

BON TON STORES INC

FORM 10-K (Annual Report)

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Industry	Retail (Department & Discount)
Sector	Services
Fiscal Year	01/31

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 1, 2003

Commission File Number
0-19517

THE BON-TON STORES, INC.
2801 EAST MARKET STREET
YORK, PENNSYLVANIA 17402
(717) 757-7660
www.bonton.com

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 Act during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

The Registrant is not an accelerated filer (as defined in Rule 12b-2 of the Act).

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in the Registrant's proxy statement incorporated by reference in

Part III of this Form 10-K.

As of August 2, 2002, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$42,081,863 based upon the closing price of \$4.82 per share.*

As of April 4, 2003, there were 12,179,485 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 III - Portions of the Proxy Statement for the 2003 Annual Meeting of Shareholders ("Proxy Statement").

* Calculated by excluding all shares held in the treasury of the Registrant or 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 fiscal 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 fiscal 2002 is a reference to the fiscal year ended February 1, 2003).

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 stores offering apparel, home furnishings, cosmetics, accessories and shoes. We presently operate 72 stores in secondary markets - 36 stores in Pennsylvania, 26 stores in New York, three stores in Maryland, two stores in New Jersey, and one store in each of Connecticut, New Hampshire, Massachusetts, Vermont and West Virginia. Our strategy focuses on being the fashion value retailer in secondary markets.

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

MERCHANDISING

The Bon-Ton stores offer value, moderate and better merchandise in apparel, home furnishings, cosmetics, accessories, shoes and other categories. Sales of apparel constituted 59.7%, 60.7% and 62.4% of owned sales for fiscal 2002, 2001 and 2000, respectively (owned sales exclude leased department sales). The following chart illustrates owned sales by product category for fiscal 2002, 2001 and 2000:

MERCHANDISE CATEGORY	2002	2001	2000
Women's clothing	27.4%	27.5%	27.6%
Men's clothing	16.0	16.5	18.0
Home	14.7	14.5	13.5
Cosmetics	11.0	11.1	10.9
Accessories	8.8	7.9	7.9
Children's clothing	6.5	6.8	6.9
Shoes	5.8	5.8	5.3
Intimate apparel	4.9	5.0	5.2
Junior's clothing	4.9	4.9	4.7
Total	100.0%	100.0%	100.0%

We carry a number of highly recognized brand names, including Clarks, Estee Lauder, Liz Claiborne, Nautica, Nine West, Ralph Lauren, Van Heusen, Sag Harbor, OshKosh, Easy Spirit, Royal Velvet and Tommy Hilfiger, and within these brands we choose assortments which balance fashion, price and quality.

We depend on our relationships with our key vendors to secure branded merchandise. 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 Susquehanna Trail Outfitters. 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 11.1%, 9.8% and 9.8% of owned sales in fiscal 2002, 2001 and 2000, respectively.

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

Our advertising and promotional programs are conducted through newspapers, direct mail and, to a lesser extent, television and radio. We maintain an in-house advertising organization that supplies substantially all our creative advertising. We also offer our customers special services such as free gift wrap and bridal registry.

TRADEMARKS

The name "Bon-Ton," in its distinctive diamond design style, is a registered trademark of a wholly-owned subsidiary of the Company, and the Company considers this tradename valuable to its business. This subsidiary has approximately fifteen additional trademarks, most of which are used in the Company's private brand merchandise program.

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 fiscal 2002, 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 fiscal year sales generated by payment type:

TYPE OF PAYMENT	2002	2001	2000
Bon-Ton credit card	56%	52%	48%
Visa, Mastercard	22	24	26
Cash or check	22	24	26
Total	100%	100%	100%

COMPETITION

We face competition for customers from traditional department stores, mass merchandisers, specialty stores, off-price retailers, and, to a lesser extent, catalogue and internet retailers. 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. However, we 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 1, 2003, we had approximately 3,600 full-time and 5,000 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	63	Chairman of the Board and Chief Executive Officer
Frank Tworecke	56	President and Chief Operating Officer
James H. Baireuther	56	Vice Chairman, Chief Administrative Officer and Chief Financial Officer
Lynn C. Derry	47	Senior Vice President - General Merchandise Manager
John S. Farrell	57	Senior Vice President - Stores
Robert A. Geisenberger	42	Senior Vice President - General Merchandise Manager
William T. Harmon	48	Senior Vice President - Marketing, Planning and Allocation
Patrick J. McIntyre	58	Senior Vice President - Chief Information Officer
Keith E. Plowman	45	Senior Vice President - Finance
Ryan J. Sattler	58	Senior Vice President - Human Resources

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

Mr. Tworecke was named President and Chief Operating Officer in March 2003. He joined the Company in November 1999 as Vice Chairman and Chief Merchandising Officer. From January 1996 until November 1999, he was with Jos.

A. Bank Clothiers, serving as President from February 1997 until November 1999.

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

Ms. Derry was appointed Senior Vice President - General Merchandise Manager in February 2001. For more than three 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 three 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 three 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 and was named Senior Vice President - Marketing, Planning and Allocation in September 2001.

Mr. McIntyre joined The Bon-Ton as Senior Vice President - Chief Information Officer in June 1997.

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 of the Company.

Mr. Sattler was appointed Senior Vice President - Human Resources in September 2001. From June 2000 to September 2001, he was Senior Vice President - Human Resources and Operations. For more than three 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 important factors that could cause actual results to differ materially from those predicted by the forward-looking statements:

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 effective marketing to generate high customer traffic in our stores. 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 controlling expenses. 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: competition, 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, regulatory changes, 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 45,000 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 fiscal years:

Fiscal Year	2002	2001	2000	1999	1998

Number of stores:					
Beginning of year	73	73	72	65	64
Additions	0	0	1	7	2
Closings	(1)	0	0	0	(1)

End of year	72	73	73	72	65
=====					

We plan to grow by expanding and upgrading existing stores and by opening new stores. In addition, we will consider acquisitions of retail 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	109,000	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
Frackville	Schuylkill Mall	61,100	1987
Greensburg	Westmoreland Mall	100,000	1987
Hanover	North Hanover Mall	67,600	1971
Harrisburg	Capital City Commons	145,200	1987
	Colonial Park Shopping Center	136,500	1987
Indiana	Indiana Mall	60,500	1979
Johnstown	The Galleria	81,200	1992
Lancaster	Park City Center	142,300	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
Quakertown	Richland Plaza	88,100	1994
Reading	Berkshire Mall	156,100	1987
Scranton	The Mall at Steamtown	113,200	2000
State College	Nittany Mall	61,200	1994
Stroudsburg	Stroud Mall	87,000	1994
Sunbury	Susquehanna Valley Mall	90,000	1978
Trexlerstown	Trexler Mall	54,000	1994
Uniontown	Uniontown Mall	80,500	1976
Warren	Warren Mall	50,000	1980
Washington	Washington Crown Center	78,100	1987
Wilkes-Barre	Midway Shopping Center	66,000	1987
	Wyoming Valley Mall	159,500	1987
Williamsport	Lycoming Mall	60,900	1986
York	York Galleria	128,200	1989
	Queensgate Shopping Center	113,000	1962
	West Manchester Mall	80,200	1981
NEW YORK			
Binghamton	Oakdale Mall	81,100	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	124,300	1994
	Southgate Plaza	100,500	1994
Elmira	Arnot Mall	74,800	1995
Glens Falls	Aviation Mall	67,800	1999

MARKET	LOCATION	APPROXIMATE SQUARE FOOTAGE	YEAR OPENED OR ACQUIRED
Ithaca	Pyramid Mall	62,200	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	118,900	1995
Saratoga Springs	Wilton Mall	71,200	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
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 64 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:

	Fiscal 2002		Fiscal 2001	
	High	Low	High	Low
1st Quarter	\$ 4.93	\$ 2.35	\$ 3.50	\$ 2.12
2nd Quarter	5.28	3.45	3.16	2.45
3rd Quarter	4.94	3.41	3.00	1.77
4th Quarter	4.31	3.37	3.39	2.25

On April 4, 2003, there were approximately 324 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 fiscal 2003. 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.

At February 1, 2003, the Amended and Restated 1991 Stock Option and Restricted Stock Plan, The Bon-Ton Stores, Inc. 2000 Stock Incentive Plan and the Company's Phantom Equity Replacement Plan were in effect. Each of these plans has been approved by the shareholders. There were no other equity compensation plans in effect. The following information concerning these plans is as of February 1, 2003:

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	941,446	\$5.82	300,000
Equity compensation plans not approved by security holders	Not applicable	Not applicable	Not applicable

ITEM 6. SELECTED FINANCIAL DATA.

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

Fiscal Year Ended	2002 Feb. 1, 2003		2001 Feb. 2, 2002		2000 Feb. 3, 2001	
Statement of Operations Data:			%	%	%	
Net sales (1)	\$ 713,230	100.0	\$ 721,777	100.0	\$ 749,816	100.0
Other income, net	2,705	0.4	2,548	0.4	2,715	0.4
Gross profit	262,412	36.8	262,057	36.3	275,790	36.8
Selling, general and administrative expenses (2)	219,716	30.8	224,306	31.1	231,859	30.9
Depreciation and amortization	21,301	3.0	19,783	2.7	17,085	2.3
Unusual expense (3)	-	-	916	0.1	6,485	0.9
Restructuring income (4)	-	-	-	-	-	-
Income from operations	24,100	3.4	19,600	2.7	23,076	3.1
Interest expense, net	8,731	1.2	9,558	1.3	10,906	1.5
Income before taxes	15,369	2.2	10,042	1.4	12,170	1.6
Income tax provision	5,764	0.8	3,816	0.5	4,622	0.6
Net income	\$ 9,605	1.3	\$ 6,226	0.9	\$ 7,548	1.0
Per Share Amounts						
Basic:						
Net income	\$ 0.63		\$ 0.41		\$ 0.50	
Weighted average shares outstanding	15,192,471		15,200,154		14,952,985	
Diluted:						
Net income	\$ 0.62		\$ 0.41		\$ 0.50	
Weighted average shares outstanding	15,394,231		15,214,145		14,952,985	
Balance Sheet Data (at end of period):						
Working capital	\$ 129,148		\$ 117,158		\$ 142,311	
Total assets	382,023		385,583		402,680	
Long-term debt, including capital leases	64,662		67,929		98,758	
Shareholders' equity	212,346		203,261		198,862	
Selected Operating Data:						
Total sales change	(1.2)%		(3.7)%		5.5%	
Comparable store sales change(5)(6)	(1.2)%		(3.3)%		0.7%	
Comparable stores data(5)(6):						
Sales per selling square foot	\$ 133		\$ 134		\$ 143	
Selling square footage	5,382,000		5,339,000		4,792,000	
Capital expenditures	\$ 14,806		\$ 15,550		\$ 29,577	
Number of stores:						
Beginning of year	73		73		72	
Additions	-		-		1	
Closings	(1)		-		-	
End of year	72		73		73	

Fiscal Year Ended	1999 Jan. 29, 2000		1998 Jan. 30, 1999	
Statement of Operations Data:			%	%
Net sales (1)	\$ 710,963	100.0	\$ 674,871	100.0
Other income, net	2,651	0.4	2,350	0.3
Gross profit	261,367	36.8	248,141	36.8
Selling, general and administrative expenses (2)	224,760	31.6	209,407	31.0
Depreciation and amortization	14,846	2.1	13,281	2.0
Unusual expense (3)	2,683	0.4	-	-
Restructuring income (4)	(2,492)	(0.4)	-	-
Income from operations	24,221	3.4	27,803	4.1
Interest expense, net	8,552	1.2	9,396	1.4
Income before taxes	15,669	2.2	18,407	2.7
Income tax provision	5,954	0.8	7,196	1.1
Net income	\$ 9,715	1.4	\$ 11,211	1.7
Per Share Amounts				
Basic:				
Net income	\$ 0.66		\$ 0.81	
Weighted average shares outstanding	14,749,746		13,866,163	

Diluted:		
Net income	\$ 0.66	\$ 0.81
Weighted average shares outstanding	14,752,919	13,917,452

Balance Sheet Data (at end of period):

Working capital	\$ 141,788	\$ 128,977
Total assets	416,123	376,547
Long-term debt, including capital leases	107,678	76,255
Shareholders' equity	190,691	180,211

Selected Operating Data:

Total sales change	5.3%	2.8%
Comparable store sales change(5)(6)	0.0%	1.4%
Comparable stores data(5)(6):		
Sales per selling square foot	\$ 141	\$ 143
Selling square footage	4,705,000	4,620,000
Capital expenditures	\$ 46,451	\$ 19,418
Number of stores:		
Beginning of year	65	64
Additions	7	2
Closings	-	(1)
End of year	72	65

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

(2) Fiscal 1999 includes expense resulting from renegotiation of the Company's revolving credit facility.

(3) 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.

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

(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.

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

RESULTS OF OPERATIONS

Fiscal 2002 total and comparable store sales of The Bon-Ton Stores, Inc. and all subsidiaries (the "Company") decreased 1.2% compared to fiscal 2001. Fiscal 2002 was a difficult year for retail stores, as merchandise price became an increasingly significant component of consumer buying decisions. The continued economic downturn and general declining consumer confidence were also major factors adversely impacting retail businesses.

While sales in most stores were below their fiscal 2001 level, sales in certain stores performed at a level below the Company average. During fiscal 2002, the Company recognized impairment charges against long-lived assets at certain of these store sites. The Company will continue to monitor the performance of its stores and initiate operational improvements where possible.

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		
	2002	2001	2000
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	63.2	63.7	63.2
Selling, general and administrative	30.8	31.1	30.9
Depreciation and amortization	3.0	2.7	2.3
Unusual expense	--	0.1	0.9
Income from operations	3.4	2.7	3.1
Interest expense, net	1.2	1.3	1.5
Income before income taxes	2.2	1.4	1.6
Income tax provision	0.8	0.5	0.6
Net income	1.3%	0.9%	1.0%

FISCAL 2002 COMPARED TO FISCAL 2001

NET SALES: Net sales were \$713.2 million for fiscal 2002, a decrease of \$8.5 million relative to fiscal 2001. Total and comparable store sales for fiscal 2002 decreased 1.2% from fiscal 2001. Merchandise departments recording sales increases were Accessories, Coats and Petites. Merchandise departments reflecting the sharpest sales declines were Dresses, Children's, Men's Clothing and Intimate.

OTHER INCOME, NET: Net other income, principally income from leased departments, remained constant at 0.4% of net sales for fiscal 2002 and fiscal 2001.

COSTS AND EXPENSES: Gross margin dollars for fiscal 2002 increased \$0.4 million, or 0.1% over fiscal 2001, due to an increased margin percentage partially offset by declining sales volume. Gross margin as a percentage of net sales was 36.8% in fiscal 2002, an increase of 0.5 percentage point from 36.3% in fiscal 2001. Gross margin percentage improvement over fiscal 2001 reflects increased markup on purchases in fiscal 2002 and reserves established for seasonal carryover merchandise in fiscal 2001.

Selling, general and administrative expenses for fiscal 2002 were \$219.7 million, or 30.8% of net sales, compared to \$224.3 million, or 31.1% of net sales, in fiscal 2001. Fiscal 2002 store expense decreased \$1.0 million versus fiscal 2001, primarily due to reduced advertising expense, but reflected an expense rate increase of 0.1 percentage point due to reduced 2002 net sales. Fiscal 2002 corporate expense decreased \$3.6 million versus fiscal 2001--driving an overall selling, general and administrative expense rate decrease of 0.3 percentage point. The decrease in corporate expense principally reflects an increase in securitization income of \$3.2 million from the Company's proprietary credit card program and reduced equipment rental costs. The increased securitization income in fiscal 2002 relative to fiscal 2001 was principally a reflection of increased sales on the Company's proprietary credit card and lower securitization facility costs.

Depreciation and amortization increased to 3.0% of net sales in fiscal 2002 from 2.7% in fiscal 2001 partially as a result of a lower sales base and capital expenditures in the amount of \$14.8 million and \$15.6 million in fiscal 2002 and 2001, respectively. Additionally, in fiscal 2002 the Company recognized approximately \$2.0 million of impairment losses on the long-lived assets of certain stores. In fiscal 2001, the Company recorded accelerated depreciation of \$1.4 million for a store that was closed in January 2003.

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 16 to the Consolidated Financial Statements.

INCOME FROM OPERATIONS: Income from operations in fiscal 2002 was \$24.1 million, or 3.4% of net sales, compared to \$19.6 million, or 2.7% of net sales, in fiscal 2001.

INTEREST EXPENSE, NET: Net interest expense in fiscal 2002 decreased \$0.8 million to \$8.7 million, or 1.2% of net sales, from \$9.6 million, or 1.3% of net sales, in fiscal 2001. The decrease in interest expense was attributable to decreased average borrowing levels and lower interest rates, partially offset by increased interest expense pursuant to cash flow hedge ineffectiveness. Interest expense includes cash flow hedge ineffectiveness, relating to interest rate swaps, of \$1.4 million and \$0.5 million in fiscal 2002 and 2001, respectively, representing non-cash mark-to-market charges pursuant to Statement of Financial Accounting Standards No. 133. See Note 6 to the Consolidated Financial Statements.

INCOME TAXES: The effective tax rate decreased 0.5 percentage point to 37.5% in fiscal 2002 from 38.0% in fiscal 2001.

NET INCOME: Net income in fiscal 2002 was \$9.6 million, or 1.3% of net sales, compared to \$6.2 million, or 0.9% of net sales, in fiscal 2001. As discussed above, the increased gross profit rate, decreased selling, general and administrative expenses and decreased interest expense more than offset the impact of decreased sales--thus driving the \$3.4 million net income increase over fiscal 2001.

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. Merchandise departments recording comparable store sales increases were Coats, Home and Juniors. Merchandise departments reflecting the sharpest comparable store sales declines were Women's, Men's 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 fiscal 2000. 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 fiscal 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 increased securitization income of \$2.9 million from the Company's proprietary credit card program and reduced payroll costs. The increased securitization 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.

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.

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 16 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 16 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.

LIQUIDITY AND CAPITAL RESOURCES

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

(Dollars in millions)	February 1, 2003	February 2, 2002	February 3, 2001
Working capital	\$ 129.1	\$ 117.2	\$ 142.3
Current ratio	2.30:1	2.09:1	2.47:1
Debt to total capitalization (debt plus equity)	0.23:1	0.25:1	0.33:1
Unused availability under lines of credit	\$ 43.1	\$ 52.9	\$ 37.4

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 \$129.1 million, \$117.2 million and \$142.3 million at the end of fiscal 2002, 2001 and 2000, 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 increase in working capital at the end of fiscal 2002 compared to the end of fiscal 2001 was principally due to increased accounts receivable and decreased income taxes payable, partially offset by a reduction in merchandise inventory.

Net cash provided by operating activities amounted to \$28.1 million in 2002 and \$39.4 million in fiscal 2001 and 2000. The \$11.3 million decrease in cash provided by operating activities in fiscal 2002 relative to fiscal 2001 was primarily due to increased working capital requirements, partially offset by increased net income and higher depreciation and amortization costs.

Net cash used in investing activities amounted to \$14.8 million, \$15.5 million and \$18.5 million in fiscal 2002, 2001 and 2000, respectively. The net cash outflow in fiscal 2002 was the result of capital expenditures in the amount of \$14.8 million, primarily related to store remodeling, information services projects and general operations.

Net cash used in financing activities amounted to \$6.3 million, \$28.2 million and \$17.6 million in fiscal 2002, 2001 and 2000, respectively. The net cash outflow in fiscal 2002 was principally attributable to payments on long-term debt, a decrease in bank overdrafts and repurchase of the Company's common stock.

The Company currently anticipates its capital expenditures for fiscal 2003 will approximate \$20.0 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.

The accounts receivable facility and revolving credit facility agreements expire in January 2004 and April 2004, respectively. The Company anticipates that it will be able to renew or replace these agreements with agreements of substantially comparable terms.

Cash flows from operations are impacted by consumer confidence, weather conditions in the geographic markets served by the Company, the 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:

(Dollars in thousands)	Payments Required By Fiscal Year						There- after	Total
	2003	2004	2005	2006	2007			
Long-term debt	\$ --	\$ 40,991	\$ 876	\$ 970	\$ 1,073	\$ 20,284	\$ 64,194	
Short-term debt	715	--	--	--	--	--	715	
Capital leases	300	300	200	--	--	--	800	
Operating leases	20,996	20,664	19,138	15,331	12,689	68,491	157,309	
Totals	\$ 22,011	\$ 61,955	\$ 20,214	\$ 16,301	\$ 13,762	\$ 88,775	\$223,018	

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 Statement of Financial Accounting Standards ("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 sells undivided percentage ownership interests in certain of its credit card accounts receivable to unrelated third-parties under a \$150 million accounts receivable securitization facility, which is described in further detail below and in Note 8 to the Consolidated Financial Statements. The unrelated third-parties, referred to as the conduit, have purchased a \$145 million interest in the accounts receivable under this facility at February 1, 2003. The Company is responsible for servicing these accounts, retains a servicing fee and bears the risk of non-collection (limited to its retained interests in the accounts receivable). Associated off-balance-sheet assets and related debt were \$145 million at February 1, 2003 and \$150 million at February 2, 2002. Upon the facility's termination, the conduit would be entitled to all cash collections on the accounts receivable until its investment (\$145 million at February 1, 2003) and accrued discounts are repaid. Accordingly, upon termination of the facility, the assets of the facility would not be available to the Company until all amounts due to the conduit have been paid in full.

Based upon the terms of the accounts receivable facility, the accounts receivable transactions qualify for "sale treatment" under generally accepted accounting principles. This treatment requires the Company to account for 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 significantly impacted. See Note 8 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The Company's discussion and analysis of 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 lead to 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, how delinquent accounts ultimately charge-off, aging of accounts 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 materially reduced. The allowance for doubtful accounts and sales returns was \$3.5 million and \$3.8 million as of February 1, 2003 and February 2, 2002, 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 is derived 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. 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. 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.

As is currently the case with many companies in the retail industry, the Company's LIFO calculations have yielded inventory increases in recent years due to deflation reflected in price indices used. This is the result of the LIFO method whereby merchandise sold is valued at the cost of more recent inventory purchases (which the deflationary indices indicate to be lower), resulting in the general inventory on-hand being carried at the older, higher costs. Given these higher values and the promotional retail environment, the Company reduced the carrying value of its LIFO inventories by \$7.1 million and \$5.6 million as of February 1, 2003 and February 2, 2002, respectively, to a net realizable value (NRV). Inherent in these NRV assessments and related reserves are significant management judgments and estimates regarding future merchandise selling costs and pricing. Should these estimates prove to be inaccurate, the Company may have overstated or understated its inventory carrying value. In such cases, the Company would be required to recognize cost increases or decreases in costs of goods sold, and impact operating income accordingly, at the time of such determination.

VENDOR ALLOWANCES

As is standard industry practice, the Company receives allowances from merchandise vendors as reimbursement for charges incurred on marked-down merchandise. Vendor allowances are generally credited to costs of goods sold, provided the allowance is: (1) collectable, (2) for merchandise either permanently marked down or sold, (3) not predicated on a future purchase, (4) not predicated on a future increase in the purchase price from the vendor, and (5) authorized by internal management. If the aforementioned criteria are not met, the Company reflects the allowances as an adjustment to the cost of merchandise capitalized in inventory.

Additionally, the Company receives allowances from vendors in connection with cooperative advertising programs. These amounts are recognized by the Company as a reduction of the related advertising costs that have been incurred and reflected in selling, general and administrative expenses.

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 or tax carry-back availability 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 \$7.2 million and \$10.1 million as of February 1, 2003 and February 2, 2002, respectively. 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, tax carry-back availability 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.

Legislation changes currently proposed by certain states in which the Company operates could have a materially adverse impact on future operating results of the Company. These legislation changes principally involve state income tax laws.

LONG-LIVED ASSETS

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 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 depreciates 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 also result in shortened useful lives. Net property, fixtures and equipment amounted to \$136.2 million and \$143.9 million as of February 1, 2003 and February 2, 2002, respectively.

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. Should cash flow estimates differ significantly from actual results, an impairment could arise and materially impact the Company's financial position and results of operations.

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 prove to be substantially different from the Company's expectations, the carrying value of new stores may ultimately become impaired.

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-lived Assets" ("SFAS No. 144"), which supersedes 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 supersedes 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.

In fiscal 2002, the Company evaluated the recoverability of its long-lived assets. As a result of the evaluation, an impairment loss of approximately \$2.0 million was recorded in depreciation and amortization expense.

Additionally, the Company has identified assets in the New York market with a net book value of approximately \$4.0 million that have underperformed relative to the Company average. The Company has taken steps to address these issues and currently forecasts no impairment charge. Should the Company's improvement efforts prove unsuccessful or economic conditions change, the carrying value of these assets may ultimately become impaired.

GOODWILL AND INTANGIBLE ASSETS

Net goodwill was \$3.0 million as of February 1, 2003 and February 2, 2002.

Intangible assets are comprised of lease interests that 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 average lives of twenty-five years. Net intangible assets amounted to \$6.5 million and \$7.0 million as of February 1, 2003 and February 2, 2002, respectively.

As a result of the Company's adoption of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"), the Company now annually reviews goodwill and other intangible assets that have indefinite lives for impairment and when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. The Company determines fair value using discounted cash flow analysis, which requires certain assumptions and estimates regarding industry economic factors and future profitability of acquired businesses. It is the Company's policy to conduct impairment testing based on its most current business plans, which reflect anticipated changes in the economy and the industry. If actual results prove inconsistent with Company assumptions and judgments, the Company could be exposed to a material impairment charge.

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 facility"). The sale of receivables is to The Bon-Ton Receivables Partnership, LP ("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 may sell accounts receivable with a purchase price up to \$150 million through the facility to a conduit on a revolving basis.

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 \$8.9 million, \$5.6 million and \$2.7 million for fiscal years 2002, 2001, and 2000, respectively. The increased income in fiscal 2002 relative to fiscal 2001 was principally a reflection of increased sales on the Company's proprietary credit card and lower securitization facility costs.

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

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 2002 and 2001, 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 1, 2003. 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 6 to the Consolidated Financial Statements.

Expected Maturity Date By Fiscal Year

(Dollars in thousands)	Expected Maturity Date By Fiscal Year					There- after	Total	Fair Value
	2003	2004	2005	2006	2007			
Debt:								
Fixed-rate debt	\$ 715	\$ 791	\$ 876	\$ 970	\$ 1,073	\$ 15,784	\$ 20,209	\$ 22,976
Average fixed rate	9.62%	9.62%	9.62%	9.62%	9.62%	9.33%	9.39%	
Variable-rate debt	--	\$ 40,200	--	--	--	\$ 4,500	\$ 44,700	\$ 44,700
Average variable rate	--	3.05%	--	--	--	1.15%	2.86%	
Interest Rate Derivatives:								
Interest rate swaps								
Variable-to-fixed	\$ 50,000	\$ 30,000	--	\$ 30,000	--	--	\$ 110,000	\$ (4,940)
Average pay rate	5.81%	5.58%	--	5.43%	--	--	5.64%	
Average receive rate	1.91%	1.88%	--	1.97%	--	--	1.92%	

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 15 of Notes to Consolidated Financial Statements for the Company's quarterly results for fiscal 2002 and 2001. 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.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information called for by this item is set forth in the Company's Consolidated Financial Statements and supplementary data contained in this report and is incorporated herein by this reference. See index at page F-1.

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

Information regarding the change in the Company's independent auditor was provided in the Company's Current Report on Form 8-K filed June 14, 2002 (amended on June 27, 2002). The letter from Arthur Andersen LLP stating the firm's agreement with the information provided in the report was filed as an exhibit to the Form 8-K report.

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 the Company's Proxy Statement and is hereby incorporated by reference thereto.

ITEM 11. EXECUTIVE COMPENSATION.

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

See also Part II, Item 5 for a discussion of securities authorized for issuance under equity compensation plans.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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

PART IV

ITEM 14. CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-14 and 15d-14), within 90 days of the filing date of this Form 10-K, and based upon their evaluation, have concluded that the Company's disclosure controls and procedures are effective.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls since the date the internal controls were evaluated.

ITEM 15. 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 the Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1.
2. Consolidated Financial Statement Schedule--See the Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1.
3. The following are exhibits to this Form 10-K and, if incorporated by reference, the Company has 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 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	Exhibit 10.3(b) to the Annual Report on Form 10-K for the fiscal year ended February 2, 2002 ("2001 Form 10-K")
* 10.3	Employment Agreement with James H. Baireuther	Exhibit 10.4 to the 2001 Form 10-K
* 10.4	Form of severance agreement with certain executive officers	Exhibit 10.14 to Form 8-B
* 10.5	Supplemental Executive Retirement Plan	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2001
10.6	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
* 10.7	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
* 10.8	2000 Stock Incentive Plan	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended July 29, 2000 ("7/29/00 10-Q")
* 10.9	Phantom Equity Replacement Stock Option Plan	Exhibit 10.18 to the 1991 Form S-1
* 10.10	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

EXHIBIT NO.	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.11	(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
10.12	Second Amended and Restated Receivables Purchase Agreement dated as of January 17, 2003 among The Bon-Ton Receivables Partnership, L.P., Falcon Asset Securitization Corporation, EagleFunding Capital Corporation, Bank One, N.A. and Fleet Securities, Inc.	
10.13	(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 Registration Statement on Form S-1, File No. 333-48811 ("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 Annual Report on Form 10-K for the fiscal year ended January 29, 2000
	(h) Seventh Amendment to Credit Agreement	Exhibit 10.1 to the 7/29/00 10-Q
	(i) Eighth Amendment to Credit Agreement	Exhibit 10.13(a) to the 2001 Form 10-K

/s/ Marsha M. Everton ----- Marsha M. Everton	Director	April 28, 2003
/s/ Samuel J. Gerson ----- Samuel J. Gerson	Director	April 28, 2003
/s/ Michael L. Gleim ----- Michael L. Gleim	Director	April 28, 2003
/s/ Robert E. Salerno ----- Robert E. Salerno	Director	April 28, 2003
/s/ Robert C. Siegel ----- Robert C. Siegel	Director	April 28, 2003
/s/ Leon D. Starr ----- Leon D. Starr	Director	April 28, 2003
/s/ Frank Tworecke ----- Frank Tworecke	President, Chief Operating Officer and Director	April 28, 2003
/s/ Thomas W. Wolf ----- Thomas W. Wolf	Director	April 28, 2003

CERTIFICATION

I, Tim Grumbacher, Chairman of the Board and Chief Executive Officer of The Bon-Ton Stores, Inc., certify that:

- 1) I have reviewed this Annual Report on Form 10-K of The Bon-Ton Stores, Inc.;
- 2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and
 - c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls, and;
- 6) The registrant's other certifying officer and I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: April 28, 2003

By: /s/ Tim Grumbacher

Tim Grumbacher
Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, James H. Baireuther, Vice Chairman, Chief Administrative Officer and Chief Financial Officer of The Bon-Ton Stores, Inc., certify that:

- 1) I have reviewed this Annual Report on Form 10-K of The Bon-Ton Stores, Inc.;
- 2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and
 - c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls, and;
- 6) The registrant's other certifying officer and I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: April 28, 2003

By: /s/ James H. Baireuther

*James H. Baireuther
Vice Chairman, Chief Administrative
Officer and Chief Financial Officer*

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE**

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
The Bon-Ton Stores, Inc.:

We have audited the accompanying consolidated balance sheet of The Bon-Ton Stores, Inc. and subsidiaries as of February 1, 2003 and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year then ended. In connection with our audit of the fiscal 2002 consolidated financial statements, we also have audited the fiscal 2002 financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit. The fiscal 2001 and fiscal 2000 consolidated financial statements and financial statement schedule of The Bon-Ton Stores, Inc. were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements and financial statement schedule, before the revisions described in Note 2 to the consolidated financial statements, in their report dated March 6, 2002.

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

In our opinion, the fiscal 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bon-Ton Stores, Inc. and subsidiaries as of February 1, 2003, and the results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related fiscal 2002 financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed above, the fiscal 2001 and fiscal 2000 consolidated financial statements and financial statement schedule of The Bon-Ton Stores, Inc. and subsidiaries were audited by other auditors who have ceased operations. As described in Note 2, these consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of February 3, 2002. In our opinion, the disclosures for fiscal 2001 and fiscal 2000 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the fiscal 2001 and fiscal 2000 consolidated financial statements and financial statement schedule of The Bon-Ton Stores, Inc. and subsidiaries other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the fiscal 2001 and fiscal 2000 consolidated financial statements and financial statement schedule taken as a whole.

/s/ KPMG LLP

*Philadelphia, Pennsylvania
March 5, 2003*

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*

NOTE: THE REPORT ABOVE IS A COPY OF A PREVIOUSLY ISSUED REPORT AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. THE INFORMATION FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED FEBRUARY 2, 2002 IN THE TRANSITIONAL DISCLOSURES REQUIRED BY STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS," WHICH WAS ADOPTED BY THE COMPANY AS OF FEBRUARY 3, 2002, AS DESCRIBED IN NOTE 2, WAS NOT REVIEWED BY ARTHUR ANDERSEN LLP.

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*

NOTE: THE REPORT ABOVE IS A COPY OF A PREVIOUSLY ISSUED REPORT AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. SCHEDULE II, VALUATION AND QUALIFYING ACCOUNTS, IS LOCATED AT PAGE F-33.

THE BON-TON STORES, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)	February 1, 2003	February 2, 2002
<hr/>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,796	\$ 9,752
Trade and other accounts receivable, net of allowance for doubtful accounts and sales returns of \$3,540 and \$3,758 in fiscal 2002 and 2001, respectively	46,735	31,161
Merchandise inventories	148,618	166,042
Prepaid expenses and other current assets	12,958	10,542
Deferred income taxes	3,205	7,371
<hr/>		
Total current assets	228,312	224,868
<hr/>		
Property, fixtures and equipment at cost, less accumulated depreciation and amortization	136,201	143,884
Deferred income taxes	3,980	2,741
Goodwill and intangible assets	9,511	9,999
Other assets	4,019	4,091
<hr/>		
TOTAL ASSETS	\$ 382,023	\$ 385,583
<hr/>		
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 53,367	\$ 57,007
Accrued payroll and benefits	14,037	9,743
Accrued expenses	25,546	28,191
Current portion of long-term debt	715	646
Current portion of obligations under capital leases	250	232
Income taxes payable	5,249	11,891
<hr/>		
Total current liabilities	99,164	107,710
<hr/>		
Long-term debt, less current maturities	64,194	67,209
Obligations under capital leases, less current maturities	468	720
Other long-term liabilities	5,851	6,683
<hr/>		
TOTAL LIABILITIES	169,677	182,322
<hr/>		
Commitments and contingencies (Note 10)		
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 12,200,285 and 12,483,941 in fiscal 2002 and 2001, respectively	125	125
Class A Common Stock - authorized 20,000,000 shares at \$0.01 par value; issued and outstanding shares of 2,989,853 in fiscal 2002 and 2001	30	30
Treasury stock, at cost - shares of 277,000 in fiscal 2002	(1,132)	--
Additional paid-in capital	107,415	107,467
Deferred compensation	(222)	(408)
Accumulated other comprehensive income	(1,876)	(2,354)
Retained earnings	108,006	98,401
<hr/>		
TOTAL SHAREHOLDERS' EQUITY	212,346	203,261
<hr/>		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 382,023	\$ 385,583
<hr/>		

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

THE BON-TON STORES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands except share and per share data)	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
Net sales	\$ 713,230	\$ 721,777	\$ 749,816
Other income, net	2,705	2,548	2,715
	715,935	724,325	752,531
Costs and expenses:			
Costs of merchandise sold	450,818	459,720	474,026
Selling, general and administrative	219,716	224,306	231,859
Depreciation and amortization	21,301	19,783	17,085
Unusual expense	-	916	6,485
Income from operations	24,100	19,600	23,076
Interest expense, net	8,731	9,558	10,906
Income before income taxes	15,369	10,042	12,170
Income tax provision	5,764	3,816	4,622
NET INCOME	\$ 9,605	\$ 6,226	\$ 7,548
PER SHARE AMOUNTS -			
BASIC:			
Net income	\$ 0.63	\$ 0.41	\$ 0.50
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	15,192,471	15,200,154	14,952,985
DILUTED:			
Net income	\$ 0.62	\$ 0.41	\$ 0.50
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	15,394,231	15,214,145	14,952,985

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

THE BON-TON STORES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Common Stock	Class A Common Stock	Treasury Stock	Additional Paid-in Capital
BALANCE AT JANUARY 29, 2000	\$ 123	\$ 30	\$ -	\$ 108,083
Net income	-	-	-	-
Deferred compensation amortization	-	-	-	-
Tax impact on Restricted Shares	-	-	-	(655)
Cancellation of Restricted Shares	(1)	-	-	(546)
BALANCE AT FEBRUARY 3, 2001	122	30	-	106,882
Comprehensive income:				
Net income	-	-	-	-
Cumulative effect of change in accounting for derivative instruments, net of \$256 tax benefit	-	-	-	-
Unrealized loss on derivative financial instruments, net of \$1,158 tax benefit	-	-	-	-
Total comprehensive income	-	-	-	-
Issuance of stock under Stock Award Plans	3	-	-	686
Deferred compensation amortization	-	-	-	-
Tax impact on Restricted Shares	-	-	-	(45)
Cancellation of Restricted Shares	-	-	-	(56)
BALANCE AT FEBRUARY 2, 2002	125	30	-	107,467
Comprehensive income:				
Net income	-	-	-	-
Amounts amortized into interest expense from OCI, net of \$627 tax benefit	-	-	-	-
Change in fair value of cash flow hedges, net of \$340 tax benefit	-	-	-	-
Total comprehensive income	-	-	-	-
Common shares repurchased	-	-	(1,132)	-
Deferred compensation amortization	-	-	-	-
Tax impact on Restricted Shares	-	-	-	(8)
Cancellation of Restricted Shares	-	-	-	(44)
BALANCE AT FEBRUARY 1, 2003	\$ 125	\$ 30	\$ (1,132)	\$ 107,415

(In thousands)	Deferred Compen- sation	Other Compre- hensive Income	Retained Earnings	Total
BALANCE AT JANUARY 29, 2000	\$ (2,172)	\$ -	\$ 84,627	\$ 190,691
Net income	-	-	7,548	7,548
Deferred compensation amortization	1,490	-	-	1,490
Tax impact on Restricted Shares	18	-	-	(637)
Cancellation of Restricted Shares	317	-	-	(230)
BALANCE AT FEBRUARY 3, 2001	(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	(689)	-	-	-
Deferred compensation amortization	589	-	-	589
Tax impact on Restricted Shares	-	-	-	(45)
Cancellation of Restricted Shares	39	-	-	(17)

BALANCE AT FEBRUARY 2, 2002	(408)	(2,354)	98,401	203,261

Comprehensive income:				
Net income	-	-	9,605	9,605
Amounts amortized into interest expense from OCI, net of \$627 tax benefit	-	1,045	-	1,045
Change in fair value of cash flow hedges, net of \$340 tax benefit	-	(567)	-	(567)

Total comprehensive income	-	478	9,605	10,083
Common shares repurchased	-	-	-	(1,132)
Deferred compensation amortization	160	-	-	160
Tax impact on Restricted Shares	-	-	-	(8)
Cancellation of Restricted Shares	26	-	-	(18)

BALANCE AT FEBRUARY 1, 2003	\$ (222)	\$ (1,876)	\$ 108,006	\$ 212,346
=====				

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

THE BON-TON STORES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,605	\$ 6,226	\$ 7,548
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	21,301	19,783	17,085
Bad debt provision	1,357	1,305	1,863
Stock compensation expense	160	589	833
(Gain) loss on sale of property, fixtures and equipment	(2)	3	(12)
Cancellation of Restricted Shares	(18)	(17)	(230)
Decrease in other long-term assets	71	162	634
Decrease (increase) in deferred income tax assets	2,640	(5,217)	(2,917)
Increase (decrease) in other long-term liabilities	93	(4,383)	4,650
Proceeds from sale of accounts receivable, net	-	-	12,000
Changes in operating assets and liabilities:			
Increase in accounts receivable	(16,185)	(8,414)	(10,133)
Decrease in merchandise inventories	17,425	24,147	11,931
(Increase) decrease in prepaid expenses and other current assets	(2,416)	(2,039)	3,868
Decrease in accounts payable	(1,718)	(1,973)	(1,582)
Increase (decrease) in accrued expenses	2,426	7,825	(6,743)
(Decrease) increase in income taxes payable	(6,647)	1,424	590
Total adjustments	18,487	33,195	31,837
Net cash provided by operating activities	28,092	39,421	39,385
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net	(14,806)	(15,550)	(29,577)
Proceeds from sale of property, fixtures and equipment	31	16	12
Proceeds from sale and leaseback arrangement	-	-	11,046
Net cash used in investing activities	(14,775)	(15,534)	(18,519)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on long-term debt and capital lease obligations	(174,030)	(207,064)	(302,720)
Proceeds from issuance of long-term debt	170,850	176,050	293,700
Common shares repurchased	(1,132)	-	-
(Decrease) increase in bank overdraft balances	(1,961)	2,812	(8,587)
Exercised stock options	-	-	1
Net cash used in financing activities	(6,273)	(28,202)	(17,606)
Net increase (decrease) in cash and cash equivalents	7,044	(4,315)	3,260
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,752	14,067	10,807
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 16,796	\$ 9,752	\$ 14,067

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

THE BON-TON STORES, INC.

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 incorporated on January 31, 1929, and currently operates as one business segment, through its subsidiaries, 72 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 to the current year presentation.

FISCAL YEAR

The Company's fiscal year ends on the Saturday nearer January 31, and consisted of fifty-two weeks for fiscal years 2002 and 2001, and fifty-three weeks for fiscal year 2000. Fiscal years 2002, 2001 and 2000 ended on February 1, 2003, February 2, 2002 and February 3, 2001, respectively.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid short-term investments with a remaining term of three months or less to be cash equivalents. Cash equivalents are generally overnight money market investments.

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 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 and sales returns amounted to \$3,540 and \$3,758 as of February 1, 2003 and February 2, 2002, respectively.

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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 \$148,643 and \$174,841 as of February 1, 2003 and February 2, 2002, 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 to existing facilities. The amount of interest and lease costs capitalized is limited to that incurred during the construction period. Interest of \$3, \$25 and \$123 was capitalized in fiscal years 2002, 2001 and 2000, 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 2002, the Company evaluated the recoverability of its long-lived assets. As a result, an impairment loss of approximately \$2,000 for certain store assets was recorded and is included as part of depreciation and amortization expense (see Note 3).

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of goodwill and lease-related interests classified as intangible assets:

	February 1, 2003	February 2, 2002

Goodwill	\$ 4,208	\$ 4,208
Less: Accumulated amortization	1,243	1,243

Net	\$ 2,965	\$ 2,965
=====		
Intangible assets - leases	\$ 10,828	\$ 10,828
Less: Accumulated amortization	4,282	3,794

Net	\$ 6,546	\$ 7,034
=====		

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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 have average lives of twenty-five years.

In fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). In accordance with SFAS No. 142, the Company reviews goodwill and other intangible assets that have indefinite lives for impairment. This review is performed annually and when events or changes in circumstances indicate the carrying value of goodwill and other intangible assets might exceed their current fair values. The Company determines fair value using discounted cash flow analysis, which requires certain assumptions and estimates regarding industry economic factors and future profitability of acquired businesses. It is the Company's policy to conduct impairment testing based on its most current business plans and forecasts, which reflect anticipated changes in the economy and the industry.

ACCRUED EXPENSES

Accrued expenses consist of liabilities associated with store and corporate facility operations, such as lease expense, advertising, employee severance, real estate taxes, legal expense and expense recorded pursuant to Statement of Financial Accounting Standards No. 133 (see Note 6).

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.

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 \$2,903, \$2,738 and \$3,001 in fiscal 2002, 2001 and 2000, respectively.

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, net of vendor allowances, included in selling, general and administrative expenses for fiscal 2002, 2001 and 2000 were \$25,694, \$26,717 and \$28,784, respectively. Prepaid expenses and other current assets include prepaid advertising costs of \$589 and \$352 at February 1, 2003 and February 2, 2002, respectively.

VENDOR ALLOWANCES

As is standard industry practice, the Company receives allowances from merchandise vendors as reimbursement for charges incurred on marked-down merchandise. Vendor allowances are credited to costs of goods sold, provided the allowance is: (1) collectable, (2) for merchandise either permanently marked down or sold, (3) not predicated on a future purchase; (4) not predicated on a future increase in

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the purchase price from the vendor, and (5) authorized by internal management. If the aforementioned criteria are not met, the Company reflects the allowance dollars as an adjustment to the cost of merchandise capitalized in inventory.

Additionally, the Company receives allowances from vendors in connection with cooperative advertising programs. These amounts are recognized by the Company as a reduction of the related advertising costs that have been incurred and reflected in selling, general and administrative expenses.

PURCHASE ORDER VIOLATIONS

The Company, consistent with industry practice, mandates that vendor merchandise shipments conform to certain standards. These standards are usually defined in the purchase order and include items such as proper ticketing, security tagging, quantity, packaging, on-time delivery, etc. Failure by vendors to conform to these standards increases Company merchandise handling costs. Accordingly, various purchase order violation charges are billed to vendors; these charges are reflected by the Company as a reduction of cost of sales in the period in which the respective violations occur. The Company establishes reserves for disputed purchase order violations.

SELF-INSURANCE LIABILITIES

The Company is self-insured for certain losses related to workers' compensation and certain health insurance, although it maintains stop-loss coverage with third party insurers to limit certain exposures. The estimate of its self-insurance liability contains uncertainty since the Company must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. When estimating its self-insurance liability, the Company considers a number of factors which include, but are not limited to, historical claim experience, demographic factors, severity factors and valuations provided by independent third-party advisors. The Company has not made any material changes in the accounting methodology used to establish its self-insurance liabilities during the past three fiscal years.

REVOLVING CHARGE ACCOUNTS

Finance charge income and late fees on customer revolving charge accounts are reflected as a reduction of selling, general and administrative expenses. Finance charge income and late fees earned by the Company, before considering costs of administering and servicing revolving charge accounts, for fiscal 2002, 2001 and 2000 were \$34,732, \$33,706 and \$30,619, respectively. Finance charge income is a component of securitization income (see Note 8).

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 the 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.

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STOCK-BASED COMPENSATION

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25," issued in March 2000, to account for its fixed-plan stock options. Under this method, compensation expense is recorded on the date of the grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No.

123. The following table illustrates the effect on net income if the fair-value-based method had been applied to all outstanding and unvested awards in each period:

		Fiscal Year Ended		
		February 1, 2003	February 2, 2002	February 3, 2001
Net income, as reported		\$ 9,605	\$ 6,226	\$ 7,548
Deduct: Total stock-option-based employee compensation expense determined under fair-value-based methods for all awards, net of related tax effects		416	590	736
Pro forma net income		\$ 9,189	\$ 5,636	\$ 6,812
=====				
Earnings per share				
Basic	As reported	\$ 0.63	\$ 0.41	\$ 0.50
	Pro forma	0.60	0.37	0.46
Diluted	As reported	\$ 0.62	\$ 0.41	\$ 0.50
	Pro forma	0.60	0.37	0.46

The Company used the Black-Scholes option pricing model to calculate the fair value of stock options at the grant date. See Note 14 for assumptions used.

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 2002, 2001 and 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000	
	Shares	EPS	Shares	EPS	Shares	EPS
Basic Calculation	15,192,471	\$ 0.63	15,200,154	\$ 0.41	14,952,985	\$ 0.50
Effect of dilutive shares -						
Restricted Shares	103,274		13,991		--	
Options	98,486		--		--	
Diluted Calculation	15,394,231	\$ 0.62	15,214,145	\$ 0.41	14,952,985	\$ 0.50

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Options to purchase shares with exercise prices greater than average market price were excluded from the above table for fiscal 2002, 2001 and 2000 in the approximate amounts of 620,000, 908,000 and 1,206,000, respectively, as they would have been antidilutive.

FUTURE ACCOUNTING CHANGES

In December, 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure" ("SFAS No. 148"). SFAS No. 148 presents additional alternatives for transitioning to the fair-value method of accounting for stock-based compensation, prescribes the format to be used for pro forma disclosures and requires the inclusion of similar pro forma disclosures in interim financial statements. The provisions of SFAS No. 148 are effective for the Company in fiscal 2003. The Company has not yet determined the impact adoption of SFAS No. 148 will have on its financial position or results of operations. In accordance with SFAS No. 148, the Company will include these disclosures in its quarterly financial statements beginning May 3, 2003. The planned implementation of SFAS No. 148 does not impact the Company's accounting for stock-based employee compensation or its consolidated financial results at this time as the Company has not changed to the fair-value-based method of accounting for stock-based employee compensation.

In January, 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("Interpretation 46"), to clarify the conditions under which assets, liabilities and activities of another entity should be consolidated into the financial statements of a company. Interpretation 46 requires the consolidation of a variable interest entity (including a special purpose entity such as that utilized in an accounts receivable securitization transaction) by a company that bears the majority of the risk of loss from the variable interest entity's activities and/or is entitled to receive a majority of the variable interest entity's residual returns. The provisions of Interpretation 46 are required to be adopted by the Company in fiscal 2003. The Company does not believe adoption of Interpretation 46 will have a material impact on its overall financial position or results of operations as any special purpose entities qualifying for accounting treatment under SFAS No. 140 (such as the Company's special purpose entity used for sales of accounts receivable--see Note 8) are not subject to Interpretation 46.

In November 2002, the Emerging Issues Task Force issued Consensus No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16"), which is effective prospectively for all vendor arrangements entered into after December 31, 2002. EITF 02-16 requires that consideration received from a vendor be considered a reduction of the prices of vendor's products and shown as a reduction of cost of sales in the income statement of the customer. If the consideration represents a reimbursement of specific incremental identifiable costs incurred, these amounts should be offset against the related costs with any excess consideration recorded in cost of sales. The Company's current accounting policies are consistent with the provisions of EITF 02-16 and, therefore, adoption of EITF 02-16 did not have a material impact on the Company's financial position or results of operations in fiscal 2002 and the Company does not expect that EITF 02-16 will have a material impact on the Company's financial position or results of operations in fiscal 2003.

2. GOODWILL AND INTANGIBLE ASSETS

Effective at the beginning of fiscal 2002, the Company adopted the FASB SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Upon adoption of SFAS No. 142, goodwill amortization ceased. Goodwill is now subject to fair-value based impairment tests performed, at a minimum, on an annual basis. In addition, a transitional goodwill impairment test was required as of the adoption date.

The Company had \$2,965 in net goodwill recorded in its consolidated balance sheet at the beginning of fiscal 2002. The Company completed the required transitional goodwill impairment test in the first quarter of fiscal 2002, and determined that its goodwill was not impaired. During fiscal 2002,

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no goodwill amortization was recorded, no additional goodwill was acquired, no impairment losses were recognized and no goodwill was disposed of through sale of a business unit.

SFAS No. 142 requires the presentation of net income and related earnings per share data adjusted for the effect of goodwill amortization. To illustrate the impact of goodwill amortization on results of the prior year periods, the following table provides adjusted net income and earnings per share:

	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
Reported net income	\$ 9,605	\$ 6,226	\$ 7,548
Add back: Goodwill amortization	-	234	234
Adjusted net income	\$ 9,605	\$ 6,460	\$ 7,782
=====			
Per share amounts -			
BASIC:			
Reported net income	\$ 0.63	\$ 0.41	\$ 0.50
Add back: Goodwill amortization	-	0.02	0.02
Adjusted net income	\$ 0.63	\$ 0.43	\$ 0.52
=====			
DILUTED:			
Reported net income	\$ 0.62	\$ 0.41	\$ 0.50
Add back: Goodwill amortization	-	0.01	0.02
Adjusted net income	\$ 0.62	\$ 0.42	\$ 0.52
=====			

SFAS No. 142 also requires disclosure of intangible assets that are subject to amortization. As of February 1, 2003 and February 2, 2002, the Company reported the following lease-related interests classified as intangible assets:

	February 1, 2003	February 2, 2002
Intangible assets - leases	\$ 10,828	\$ 10,828
Less: Accumulated amortization	4,282	3,794
Net	\$ 6,546	\$ 7,034
=====		

These lease interests relate to below-market-rate leases purchased in store acquisitions completed in fiscal 1992 through 1999, which were adjusted to reflect fair market value. These leases have average lives of twenty-five years. Amortization of \$488 and \$489 was recorded on these intangible assets during fiscal 2002 and 2001, respectively. The Company anticipates amortization on these intangible assets of approximately \$389, \$423, \$493, \$491 and \$470 for fiscal 2003, 2004, 2005, 2006 and 2007, respectively.

3. LONG-LIVED ASSET IMPAIRMENT

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

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impairment. SFAS No. 144 supersedes 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. SFAS No. 144 retains the SFAS No. 121 requirement to recognize an impairment loss only if the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows and to measure an impairment loss as the difference between the carrying amount and the fair value of the asset.

In fiscal 2002, the Company evaluated the recoverability of its long-lived assets. This evaluation measured the fair value of the assets by comparing estimated future cash flows for individual store locations to their carrying values. As a result of the evaluation, an impairment loss of approximately \$2,000 was recorded in depreciation and amortization expense.

4. EXIT OR DISPOSAL ACTIVITIES

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force ("EITF") set forth in EITF Issue No. 94-3. The scope of SFAS No. 146 also includes: (1) costs related to terminating a contract that is not a capital lease, and (2) termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred compensation contract. SFAS No. 146 was effective for exit or disposal activities that were initiated after December 31, 2002.

In October 2002, the Company announced it would close its York, Pennsylvania distribution operations in April 2003 and that all merchandise processing functions would be consolidated into the Company's existing Allentown, Pennsylvania distribution center. In addition, the Company announced it would close its Red Bank, New Jersey store in January 2003. The Company elected to adopt SFAS No. 146 early for these exit activities and, accordingly, in fiscal 2002 recorded a charge of \$696 relating to the closures, which is included within selling, general and administrative expense. This expense relates primarily to termination benefits for affected associates and other costs to consolidate the distribution centers. Termination benefits for the distribution center will be paid as operations are discontinued, but only if employees render service through the scheduled closing date.

Following is a reconciliation of accruals related to fiscal 2002 distribution center and store closures:

	Fiscal 2002 Provision	Fiscal 2002 Payments	February 1, 2003 Balance
Termination benefits	\$ 346	\$ (126)	\$ 220
Other closing costs	350	(95)	255
Total	\$ 696	\$ (221)	\$ 475

Total closing costs were estimated at \$802, with \$452 for termination benefits and \$350 for other costs. The termination benefits are being recognized ratably over the future service period: \$346 was expensed in fiscal 2002 and \$106 will be expensed in fiscal 2003.

The Company had operating lease agreements for these locations. The operating lease agreement for the Red Bank location expired at the end of January 2003, after which time the Company had no further obligation. When the Company discontinues distribution center operations, the remaining distribution center rental obligation through lease expiration in December 2020 will be \$9,782. The

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Company will continue to utilize a portion of this facility for its data processing operations center and intends to sublet the remaining space. The Company anticipates that the fair market value of any sublet income will equal or exceed its remaining rent obligation.

5. DEBT

Debt consisted of the following:

	February 1, 2003	February 2, 2002

Revolving credit agreement - principal payable April 15, 2004; interest payable periodically at varying rates (3.05% for fiscal 2002)	\$ 40,200	\$ 42,500
Mortgage notes payable - principal payable in varying monthly installments through June 2016; interest 9.62%; secured by land and buildings	19,209	19,855
Mortgage notes payable - principal payable February 1, 2012; interest payable monthly at various rates; secured by a building	4,500	4,500
Mortgage note 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	64,909	67,855
Less: current maturities	715	646

Long-term debt	\$ 64,194	\$ 67,209
=====		

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.

The Credit Facility provides a formula for borrowing availability, with selective elements, determined upon eligible inventory and selected fixed assets and real estate, up to an aggregate principal amount of \$175,000. As of February 1, 2003, the Company had borrowings of \$40,200 and letter-of-credit commitments of \$11,466, with \$43,053 of additional borrowing availability 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 2002.

The fair value of the Company's debt, excluding interest rate swaps, was estimated at \$67,676 and \$70,087 on February 1, 2003 and February 2, 2002, respectively, and is based on an estimate of rates available to the Company for debt with similar features.

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Debt maturities by fiscal year as of February 1, 2003, are as follows:

2003	\$ 715
2004	40,991
2005	876
2006	970
2007	1,073
2008 and thereafter	20,284
	\$ 64,909

6. INTEREST RATE DERIVATIVES

The Company maintains an interest rate swap portfolio that allows the Company to convert variable rates under its credit facilities to fixed rates. The following table indicates the notional amounts as of February 1, 2003 and February 2, 2002 and the range of interest rates paid and received by the Company during the respective fiscal years:

	February 1, 2003	February 2, 2002
Fixed swaps (notional amount)	\$110,000	\$110,000
Range of receive rate	1.76%-2.21%	2.21%-6.74%
Range of pay rate	5.43%-5.88%	5.43%-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 1, 2003 and February 2, 2002, was an unrealized loss of \$4,940 and \$4,311, respectively, and represents the amount the Company would pay if the agreements were terminated as of said dates.

On February 5, 2001, 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." 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 fiscal 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.

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

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transactions. This process includes relating all derivatives that are designated as cash flow hedges to specific balance sheet 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. 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

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.

In fiscal 2002, the Company discontinued cash flow hedge accounting for \$40,000 of the above-disclosed interest rate swaps. As these swaps were no longer considered highly effective under SFAS 133, they are being marked-to-market through earnings each reporting period. For fiscal 2002, a reduction in interest expense of \$225 was recorded related to the mark-to-market adjustment for these swaps. In addition, \$1,672 related to these swaps was released from accumulated other comprehensive income to interest expense during fiscal 2002.

Interest expense for fiscal 2002 and 2001 includes net losses related to hedge ineffectiveness of \$1,395 and \$543, respectively. As of February 1, 2003, the Company reflected accrued expenses of \$3,040 and other long-term liabilities of \$1,900 to recognize the fair value of its interest rate swaps. All charges recorded in fiscal 2002 and 2001 pursuant to SFAS No. 133 are considered non-cash items for Consolidated Statement of Cash Flows purposes.

As of February 1, 2003, it is expected that approximately \$689 of net-of-tax losses in accumulated other comprehensive income will be reclassified into earnings within the next twelve months. As of February 1, 2003, the maximum time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions is thirty-six months.

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7. INTEREST COSTS

Interest and debt costs were:

	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
Interest costs incurred	\$ 8,821	\$ 9,732	\$ 11,284
Interest income	(87)	(149)	(255)
Capitalized interest, net	(3)	(25)	(123)
Interest expense, net	\$ 8,731	\$ 9,558	\$ 10,906
Interest paid	\$ 8,029	\$ 8,244	\$ 11,698

8. SALE OF RECEIVABLES

The Company securitizes its proprietary credit card portfolio through an accounts receivable facility (the "Facility"). The securitization agreement was amended and restated in January 2003 to extend the term of the Facility through January 2004, and contains modified pricing, a fixed charge covenant and an increase in subordinated interest requirements. 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 and qualifying special purpose entity under SFAS No. 140, 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 retains 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 1, 2003 and February 2, 2002, credit card receivables were sold under the securitization agreement in the amount of \$145,000 and \$150,000, respectively, and the Company had subordinated interests of \$44,520 and \$29,816, 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. Subordinated interests as of February 1, 2003 and February 2, 2002 included restricted cash of \$6,222 and \$2,355, respectively, required based upon the terms of the Company's accounts receivable facility agreement.

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.

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During fiscal 2002, 2001 and 2000, the Company recognized securitization income of \$8,860, \$5,613 and \$2,721, 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 during the year were as follows:

	Fiscal Year Ended	
	February 1, 2003	February 2, 2002
Yield on credit cards	16.5% - 16.7%	16.8% - 17.3%
Payment rate	19.2% - 19.6%	18.8% - 19.3%
Interest rate on variable funding	4.0%	4.4% - 6.4%
Net charge-off rate	6.6% - 7.3%	7.4% - 8.5%
Residual cash flows discount rate	8.0%	8.0% - 12.0%

The interest-only strip was recorded at its fair value of \$1,111 and \$1,109 at February 1, 2003 and February 2, 2002, 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 2002. The table also displays the sensitivity of the current fair value of residual cash flows in fiscal 2002 to immediate 10% and 20% adverse changes in assumptions:

	Assumptions	Decrease in Value Due to Adverse Changes	
		10%	20%
Yield (annual rate)	16.5%	\$ 596	\$ 1,193
Payment rate	19.6%	110	221
Interest rate on variable and adjusted contracts	4.0%	146	291
Net charge-off rate	7.3%	267	534
Residual cash flows discount rate (annual rate)	8.0%	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.

The Company retained net proceeds from servicing fees, which it reported as a component of selling, general and administrative expenses, of \$2,890, \$2,854 and \$2,742 for fiscal 2002, 2001 and 2000, respectively. As of February 1, 2003, \$5,185 of the total managed credit card receivables were 61 days or more past due. Net credit losses on the total managed credit card receivables were \$7,364, \$7,813 and \$6,827 for fiscal 2002, 2001 and 2000, respectively.

THE BON-TON STORES, INC.
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9. PROPERTY, FIXTURES AND EQUIPMENT

As of February 1, 2003 and February 2, 2002, property, fixtures and equipment and related accumulated depreciation and amortization consisted of:

	February 1, 2003	February 2, 2002
Land and improvements	\$ 2,801	\$ 2,801
Buildings and leasehold improvements	147,746	144,715
Furniture and equipment	130,627	125,020
Buildings under capital leases	2,910	5,052
	284,084	277,588
Less: Accumulated depreciation and amortization	147,883	133,704
Net property, fixtures and equipment	\$ 136,201	\$ 143,884

Property, fixtures and equipment with a net depreciated cost of approximately \$24,063 and \$25,303 were pledged as collateral for secured loans at February 1, 2003 and February 2, 2002, respectively.

10. 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 leased to other retailers in many of the Company's facilities.

At February 1, 2003, 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
2003	\$ 300	\$ 20,996
2004	300	20,664
2005	200	19,138
2006	--	15,331
2007	--	12,689
2008 and thereafter	--	68,491
Total net minimum rentals	\$ 800	\$ 157,309
Less: Amount representing interest	82	
Present value of net minimum lease payments, of which \$250 is due within one year	\$ 718	

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

THE BON-TON STORES, INC.
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lease payments under operating leases are leased vehicles, copiers, fax machines, computer equipment, and a related-party commitment with an entity related to the Company's majority shareholder of \$224 for each of fiscal 2003 through 2005 and \$112 for fiscal 2006.

Rental expense consisted of the following:

	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
Operating leases:			
Buildings:			
Minimum rentals	\$ 20,377	\$ 19,960	\$ 18,667
Contingent rentals	2,383	2,067	2,358
Fixtures and equipment	669	1,403	2,094
Contingent rentals on capital leases	40	320	397
Totals	\$ 23,469	\$ 23,750	\$ 23,516

CONTINGENCIES

The Company is party to legal proceedings and claims that 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 operations.

11. 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 of Class A Common Stock to other than permitted transferees, as defined, such shares will convert to an equal number of Common Stock shares. Additionally, the Company authorized 5,000,000 shares of preferred stock; however, no preferred shares were issued.

12. INCOME TAXES

The Company accounts for income taxes according to SFAS 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.

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Components of the income tax provision are as follows:

	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
Current:			
Federal	\$ 3,128	\$ 8,975	\$ 7,296
State	350	644	243
Total current	3,478	9,619	7,539
Deferred:			
Federal	2,133	(5,416)	(2,759)
State	153	(387)	(158)
Total deferred	2,286	(5,803)	(2,917)
Income tax expense	\$ 5,764	\$ 3,816	\$ 4,622

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

	February 1, 2003	February 2, 2002
Deferred tax assets:		
Accrued expenses	\$ 3,912	\$ 4,919
Restricted shares and options	153	238
Bad debt reserve	805	1,053
Sale and leaseback	929	992
CEO retirement	--	403
Asset write-down	1,112	724
Inventory	--	1,673
SFAS No. 133 - Interest rate swaps	1,852	1,617
Other	331	--
Total gross deferred tax assets	\$ 9,094	\$ 11,619
Deferred tax liabilities:		
Fixed assets	\$ 748	\$ 823
Inventory	143	--
Other	1,018	684
Total gross deferred tax liabilities	\$ 1,909	\$ 1,507

As of February 1, 2003 and February 2, 2002, no deferred tax assets had associated valuation allowances, since the Company believes these tax benefits are realizable through reversal of existing deferred tax liabilities, tax carry-back availability and future taxable income.

THE BON-TON STORES, INC.
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A reconciliation of the statutory federal income tax rate to the effective tax rate is presented below:

	Fiscal Year Ended		
	February 1, 2003	February 2, 2002	February 3, 2001
Tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.5	2.6	2.0
Other, net	--	0.4	1.0
Total	37.5%	38.0%	38.0%

In fiscal 2002, 2001 and 2000, the Company made income tax payments (net of refunds) of \$9,430, \$6,963 and \$7,232, respectively.

13. 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 2002, 2001 and 2000 expense under the Plan was \$2,545, \$2,200 and \$2,200, respectively.

14. 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"). A maximum of 1,900,000 shares could have been granted under the 1991 Stock Plan. Options granted under the 1991 Stock Plan 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 options or awards may be granted under the 1991 Stock Plan after September 30, 2001.

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. Grants under the Replacement Plan vested over approximately one to six years and have a thirty-year term. No options or awards may be granted from the 1991 Replacement Plan after December 31, 1991. As of February 1, 2003, options for 42,598 shares remain outstanding at an exercise price of \$3.25 with a remaining contractual life of six years (all such shares are exercisable as of February 1, 2003).

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

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on the satisfaction of applicable performance goals. The maximum number of shares to be granted under the MIP Plan was 300,000, with no shares to be granted 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. In fiscal 1998, 250,000 Restricted Shares and options to purchase 250,000 shares with an exercise price of \$8.00 per share were issued under the Stock Incentive Plan. During fiscal 2000, 250,000 Restricted Shares vested and 250,000 options were forfeited due to the early retirement of Heywood Wilansky (see Note 16). No shares remain in the plan.

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. A maximum of 400,000 shares may be granted under the 2000 Stock Plan. No options or awards may be granted under the 2000 Stock Plan after March 2, 2010. During fiscal 2001, options for 100,000 shares were granted under the 2000 Stock Plan. As of February 1, 2003, options for 100,000 shares remain outstanding at an exercise price of \$2.39 with a remaining contractual life of nine years (33,334 of these shares are exercisable as of February 1, 2003). No Restricted Shares were granted under the 2000 Stock Plan as of February 1, 2003.

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 1, 2003	February 2, 2002	February 3, 2001
Expected option term in years	7.7	7.8	6.0
Stock price volatility factor	68.9%	70.4%	88.0%
Dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	3.7%	4.7%	6.6%

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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 2000					
January 29, 2000	982,030	\$ 8.20	167,100	\$ 7.25	123,333
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		--	

FISCAL 2002					
Granted	--	--	--	--	--
Transferred	--	--	--	--	--
Exercised	--	--	--	--	(27,685)
Forfeited	(38,750)	\$ 3.77	--	--	(3,333)

February 1, 2003	798,848	\$ 3.77	--	--	119,017
=====					
Options exercisable at February 1, 2003	640,098	\$ 7.24	--	--	--
Weighted average fair value of options granted during fiscal 2002		--		--	

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

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The range of exercise prices for the 1991 Stock Plan options outstanding as of February 1, 2003 follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 2/1/03	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 2/1/03	Weighted Average Exercise Price
\$ 2.94	173,584	8.1 years	\$ 2.94	16,500	\$ 2.94
\$ 3.19 - \$ 7.13	409,598	5.2 years	\$ 5.91	407,932	\$ 5.92
\$ 7.25 - \$11.25	145,266	3.2 years	\$ 8.02	145,266	\$ 8.02
\$13.25 - \$17.00	70,400	5.1 years	\$14.28	70,400	\$14.28
Total	798,848			640,098	

A summary of the Replacement Plan follows:

Exercise Price	Discount Options	Non-Discount Options
	\$ 3.25	\$ 13.00
FISCAL 2000		
January 29, 2000	49,189	37,552
Exercised	--	--
Forfeited	--	(8,650)
February 3, 2001	49,189	28,902
FISCAL 2001		
Exercised	--	--
Forfeited	(6,591)	(28,902)
February 2, 2002	42,598	--
FISCAL 2002		
Exercised	--	--
Forfeited	--	--
February 1, 2003	42,598	--

THE BON-TON STORES, INC.
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A summary of the Management Incentive Plan follows:

	Shares

FISCAL 2000	
January 29, 2000	94,561
Granted	--
Restriction lapsed	(13,907)
Forfeited	(21,359)

February 3, 2001	59,295

FISCAL 2001	
Granted	--
Restriction lapsed	(12,471)
Forfeited	(10,212)

February 2, 2002	36,612

FISCAL 2002	
Granted	--
Restriction lapsed	(6,762)
Forfeited	(3,323)

February 1, 2003	26,527
=====	

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

Amortization of restricted stock grants, charged to compensation expense, was \$160, \$589 and \$1,270 in fiscal 2002, 2001 and 2000, respectively.

THE BON-TON STORES, INC.
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15. QUARTERLY RESULTS (UNAUDITED)

FISCAL 2002:	Fiscal Quarter Ended			
	May 4, 2002	August 3, 2002	November 2, 2002	February 1, 2003
Net sales	\$ 150,517	\$ 153,890	\$ 167,542	\$ 241,281
Other income, net	534	553	520	1,098
	151,051	154,443	168,062	242,379
Costs of merchandise sold	100,397	95,959	104,878	149,584
Selling, general and administrative expenses	50,636	53,733	55,301	60,046
Depreciation and amortization(1)	5,057	4,847	4,945	6,452
Income (loss) from operations	(5,039)	(96)	2,938	26,297
Interest expense, net	1,977	2,399	2,413	1,942
Income (loss) before income taxes	(7,016)	(2,495)	525	24,355
Income tax provision (benefit)	(2,631)	(936)	197	9,134
NET INCOME (LOSS)	\$ (4,385)	\$ (1,559)	\$ 328	\$ 15,221
PER SHARE AMOUNTS -				
BASIC:				
Net income (loss)	\$ (0.29)	\$ (0.10)	\$ 0.02	\$ 1.01
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	15,283,017	15,237,911	15,180,685	15,068,269
DILUTED:				
Net income (loss)	\$ (0.29)	\$ (0.10)	\$ 0.02	\$ 1.00
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	15,283,017	15,237,911	15,392,437	15,260,979

(1) In the fiscal quarter ended February 1, 2003, the Company recorded an impairment loss of approximately \$2,000 on long-lived assets.

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15. QUARTERLY RESULTS (UNAUDITED) - (CONTINUED)

	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	15,150,307	15,160,684	15,213,869	15,275,755
DILUTED:				
Net income (loss)	\$ (0.33)	\$ (0.21)	\$ (0.03)	\$ 0.97
=====				
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	15,150,307	15,160,684	15,213,869	15,331,717

(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 and accelerated depreciation of \$1,389 on associated assets with lives exceeding the expected lease term.

THE BON-TON STORES, INC.
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16. 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 1, 2003, all monies were paid and the remaining accrual was zero.

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 1, 2003, all monies were paid and the remaining accrual was zero.

Mr. Wilansky received 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.

17. 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 2002 were \$1,265, which includes the prepayment of February and March 2003.

18. STOCK REPURCHASES

On February 7, 2002, the Company announced a stock repurchase program authorizing the purchase of up to \$2,500 of the Company's Common Stock from time to time. During fiscal 2002, the Company purchased 277,000 Common Stock shares at a cost of \$1,132. Treasury stock is accounted for by the cost method.

**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 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 facility closing	\$ 230,000	\$ --	\$ (140,000)(3)	\$ 90,000
YEAR ENDED FEBRUARY 2, 2002:				
Allowances for doubtful accounts and sales returns	\$ 4,045,000	\$ 8,032,000(1)	\$(8,319,000)(2)	\$ 3,758,000
Reserve for facility closing	\$ 90,000	\$ --	\$ (4,000)(3)	\$ 86,000
YEAR ENDED FEBRUARY 1, 2003:				
Allowances for doubtful accounts and sales returns	\$ 3,758,000	\$ 8,321,000(1)	\$(8,539,000)(2)	\$ 3,540,000
Reserve for facility closing	\$ 86,000	\$ 696,000(4)	\$ (244,000)(3)	\$ 538,000

NOTES:

- (1) Provision for merchandise returns and loss on credit sales.
- (2) Uncollectible accounts written off, net of recoveries.
- (3) Facility closing expenses, net of recoveries.
- (4) Fiscal 2002 provision for store closing, as discussed in Note 4 to Consolidated Financial Statements.

EXHIBIT INDEX

Exhibit	Description
10.12	Second Amended and Restated Receivables Purchase Agreement.
21.	Subsidiaries of the Registrant.
23.1	Consent of KPMG LLP.
23.2	Explanation Concerning Absence of Current Written Consent of Arthur Andersen LLP.
99.1	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 10.12

**SECOND AMENDED AND RESTATED
RECEIVABLES PURCHASE AGREEMENT**

Dated as of January 17, 2003

Among

THE BON-TON RECEIVABLES PARTNERSHIP, L.P.,

as Seller

THE BON-TON RECEIVABLES PARTNERSHIP, L.P.,

as Collection Agent

FALCON ASSET SECURITIZATION CORPORATION

and

EAGLEFUNDING CAPITAL CORPORATION,

as Conduits

THE FINANCIAL INSTITUTIONS PARTY HERETO,

as Investors

BANK ONE, NA

and

FLEET SECURITIES, INC.,

as Managing Agents

and

BANK ONE, NA (MAIN OFFICE CHICAGO),

as Agent

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SECOND AMENDED AND RESTATED

RECEIVABLES PURCHASE AGREEMENT

This Second Amended and Restated Receivables Purchase Agreement dated as of January 17, 2003 is among The Bon-Ton Receivables Partnership, L.P., a Pennsylvania limited partnership ("TBTR Partnership", the "Seller" and the "Collection Agent"), BTRGP, Inc. ("GP, Inc."), a Pennsylvania corporation, each financial institution party hereto as an Investor (the "Investors"), Falcon Asset Securitization Corporation ("Falcon") and EagleFunding Capital Corporation ("Eagle"), as Conduits (the "Conduits"), Bank One, NA (Main Office Chicago) ("Bank One") and Fleet Securities, Inc. ("Fleet Securities"), as Managing Agents (the "Managing Agents"), and Bank One, as Agent (the "Agent"). Unless defined elsewhere herein, capitalized terms used in this Agreement, except for those used in connection with Section 7.1(i), shall have the meanings assigned to such terms in Exhibit I. Capitalized Terms used in connection with Section 7.1(i) shall have the meanings assigned to such terms in Exhibit X.

PRELIMINARY STATEMENTS

The Seller, The Bon-Ton Receivables Corp., GP, Inc., Falcon, and Bank One, as an Investor and as Agent, and the other financial institutions party thereto as Investors are parties to that certain Amended and Restated RPA dated as of June 12, 1995 (as amended prior to the date hereof, the "Existing RPA").

The parties hereto desire to enter into this agreement in order, among other things, to amend and restate the Existing RPA in its entirety.

ARTICLE I

AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1. Purchase Facility. (a) Upon the terms and subject to the conditions hereof, the Seller may, at its option at any time prior to the Facility Termination Date, sell and assign Receivable Interests to the Agent for the benefit of the Purchasers. Each Conduit may, at its option, instruct its related Managing Agent to purchase on its behalf or, if such Conduit shall decline to purchase, such Managing Agent shall purchase on behalf of the Investors in its Purchase Group, Receivable Interests offered by the Seller for sale and assignment from time to time during the period from the date hereof to but not including the Facility Termination Date. Effective on the payment of the applicable Purchase Price in respect of each Incremental Purchase, the Seller assigns, transfers and conveys to the Agent for the benefit of the relevant Purchaser or Purchasers, and the Agent thereby acquires all of the Seller's right, title and interest in and to the Receivable Interests arising from such Incremental Purchase.

(b) The Seller may, upon at least five days' notice to the Agent and each Managing Agent, terminate in whole or reduce in part ratably among the Investors the unused portion of the Purchase Limit; provided that each partial reduction of the Purchase Limit shall be

in an amount not less than \$5,000,000 and any reduction of the Purchase Limit shall not cause the Purchase Limit to be an amount less than \$120,000,000.

Section 1.2. Making Purchases. (a) The Seller shall provide the Agent and each Managing Agent with at least three Business Days' prior notice (a "Purchase Notice") of each Incremental Purchase. Each Purchase Notice shall, except as set forth below, be irrevocable and shall specify the requested Purchase Price (the pro rata share of which, with respect to each Investor in each applicable Purchase Group shall not be less than \$1,000,000) and date of purchase, together with the duration of the initial Tranche Period and the initial Discount Rate related thereto. Following receipt of a Purchase Notice, each Managing Agent will determine whether the Conduit(s) in its Purchase Group agree to make the purchase. If any Conduit declines to make a proposed purchase, the Seller may cancel the Purchase Notice in its entirety or, in the absence of such a cancellation, the Incremental Purchase of the Receivable Interests will be made by the Investors in such Conduit's Purchase Group.

(b) On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent set forth in Article IV, each Conduit or the applicable Investors, as applicable, shall deposit to the Facility Account, in immediately available funds, no later than 11:00 a.m. (Chicago time), an amount equal to (i) in the case of a Conduit, the aggregate Purchase Price of the Receivable Interests that are being purchased on behalf of such Conduit or (ii) in the case of an Investor, such Investor's Commitment Pro Rata Share of the aggregate Purchase Price of the Receivable Interests that are being purchased on behalf of the Investors.

Section 1.3. Selection of Tranche Periods and Discount Rates.

(a) Each Receivable Interest shall at all times have an associated amount of Capital, a Discount Rate and Tranche Period applicable to it. Not less than \$1,000,000 of Capital may be allocated to any single Receivable Interest with respect to which a LIBO Rate applies. The Seller shall request Discount Rates and Tranche Periods for the Receivable Interests of the Purchasers. The Seller may select the CP Rate, with the concurrence of the applicable Managing Agent, or the Base Rate for the Receivable Interests of any Conduit and the LIBO Rate or the Base Rate for the Receivable Interests of the Investors. The Seller shall by 11:00 a.m. (Chicago time), (i) at least three Business Days prior to the expiration of any then existing Tranche Period with respect to which the LIBO Rate is being requested as a new Discount Rate, (ii) at least two Business Days prior to the expiration of any then existing Tranche Period with respect to which the CP Rate is being requested as a new Discount Rate and (iii) at least one Business Day prior to the expiration of any Tranche Period with respect to which the Base Rate is being requested as a new Discount Rate, give the applicable Managing Agent irrevocable notice of the new Tranche Period and Discount Rate for the Receivable Interest associated with such expiring Tranche Period. If the Seller fails to request a new Discount Rate and/or a new Tranche Period for any Receivable Interest pursuant to the terms of this Section 1.3, the Discount Rate shall be the CP Rate or the Base Rate, in the applicable Managing Agent's sole discretion, and the applicable Tranche Period shall be a period of one day commencing on the last day of the then expiring Tranche Period for such Receivable Interest. Until the Seller gives notice to the applicable Managing Agent of another Discount Rate, the initial Discount Rate for any Receivable Interest transferred to the Investors shall be the Base Rate and the Tranche Period for such Receivable Interest shall

be a period of five days commencing on the day that such Receivable Interest is transferred to such Investors.

(b) If any Investor notifies the applicable Managing Agent that it has determined that funding its Commitment Pro Rata Share of the Receivable Interests of the Investors at a LIBO Rate would, by reason of any Regulatory Change after the date hereof, violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Receivable Interests at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Receivable Interest at such LIBO Rate, then such Managing Agent shall suspend the availability of such LIBO Rate and require the Seller to select a new Discount Rate for any Receivable Interest accruing Discount at such LIBO Rate.

(c) Notwithstanding any other provision herein to the contrary, from and after the occurrence, and during the continuance, of a Default Pricing Event, until the Aggregate Unpaid have been indefeasibly paid in full, the Discount Rate applicable to all Receivable Interests shall be a rate per annum equal to the Base Rate plus 2%. "Default Pricing Event" shall mean (i) any Termination Event of the type described in Section 7.1 (a)(ii) (other than a Termination Event arising thereunder in respect of any payment due under Article VIII) or Section 7.1(c), and (ii) any other Termination Event, provided that under this clause (ii) the Agent or any Managing Agent shall have declared (by written notice given to the Seller) the existence of such Termination Event and a period of five days shall have elapsed.

Section 1.4. Percentage Evidenced by Receivable Interests. (a) Each Receivable Interest shall be initially computed on its date of purchase. Thereafter, until its Liquidation Day, each Receivable Interest shall be automatically recomputed (or deemed to be recomputed) on each day prior to its Liquidation Day. The variable percentage represented by any Receivable Interest as computed (or deemed recomputed) as of the close of business on the day immediately preceding its Liquidation Day shall remain constant at all times after such Liquidation Day.

(b) If any Receivable Interest would otherwise be reduced or increased on any day as a result of newly arising Collections or Receivables, the Agent may prevent such increase or reduction by notifying the Collection Agent on such day that the Net Receivables Balance for such Receivable Interest will include only the number or portion of Receivables or Collections arising on such day as shall cause the percentage evidenced by such Receivable Interest to remain constant. The remainder of the Receivables, Collections or portion thereof arising on such day shall be treated as arising on the next succeeding Business Day.

(c) If any reduction of any Receivable Interest hereunder affects a reduction in Capital, and if such reduction in Capital reduces aggregate Capital below the aggregate "Notional Amounts" of the Interest Rate Swap Agreements, then at the discretion of Bank One, NA, in its role as Swap Counterparty, or such other Swap Counterparty as may from time to time be party to an Interest Rate Swap Agreement, any such Interest Rate Swap Agreement shall be deemed terminated pursuant to Section 6 thereof, and any Interest Rate Swap Obligations (including Breakage Fees), Swap Fees or any other amounts due under such Interest Rate Swap Agreement shall immediately be due and owing; provided that, at the discretion of such Swap Counterparty, the Seller may enter into a replacement Interest Rate Swap Agreement allocated to

such reduced Receivable Interest with a "Notional Amount" less than or equal to such reduced Capital.

Section 1.5. Dividing or Combining Receivable Interests. The Seller or any Managing Agent may, upon notice to and consent by the other received at least three Business Days prior to the end of a Tranche Period for any Receivable Interest, take any of the following actions with respect to any related Receivable Interest: (i) divide such Receivable Interest into two or more Receivable Interests having aggregate Capital equal to the Capital of such divided Receivable Interest, (ii) combine such Receivable Interest with another Receivable Interest with a Tranche Period ending on the same day and owned by the related Conduit, creating a new Receivable Interest having Capital equal to the Capital of the two Receivable Interests combined or (iii) combine the Receivable Interest with a Receivable Interest to be purchased on such day by a related Purchaser, creating a new Receivable Interest having Capital equal to the Capital of the two Receivable Interests combined, provided that, a Receivable Interest of a Conduit may not be combined with a Receivable Interest of any Investor.

Section 1.6. Reinvestment Purchases. At any time that any Collection or Collections are received by the Collection Agent after the initial purchase of a Receivable Interest hereunder and on or prior to the Liquidation Day of such Receivable Interest (and subject to the provisions of Section 1.8 hereof), the Seller hereby requests and the Purchasers hereby agree to make, simultaneously with such receipt, a reinvestment (each a "Reinvestment") with that portion of each and every Collection received by the Collection Agent that is allocable to such Receivable Interest, such that after giving effect to such Reinvestment, the amount of the Capital of such Receivable Interest immediately after any such receipt and corresponding Reinvestment shall be equal to the amount of the Capital immediately prior to such receipt; provided that, a Conduit (or its Managing Agent on its behalf) may at any time notify the Seller that it will cease to make Reinvestment Purchases and such Conduit shall thereafter cease to make such Reinvestment Purchases. If any Conduit notifies the Seller that it will cease to make Reinvestment Purchases and such Conduit thereafter ceases to make a Reinvestment Purchase, Seller may deliver a Purchase Notice, as defined in Section 1.2, to such Conduit's related Managing Agent, and the Investors in such Conduit's Purchase Group shall, subject to the other terms and conditions of this Agreement, make a new purchase of Receivable Interests by the third Business Day following such Purchase Notice in an amount equal to the Reinvestment Purchase that such Conduit declined to make (which amount shall be set forth in such Purchase Notice).

Section 1.7. Full Liquidation Settlement Procedures. On the Liquidation Day and on each day thereafter, the Collection Agent (or, if applicable, the Agent) shall set aside and hold in trust for the Purchasers, the Allocation Percentage of Collections received on such day. On the first Business Day of each calendar month, the Collection Agent shall remit to the Subservicer, so long as the Subservicer is not the Originator or any Affiliate thereof, any accrued and unpaid Subservicer Fee then due and payable. On the last day of each Tranche Period of a Receivable Interest after the occurrence of its Liquidation Day, the Collection Agent shall remit (a) first, to the Subservicer, so long as the Subservicer is not the Originator or any Affiliate thereof, any Subservicer Fee due but unpaid on the first Business Day of the immediately preceding calendar month, (b) second, to the Agent, all unreimbursed Collection and

Enforcement Costs, and (c) third, to each Managing Agent for the account of the Purchasers in such Managing Agent's Purchase Group (ratably based upon outstanding amounts) any remaining amounts set aside pursuant to the first sentence hereof together with any remaining amounts set aside pursuant to this

Section 1.7 prior to such day, but not to exceed the sum of (i) the accrued Discount for such Receivable Interest, (ii) the Capital of such Receivable Interest, and (iii) the aggregate of all other amounts then owed hereunder by Seller to Purchasers or the related Managing Agent. If there shall be insufficient funds on deposit for the Collection Agent to distribute funds in payment in full of the aforementioned amounts, such amounts shall be allocated amongst the Managing Agents based upon the Funded Pro Rata Share of the Purchases in each Purchasing Group. The Collections so remitted shall be allocated by the related Managing Agent to the Receivable Interests of the Purchasers in such Managing Agent's Purchase Group in accordance with the Capital allocable to each, as between the Conduit in such Managing Agent's Purchase Group and all other Purchasers in such Managing Agent's Purchase Group, and ratably in accordance with the Commitment allocable to each, as among the Investors in such Managing Agent's Purchase Group. If there shall be insufficient funds on deposit for the related Managing Agent to distribute funds remitted by the Collection Agent, in payment in full of the aforementioned amounts, such related Managing Agent shall distribute funds first, to reimbursement of such Managing Agent's Collection and Enforcement Costs, second, in payment of all accrued Discount for the Receivable Interests, third, in reduction of the Capital of the Receivable Interests, and fourth, in payment of all other amounts payable to the Purchasers in such Managing Agent's Purchase Group. Collections applied to the payment of fees, expenses, Discount and all other amounts payable by the Seller to any Managing Agent and the Purchasers in such Managing Agent's Purchase Group hereunder shall be allocated ratably among such Managing Agent and such Purchasers in accordance with the amounts owing to each. Following the date on which the Aggregate Unpaid is reduced to zero, the Collection Agent shall pay to Seller any remaining Collections set aside and held by the Collection Agent pursuant to this Section 1.7.

Section 1.8. Partial Liquidation Settlement Procedures. If, pursuant to Section 1.13, certain Investors have agreed to an extension of their respective Liquidity Termination Dates and at least one Investor has not agreed to such extension (each such Investor, a "Non-Renewing Investor"), on each day on and after such Non-Renewing Investor's Liquidity Termination Date until the Capital of each Non-Renewing Investor has been reduced to zero and the Capital held by each Conduit in such Non-Renewing Investor's Purchase Group (any such Conduit, a "Non-Renewing Conduit") has been reduced to an amount equal to or less than the aggregate Commitments of the Investors in its Purchase Group (exclusive of any Non-Renewing Investor) the Collection Agent shall set aside and hold in trust for each such Non-Renewing Investor and Non-Renewing Conduit, the ratable share of Collections calculated (and not re-calculated subsequently) based on the outstanding Capital of such Non-Renewing Investor(s) and Non-Renewing Conduit(s) relative to the aggregate Capital of all Purchasers on such Non-Renewing Investor(s)' Liquidity Termination Date. On the last day of each Tranche Period of a Receivable Interest held by a Non-Renewing Investor or Non-Renewing Conduit, the Collection Agent shall remit to the applicable Managing Agent for the account of the Non-Renewing Investors and Non-Renewing Conduit(s) in such Managing Agent's Purchase Group (ratably based upon outstanding amounts) the amounts set aside pursuant to the preceding sentence together with any remaining amounts set aside pursuant to this Section 1.8 prior to such day with

respect to such Receivable Interest, but not to exceed in the case of any Non-Renewing Conduit, an amount equal to the excess, if any, of Capital of such Non-Renewing Conduit over the aggregate Commitments of the Investors in its Purchase Group (exclusive of any Non-Renewing Investor), and not to exceed in any case the Capital of such Receivable Interest; provided that, if on any such Business Day, there shall be two or more Non-Renewing Investors with different Liquidity Termination Dates and the balance of such Collections is less than the aggregate of the above-described amounts (the "Initial Calculated Amount") for such Non-Renewing Investors (and any related Non-Renewing Conduit(s)), such Collections shall be distributed ratably among such Non-Renewing Investors (and any related Non-Renewing Conduit(s)) based upon their respective Initial Calculated Amounts and provided, further, that notwithstanding the foregoing, if the Liquidation Day shall occur, this Section 1.8 shall be inapplicable and Collections shall be distributed in accordance with Section 1.7.

Section 1.9. Deemed Collections. If on any day the Outstanding Balance of, or Accrued Finance Charges in respect of, a Receivable is either (x) reduced as a result of any defective or rejected goods or services, any cash discount or any adjustment by the Seller, the Collection Agent (if then any Person designated by the Seller is Collection Agent) or the Originator (or, if other than the Originator, the originator of such Receivable), or (y) reduced or cancelled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction and whether such claim relates to the Seller, the Originator (or, if other than the Originator, the originator of such Receivable) or any Affiliate thereof), the Seller shall be deemed to have received on such day a Collection of such Receivable in the amount of such reduction or cancellation. If on any day any of the representations or warranties in Article III are no longer true with respect to a Receivable, the Seller shall be deemed to have received on such day a Collection of such Receivable in full. If the Seller receives any Collections or if the Seller is deemed to have received Collections pursuant to this Section 1.9 or otherwise, the Seller shall within one Business Day pay such Collections or Deemed Collections to the Collection Agent and, at all times prior to such payment, such Collections shall be held in trust by the Seller, for the exclusive benefit of the Purchasers, the Managing Agents with respect to such Purchasers and the Agent.

Section 1.10. Discount; Payments and Computations, Etc. (a) Discount shall accrue for each Receivable Interest for each day occurring during the Tranche Period for such Receivable Interest. On the last day of each Tranche Period the Seller shall pay to each Managing Agent an amount equal to the accrued and unpaid Discount in respect of each Receivable Interest held by the Purchasers in such Managing Agent's Purchase Group for the immediately preceding Tranche Period, as notified by such Managing Agent to the Seller on or prior to the last day of such Tranche Period.

(b) Notwithstanding any limitation on recourse contained in this Agreement, the Seller shall pay the Agent and each Managing Agent, for the account of the relevant Purchasers in such Managing Agent's Purchaser Group, such fees as set forth in the Fee Letter (which fees shall be sufficient, the Investors agree among themselves, to pay the "Investors Fees") and such Purchaser's share of all amounts payable as Discount, all amounts payable pursuant to Article VIII, if any, all Collection Agent costs, if any, payable pursuant to Section 6.2, any and all issuing and paying agent fees and commissions of placement agents and commercial paper

dealers in respect of Commercial Paper issued to fund any Receivable Interest of any Conduit hereunder, and on demand therefor, any early Collection Fee.

(c) All amounts to be paid or deposited by any Person hereunder shall, unless otherwise expressly specified in this Agreement, be paid or deposited in accordance with the terms hereof no later than 11:00 a.m. (Chicago time) on the day when due in immediately available funds; if such amounts are payable to a Purchaser, they shall be paid to the related Managing Agent, for the account of such Purchaser, at the address of such Managing Agent set forth on the signature pages hereto until otherwise notified by such Managing Agent. Upon notice to the Seller, the Agent may debit the Facility Account or, solely in the case of Interest Rate Swap Obligations owing to Bank One the Swap Cash Collateral Account held in the name of Bank One as Swap Counterparty, for all amounts then due and payable hereunder. In the case of Interest Rate Swap Obligations owing to a Swap Counterparty other than Bank One upon notice to the Seller, such Swap Counterparty is authorized to debit the Swap Cash Collateral Account held by it for all amounts then due and payable under the Interest Rate Swap Obligations owing to it. All computations of Discount and per annum fees hereunder and under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed (including the first but excluding the last day). All per annum fees shall be payable monthly in arrears on the first day of each month. On each Interest Rate Swap Settlement Date, the Collection Agent shall direct each Swap Counterparty to make all payments due under each corresponding Interest Rate Swap Agreement directly to the Collection Account. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.11. Seller Interest. The Seller shall ensure that the aggregate Receivable Interests of the Purchasers shall at no time exceed 100%. If at any time, the aggregate Receivable Interests of the Purchasers exceeds 100%, the Seller shall pay to each Managing Agent for the account of the Purchasers in such Managing Agent's Purchase Group within the Required Cure Period, an amount to be applied to reduce the Capital of the Receivable Interests of each Purchaser in such Managing Agent's Purchase Group, such that after giving effect to such payment the aggregate Receivable Interest of all Purchasers equals or is less than 100%. Such amount shall be applied ratably to the reduction of the Capital of the Receivable Interests. Any amounts received by the Purchasers pursuant to the preceding sentence shall be applied ratably in accordance with their Funded Pro Rata Shares. The Seller hereby grants (i) to the Agent for the ratable benefit of the Agent, the Managing Agents and the Purchasers a security interest in all of its interest in the Receivables, Related Security, Collections and proceeds thereof to secure payment of the Aggregate Unpaid, including the indemnity obligations of the Seller under Article VIII and all other obligations owed hereunder to the Purchasers, (ii) to the Agent on behalf of Bank One, as a Swap Counterparty, a security interest in all of its interest in the Swap Cash Collateral Account held by Bank One, and all proceeds thereof to secure the Interest Rate Swap Obligations owing to Bank One, as Swap Counterparty, and (iii) to each Swap Counterparty other than Bank One, a security interest in all of its interest in the Swap Cash Collateral Account held by such Swap Counterparty and all proceeds thereof to secure the Interest Rate Swap Obligations owing to such Swap Counterparty.

Section 1.12. Characterization. (a) It is the intention of the parties hereto that each purchase hereunder shall constitute an absolute and irrevocable sale, which purchase shall provide the applicable Purchaser with the full benefits of ownership of the applicable Receivable Interest. Except as specifically provided in this Agreement, each sale of a Receivable Interest hereunder is made without recourse to the Seller; provided, however, that (i) the Seller shall be liable to each Purchaser and each Managing Agent for all representations, warranties and covenants made by the Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by any Purchaser or any Managing Agent or any assignee thereof of any obligation of the Seller or the Originator or any other person arising in connection with the Receivables, the Related Security, the related Contracts and the Accounts, or any other obligations of the Seller or the Originator.

(b) If the conveyance by the Seller to the Purchasers of interests in Receivables hereunder shall be characterized as a secured loan and not a sale, it is the intention of the parties hereto that this Agreement shall constitute a security agreement under applicable law, and that the Seller shall have granted to the Agent, for the ratable benefit of the Agent, the Managing Agents and the Purchasers, a duly perfected security interest in all of the Seller's right, title and interest in, to and under the Receivables, the Collections, each Collection Account, each Interest Rate Swap Agreement, all Related Security, all payments on or with respect to such Receivables, all other rights relating to and payments made in respect of the Receivables, and all proceeds of any thereof prior to all other liens on and security interests therein, and after a Termination Event, the Managing Agents, the Purchasers, and each Swap Counterparty (with respect to the corresponding Swap Cash Collateral Account) shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the UCC and other applicable law (including without limitation the right to foreclose upon the Receivables, Related Security, Collections, any Swap Cash Collateral Accounts and proceeds thereof and sell such collateral following a Termination Event, in each case pursuant to the requirements of the UCC), which rights and remedies shall be cumulative.

Section 1.13. Extension of Liquidity Termination Date. The Seller may request that an Investor extend the Liquidity Termination Date (such date or such date as it may have been previously extended pursuant to this Agreement is hereinafter referred to as the "Liquidity Termination Date") for such Investor to the date occurring 364 days (or less) past the then applicable Liquidity Termination Date for such Investor by giving written notice of such request (an "Extension Request") to the Managing Agent for such Investor. Such Extension Request shall be delivered no more than 60 days and no less than 30 days prior to the then applicable Liquidity Termination Date for such Investor. If the applicable Investor, or its Managing Agent on such Investor's behalf, advises the Seller in writing by the later of (i) the date that is 30 days prior to the then applicable Liquidity Termination Date for such Investor and (ii) the date that is 10 days after such Investor receives an Extension Request (such later date, the "Reply Date"), that such Investor consents to the requested extension, the Liquidity Termination Date for such Investor will be the date following the then applicable Liquidity Termination Date for such Investor that is specified by such Investor in writing as its new Liquidity Termination Date. If neither the Investor, nor its Managing Agent on such Investor's behalf, responds to the Seller's Extension Request by the Reply Date for such Investor, such Investor will be deemed to have denied the Seller's Extension Request. Notwithstanding any of the foregoing, an Extension

Request that is delivered by the Seller to an Investor prior to then applicable Liquidity Termination Date for such Investor may, with the written consent of the Seller, be accepted in writing by such Investor at any time prior to the then applicable Liquidity Termination Date for such Investor; in such case, the Liquidity Termination Date for such Investor will be the date following the then applicable Liquidity Termination Date for such Investor that is specified by such Investor in writing as its new Liquidity Termination Date.

ARTICLE II

REPURCHASE RIGHT

Section 2.1. Seller's Extinguishment. The Seller shall have the right, on five (5) Business Days' written notice to the Agent, at any time following the reduction of the Capital to a level that is less than five percent (5%) of the original Purchase Limit, to repurchase from the Purchasers all, and not part, of the then outstanding Receivable Interests. The purchase price in respect thereof shall be an amount equal to the Aggregate Unpaid through the date of such repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of or against any Purchaser, any Managing Agent or the Agent.

Section 2.2. Swap Cash Collateral Account. Any amounts on deposit in a Swap Cash Collateral Account in excess of the Required Minimum Balance related to the applicable Interest Rate Swap Agreement shall be remitted to the Seller by the Collateral Agent (if both the Collateral Agent and the Swap Counterparty are Bank One) or otherwise by such Swap Counterparty in each instance, upon the Seller's request therefor. In addition, the Seller may from time to time make deposits into the Swap Cash Collateral Accounts in the amount necessary to maintain funds in such Swap Cash Collateral Accounts in an aggregate amount at least equal to the applicable Required Minimum Balance for all Interest Rate Swap Agreements at such time.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1. Seller Representations and Warranties. Each of the Seller and GP, Inc. hereby represents and warrants to the Agent, the Managing Agents and the Purchasers that:

(a) Existence and Power. TBTR Partnership is a limited partnership duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. TBTR Partnership has all partnership power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted.

(b) No Conflict. The execution, delivery and performance by TBTR Partnership of this Agreement and each other Transaction Document to which it is a party, and TBTR Partnership's use of the proceeds of purchases made hereunder, are within its partnership

powers, have been duly authorized by all necessary partnership action, do not contravene or violate (i) its certificate of incorporation, by-laws, partnership agreement or certificate of limited partnership, as applicable, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of the Seller or its Subsidiaries (except created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. This Agreement and each other Transaction Document to be executed and delivered by TBTR Partnership hereunder has been duly executed and delivered by it.

(c) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by TBTR Partnership of this Agreement, any Collection Account Agreement or any other Transaction Document to be delivered in connection herewith.

(d) Binding Effect. This Agreement, each Collection Account Agreement and each of the other Transaction Documents to which TBTR Partnership is a party constitutes the legal, valid and binding obligation of TBTR Partnership enforceable against TBTR Partnership in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

(e) Accuracy of Information. All information heretofore furnished by TBTR Partnership to the Agent, any Managing Agent or the Purchasers for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by TBTR Partnership to the Agent, any Managing Agent or the Purchasers will be, true and accurate in every material respect, on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(f) Use of Proceeds. No proceeds of any Purchase will be used

(i) for a purpose which violates, or would be inconsistent with, Regulation G, T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

(g) Title to Receivables Purchased from the Originator. Each Receivable transferred by the Originator has been purchased by the Seller from the Originator in accordance with the terms of the Transfer Agreement, and the Seller has thereby irrevocably obtained legal and equitable title to, and has the legal right to sell, such Receivable and the Related Security and such Receivable has been transferred to the Seller free and clear of any Adverse Claim. Without limiting the foregoing, there has been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Seller's ownership interest in such Receivable.

(h) Good Title; Perfection. Immediately prior to each purchase hereunder, the Seller shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by this Agreement and the documents entered into in connection herewith. This Agreement is effective to (i) create a valid and perfected first priority interest in each Swap Cash Collateral Account in favor of the corresponding Swap Counterparty (or the Collateral Agent on behalf thereof), and (ii) is effective to, and shall, upon each purchase hereunder, transfer to the Agent for the benefit of the relevant Purchaser or Purchasers (and the Agent, for the benefit of such Purchaser or Purchasers shall acquire from the Seller) a valid and perfected first priority undivided percentage ownership interest in each Receivable existing or hereafter arising and in the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, in each case except as created by this Agreement and the documents entered into in connection herewith.

(i) Places of Business. The principal places of business and chief executive office of TBTR Partnership and the offices where TBTR Partnership as the Seller keeps all its Records are, and have been at all times since January 1, 1995, located at the address(es) listed on Exhibit II or such other locations notified to the Agent in accordance with Section 5.2(a) in jurisdictions where all action required by Section 5.2(a) has been taken and completed. The jurisdiction of organization, Federal Employer Identification Number and organizational identification number for TBTR Partnership are each correctly set forth on Exhibit II.

(j) Collection Accounts. With respect to Collections and the Collection Accounts:

(i) the Seller has caused the Originator and the Collection Agent to instruct all Obligor to pay all Collections directly to a Lock-Box; provided that Obligor may elect to make payments at a store location of the Originator;

(ii) the Originator has agreed to cause each of its stores (A) to deposit all In-Store Collections with a local bank within one Business Day of its receipt thereof, and (B) on the same day as such deposit, to initiate a remittance to the Concentration Account (through the automated clearinghouse system or by wire transfer) of all such In-Store Collections; the Originator has agreed to remit to the "Sub-Servicer" under the Transfer Agreement, on the date of receipt of any such In-Store Collections in the Concentration Account, all of such Collections; the Seller agrees to cause such Sub-Servicer thereupon to remit the same to the Collection Agent (or shall disburse the same in the manner and to such Persons as the Collection Agent shall otherwise direct in accordance with the terms and provisions of this Agreement); and the Collection Agent, if it receives any of the same, shall apply such Collections in accordance with Article VI and the other terms and provisions of this Agreement; provided, however, that neither the Seller nor the Originator shall be in breach of its obligations under clause (A) above if an amount not to exceed 5% of the aggregate In-Store Collections during any month shall fail to be deposited within one Business Day of the receipt thereof so long as all such In-Store Collections are deposited within two Business Days of receipt;

(iii) all Collections in the Lock-Boxes are deposited, on the same Business Day received, directly into a Lock-Box Account and subsequently (within one Business Day

after such deposit) transferred to the Concentration Account and the Seller shall thereupon make the same available to the Collection Agent for application in accordance with Article VI and the other terms and provisions of this Agreement;

(iv) all Lock-Boxes, Lock-Box Accounts and Concentration Accounts as of the date hereof, together with the account numbers thereof and the names and addresses of all banks maintaining the same, are listed on Exhibit III and, with respect to each Collection Account established after the date hereof, the Seller has provided notice thereof to the Agent and otherwise complied with all requirements set forth in Section 5.2(b) with respect thereto;

(v) a Collection Account Agreement in respect of each Collection Account, in the appropriate form, has been duly executed and delivered by the applicable Collection Bank, the Originator, the Seller and the Agent and such Collection Account Agreement remains in full force and effect.

The Seller has not granted any Person, other than the Agent as contemplated by this Agreement, dominion and control of any Collection Account, or the right to take dominion and control of any Collection Account at a future time or upon the occurrence of a future event.

(k) Material Adverse Effect. Since January 31, 2002, no event has occurred which would have a Material Adverse Effect.

(l) Names. TBTR Partnership has not used any corporate name, trade name, or assumed name other than (i) on, or at any time during the five year period prior to, the date of this Agreement, those listed on Exhibit II and

(ii) after the date of this Agreement any other name in respect of which the Seller shall have complied with Section 5.2(a).

(m) Actions, Suits. There are no actions, suits or proceedings pending, or to the knowledge of TBTR Partnership threatened, against or affecting TBTR Partnership, the Originator, any Subsidiary of the Originator or The Bon-Ton Stores, Inc., or any of the foregoing's respective properties, in or before any court, arbitrator or other body, which are reasonably likely to (i) adversely affect the collectibility of a material portion of the Receivables,

(ii) materially adversely affect the financial condition of TBTR Partnership, the Originator, any Subsidiary of the Originator or The Bon-Ton Stores, Inc. or

(iii) materially adversely affect the ability of TBTR Partnership to perform its obligations under the Transaction Documents; neither TBTR Partnership, nor the Originator, nor any Subsidiary of the Originator nor The Bon-Ton Stores, Inc. is in default with respect to any order of any court, arbitrator or governmental body.

(n) Credit and Collection Policies. With respect to each Receivable, the Collection Agent has complied in all material respects with the Credit and Collection Policy.

(o) Payments to Originator. The Seller shall have given reasonably equivalent value to the Originator in consideration for each transfer to the Seller of Receivables and Related Security under the Transfer Agreement and each such transfer shall not have been made for or on account of an antecedent debt owed by the Originator to the Seller and no such transfer is or may

be voidable under any Section of the Bankruptcy Reform Act of 1978 (11 U.S.C. Sections 101 et seq.), as amended.

(p) Ownership of the Seller. The Originator owns all of the issued and outstanding capital stock of GP, Inc. Such capital stock is validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire securities of GP, Inc. GP, Inc. is the sole general partner in TBTR Partnership. The Originator is the sole limited partner in TBTR Partnership. There are no options, warrants or other rights to acquire any partnership interests in TBTR Partnership. GP, Inc. and the Originator each holds its partnership interest in TBTR Partnership free and clear of any Adverse Claim.

(q) Not an Investment Company. TBTR Partnership is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

Section 3.2. GP, Inc. Representations and Warranties. GP, Inc. hereby represents and warrants to the Agent, the Managing Agents and the Purchasers that:

(a) Corporate Existence and Power. GP, Inc. is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and has all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted.

(b) No Conflict. The execution, delivery and performance GP, Inc. of this Agreement and each other Transaction Document, in each case for itself and on behalf of the Seller, are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate

(i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets. This Agreement and each other Transaction Document to be executed and delivered by GP, Inc., on its own behalf and on behalf of the Seller, has been duly executed and delivered by GP, Inc.

(c) Governmental Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by GP, Inc. of this Agreement or any other Transaction Document to be delivered by it, whether on its own behalf or on behalf of the Seller, in connection herewith.

(d) Binding Effect. This Agreement and each of the other Transaction Documents to which GP, Inc., for itself or on behalf of the Seller, is a party constitutes the legal, valid and binding obligation of GP, Inc., enforceable against GP, Inc. in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

(e) Accuracy of Information. All information heretofore furnished by GP, Inc. to the Agent, any Managing Agent or the Purchasers for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by GP, Inc. to the Agent, any Managing Agent or the Purchasers will be, true and accurate in every material respect, on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(f) Places of Business. The principal place of business and chief executive office of GP, Inc. are, and have been at all times since January 1, 1995, located at the address listed on Exhibit II. The jurisdiction of organization, Federal Employer Identification Number and organizational identification number of GP, Inc. are correctly set forth on Exhibit II.

(g) Names. GP, Inc. has not at any time used any corporate name, trade name or assumed name other than "BTRGP, Inc."

(h) Actions, Suits. There are no actions, suits or proceedings pending, or to the knowledge of GP, Inc., threatened, against or affecting GP, Inc. or any of its properties, in or before any court, arbitrator or other body, which are reasonably likely to materially adversely affect the financial condition of GP, Inc. or the ability of GP, Inc. or the Seller to perform its obligations under the Transaction Documents; GP, Inc. is not in default with respect to any order of any court, arbitrator or governmental body.

(i) Not an Investment Company. GP, Inc. is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

ARTICLE IV

CONDITIONS OF PURCHASES

Section 4.1. Conditions Precedent to Effectiveness of this Agreement and Initial Purchase. The effectiveness of this Agreement and the initial purchase of a Receivable Interest under this Agreement is subject to the following conditions precedent:

(a) the Agent shall have received (i) counterparts of this Agreement duly executed by each of the parties hereto and (ii) all other documents (executed as applicable) that are listed on the "Closing List", attached hereto as Schedule A;

(b) (i) a field audit on the Receivables conducted by outside third-party auditors and pursuant to agreed upon procedures developed by the Agent and agreed to by the Collection Agent, and (ii) an onsite due-diligence by the Agent and the Purchasers at the Collection Agent's and/or Originator's respective principal place of business and/or chief executive office, with each

(i) and (ii) producing satisfactory results to allow for the internal credit approval by each of the Investors;

(c) marking by the Originator and Seller of their respective records evidencing the sale of the Receivables contemplated thereof by the Transfer Agreement and this Agreement;

(d) payment of any up-front fees due to the Purchasers pursuant to their respective Fee Letters and due as of the date hereof; and

(e) evidence of compliance with clauses (iii), (iv) and (ix) of Section 5.1(k) satisfactory to the Agent.

Section 4.2. Conditions Precedent to All Purchases and Reinvestments. Each purchase of a Receivable Interest hereunder and each Reinvestment shall be subject to the further conditions precedent that (a) in the case of each such purchase, the Collection Agent shall have delivered to the Agent and each applicable Managing Agent on or prior to the date of such purchase, in form and substance satisfactory to the Agent and such Managing Agent, all Monthly Reports and Weekly Reports as and when due under Section 6.5;

(b) on the date of each such purchase or Reinvestment, the following statements shall be true both before and after giving effect to such purchase or Reinvestment (and acceptance of the proceeds of such purchase or Reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

(i) the representations and warranties set forth in Article III are correct in all material respects on and as of the date of such purchase or Reinvestment as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such purchase or Reinvestment, that will constitute a Termination Event, and no event has occurred and is continuing, or would result from such purchase or Reinvestment, that would constitute a Potential Termination Event;

(iii) neither the Liquidity Termination Date (with respect to all Investors) nor the Facility Termination Date shall have occurred; and

(iv) the aggregate Capital of all Receivable Interests does not exceed the Purchase Limit and the aggregate Receivable Interests does not exceed 100%;

and (c) each Managing Agent shall have received such other approvals, opinions or documents as it shall have reasonably requested prior to the date of such purchase and which relate to assurances sought by such Managing Agent or any Purchaser in light of the occurrence of any Regulatory Change or the occurrence of any other event or condition the effect of which is to increase the risk in any material respect that any of the foregoing conditions shall not have been satisfied at the time of such purchase.

ARTICLE V

COVENANTS

Section 5.1. Affirmative Covenants of Seller. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full, the Seller hereby covenants that:

(a) Financial Reporting. The Seller will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Agent and each Managing Agent:

(i) Annual Reporting. Within 90 days after the close of each of its fiscal years, financial statements for such fiscal year certified by its chief financial officer.

(ii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by the Seller's comptroller or chief financial officer (or the officer of GP, Inc. performing such services for the Seller) and dated the date of such annual financial statement.

(iii) Statements and Reports. Promptly upon the furnishing thereof to the partners of the Seller, copies of all financial statements, reports and similar statements so furnished.

(iv) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which The Bon-Ton Stores, Inc., or any of its Subsidiaries files with the Securities and Exchange Commission.

(v) Change in Credit and Collection Policy. At least 30 days prior to the effectiveness of any material change in or amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice indicating such change or amendment.

(vi) Other Information. Such other information (including non-financial information) as the Agent, any Managing Agent or any Purchaser may from time to time reasonably request.

(b) Notices. The Seller will notify the Agent and each Managing Agent in writing of any of the following immediately upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Termination Events or Potential Termination Events. The occurrence of each Termination Event or each Potential Termination Event, by a statement of the comptroller or senior financial officer of the Seller (or the officer of GP, Inc. performing such services for the Seller).

(ii) Judgment. The entry of any judgment or decree against the Seller or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against the Seller and its Subsidiaries (which judgments and decrees are not covered by insurance, the carrier of which shall have acknowledged such coverage) exceeds \$5,000,000.

(iii) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding which could be reasonably likely to have a material adverse effect on the Seller or any Subsidiary or the collectibility of the Receivables.

(c) Compliance with Laws. The Seller will comply in all material respects with all applicable laws, rules, regulations, orders writs, judgments, injunctions, decrees or awards to which it may be subject.

(d) Audits. The Seller will furnish to the Agent and to each Managing Agent from time to time such information with respect to it and the Receivables as the Agent or such Managing Agent may reasonably request. The Seller shall, from time to time during regular business hours as requested by the Agent or any Managing Agent upon reasonable notice, permit the Agent or any Managing Agent, or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller relating to Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Seller for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Seller's financial condition or the Receivables and the Related Security or the Seller's performance hereunder or the Seller's performance under the Contracts with any of the officers or employees of the Seller having knowledge of such matters. Prior to the occurrence of a Termination Event, the Agent and the Managing Agents shall be limited, in the aggregate, to two material audits in any 12 month period.

(e) Keeping and Marking of Records and Books.

(i) The Seller will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Seller will give the Agent and each Managing Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) The Seller will (a) at all times, mark its master data processing records and other books and records relating to the Receivable Interests with a legend, acceptable to the Agent, describing the Receivable Interests and (b) upon the request of the Agent or any Managing Agent (x) mark each Contract with a

legend describing the Receivable Interests and (y) deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Credit and Collection Policy. The Seller will timely and fully (i) perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract. The Seller will pay when due, and will cause (i) each of its partners to pay when due all taxes arising in connection with income of the Seller and the existence and maintenance of the continued good standing of the Seller and

(ii) the Originator to pay when due any taxes (including, without limitation any sales taxes) payable in connection with the creation or transfer of Receivables in the manner contemplated herein.

(g) Purchase by the Seller of Receivables from the Originator. With respect to each Receivable purchased by the Seller from the Originator, the Seller shall take all actions necessary to vest legal and equitable title to such Receivable and the Related Security irrevocably in the Seller, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Seller's interest in such Receivable and such other action to perfect, protect or more fully evidence the interest of the Seller as the Agent or any Managing Agent may reasonably request.

(h) Ownership Interest. The Seller shall take all necessary action to establish and maintain a valid and perfected first priority undivided percentage ownership interest in the Receivables and the Related Security and Collections with respect thereto, to the full extent contemplated herein, in favor of the Agent and the Purchasers, including, without limitation, taking such action to perfect, protect or more fully evidence the interest of the Agent or any Managing Agent and the Purchasers hereunder as the Agent may reasonably request.

(i) Payment to the Originator. With respect to any Receivable purchased by the Seller from the Originator, such sale shall be effected under, and in strict compliance with the terms of, the Transfer Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to the Originator in respect of the purchase price for such Receivable.

(j) Performance and Enforcement of Transfer Agreement. The Seller shall timely perform the obligations required to be performed by the Seller, and vigorously enforce the rights and remedies accorded to the Seller, under the Transfer Agreement.

(k) Purchasers' Reliance. The Seller acknowledges that the Purchasers are entering into the transactions contemplated by this Agreement in reliance upon the Seller's identity as a separate legal entity from the Originator and GP, Inc. Therefore, from and after the date of execution and delivery of this Agreement, the Seller shall take all reasonable steps including, without limitation, all steps that the Agent or any Managing Agent or any Purchaser may from time to time reasonably request to maintain the Seller's identity as a separate legal entity and to make it manifest to third parties that the Seller is an entity with assets and liabilities

distinct from those of the Originator and GP, Inc. and any Affiliates thereof and not a division of the Originator or GP, Inc. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, the Seller shall:

- (i) conduct its own business in its own name and require that all full-time employees of the Seller identify themselves as such and not as employees of the Originator or GP, Inc. (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as the Seller's employees);
- (ii) compensate all employees, consultants and agents directly, from the Seller's bank accounts, for services provided to the Seller by such employees, consultants and agents and, to the extent any employee, consultant or agent of the Seller is also an employee, consultant or agent of the Originator or GP, Inc., allocate the compensation of such employee, consultant or agent between the Seller and the Originator (or GP, Inc. as applicable) on a basis which reflects the services rendered to the Seller and the Originator (or GP, Inc. as applicable);
- (iii) clearly identify its offices (by signage or otherwise) as its offices;
- (iv) have a separate telephone number, which will be answered only in its name and separate stationery, invoices and checks in its own name;
- (v) conduct all transactions with the Originator and GP, Inc. strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Seller and the Originator or GP, Inc. on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;
- (vi) observe all partnership formalities as a distinct entity, and ensure that all partnership actions are duly authorized by GP, Inc. as its sole general partner;
- (vii) maintain the Seller's books and records separate from those of the Originator and GP, Inc. and otherwise readily identifiable as its own assets rather than assets of the Originator or GP, Inc.;
- (viii) be capable of preparing its financial statements separately from those of the Originator and GP, Inc. and insure that any consolidated financial statements of the Originator that include the Seller have detailed notes clearly stating that the Seller is a separate legal entity and that its assets will be available first and foremost to satisfy the claims of its own creditors;
- (ix) except as herein specifically otherwise provided, not commingle funds or other assets of the Seller with those of the Originator or GP, Inc. and not maintain bank accounts or other depository accounts to which the Originator or

GP, Inc. is an account party, into which the Originator or GP, Inc. makes deposits or from which the Originator or GP, Inc. has the power to make withdrawals;

(x) not permit the Originator or GP, Inc. to pay any of the Seller's operating expenses (except pursuant to allocation arrangements that comply with the requirements of subparagraphs (ii) and (v) above); and

(xi) not permit the Seller to be named as an insured on the insurance policy covering the property of the Originator or GP, Inc. or enter into an agreement with the holder of such policy whereby in the event of a loss in connection with such property, proceeds are paid to the Seller.

(l) Collections by the Originator. The Seller shall cause the Originator to remit all Collections received by the Originator to a Collection Account not later than the Business Day immediately after receipt of such Collections by the Originator and, at all times prior to such remittance, cause such Collections shall be held in trust by the Originator, for the exclusive benefit of the Purchasers, the Agent and the Managing Agents.

(m) Ownership of the Seller. The Originator and its affiliates will at all times own 100% of the partnership interests of the Seller.

Section 5.2. Negative Covenants of Seller. Until the date on which the Aggregate Unpays have been indefeasibly paid in full, the Seller hereby covenants that:

(a) Name Change, Offices, Records and Books of Accounts. The Seller will not change its name, form of organization or jurisdiction of organization (within the meaning of Section 9-102 of any applicable enactment of the UCC) unless it shall have: (i) given the Agent at least 45 days prior notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent or any Managing Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligor. The Seller will not add or terminate any bank as a Collection Bank, or make any change in its instructions to Obligor regarding payments to be made on the Receivables, unless in the case of the proposed addition or termination of any bank as a Collection Bank the Agent shall have received, at least 10 days before the proposed effective date therefor, (i) written notice of such addition or termination and (ii) with respect to the addition of a Collection Bank or a Collection Account, a fully executed Collection Account Agreement; provided, however, that the Seller may make changes in instructions to Obligor regarding payments if such new instructions require such Obligor to make payments to an existing Lock-Box Account.

(c) Sales, Liens, Etc. Except as otherwise provided herein, the Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable or Related Security or Collections in respect thereof, or upon or with respect to any Contract under which any Receivable arises, or any Collection Account or assign any right to receive income in respect

thereof, or any Swap Cash Collateral Account, and the Seller shall defend the right, title and interest of the Agent and the Purchasers in, to and under any of the foregoing property, against all claims of third parties claiming through or under the Seller or the Originator.

(d) Change in Business or Credit and Collection Policy. The Seller shall not make any material change in the character of its business or in the Credit and Collection Policy, which change would, in either case, be reasonably likely to impair the collectibility of any of the Receivables or decrease the credit quality of any new Receivables. The Seller shall not engage in any business or activity of any kind or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking other than the transactions contemplated and authorized by this Agreement and the Transfer Agreement (it being understood that the foregoing shall not prohibit the Seller from making charitable contributions with the consent of the Agent).

(e) Extension or Amendment of Receivables. Except as otherwise permitted pursuant to Section 6.2(c), the Seller, acting as Collection Agent or otherwise, shall not extend, amend or otherwise modify the terms of any Receivable, or amend, modify or waive any term or condition of any Contract under which such Receivable arises.

(f) Amendments to Transfer Agreement. The Seller shall not, without the consent of each of the Managing Agents, (i) cancel or terminate the Transfer Agreement, (ii) give any consent, waiver, directive or approval under the Transfer Agreement, (iii) waive any default or breach under the Transfer Agreement, or otherwise grant any indulgence thereunder, or (iv) amend, supplement or otherwise modify any of the terms of the Transfer Agreement.

(g) Other Agreements. The Seller shall not enter into or be a party to any agreement or instrument other than this Agreement, the Transfer Agreement, the "Revolving Note" (as defined in the Transfer Agreement), and the Interest Rate Swap Agreements and other than to incur ordinary operating expenses in the conduct of, or in order to qualify to do business for purposes of, its limited business affairs as expressly contemplated in Section 5.1(k).

(h) Amendments to Organizational Documents. The Seller shall not amend partnership agreement or certificate of limited partnership in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 5.1(k) of this Agreement.

(i) Indebtedness. The Seller shall not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (i) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) the incurrence of obligations under this Agreement or the Transfer Agreement between the Seller and the Originator to make payment for the purchase of Receivables under such Transfer Agreement, (iii) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated in this Agreement, and (iv) the Interest Rate Swap Agreements.

(j) Merger. The Seller shall not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions,

and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person.

Section 5.3. Affirmative Covenants of GP, Inc. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full, GP, Inc. hereby covenants that:

(a) Financial Reporting. It will furnish to the Agent:

(i) Annual Reporting. Within 90 days after the close of each of its fiscal years, financial statements for such fiscal year certified by its chief financial officer.

(ii) Other Information. Such other information (including non-financial information) as the Agent, any Managing Agent or any Purchaser may from time to time reasonably request.

(b) Compliance by the Seller. It will cause the Seller to comply with each term, covenant and agreement on the Seller's part to be performed hereunder (including, without limitation, Section 5.1(k) hereof) and under each other Transaction Document, and the payment and performance of all obligations and liabilities of the Seller hereunder and under each other Transaction Document.

(c) Compliance with Laws. It will comply in all material respects with all applicable laws, rules, regulations, orders writs, judgments, injunctions, decrees or awards to which it may be subject, and will pay all taxes when the same shall become due.

(d) Audits. It will furnish to the Agent and to each Managing Agent from time to time such information with respect to it and the Receivables as the Agent or any Managing Agent may reasonably request. GP, Inc. shall, from time to time during regular business hours as requested by the Agent or any Managing Agent upon reasonable notice, permit the Agent or any Managing Agent, or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of GP, Inc. relating to Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of GP, Inc. for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the financial condition of GP, Inc. or the Receivables and the Related Security or the Seller's or GP, Inc.'s performance hereunder or the Seller's performance under the Contracts with any of the officers or employees of GP, Inc. having knowledge of such matters.

(e) Separate Identity. GP, Inc. acknowledges that the Purchasers are entering into the transactions contemplated by this Agreement in reliance upon (x) the Seller's identity as a separate legal entity from the Originator and from GP, Inc. and (y) GP, Inc.'s identity as a separate legal entity from the Originator. Therefore, from and after the date of execution and delivery of this Agreement, GP, Inc. shall take all reasonable steps including, without limitation, all steps that the Agent or any Managing Agent or any Purchaser may from time to time reasonably request to maintain its identity as a separate legal entity and to make it manifest to third parties that it is an entity with assets and liabilities distinct from those of the Seller and the

Originator and any Affiliates thereof and that it is not a division of the Originator. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, GP, Inc. shall:

- (i) conduct its own business in its own name and require that all full-time employees of GP, Inc. identify themselves as such and not as employees of the Originator (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as GP, Inc.'s employees and by providing stationery in the name of GP, Inc. for business correspondence);
- (ii) compensate all employees, consultants and agents directly, from GP, Inc.'s bank accounts, for services provided to GP, Inc. by such employees, consultants and agents and, to the extent any employee, consultant or agent of GP, Inc. is also an employee, consultant or agent of the Originator, allocate the compensation of such employee, consultant or agent between GP, Inc. and the Originator on a basis which reflects the services rendered to GP, Inc. and the Originator;
- (iii) conduct all transactions with the Originator strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between GP, Inc. and the Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;
- (iv) at all times have at least one member of its Board of Directors who is not (A) a director, officer or employee of the Originator or the Seller or any affiliate thereof (other than GP, Inc.), (B) a person related to any officer or director of the Originator or the Seller, (C) a holder (directly or indirectly) of more than 5% of any voting securities of the Originator or the Seller, or (D) a person related to a holder (directly or indirectly) of more than 5% of any voting securities of the Originator or the Seller;
- (v) observe all corporate formalities as a distinct entity, and ensure that all corporate actions are duly authorized by unanimous vote of its Board of Directors;
- (vi) maintain its books and records separate from those of the Originator and the Seller and otherwise readily identifiable as its own assets rather than assets of the Originator or the Seller;
- (vii) prepare its financial statements separately from those of the Originator and the Seller and insure that any consolidated financial statements of the Originator that include GP, Inc. have detailed notes clearly stating that GP, Inc. is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of its creditors;

(viii) not commingle funds or other assets of GP, Inc. with those of the Originator or the Seller and not maintain bank accounts or other depository accounts to which the Originator or the Seller is an account party, into which the Originator or the Seller makes deposits or from which the Originator or the Seller has the power to make withdrawals;

(ix) not permit the Originator or the Seller to pay any of GP, Inc.'s operating expenses (except pursuant to allocation arrangements that comply with the requirements of subparagraphs (ii) and (iii) above); and

(x) not permit itself to be named as an insured on the insurance policy covering the property of the Originator or the Seller or enter into an agreement with the holder of such policy whereby in the event of a loss in connection with such property, proceeds are paid to GP, Inc..

Section 5.4. Negative Covenants of GP, Inc. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full, GP, Inc. hereby covenants that:

(a) Name Change, Offices, Records and Books of Accounts. It will not change its name, form of organization or jurisdiction of organization (within the meaning of Section 9-102 of any applicable enactment of the UCC) unless it shall have given the Agent at least 45 days prior notice thereof.

(b) Sales, Liens, Etc. It shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any of its assets, properties or interests in property or assign any right to receive income in respect thereof.

(c) Change in Business or Credit and Collection Policy. It shall not make any material change in the character of its business. It shall not engage in any business or activity of any kind or enter into any transaction other than the transactions contemplated and authorized by this Agreement and the Transfer Agreement. It shall not enter into or be a party to any agreement or instrument other than this Agreement, the Transfer Agreement and the "Revolving Note" (as defined in the Transfer Agreement) and other than to incur ordinary operating expenses in the conduct of, or in order to qualify to do business for purposes of, its limited business affairs as expressly contemplated in Section 5.3(e).

(d) Amendments to Corporate Documents. GP, Inc. shall not amend its certificate of incorporation or by-laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 5.3(e) of this Agreement.

(e) Indebtedness. GP, Inc. shall not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (i) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in

the ordinary course of business, and (ii) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated in this Agreement.

(f) Merger; Ownership of the Seller. GP, Inc. shall not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person. GP, Inc. shall not permit any Person other than itself to become or be a general partner in the Seller, and shall not permit any Person other than the Originator to become or be a limited partner in the Seller.

ARTICLE VI

ADMINISTRATION AND COLLECTION

Section 6.1. Designation of Collection Agent. (a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the "Collection Agent") so designated from time to time in accordance with this Section 6.1. The Seller is hereby designated as, and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms of this Agreement. The Agent may at any time, and at the direction of any Managing Agent, shall, designate as Collection Agent a Person to succeed the Seller or any successor Collection Agent.

(b) The Seller is permitted to delegate, and the Seller hereby advises the Purchasers, the Agent and the Managing Agents that it has delegated, to the Originator, as "Subservicer" of the Collection Agent, all of its duties and responsibilities as Collection Agent hereunder. The Originator has delegated certain of its duties and responsibilities as more particularly described on Schedule B hereto. Notwithstanding the foregoing, (i) the Seller shall be and remain primarily liable to the Agent, the Managing Agents and the Purchasers for the full and prompt performance of all duties and responsibilities of the Collection Agent hereunder and (ii) the Agent, the Managing Agents and the Purchasers shall be entitled to deal exclusively with the Seller in matters relating to the discharge by the Collection Agent of its duties and responsibilities hereunder, and the Agent, the Managing Agent and the Purchasers shall not be required to give notice, demand or other communication to any Person other than the Seller in order for communication to the Collection Agent and its respective delegates and Subservicers in respect thereof to be accomplished. The Seller, at all times that it is the Collection Agent, shall be responsible for providing its delegates and Subservicers with any notice given under this Agreement. Without the prior written consent of each Managing Agent and the Required Investors, the Seller shall not be permitted to delegate any of its duties or responsibilities as Collection Agent to any Person other than the Originator, and the Originator shall not be permitted to further delegate to any other Person any of the duties or responsibilities of the Collection Agent delegated to it by the Seller.

Section 6.2. Duties of Collection Agent. (a) The Collection Agent shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable

from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Collection Agent shall administer the Collections in accordance with the procedures described herein and in Article I. The Collection Agent shall set aside and hold in trust for the account of the Seller, the Agent, the Managing Agents and the Purchasers their respective shares of the Collections of Receivables in accordance with Section 1.7. The Collection Agent shall upon the request of the Agent, with the consent, or at the direction of the Managing Agents, after the occurrence of a Liquidation Day, segregate, in a manner acceptable to the Agent and the Managing Agents, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Collection Agent or the Seller prior to the remittance thereof in accordance with Section 1.7. If the Collection Agent shall be required to segregate Collections pursuant to the preceding sentence, the Collection Agent shall segregate and deposit with a bank designated by the Agent such allocable share of Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Collection Agent of such Collections, duly endorsed or with duly executed instruments of transfer.

(c) The Collection Agent, may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable, adjust the Outstanding Balance of any Receivable as a result of Dilutions, or adjust the Outstanding Balance of any Defaulted Receivable as the Collection Agent may determine to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agent, the Managing Agents or the Purchasers under this Agreement. Notwithstanding anything to the contrary contained herein, the Agent, with the consent or at the direction of the Managing Agents, shall have the absolute and unlimited right to direct the Collection Agent to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

(d) The Collection Agent shall hold in trust for the Seller and the Purchasers, in accordance with their respective Receivable Interests, all Records that evidence or relate to the Receivables, the related Contracts and Related Security or that are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent, with consent or at the direction of the Managing Agents, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Collection Agent shall, as soon as practicable following receipt thereof, turn over to the Seller (i) that portion of Collections of Receivables representing the Seller's undivided fractional ownership interest therein, less, in the event the Seller is not the Collection Agent, all reasonable out-of-pocket costs and expenses of the Collection Agent of servicing, administering and collecting the Receivables, and (ii) any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Collection Agent shall, from time to time at the request of any Purchaser, furnish to the Purchasers (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Section 1.7.

(e) Any payment by an Obligor in respect of any indebtedness owed by it to the Seller or the Originator shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, with the consent or at the direction of the Managing Agents, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 6.3. Collection Notices. (a) The Agent is authorized at any time to date and to deliver to the Collection Banks, the notice attached to the Collection Account Agreements (the "Collection Notice"). The Seller hereby transfers to the Agent for the benefit of the Purchasers the exclusive ownership and control of the Collection Accounts and the Agent shall permit the Collection Agent, pursuant to the terms of the Collection Account Agreements, to withdraw funds from the Collection Accounts unless the Agent has notified the applicable Collection Bank to the contrary. The Seller hereby authorizes the Agent, and agrees that the Agent shall be entitled to (i) endorse the Seller's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Contracts and the Related Security and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than the Seller.

(b) The Agent may at any time, and at the direction of any Managing Agent, shall, on written notice to the Seller, direct that the Seller, and the Seller thereupon shall, direct the Originator to (i) cease accepting In-Store Collections at individual cash registers within a store, (ii) accept all In-Store Collections at a single collection point within each store, and otherwise segregate, record and maintain the separateness of all In-Store Collections from all other cash and payment items handled or located at such store, and (iii) remit on a daily basis from each store location all In-Store Collections (in the form received) to such location or locations as the Agent may in its sole discretion direct, including, without limitation, to a deposit account at any bank selected by the Agent (which may be a separate deposit account at the bank where any store, in the ordinary course, deposits its Collections) or to a concentration location (which may entail daily delivery by overnight courier by each store to such location of such store's In-Store Collections). The Seller shall take all actions necessary, or that the Agent may reasonably request, to implement any alternative handling procedures required under this Section 6.3(b) for In-Store Collections.

Section 6.4. Responsibilities of the Seller. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Purchasers of their rights hereunder shall not release the Collection Agent or the Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. None of the Agent, any Managing Agent or any of the Purchasers shall have any obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of the Seller.

Section 6.5. Reports. On the 15th day of each month (or, if such day is not a Business Day, the next Business Day) and at such times as the Agent or any Managing Agent shall request, the Collection Agent shall prepare and forward a Monthly Report to the Agent and

each Managing Agent. On February 6, 2003 and on Thursday of each successive week, the Collection Agent shall prepare and forward a Weekly Report to the Agent and each Managing Agent. Together with the Monthly Reports required hereunder, the Collection Agent shall deliver a compliance certificate in substantially the form of Exhibit IV signed on behalf of the Collection Agent by the Collection Agent's corporate treasurer or chief financial officer and dated the date of such Monthly Report. At such times as the Agent or any Managing Agent shall request, the Collection Agent shall prepare and forward to the Agent and each Managing Agent a listing by Obligor of all Receivables together with an aging of such Receivables.

Section 6.6. Subservicer Fee. In consideration of the Subservicer's agreement to perform the duties and obligations of the Collection Agent, as such duties and obligations have been delegated pursuant to Section 6.1(b), the Seller hereby agrees to pay to the Subservicer on the first Business Day of each month, a fee (the "Subservicer Fee") in an amount equal to (i) 2.0% per annum multiplied by (ii) the average daily Outstanding Balance of all Receivables during the preceding calendar month.

ARTICLE VII

TERMINATION EVENTS

Section 7.1. Termination Events. The occurrence of any one or more of the following events shall constitute a Termination Event:

(a) (i) the Collection Agent (if then any Person designated by the Seller is the Collection Agent), the Seller, GP, Inc. or the Originator shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (ii) of this Section 7.1(a)) or under the Transfer Agreement, and such failure shall remain unremedied for ten (10) Business Days after the earlier to occur of knowledge thereof on the part of the Collection Agent or the Seller or notice thereof given by the Agent or any Managing Agent to the Seller, or (iii) the Collection Agent (if then any Person designated by the Seller is the Collection Agent), the Originator, the Seller or GP, Inc. shall fail to make any payment or deposit to be made by it hereunder or under the Fee Letter when due and such failure shall remain unremedied for one (1) Business Day.

(b) Any representation, warranty, certification or statement made by the Seller or GP, Inc. in this Agreement or in any other document delivered pursuant hereto or by the Originator under the Transfer Agreement shall prove to have been incorrect in any material respect when made or deemed made.

(c) (i) The Seller, GP, Inc., the Originator, The Bon-Ton Stores, Inc. or any of their respective Subsidiaries shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller, GP, Inc., the Originator, The Bon-Ton Stores, Inc. or any of their respective Subsidiaries seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, dissolution, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law

relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (ii) any judicial or nonjudicial dissolution of the Seller shall occur, or an event of withdrawal with respect to GP, Inc. as the general partner in the TBTR Partnership shall occur or (iii) the Seller, GP, Inc., the Originator, The Bon-Ton Stores, Inc. or any of their respective Subsidiaries shall take any corporate or partnership action to authorize any of the actions set forth in clause (i) or clause (ii) above in this subsection (c).

(d) (i) The Seller, TBTR Partnership, GP, Inc. or the Originator shall fail to observe or perform any covenant, condition or provision of the Transfer Agreement, and such failure shall have continued beyond any applicable cure period thereunder, or (ii) the Seller or the Originator, as applicable, shall have waived or relinquished its rights under the Transfer Agreement with respect to any such failure or (iii) the "Termination Date" in the Transfer Agreement shall have occurred, or (iii) the Originator for any reason shall cease to sell, or the Seller for any reason shall cease to buy, "Receivables" under the Transfer Agreement.

(e) The three month rolling average Excess Spread shall be less than 2%.

(f) (i) The Originator shall cease to own directly 100% of shares of the outstanding capital stock of GP, Inc. entitled to vote generally for the election of directors of such corporation, (ii) GP, Inc. shall cease to own directly all of the general partnership interests in the Seller, (iii) the Originator shall cease to own directly all of the limited partnership interests in the Seller or (iv) a Change of Control shall occur.

(g) As at the end of any fiscal month, (i) the average Delinquency Ratio in respect of the three fiscal months then most recently ended shall exceed 3.5% or (ii) the average Loss-to-Liquidation Ratio in respect of the three fiscal months then most recently ended shall exceed 3.5%.

(h) The aggregate Receivable Interests for all the Purchasers shall exceed 100% at any time and shall not have been cured within the Required Cure Period.

(i) The Parent and its Subsidiaries shall fail to maintain, on a consolidated basis at the end of each Fiscal Quarter of Parent a Fixed Charge Coverage Ratio for the 12-month period then ended of not less than 1.0 to 1.0.

(j) The failure of any Material Entity (as defined in Section 7.2) to make any payment when due (whether at scheduled maturity, by acceleration, when declared to be due and payable or otherwise) in respect of any Indebtedness (other than any Indebtedness with respect to which the payee is The Bon-Ton Stores, Inc. or any Affiliate thereof) outstanding (individually or in the aggregate) in a principal amount of \$5,000,000 and such failure shall remain unremedied for three (3) Business Days.

Section 7.2. Payment Default on Other Indebtedness. In the event that any Material Entity (as defined below) shall fail to make any payment when due (whether at scheduled maturity, by acceleration, when declared to be due and payable or otherwise) in respect of any Indebtedness (other than any Indebtedness with respect to which the payee is The

Bon-Ton Stores, Inc. or any Affiliate thereof) outstanding (individually or in the aggregate) in a principal amount of \$2,500,000 or more at any time that a Person affiliated with or designated by the Seller is then the Collection Agent, and such failure shall remain unremedied for three (3) Business Days, the Agent, with the consent or at the direction of any Managing Agent, may demand that the Seller thereupon seek and obtain the services of a new Collection Agent satisfactory to the Agent and the Managing Agents. For this purpose, "Material Entity" means the Originator, The Bon-Ton Stores, Inc., The Bon-Ton Corp., The Bon-Ton National Corp., The Bon-Ton Trade Corp., The Bon-Ton Stores of Lancaster, Inc., Adam, Meldrum & Anderson Co., Inc. and any other Person controlling, controlled by or under common control with The Bon-Ton Stores, Inc. and representing not less than 5% of the net worth of the consolidated group of which The Bon-Ton Stores, Inc. comprises a part.

ARTICLE VIII

INDEMNIFICATION

Section 8.1. Indemnities by the Seller. Without limiting any other rights which the Agent, any Managing Agent or any Purchaser may have hereunder or under applicable law, the Seller hereby agrees to indemnify the Agent, each Managing Agent and each Purchaser and their respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of the Agent, such Managing Agent or such Purchaser) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Purchaser of an interest in the Receivables, excluding, however:

- (i) Indemnified Amounts to the extent final judgment of a court of competent jurisdiction holds such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;
- (ii) recourse for Receivables that are uncollectible or uncollected (whether on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor or otherwise); provided that the foregoing shall not negate, impair or otherwise modify any (or the effect of any) of the representations, warranties, covenants or other agreements of the Seller contained in this Agreement; or
- (iii) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the Intended Characterization;

provided, however, that nothing contained in this sentence shall limit the liability of the Seller or the Collection Agent or limit the recourse of the Purchasers to the Seller or Collection Agent for amounts otherwise specifically provided to be paid by the Seller or the Collection Agent under the terms of this Agreement. Without limiting the generality of the foregoing indemnification,

the Seller shall indemnify the Agent, the Managing Agents and the Purchasers for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to the Seller or the Collection Agent) relating to or resulting from:

- (i) any representation or warranty made by the Seller, GP, Inc., the Collection Agent (if then any Person designated by the Seller is the Collection Agent) or any officers of the Seller or the Collection Agent (if then any Person designated by the Seller is the Collection Agent) under or in connection with this Agreement, any Monthly Report, any Weekly Report or any other information or report delivered by the Seller, GP, Inc. or the Collection Agent (if then any Person designated by the Seller is the Collection Agent) pursuant hereto, which shall have been false or incorrect when made or deemed made;
- (ii) the failure by the Seller or the Collection Agent to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation;
- (iii) any failure of the Seller, GP, Inc. or the Collection Agent to perform its duties or obligations in accordance with the provisions of this Agreement;
- (iv) any products liability or similar claim arising out of or in connection with merchandise, insurance or services which are the subject of any Contract;
- (v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;
- (vi) any Receivable which is treated as or represented by the Seller to be an Eligible Receivable (including, without limitation, for purposes of computing the Net Receivables Balance at any time) which is not at the date thereof an Eligible Receivable;
- (vii) the commingling of Collections of Receivables at any time with other funds;
- (viii) any investigation, litigation or proceeding related to or arising from this Agreement, the transactions contemplated hereby, the use of the proceeds of a purchase, the ownership of the Receivable Interests or any other investigation, litigation or proceeding relating to the Seller in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby; excluding, however, any investigation, litigation or proceeding that relates solely to the compliance or noncompliance by any Purchaser with any state or federal

laws applicable to such Purchaser because of such Purchaser's regulatory status or any contractual restriction (other than the Transaction Documents) binding on such Purchaser;

(ix) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding; and

(x) any Termination Event described in Section 7.1(c).

The Seller shall be given notice of any claim for indemnified liabilities and, in the case of any litigation or proceeding brought by any Person that is not a party to this Agreement which litigation or proceeding is reasonably likely to give rise to a claim hereunder for indemnification, the Seller shall be afforded a reasonable opportunity to participate in the defense, compromise or settlement thereof.

Section 8.2. Increased Cost and Reduced Return. (a) If any Funding Source shall be charged any fee, expense or increased cost on account of any Regulatory Change after the date hereof: (i) which subjects any Funding Source to any tax of any kind whatsoever with respect to this Agreement, any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (excluding net income taxes and franchise or gross receipts taxes (imposed in lieu of net income taxes) imposed on the Funding Source as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and such Funding Source or any political subdivision or taxing authority thereof or therein) or (ii) which imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or which imposes a requirement that the interest of a Conduit hereunder be accounted for on financial statements as an asset of any Funding Source, (iii) which imposes any requirement regarding capital adequacy in respect of such Funding Source (or any corporation controlling such Funding Source), and the effect thereof is to reduce the rate of return on such Funding Source's or such corporation's capital as a consequence of obligations existing hereunder to a level below which could have been achieved but for such Regulatory Change (taking into consideration such Funding Source's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Funding Source to be material, or (iv) which imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, within five Business Days following demand by the applicable Managing Agent, the Seller shall pay to such Managing Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or to compensate such Funding Source for such reduction.

(b) Each Funding Source shall be required to use reasonable efforts in order to avoid or to minimize, as the case may be, the payment by the Seller of any additional amount under Section 8.2(a)(iii); provided, however, that no Funding Source shall be obligated to incur any expense, cost or other amount in connection with utilizing such reasonable efforts.

Section 8.3. Other Costs and Expenses. The Seller shall pay to the Agent, the Managing Agents and the Conduits on demand all reasonable costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the reasonable cost of any Conduit's auditors auditing the books, records and procedures of the Seller, reasonable fees and out-of-pocket expenses of legal counsel for the Agent, the Managing Agents and the Conduits (which such counsel may be employees of the Agent, the Managing Agents or the Conduits) with respect thereto and with respect to advising the Agent, the Managing Agents and the Conduits as to their respective rights and remedies under this Agreement. The Seller shall pay to the Agent or each Managing Agent on demand any and all reasonable costs and expenses of the Agent, such Managing Agent and the Purchasers, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event. The Seller shall reimburse any Conduit on demand for all other reasonable costs and expenses incurred by such Conduit or any shareholder of such Conduit ("Other Costs"), including, without limitation, the cost of auditing such Conduit's books by certified public accountants, the cost of rating the Commercial Paper by independent financial rating agencies, and the reasonable fees and out-of-pocket expenses of counsel for such Conduit or any counsel for any shareholder of such Conduit with respect to advising such Conduit or such shareholder as to matters relating to such Conduit's operations. Notwithstanding the foregoing, the Seller shall not be liable to the Agent, any Managing Agent or any Conduit in respect of the costs and out-of-pocket expenses incurred in connection with any audit conducted under Section 5.1(d) of this Agreement conducted prior to the occurrence of any Termination Event to the extent that the aggregate amount of such costs and expenses during any 12 month period shall exceed \$35,000. Each Managing Agent and each Conduit hereby agrees that the Agent may, in its sole discretion, limit the amount of costs and expenses of any single audit conducted under Section 5.1(d) that may be reimbursed under this Section 8.3 to an amount less than \$35,000. After the occurrence and during the continuance of a Termination Event, the foregoing limitation on audit costs shall not apply. The Seller shall make each such reimbursement for costs and expenses, and shall make each other payment required under this Section 8.3, within five Business Days following demand by the Agent therefor.

Section 8.4. Allocations. Each Conduit shall allocate the liability for Other Costs among the Seller and other Persons with whom such Conduit has entered into agreements to purchase interests in receivables ("Other Sellers"). If any Other Costs are attributable to the Seller and not attributable to any Other Seller, the Seller shall be solely liable for such Other Costs. However, if Other Costs are attributable to Other Sellers and not attributable to the Seller, such Other Sellers shall be solely liable for such Other Costs. All allocations to be made pursuant to the foregoing provisions of this Article VIII shall be made by the applicable Conduit in its sole discretion and shall be binding on the Seller and the Collection Agent.

ARTICLE IX

THE AGENT

Section 9.1. Authorization and Action. Each Purchaser hereby designates and appoints Bank One to act as Agent hereunder and under each other Transaction Document, and authorizes the Agent and such Purchaser's Managing Agent to take such actions as the Agent or Managing Agent, as the case may be, on its behalf and to exercise such powers as are delegated to the Agent or such Managing Agent, respectively, by the terms of this Agreement and the other Transaction Documents together with such powers as are reasonably incidental thereto. Neither the Agent nor any Managing Agent shall have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent or any Managing Agent shall be read into this Agreement or any other Transaction Document or otherwise exist for the Agent or such Managing Agent. As to any matters not expressly provided for by this Agreement (including, without limitation, any enforcement or collection activity), neither the Agent nor any Managing Agent shall be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Investors. In performing its functions and duties hereunder and under the other Transaction Documents, (i) the Agent shall act solely as agent for the Purchasers, (ii) each Managing Agent shall act solely as agent for the Conduits and Investors in its related Purchase Group and (iii) neither the Agent nor any Managing Agent shall assume or be deemed to have assumed any obligation or relationship of trust or agency with or for the Seller, or any of its successors or assigns, or any Swap Counterparty, or any of its successors or assigns. Neither the Agent nor any Managing Agent shall be required to take any action which exposes the Agent or such Managing Agent to personal liability or which is contrary to this Agreement, any other Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpaid and all Interest Rate Swap Obligations owing to Bank One, as Swap Counterparty. The appointment and authority of any Managing Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpaid owing to all members of such Managing Agent's Purchase Group. Each Purchaser hereby authorizes the Agent to execute and/or file each of the Uniform Commercial Code financing statements on behalf of such Purchaser (the terms of which shall be binding on such Purchaser).

Section 9.2. Delegation of Duties. The Agent and the Managing Agents may execute any of their respective duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Agent nor any Managing Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 9.3. Exculpatory Provisions. None of the Agent, the Managing Agents or any of their respective directors, officers, agents or employees shall be (i) liable to the Purchasers for any action lawfully taken or omitted to be taken by it or them under or in connection with this

Agreement or any other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by the Seller contained in this Agreement, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement, or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of the Seller to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Article IV, or for the perfection, priority, condition, value or sufficiency or any collateral pledged in connection herewith. Neither the Agent nor any Managing Agent shall be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Seller. Neither the Agent nor any Managing Agent shall be deemed to have knowledge of any Termination Event or Potential Termination Event unless the Agent or such Managing Agent, as applicable, has received notice from the Seller or a Purchaser. No Managing Agent shall have any responsibility hereunder to any purchaser other than the Purchasers in its Purchase Group.

Section 9.4. Reliance by Agents. The Agent and the Managing Agents shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by them to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Seller), independent accountants and other experts selected by the Agent or any Managing Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of the Managing Agents as the Agent deems appropriate and it shall first be indemnified to its satisfaction by the Investors, provided that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Purchasers. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Managing Agents and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Purchasers.

Section 9.5. Non-Reliance on Agents and Other Purchasers. Each Purchaser expressly acknowledges that none of the Agent, the Managing Agents or any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent or any Managing Agent hereafter taken, including, without limitation, any review of the affairs of the Seller, shall be deemed to constitute any representation or warranty by the Agent or such Managing Agent. Each Purchaser represents and warrants to the Agent and each Managing Agent that it has and will, independently and without reliance upon the Agent, any Managing Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

Section 9.6. Reimbursement and Indemnification. The Investors agree to reimburse and indemnify the Agent, and the Investors in each Purchase Group agree to reimburse the Managing Agent for such Purchase Group, and their respective officers, directors, employees, representatives and agents ratably according to their Commitment Pro Rata Shares, to the extent not paid or reimbursed by the Seller (i) for any amounts for which the Agent, acting in its capacity as Agent, or such Managing Agent acting in its capacity as a Managing Agent is entitled to reimbursement by the Seller hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent or such Managing Agent acting in its capacity as a Managing Agent and acting on behalf of the related Purchasers, in connection with the administration and enforcement of this Agreement and the other Transaction Documents; provided, however, that the Investors shall have no liability under this Section 9.6 to reimburse the Agent or the Managing Agent for such Investor's Purchase Group in respect of any such amount or expense that arises by reason of the gross negligence or willful misconduct of the Agent or such Managing Agent, as the case may be.

Section 9.7. Agents in their Individual Capacities. Each of the Agent, each Managing Agent and their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Seller or any Affiliate of the Seller as though it were not the Agent or a Managing Agent hereunder. With respect to the acquisition of Receivable Interests pursuant to this Agreement, each of the Agent and each Managing Agent shall have the same rights and powers under this Agreement as any Purchaser and may exercise the same as though it were not the Agent or a Managing Agent, as applicable, and the terms "Investor," "Purchaser," "Investors" and "Purchasers" shall include each of the Agent and each Managing Agent in its individual capacity.

Section 9.8. Successor Agent. The Agent may, upon thirty days' notice to the Seller and the Purchasers, and the Agent will, upon the written direction of all of the Purchasers (other than the Agent, in its individual capacity), resign as Agent. If the Agent shall resign, then the Managing Agents during such thirty-day period shall appoint from among the Purchasers a successor agent. If for any reason no successor Agent is appointed by the Managing Agents during such thirty-day period, then effective upon the termination of such thirty-day period, the Managing Agents shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and the Seller shall make all payments in respect of the Aggregate Unpays directly to the applicable Managing Agents and for all purposes shall deal directly with the Managing Agents. After the effectiveness of any retiring Agent's resignation hereunder, the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents and the provisions of this Article IX and Article VIII shall continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was Agent under this Agreement and under the other Transaction Documents.

Section 9.9. Successor Managing Agents. Any Managing Agent may, upon thirty days' notice to Seller, the Agent and the Purchasers in its Purchase Group, and a Managing Agent will, upon the direction of all the Purchasers in its Purchase Group (other than such Managing Agent in its individual capacity), resign as Managing Agent. If a Managing Agent shall resign, then the Purchasers in the related Purchase Group shall appoint a successor Managing Agent during such thirty-day period. If for any reason no successor Managing Agent

is appointed by the related Purchase Group during such thirty-day period, then effective upon the termination of such thirty-day period, the Purchasers in the related Purchase Group shall perform all of the duties of the related Managing Agent hereunder and under the other Transaction Documents and the Seller shall make all payments in respect of the Aggregate Unpaid directly to the applicable Purchasers and for all purposes shall deal directly with such Purchasers. After the effectiveness of any retiring Managing Agent's resignation hereunder, the retiring Managing Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents and the provisions of this Article IX and Article VIII shall continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was a Managing Agent under this Agreement and under the other Transaction Documents.

ARTICLE X

ASSIGNMENTS; PARTICIPATIONS

Section 10.1. Assignments. (a) The Seller, GP, Inc. and each Investor hereby agree and consent to the complete or partial assignment by each Conduit of all of its rights under, interest in, title to and obligations under this Agreement to the Investors pursuant to a Liquidity Agreement or to any other Person, and upon such assignment, such Conduit shall be released from its obligations so assigned. Further, the Seller, GP, Inc. and each Investor hereby agree that any assignee of any Conduit of this Agreement or all or any of the Receivable Interests of such Conduit shall have all of the rights and benefits under this Agreement as if the term "Conduit" explicitly referred to such party, and no such assignment shall in any way impair the rights and benefits of such Conduit hereunder. The Seller shall not have the right to assign its rights or obligations under this Agreement.

(b) Any Investor may at any time and from time to time assign to one or more Persons ("Purchasing Investors") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, in a form satisfactory to the related Managing Agent (the "Assignment Agreement"), executed by such Purchasing Investor and such selling Investor. The consent of the Conduit in such assigning Investor's Purchase Group shall be required prior to the effectiveness of any such assignment. Each assignee of an Investor must have a short-term debt rating of A-1 or better by Standard & Poor's Ratings Group and P-1 by Moody's Investors Service, Inc. and must deliver to the Agent an enforceability opinion in form and substance satisfactory to the Agent prior to the effectiveness of any Assignment Agreement. Upon delivery of the executed Assignment Agreement to the Agent and the related Managing Agent, such selling Investor shall be released from its obligations hereunder to the extent of such assignment. Thereafter the Purchasing Investor shall for all purposes be an Investor party to this Agreement and shall have all the rights and obligations of an Investor under this Agreement to the same extent as if it were an original party hereto and no further consent or action by the Seller, the Purchasers, the Agent or any Managing Agent shall be required.

(c) Each of the Investors agrees that in the event that it shall cease to have a short-term debt rating of A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc. (an "Affected Investor"), such Affected Investor shall be obliged, at the request of the Conduit or the Managing Agent in such Investor's Purchase Group, to assign all of

its rights and obligations hereunder to (x) another Investor or (y) another financial institution nominated by such Managing Agent and acceptable to such Conduit and the Seller, and willing to participate in this Agreement through the Liquidity Termination Date in the place of such Affected Investor; provided that the Affected Investor receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Investor's Funded Pro Rata Share of the Capital and Discount owing to the Investors and all accruing but unpaid fees and other costs and expenses payable in respect of its Receivable Interests.

Section 10.2. Participations. Any Investor may, in the ordinary course of its business at any time sell to one or more Persons (each a "Participant") participating interests in its Commitment Pro Rata Share of the Receivable Interests of the Investors, its obligation to make purchases hereunder or any other interest of such Investor hereunder. Notwithstanding any such sale by an Investor of a participating interest to a Participant, such Investor's rights and obligations under this Agreement shall remain unchanged, such Investor shall remain solely responsible for the performance of its obligations hereunder, and the Seller, the Conduits, the Managing Agents and the Agent shall continue to deal solely and directly with such Investor in connection with such Investor's rights and obligations under this Agreement. Each Investor agrees that any agreement between such Investor and any such Participant in respect of such participating interest shall not restrict such Investor's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in clause (i) of Section 11.1(b).

Section 10.3. Additional Purchase Groups. Upon the Seller's request and with the consent of the Agent, additional Purchase Groups may be added to this Agreement at any time by the execution and delivery of a Joinder Agreement by the members of such proposed additional Purchase Group, the Seller, the Agent and each of the Managing Agents, which execution and delivery shall not be unreasonably refused by such parties. Upon the effective date of such Joinder Agreement, (i) each Person specified therein as a "Conduit" shall become a party hereto as a Conduit, entitled to the rights and subject to the obligations of a Conduit hereunder, (ii) each Person specified therein as an "Investor" shall become a party hereto as an Investor, entitled to the rights and subject to the obligations of an Investor hereunder, (iii) each Person specified therein as a "Managing Agent" shall become a party hereto as a Managing Agent, entitled to the rights and subject to the obligations of a Managing Agent hereunder and (iv) the Purchase Limit shall be increased by an amount equal to the aggregate Commitments of the Investor(s) party to such Joinder Agreement. On or prior to the effective date of such Joinder Agreement, the Seller, the new Conduit and the new Managing Agent shall enter into a fee letter for purposes of setting forth the fees payable to the members of such Purchase Group in connection with this Agreement, which fee letter shall be considered a "Fee Letter" for all purposes of this Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Waivers and Amendments. (a) No failure or delay on the part of the Agent, any Managing Agent, any Purchaser, any Swap Counterparty, or the Seller in

exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 11.1(b). The Conduits, the Seller, the Managing Agents and the Agent may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

(i) without the consent of each affected Purchaser, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by the Seller or the Collection Agent, (B) reduce the rate or extend the time of payment of Discount (or any component thereof), (C) reduce any fee payable to the Agent or the Managing Agent for the benefit of the Purchasers, (D) except pursuant to Article X hereof, change the amount of the Capital of any Purchaser, a Purchaser's Funded Pro Rata Share, an Investor's Commitment Pro Rata Share or an Investor's Commitment, (E) amend, modify or waive any provision of this Section 11.1(b), (F) consent to or permit the assignment or transfer by the Seller of any of its rights and obligations under this Agreement, (G) change the definition of "Eligible Receivable," "Loss Reserve," or "Loss Percentage," or (H) except in the manner expressly provided herein, release the Receivable Interest, or any other security interest or ownership interest, of any Purchaser granted hereunder in the Receivables, the Related Security and the Collections, or (I) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (H) above in a manner which would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the Agent or any Managing Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of the Agent or such Managing Agent; or

(iii) without the written consent of a Swap Counterparty, amend, modify or waive any provision of this Agreement if the effect thereof is to adversely affect the rights or duties of such Swap Counterparty; or

(iv) without the written consent of GP, Inc., amend or modify any provision set forth in Section 5.3, or 5.5.

Notwithstanding the foregoing, (i) without the consent of the Investors or any Swap Counterparty, the Agent and any Managing Agent may, with the consent of the Seller, amend this Agreement solely to add additional Persons as Investors with respect to such Managing Agent's Purchase Group hereunder and (ii) without the consent of the Seller, the Agent, any Managing Agent, any Swap Counterparty and any Conduit may enter into amendments to modify any of the terms or provisions of Article II, Article IX (other than Section 9.8 therein),

Article X, Section 11.13 or any other provision of this Agreement, provided that such amendment has no negative impact upon TBTR Partnership or GP, Inc. Any modification or waiver made in accordance with this Section 11.1 shall apply to each of the Purchasers equally and shall be binding upon each party hereto.

Section 11.2. Notices. (a) Except as provided in subsection

(b) below, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof. All such communications and notices shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when received through the mails, transmitted by telecopy, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively, except that communications and notices to the Agent, any Managing Agent or any Purchaser pursuant to Article I or II shall not be effective until received by the intended recipient.

(b) The Seller hereby authorizes the Agent to effect purchases and each Managing Agent to make Tranche Period and Discount Rate selections based on telephonic notices made by any Person whom the Agent or such Managing Agent, as applicable, in good faith believes to be acting on behalf of the Seller. The Seller agrees to deliver promptly to the Agent or the applicable Managing Agent a written confirmation of each telephonic notice signed by an authorized officer of the Seller. However, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent or such Managing Agent, as applicable, the records of the Agent or such Managing Agent, as applicable, shall govern absent manifest error.

Section 11.3. Ratable Payments. If any Purchaser, whether by setoff or otherwise, has payment made to it with respect to any portion of the Aggregate Unpaid owing to such Purchaser (other than payments received with respect to Discount, fees or pursuant to Section 8.2 or 8.3 or Section 8.1 if the applicable losses are not incurred by other Purchasers) in a greater proportion than that received by any other Purchaser entitled to receive a ratable share of such Aggregate Unpaid, such Purchaser agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of the Aggregate Unpaid held by the other Purchasers so that after such purchase each Purchaser will hold its ratable proportion of the Aggregate Unpaid; provided that if all or any portion of such excess amount is thereafter recovered from such Purchaser, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 11.4. Protection of Ownership Interests of the Purchasers. (a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary, or that the Agent or any Managing Agent may reasonably request, to perfect, protect or more fully evidence the Receivable Interests, or to enable the Agent, the Purchasers, or any Swap Counterparty to exercise and enforce their rights and remedies hereunder in respect of the Receivables, the Related Security and the Collections. The Agent may, or the Agent may direct the Seller to, notify the Obligor of Receivables, at any time and at the Seller's expense, of the ownership interests of the Purchasers

under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. The Seller shall, at any Purchaser's request, withhold the identity of such Purchaser in any such notification.

(b) If the Seller, GP, Inc. or the Collection Agent fails to perform any of its obligations hereunder, the Agent, any Managing Agent or any Purchaser may (but shall not be required to) perform, or cause performance of, such obligation. The Agent, such Managing Agent or such Purchaser shall give the Seller, GP, Inc. or the Collection Agent, as applicable, three Business Days' notice before taking any such action; provided that, if, in the reasonable judgment of the Agent or such Managing Agent, the giving of such notice or any delay in taking the related action would materially adversely affect the ability of the Agent, the Managing Agents or the Purchasers to exercise any of their rights hereunder, or the Purchasers' interest in the Receivables generally or the collectibility of the Receivables generally (or any material portion thereof), the Agent, such Managing Agent or such Purchaser shall not be required to give such notice. The Agent's, such Managing Agent's or such Purchaser's costs and expenses incurred in connection with any such action shall be payable by the Seller (if the Collection Agent that fails to so perform is the Seller or an Affiliate thereof) as provided in Section 8.3, as applicable. The Seller, GP, Inc. and the Collection Agent each irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of the Seller, GP, Inc. and the Collection Agent (i) to execute on behalf of the Seller as debtor and to file financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Purchasers in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Purchasers in the Receivables. This appointment is coupled with an interest and is irrevocable.

Section 11.5. Confidentiality. (a) The Seller, the Collection Agent, the Purchasers, the Agent, the Managing Agents and GP, Inc. shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Transfer Agreement, this Agreement and the other confidential proprietary information obtained in connection with the structuring, negotiating and execution of the transactions contemplated herein and therein, except that (i) the Seller, the Collection Agent, the Purchasers, the Agent, the Managing Agents and GP, Inc., and their respective officers and employees, may disclose such information to its external accountants and attorneys and as required by any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law) and (ii) the Agent, the Managing Agents and the Purchasers may disclose such information to the rating agencies, any commercial paper dealers and to any providers of credit enhancement or liquidity to any Conduit and (iii) the Agent, the Managing Agents and the Purchasers may disclose such information to prospective or actual assignees or participants.

(b) Anything herein to the contrary notwithstanding, each of the Seller and GP, Inc. hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Managing Agents, the Investors or the Conduits by each other, (ii) by the Agent, or the Managing Agents or the Purchasers to any prospective or actual assignee or participant of

any of them or (iii) by the Agent, any Conduit or Managing Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to such Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which such Managing Agent provides managerial services or acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided that the recipients are advised of the confidential nature thereof. In addition, the Purchasers, the Agent or any Managing Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 11.6. Bankruptcy Petition. The Seller, GP, Inc., the Agent, each Managing Agent, each Swap Counterparty and each Investor hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding senior Indebtedness of each Conduit, it will not institute against, or join any other Person in instituting against, any Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 11.7. Limitation of Liability. Except with respect to any claim arising out of the willful misconduct, gross negligence or bad faith of any Conduit, any Managing Agent, the Agent, any Swap Counterparty or any Investor, no claim may be made by the Seller, the Collection Agent or any other Person against any Conduit, any Managing Agent, the Agent, any Swap Counterparty or any Investor or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Seller hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 11.8. CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS.

Section 11.9. CONSENT TO JURISDICTION. EACH OF TBTR PARTNERSHIP AND GP, INC. HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY TBTR PARTNERSHIP OR GP, INC. PURSUANT TO THIS AGREEMENT AND EACH OF TBTR PARTNERSHIP AND GP, INC. HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS

AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT, THE MANAGING AGENTS OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST TBTR PARTNERSHIP OR GP, INC. IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY TBTR PARTNERSHIP OR GP, INC. AGAINST THE AGENT, THE MANAGING AGENTS OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT, THE MANAGING AGENTS OR A PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY TBTR PARTNERSHIP OR GP, INC. PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

Section 11.10. WAIVER OF JURY TRIAL. THE AGENT, EACH MANAGING AGENT, TBTR PARTNERSHIP, GP, INC., EACH SWAP COUNTERPARTY AND EACH PURCHASER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY TBTR PARTNERSHIP OR GP, INC. PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 11.11. Integration; Survival of Terms. (a) This Agreement, the Fee Letter, and each Interest Rate Swap Agreement contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) The provisions of Article VIII and Section 11.6 shall survive any termination of this Agreement.

Section 11.12. Counterparts; Severability. This Agreement 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 when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.13. Agent Roles. (a) Bank One Roles. Each of the Investors acknowledges that Bank One acts, or may in the future act, (i) as Agent for the Purchasers and as Managing Agent for the Purchasers in its Purchase Group, (ii) as issuing and paying agent for Falcon's Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for such Commercial Paper and (iv) to provide other services from time to time for some or all of the Purchasers (collectively, the "Bank One Roles"). Without limiting the generality of this Section 11.13, each Managing Agent and each Purchaser hereby acknowledges and consents to any and all Bank One Roles and agrees that in connection with any Bank One

Role, except as otherwise set forth herein, Bank One may take, or refrain from taking, any action which it, in its discretion, deems appropriate.

(b) **Managing Agent Roles.** Each of the Investors acknowledges that each Person that serves as a Managing Agent hereunder acts, or may in the future act (i) as Managing Agent for a Conduit and the other Purchasers in its Purchase Group, (ii) as issuing and paying agent for such Conduit's Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for such Commercial paper and (iv) to provide other services from time to time for some or all of the Conduits (collectively, the "Managing Agent Roles"). Without limiting the generality of this Section 11.13(b), each Investor hereby acknowledges and consents to any and all Managing Agent Roles and agrees that in connection with any Managing Agent Role, the applicable Managing Agent may take, or refrain from taking, any action that it in its discretion, deems appropriate.

Section 11.14. Amendment and Restatement. (a) This Agreement amends and restates in its entirety the Existing RPA. Upon the effectiveness of this Agreement, the terms and provisions of the Existing RPA shall, subject to this Section 11.14, be superseded in their entirety by this Agreement. Notwithstanding the amendment and restatement of the Existing RPA by this Agreement, the Seller shall continue to be liable to the Investors, Falcon and the Agent with respect to agreements under the Existing RPA to indemnify any of Falcon, the Agent or any Investor in connection with events or conditions arising or existing prior to the effective date of this Agreement, including, without limitation, such agreements under the definition therein of "Capital" or set forth in Section 1.8, 1.9, Article VIII or Section 11.4 thereof. This Agreement is given in substitution for the Existing RPA and not as payment of the obligations of the Seller thereunder, and is in no way intended to constitute a novation of the Existing RPA. Upon the effectiveness of this Agreement, each reference to the Existing RPA in any other document, instrument or agreement executed and/or delivered in connection therewith shall mean and be a reference to this Agreement.

(b) Except as assigned pursuant to Section 11.15, each Receivable Interest existing immediately prior to giving effect to this Agreement shall continue in full force and effect after giving effect to this Agreement.

(c) Notwithstanding Section 5.2(f) of the Existing RPA, pursuant to Section 5.2(f) of this Agreement, each of the Managing Agents hereby consents to the amendment and restatement of the "Existing Transfer Agreement" (defined in the Transfer Agreement) as the Transfer Agreement.

Section 11.15. Sale and Assignment. (a) In consideration of the payment of \$47,333,333.33 on the date herof, (i) Falcon hereby sells and assigns to Eagle, and Eagle hereby purchases and assumes from Falcon, a 33.3333333% interest in the outstanding Capital funded by Falcon, and to Falcon's rights and obligations as a Conduit under this Agreement, and (ii) Bank One hereby sells and assigns to Fleet National Bank, and Fleet National Bank hereby purchases and assumes from Bank One, a 33.3333333% interest in and to Bank One's rights and obligations as an Investor under this Agreement; provided, however, that Fleet National Bank shall have no rights or obligations with respect to any Purchaser Group except that in which it is a member.

(b) Each of Falcon and Bank One (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any lien created by it; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, the other Transaction Documents or any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Transaction Documents, the Receivable Interest or any such other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of TBTR Partnership, as Seller and as Collection Agent, or the Subservicer or the performance or observance by TBTR Partnership, as Seller and as Collection Agent, or the Subservicer of any of their respective obligations under this Agreement, the other Transaction Documents or any instrument or document furnished pursuant thereto. If requested by the Agent, each of Falcon, Bank One, Eagle and Fleet National Bank will execute and deliver such further agreements and documents and take such other actions as the Agent may reasonably request to evidence and give effect to the foregoing.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

**THE BON-TON RECEIVABLES
PARTNERSHIP, L.P, as Seller**

By: BTRGP, INC.
Its General Partner

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

2801 East Market Street P.O. Box 2821 York, Pennsylvania 17405 Fax: (717) 751-3198

BTRGP, INC.

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

2801 East Market Street P.O. Box 2821 York, Pennsylvania 17405 Fax: (717) 751-3198

Signature Page 1 to Second Amended and Restated Receivables Purchase Agreement

BANK ONE, NA,
as Agent, Managing Agent and
as Swap Counterparty

By: /s/ William Hendricks
Name: William Hendricks
Title: Director, Capital Markets

Bank One, NA Asset-Backed Finance, Suite 1729 1 Bank One Plaza Chicago, Illinois 60670 Fax: (312) 732-3600

FALCON ASSET SECURITIZATION
CORPORATION, as a Conduit

By: /s/ William Hendricks
Name: William Hendricks
Title: Authorized Signor

c/o Bank One, NA, as Managing Agent Asset-Backed Finance, Suite 1729 1 Bank One Plaza Chicago, Illinois 60670 Fax: (312) 732-3600

Signature Page 2 to Second Amended and Restated Receivables Purchase Agreement

**EAGLEFUNDING CAPITAL CORPORATION,
as a Conduit**

By: FLEET SECURITIES, INC.,
as attorney-in-fact

By: /s/ John T. Hackett, III
Name:
Title:

100 Federal Street Mail Stop MA DE 10011G Boston, MA 02110 Fax: (617) 434-5719

**FLEET SECURITIES, INC.,
as Managing Agent**

By: /s/ Thomas M. Calhoun
Name: Thomas M. Calhoun
Title: Director

100 Federal Street Mail Stop MA DE 10011G Boston, MA 02110 Fax: (617) 434-5719

Signature Page 3 to Second Amended and Restated Receivables Purchase Agreement

INVESTORS:

Commitment
\$100,000,000

BANK ONE, NA,
as an Investor

By: /s/ William Hendricks
Name: William Hendricks
Title: Director, Capital Markets

Bank One, NA
Asset-Backed Finance, Suite 1729
1 Bank One Plaza
Chicago, Illinois 60670
Fax: (312) 732-3600

\$50,000,000

FLEET NATIONAL BANK.,
as an Investor

By: /s/ Thomas M. Calhoun
Name: Thomas M. Calhoun
Title: Director

100 Federal Street
Mail Stop MA DE 10011G
Boston, MA 02110
Fax: (617) 434-5719

Total Commitments
\$150,000,000

EXHIBITS AND SCHEDULES

EXHIBIT I	GENERAL DEFINITIONS
EXHIBIT II	JURISDICTION OF ORGANIZATION; PRINCIPAL PLACE OF BUSINESS AND CHIEF EXECUTIVE OFFICE; LOCATION(S) OF RECORDS; FEDERAL EMPLOYER IDENTIFICATION NUMBER; ORGANIZATIONAL IDENTIFICATION NUMBER; CORPORATE NAMES, TRADE NAMES OR ASSUMED NAMES
EXHIBIT III	LOCK-BOXES; LOCK-BOX ACCOUNTS; CONCENTRATION ACCOUNTS
EXHIBIT IV	FORM OF COMPLIANCE CERTIFICATE
EXHIBIT V	FORMS OF COLLECTION ACCOUNT AGREEMENTS
EXHIBIT VI	FORM OF CONTRACT(S)
EXHIBIT VII	FORM OF MONTHLY REPORT
EXHIBIT VIII	FORM OF WEEKLY REPORT
EXHIBIT IX	FORM OF JOINDER AGREEMENT
EXHIBIT X	FINANCIAL COVENANT DEFINITIONS
SCHEDULE A	CLOSING LIST
SCHEDULE B	COLLECTION ACTIVITIES DELEGATED BY THE SUBSERVICER

EXHIBIT I

GENERAL DEFINITIONS

As used in this Agreement, except for Section 7.1(i), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Account" means, with respect to any Obligor, any type of charge account under or pursuant to which such Obligor is permitted to make purchases of inventory, goods, insurance and/or services or leases goods or inventory, in any such case on credit. Such term shall include, without limitation, a revolving credit account.

"Accrued Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person; provided that any interest in the Receivables granted to General Electric Capital Corporation, as administrative agent for itself and the lenders under the "Credit Agreement" (as defined in Exhibit X), pursuant to the "Intercreditor Agreement" (as defined in Exhibit X) does not constitute an Adverse Claim.

"Affiliate" means any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, another Person or any Subsidiary of such other Person. Solely for purposes of the definition herein of "Eligible Receivable", a Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" means Bank One in its capacity as Agent for the Purchasers pursuant to Article IX, and not in its individual capacity as an Investor, and any successor Agent appointed pursuant to Article IX.

"Aggregate Independent Amount" means the sum of the Independent Amounts for all outstanding "Transactions" (as such term is defined in the Interest Rate Swap Agreement).

"Aggregate Unpays" means, at any time, an amount equal to the sum of all accrued and unpaid Discount, Capital and all other amounts owed (whether due or accrued) hereunder or under the Fee Letter to the Agent and the Purchasers at such time.

"Agreement" means this Second Amended and Restated Receivables Purchase Agreement, as it may be amended or modified and in effect from time to time.

"Allocation Percentage" means, (i) the aggregate Receivable Interest, expressed as a percentage, determined as of the Liquidation Day of such Receivable Interest if such Liquidation Day has occurred solely as a result of the Liquidity Termination Date having occurred with respect to all of the Investors, and (ii) 100% in any other case; in any event, from and after the occurrence of a Termination Event, the "Allocation Percentage" shall be 100%.

"Base Rate" means a rate per annum equal to the corporate base rate, prime rate or base rate of interest, as applicable, announced by the Reference Bank from time to time, changing when and as such rate changes.

"Breakage Fees" means any amounts payable by the Seller pursuant to Section 6(e) of each Interest Rate Swap Agreement.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Capital" of any Receivable Interest means, at any time, the Purchase Price of such Receivable Interest (and after giving effect to any adjustments contemplated in Section 1.5), minus the sum of the aggregate amount of Collections and other payments received by the Agent which in each case are applied to reduce such Capital; provided that such Capital shall be restored in the amount of any Collections or payments so received and applied if at any time the distribution of such Collections or payments are rescinded or must otherwise be returned for any reason.

"Change of Control" means either (i) any change in ownership of any class of stock or capital stock generally of The Bon-Ton Stores, Inc. which would result in a change or transfer in the power to control the election of a majority of the board of directors or in other indicia of majority voting control to persons or entities other than M. Thomas Grumbacher, his heirs or devisees, or any trusts of which any such Person serves as sole trustee now or hereafter established for any of his family members (Mr. Grumbacher, such heirs, devisees and trusts being collectively, the "Grumbacher Interests") or (ii) a decrease in the Grumbacher Interests' right to vote at shareholders' meetings to an aggregate level less than 51%.

"Charged-Off Receivable" means a Receivable: (i) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 7.1(c) (as if references to the Seller therein refer to such Obligor); (ii) as to which the Obligor thereof, if a natural person, is deceased, (iii) which, consistent with the Credit and Collection Policy, would be written off the Seller's books as uncollectible or (iv) which has been identified by the Seller as uncollectible.

"Collateral Agent" means Bank One, in its capacity as depositary of a Swap Cash Collateral Account for the benefit of Bank One, as Swap Counterparty.

"Collection Account" means the Lock-Box Accounts, the Concentration Accounts and any other account into which any Collections are initially collected or deposited (an "Initial Deposit Account") or into which Collections are initially concentrated following collection or deposit thereof in any Initial Deposit Account.

"Collection Account Agreement" means (i) in the case of any actual or proposed Lock-Box or Lock-Box Account, an agreement in substantially the form of the "Lock-Box Agreement" set forth in Exhibit V hereto and (ii) in the case of any actual or proposed Concentration Account, an agreement in substantially the form of the "Custodial Agreement" set forth in Exhibit V hereto.

"Collection Agent" means at any time the Person (which may be the Agent) then authorized pursuant to Article VI to service, administer and collect Receivables.

"Collection and Enforcement Costs" means, with respect to the Agent and any Managing Agent, all reasonable costs and expenses of the Agent or such Managing Agent, as applicable, including reasonable counsel fees and expenses, in connection with (i) the collection of the Receivables, and (ii) the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event.

"Collection Bank" means, at any time, any of the banks or other financial institutions holding one or more Collection Accounts.

"Collection Notice" has the meaning assigned to such term in Section 6.3.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all cash proceeds of Related Security with respect to such Receivable and all amounts payable to the Purchasers by the Seller pursuant to Section 1.9.

"Commercial Paper" means promissory notes of any Conduit issued by such Conduit in the commercial paper market.

"Commitment" means, for each Investor, the commitment of such Investor to purchase its Commitment Pro Rata Share of Receivable Interests from the Seller, such Commitment Pro Rata Share not to exceed, in the aggregate, the amount set forth opposite such Investor's name on the signature pages of this Agreement, as such amount may be modified in accordance with the terms hereof.

"Commitment Pro Rata Share" means, for each Investor, the Commitment of such Investor divided by the Purchase Limit.

"Concentration Account" means any of (i) the "Concentration Account" identified on Exhibit III hereto or (ii) any other deposit account established for the purpose of concentrating Collections received at the Lock-Box Account(s) and directly at individual stores of the Originator and in respect of which the Seller shall have complied (or shall have caused the

Originator to comply) with Sections 3.1(j), 5.2(b) and 5.2(c) and the other terms and conditions of this Agreement.

"Conduit" means Falcon, Eagle, any Person that becomes party to this Agreement as a "Conduit" pursuant to Section 10.3 or, pursuant to Section 10.1, any assignee of a Conduit.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"Contract" means, with respect to any Receivable, any and all instruments, agreements, leases, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable (including, without limitation, all invoices, standard agreements with regard to the Account under which such Receivable arises, and, to the extent they exist, credit slips and sales contracts).

"CP Rate" means (a) with respect to any Tranche Period for any Receivable Interest owned by Falcon, the rate, requested by the Seller and agreed to by Falcon, equivalent to the rate (or if more than one rate, the weighted average of the rates) at which Commercial Paper having a term equal to the relevant Tranche Period may be sold by any placement agent or commercial paper dealer reasonably selected by Falcon, as agreed between each such dealer or agent and Falcon; provided, however, that if the rate (or rates) as agreed between any such agent or dealer and Falcon is a discount rate (or rates), the "CP Rate" for such Tranche Period shall be the rate (or if more than one rate, the weighted average of the rates) resulting from Falcon's converting such discount rate (or rates) to an interest-bearing equivalent rate per annum; or

(b) with respect to any Tranche Period (or any portion thereof) for any Receivable Interest (or any portion thereof) owned by Eagle, the per annum rate, requested by the Seller and agreed to by Eagle, equivalent to the sum of (i) the weighted average of the per annum rates paid or payable by Eagle from time to time as interest on, or otherwise (by means of interest rate hedges or otherwise) in respect of the commercial paper issued by Eagle that are allocated, in whole or in part, by Eagle's related Managing Agent (on behalf of Eagle) to fund or maintain such Receivable Interest (or any portion thereof) during such Tranche Period (or any portion thereof), as determined by such Managing Agent (on behalf of Eagle), which rates shall reflect and give effect to the commissions and fees of commercial paper placement agents and dealers, and issuing and paying agents incurred in respect of such commercial paper, plus (ii) all Early Collection Fees incurred during such Tranche Period related to any prepayment of any Receivable Interest during such Tranche Period; provided, however, that if any component of the rate described above is a discount rate, in calculating the "CP Rate" for such Tranche Period (or portion thereof) for such Receivable Interest, Eagle's related Managing Agent shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum.

"Credit and Collection Policy" means the Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof.

"Deemed Collections" means the aggregate of all amounts owing pursuant to Section 1.9.

"Defaulted Receivable" means each Receivable arising from an Account as to which any payment, or any portion thereof, remains unpaid for 150 or more days past the payment due date specified in the billing statement on which such amount first appeared as due and payable.

"Delinquency Ratio" means, as of any date, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Delinquent Receivables as of the last day of the most recently ended calendar month divided by (ii) the aggregate Outstanding Balance of all Receivables as of the last day of the most recently ended calendar month.

"Delinquent Receivable" means each Receivable arising from an Account as to which any payment, or any portion thereof, remains unpaid for more than 90 days past the payment due date specified in the billing statement on which such amount first appeared as due and payable.

"Dilution Ratio" means, in respect of any fiscal month a percentage equal to (i) the DR Multiplier times the aggregate amount of Dilutions which occurred during such fiscal month, divided by (ii) the Net Receivables Balance on the last day of such fiscal month. The "DR Multiplier" shall be one and one-half (1.50); provided, that if, as of the last day of any fiscal month, the average Loss-to-Liquidation Ratio in respect of the three fiscal months then most recently ended shall exceed 3.0%, the DR Multiplier shall at all times thereafter be two (2) until the average Loss-to-Liquidation Ratio in respect of the three fiscal months then ended shall, for a period of six consecutive months, have been equal to or less than 3.0%.

"Dilution Reserve" means, at an time, an amount equal to (i) the greater of (a) 6.0% and (b) the average Dilution Ratio in respect of the three fiscal months then most recently ended, multiplied by (ii) the Net Receivables Balance.

"Dilutions" means, at any time, the aggregate amount of reductions in the Outstanding Balances of the Receivables as a result of any setoff, discount, adjustment or otherwise, other than cash Collections on account of the Receivables. The term "Dilutions" shall not include the writing off of a Receivable in the ordinary course of business due to a failure on the part of the Obligor thereon to pay (or a discharge of such Obligor in any insolvency or bankruptcy proceeding) which failure is not related to any action or omission on the part of, or any claim against, the Seller, the Originator or any of their Affiliates.

"Discount" means, for each Receivable Interest for any Tranche Period:

$$\frac{AD}{DR \times C \times \dots}$$

360

5

DR	=	the Discount Rate for such Receivable Interest for such Tranche Period;
C	=	the Capital of such Receivable Interest during such Tranche Period; and
AD	=	the actual number of days elapsed during such Tranche Period;

provided, that no provision of this Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided, further, that Discount for any Tranche Period shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"Discount Rate" means, subject to Section 1.3(c), the LIBO Rate, the CP Rate or the Base Rate, as applicable.

"Early Collection Fee" means, for any Receivable Interest which has its Capital reduced, or its Tranche Period terminated prior to the date on which it was originally scheduled to end, the excess, if any, of (i) the Discount that would have accrued during the remainder of the Tranche Period subsequent to the date of such reduction or termination on the Capital of such Receivable Interest if such reduction or termination had not occurred, over (ii) the sum of (a) to the extent all or a portion of such Capital is allocated to another Receivable Interest of the same Purchaser, the Discount actually accrued during such period on such Capital for the new Receivable Interest of the same Purchaser, and (b) to the extent such Capital is not allocated to another Receivable Interest of the same Purchaser, the income, if any, actually received during such period by the holder of such Receivable Interest from investing the portion of such Capital not so allocated.

"Eligible Receivable" means, at any time, a Receivable:

- (i) the Obligor of which (a) is not an Affiliate of any of the parties hereto; and (b) is not a government or a governmental subdivision or agency,
- (ii) the Obligor of which is not the Obligor of any Defaulted Receivable or any Charged-Off Receivable,
- (iii) which is not a Defaulted Receivable or a Charged-Off Receivable,
- (iv) which is an account receivable representing all or part of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended,
- (v) which is an "account" or "general intangible" within the meaning of Section 9-102 of the UCC of all applicable jurisdictions,
- (vi) which is denominated and payable only in United States dollars in the United States,

- (vii) which, together with the related Contract, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable by the Seller against such Obligor in accordance with its terms subject to no offset, counterclaim or other defense,
- (viii) which arises under a Contract which (A) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights and duties of the Seller or the Originator (or any other originator) under such Contract and (B) does not contain a confidentiality provision that purports to restrict the ability of the Agent, any Managing Agent or any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,
- (ix) which is not subject to any right of rescission, set-off, counterclaim, any other defense (including defenses arising out of violations of usury laws) of the Obligor or any other Adverse Claim,
- (x) as to which the Originator (or, if other than The Bon-Ton Department Stores, Inc., the applicable originator) of such Receivable has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it,
- (xi) all right, title and interest to and in which has been validly transferred by the Originator to the Seller under and in accordance with the Transfer Agreement, and the Seller has good and marketable title thereto free and clear of any Adverse Claim,
- (xii) which has been posted to the applicable Account of the Obligor thereon,
- (xiii) (A) which does not arise from an Account which has been classified by the Seller, the Originator or the Collection Agent as being cancelled, counterfeit or fraudulent, and (B) if the card issued in connection with the related Account has been lost or stolen, the Obligor thereon has not asserted the occurrence of any unauthorized charges thereon,
- (xiv) which was created in compliance, and continues to be in compliance, in each case, in all material respects with all laws (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) applicable to the Seller and to the Originator (and, if other than the Originator, the originator in respect of such Receivable) and pursuant to a Contract which complies in all material respects with all such laws,
- (xv) which satisfies all applicable requirements of the Credit and Collection Policy, and
- (xvi) which (A) arises in the ordinary course of business of the Originator from an authorized use of an Account with the Originator in connection with the purchase of goods or services of goods by the applicable Obligor from the Originator, and (B) arises solely from the sale or the provision of goods or services to the related Obligor by the

Originator, and not by any other Person (in whole or in part); provided that a Receivable that meets the criteria set forth in this definition but for this clause (xvi) (including without limitation, clause (xv) above) shall nonetheless constitute an "Eligible Receivable" if:

(1) such Receivable arises from the purchase of goods or services from a Person that is either (a) a wholly-owned Subsidiary of the Originator, (b) a Person that has been merged into the Originator or (c) a Person all or a substantial part of the assets in respect of which the applicable Obligor is part of the associated "customer base" have been acquired by the Originator,

(2) such Receivable arises from the purchase of goods or services with the use of (a) an Account or (b) a charge account all the rights and obligations of the issuer in connection with which Account have been assigned to and assumed by the Originator,

(3) the Outstanding Balance of such Receivable, together with the aggregate Outstanding Balance of all other Receivables that constitute Eligible Receivables by reason of this proviso does not exceed an amount equal to 10% of the Outstanding Balance of all Eligible Receivables at such time, or such other higher percentage as may be agreed to by each of the Managing Agents (such agreement not to be unreasonably withheld and, upon any such revision, Fleet Securities shall notify the rating agencies then rating the commercial paper of Eagle at the request of Fleet Securities or Eagle, of such revision), and

(4) the Seller shall have provided such information with respect to such Receivable as any Managing Agent may reasonably request to confirm that such Receivable is an Eligible Receivable hereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excess Spread" means, for any fiscal month, a per annum rate equal to (i) the Portfolio Yield for such month, minus (ii) the weighted average Discount Rate applicable to the Receivable Interests of the Purchasers during such month, minus (iii) 2%, minus (iv) all fees and expenses (expressed as a percentage of the Purchase Limit) then due and payable by the Seller to the Agent for its own account or for the account of any Purchaser and/or Investor.

"Existing RPA" has the meaning assigned to that term in the Preliminary Statements.

"Exposure" means for any Business Day the amount, if any, that the relevant Swap Counterparty determines would be payable to it by the Seller (expressed as a positive number) or by it to the Seller (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of the relevant Interest Rate Swap Agreement as if all "Transactions" thereunder had been terminated as of close of business, New York City time, on the preceding Business Day; provided that "Market Quotation" for all Interest Rate Swap Agreements will be determined by

such Swap Counterparty using its estimates at mid-market of the amounts that would be paid for "Replacement Transactions" (each term within quotes having the meaning given to it in the Interest Rate Swap Agreement).

"Facility Account" means the Seller's Account No. 52-56135 at Bank One.

"Facility Termination Date" means the earliest of (i) the latest Liquidity Termination Date, as such date may be extended pursuant to the terms of Section 1.13 from time to time, (ii) the date the Seller shall exercise its right to repurchase the outstanding Receivable Interests pursuant to Section 2.1 and (iii) any date following the occurrence, and during the continuance, of any Termination Event which the Required Investors or any Managing Agent declares to be the Facility Termination Date.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Governments Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by the Reference Bank from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means each letter agreement entered into by the Seller with each Managing Agent and/or other members of such Managing Agent's Purchase Group specifying certain fees to be paid by the Seller in connection with this Agreement, as each such letter agreement may be amended or modified from time to time.

"Finance Charge Collections" means, with respect to any Receivable, those cash collections and other cash proceeds in respect of such Receivable that are payments for any Accrued Finance Charges.

"Fiscal" means, in reference to any period, such fiscal period of The Bon-Ton Department Stores, Inc.

"Funded Pro Rata Share" means, for each Purchaser, at any time, the aggregate Capital funded by such Purchaser divided by the aggregate Capital of all Purchasers, at such time.

"Funding Agreement" means this Agreement and any agreement or instrument executed by any Funding Source with or for the benefit of any Conduit, including any Liquidity Agreement.

"Funding Source" means (i) any Investor, (ii) any Managing Agent or (iii) any insurance company, bank or other financial institution providing liquidity, credit enhancement or back-up purchase support or facilities to a Conduit.

"GP, Inc." means BTRGP, Inc., a Pennsylvania corporation.

"Incremental Purchase" means a purchase of one or more Receivable Interests which increases the total outstanding Capital hereunder.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Independent Amount" means the amount specified as such in the "Confirmation" for each "Transaction" (as such terms are defined in the Interest Rate Swap Agreement).

"In-Store Collections" means any cash, instruments or other payment items remitted by any Obligor toward payment of any Receivable at any store location of the Originator.

"Intended Characterization" means, for income tax purposes, the characterization of the acquisition by the Purchasers of Receivable Interests as a loan or loans by the Purchasers to the Seller secured by the Receivables, the Related Security and the Collections.

"Interest Rate Swap Agreement" means any ISDA Master Agreement (including all "Schedules" and "Confirmations" constituting a part thereof) between the entity acting as Swap Counterparty and the Seller under which the transactions governed thereby provide for either (i) the Seller to make fixed rate payments to such Swap Counterparty and for such Swap Counterparty to make floating rate payments to the Seller, or (ii) such Swap Counterparty to make fixed rate payments to the Seller and for the Seller to make floating rate payments to such Swap Counterparty.

"Interest Rate Swap Obligations" means all amounts owing by the Seller under an Interest Rate Swap Agreement, including without limitation the net amount owing by the Seller under such Interest Rate Swap Agreement on an Interest Rate Swap Settlement Date, and Breakage Fees.

"Interest Rate Swap Settlement Date" means the first Business Day of each calendar month.

"Investors" means the financial institutions listed on the signature pages of this Agreement under the heading "Investors" and their respective successors and assigns.

"Joinder Agreement" shall mean an agreement substantially in the form of Exhibit IX among the Managing Agent and Purchasers of a new Purchase Group, the Seller, the Collection Agent and the Agent.

"LIBO Rate" means the rate per annum equal to the sum of (i)

(a) the rate at which deposits in U.S. Dollars are offered by the Reference Bank to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Tranche Period, such deposits being in the approximate amount of the Capital of the Receivable Interest to be funded or maintained, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Tranche Period plus (ii) 0.75% per annum. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"Liquidity Agreement" means an agreement entered into by a Conduit with the Investors in its Purchase Group in connection herewith for the purpose of providing liquidity with respect to the Capital funded by such Conduit under this Agreement.

"Liquidation Day" means, for any Receivable Interest, the earliest to occur of (i) any Business Day so designated by the Agent or any Managing Agent on or at any time following any day on which the conditions precedent set forth in Section 4.2 are not satisfied, (ii) any Business Day so designated by the Seller, the Agent or any Managing Agent after the occurrence of a Termination Event and (iii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 7.1(c).

"Liquidity Termination Date" means, with respect to each Investor, January ____, 2004, unless an extension of the Liquidity Termination Date applicable to an individual Investor has been agreed to by such Investor pursuant to Section 1.13. In such case, the Liquidity Termination Date for such Investor, and only such Investor, will be that Liquidity Termination Date so agreed to by such Investor pursuant to Section 1.13.

"Lock-Box" means any of (i) the "Lock-Box" identified on Exhibit III hereto or (ii) any other lock-box established for the purpose of receiving and processing Collections remitted by mail and in respect of which the Seller shall have complied (or shall have caused the Originator to comply) with Sections 3.1(j), 5.2(b) and 5.2(c) and the other terms and conditions of this Agreement.

"Lock-Box Account" means any of (i) the "Lock-Box Account" identified on Exhibit III hereto or (ii) any other lock-box account established for the purpose of receiving and processing Collections remitted to the Lock-Boxes and in respect of which the Seller shall have complied (or shall have caused the Originator to comply) with Sections 3.1(j), 5.2(b) and 5.2(c) and the other terms and conditions of this Agreement.

"Loss Percentage" means, at any time, the greater of (i) the LP Multiplier times the highest Loss-to-Liquidation Ratio on any day during the three complete fiscal month period then most recently ended or (ii) 12.0%. The "LP Multiplier" shall be four (4); provided, that if, as of the last day of any fiscal month, the average Loss-to-Liquidation Ratio in respect of the three fiscal months then most recently ended shall exceed 3.0%, the LP Multiplier shall at all times thereafter be five (5) until the average Loss-to-Liquidation Ratio in respect of the three

fiscal months then ended shall, for a period of six consecutive months, have been equal to or less than 3.0%.

"Loss Reserve" means, at any time, an amount equal to the Loss Percentage multiplied by the Net Receivables Balance.

"Loss-to-Liquidation Ratio" means (a) for all months prior to and including January, 2003, as at the last day of any such fiscal month, a percentage equal to (x) the amount of Charged-Off Receivables which became Charged-Off Receivables during such month, divided by (y) the aggregate amount of Collections received during such month; or

(b) for all months after January, 2003, as at the last day of any such fiscal month, a percentage equal to (x) the amount of principal of Charged-Off Receivables which became Charged-Off Receivables during such month, divided by (y) the aggregate amount of Principal Collections received during such month.

"Managing Agent" means, as to any Conduit, the financial institution responsible for the administration of such Conduit's commercial paper program and related activities. As of the date hereof, Bank One is the Managing Agent for Falcon and its Investors (Bank One), and Fleet Securities is the Managing Agent for Eagle and its Investors (Fleet).

"Material Adverse Effect" means a material adverse effect on

(i) the financial condition or operations of the Seller or the Originator, (ii) the ability of the Seller to perform its obligations under this Agreement, (iii) the legality, validity or enforceability of this Agreement or any Collection Account Agreement relating to a Collection Account into which a material portion of Collections are deposited, (iv) any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Monthly Report" means a report, in substantially the form of Exhibit VII hereto (appropriately completed), furnished by the Collection Agent to the Agent and each Managing Agent pursuant to Section 6.5.

"Net Receivables Balance" means, at any time, (i) the Outstanding Balance of Eligible Receivables at such time, reduced by (ii) the aggregate amount by which the Outstanding Balance of all Eligible Receivables of all Obligors that are natural persons not resident in the United States exceeds an amount equal to the product of (A) 1% and (B) an amount equal to the average of the Outstanding Balance of Eligible Receivables at the end of the two most recently ended fiscal months.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

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

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Portfolio Yield" means (a) for any period ending on or before February 1, 2003, a fraction expressed as a percentage, the numerator of which is the sum of Accrued Finance Charges for such period minus the Outstanding Balance of Defaulted Receivables for such period, and the denominator of which is the average Outstanding Balance of Receivables for such period, or

(b) for any period ending after February 1, 2003, a fraction expressed as a percentage, the numerator of which is the sum of Finance Charge Collections for such period minus the Outstanding Balance of Defaulted Receivables for such period, and the denominator of which is the average Outstanding Balance of Receivables for such period.

"Potential Termination Event" means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

"Principal Collections" means, with respect to any Receivable, those cash collections and other cash proceeds in respect of such Receivable that are not Finance Charge Collections.

"Purchase Group" means any Conduit, its Investors and their related Managing Agent.

"Purchase Limit" means the aggregate of the Commitments of the Investors hereunder, as reduced from time to time in accordance with the terms of this Agreement.

"Purchase Price" means, with respect to any Incremental Purchase of a Receivable Interest, the amount paid to the Seller for such Receivable Interest.

"Purchaser" means any Conduit or Investor, as applicable.

"Receivable" means the indebtedness and other obligations owed to the Seller (without giving effect to any transfer or conveyance hereunder) whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale or lease of goods or the rendering of services under, with the use of or otherwise in connection with an Account and includes, without limitation, the obligation to pay any Accrued Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction.

"Receivable Interest" means, at any time, an undivided percentage ownership interest associated with a designated amount of Capital, Discount Rate and Tranche Period selected pursuant to Section 1.3 in (i) all Receivables arising prior to the time of the most recent computation or recomputation of such undivided interest pursuant to Section 1.4, (ii) all Related Security with respect to such Receivables, and (iii) all Collections with respect to, and other proceeds of, such Receivables. The "percentage applicable" to each Receivable Interest shall mean the following ratio (expressed as a percentage):

C
NRB - R

C	=	the Capital of such Receivable Interest.
NRB	=	the Net Receivables Balance.
R	=	the sum of the Loss Reserve plus the Dilution Reserve.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Reference Bank" means Bank One or such other bank as the Agent shall designate with the consent of the Seller.

"Regulatory Change" means the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency. For avoidance of doubt, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute a "Regulatory Change".

"Reinvestment" has the meaning assigned to such term in Section 1.6.

"Required Cure Period" means the earlier of (i) the one Business Day after the delivery of any such Weekly Report or Monthly Report, as applicable, that indicates that the aggregate Receivable Interests for all the Purchasers exceeds 100%, and (ii) the seventh Business Day following any day that the aggregate Receivable Interests for all the Purchasers exceeds 100%.

"Required Investors" means, at any time, two or more Investors with aggregate Commitments in excess of 66-2/3% of the Purchase Limit.

"Required Minimum Balance" means, for each Interest Rate Swap Agreement and for the related Swap Cash Collateral Account, as of any date of determination, the amount

equal to the sum of the Exposure plus the Aggregate Independent Amount; provided that if the Required Minimum Balance is a negative number, it shall be deemed to be zero.

"Related Security" means, with respect to any Receivable:

(i) all of the Seller's interest in the inventory and goods (including returned or repossessed inventory and goods), if any, the sale or lease of which gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements signed by an Obligor describing any collateral securing such Receivable,

(iii) all guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all of the Seller's right, title and interest in, to and under the Transfer Agreement,

(v) all service contracts and other contracts and agreements associated with such Receivables,

(vi) all Records related to such Receivables,

(vii) all of the Seller's rights and interests under each of the Interest Rate Swap Agreements, and

(viii) all proceeds of any of the foregoing.

"Reserve Requirement" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed against the Reference Bank in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Seller" means TBTR Partnership.

"Subservicer" has the meaning specified in Section 6.1(b).

"Subservicer Fee" has the meaning specified in Section 6.6.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such

Person and one or more of its Subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Seller.

"Swap Cash Collateral Account" means (i) with respect to Bank One as a Swap Counterparty, a deposit account held at Bank One in the name of the Collateral Agent, identified by account number 1590308, which deposit account secures the Interest Rate Swap Obligations owing to Bank One as Swap Counterparty, and (ii) with respect to each Swap Counterparty other than Bank One each deposit account held at such other bank as is acting as Swap Counterparty, in the name of such Swap Counterparty, which deposit account secures Interest Rate Swap Obligations owing to such Swap Counterparty.

"Swap Counterparty" means (i) Bank One or its successors or assigns, in its role as swap counterparty under any Interest Rate Swap Agreement, or (ii) any other financial institution from time to time party to an Interest Rate Swap Agreement with the Seller as swap counterparty, or such institution's successors or assigns, provided that (a) such institution is rated at least A-1 by Standard & Poor's and P-1 by Moody's, and which swap counterparty, together with the related Interest Rate Swap Agreement, has been approved by the Agent, in its sole discretion, and (b) such swap counterparty has executed an assumption agreement in form and substance acceptable to the Agent, pursuant to which such swap counterparty becomes a party to this Agreement as a "Swap Counterparty."

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

"Termination Date" means, for any Receivable Interest, the Facility Termination Date, and with respect to a Receivable Interest of a Conduit, that Business Day so designated by the Seller or such Conduit, by notice to the other and to the Agent.

"Termination Event" has the meaning specified in Article VII.

"Tranche Period" means, with respect to any Receivable Interest:

(a) if Discount for such Receivable Interest is calculated with respect to a CP Rate, a period of days not to exceed 270 days commencing on a Business Day requested by the Seller and agreed to by the applicable Conduit;

(b) if Discount for such Receivable Interest is calculated on the basis of the LIBO Rate, a period of one, two or three months, or such other period, in each case, as may be mutually agreeable to the applicable Managing Agent and the Seller, commencing on a Business Day selected by the Seller and agreed to by such Managing Agent or, after the Liquidation Day, selected by the applicable Managing Agent pursuant to this Agreement. Such Tranche Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, provided, however, that

if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; and

(c) if Discount for such Receivable Interest is calculated on the basis of the Base Rate, a period of days not to exceed 30 days commencing on a Business Day selected by the Seller.

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Receivable Interest of which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Tranche Period shall end on the Termination Date. The duration of each Tranche Period in respect of any Receivable Interest which commences after the Liquidation Day for such Receivable Interest shall be of such duration as selected by the Agent.

"Transaction Documents" means, collectively, this Agreement, the Transfer Agreement, the Fee Letter, each Collection Account Agreement and all other instruments, documents and agreements executed and delivered by the Seller in connection with the transactions contemplated by any of the foregoing.

"Transfer Agreement" means that certain Amended and Restated Transfer Agreement, dated as of the date of this Agreement, between The Bon-Ton Department Stores, Inc. and the Seller, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Weekly Report" means a report, in substantially the form of Exhibit VIII hereto (appropriately completed), furnished by the Collection Agent to the Agent and each Managing Agent pursuant to Section 6.5.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of Illinois, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

JURISDICTION OF ORGANIZATION; PRINCIPAL PLACE OF BUSINESS AND CHIEF EXECUTIVE OFFICE; LOCATION(S) OF RECORDS; FEDERAL EMPLOYER IDENTIFICATION NUMBER; ORGANIZATIONAL IDENTIFICATION NUMBER; CORPORATE NAMES, TRADE NAMES OR ASSUMED NAMES

Jurisdiction of Organization of the Seller and GP, Inc.:

Pennsylvania

Principal Place of Business and Chief Executive Office:

Seller: The Bon-Ton Receivables Partnership, L.P.
2801 East Market Street
York, PA 17405

GP, Inc.: BTRGP, Inc.
2801 East Market Street
York, PA 17405

Location of Records of the Seller:

2801 East Market Street
York, PA 15405

Queensgate Shopping Center
2081 Springwood Road
York, PA 17403

Federal Employer Identification Number:

Seller: 23-2863402
GP, Inc.: 23-2815483

Organizational Identification Number

Seller: 2641778
GP, Inc.: 2641524

Corporate Names, Trade Names or Assumed Names:

Seller: None.
GP, Inc.: BTRGP, Inc.

EXHIBIT III

LOCK-BOXES; LOCK-BOX ACCOUNTS; CONCENTRATION ACCOUNTS

Lock Box:

P.O. Box 17598
Baltimore, MD 21297

Lock-Box Account:

First Union National Bank
Acct. No. 2014218771982
Philadelphia, PA

Concentration Account:

First Union National Bank
Acct. No. 2000011059530
Philadelphia, PA

EXHIBIT IV

FORM OF COMPLIANCE CERTIFICATE

To: Bank One, NA, as Agent

This Compliance Certificate is furnished pursuant to that certain Second Amended and Restated Receivables Purchase Agreement dated as of January 17, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement") by and among The Bon-Ton Receivables Partnership, L.P. (the "Seller" and the "Collection Agent"), the Purchasers party thereto, Bank One, NA (Main Office Chicago) ("Bank One") and Fleet Securities, Inc., as Managing Agents (the "Managing Agents") and Bank One, as Agent (the "Agent").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ [of the general partner in the Seller] [of the Seller];
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Seller during the accounting period covered by the attached [financial statements] [Monthly Report];
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or Potential Termination Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached [financial statements] [Monthly Report] or as of the date of this Certificate, except as set forth below; and
4. The [financial statements] [Monthly Report] attached hereto as Schedule I sets forth a true, accurate and complete statement of the matters purportedly described therein, and does not omit to state any fact the omission to state which renders such [financial statements] [Monthly Report] materially misleading.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Seller has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 20__.

SCHEDULE I

to

COMPLIANCE CERTIFICATE

[In the case of a Compliance Certificate delivered pursuant to Section 5.1(a)(ii), attach annual report; in the case of a Compliance Certificate delivered pursuant to Section 6.5, attach a Monthly Report in the form of Exhibit VII.]

EXHIBIT V

FORM OF COLLECTION ACCOUNT AGREEMENTS

Form of Lock-Box Agreement

(Attached)

(Attached)

EXHIBIT VI

FORM OF CONTRACT(S)

(Attached)

EXHIBIT VII

FORM OF MONTHLY REPORT

(Attached)

EXHIBIT VIII

FORM OF WEEKLY REPORT

(Attached)

EXHIBIT IX

FORM OF JOINDER AGREEMENT

Dated as of [_____, 20__]

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of January 17, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"), among The Bon-Ton Receivables Partnership, L.P. (the "Seller" and the "Collection Agent"), BTRGP, Inc., each financial institution party thereto as an Investor (the "Investors"), Falcon Asset Securitization Corporation and EagleFunding Capital Corporation, as Conduits (the "Conduits"), Bank One, NA (Main Office Chicago) ("Bank One") and Fleet Securities, Inc., as Managing Agents (the "Managing Agents"), and Bank One, as Agent (the "Agent"). To the extent not defined herein, capitalized terms used herein have the meanings assigned to such terms in the Purchase Agreement.

[_____] (the "New Managing Agent"),
[_____] (the "New Conduit"), [_____] (the "New Investor"), the Seller, the Agent and the Managing Agents agree as follows:(1)

1. The New Managing Agent, the New Conduit and the New Investor are to become a Managing Agent, a Conduit and an Investor, respectively, under the Purchase Agreement.
2. The effective date (the "Effective Date") of this Joinder Agreement shall be the later of (i) the date on which a fully executed copy of this Joinder Agreement is delivered to the Agent, and (ii) the date of this Joinder Agreement.
3. By executing and delivering this Joinder Agreement, each of the New Managing Agent, the New Conduit and the New Investor (i) confirms that it has received a copy of the Purchase Agreement and such other documents and information requested by it, and that it has, independently and without reliance upon the Seller, any Managing Agent, the Agent or any Purchaser, and based on such documentation and information as it has deemed appropriate, made its own decision to enter into this Joinder Agreement; (ii) agrees that it shall, independently and without reliance on the Seller, any Managing Agent, the Agent or any Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Purchase Agreement; (iii) appoints and authorizes the Agent to take such action on its behalf and to exercise such powers and discretion under the Purchase Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) agrees that it

(1) This form contemplates the addition of one new Managing Agent, one new Conduit and one new Investor as parties to the Purchase Agreement. Appropriate changes to this form will be necessary if only Investors (and no new Managing Agent) will be added, or if more than one Conduit and/or Investor will be added.

shall perform in accordance with their terms all of the obligations that by the terms of the Purchase Agreement are required to be performed by it as a Managing Agent, a Conduit and an Investor, respectively; (v) specifies as its notice address, for purposes of Section 11.2 of the Purchase Agreement, the office set forth beneath its name on Schedule I to this Joinder Agreement; and (vi), in the case of the New Conduit and the New Investor, appoints and authorizes the New Managing Agent as its Managing Agent to take such action as agent on its behalf and to exercise such powers under the Purchase Agreement as are delegated to the Managing Agents by the terms thereof.

4. On the Effective Date of this Joinder Agreement (i) each of the New Managing Agent, the New Conduit and the New Investor shall join in and be a party to the Purchase Agreement and shall have the rights and obligations of a Managing Agent, a Conduit and an Investor, respectively, under the Purchase Agreement; (ii) the Commitment of the New Investor shall be set forth opposite such New Investor's name on Schedule I hereto; and (iii) the Purchase Limit shall be increased by an amount equal to the New Investor's Commitment.

5. This Joinder Agreement may be executed by one or more of the parties on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

6. This Joinder Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Illinois.

IN WITNESS WHEREOF, the parties hereto have caused this Joinder Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Schedule I hereto.

* * * * *

Schedule I

to

Joinder Agreement

Dated as of [_____, 20__]

[NEW MANAGING AGENT]

By: _____

Name:

Title:

Address and facsimile for notices:

[Address]

[Facsimile]

[NEW CONDUIT]

By: _____

Name:

Title:

Address and facsimile for notices:

[Address]

[Facsimile]

[NEW INVESTOR]

COMMITMENT: \$[_____]

By: _____

Name:

Title:

Address and facsimile for notices:

[Address]

[Facsimile]

CONSENTED to this ____ day of _____, 20__ by:

**BANK ONE, NA (MAIN OFFICE CHICAGO),
as a Managing Agent and as Agent**

By: _____
Name:
Title:

**FLEET SECURITIES, INC.,
as a Managing Agent**

By: _____
Name:
Title:

**THE BON-TON RECEIVABLES PARTNERSHIP, L.P.,
as Seller**

By: BTRGP, INC., its General Partner

By: _____
Name:
Title:

EXHIBIT X

FINANCIAL COVENANT DEFINITIONS

As used in connection with Section 7.1(i) of this Agreement (as defined in Exhibit I), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Administrative Agent" shall mean GE Capital or its successor appointed pursuant to the Credit Agreement.

"Agents" shall mean, collectively, the Administrative Agent and the Collateral Agent.

"Borrower Representative" shall mean The Bon-Ton Department Stores, Inc., in its capacity as Borrower Representative under the Credit Agreement.

"Borrower" means The Bon-Ton Department Stores Inc., Adam, Meldrum & Anderson Co., Inc. and The Bon-Ton Stores of Lancaster, Inc.

"Capital Expenditures" shall mean, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements (other than any repair or replacement of a property to the extent from insurance proceeds covering such property), substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

"Capital Lease" shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" shall mean, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Charges" shall mean all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the Pension Benefit Guaranty Corporation, or any successor thereto, at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (b) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Closing Checklist" shall mean the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Credit Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form of Annex D to the Credit Agreement.

"Code" shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Administrative Agent's or any Lender's security interest in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof and the Security Agreement relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Collateral" shall mean the property covered by the Security Agreement, the Mortgages and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of the Administrative Agent, on behalf of itself, the other Agent and the Lenders, to secure the Obligations, provided however, that the Collateral shall not include any "Designated Asset" as that term is defined in the Intercreditor Agreement.

"Collateral Agent" shall mean GE Capital or its successor appointed pursuant to the Credit Agreement.

"Collateral Documents" shall mean the Security Agreement, the Pledge Agreement, the Guaranty, the Mortgages, the Trademark Security Agreements, and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Credit Agreement" shall mean that certain Credit Agreement, dated as of April 15, 1997, by and among The Bon-Ton Department Stores Inc., Adam, Meldrum & Anderson Co., Inc. and The Bon-Ton Stores of Lancaster, Inc., as Borrowers, certain Credit Parties named therein, The First National Bank of Boston, as a Lender and the Collateral Agent, General Electric Capital Corporation, as a Lender and as the Administrative Agent and the other Lenders party thereto from time to time, as such Credit Agreement is in effect on the date hereof, and giving effect only to amendments or modifications thereto that are approved of in writing by each Managing Agent.

"Credit Parties" shall mean Parent, The Bon-Ton Corp., each Borrower, The Bon-Ton National Corp. and The Bon-Ton Trade Corp.

"EBITDA" shall mean, with respect to any Person for any fiscal period, an amount equal to (a) consolidated net income of such Person for such period, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains which have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from

extraordinary items for such period, (iv) the amount of non-cash charges (including depreciation and amortization) for such period, (v) amortized debt discount for such period, and (vi) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person of any Stock, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person, (8) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, and (9) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary.

"Fees" shall mean any and all fees payable to Agents or any Lender pursuant to the Credit Agreement or any of the other Loan Documents.

"Fiscal Quarter" shall mean a fiscal quarter of Parent and its Subsidiaries for financial accounting purposes.

"Fixed Charges" shall mean, with respect to any Person for any fiscal period, the aggregate of all Interest Expense paid or accrued during such period plus (a) scheduled payments of principal with respect to Indebtedness during such period, excluding payments under any revolving credit facility, any balloon payments on any mortgage or any other debt which is refinanced, plus (b) Capital Expenditures (other than Special Capital Expenditures) funded with cash proceeds other than cash proceeds of Indebtedness permitted under clause (a)(vi) of Section 6.3 of the Credit Agreement during such period, plus (c) cash taxes actually paid during such period.

"Fixed Charge Coverage Ratio" shall mean, with respect to any Person for any fiscal period, the ratio of EBITDA to Fixed Charges.

"FNBB" shall mean The First National Bank of Boston, a national banking association.

"FNBB Fee Letter" shall mean that certain letter, dated as of January 24, 1997, between FNBB and Borrowers with respect to certain Fees to be paid from time to time by Borrowers to FNBB.

"Funded Debt" shall mean, with respect to any Person, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness and which by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and also including, in the case of Borrowers, the Obligations.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect on April 15, 1997, consistently applied as such term is further defined in Annex G to the Credit Agreement.

"GE Capital" means General Electric Capital Corporation, a New York corporation.

"GE Capital Fee Letter" shall mean that certain letter, dated as of January 24, 1997, between GE Capital and Borrowers with respect to certain Fees to be paid from time to time by Borrowers to GE Capital.

"Guaranty" shall mean that certain guaranty, dated as of April 15, 1997, executed by each of Parent, The Bon-Ton Corp., The Bon-Ton National Corp. and The Bon-Ton Trade Corp. in favor of the Administrative Agent, on behalf of itself, the other Agent and the Lenders.

"Indebtedness" of any Person shall mean without duplication

(a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than six (6) months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract

rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations.

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of April 15, 1997, executed by The First National Bank of Chicago, The Bon-Ton Department Stores, Inc., The Bon-Ton Receivables Partnership, L.P. and the Administrative Agent.

"Interest Expense" shall mean, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including, in any event, interest expense with respect to any Funded Debt of such Person.

"Lenders" shall mean GE Capital, FNBB, the other Lenders named on the signature page of the Credit Agreement, and, if any such Lender shall decide to assign all or any portion of the Obligations, such term shall include such assignee.

"Lien" shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction) functionally equivalent to a lien or security interest.

"Loan Documents" shall mean the Credit Agreement, the Notes, the Collateral Documents, the FNBB Fee Letter, the GE Capital Fee Letter, the Intercreditor Agreement and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, the Administrative Agent and/or the Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to the Administrative Agent or any Lender in connection with the Credit Agreement or the transactions contemplated hereby. Any reference in the Credit Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to such agreement as the same may be in effect at any and all times such reference becomes operative.

"Mortgaged Properties" shall have the meaning assigned to it in Annex D of the Credit Agreement.

"Mortgages" shall mean each of the mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Credit Party to the Administrative Agent with respect to the Mortgaged Properties, all in form and substance satisfactory to the Administrative Agent.

"Notes" shall mean the Revolving Notes and the Swing Line Notes, collectively.

"Obligations" shall mean all loans, advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Agents or any Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Credit Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest which accrues after the commencement of any case or proceeding in bankruptcy after the insolvency of, or for the reorganization of any Credit Party, whether or not allowed in such proceeding), Fees, Charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Credit Agreement or any of the other Loan Documents.

"Parent" means The Bon-Ton Stores, Inc., a Pennsylvania corporation.

"Person" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Pledge Agreement" shall mean that certain Pledge Agreement, dated as of April 15, 1997, executed by each of Parent, The Bon-Ton Corp., The Bon-Ton Department Stores, Inc. and The Bon-Ton National Corp. in favor of the Administrative Agent, on behalf of itself, the other Agent and the Lenders.

"Revolving Note" shall mean those certain promissory notes, dated as of April 15, 1997, executed by each Borrower in favor of each Lender.

"Security Agreement" shall mean that certain Security Agreement, dated as of April 15, 1997, entered into among the Administrative Agent, on behalf of itself, the other Agent and the Lenders, and each Credit Party that is a signatory thereto, as such Security Agreement is in effect on the date hereof, and giving effect only to amendments or modifications thereto that are approved of in writing by each Managing Agent.

"Special Capital Expenditures" shall mean capital expenditures made with net proceeds derived from a public offering of common stock by Parent and which is transferred to a Borrower as equity. Special Capital Expenditures shall be designated by Borrower Representative and generally will include store expansions and new stores.

"Stock" shall mean all shares, options, warrants, general or limited partnership interests or other equivalents (regardless of how designated) of or in a corporation, partnership or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

"Subsidiary" shall mean, with respect to any Person, (a) any corporation of which an aggregate of more than fifty percent (50%) of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person and/or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of fifty percent (50%) or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) or of which any such Person is a general partner or may exercise the powers of a general partner.

"Swing Line Note" shall mean those certain promissory notes, dated as of April 15, 1997, executed by each Borrower in favor of each Swing Line Lender.

"Trademark Security Agreements" shall mean those certain Trademark Security Agreements, dated as of April 15, 1997, made in favor of the Administrative Agent, on behalf of itself, the other Agent and the Lenders, by each applicable Credit Party.

SCHEDULE A

CLOSING LIST

(Attached)

SCHEDULE B

COLLECTION ACTIVITIES DELEGATED BY THE SUBSERVICER

USA Direct:	Contact:	Tammi Steele
	Address:	2901 Blackbridge Road York, PA 17402
	Phone:	1-800-441-1850 ext. 3074
Production Services Associates:	Contact:	Rebecca J. Prince
	Address:	1020 Milwaukee Ave. Suite 250 Deerfield, IL 60015
	Phone:	847-520-9250
Regulus:	Contact:	Toni West (Site Manager)
	Address:	7833 Walker Drive Suite 300 Greenbelt, MD 20770
	Phone:	301-313-3200

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 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 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 5, 2003 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.

Our report contains an explanatory paragraph relating to the fact that the financial statements of The Bon-Ton Stores, Inc. and subsidiaries as of February 2, 2002, and for each of the fiscal years in the two-year period then ended, were audited by other auditors who have ceased operations. As described in Note 2, the financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted as of February 3, 2002. In our opinion, the disclosures for fiscal 2001 and 2000 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the fiscal 2001 and 2000 financial statements of The Bon-Ton Stores Inc. and subsidiaries other than with respect to such adjustments and disclosures, and accordingly, we do not express an opinion or any other form of assurance on the fiscal 2001 and 2000 financial statements taken as a whole.

/s/ KPMG LLP

*Philadelphia, PA
April 28, 2003*

EXHIBIT 23.2

EXPLANATION CONCERNING ABSENCE OF CURRENT WRITTEN CONSENT OF ARTHUR ANDERSEN LLP

On June 14, 2002, The Bon-Ton Stores, Inc. (the "Company") announced that it had appointed KPMG LLP to replace Arthur Andersen LLP ("Arthur Andersen") as its independent auditor. Representatives of Arthur Andersen are not available to provide an updated written consent required for the incorporation by reference of its audit report with respect to the Company's financial statements as of, and for the years ended, February 2, 2002 and February 3, 2001 included in this Annual Report on Form 10-K into registration statements filed by the Company and currently effective under the Securities Act of 1933 (the "Act"). Because, after reasonable effort, the Company is unable to obtain Arthur Andersen's written consent to such incorporation by reference of their report, Rule 437a under the Act permits the Company to omit Arthur Andersen's updated written consent from this filing.

Section 11(a) of the Securities Act provides that if any part of a registration statement at the time it becomes effective contains an untrue statement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may sue, among others, every accountant who had consented to be named as having prepared or certified any part of the registration statement or as having prepared or certified any report or valuation which is used in connection with the registration statement with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant.

While Arthur Andersen did consent to the incorporation by reference of its audit report with respect to the Company's financial statements as of, and for the years ended, February 2, 2002 and February 3, 2001 contained in the Company's Annual Report on Form 10-K for 2001, as noted above, Arthur Andersen has not consented to the incorporation by reference of such audit report contained in this Annual Report on Form 10-K. As a result, with respect to an applicable registration statement, the Company's investors may not be able to recover against Arthur Andersen under Section 11(a) of the Act or the lack of a currently dated consent may limit the time in which any liability under Section 11(a) could be asserted against Arthur Andersen.

EXHIBIT 99.1

CERTIFICATIONS PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Bon-Ton Stores, Inc. on Form 10-K for the fiscal year ending February 1, 2003, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers of The Bon-Ton Stores, Inc., certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his respective knowledge:

- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Bon-Ton Stores, Inc.

DATE: April 28, 2003

By: /s/ Tim Grumbacher

*Tim Grumbacher
Chairman of the Board and
Chief Executive Officer*

By: /s/ James H. Baireuther

*James H. Baireuther
Vice Chairman, Chief
Administrative Officer and
Chief Financial Officer*

A signed original of this written statement has been provided to The Bon-Ton Stores, Inc. and will be retained by The Bon-Ton Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

End of Filing

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