

SCHEDULE 1

AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

This Amendment No. 1 (this "Amendment") to the Asset Purchase Agreement (the "Purchase Agreement"), dated as of November 3, 2008, by and among (i) BLF Acquisition, Inc., a Delaware corporation ("Purchaser"), and (ii) Boscov's Inc., a Pennsylvania corporation and each of its direct and indirect subsidiaries listed on the signature pages hereto (each a "Seller" and collectively, "Sellers") is made and entered into as of November 21, 2008. All capitalized terms used but not defined in this Amendment shall have the meaning assigned to them in the Purchase Agreement.

In consideration of the representations, warranties and covenants contained in the Purchase Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 4.5 of the Table of Contents of the Purchase Agreement is amended by deleting the phrase "Escrow Agreement" and replacing it with "Escrow Amount"

2. The definitions of "Excess Cure Amount" and "Withheld Excess Cure Amount" in the Purchase Agreement are deleted.

3. The definition of "Administrative Professional Claim Closing Amount" in the Purchase Agreement is amended by deleting the word "allowed" and replacing such word with "accrued".

4. The definition of "Termination Date" in the Purchase Agreement is deleted in its entirety and replaced with the following:

"Termination Date" means December 5, 2008.

5. Section 2.1(b)(xi) of the Purchase Agreement is amended by adding after the definition "Assigned Benefit Plans and Policies" the following phrase "general liability claims covered by Travelers Indemnity Company or any of its Affiliates ("Travelers").

6. Section 2.1(b)(xvi) of the Purchase Agreement is amended by deleting the word "and" at the end thereof.

7. Section 2.1(b)(xvii) of the Purchase Agreement is amended by deleting the "." and adding the phrase "; and" at the end thereof.

8. The following language is added at the end of Section 2.1(b) of the Purchase Agreement:

"(xviii)Travelers insurance programs and policies and surety bonds identified on Schedule 2.1(b)(xviii) (the "Assigned Travelers Insurance")."

9. Sections 2.2(b) and (c) of the Purchase Agreement are deleted in their entirety and replaced with the following:

“(b) all Excluded Leases, assets subject to Excluded Leases, and the Excluded Owned Real Property;

(c) all Excluded Contracts and all assets subject to Excluded Contracts;”

10. Section 2.2(m) of the Purchase Agreement is amended by deleting the phrase “prior to the Closing Date” and replacing it with “after November 20, 2008”.

11. Section 2.3(a) of the Purchase Agreement is amended by adding after the phrase “Assigned Permits” “, Assigned Travelers Insurance”.

12. Section 2.3(d) of the Purchase Agreement is deleted in its entirety and replaced with the word “Reserved.”

13. Section 2.5(a) of the Purchase Agreement is deleted in its entirety and replaced with the following:

“Schedule 2.5(a) sets forth, as of the date hereof, each Excluded Lease, each Excluded Contract and each Excluded Owned Real Property. Prior to the Closing, Purchaser may, in its sole and absolute discretion, amend Schedule 2.5(a) to add to such schedule any Contract, Lease or Owned Real Property (upon which such Contract, Lease or Owned Real Property shall be an Excluded Contract, an Excluded Lease or Excluded Owned Real Property, as applicable, hereunder); provided, that Purchaser may not amend Schedule 2.5(a) to designate a number of Leases as Excluded Leases such that the total number of Purchased Leases is less than thirty-five (35) Leases and Purchaser may not amend Schedule 2.5(a) to designate (i) the Leases for the Sellers’ unopened stores at Willow Grove and North Hanover Mall as Excluded Leases and (ii) all agreements related to the Tom’s River Mortgage as Excluded Contracts and the related Owned Real Property encumbered thereby as an Excluded Owned Real Property. By 5:00 p.m. (eastern time) on November 21, 2008, Purchaser may, (except as herein provided) in its sole and absolute discretion, amend Schedule 2.5(a) to remove from such schedule any Contract, Lease or Owned Real Property (upon which such Contract, Lease or Owned Real Property shall cease to be an Excluded Contract, an Excluded Lease or Excluded Owned Real Property, as applicable hereunder and instead shall be deemed to be a Purchased Contract, a Purchased Lease or other Purchased Asset, as applicable, hereunder). Notwithstanding any such modifications to Schedule 2.5(a), Purchaser acknowledges and agrees that there will be no reduction in the Purchase Price as a result of any such modifications.”

14. Section 2.5(b) of the Purchase Agreement is amended by deleting the last sentence thereof.

15. Section 3.1(a) of the Purchase Agreement is deleted in its entirety and replaced with the following:

(a) The aggregate consideration for the Purchased Assets (the "Purchase Price") shall be:

(i) an aggregate amount equal to the sum of (A) the First Lien Amount, plus (B) the Second Lien Amount;

(ii) all Administrative Professional Claims up to the Administrative Professional Claim Cap;

(iii) the Cure Amount;

(iv) an amount equal to the maximum aggregate amount owed under the Senior Executive Incentive Program;

(v) all 503(b)(9) Claims up to the 503(b)(9) Claims Cap;

(vi) an amount in cash (the "Cash Consideration") equal to three million dollars (\$3,000,000) plus the adjustment to the Cash Consideration, if any, described in Section 2.2(m);

(vii) the Purchaser Note; and

(viii) the assumption of the other Assumed Liabilities."

16. Section 3.1(e) is deleted in its entirety.

17. Section 4.3(c) of the Purchase Agreement is deleted in its entirety and replaced with the following:

"to Sellers by wire transfer of immediately available funds to the persons and accounts specified in writing at least one (1) Business Day prior to the Closing by Sellers the aggregate sum of the following amounts:

(i) the Administrative Professional Claim Closing Amount; plus

(ii) the Cure Amount; plus

(iii) the aggregate amount owed under the Senior Executive Incentive Program; plus

(iv) the Estimated 503(b)(9) Claims Amount; plus

(v) the Cash Consideration less the Escrow Amount."

18. Section 4.4(h) is deleted in its entirety and replaced with the word "Reserved."

19. Section 4.4(j)(ii) of the Purchase Agreement is deleted in its entirety and replaced with the following: "on or after November 20, 2008 if Purchaser shall have not delivered the First Lien Debt Commitment to Sellers prior to Sellers' termination of this Agreement."

20. Section 4.5 of the Purchase Agreement is deleted in its entirety and replaced with the following:

Escrow Amount; Deposit.

(a) Sellers acknowledge that Sellers have received prior to the date hereof a certified check for seven million dollars (\$7,000,000) (the "Deposit Check") as a deposit on behalf of Purchaser, which Deposit Check Purchaser acknowledges is valid and enforceable for such amount.

(b) Purchaser shall forfeit, and Sellers shall be entitled to, all rights to \$2,000,000 of the Deposit Check (the "Escrow Amount"), if this Agreement is terminated (a) by Sellers pursuant to Section 4.4(f) or Section 4.4(j)(ii) or (b) pursuant to Sections 4.4(a) or 4.4(c), and at such time of termination, the conditions set forth in Sections 10.1 (other than Section 10.1(e)) and 10.3 (other than Section 10.3(d)) of this Agreement are satisfied or would be satisfied upon the effectiveness of the Closing (or, with respect to those conditions to be performed at or immediately prior to the Closing, are capable of being satisfied), but the conditions set forth in Section 10.1(e) of this Agreement have not been satisfied. Purchaser agrees that if the Sellers become entitled to the Escrow Amount, the Sellers are authorized to cash the Deposit Check, retain an amount of funds received from such Deposit Check equal to the Escrow Amount and promptly return the funds received from the Deposit Check in excess of the Escrow Amount to Purchaser. In the event that this Agreement is terminated pursuant to any other provision of Section 4.4, Purchaser shall be entitled to the Escrow Amount, and the Sellers will promptly thereafter deliver the Deposit Check to Purchaser.

(c) At the Closing, Sellers will cash the Deposit Check and retain an amount equal to the Escrow Amount (to be applied towards the Cash Consideration) and promptly return the funds received from the Deposit Check in excess of the Escrow Amount to Purchaser."

21. Section 8.2 of the Purchase Agreement is amended by adding the following subsection (d):

"(d) On and after the Closing Date, Purchaser shall have the sole and absolute right to contact and negotiate with any holder of a 503(b)(9) Claim with respect to such claim. Purchaser will be responsible for and will pay when due all 503(b)(9) Claims in excess of the Estimated 503(b)(9) Claims Amount up to the 503(b)(9) Claims Cap. Likewise, Sellers will be responsible for and will pay to Purchaser the difference between the Estimated 503(b)(9) Claims Amount and, if less, the aggregate amount of all allowed 503(b)(9) Claims upon the allowance of all such claims."

22. Section 8.4(a)(i) of the Purchase Agreement is amended by deleting the phrase "November 6, 2008" and replacing it with the following phrase "November 21, 2008."

23. Section 8.9 of the Purchase Agreement is amended by adding the following at the end thereto.

"In addition, Sellers agree that their outside accountants may assist Purchaser in connection with the Transactions. All fees and expenses of such accountants incurred for the benefit of Purchaser, whether incurred prior to or after Closing, shall be paid by Purchaser, and Sellers shall have the right to offset any obligations to Purchaser for transition services against such amounts owed by Purchaser."

24. Section 8.14 of the Purchase Agreement is amended by adding the following at the end thereof “and, for the sake of clarity, Sellers shall be entitled to use their net operating losses and other tax attributes to seek, and shall be entitled to retain, any refunds, credits or rebates of Income Taxes that were paid prior to the Closing by Sellers.”

25. Section 10.2(d) of the Purchase Agreement is deleted in its entirety and replaced with the following:

“(d) Sellers shall have received eight million (\$8,000,000) in accordance with the terms of the Settlement Agreement.”

26. Section 10.3(d) of the Purchase Agreement is amended by adding the following at the end thereof “and Sellers shall have received eight million (\$8,000,000) in accordance with the terms of the Settlement Agreement.”

27. The first sentence of Section 12.6 of the Purchase Agreement is amended by deleting the phrase “Escrow Agreement,”.

28. Exhibit B of the Purchase Agreement is deleted in its entirety and replaced with the form of Exhibit B attached hereto.

29. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

30. Except as specifically set forth herein, all provisions of the Purchase Agreement remain in full force and effect, and the Purchase Agreement, as amended by this Amendment, will from and after the date hereof be read as a single integrated document incorporating the changes effected by this Amendment.

[Remainder of this page intentionally left blank – signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date set forth above.

PURCHASER:

BLF ACQUISITION, INC.

By: _____

Name: _____

Title: _____

SELLERS:

BOSCOV'S, INC.

By: _____

Name: Michael J. Hughes

Title: Chief Restructuring Officer

BOSCOV'S INVESTMENT COMPANY

By: _____

Name: Michael J. Hughes

Title: Chief Restructuring Officer

BOSCOV'S FINANCE COMPANY, INC.

By: _____

Name: Michael J. Hughes

Title: Chief Restructuring Officer

BOSCOV'S DEPARTMENT STORE, LLC

By: _____

Name: Michael J. Hughes

Title: Chief Restructuring Officer

**BOSCOV'S TRANSPORTATION COMPANY
LLC**

By: _____
Name: Michael J. Hughes
Title: Chief Restructuring Officer

BOSCOV'S PSI INC.

By: _____
Name: Michael J. Hughes
Title: Chief Restructuring Officer

SDS. INC.

By: _____
Name: Michael J. Hughes
Title: Chief Restructuring Officer

**RETAIL CONSTRUCTION &
DEVELOPMENT, INC.**

By: _____
Name: Michael J. Hughes
Title: Chief Restructuring Officer

Exhibit B

See attached.

NOTE

Dated as of November [*], 2008

U.S. \$4,000,000

BLF ACQUISITION, INC., a Delaware corporation ("**Payor**"), for value received, promises to pay to the order of **BOSCOV'S, INC.**, a Delaware corporation ("**Payee**"), the amount of **FOUR MILLION AND NO/100 DOLLARS (\$4,000,000.00)**, or such lesser amount as calculated and payable as and to the extent set forth below in this Note (this "**Note**"). The principal and interest on this Note is payable in lawful money of the United States of America in immediately available funds at Payee's address set forth in this Note or in such other manner and at such other place as Payee may from time to time advise Payor in writing.

1. **Payments.**

1.1 **Annual Payments.** On each Payment Date, the Payor shall pay to the Payee an amount equal to the Annual Payment Amount. On the fifth Payment Date, the Purchaser shall pay the lesser of (a) the outstanding balance owed under this Note, or (b) \$2,000,000 (the "**Final Payment**"). After Payor makes the Final Payment, any balance and the remaining deficiency, if any, shall be discharged and released forever and the Payor shall have no further obligations to the Payee hereunder.

1.2 **Prepayments.** Payor may, at its option at any time, without premium or penalty, prepay all or any portion of the Note. Upon a merger or sale of all or substantially all of the assets of the Purchaser the outstanding balance of this Note shall become immediately due and payable.

1.3 **Payment Only on Business Days.** Any payment hereunder which would be payable on a day which is not a Business Day, shall instead be due and payable on the Business Day next following such date for payment.

1.4 **No Interest.** The amounts owed under this Note shall not accrue any interest.

2. **Events of Default.**

2.1 The following will constitute "Events of Default" under this Note:

(a) Failure by Payor in the payment of the Note, as and when due pursuant to the terms of Section 1 and such failure continues for ten (10) Business Days; or

(b) Payor shall (A) voluntarily dissolve, liquidate or terminate operations or apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of the Payor or of all or of a substantial part of its assets, (B) admit in writing its inability, or be generally unable, to pay its debts as the debts become due, (C) make a general assignment for the benefit of its creditors, (D) commence a voluntary case under any Bankruptcy Law (as now or hereafter in effect), (E) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (F) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under Bankruptcy Law, or (G) take any corporate action for the purpose of effecting any of the foregoing; or

(c) an involuntary petition or complaint shall be filed against Payor seeking bankruptcy relief or reorganization or the appointment of a receiver, custodian, trustee, intervenor or liquidator of Payor, of all or substantially all of its assets, and such petition or complaint shall not have been dismissed within sixty (60) days of the filing thereof; or an order, order for relief, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving or ordering any of the foregoing actions.

2.2 Remedies. If any Event of Default shall occur, Payee may at its option take any or all of the following actions: Payee may declare any or all accrued and unpaid Annual Payment Amounts to be immediately due and payable and take any action or exercise any remedy provided herein or under applicable law. No remedy shall be exclusive of other remedies or impair the right of Payee to exercise any other remedies.

3. Certain Definitions.

“Annual Payment Amount” means an amount equal to the lesser of (i) one third of the amount of Excess Cash Flow in excess of ten million dollars, and (ii) \$1,000,000. This limitation shall not apply to the Final Payment.

“Bankruptcy Law” means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

“Business Day” means each day other than Saturdays, Sundays and days when commercial banks are authorized or required by law to be closed for business in New York, New York.

“Excess Cash Flow” means, with respect to the specified Fiscal Year then ended and determined on a consolidated basis in accordance with GAAP, (a) EBITDA, minus (b) the sum of (i) cash portion of interest expense paid on debt senior to the unsecured creditors’ debt, (ii) the cash portion of state and federal income taxes paid, and (c) the sum of (i) the cash portion of one time charges related to the restructuring to the extent it is an expense that reduces EBITDA, (ii) the cash portion of non-recurring charges/gains related to the extent included in EBITDA, and (iii) non-cash impairment charges.

“Fiscal Year” means the fiscal year of the Payor and its subsidiaries ending on January 31 of each calendar year.

“Payment Date” means the one hundred twentieth (120th) day after the end of each Fiscal Year of the Payor, beginning with the Fiscal Year ending January 31, 2010 and ending on (and including) the Fiscal Year ending January 31, 2014.

4. Miscellaneous.

4.1 Section Headings. The section headings contained in this Note are for reference purposes only and shall not affect the meaning or interpretation of this Note.

4.2 Amendment and Waiver. No provision of this Note may be amended or waived unless Payor shall have obtained the written agreement of Payee. No failure or delay in exercising any right, power or privilege hereunder shall imply or otherwise operate as a waiver of any rights of Payee, nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege.

4.3 Successors, Assigns and Transferors. Neither Payor nor Payee shall assign or transfer this Note without the prior written consent of the other party (and any attempted assignment or transfer without such consent shall be null and void); provided, however, that Payee may assign this Note in connection with its plan of reorganization without the prior written consent of Payor. Subject to the foregoing, the obligations of Payor and Payee under this Note shall be binding upon, and inure to the benefit of, and be enforceable by, Payor and Payee, and their respective successors and permitted assigns, whether or not so expressed.

4.4 Governing Law. This Note shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to any conflicts of laws principles thereof that would otherwise require the application of the law of any other jurisdiction.

4.5 Lost, Stolen, Destroyed or Mutilated Note. Upon receipt of evidence reasonably satisfactory to Payor of the loss, theft, destruction or mutilation of this Note and of indemnity arrangements reasonably satisfactory to Payor from or on behalf of the holder of this Note, and upon surrender or cancellation of this Note if mutilated, Payor shall make and deliver a new note of like tenor in lieu of such lost, stolen, destroyed or mutilated Note, at Payee's expense.

4.6 Waiver of Presentment, Etc. Except as otherwise provided herein, presentment, demand, protest, notice of dishonor and all other demands and notices are hereby expressly waived by Payor.

4.7 Notices. Any notice, request, instruction or other document to be given hereunder by either party to the other shall be in writing and shall be deemed given when received and shall be (i) delivered personally or (ii) mailed by certified mail, postage prepaid, return receipt requested or (iii) delivered by FedEx or a similar overnight courier or (iv) sent via facsimile transmission to the fax number given below, as follows:

If to Payee:

Boscov's, Inc.
4500 Perkiomen Ave
Reading, PA 19606
Attn: Michael Hughes, EVP, Capital Development
Fax: (865) 777-4220

with copies (which shall not constitute notice) to:

Jones Day
222 East 41st Street
New York, New York 10017-6702
Attn: John K. Kane
Fax: (212) 755-7306

and

Jones Day
77 West Wacker
Chicago, Illinois 60601-1692
Attn: Brad B. Erens
Fax: (312) 782-8585

If to Payor, to:

BLF Acquisition, Inc.
4500 Perkiomen Avenue
Reading, Pennsylvania 19606
Attn: Albert R. Boscov and Edwin S. Lakin
Fax: (610) 370-3770

with a copy (which shall not constitute notice) to:

Reed Smith LLP
2500 One Liberty Place
Philadelphia, PA 19103
Attn: Claudia Z. Springer and Scott M. Esterbrook
Fax: (215) 841-1420

or to such other place and with such other copies as either party may designate as to itself by
written notice to the other party.

[Signature page follows]

IN WITNESS WHEREOF, the Payor has caused this Note to be executed and delivered as of the date first written above.

BLF ACQUISITION, INC.

By: _____
Name:
Title: