to the Administrative Agent and grants to the Administrative Agent a Lien on and security interest in, all of its right, title and interest in, to and under the Collateral and expressly assumes all obligations and liabilities of a Grantor or Guarantor, as the case may be, thereunder.

The information set forth in Annex 1-A is hereby added to the information set forth in Schedules 1 and 4.2 to the Guaranty and Schedules II and III-F to the Security Agreement.

The undersigned hereby represents and warrants that each of the representations and warranties contained in Sections 4 of both the Security Agreement and the Guaranty applicable to it are true and correct on and as the date hereof.

IN WITNESS WHEREOF, the undersigned has caused this Joinder Agreement to be duly executed and delivered as of the date first above written.

[GIFT CERTIFICATE SUBSIDIARY]

By:

Name:

Title:

ACKNOWLEDGED AND AGREED
as of the date of this Joinder Agreement first above written.

GENERAL ELECTRIC CAPITAL CORPORATION, as Administrative Agent

By:
Name:
Title:

[SIGNATURE PAGE TO JOINDER AGREEMENT TO THE BON-TON CREDIT AGREEMENT]

EXHIBIT 13.1

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

(In thousands except share, per share and store data)

Fiscal Year Ended	2001 Feb. 2, 2002		2000 Feb. 3, 2001		1999 Jan. 29, 2000
STATEMENT OF OPERATIONS DATA:		%		%	
Net sales (1)	$ 721,777	100.0	$ 749,816	100.0	$ 710,963
Other income, net	2,548	0.4	2,715	0.4	2,651
Gross profit	262,057	36.3	275,790	36.8	261,367
Selling, general and administrative expenses	224,306	31.1	231,859	30.9	224,150
Depreciation and amortization	19,783	2.7	17,085	2.3	14,846
Unusual expense (2)	916	0.1	6,485	0.9	2,683
Restructuring income (3)	--	--	--	--	(2,492)
Income from operations	19,600	2.7	23,076	3.1	24,831
Interest expense, net	9,558	1.3	10,906	1.5	8,552
Income before taxes	10,042	1.4	12,170	1.6	16,279
Income tax provision	3,816	0.5	4,622	0.6	6,186
Income before extraordinary item	6,226	0.9	7,548	1.0	10,093
Extraordinary item, net of tax (4)	--	--	--	--	(378)
Net income	$ 6,226	0.9	$ 7,548	1.0	$ 9,715
PER SHARE AMOUNTS					
BASIC:					
Net income before extraordinary item	$ 0.41		$ 0.50		$ 0.68
Effect of extraordinary item	--		--		(0.02)
Net income	$ 0.41		$ 0.50		$ 0.66
Weighted average shares outstanding	15,200,000		14,953,000		14,750,000
Diluted:					
Net income before extraordinary item	$ 0.41		$ 0.50		$ 0.68
Effect of extraordinary item	--		--		(0.02)
Net income	$ 0.41		$ 0.50		$ 0.66
Weighted average shares outstanding	15,214,000		14,953,000		14,753,000
BALANCE SHEET DATA (AT END OF PERIOD):					
Working capital	$ 117,158		$ 142,311		$ 141,788
Total assets	389,544		405,038		417,492
Long - term debt, including capital leases	67,929		98,758		107,678
Shareholders' equity	203,261		198,862		190,691
SELECTED OPERATING DATA:					
Total sales change	(3.7)%		5.5%		5.3%
Comparable store sales change (5) (6)	(3.3)%		0.7%		0.0%
Comparable stores data (5) (6):					
Sales per selling square foot	$ 134		$ 143		$ 141
Selling square footage	5,339,000		4,792,000		4,705,000
Capital expenditures	$ 15,550		$ 29,577		$ 46,451
Number of stores:					
Beginning of year	73		72		65
Additions	--		1		7
Closings	--		--		--
End of year	73		73		72

Fiscal Year Ended	1999 Jan. 29, 2000	1998 Jan. 30, 1999		1997 Jan. 31, 1998	
STATEMENT OF OPERATIONS DATA:	%		%		%
Net sales (1)	100.0	$ 674,871	100.0	$ 656,399	100.0
Other income, net	0.4	2,350	0.3	2,349	0.4
Gross profit	36.8	248,141	36.8	242,553	37.0
Selling, general and administrative expenses	31.5	209,407	31.0	202,850	30.9
Depreciation and amortization	2.1	13,281	2.0	12,882	2.0
Unusual expense (2)	0.4	--	--	--	--
Restructuring income (3)	(0.4)	--	--	--	--
Income from operations	3.5	27,803	4.1	29,170	4.4
Interest expense, net	1.2	9,396	1.4	13,202	2.0
Income before taxes	2.3	18,407	2.7	15,968	2.4
Income tax provision	0.9	7,196	1.1	6,270	1.0
Income before extraordinary item	1.4	11,211	1.7	9,698	1.5
Extraordinary item, net of tax (4)	(0.1)	--	--	(446)	(0.1)
Net income	1.4	$ 11,211	1.7	$ 9,252	1.4
PER SHARE AMOUNTS					
BASIC:					
Net income before extraordinary item		$ 0.81		$ 0.87	
Effect of extraordinary item		--		(0.04)	
Net income		$ 0.81		$ 0.83	
Weighted average shares outstanding		13,866,000		11,122,000	
Diluted:					
Net income before extraordinary item		$ 0.81		$ 0.85	
Effect of extraordinary item		--		(0.04)	
Net income		$ 0.81		$ 0.81	

Weighted average shares outstanding	13,917,000	11,377,000
BALANCE SHEET DATA (AT END OF PERIOD):		
Working capital	$ 128,977	$ 123,078
Total assets	378,119	352,686
Long - term debt, including capital leases	76,255	123,384
Shareholders' equity	180,211	124,394
SELECTED OPERATING DATA:		
Total sales change	2.8%	4.8%
Comparable store sales change (5) (6)	1.4%	6.5%
Comparable stores data (5) (6):		
Sales per selling square foot	$ 143	$ 143
Selling square footage	4,620,000	4,511,000
Capital expenditures	$ 19,418	$ 10,978
Number of stores:		
Beginning of year	64	64
Additions	2	--
Closings	(1)	--
End of year	65	64

(1) Fiscal 2000 reflects the 53 weeks ended February 3, 2001. All other periods presented reflect 52 weeks.

(2) Reflects expense recognized for workforce reductions and realignment and elimination of certain senior management positions in fiscal 2001; expense recognized for workforce reductions, early retirement of Heywood Wilansky and realignment and elimination of certain senior management positions in fiscal 2000; and an asset write-down in fiscal 1999.

(3) Income recognized in fiscal 1999 as a result of a lease termination for a closed store.

(4) Expense resulting from renegotiation of the Company's revolving credit facility in fiscal 1999 and extinguishment of term loan and revolving credit facility in fiscal 1997.

(5) Fiscal 2000 reflects the 52 weeks ended January 27, 2001.

(6) Comparable stores data (sales and selling square footage) reflects stores open for the entire current and prior fiscal year.

EXHIBIT 13.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL 2001 OPERATIONS OVERVIEW

SALES PERFORMANCE

Fiscal 2001 sales of The Bon-Ton Stores, Inc. and all subsidiaries (the "Company") decreased 3.7% compared to fiscal 2000. Fiscal 2001 reflects the fifty-two weeks ended February 2, 2002, while fiscal 2000 reflects the fifty-three weeks ended February 3, 2001. Com-parable store sales for the fifty-two week period ended February 2, 2002 decreased 3.3% from the fifty-two week period ended January 27, 2001.

Fiscal 2001 was a difficult year for retail due to the economic downturn and the September 11th tragedy. While sales in most stores were below their fiscal 2000 level, sales in certain New York stores performed at a level below the Company average. The Company will continue to monitor the performance of its stores and initiate operational improvements as necessary.

NON-COMPARABLE ITEMS REVIEW

Net income in fiscal 2001 totaled $6.2 million, or $0.41 per share on a diluted basis, a decrease of $1.3 million from $7.5 million, or $0.50 per share on a diluted basis, in fiscal 2000. Net income in fiscal 1999 was $9.7 million, or $0.66 per share on a diluted basis. Results for fiscal 2001, 2000 and 1999 were impacted by several non-comparable items. Primary non-comparable items impacting net income are set forth in the following table:

	Fiscal 2001		Fiscal 2000		Fiscal 1999	
(In thousands except per share data)	After-tax Net Income	Diluted Earnings Per Share	After-tax Net Income	Diluted Earnings Per Share	After-tax Net Income	Diluted Earnings Per Share
Net income excluding non-comparable items	$ 6,794	$ 0.45	$ 12,337	$ 0.83	$ 12,583	$ 0.85
CEO retirement & workforce reduction	(568)		(4,021)		--	
Pre-opening expenses	--		(768)		(2,372)	
Asset write-down charge	--		--		(1,663)	
Restructuring income	--		--		1,545	
Extraordinary loss on debt	--		--		(378)	
Net income as reported	$ 6,226	$ 0.41	$ 7,548	$ 0.50	$ 9,715	$ 0.66

The Company recognized charges in the third quarter of 2001 relating to a workforce reduction and realignment and elimination of certain senior management positions. See Note 14 to the Consolidated Financial Statements.

The Company recognized charges in the second quarter of 2000 relating to a workforce reduction, early retirement of Heywood Wilansky as President and Chief Executive Officer and realignment and elimination of certain senior management positions. See Note 14 to the Consolidated Financial Statements.

Fiscal 2000 pre-opening expenses reflect the opening of one new store and relocation of one store. Fiscal 1999 pre-opening expenses reflect the opening of seven new stores.

The Company recorded a charge in the fourth quarter of 1999 to write down the value of assets associated with a cooperative buying group from which the Company purchased inventory. The cooperative buying group ceased its operations during fiscal 2000. See Note 14 to the Consolidated Financial Statements.

In fiscal 1999, the Company negotiated the termination of a lease for a closed store located in Johnstown, Pennsylvania. The Company closed the store in 1995, but was obligated under the terms of its lease through fiscal 2005. The termination of this lease resulted in the Company reversing the remaining restructuring reserve established in fiscal 1995 and reporting restructuring income in fiscal 1999. See Note 16 to the Consolidated Financial Statements.

The Company renegotiated its revolving credit agreement in fiscal 1999. The agreement was amended to extend the term to April 15, 2004 and provides a more favorable interest rate pricing structure, with substantially all other terms and conditions remaining unchanged. This transaction created a one-time extraordinary charge in fiscal 1999.

RESULTS OF OPERATIONS

The following table summarizes changes in selected operating indicators of the Company, illustrating the relationship of various income and expense items to net sales for each fiscal year presented:

	Percent of Net Sales		
	Fiscal Year		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Other income, net	0.4	0.4	0.4
	100.4	100.4	100.4
Costs and expenses:			
Costs of merchandise sold	63.7	63.2	63.2
Selling, general and administrative	31.1	30.9	31.5
Depreciation and amortization	2.7	2.3	2.1
Unusual expense	0.1	0.9	0.4
Restructuring income	--	--	(0.4)
Income from operations	2.7	3.1	3.5
Interest expense, net	1.3	1.5	1.2
Income before income taxes	1.4	1.6	2.3
Income tax provision	0.5	0.6	0.9
Income before extraordinary item	0.9	1.0	1.4
Extraordinary loss, net of tax	--	--	0.1
Net income	0.9%	1.0%	1.4%

FISCAL 2001 COMPARED TO FISCAL 2000

NET SALES: Net sales were $721.8 million for the fifty-two weeks ended February 2, 2002, a decrease of $28.0 million, or 3.7%, relative to the fifty-three week period ended February 3, 2001. Comparable store sales for the fifty-two week period ended February 2, 2002 decreased 3.3% from the fifty-two week period ended January 27, 2001. Business families recording comparable store sales increases were Coats, Home and Juniors. Business families reflecting the sharpest comparable store sales percentage declines were Womens, Mens Clothing and Dresses.

Other income, net: Net other income, principally income from leased departments, remained constant at 0.4% of net sales for fiscal 2001 and fiscal 2000.

COSTS AND EXPENSES: Gross margin dollars for fiscal 2001 decreased $13.7 million, or 5.0%, from fiscal 2000, primarily reflecting the decline in sales volume. Gross margin as a percentage of net sales was 36.3% in fiscal 2001, down 0.5 percentage point from 36.8% in fiscal 2000. The gross margin percentage decline was principally due to the increased markdown rate and reserves established for seasonal merchandise in fiscal 2001.

Selling, general and administrative expenses for fiscal 2001 were $224.3 million, or 31.1% of net sales, compared to $231.9 million, or 30.9% of net sales, in the prior year. Fiscal 2001 store expense decreased $1.5 million versus fiscal 2000, but reflected an expense rate increase of 0.7 percentage point due to reduced 2001 sales. Fiscal 2001 corporate expense decreased $6.0 million versus fiscal 2000, driving an expense rate decrease of 0.5 percentage point. The decrease in corporate expense principally reflects reduced payroll costs and increased securitization income of $4.8 million from the Company's proprietary credit card program due to increased sales on the proprietary credit card, lower securitization facility costs and higher fee income.

Depreciation and amortization increased to 2.7% of net sales in fiscal 2001 from 2.3% in fiscal 2000 partially as a result of a lower sales base and capital expenditures in the amount of $15.6 million and $29.6 million in fiscal 2001 and 2000, respectively. Additionally, in fiscal 2001 the Company evaluated a store lease renewal option exercisable in January 2003. The Company decided against exercising this lease option under existing terms and, therefore, accelerated depreciation of $1.4 million for associated assets with lives exceeding the expected lease term. Should it be unsuccessful at negotiating more favorable terms for the lease option, the Company does not expect the decision to have a material impact upon future profits as this store operated at approximately breakeven profitability in fiscal 2001.

Unusual expense in fiscal 2001 of $0.9 million, or 0.1% of net sales, was incurred in the third quarter relating to a workforce reduction and the realignment and elimination of certain senior management positions. See Note 14 to the Consolidated Financial Statements.

Unusual expense in fiscal 2000 of $6.5 million, or 0.9% of net sales, was incurred due to the early retirement of Heywood Wilansky as President and Chief Executive Officer, the realignment and elimination of certain senior management positions and a workforce reduction. See Note 14 to the Consolidated Financial Statements.

INCOME FROM OPERATIONS: Income from operations in fiscal 2001 amounted to $19.6 million, or 2.7% of net sales, compared to $23.1 million, or 3.1% of net sales, in fiscal 2000.

INTEREST EXPENSE, NET: Net interest expense in fiscal 2001 decreased $1.3 million to $9.6 million, or 1.3% of net sales, from $10.9 million, or 1.5% of net sales, in fiscal 2000. The decrease in interest expense was attributable to decreased average borrowing levels and lower interest rates.

INCOME TAXES: The effective tax rate remained constant at 38.0% in fiscal 2001 and fiscal 2000.

NET INCOME: Net income in fiscal 2001 was $6.2 million, or 0.9% of net sales, compared to $7.5 million, or 1.0% of net sales, in fiscal 2000.

FISCAL 2000 COMPARED TO FISCAL 1999

NET SALES: Net sales were $749.8 million for the fifty-three weeks ended February 3, 2001, an increase of $38.9 million, or 5.5%, over the fifty-two week period ended January 29, 2000. The increase was primarily attributable to the one store opened in fiscal 2000, seven stores opened for a portion of fiscal 1999 and an additional week of sales in fiscal 2000. Comparable store sales for the fifty-two week period ended January 27, 2001 increased 0.7% over the fifty-two week period in fiscal 1999. Solid sales performances were achieved in Coats, Ladies Sportswear Complex, Cosmetics, Accessories, Shoes, Home and Intimate.

OTHER INCOME, NET: Net other income, primarily income from leased departments, remained constant at 0.4% of net sales for fiscal 2000 and fiscal 1999.

COSTS AND EXPENSES: Gross margin dollars for fiscal 2000 increased $14.4 million, or 5.5%, over fiscal 1999 as a result of the sales volume increase. Gross margin as a percentage of net sales was 36.8% in fiscal 2000 and fiscal 1999.

Selling, general and administrative expenses for fiscal 2000 were $231.9 million, or 30.9% of net sales, compared to $224.2 million, or 31.5% of net sales, in the prior year. The increase in dollars in fiscal 2000 was primarily attributable to the cost of operating eight new stores -- including additional payroll costs, rent expense, utilities, advertising and insurance costs. The rate decrease in fiscal 2000 was primarily attributable to increased sales volume and cost reductions in the second half of the year from changes implemented in the second quarter of fiscal 2000. See Note 14 to the Consolidated Financial Statements.

Depreciation and amortization increased to 2.3% of net sales in fiscal 2000 from 2.1% in fiscal 1999 as a result of capital expenditures in the amount of $29.6 million and $46.5 million in fiscal 2000 and 1999, respectively.

Unusual expense in fiscal 2000 of $6.5 million, or 0.9% of net sales, was incurred due to the early retirement of Heywood Wilansky as President and Chief Executive Officer, the realignment and elimination of certain senior management positions and a workforce reduction. See Note 14 to the Consolidated Financial Statements.

Unusual expense in fiscal 1999 of $2.7 million, or 0.4% of net sales, was incurred to write-down the value of certain assets relating to a cooperative buying group from which the Company purchased inventory.

Restructuring income of $2.5 million, or 0.4% of net sales, was recognized in fiscal 1999 as a result of the Company reaching an agreement on the termination of a lease relating to a property in Johnstown, Pennsylvania. The Company established an accrual in fiscal 1995 relating to the costs associated with maintaining this property as part of its restructuring. See Note 16 to the Consolidated Financial Statements.

INCOME FROM OPERATIONS: Income from operations in fiscal 2000 amounted to $23.1 million, or 3.1% of net sales, compared to $24.8 million, or 3.5% of net sales, in fiscal 1999.

INTEREST EXPENSE, NET: Net interest expense in fiscal 2000 increased $2.4 million to $10.9 million, or 1.5% of net sales, from $8.6 million, or 1.2% of net sales, in the prior fiscal year. The increase in interest expense was attributable to an increase in average borrowing levels and an increase in rates.

EXTRAORDINARY ITEM: In fiscal 1999, the Company recorded an expense of $0.4 million, net of tax, related to renegotiation of the Company's revolving credit facility.

INCOME TAXES: The effective tax rate remained constant at 38.0% in fiscal 2000 and fiscal 1999.

NET INCOME: Net income in fiscal 2000 amounted to $7.5 million, or 1.0% of net sales, compared to $9.7 million, or 1.4% of net sales, in fiscal 1999.

FUTURE ACCOUNTING CHANGES

The Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" became effective in 2002. As a result, the Company will cease to amortize approximately $3.0 million of net goodwill. The Company recorded approximately $0.2 million of goodwill amortization during each of fiscal 2001, 2000 and 1999, and would have recorded approximately $0.2 million of goodwill amortization during fiscal 2002. In lieu of amortization, the Company is required to perform an initial

impairment review of its goodwill in 2002 and an annual impairment review thereafter. The Company completed the initial review during the first quarter of 2002 and will not record an impairment charge.

In August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-lived Assets" ("SFAS No. 144"), which supercedes SFAS No. 121. SFAS No. 144, effective for fiscal 2002, retains provisions of SFAS No. 121 regarding recognition and measurement of long-lived asset impairment. SFAS No. 144 supercedes the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for segments of a business to be disposed of. The Company anticipates that adoption of SFAS No. 144 provisions will not have a material impact on its operating results.

MARKET RISK AND FINANCIAL INSTRUMENTS

The Company is exposed to market risk associated with changes in interest rates. To provide some protection against potential rate increases associated with its variable-rate facilities, the Company has entered into various derivative financial transactions in the form of interest rate swaps. The interest rate swaps are used to hedge the underlying variable-rate facilities. The swaps are qualifying hedges and the interest rate differential is reflected as an adjustment to interest expense over the life of the swaps. The Company currently holds "variable-to-fixed" rate swaps with a notional amount of $110.0 million with several financial institutions for various terms. The notional amount does not represent amounts exchanged by the parties, but it is used as the basis to calculate amounts due and to be received under the rate swaps. The Company believes the derivative financial instruments entered into provide protection from volatile upward swings in interest rates associated with the Company's variable-rate facilities. During fiscal 2001 and 2000, the Company did not enter into or hold derivative financial instruments for trading purposes.

The following table provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates as of February 2, 2002. For interest rate swaps, the table presents notional amounts and weighted average pay and receive interest rates by expected maturity date. For additional discussion of the Company's interest rate swaps, see Note 3 to the Consolidated Financial Statements.

	Expected Maturity Date By Fiscal Year							
(Dollars in thousands)	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
Liabilities:								
Long-term debt								
Fixed-rate debt	$ 646	$ 715	$ 791	$ 876	$ 970	$ 16,857	$ 20,855	$ 23,087
Average fixed rate	9.62%	9.62%	9.62%	9.62%	9.62%	9.35%	9.40%	
Variable-rate debt	--	--	$ 42,500	--	--	$ 4,500	$ 47,000	$ 47,000
Average variable rate	--	--	5.08%	--	--	1.49%	4.74%	
Interest Rate Derivatives:								
Interest rate swaps								
Variable-to-fixed	--	$ 50,000	$ 30,000	--	$ 30,000	--	$ 110,000	$ (4,311)
Average pay rate	--	5.81%	5.58%	--	5.43%	--	5.64%	
Average receive rate	--	4.64%	4.24%	--	3.89%	--	4.33%	

SEASONALITY AND INFLATION

The Company's business, like that of most retailers, is subject to seasonal fluctuations, with the major portion of sales and income realized during the second half of each fiscal year, which includes the back-to-school and holiday seasons. See Note 12 of Notes to Consolidated Financial Statements for the Company's quarterly results for fiscal 2001 and 2000. Due to the fixed nature of certain costs, selling, general and administrative expenses are typically higher as a percentage of net sales during the first half of each fiscal year.

Because of the seasonality of the Company's business, results for any quarter are not necessarily indicative of results that may be achieved for a full fiscal year. In addition, quarterly operating results are impacted by the timing and amount of revenues and costs associated with the opening of new stores and closing and remodeling of existing stores.

The Company does not believe inflation had a material effect on operating results during the past three years. However, there can be no assurance that the Company's business will not be affected by inflationary adjustments in the future.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes material measures of the Company's liquidity and capital resources:

(Dollars in millions)	February 2, 2002	February 3, 2001	January 29, 2000
Working capital	$ 117.2	$ 142.3	$ 141.8
Current ratio	2.05:1	2.43:1	2.24:1
Funded debt to total capitalization	0.25:1	0.33:1	0.36:1
Unused availability under lines of credit	$ 52.9	$ 37.4	$ 35.5

The Company's primary sources of working capital are cash flows from operations, borrowings under its revolving credit facility and proceeds from its accounts receivable facility. The Company had working capital of $117.2 million, $142.3 million and $141.8 million at the end of fiscal 2001, 2000 and 1999, respectively. The Company's business follows a seasonal pattern and working capital fluctuates with seasonal variations, reaching its highest level in October or November. The reduction in working capital at the end of fiscal 2001 compared to the end of fiscal 2000 and 1999 is principally due to reductions in merchandise inventory, with available funds used primarily to reduce long-term debt.

Net cash provided by operating activities amounted to $41.8 million, $39.4 million and $16.1 million in fiscal 2001, 2000 and 1999, respectively. The $2.4 million increase in cash provided by operating activities in fiscal 2001 relative to fiscal 2000 was primarily related to

reduced merchandise inventories and increased accrued expenses, partially offset by reduced accounts receivable facility proceeds, reduced other long-term liabilities and increased prepaid expenses and other current assets.

Net cash used in investing activities amounted to $15.5 million, $18.5 million and $48.2 million in fiscal 2001, 2000 and 1999, respectively. The net cash outflow in fiscal 2001 was the result of capital expenditures in the amount of $15.6 million, primarily related to store remodeling, information services projects and general operations.

Net cash used in financing activities amounted to $30.6 million and $17.6 million in fiscal 2001 and fiscal 2000, respectively. Cash provided by financing activities amounted to $32.4 million in fiscal 1999. The net cash outflow in fiscal 2001 was principally attributable to payments on the Company's long-term debt and capital lease obligations.

The Company currently anticipates its capital expenditures for fiscal 2002 will approximate $16.0 million. The expenditures will be directed toward remodeling some of the Company's existing stores, information systems enhancements and general operations. Aside from planned capital expenditures, the Company's primary cash requirements will be to service debt and finance working capital increases during peak selling seasons. The Company anticipates that its cash balances and cash flows from operations, supplemented by borrowings under the revolving credit facility and proceeds from the accounts receivable facility, will be sufficient to satisfy its operating cash requirements.

Cash flows from operations are impacted by consumer confidence, weather conditions in the geographic markets served by the Company, economic climate and competitive conditions existing in the retail industry. A downturn in any single factor or a combination of factors could have a material adverse impact upon the Company's ability to generate sufficient cash flows to operate its business.

The Company has not identified any probable circumstances that would likely impair its ability to meet its cash requirements or trigger a default or acceleration of payment of the Company's debt.

The following table reflects the Company's major debt and lease commitments:

	Payments Required By Fiscal Year						
(Dollars in thousands)	2002	2003	2004	2005	2006	Thereafter	Total
Long-term debt	$ --	$ 715	$ 43,291	$ 876	$ 970	$ 21,357	$ 67,209
Short-term debt	646	--	--	--	--	--	646
Capital leases	300	300	300	200	--	--	1,100
Operating leases	20,904	20,422	19,538	18,070	14,517	81,155	174,606
Totals	$ 21,850	$ 21,437	$ 63,129	$ 19,146	$ 15,487	$102,512	$243,561

TRANSFERS OF FINANCIAL ASSETS

The Company engages in securitization activities involving the Company's proprietary credit card portfolio as a source of funding. Gains and losses from securitizations are recognized in the Consolidated Statements of Income when the Company relinquishes control of the transferred financial assets in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125" and other related pronouncements. The gain or loss on the sale of financial assets depends in part on the previous carrying amount of the assets involved in the transfer, allocated between the assets sold and the retained interests based upon their respective fair values at the date of sale.

The Company has sold an undivided percentage ownership interest in certain of its credit card accounts receivable to an unrelated third-party under a $150 million accounts receivable securitization facility, which is described in further detail below and in Note 5 to the Consolidated Financial Statements. The unrelated third-party, referred to as the conduit, has purchased a $150 million interest in the accounts receivable under this facility at February 2, 2002. The Company has an agreement to sell, on a revolving basis, pools of accounts receivable to a special purpose entity, The Bon-Ton Receivables Partnership, LP ("BTRLP"), a wholly-owned subsidiary of the Company. BTRLP is designed to facilitate the securitization of certain accounts receivable. BTRLP then sells an undivided percentage ownership interest in each individual receivable to the conduit at a discount and uses cash collected on these receivables to purchase additional receivables from the Company. The Company is responsible for servicing these accounts and receives a servicing fee, while BTRLP bears the risk of non-collection. Associated off-balance-sheet assets and related debt were $150 million at February 2, 2002 and February 3, 2001. Since the conduit purchases accounts receivable from BTRLP on a revolving basis, the Company currently has access to all of the cash collections on the accounts receivable. Upon the facility's termination, the conduit would be entitled to all cash collections on BTRLP's accounts receivable until its net investment ($150 million at February 2, 2002) is repaid. Accordingly, upon termination of the facility, the assets of BTRLP would not be available to the Company until all amounts due and owing by BTRLP to the conduit have been paid in full.

The Company believes the terms of the accounts receivable facility qualify the accounts receivable transactions for "sale treatment" under generally accepted accounting principles. This treatment requires it to account for BTRLP's transactions with the conduit as a sale of accounts receivable instead of reflecting the conduit's net investment as long-term debt with a pledge of accounts receivable as collateral. Absent this "sale treatment," the Company's balance sheet would reflect additional accounts receivable and long-term debt, which could be a factor in the Company's ability to raise capital; however, results of operations would not be impacted. See Note 5 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The Company's discussion and analysis of its financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles. Preparation of these financial statements requires the Company to make estimates and judgments that affect reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of its financial statements. On an ongoing basis, the Company evaluates its estimates, including those related to merchandise returns, bad debts, inventories, intangible assets, income taxes, financings and contingencies and litigation. The

Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. The Company believes its critical accounting policies are described below. For a discussion of the application of these and other accounting policies, see Notes to Consolidated Financial Statements.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit-worthiness. The Company continually monitors collections and payments from customers and maintains an allowance for estimated credit losses based upon its historical experience and any specific customer collection issues identified (e.g. bankruptcy). While such credit losses have historically been within expectations and provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates as in the past. If circumstances change (e.g. higher than expected defaults or bankruptcies), the Company's estimates of the recoverability of amounts due to the Company could be materially reduced. The allowance for doubtful accounts amounted to $2.8 million and $3.4 million as of February 2, 2002 and February 3, 2001, respectively.

INVENTORY VALUATION

As discussed in Note 1 to the Consolidated Financial Statements, inventories are stated at the lower of cost or market with cost determined using the retail last-in, first-out ("LIFO") method. Under the retail inventory method, the valuation of inventories at cost and resulting gross margin are calculated by applying a calculated cost-to-retail ratio to the retail value of inventories. The retail inventory method is an averaging method that has been widely used in the retail industry due to its practicality. Use of the retail inventory method will result in valuing inventories at the lower of cost or market if markdowns are taken timely as a reduction of the retail value of inventories.

Inherent in the retail inventory method calculation are certain significant management judgments and estimates including, among others, merchandise markups, markdowns and shrinkage, which significantly impact both the ending inventory valuation at cost and resulting gross margin. These significant estimates, coupled with the fact that the retail inventory method is an averaging process, can, under certain circumstances, result in individual inventory components with cost above related net realizable value. Factors that can lead to this result include applying the retail inventory method to a group of products that is not fairly uniform in terms of its cost, selling price relationship and turnover; or applying the retail inventory method to transactions over a period of time that includes different rates of gross profit, such as those relating to seasonal merchandise. In addition, failure to take timely markdowns can result in an overstatement of cost under the lower of cost or market principle. Management believes that the Company's retail inventory method provides an inventory valuation that approximates cost and results in carrying inventory in the aggregate at the lower of cost or market.

The Company regularly reviews inventory quantities on hand and records a provision for excess or old inventory based primarily on an estimated forecast of merchandise demand for the selling season. As reflected in 2001 sales, demand for merchandise can fluctuate greatly. A significant increase in the demand for merchandise could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on-hand. Additionally, estimates of future merchandise demand may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for excess or old inventory. If the Company's inventory is determined to be overvalued in the future, the Company would be required to recognize such costs in the costs of goods sold and reduce operating income at the time of such determination. Likewise, if inventory is later determined to be undervalued, the Company may have overstated the costs of goods sold in previous periods and would be required to recognize additional operating income at the time of such determination. Therefore, although every effort is made to ensure the accuracy of forecasts of future merchandise demand, any significant unanticipated changes in demand or the economy in the Company's markets could have a significant impact on the value of the Company's inventory and reported operating results.

INCOME TAXES

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The process involves the Company summarizing temporary differences resulting from differing treatment of items (e.g. inventory valuation reserves) for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. The Company must then assess the likelihood that deferred tax assets will be recovered from future taxable income and, to the extent the Company believes recovery is not likely, a valuation allowance must be established. To the extent the Company establishes a valuation allowance in a period, an expense must be recorded within the tax provision in the statement of operations.

Net deferred tax assets were $10.1 million and $3.5 million as of February 2, 2002 and February 3, 2001, respectively. As of said dates, no valuation allowance has been established against net deferred tax assets, as the Company believes these tax benefits will be realizable through reversal of existing deferred tax liabilities and future taxable income. If actual results differ from these estimates or these estimates are adjusted in future periods, the Company may need to establish a valuation allowance, which could materially impact its financial position and results of operations.

LONG-LIVED ASSETS

The Company assesses, on a store-by-store basis, the impairment of identifiable long-lived assets -- primarily property, fixtures and equipment -- whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment review include the following:

-- Significant under-performance of stores relative to historical or projected future operating results;
-- Significant changes in the manner of the Company's use of assets or overall business strategy; and
-- Significant negative industry or economic trends for a sustained period.

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. Cash flow estimates are based on historical results adjusted to reflect the Company's best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. Estimates of fair value represent the Company's best estimate based on industry trends and reference to market rates and transactions. Newly-opened stores may take time to generate positive operating and cash flow results. Factors such as store type, store location, current marketplace awareness of the Company's private label brands, local customer demographic data and current fashion trends are all considered in determining the time-frame required for a store to achieve positive financial results. If economic conditions are substantially different from our expectations, the carrying value of certain long-lived assets may become impaired.

Property, fixtures and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of such assets. Changes in the Company's business model or changes in the Company's capital strategy can result in the actual useful lives differing from the Company's estimates. In cases where the Company determines that the useful life of property, fixtures and equipment should be shortened, the Company would depreciate the net book value in excess of the salvage value over its revised remaining useful life, thereby increasing depreciation expense. Factors such as changes in the planned use of fixtures or leasehold improvements could result in shortened useful lives. Net property, fixtures and equipment amounted to $143.9 million and $147.4 million as of February 2, 2002 and February 3, 2001, respectively.

SECURITIZATIONS

A significant portion of the Company's funding is through off-balance-sheet credit card securitizations via sales of certain accounts receivable through an accounts receivable facility. The sale of receivables is to BTRLP, a special purpose entity, as defined by SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- A Replacement of FASB Statement No. 125." BTRLP is a wholly-owned subsidiary of the Company. BTRLP sells the receivables through the accounts receivable facility to a conduit. BTRLP may sell up to $150 million through the facility.

The Company sells accounts receivable through securitizations with servicing retained. When the Company securitizes, it surrenders control over the transferred assets and accounts for the transaction as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The Company allocates the previous carrying amount of the securitized receivables between the assets sold and retained interests, based on their relative estimated fair values at the date of sale. Securitization income is recognized at the time of the sale, and is equal to the excess of the fair value of the assets obtained (principally cash) over the allocated cost of the assets sold and transaction costs. During the revolving period of each accounts receivable securitization, securitization income is recorded representing estimated gains on the sale of new receivables to the conduit on a continuous basis to replenish the investors' interest in securitized receivables that have been repaid by the credit card account holders. Fair value estimates used in the recognition of securitization income require certain assumptions of payment, default, servicing costs and interest rates. To the extent actual results differ from those estimates, the impact is recognized as securitization income.

The Company estimates the fair value of retained interests in securitizations based on a discounted cash flow analysis. The cash flows of the retained interest-only strip are estimated as the excess of the weighted average finance charge yield on each pool of receivables sold over the sum of the interest rate paid to the note holder, the servicing fee and an estimate of future credit losses over the life of the receivables. Cash flows are discounted from the date the cash is expected to become available to the Company. These cash flows are projected over the life of the receivables using payment, default and interest rate assumptions that the Company believes would be used by market participants for similar financial instruments subject to prepayment, credit and interest rate risk. The cash flows are discounted using an interest rate that the Company believes a purchaser unrelated to the seller of the financial instrument would demand. As all estimates used are influenced by factors outside the Company's control, there is uncertainty inherent in these estimates, making it reasonably possible that they could change in the near term. Any adverse change in the Company's assumptions could materially impact securitization income.

The Company recognized securitization income of $9.1 million, $4.2 million and $4.6 million for fiscal years 2001, 2000, and 1999, respectively. The increased income in fiscal 2001 relative to fiscal 2000 was principally a reflection of increased sales on the Company's proprietary credit card, lower securitization facility costs and higher fee income.

EXHIBIT 13.3

CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)	February 2, 2002	February 3, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,752	$ 14,067
Restricted cash	2,355	--
Trade and other accounts receivable, net of allowances for doubtful accounts and sales returns of $3,408 and $4,045 in 2001 and 2000, respectively	28,806	24,052
Merchandise inventories	170,003	192,547
Prepaid expenses and other current assets	10,542	8,503
Deferred income taxes	7,371	2,318
Total current assets	228,829	241,487
PROPERTY, FIXTURES AND EQUIPMENT AT COST, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	143,884	147,415
DEFERRED INCOME TAXES	2,741	1,163
OTHER ASSETS	14,090	14,973
Total assets	$ 389,544	$ 405,038
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 57,007	$ 56,088
Accrued payroll and benefits	9,743	9,684
Accrued expenses	32,152	21,919
Current portion of long-term debt	646	584
Current portion of obligations under capital leases	232	479
Income taxes payable	11,891	10,422
Total current liabilities	111,671	99,176
LONG-TERM DEBT, LESS CURRENT MATURITIES	67,209	97,805
OBLIGATIONS UNDER CAPITAL LEASES, LESS CURRENT MATURITIES	720	953
OTHER LONG-TERM LIABILITIES	6,683	8,242
Total liabilities	186,283	206,176
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
SHAREHOLDERS' EQUITY		
Preferred Stock - authorized 5,000,000 shares at $0.01 par value; no shares issued	--	--
Common Stock - authorized 40,000,000 shares at $0.01 par value; issued and outstanding shares of 12,483,941 and 12,225,501 in 2001 and 2000, respectively	125	122
Class A Common Stock - authorized 20,000,000 shares at $0.01 par value; issued and outstanding shares of 2,989,853 in 2001 and 2000	30	30
Additional paid-in capital	107,467	106,882
Deferred compensation	(408)	(347)
Accumulated other comprehensive income	(2,354)	--
Retained earnings	98,401	92,175
Total shareholders' equity	203,261	198,862
Total liabilities and shareholders' equity	$ 389,544	$ 405,038

The accompanying notes are an integral part of these consolidated statements.

THE BON-TON STORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except share and per share data)	Fiscal Year Ended February 2, 2002	February 3, 2001	January 29, 2000
NET SALES	$ 721,777	$ 749,816	$ 710,963
OTHER INCOME, NET	2,548	2,715	2,651
	724,325	752,531	713,614
COSTS AND EXPENSES:			
Costs of merchandise sold	459,720	474,026	449,596
Selling, general and administrative	224,306	231,859	224,150
Depreciation and amortization	19,783	17,085	14,846
Unusual expense	916	6,485	2,683
Restructuring income	--	--	(2,492)
INCOME FROM OPERATIONS	19,600	23,076	24,831
INTEREST EXPENSE, NET	9,558	10,906	8,552
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	10,042	12,170	16,279
INCOME TAX PROVISION	3,816	4,622	6,186
INCOME BEFORE EXTRAORDINARY ITEM	6,226	7,548	10,093
EXTRAORDINARY ITEM - loss on early extinguishment of debt, net of $232 income tax benefit	--	--	(378)
NET INCOME	$ 6,226	$ 7,548	$ 9,715
Per share amounts -			
BASIC:			
Net income before extraordinary item	$ 0.41	$ 0.50	$ 0.68
Effect of extraordinary item	--	--	(0.02)
Net income	$ 0.41	$ 0.50	$ 0.66
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	15,200,000	14,953,000	14,750,000
DILUTED:			
Net income before extraordinary item	$ 0.41	$ 0.50	$ 0.68
Effect of extraordinary item	--	--	(0.02)
Net income	$ 0.41	$ 0.50	$ 0.66
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	15,214,000	14,953,000	14,753,000

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Common Stock	Class A Common Stock	Additional Paid-in Capital	Deferred Compensation	Other Comprehensive Income	Retained Earnings	Total
Balance at January 30, 1999	$ 123	$ 30	$108,260	$ (3,114)	$ --	$ 74,912	$180,211
Net income	--	--	--	--	--	9,715	9,715
Issuance of stock under Stock Award Plans	--	--	36	(22)	--	--	14
Deferred compensation amortization	--	--	(183)	933	--	--	750
Exercised stock options	--	--	16	--	--	--	16
Cancellation of Restricted Shares	--	--	(46)	31	--	--	(15)
Balance at January 29, 2000	123	30	108,083	(2,172)	--	84,627	190,691
Net income	--	--	--	--	--	7,548	7,548
Deferred compensation amortization	--	--	--	1,490	--	--	1,490
Tax impact on Restricted Shares	--	--	(655)	18	--	--	(637)
Cancellation of Restricted Shares	(1)	--	(546)	317	--	--	(230)
Balance at February 3, 2001	122	30	106,882	(347)	--	92,175	198,862
Comprehensive income:							
Net income	--	--	--	--	--	6,226	6,226
Cumulative effect of change in accounting for derivative instruments, net of $256 tax benefit	--	--	--	--	(426)	--	(426)
Unrealized loss on derivative financial instruments, net of $1,158 tax benefit	--	--	--	--	(1,928)	--	(1,928)
Total comprehensive income	--	--	--	--	(2,354)	6,226	3,872
Issuance of stock under Stock Award Plans	3	--	686	(689)	--	--	--
Deferred compensation amortization	--	--	--	589	--	--	589
Tax impact on Restricted Shares	--	--	(45)	--	--	--	(45)
Cancellation of Restricted Shares	--	--	(56)	39	--	--	(17)
Balance at February 2, 2002	$ 125	$ 30	$107,467	$ (408)	$ (2,354)	$ 98,401	$203,261

The accompanying notes are an integral part of these consolidated statements.

THE BON-TON STORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended February 2, 2002	February 3, 2001	January 29, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,226	$ 7,548	$ 9,715
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,783	17,085	14,846
Bad debt provision	1,305	1,863	520
Stock compensation expense	589	833	750
Loss (gain) on sale of property, fixtures and equipment	3	(12)	(158)
Cancellation of Restricted Shares	(17)	(230)	(15)
Decrease (increase) in other long-term assets	162	634	(408)
Increase in deferred income tax assets	(5,217)	(2,917)	(1,414)
(Decrease) increase in other long-term liabilities	(4,383)	4,650	(185)
Proceeds from sale of accounts receivable, net	--	12,000	11,000
Extraordinary loss on debt extinguishment	--	--	610
Asset write-down charge	--	--	2,683
Restructuring income	--	--	(2,492)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(6,059)	(10,133)	(4,625)
Decrease (increase) in merchandise inventories	22,544	10,942	(10,616)
(Increase) decrease in prepaid expenses and other current assets	(2,039)	3,868	(3,195)
Decrease in accounts payable	(1,973)	(1,582)	(4,919)
Increase (decrease) in accrued expenses	9,428	(5,754)	3,865
Increase in income taxes payable	1,424	590	91
Total adjustments	35,550	31,837	6,338
Net cash provided by operating activities	41,776	39,385	16,053
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net	(15,550)	(29,577)	(46,451)
Proceeds from sale of property, fixtures and equipment	16	12	426
Proceeds from sale and leaseback arrangement	--	11,046	--
Payment for the acquisition of businesses, net of cash received	--	--	(2,192)
Net cash used in investing activities	(15,534)	(18,519)	(48,217)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on long-term debt and capital lease obligations	(207,064)	(302,720)	(278,778)
Proceeds from issuance of long-term debt	176,050	293,700	310,300
Increase (decrease) in bank overdraft balances	2,812	(8,587)	826
Increase in restricted cash	(2,355)	--	--
Exercised stock options	--	1	16
Net cash (used in) provided by financing activities	(30,557)	(17,606)	32,364
Net (decrease) increase in cash and cash equivalents	(4,315)	3,260	200
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,067	10,807	10,607
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 9,752	$ 14,067	$ 10,807

The accompanying notes are an integral part of these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share data)

The Bon-Ton Stores, Inc., a Pennsylvania corporation, was incorporated on January 31, 1996 as the successor of a company established on January 31, 1929, and currently operates as one business segment, through its subsidiaries, 73 retail department stores located in Pennsylvania, New York, New Jersey, Maryland, Connecticut, Massachusetts, New Hampshire, Vermont and West Virginia.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION
The consolidated financial statements include the accounts of The Bon-Ton Stores, Inc. and all of its wholly-owned subsidiaries (the "Company"). All intercompany transactions have been eliminated in consolidation.

ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, the 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.

RECLASSIFICATIONS
Certain prior year balances have been reclassified to conform with the current year presentation.

FISCAL YEAR
The Company's fiscal year ended on the Saturday nearest to January 31, and consisted of fifty-two weeks for fiscal year 2001, fifty-three weeks for fiscal year 2000 and fifty-two weeks for fiscal year 1999. Fiscal years 2001, 2000 and 1999 ended on February 2, 2002, February 3, 2001 and January 29, 2000, respectively.

CASH AND CASH EQUIVALENTS
The Company considers all highly liquid short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents are generally overnight money market investments.

The Company reclassified outstanding accounts payable and payroll checks from cash to accounts payable or accrued payroll and benefits totaling $11,179 and $8,367 as of February 2, 2002 and February 3, 2001, respectively.

RESTRICTED CASH
As of February 2, 2002, restricted cash was required per the terms of the Company's accounts receivable facility agreement.

ALLOWANCE FOR DOUBTFUL ACCOUNTS
The Company owns and administers a proprietary credit card program. The Company performs ongoing credit evaluations of its customers who hold the Company's proprietary credit card, and adjusts credit limits based upon payment history and the customer current credit-worthiness. The Company continually monitors collections and payments from customers and maintains an allowance for estimated credit losses based upon its historical experience and any specific customer collection issues identified (e.g. bankruptcy). While such credit losses have historically been within expectations and provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates as in the past. If circumstances change (e.g. higher than expected defaults or bankruptcies), the Company's estimates of the recoverability of amounts due the Company could be reduced by a material amount. The allowance for doubtful accounts amounted to $2,808 and $3,445 as of February 2, 2002 and February 3, 2001, respectively.

MERCHANDISE INVENTORIES
For financial reporting and tax purposes, merchandise inventories are determined by the retail method, using a LIFO (last-in, first-out) cost basis. The estimated cost to replace inventories was $170,721 and $193,876 as of February 2, 2002 and February 3, 2001, respectively.

PROPERTY, FIXTURES AND EQUIPMENT: DEPRECIATION AND AMORTIZATION
Depreciation and amortization of property, fixtures and equipment is computed using the straight-line method based upon remaining lease terms or the following average estimated service lives:

Buildings	20 to 40 years
Leasehold improvements	2 to 15 years
Fixtures and equipment	3 to 10 years

No depreciation is recorded until property, fixtures and equipment are placed into service. Property, fixtures and equipment not placed into service are classified as construction in progress. The Company capitalizes interest and lease costs incurred during the construction of new facilities or major improvements. The amount of interest and lease costs capitalized is limited to that incurred during the construction period. Interest of $25, $123 and $333 was capitalized in fiscal years 2001, 2000 and 1999, respectively.

Repair and maintenance costs are charged to operations as incurred. Property retired or sold is removed from asset and accumulated depreciation accounts and the resulting gain or loss is reflected in income.

Costs of major remodeling and improvements on leased stores are capitalized as leasehold improvements. Leasehold improvements

are generally amortized over the shorter of the lease term or the useful life of the asset. Capital leases are recorded at the lower of fair market value or the present value of future minimum lease payments. Capital leases are amortized over the primary term of the lease.

The Company assesses the impairment of property, fixtures and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In fiscal 2001, the Company evaluated a store lease renewal option exercisable in January 2003. The Company decided against exercising this lease option under existing terms and, therefore, accelerated depreciation of $1,389 on associated assets with lives exceeding the expected lease term.

OTHER ASSETS
Other assets consist primarily of goodwill and lease-related interests classified as intangible assets:

	February 2, 2002	February 3, 2001
Goodwill	$ 4,208	$ 4,208
Less: Accumulated amortization	1,243	1,009
Net	$ 2,965	$ 3,199
Intangible assets - leases	$ 10,828	$ 10,828
Less: Accumulated amortization	3,794	3,305
Net	$ 7,034	$ 7,523

These lease interests relate to below-market-rate leases purchased in store acquisitions completed in fiscal years 1992 through 1999, which were adjusted to reflect fair market value. These leases had lives of four to forty-eight years.

ACCRUED EXPENSES
Accrued expenses consist of liabilities associated with store and corporate facility operations, such as accrued lease expense, advertising, employee severance, real estate taxes, legal expense and expense recorded pursuant to Statement of Financial Accounting Standards No. 133 (see Note 3).

INCOME TAXES
The Company accounts for income taxes according to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under SFAS No. 109, deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities using applicable current marginal tax rates.

Net deferred tax assets were $10,112 and $3,481 as of February 2, 2002 and February 3, 2001, respectively. As of February 2, 2002 and February 3, 2001, no valuation allowance has been established against this net deferred tax asset, as the Company believes these tax benefits will be realizable through reversal of existing deferred tax liabilities and future taxable income.

STORE OPENING AND CLOSING COSTS
The Company follows the practice of accounting for store opening costs incurred prior to opening a new retail unit as a current period expense. When the decision to close a retail unit is made, the Company provides for the estimated future net lease obligations after store operations cease; nonrecoverable investments in property, fixtures and equipment; and other expenses directly related to discontinuance of operations. The estimates are based upon historical information and certain assumptions about future events. Changes in store closing cost assumptions for items such as the estimated period of future lease obligations and the amounts actually realized relating to the carrying value of property, fixtures and equipment could cause these estimates to change.

ADVERTISING
Advertising production costs are expensed the first time the advertisement is run. Media placement costs are expensed in the period the advertising appears. Total advertising expenses included in selling, general and administrative expenses for fiscal years 2001, 2000 and 1999 were $26,717, $28,784 and $28,795, respectively. Prepaid expenses and other current assets include prepaid advertising costs of $352 and $847 at February 2, 2002 and February 3, 2001, respectively.

REVENUE RECOGNITION
The Company recognizes revenue at either the point-of-sale or at the time merchandise is shipped to the customer. Sales are net of returns and exclude sales tax. A reserve is provided for estimated merchandise returns based on experience.

LEASED DEPARTMENT SALES
The Company leases space to third parties in several of its stores and receives compensation based on a percentage of sales made in these departments. Other income, net, includes leased department rental income of approximately $2,738, $3,001 and $2,872 in fiscal 2001, 2000 and 1999, respectively.

REVOLVING CHARGE ACCOUNTS
Finance charge income on customer revolving charge accounts is reflected as a reduction of selling, general and administrative expenses. Finance charge income earned by the Company, before considering costs of administering and servicing revolving charge accounts, for fiscal years 2001, 2000 and 1999 was $33,706, $30,619 and $28,406, respectively, and is a component of securitization income (see Note 5).

RECEIVABLE SALES
When the Company sells receivables in securitizations of credit card loans, it retains interest-only strips, subordinated interests and servicing rights, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of financial assets involved in the transfer, allocated between the assets sold and retained interests, based on their relative fair value at date of transfer. To obtain fair values, quoted market prices are used if available. However, quotes are generally not available for retained interests and the Company estimates fair value based on the present value of future expected cash flows using management's best estimates of key assumptions -- credit losses, prepayment impact and an appropriate discount rate commensurate with risks involved. As all estimates used are influenced by factors outside the Company's control, uncertainty is inherent in these estimates, making it reasonably possible that they could change in the near term.

STOCK-BASED COMPENSATION
The Company follows Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which provides for a fair value based method of accounting for grants of equity instruments to employees or suppliers in return for goods or services. As permitted under SFAS No. 123, the Company has elected to continue accounting for compensation costs under the provisions prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has included pro forma disclosures of net income and basic and diluted earnings per share in Note 11 as if the fair value based method had been applied in measuring compensation cost as required by SFAS No. 123.

EARNINGS PER SHARE
The presentation of earnings per share ("EPS") requires a reconciliation of the numerators and denominators used in basic and diluted EPS calculations. The numerator, net income, is identical in both calculations. The following table presents a reconciliation of the weighted average shares outstanding used in EPS calculations for each of fiscal 2001, 2000 and 1999. EPS shown in this reconciliation excludes the impact of extraordinary items.

	2001		2000		1999	
	Shares	EPS	Shares	EPS	Shares	EPS
Basic Calculation	15,200,000	$ 0.41	14,953,000	$ 0.50	14,750,000	$ 0.68
Dilutive Securities -						
Restricted Shares	14,000		--		--	
Options	--		--		3,000	
Diluted Calculation	15,214,000	$ 0.41	14,953,000	$ 0.50	14,753,000	$ 0.68
Antidilutive shares and options -						
Restricted Shares	175,000		280,000		402,000	
Options	908,000		1,206,000		1,316,000	

Antidilutive shares and options, consisting of restricted shares and options to purchase shares, were excluded from the computation of dilutive securities due to the Company's net loss position in the first three quarters of fiscal 2001 and 1999, and the first two quarters of fiscal 2000. In addition, antidilutive options to purchase shares during the remaining quarters were excluded from the computation of dilutive securities due to exercise prices greater than average market price.

The following table reflects the approximate dilutive securities had the Company reported a net profit in each consecutive quarter of the corresponding fiscal years:

	2001	2000	1999
Approximate Dilutive Securities -			
Restricted Shares	23,000	--	43,000
Options	--	--	27,000

In addition, options to purchase shares with exercise prices greater than average market price were excluded from the above table for fiscal 2001, 2000, and 1999 in the approximate amounts of 908,000, 1,206,000 and 1,139,000, respectively, as they would have been antidilutive.

FUTURE ACCOUNTING CHANGES
The Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" became effective in 2002. As a result, the Company will cease to amortize approximately $2,965 of net goodwill. The Company recorded approximately $234 of goodwill amortization during each of fiscal 2001, 2000 and 1999, and would have recorded approximately $234 of goodwill amortization during fiscal 2002. In lieu of amortization, the Company is required to perform an initial impairment review of its goodwill in 2002 and an annual impairment review thereafter. The Company completed the initial review during the first quarter of 2002 and will not record an impairment charge.

In August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-lived Assets" ("SFAS No. 144"), which supercedes SFAS No.
121. SFAS No. 144, effective for fiscal 2002, retains provisions of SFAS No. 121 regarding recognition and measurement of long-lived asset

impairment. SFAS No. 144 supercedes the accounting and reporting provisions of Accounting Principles Board Opinion No. 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for segments of a business to be disposed of. The Company anticipates that adoption of SFAS No. 144 provisions will not have a material impact on its operating results.

2. DEBT

Debt consisted of the following:

	February 2, 2002	February 3, 2001
Revolving credit agreement - principal payable April 15, 2004; interest payable periodically at varying rates (5.08% for fiscal year 2001)	$ 42,500	$ 72,450
Mortgage notes payable - principal payable in varying monthly installments through June 2016; interest 9.62%; secured by land and buildings	19,855	20,439
Mortgage notes payable - principal payable February 1, 2012; interest payable monthly at various rates; secured by a building	4,500	4,500
Mortgage notes payable - principal payable January 1, 2011; interest payable monthly at 5.00% beginning February 1, 2006; secured by a building and fixtures	1,000	1,000
Total debt	67,855	98,389
Less: current maturities	646	584
Long-term debt	$ 67,209	$ 97,805

In December 2001, the Company amended its revolving credit facility ("Credit Facility") agreement to reduce the line of credit from $200,000 to $175,000.

In April 1999, the Company amended its Credit Facility agreement to extend the term of the facility to April 15, 2004. The amended agreement extends the term of the available fixed assets and real estate borrowing base and provides a more favorable interest rate pricing structure, with substantially all other terms and conditions remaining unchanged. As a result of this transaction, the Company incurred a one-time extraordinary after-tax charge of $378, or $0.02 per share, in fiscal 1999.

As of February 2, 2002, the Company had borrowings of $42,500, with $52,894 of additional borrowing availability (net of $6,095 letter-of-credit commitments) remaining under the Credit Facility. The interest charged under this agreement, based on LIBOR or an index rate plus an applicable margin, is determined by a formula based on the Company's interest coverage ratio (defined as the ratio of earnings before interest, taxes, depreciation and amortization to interest expense).

The Company entered into a loan agreement with the City of Scranton, Pennsylvania on July 5, 2000. The loan provided $1,000 to be used in certain store renovations. The agreement provides for interest payments beginning February 1, 2006 at a rate of 5.0% per annum. The principal balance is to be paid in full by January 1, 2011.

Several of the Company's loan agreements contain restrictive covenants, including a minimum trade support ratio; a minimum fixed charge ratio; and limitations on dividends, additional incurrence of debt and capital expenditures. The Company was in compliance with each of these covenants during fiscal 2001.

The fair value of the Company's debt, excluding interest rate swaps, was estimated at $70,087 and $98,947 on February 2, 2002 and February 3, 2001, respectively, and is based on an estimate of rates available to the Company for debt with similar features.

Debt maturities by fiscal year as of February 2, 2002, are as follows:

2002	$ 646
2003	715
2004	43,291
2005	876
2006	970
2007 and thereafter	21,357
	$ 67,855

3. INTEREST RATE DERIVATIVES

The Company maintains an interest rate swap portfolio that allows the Company to convert a portion of the variable rates under the Company's credit facilities to fixed rates. The following table indicates the notional amounts as of February 2, 2002 and February 3, 2001 and the range of interest rates paid and received by the Company during the respective fiscal years:

	February 2, 2002	February 3, 2001
Fixed swaps (notional amount)	$110,000	$ 80,000
Range of receive rate	2.21%-6.74%	6.03%-6.86%
Range of pay rate	5.43%-5.88%	5.58%-5.88%

The interest rate swap agreements will expire on various dates from June 2, 2003 to February 6, 2006. The net income or expense from the exchange of interest rate payments is included in interest expense. The estimated fair value of the interest rate swap agreements, based on dealer quotes, at February 2, 2002 and February 3, 2001, was an unrealized loss of $4,311 and $682, respectively, and represents the amount the Company would pay if the agreements were terminated as of such dates.

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities -- an amendment of FASB Statement No. 133," on February 5, 2001. SFAS No. 133 requires the transition adjustment, net of tax effect, resulting from adopting these Statements to be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle. In the first quarter of 2001, a $426 net-of-tax loss transition adjustment was recorded in accumulated other comprehensive income as a result of recognizing at fair value all derivatives designated as cash flow hedging instruments.

As of February 2, 2002, the Company recorded accrued expenses of $1,486 and other long-term liabilities of $2,825 to recognize at fair value all derivatives designated as cash flow hedging instruments. Of this amount, $543 was recognized as a current period charge (corresponding to the portion of the hedges deemed ineffective), $2,354 was reported within other comprehensive income and $1,414 was reported as deferred tax assets. All charges recorded in fiscal 2001 pursuant to SFAS No. 133 are considered non-cash items for Consolidated Statement of Cash Flows purposes.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company recognizes all derivatives on the balance sheet at fair value. On the date the derivative instrument is entered into, the Company generally designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). Changes in the fair value of a derivative that is designated as, and meets all required criteria for, a cash flow hedge are recorded in accumulated other comprehensive income and reclassified into earnings as the underlying hedged item affects earnings. The portion of the change in fair value of a derivative associated with hedge ineffectiveness or the component of a derivative instrument excluded from the assessment of hedge effectiveness is recorded in current earnings. Also, changes in the entire fair value of a derivative that is not designated as a hedge are recorded in earnings. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes relating all derivatives that are designated as cash flow hedges to specific balance sheet assets and liabilities.

The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the respective derivative.

DEBT PORTFOLIO MANAGEMENT

It is the policy of the Company to identify on a continuing basis the need for debt capital and evaluate financial risks inherent in funding the Company with debt capital. Reflecting the result of this ongoing review, the debt portfolio and hedging program of the Company is managed to (1) reduce funding risk with respect to borrowings made or to be made by the Company to preserve the Company's access to debt capital and provide debt capital as required for funding and liquidity purposes, and (2) reduce the aggregate interest rate risk of the debt portfolio in accordance with certain debt management parameters. The Company enters into interest rate swap agreements to change the fixed/variable interest rate mix of the debt portfolio in order to maintain the percentage of fixed-rate and variable-rate debt within parameters set by management. In accordance with these parameters, swap agreements are used to reduce interest rate risks and costs inherent in the Company's debt portfolio. Accordingly, the Company currently has interest rate swap contracts outstanding to effectively convert variable-rate debt to fixed-rate debt. These contracts entail the exchange of fixed-rate and floating-rate interest payments periodically over the agreement life.

CASH FLOW HEDGES

Interest expense for fiscal 2001 includes $543 of net losses related to hedge ineffectiveness. Changes in the fair value of derivatives qualifying as cash flow hedges are reported in accumulated other comprehensive income. Gains and losses are reclassified into earnings as the underlying hedged item affects earnings, such as when quarterly settlements are made on the hedged forecasted transaction. As of February 2, 2002, it is expected that approximately $1,000 of net-of-tax losses in accumulated other comprehensive income will be reclassified into earnings within the next twelve months. There was no gain or loss reclassified from accumulated other comprehensive income into earnings during fiscal 2001 as a result of the discontinuance of a cash flow hedge due to the probability of the original forecasted transaction not occurring. As of February 2, 2002, the maximum time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions is forty-eight months.

4. INTEREST COSTS

Interest and debt costs were:

	Fiscal Year Ended		
	February 2, 2002	February 3, 2001	January 29, 2000
Interest costs incurred	$ 9,732	$ 11,284	$ 8,988
Interest income	(149)	(255)	(103)
Capitalized interest, net	(25)	(123)	(333)
Interest expense, net	$ 9,558	$ 10,906	$ 8,552
Interest paid	$ 8,244	$ 11,698	$ 8,303

5. SALE OF RECEIVABLES

The Company securitizes its proprietary credit card portfolio through an accounts receivable facility (the "Facility"). The securitization agreement was amended in October 1999 to extend the term of the Facility through January 2003, and contains modified pricing and a trade support covenant. The amended agreement also permits the Company to request seasonal increases in the amount sold under the Facility and annual extensions of the term. Substantially all other terms and conditions of the original agreement remain unchanged.

Under the securitization agreement, which is contingent upon receivables meeting certain performance criteria, the Company has the option to sell through The Bon-Ton Receivables Partnership, LP ("BTRLP"), a wholly-owned subsidiary of the Company, up to $150,000 of an undivided percentage interest in the receivables on a limited recourse basis. In connection with the securitization agreement, the Company retains servicing responsibilities, subordinated interests and an interest-only strip, all of which are retained interests in the securitized receivables. The Company receives annual servicing fees of 2.0% of the outstanding balance and rights to future cash flows arising after investors in the securitization have received the return for which they contracted. The investors have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's retained interests are subordinate to the investors' interests. The value of the retained interest is subject to credit, prepayment and interest rate risks. The Company does not recognize a servicing asset or liability, as the amount received for servicing the receivables is a reasonable approximation of market rates and servicing costs.

As of February 2, 2002 and February 3, 2001, credit card receivables were sold under the securitization agreement in the amount of $150,000, and the Company had subordinated interests of $29,099 and $22,585, respectively, related to the amounts sold that were included in the accompanying Consolidated Balance Sheets as trade and other accounts receivable. The Company accounts for its subordinated interest in the receivables in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company has not recognized any unrealized gains or losses on its subordinated interest, as the current carrying value of customer revolving charge accounts receivable is a reasonable estimate of fair value and average interest rates approximate current market origination rates.

New receivables are sold on a continual basis to replenish each investor's respective level of participation in receivables that have been repaid by credit card holders.

During fiscal 2001, 2000 and 1999, the Company recognized securitization income of $9,054, $4,230 and $4,591, respectively, on securitization of credit card loans. This income is reported as a component of selling, general and administrative expenses.

Key economic assumptions used in measuring retained interests at the date of securitization for securitizations completed during the year were as follows:

	Fiscal 2001	Fiscal 2000
Yield on credit cards	16.8%-17.3%	17.0%-18.2%
Payment rate	18.8%-19.3%	19.1%-19.7%
Interest rate on variable funding	4.4%-6.4%	6.4%-7.6%
Net charge-off rate	7.4%	7.0%
Residual cash flows discount rate	12.0%	12.0%

The interest-only strip was recorded at its fair value of $1,109 and $973 at February 2, 2002 and February 3, 2001, respectively, and is included in trade and other accounts receivable on the Consolidated Balance Sheets. The following table shows key economic assumptions used in measuring the interest-only strip for fiscal 2001. The table also displays the sensitivity of the current fair value of residual cash flows in fiscal 2001 to immediate 10% and 20% adverse changes in assumptions:

		Effect of Adverse Changes($)	
	Assumptions	10%	20%
Yield (annual rate)	16.8%	652	1,305
Payment rate	18.8%	102	204
Interest rate on variable and adjusted contracts	4.4%	172	344
Net charge-off rate	7.4%	291	582
Residual cash flows discount rate (annual rate)	12.0%	2	4

These sensitivities are hypothetical and should be used with caution. Changes in fair value based on a 10% variation in an assumption generally cannot be extrapolated because the relationship of the change in an assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

During fiscal 2001, the Company received net proceeds of $3,428 from servicing fees, which is reported as a component of selling, general and administrative expenses. As of February 2, 2002, $5,434 of the total managed credit card receivables were 60 days or more past due. Net credit losses on the total managed credit card receivables for the fiscal year ending February 2, 2002 were $7,813.

6. PROPERTY, FIXTURES AND EQUIPMENT

As of February 2, 2002 and February 3, 2001, property, fixtures and equipment and related accumulated depreciation and amortization consisted of:

	February 2, 2002	February 3, 2001
Land and improvements	$ 2,801	$ 2,801
Buildings and leasehold improvements	144,715	135,164
Furniture and equipment	125,020	119,609
Buildings under capital leases	5,052	5,052
	277,588	262,626
Less: Accumulated depreciation and amortization	133,704	115,211
	$ 143,884	$ 147,415

Property, fixtures and equipment with a net depreciated cost of approximately $29,143 and $30,420 are pledged as collateral for secured loans at February 2, 2002 and February 3, 2001, respectively.

7. COMMITMENTS AND CONTINGENCIES

LEASES

The Company is obligated under capital and operating leases for a major portion of its store properties. Certain leases provide for additional rental payments based on a percentage of sales in excess of a specified base (contingent rentals) and for payment by the Company of operating costs (taxes, maintenance and insurance). Also, selling space has been licensed to other retailers in many of the Company's leased facilities.

At February 2, 2002, future minimum lease payments under operating leases and the present value of net minimum lease payments under capital leases are as follows:

Fiscal Year	Capital Leases	Operating Leases
2002	$ 300	$ 20,904
2003	300	20,422
2004	300	19,538
2005	200	18,070
2006	--	14,517
2007 and thereafter	--	81,155
Total net minimum rentals	1,100	$ 174,606
Less: Amount representing interest	148	

Present value of net minimum lease payments, of which $232 is due within one year	$ 952

Minimum rental commitments under operating leases are reflected without reduction for rental income due in future years under noncancellable subleases since amounts are immaterial. Some of the store leases contain renewal options ranging from five to thirty-five years. Included in the minimum lease payments under operating leases are leased vehicles, copiers, fax machines and computer equipment, and a related-party commitment with the Company's majority shareholder and related entities of $224 for fiscal 2002 through 2005 and $112 for fiscal 2006.

Rental expense consisted of the following:

	Fiscal Year Ended		
	February 2, 2002	February 3, 2001	January 29, 2000
Operating leases:			
Buildings:			
Minimum rentals	$ 19,960	$ 18,667	$ 16,367
Contingent rentals	2,067	2,358	2,614
Fixtures and equipment	1,403	2,094	2,015
Contingent rentals on capital leases	320	397	414
Totals	$ 23,750	$ 23,516	$ 21,410

CONTINGENCIES
The Company is party to legal proceedings and claims which arise during the ordinary course of business. In the opinion of management, the ultimate outcome of all such litigation and claims will not have a material adverse effect on the Company's financial position or results of its operations.

8. SHAREHOLDERS' EQUITY

The Company's capital structure consists of Common Stock with one vote per share and Class A Common Stock with ten votes per share. Transfers of the Company's Class A Common Stock are restricted. Upon sale or transfer of ownership or voting rights to other than permitted transferees, as defined, such shares will convert to an equal number of shares of Common Stock.

9. INCOME TAXES

The Company accounts for income taxes according to SFAS No. 109. Under SFAS No. 109, deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities using applicable current marginal tax rates.

Components of the income tax provision are as follows:

	Fiscal Year Ended		
	February 2, 2002	February 3, 2001	January 29, 2000
Current:			
Federal	$ 8,975	$ 7,296	$ 7,287
State	644	243	313
Total current	9,619	7,539	7,600
Deferred:			
Federal	(5,416)	(2,759)	(1,338)
State	(387)	(158)	(76)
Total deferred	(5,803)	(2,917)	(1,414)
Income tax expense	$ 3,816	$ 4,622	$ 6,186

Components of gross deferred tax assets and liabilities were comprised of the following:

	February 2, 2002	February 3, 2001
Deferred tax assets:		
Accrued expenses	$ 4,919	$ 3,251
Restricted shares and options	238	159
Bad debt reserve	1,053	1,275
Sale and leaseback	992	1,045
CEO retirement	403	862
Asset write-down	724	833
Inventory	1,673	--
Other	1,617	215
Total gross deferred tax assets	$ 11,619	$ 7,640
Deferred tax liabilities:		
Fixed assets	$ 823	$ 2,369
Inventory	--	711
Other	684	1,079
Total gross deferred tax liabilities	$ 1,507	$ 4,159

No deferred tax assets have associated valuation allowances since the Company believes these tax benefits are realizable through reversal of existing deferred tax liabilities and future taxable income.

A reconciliation of the statutory federal income tax rate to the effective tax rate is presented below:

	Fiscal Year Ended		
	February 2, 2002	February 3, 2001	January 29, 2000
Tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.6	2.0	2.0
Book expense in excess of IRC 162 limitation	--	--	0.9
Other, net	0.4	1.0	0.1
Total	38.0%	38.0%	38.0%

In fiscal 2001, 2000 and 1999, the Company made income tax payments of $6,963, $7,232 and $7,335, respectively.

10. EMPLOYEE BENEFIT PLANS

The Company provides eligible employees with retirement benefits under a 401(k) salary reduction and profit sharing plan (the "Plan"). Employees are eligible to participate in the Plan after they reach the age of 21, complete one year of service and work at least 1,000 hours in any calendar year. Under the 401(k) provisions of the Plan, the majority of eligible employees may contribute up to 15% of their compensation to the Plan. Company matching contributions, not to exceed 5% of eligible employees' compensation, are at the discretion of the Company's Board of Directors. Company matching contributions under the 401(k) provisions of the Plan become fully vested for eligible employees after three years of service. Contributions to the Plan under the profit sharing provisions are at the discretion of the Company's Board of Directors. These profit sharing contributions become fully vested after five years of service. The Company's fiscal 2001, 2000 and 1999 expense under the Plan was $2,200, $2,200 and $1,981, respectively.

11. STOCK AWARD PLANS

The Company's Amended and Restated 1991 Stock Option and Restricted Stock Plan ("1991 Stock Plan"), as amended through June 17, 1997, provided for the granting of the following options and awards to certain associates, officers, directors, consultants and advisors: Common Stock options, performance-based Common Stock options as part of a long-term incentive plan for selected officers, and Common Stock awards subject to substantial risk of forfeiture ("Restricted Shares"). The maximum number of shares which could have been granted under the 1991 Stock Plan, less forfeitures, was 1,900,000 shares. In addition to the 1991 Stock Plan, during 1991 the Board of Directors approved a Phantom Equity Replacement Plan ("Replacement Plan") to replace the Company's previous deferred compensation arrangement that was structured as a phantom stock program.

Options granted under the 1991 Stock Plan, excluding Restricted Share awards, were generally issued at the market price of the Company's stock on the date of grant, vested over three to five years and had a ten-year term. No additional options or awards may be granted from the 1991 Stock Plan after September 30, 2001. Grants under the Replacement Plan vest over approximately one to six years and have a thirty-year term.

The Company amended its Management Incentive Plan ("MIP Plan") in 1997 to provide, at the election of each participant, for bonus awards to be received in vested Restricted Shares in lieu of cash on the satisfaction of applicable performance goals. The maximum number of shares to be granted under the MIP Plan was 300,000, with no additional shares to be issued after July 1998.

In 1998, the Company implemented The Bon-Ton Stores, Inc. Performance Based Stock Incentive Plan ("Stock Incentive Plan") for Heywood Wilansky, former president and chief executive officer. The Stock Incentive Plan provided performance-based compensation to Mr. Wilansky in the form of stock bonuses granted in connection with services provided. Pursuant to the early retirement of Mr. Wilansky (see Note 14), outstanding options in the plan have been cancelled and the plan has been terminated.

The Company implemented the 2000 Stock Incentive Plan ("2000 Stock Plan") during fiscal 2000. The 2000 Stock Plan provides for the granting of Common Stock options and Restricted Shares to certain associates, officers, directors, consultants and advisors. The maximum number of shares to be granted under the 2000 Stock Plan is 400,000. No options or awards may be granted under the 2000 Stock Plan after March 2, 2010. As of February 2, 2002, options for 100,000 shares were granted under the 2000 Stock Plan at an exercise price of $2.39 with a ten-year contractual life. No Restricted Shares were granted under the 2000 Stock Plan as of February 2, 2002.

Compensation costs charged to operations, calculated using the intrinsic value method as required by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," was $589, $1,270 and $750 in fiscal 2001, 2000 and 1999, respectively. Had the Company recorded compensation expense using the fair value based method as discussed in SFAS No. 123, "Accounting for Stock-Based Compensation," net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		Fiscal Year Ended		
		February 2, 2002	February 3, 2001	January 29, 2000
Net income	As reported	$ 6,226	$ 7,548	$ 9,715
	Pro forma	5,636	6,812	8,121
Earnings per share				
Basic	As reported	$ 0.41	$ 0.50	$ 0.66
	Pro forma	0.37	0.46	0.55
Diluted	As reported	$ 0.41	$ 0.50	$ 0.66
	Pro forma	0.37	0.46	0.55

The Company used the Black-Scholes option pricing model to calculate the fair value of the stock options at the grant date. The following assumptions were used:

	Fiscal Year Ended		
	February 2, 2002	February 3, 2001	January 29, 2000
Expected option term in years	7.8	6.0	6.7
Stock price volatility factor	70.4%	88.0%	65.4%
Dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	4.7%	6.6%	6.1%

A summary of the options and restricted shares under the 1991 Stock Plan follows:

	Common Stock Options		Performance-Based Options		Restricted Shares
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price	Number of Shares
FISCAL 1999					
January 30, 1999	692,363	$ 9.58	343,900	$ 6.67	201,666
Granted	243,000	$ 5.81	--	--	5,000
Transferred	88,400	$ 6.13	(88,400)	$ 6.13	--
Exercised	(1,000)	$ 6.38	--	--	(83,333)
Forfeited	(40,733)	$ 11.31	(88,400)	$ 6.13	--
January 29, 2000	982,030	$ 8.20	167,100	$ 7.25	123,333
Options exercisable at January 29, 2000	595,342	$ 8.58	--	--	--
Weighted average fair value of options granted during fiscal 1999		$ 3.95		--	
FISCAL 2000					
Granted	10,500	$ 3.29	--	--	--
Transferred	83,550	$ 7.25	(83,550)	$ 7.25	--
Exercised	--	--	--	--	(83,333)
Forfeited	(319,533)	$ 8.64	(83,550)	$ 7.25	(30,000)
February 3, 2001	756,547	$ 7.93	--	--	10,000
Options exercisable at February 3, 2001	562,588	$ 8.39	--	--	--
Weighted average fair value of options granted during fiscal 2000		$ 2.55		--	
FISCAL 2001					
Granted	212,084	$ 2.94	--	--	275,652
Transferred	--	--	--	--	--
Exercised	--	--	--	--	(128,617)
Forfeited	(131,033)	$ 10.49	--	--	(7,000)
February 2, 2002	837,598	$ 6.27	--	--	150,035
Options exercisable at February 2, 2002	578,848	$ 7.42	--	--	--
Weighted average fair value of options granted during fiscal 2001		$ 2.15		--	

The exercised shares in the above summary for Restricted Shares represent shares for which the restrictions have lapsed.

The range of exercise prices for Common Stock options outstanding as of February 2, 2002 follows:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price
$ 2.94	203,584	$ 2.94	9.1 years	16,500	$ 2.94
$ 3.19 - $ 7.13	418,348	$ 5.93	6.2 years	346,682	$ 5.99
$ 7.25 - $11.25	145,266	$ 8.02	4.2 years	145,266	$ 8.02
$13.25 - $17.00	70,400	$ 14.28	6.1 years	70,400	$ 14.28

A summary of the status of the Replacement Plan follows:

	Discount Options	Non-Discount Options
Exercise Price	$ 3.25	$ 13.00
January 30, 1999	49,189	37,552
Exercised	--	--
Forfeited	--	--
January 29, 2000	49,189	37,552
Exercised	--	--
Forfeited	--	(8,650)
February 3, 2001	49,189	28,902
Exercised	--	--
Forfeited	(6,591)	(28,902)
February 2, 2002	42,598	--

A summary of the Management Incentive Plan follows:

	Shares
January 30, 1999	117,138
Granted	--
Restriction lapsed	(15,317)
Forfeited	(7,260)
January 29, 2000	94,561
Granted	--
Restriction lapsed	(13,907)
Forfeited	(21,359)
February 3, 2001	59,295
Granted	--
Restriction lapsed	(12,471)
Forfeited	(10,212)
February 2, 2002	36,612

Shares issued under the Stock Incentive Plan in fiscal 1998 were 250,000 Restricted Shares and options to purchase 250,000 shares with an exercise price of $8.00 per share. No shares or options were vested or forfeited during fiscal 1998 and 83,334 options vested in fiscal 1999. During fiscal 2000, 250,000 Restricted Shares vested and 250,000 options were forfeited due to the early retirement of Heywood Wilansky (see Note 14). No shares remain in the plan.

Cancellation of options and shares in the above plans resulted primarily from employment termination and voluntary forfeitures.

12. QUARTERLY RESULTS (UNAUDITED)

	Fiscal Quarter Ended			
	May 5, 2001	August 4, 2001	November 3, 2001	February 2, 2002
FISCAL 2001:				
Net sales	$ 149,719	$ 150,867	$ 175,621	$ 245,570
Other income, net	524	518	466	1,040
	150,243	151,385	176,087	246,610
Costs of merchandise sold	98,740	95,637	111,898	153,445
Selling, general and administrative expenses	53,106	54,112	56,656	60,432
Depreciation and amortization(1)	4,450	4,484	4,908	5,941
Unusual expense	--	--	916	--
Income (loss) from operations	(6,053)	(2,848)	1,709	26,792
Interest expense, net	1,917	2,175	2,484	2,982
Income (loss) before income taxes	(7,970)	(5,023)	(775)	23,810
Income tax provision (benefit)	(2,989)	(1,884)	(291)	8,980
Net income (loss)	$ (4,981)	$ (3,139)	$ (484)	$ 14,830
PER SHARE AMOUNTS - BASIC:				
Net income (loss)	$ (0.33)	$ (0.21)	$ (0.03)	$ 0.97
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	15,150,000	15,161,000	15,214,000	15,276,000
DILUTED:				
Net income (loss)	$ (0.33)	$ (0.21)	$ (0.03)	$ 0.97
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	15,150,000	15,161,000	15,214,000	15,332,000

(1) In the fiscal quarter ended February 2, 2002, the Company evaluated a store lease renewal option exercisable in January 2003. The Company decided against exercising this lease option under existing terms and, therefore, accelerated depreciation of $1,389 on associated assets with lives exceeding the expected lease term.

	Fiscal Quarter Ended			
	April 29, 2000	July 29, 2000	October 28, 2000	February 3, 2001
FISCAL 2000:				
Net sales	$ 152,135	$ 156,346	$ 174,924	$ 266,411
Other income, net	572	539	468	1,136
	152,707	156,885	175,392	267,547
Costs of merchandise sold	100,449	98,150	110,178	165,249
Selling, general and administrative expenses	54,025	54,175	56,010	67,649
Depreciation and amortization	4,121	4,121	4,677	4,166
Unusual expense	--	6,485	--	--
Income (loss) from operations	(5,888)	(6,046)	4,527	30,483
Interest expense, net	2,339	2,821	2,906	2,840
Income (loss) before income taxes	(8,227)	(8,867)	1,621	27,643
Income tax provision (benefit)	(3,127)	(3,370)	615	10,504
Net income (loss)	$ (5,100)	$ (5,497)	$ 1,006	$ 17,139
PER SHARE AMOUNTS - BASIC:				
Net income (loss)	$ (0.34)	$ (0.37)	$ 0.07	$ 1.13
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	14,802,000	14,813,000	15,051,000	15,146,000
DILUTED:				
Net income (loss)	$ (0.34)	$ (0.37)	$ 0.07	$ 1.13
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	14,802,000	14,813,000	15,051,000	15,146,000

13. ACQUISITIONS

In March 1999, the Company acquired the leasehold interests and certain other assets in three department stores located in Hamden, Connecticut; Red Bank, New Jersey, and Brick Township, New Jersey through a bankruptcy auction, for a total cost of $2,200. The leasehold interests were held by Steinbach Stores, Inc., a wholly-owned subsidiary of Crowley, Milner and Company. Certain fixed assets and customer lists were also included in the purchase. This business combination was accounted for under the purchase method, with the fair market value of acquired leases amortized over the remaining lease term.

14. UNUSUAL EXPENSE

During the third quarter of fiscal 2001, the Company reported $916 in unusual expense relating to a workforce reduction and realignment and elimination of certain senior management positions. As of February 2, 2002, the amount paid was $480 and the remaining accrual was $436.

During the second quarter of fiscal 2000, the Company reported $6,485 in unusual expense relating to a workforce reduction of 187 corporate and store personnel. The workforce reduction affected 137 employees and eliminated 50 positions. Additionally, the Company announced the early retirement of Heywood Wilansky, former president and chief executive officer, and the realignment and elimination of certain senior management positions. As of February 2, 2002, the amount paid was $3,666 and the remaining accrual was $2,819.

Mr. Wilansky is entitled to receive his base salary (paid in monthly installments) through January 31, 2003, the remainder of his employment term. Mr. Wilansky also received a $170 cash bonus for fiscal 2000. Outstanding options to purchase 435,233 shares of Common Stock were exercisable for a period of ninety days. No options were exercised and all were cancelled. Restricted Shares in the amount of 333,333 shares vested immediately.

During the fourth quarter of fiscal 1999, the Company recorded an expense to write down the value of certain assets relating to a cooperative buying group from which the Company purchased inventory. A $2,683 charge was recorded to write-down $2,300 in deposits held by the cooperative buying group with the remainder relating to the write-down of the Company's minority equity interest. The cooperative buying group ceased its operations during fiscal 2000.

15. SALE AND LEASEBACK ARRANGEMENTS

In December 2000, the Company purchased land from the Company's majority shareholder and related parties. The Company then sold the land along with building, leasehold improvements and certain equipment, comprising a department store and a distribution center both located in Pennsylvania, and subsequently leased the facilities back under a twenty-year lease. The lease has been accounted for as an operating lease for financial reporting purposes. Net proceeds of $11,046 were received from the sale, of which $6,023 was used to pay-off related mortgages and the remainder to provide additional working capital. The gain associated with the sale, totaling $418, has been deferred in other long-term liabilities and is being amortized on a straight-line basis over the twenty-year lease term. Payments on the lease during fiscal 2001 were $1,259, which includes the prepayment of February and March 2002.

16. RESTRUCTURING

In fiscal 1995, the Company recorded a restructuring charge of $5,690 for store closings and workforce reductions. Amounts charged against the restructuring reserve for fiscal 1999 are as follows:

	1999
Beginning of year balance	$ 2,446
Store closing costs, net of expense forgiveness	46
Restructuring income	(2,492)
End of year balance	$ --

At the end of fiscal 1998, the balance remaining from this charge related to a leased property located in Johnstown, Pennsylvania. In 1999, the mall containing the leased location was sold to a new owner who wanted to redevelop the property and the Company negotiated the termination of this lease with the new owner. In the fourth quarter of fiscal 1999, the Company entered into an agreement to terminate the lease related to the closed store. To reflect the lease termination, during fiscal 1999 the Company recognized $2,492 of restructuring income in the Company's Consolidated Statements of Income.

17. SUBSEQUENT EVENT

On February 7, 2002, the Company announced it would consider the repurchase of up to $2,500 of its stock from time to time.

THE BON-TON STORES, INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BON-TON STORES, INC.:

We have audited the accompanying consolidated balance sheets of The Bon-Ton Stores, Inc. (a Pennsylvania corporation) and subsidiaries as of February 2, 2002 and February 3, 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 2, 2002. 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 in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bon-Ton Stores, Inc. and subsidiaries as of February 2, 2002 and February 3, 2001, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 2, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Philadelphia, PA
March 6, 2002

THE BON-TON STORES, INC. AND SUBSIDIARIES

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

The Bon-Ton Department Stores, Inc., a Pennsylvania corporation

The Bon-Ton Corp., a Delaware corporation

The Bon-Ton Stores of Lancaster, Inc., a Pennsylvania corporation

The Bon-Ton National Corp., a Delaware corporation

The Bon-Ton Trade Corp., a Delaware corporation

BTRGP, Inc., a Pennsylvania corporation

The Bon-Ton Receivables Partnership, L. P., a Pennsylvania limited partnership

The Bon-Ton Properties - Greece Ridge G. P., Inc., a New York corporation

The Bon-Ton Properties - Greece Ridge L. P., a Delaware limited partnership

The Bon-Ton Properties - Irondequoit G. P., Inc., a New York corporation

The Bon-Ton Properties - Irondequoit L. P., a Delaware limited partnership

The Bon-Ton Properties - Marketplace G. P., Inc., a New York corporation

The Bon-Ton Properties - Marketplace L. P., a Delaware limited partnership

The Bon-Ton Properties - Eastview G. P., Inc., a New York corporation

The Bon-Ton Properties - Eastview L. P., a Delaware limited partnership

Capital City Commons Realty, Inc., a Pennsylvania corporation

CROP Reinsurance, Ltd., a Turks and Caicos Islands corporation

The Bon-Ton Giftco, Inc., a Florida corporation

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated March 6, 2002 included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statements, Registration Nos. 33-43105, 33-51954, 333-36633, 333-36661, 333-36725, 333-46974 and 333-65120.

/s/ Arthur Andersen LLP

Philadelphia, PA
April 30, 2002

EXHIBIT 99.1

April 30, 2002

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: ARTHUR ANDERSEN LLP

Ladies and Gentlemen:

Pursuant to Temporary Note 3T to Article 3 of Regulation S-X adopted by the Securities and Exchange Commission, Arthur Andersen has represented to us the following regarding the audit of our consolidated financial statements as of February 2, 2002, and for the year then ended and have issued their report thereon dated March 6, 2002.

The audit was subject to Arthur Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Arthur Andersen personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen was not relevant to this audit.

Sincerely,

/s/ James H. Baireuther

James H. Baireuther
Chief Financial Officer

End of Filing

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