THE BON-TON STORES, INC.

2012 ANNUAL REPORT

Dear Fellow Shareholders:

2012 was a pivotal year for Bon-Ton. We made transformational changes in our business and stabilized our financial performance. We sequentially improved the business each quarter through a number of key initiatives, including a better balanced merchandise assortment, more disciplined inventory management, enhanced marketing efforts and upgrades to our eCommerce business. I believe we have made great progress on our initiatives and look forward to continuing the momentum as we gain additional insights into the business.

First, a brief review of 2012. While our financial results were challenging in the first half of the year, we made significant headway on several strategic initiatives resulting in increases in sales and gross margin, with 2012 Adjusted EBITDA of $169 million. We strengthened our capital structure by exchanging and extending the maturity date of $330 million, or approximately 71%, of our senior notes due in 2014 for senior notes due in 2017 and by amending our revolving credit facility, increasing our available borrowing line by $50 million to $675 million. In February 2013, we redeemed $65 million of our senior notes due in 2014 so that approximately $69 million aggregate principal amount of such notes remains outstanding. Consequently, the only significant debt maturity prior to 2016 is the $69 million of senior notes due in 2014, which we expect to pay in 2013. Additionally, in the second half of 2012, we transferred our proprietary credit card business to a new service provider and are very pleased with the resultant increased sales penetration and the initial response to the recent relaunch of our loyalty program.

We will build upon the success we had in fall 2012 in order to achieve our long-term goal: To be the dominant, omni-channel retailer in the small to mid-size communities we serve, offering fashion merchandise for the family and home at compelling prices. Here is how we intend to get there:

- **Grow the top-line.** We will accomplish this initiative by reengaging our core customer, while gradually reaching out to a more updated customer. We will renew emphasis on national brands and be the destination for shoes, cosmetics, fashion apparel and home.
- **Grow our eCommerce business.** We are targeting eCommerce sales to reach 5% of our business in 2013. We have added status partners, including Coach and Michael Kors, to our website and we will continue to launch new vendors throughout 2013.
- **Localize our assortment.** Our stores are located in many different regions, each having its own personality. We will work on ways to localize the merchandise assortment, marketing programs and shopping experiences to best serve the customers in the individual markets. In developing this core competency, we believe there is potential for significant top-line growth.
- **Invest in Customer Relationship Management ("CRM").** We will make greater use of CRM and other marketing techniques, focusing on digital and new media in order to communicate with our customers efficiently and effectively.
- **Improve our gross margin rate.** This will be achieved through improved inventory management, not only through the new liquidation techniques we began in 2012, but by pricing our merchandise assortments more strategically and focusing on increasing our inventory turnover in the smaller stores.
- **Manage our expense structure.** A disciplined approach to controlling costs will enable us to achieve our financial goals while also providing flexibility to invest in areas to better drive sales and do so more profitably.
- **Strengthen our capital structure.** We are firmly committed to achieving an efficient capital structure that supports the long-term growth and direction of the Company.

We laid the foundation in 2012, and we intend to build upon that foundation with new strategies and pave the way for sustainable long-term growth. I would like to congratulate our associates on their hard work and accomplishments during this past year. I believe there are tremendous opportunities ahead to move our business to the next level.

Sincerely,

Brendan L. Hoffman
President & Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fiscal Year Ended February 2, 2013	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:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	The NASDAQ Global Select Stock Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $86.9 million as of the last business day of the registrant's most recently completed second fiscal quarter. For purposes of this calculation only, the registrant has excluded all shares held in the treasury or that may be deemed to be beneficially owned by executive officers and directors of the registrant. By doing so, the registrant does not concede that such persons are affiliates for purposes of the federal securities laws.

As of March 29, 2013, there were 16,826,215 shares of Common Stock, $.01 par value, and 2,951,490 shares of Class A Common Stock, $.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the 2013 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference in Part III to the extent described in Part III.

The Bon-Ton Stores, Inc. operates on a fiscal year, consisting of the 52- or 53-week period ending on the Saturday nearer January 31 of the following calendar year. References to "2012," "2011" and "2010" represent the 2012 fiscal year ended February 2, 2013, the 2011 fiscal year ended January 28, 2012 and the 2010 fiscal year ended January 29, 2011, respectively. References to "2013" represent the 2013 fiscal year ending February 1, 2014.

References to "the Company," "we," "us," and "our" refer to The Bon-Ton Stores, Inc. and its subsidiaries.

PART I

Item 1. Business

Overview

The Company, a Pennsylvania corporation, was founded in 1898 and is one of the largest regional department store operators in the United States, offering a broad assortment of brand-name fashion apparel and accessories for women, men and children. Our merchandise offerings also include cosmetics, home furnishings and other goods. We currently operate 272 stores in 24 states in the Northeast, Midwest and upper Great Plains under the Bon-Ton, Bergner's, Boston Store, Carson's, Elder-Beerman, Herberger's and Younkers nameplates, encompassing a total of approximately 25 million square feet.

Industry Overview

We compete in the department store segment of the U.S. retail industry, a highly competitive environment. The department store industry continues to evolve in response to the evolution of competitive retail formats—mass merchandisers, national chain retailers, specialty retailers and online retailers—and the advent of mobile technology and social media.

Our operating results and performance, and that of our competitors, depend significantly on economic conditions and their impact on consumer spending. Presently, there are numerous business and economic factors affecting the retail industry, including the department store sector. These factors include high levels of unemployment and a protracted economic recovery in the U.S. and around the globe.

Merchandise

Merchandise Assortment

Our stores offer a broad assortment of quality fashion apparel and accessories for women, men and children, as well as cosmetics, home furnishings and other goods at moderate and better price points. Our comprehensive merchandise assortment includes nationally distributed brands at competitive prices and unique products at compelling values through our private brands. We further

differentiate our merchandise assortment with exclusive products from nationally distributed brands. The following table illustrates our net sales by product category for the last three years:

Merchandise Category	2012	2011	2010
Women's Apparel	24.3%	24.5%	25.6%
Home	17.3	17.5	16.7
Cosmetics	14.3	14.1	13.1
Men's Apparel	11.6	11.7	12.0
Accessories	9.8	9.6	9.7
Footwear	9.4	8.8	8.6
Children's Apparel	6.7	6.9	7.0
Intimate Apparel	3.9	4.1	4.3
Juniors' Apparel	2.3	2.5	2.7
Other	0.4	0.3	0.3
Total	100.0%	100.0%	100.0%

Nationally Distributed Brands

Our nationally distributed brand assortment includes many of the most well-known and popular labels in the apparel, accessories, footwear, cosmetics and home furnishings industries such as Anne Klein, Calvin Klein, Carters, Clarks, Clinique, Coach, Estée Lauder, Fossil, Frye, Jessica Simpson, Jones New York, Kenneth Cole, Lancôme, Lauren, Michael Kors, Nine West, Polo, Steve Madden and Vince Camuto. We believe these brands enable us to position our stores as headquarters for fashion, offering both newness and wardrobe staples at competitive prices. We believe we maintain excellent relationships with our merchandise vendors, working collaboratively to select the most compelling assortments for our customers.

Private Brands

Our exclusive private brands complement our offerings of nationally distributed brands and are a key component of our overall merchandising strategy. Our private brand portfolio includes popular brands such as Laura Ashley, Ruff Hewn, Relativity, Studio Works, Breckenridge, Living Quarters, Paradise Collections, Kenneth Roberts, Cuddle Bear, John Bartlett and Mambo.

By providing exclusive fashion products at price points that are more attractive than nationally distributed brand alternatives, our private brand program creates value for our customers and increases our brand exclusiveness, competitive differentiation and customer loyalty. Our private brand program also presents the opportunity to increase our overall gross margin by virtue of the more efficient cost structure inherent in the design and sourcing of in-house brands.

Vendor Relationships and Sourcing

Our highly experienced team of buyers has developed long-standing and strong relationships with many of the leading vendors in the marketplace. Our scale, geographic footprint and market position make us an important distribution channel for leading merchandise vendors to reach their target consumers. We believe our status as a key account to many of our vendors serves to strengthen our ability to negotiate for merchandise exclusive to our stores as well as better pricing terms. We monitor and evaluate the sales and profitability performance of each vendor and adjust our purchasing decisions based upon the results of this analysis.

Consistent with industry practice, we receive allowances from certain of our vendors in support of the merchandise sold to us that was marked down or that did not allow us to achieve certain margins

upon sale to our customers. Additionally, we receive advertising allowances and reimbursement of certain payroll expenses from some of our vendors, which primarily represent reimbursements of specific, incremental and identifiable costs incurred to promote and sell the vendors' merchandise.

Marketing and Customer Service

We are committed to providing our customers with a satisfying shopping experience by offering trend-right fashions, differentiated product, value and convenience. Critical elements of our customer service approach are:

- multi-channel marketing programs designed to promote customer awareness of our fashion, quality and value;
- customer targeting strategies that foster and strengthen long-term relationships;
- frequent shopper promotions for our proprietary credit card holders; and
- knowledgeable, friendly and well-trained sales associates.

Marketing

Our strategic marketing initiatives develop and enhance our brand equity and support our position as a leading shopping destination among our target customers. Our multi-faceted marketing program is designed to engage with our customers through multiple media channels and allows us to attract new customers and to maintain loyalty with our existing customer base. We are focused on implementing a media mix strategy that optimizes media channels and maximizes our return on investment. We anticipate a continued shift from traditional print media to broadcast and digital, with significant opportunities to reach new customers via enhanced multi-channel marketing programs, including email, banner, search, mobile, social and affiliate marketing.

We use a combination of (1) advertising and sales promotion activities to build brand image and increase customer traffic and (2) customer-specific communications and purchase incentives to drive customer spending and loyalty. Both types of marketing efforts focus primarily on our target customer of women between the ages of 25 and 60 with average annual household income of $55,000 to $125,000, with the intention of increasing visit frequency and purchases per visit. Our marketing activities also seek to attract a broader audience. We seek to attract new customers and to maintain our customer loyalty by actively communicating with our customers through the execution of targeted marketing facilitated by sophisticated customer relationship management capabilities.

We are focused on important charitable causes and events to enhance our connection with the communities in which we operate and with the customers we serve. These strategic initiatives garner favorable publicity, increase customer traffic and generate incremental sales. Additionally, these efforts serve to differentiate us from our competitors.

We maintain an active calendar of in-store events to promote our merchandise and sales efforts. These events include designer appearances, fashion shows and national makeup artist events.

Proprietary Credit Card

Evidencing our customer satisfaction and loyalty is the high penetration rate of our proprietary credit card program. We have over 3.7 million active proprietary credit card holders. In December 2011, we entered into a new, seven-year private label credit card program agreement with Comenity Bank, a bank subsidiary of Alliance Data Systems Corporation ("ADS"). We completed the transition of our credit card program agreement to ADS in July 2012.

Our proprietary credit card loyalty program is designed to cultivate long-term relationships with our customers by offering rewards and privileges to all members, including advanced sales notices, savings and events. The program is designed to promote increased visits to our stores and shopping across multiple departments within our stores.

Customer Service

We maintain a sales force of knowledgeable and well-trained sales associates to deliver excellent service to our customers. Sales associates are trained in the areas of customer service, selling skills and product knowledge. Our new associates receive computer-based training for an effective, efficient and uniform training experience. We view customer service as a key element of our growth strategy and have identified opportunities to enhance service and deliver meaningful results. In 2013, we will continue to conduct enhanced "Customer First" training for all managers and associates, a program designed to increase engagement with our customers on the selling floor, and use point-of-sale modules and MP3s as training tools for selling skills, product knowledge and trend updates for our sales associates.

We employ a two-tiered strategy to achieve effective customer service. First, in selected areas, we offer one-on-one selling with dedicated associates to assist customers with merchandise selections. Second, we offer the convenience of self-service formats in many departments and efficient service centers to expedite customer purchases. We actively monitor and analyze, through our scheduling program, the service levels in our stores in order to maximize sales associate productivity and store profitability.

We believe that customers are responding favorably to retailers that make it convenient for them to shop on their terms. State-of-the-art in-store kiosks, introduced in certain pilot stores in 2011, allow our customers access to our expanded online merchandise assortment, creating a virtual "endless aisle." Based on favorable customer response, we expanded the program to additional stores in 2012. In addition, we will implement a major upgrade to our customer order management system in fall 2013. The system will bring greater visibility to customer orders, improve call center capabilities and enhance overall efficiency. New functionality will be added to our point-of-sale ("POS") system to provide customer friendly access to 100% of the Company's available inventory. Our sales associates will be able to facilitate customer requests by placing an order for merchandise at any POS device, in any store, faster and easier than today. We build on our service strategy by providing engaging functionality through the use of technology to foster customer interaction, affording us an opportunity to enhance our brand and broaden our appeal to younger customers. We will continue exploring ways to use new tools and capabilities to make our sales floor more responsive to our customer.

Competition

The retail industry is highly competitive. We face competition for customers from traditional department store operators such as Boscov's Department Store LLC, Dillard's, Inc., Macy's, Inc. and Von Maur Inc.; national chain retailers such as J. C. Penney Company, Inc., Kohl's Corporation and Sears Holdings Corporation; mass merchandisers such as Target Corporation and Wal-Mart Stores, Inc.; specialty stores; and catalogue and online retailers. In a number of our markets, we compete for customers with national department store chains which offer a similar mix of branded merchandise as we do. In other markets, we face potential competition from national chains that, to date, have not entered such markets and from national chains that have stores in our markets but currently do not carry similar branded goods. In all markets, we generally compete for customers with stores offering moderately-priced goods. In addition, we face competition for suitable store locations from other department stores, national chain retailers, mass merchandisers and other large-format retailers. Many of our competitors have substantially greater financial and other resources than we do, and many of

those competitors have significantly less debt than we do and may thus have greater flexibility to respond to changes in our industry.

Success in these competitive marketplaces is based on factors such as price, product assortment and quality, service and convenience. We believe that we compare favorably with our competitors with respect to quality of product, depth and breadth of merchandise, prices for comparable quality merchandise, customer service and store environment. We also believe our knowledge of and focus on small to mid-size markets, developed over our many years of operation, give us an advantage in these markets that cannot be readily duplicated. In markets in which we face traditional department store competition, we believe that we compete effectively.

Trademarks and Trade Names

We own or license various trademarks and trade names, including our store nameplates and private brands. We believe our trademarks and trade names are important and that the loss of certain of our trademarks or trade names, particularly our store nameplates, could have a material adverse effect on us. We are not aware of any claims of infringement or other challenges to our right to use our trademarks in the United States that would have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Information Technology and Systems

Our information technology initiatives are focused on (1) accelerating the growth of our eCommerce business, (2) updating systems and business processes with emphasis on enhancing our customers' shopping experience throughout all channels, (3) improving associate productivity, (4) updating our merchandise and planning systems, and (5) reducing operating costs. During 2012, we continued to invest in our technology infrastructure equipment and software to facilitate the achievement of our goals. We updated our eCommerce sites and launched a new mobile site supporting delivery of promotions, online purchasing, and providing customers another convenient access point to our expanded online merchandise assortment. Warehouse management and customer order fulfillment systems were upgraded to support this rapidly growing business. We expanded our self-service kiosk program to an additional 61 store locations, offering our customers products from our eCommerce assortment and leveraging common fulfillment systems. We began preparations to implement a new customer order management system to support eCommerce growth, provide customers greater visibility to their orders, improve our call center capabilities and improve overall operating efficiency, with implementation expected in 2013. We enhanced our payment systems to convert customers' personal checks tendered at point-of-sale to electronic ACH transactions, improving cash flow and reducing processing costs. In addition, we continued our investments in security systems.

Inventory Management

Our merchandising function is centralized, with a staff of buyers and a planning and allocation team who have responsibility for determining the merchandise assortment, quantities to be purchased and allocation of merchandise to each store.

We primarily operate on a pre-distribution model through which we allocate merchandise on our initial purchase orders to each store. This merchandise is shipped from our vendors to our distribution facilities for delivery to designated stores. We have the ability to direct replenishment merchandise to the stores that demonstrate the highest customer demand. This reactive distribution technique helps minimize excess inventory and affords us timely and accurate replenishment.

We utilize electronic data interchange (EDI) technology with most vendors, which is designed to move merchandise onto the selling floor quickly and cost-effectively by allowing vendors to deliver merchandise pre-labeled for individual store locations. In addition, we utilize high-speed automated

conveyor systems in our distribution facilities to scan bar coded labels on incoming cartons of merchandise and direct cartons to the proper processing areas. Most of our merchandise is unloaded in the receiving area and immediately "cross-docked" to the shipping dock for delivery to the stores. Certain processing areas are staffed with personnel equipped with hand-held radio frequency devices that can scan a vendor's bar code and transmit the necessary information to a computer to record merchandise on hand. We utilize third-party carriers to distribute our merchandise to our stores.

The majority of our merchandise is held in our stores. We closely monitor inventory levels and assortments in our stores to facilitate reorder and replenishment decisions, satisfy customer demand and maximize sales. Our business follows a seasonal pattern; merchandise inventories fluctuate with seasonal variations, reaching their highest level in October or November in advance of the holiday season.

In addition to inventories to support our store operations, we maintain inventories to support our growing online business. These inventories are administered through similar procurement methods and are staged in our customer order fulfillment centers to complete customer orders received from our eCommerce sites and customer orders taken at point-of-sale in our store locations. Fulfillment centers are located within our distribution center network.

We have a customer return policy allowing customers to return merchandise, for which a reserve is provided in our consolidated statements of operations for estimated returns. The reserve is based on historical returns experience, and is reflected as an adjustment to sales and costs of merchandise sold.

Seasonality

Our 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 year, which includes the holiday season. Due to the fixed nature of certain costs, our selling, general and administrative ("SG&A") expenses are typically higher as a percentage of net sales during the first half of each year. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full year. In addition, quarterly results of operations depend upon the timing and amount of revenues and costs associated with the opening, closing and remodeling of existing stores.

Capital Investments

We make capital investments to support our long-term business goals and objectives. We invest capital in new and existing stores, distribution and support facilities, and information technology.

We anticipate our 2013 capital expenditures will not exceed $89.0 million (excluding external contributions, primarily leasehold improvement and fixture allowances received from landlords or vendors, of $19.0 million, reducing budgeted net capital investments to $70.0 million). Projects include two new stores and ongoing store remodels, as we focus on expanding our store base and improving the quality of our stores and our brand equity.

We believe capital investments for information technology are necessary to support our business strategies. We are continually upgrading our information systems to improve efficiency and productivity. Included in the 2013 capital budget are expenditures for numerous information technology projects, most notably efforts to enhance our online presence and selling tools.

Associates

As of March 29, 2013, we had approximately 26,900 full-time and part-time associates. We employ additional part-time associates during peak selling periods. We believe that our relationship with our associates is good.

Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our website, www.bonton.com, as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission ("SEC").

We also make available on our website, free of charge, the following documents:

- Audit Committee Charter
- Human Resources and Compensation Committee Charter
- Governance and Nominating Committee Charter
- Code of Ethical Standards and Business Practices

Executive Officers

The following table sets forth certain information regarding our executive officers as of March 29, 2013:

NAME	AGE	POSITION
Tim Grumbacher	73	Chairman Emeritus and Strategic Initiatives Officer
Brendan L. Hoffman	44	President and Chief Executive Officer and Director
Stephen R. Byers	59	Executive Vice President—Stores, Visual and Loss Prevention
Dennis R. Clouser	60	Executive Vice President—Information Systems, Logistics and Administration
Luis Fernandez	45	Executive Vice President—Chief Marketing Officer and eCommerce
Keith E. Plowman	55	Executive Vice President—Chief Financial Officer and Principal Accounting Officer

Mr. Grumbacher served as Executive Chairman of the Board of Directors from February 2005 to February 2012, when he resigned that position and was appointed Chairman Emeritus and Strategic Initiatives Officer. He served as Chairman of the Board of Directors from August 1991 to February 2005. He was Chief Executive Officer from 1985 to 1995 and in positions of senior management since 1977.

Mr. Hoffman became President and Chief Executive Officer and Director of the Company on February 7, 2012. Mr. Hoffman served as President and Chief Executive Officer of Lord & Taylor, a division of Hudson's Bay Trading Company, from October 2008 to January 2012. Prior to that, he served six years as President and Chief Executive Officer of Neiman Marcus Direct, where he oversaw the growth of neimanmarcus.com and the launch and growth of bergdorfgoodman.com.

Mr. Byers has served as Executive Vice President—Stores, Visual and Loss Prevention since May 2011, having served as Vice Chairman—Stores, Distribution, Real Estate and Construction from February 2008 to May 2011. He served as Vice Chairman—Stores, Operations, Private Brand, Planning and Allocation from October 2006 to February 2008, and as Executive Vice President—Stores and Visual Merchandising from April 2006 to October 2006.

Mr. Clouser has been Executive Vice President—Human Resources since April 2006, and assumed additional responsibilities for Corporate Procurement, Corporate Operations and Information Services in February 2008, Logistics in May 2011, and Store Planning and Construction in September 2012.

Mr. Fernandez was appointed to the newly created position of Executive Vice President—Chief Marketing Officer and eCommerce in May 2012. He joined the Company from Neiman Marcus Group

where he most recently served as Vice President, Last Call Marketing and Customer Insight. From 2007 to 2010, he served as Vice President, Marketing, Online and Catalog, and from 2002 to 2006, Vice President, Marketing and Systems Strategy at Neiman Marcus Group.

Mr. Plowman has been Executive Vice President—Finance since April 2006, Chief Financial Officer since May 2005 and Principal Accounting Officer since June 2003.

Item 1A. Risk Factors

Cautionary Statements Relating to Forward-Looking Information

We have made, in this Annual Report on Form 10-K, forward-looking statements relating to developments, results, conditions or other events we expect or anticipate will occur. These statements may relate to revenues, earnings, store openings, business strategy, general economic conditions, market conditions and the competitive environment. The words or phrases "believe," "may," "might," "will," "estimate," "intend," "expect," "anticipate," "plan," "look forward to" and similar expressions as they relate to the Company, or future or conditional verbs, such as "will," "should," "would," "may" and "could," are intended to identify forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's then-current views and assumptions and we undertake no obligation to update them. Forward-looking statements are subject to risks and uncertainties, and actual results may differ materially from those projected. The reader is cautioned not to place undue reliance on any such forward-looking statements.

An investment in our securities carries certain risks. Investors should carefully consider the risks described below, and other risks which may be disclosed in our filings with the SEC, before investing in our securities.

There can be no assurance that our liquidity will not be adversely affected by changes in the Company's performance, financial markets or global economy.

Historically, we have generated cash flow from operating activities and used supplemental borrowings under our credit facility to provide the liquidity we need to operate our business. The continued downturn in the global economy and distress in the financial markets have resulted in volatility in the capital markets. Adverse changes in the Company's performance or the potential tightening of credit markets could make it more difficult for us to access funds, to refinance our existing indebtedness, to enter into agreements for new indebtedness or to obtain funding through the issuance of securities and could potentially increase our borrowing costs. If such conditions were to persist, we would seek alternative sources of liquidity, but there can be no assurance that we would be successful in obtaining such additional liquidity. As a result, we may not be able to meet our obligations as they become due.

General economic conditions could have a material adverse effect on our financial condition and results of operations.

Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates and credit terms, housing costs, energy costs, income tax rates and policies, inflation, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels. A continued or incremental slowdown in the United States' economy or an uncertain economic outlook could adversely affect consumer spending habits, resulting in lower net sales and gross margin, which would cause reduced annual net profits or increased net losses, including the potential write-down of the current valuation of long-lived assets, intangible assets and deferred tax assets.

Our vendors, landlords, lenders and other business partners could also be adversely affected by difficult economic conditions. This, in turn, could impact us through increasing the risk of bankruptcy of our vendors, landlords, lenders and business partners, increasing the cost of goods, creating a void in product, reducing access to liquid funds or credit, increasing the cost of credit or other impacts which we are unable to fully anticipate.

Increases in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of goods and negatively impact our financial results.

We have experienced and may continue to experience increases in our merchandise, raw materials, fuel and labor costs. Fluctuations in the price and availability of merchandise, raw materials, fuel and labor have not materially affected our cost of goods in recent years, but an inability to mitigate these cost increases, unless sufficiently offset with retail pricing adjustments, might cause a decrease in our profitability. Related retail pricing adjustments, however, might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

We conduct our operations in a highly competitive retail environment which could have an adverse effect on our business, financial condition and results of operations.

We compete with other department stores and many other retailers, including store-based, mail-order and internet retailers. Many of our competitors have financial and marketing resources that greatly exceed ours. The principal competitive factors in our business are price, quality and selection of merchandise, reputation, store location, advertising and customer service. We cannot ensure that we will be able to compete successfully against existing or future competitors, or that prolonged periods of deep discount pricing by our competitors during periods of weak consumer confidence or economic instability will not have a material adverse effect on our business. Our expansion into new markets served by our competitors and the entry of new competitors into, or expansion of existing competitors in, our markets could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain key vendor and factor relationships may adversely affect our business, financial condition and results of operations.

Our business is dependent to a significant degree upon close relationships with our vendors and their factors and our ability to purchase brand name merchandise at competitive prices and terms. The loss of key vendor and factor support could have a material adverse effect on our business. There can be no assurance that we will be able to acquire brand name merchandise at competitive prices or on competitive terms in the future. For example, certain merchandise that is high profile and in high demand may be allocated by vendors based upon the vendors' internal criteria, which are beyond our control.

In addition, vendors and their factors may potentially seek assurances to protect against non-payment of amounts due to them. If we experience declining operating performance, and if we experience severe liquidity challenges, vendors and their factors may demand that we accelerate our payment for their products. These demands could have a significant adverse impact on our operating cash flow and result in a severe diminishment of our liquidity. Under such circumstances, borrowings under our senior secured credit facility could reach maximum levels, in which case we would take actions to obtain additional liquidity. However, there can be no assurance that we would be successful in obtaining such additional liquidity. As a result, we may not be able to meet our obligations as they become due. In addition, if our vendors are unable to access liquidity or become insolvent, they could

be unable to supply us with product or continue with their support of our advertising and promotional programs. Any such disruptions could negatively impact our ability to acquire merchandise or obtain vendor allowances in support of our advertising and promotional programs, which in turn could have a material adverse impact on our business, financial condition or results of operations.

Our debt could adversely affect our financial condition.

As of February 2, 2013, we had total debt, including capital leases, of $901.2 million, which is subject to restrictions and financial covenants. This could have important consequences to our investors. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to borrow money or sell equity to fund future working capital requirements, capital expenditures, debt service requirements and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing our ability to use our cash flow for other purposes, including capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in our business and the retail industry;
- make it more difficult for us to meet our debt service obligations in the event there is a substantial increase in interest rates because the debt under our senior secured credit facility bears interest at fluctuating rates;
- restrict our ability to make certain types of investments, pay dividends, or sell all of our assets or merge or consolidate with another company; and
- place us at a competitive disadvantage compared with our competitors that have less debt.

Our ability to service our debt depends upon, among other things, our ability to replenish inventory at competitive prices and terms, generate sales and maintain our stores. If we do not generate sufficient cash from our operations to service our debt obligations, we may need to take one or more actions, including refinancing our debt, obtaining additional financing, selling assets, obtaining additional equity capital, or reducing or delaying capital expenditures. We cannot be certain that our cash flow will be sufficient to allow us to pay the principal and interest on our debt and meet our other obligations. Debt under our senior secured credit facility bears interest at a floating rate. Accordingly, changes in prevailing interest rates may affect our ability to meet our debt service obligations. A higher interest rate on our debt would adversely affect our operating results. If we are unable to meet our debt service obligations or if we default under our credit facilities, our lenders could elect to declare all borrowings outstanding, together with accumulated and unpaid interest and other fees, immediately due and payable, which would have a material adverse effect on our business, financial condition and results of operations.

Our discretion in some matters is limited by the restrictions contained in our senior secured credit facility and mortgage loan facility agreements and in the indentures that govern our senior unsecured notes and our second lien senior secured notes (together, the "Senior Notes"), and any default on our senior secured credit facility, mortgage loan facility or the indentures that govern the Senior Notes could harm our business, profitability and growth prospects.

The agreements that govern our senior secured credit facility and mortgage loan facility, and the indentures that govern our Senior Notes, contain a number of covenants that limit the discretion of our management with respect to certain business matters and may impair our ability to respond to changing

business and economic conditions. The senior secured credit facility, the mortgage loan facility and the indentures, among other things, restrict our ability to:

- incur additional debt or issue guarantees of debt;
- sell preferred stock;
- create liens;
- make restricted payments (including the payment of dividends or the repurchase of our common stock);
- make certain types of investments;
- sell stock in our restricted subsidiaries;
- pay dividends or make payments from subsidiaries;
- enter into transactions with affiliates; and
- sell all or substantially all of our assets or merge or consolidate with another company.

Our senior secured credit facility contains a financial covenant that at all times requires the minimum excess availability under the facility be at least the greater of (1) 10% of the lesser of (a) the aggregate commitments under the facility and (b) the aggregate borrowing base and (2) $50.0 million. Our ability to borrow funds for any purpose depends on our satisfying this requirement.

If we fail to comply with the financial covenant or the other restrictions contained in our senior secured credit facility, mortgage loan facility or the indentures that govern our Senior Notes, an event of default would occur. An event of default could result in the acceleration of our debt due to the cross-default provisions within our debt agreements. If the debt is accelerated, we would not have, and may not be able to obtain, sufficient funds to repay our debt, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in the terms of our proprietary credit card program could have an adverse effect on our operations.

Our current proprietary credit card program is operated, under agreement, by ADS. ADS issues our proprietary credit cards to our customers and we receive a percentage of the net credit sales and outstanding credit balances thereunder. The inability or unwillingness of ADS to provide support for our proprietary credit card program under similar terms or conditions as exist today may result in a decrease in proprietary credit card sales to our customers and a loss of revenues attributable to payments from ADS. In addition, if our agreement with ADS is terminated under circumstances in which we are unable to quickly and adequately contract with a comparable replacement vendor, our customers who have accounts under our proprietary credit card program will be unable to use their cards. This would likely result in a decrease in sales to such customers, a loss of the revenues attributable to the payments from ADS and an adverse effect on customer goodwill, any or all of which could have a material adverse effect on our business and results of operations.

We might not be able to successfully implement our business strategies.

We have identified strategies to achieve sales growth and improve our financial performance in the years ahead, as noted in "Management's Discussion and Analysis—2013 Strategies and Guidance." If we are unable to successfully execute those strategies, our operating results may suffer. Even if we are able to successfully execute our strategies, there can be no assurance that these strategies will necessarily result in our improved financial performance. In addition, the employment of any new approach involves risks and potential increased costs that may prove to be detrimental to our operating results.

Our pension costs could increase at a higher than anticipated rate.

Significant decreases in the fair value of plan assets, investment losses on plan assets and changes in interest rates have affected and could further affect the funded status of our plans and could increase future funding requirements of the pension plans. A significant increase in future funding requirements could have a negative impact on our cash flow, financial condition and results of operations.

We may not be able to accurately predict customer-based trends and effectively manage our inventory levels, which could reduce our revenues and adversely affect our business, financial condition and results of operations.

It is difficult to predict what and how much merchandise consumers will want. A substantial part of our business is dependent upon our ability to make correct trend decisions. Failure to accurately predict constantly changing consumer tastes, spending patterns and other lifestyle decisions, particularly given the long lead times for ordering much of our merchandise, could adversely affect our long-term relationships with our customers. Our managers focus on inventory levels and balance these levels with inventory plans and reviews of trends; however, if our inventories become too large, we may have to "mark down" or decrease our sales prices, and we may be required to sell a significant amount of unsold inventory at discounted prices or even below cost.

An inability to find qualified domestic and international vendors and fluctuations in the exchange rate with countries in which our international vendors are located could adversely affect our business.

The products we sell are sourced from a wide variety of domestic and international vendors. Our ability to find qualified vendors and source products in a timely and cost-effective manner, including obtaining vendor allowances in support of our advertising and promotional programs, represents a significant challenge. The availability of products and the ultimate costs of buying and selling these products, including advertising and promotional costs, are not completely within our control and could increase our merchandise and operating costs. Additionally, costs and other factors specific to imported merchandise, such as trade restrictions, tariffs, currency exchange rates and transport capacity and costs, are beyond our control and could restrict the availability of imported merchandise or significantly increase the costs of our merchandise and adversely affect our business, financial condition and results of operations.

Conditions in, and the United States' relationship with, the countries where we source our merchandise could adversely affect our business.

A majority of our merchandise is manufactured outside of the United States. Political instability or other events resulting in the disruption of trade from the countries where our merchandise is manufactured or the imposition of additional regulations relating to, or duties upon, the merchandise we import could cause significant delays or interruptions in the supply of our merchandise or increase our costs. If we are forced to source merchandise from other countries, those goods may be more expensive than, or of inferior quality to, the merchandise we now sell. If we are unable to adequately replace the merchandise we currently source with merchandise produced elsewhere, our business, financial condition and results of operations could be adversely affected.

Our business is seasonal.

Our business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the holiday season. This seasonality causes our operating results to vary considerably from quarter to quarter and could have a material adverse impact on the market price of our common stock. We must carry a significant amount of

inventory, especially before the peak selling periods. If we are not successful in selling our inventory, especially during our peak selling periods, we may be forced to rely on markdowns, vendor support or promotional sales to dispose of the inventory or we may not be able to sell the inventory at all, which could have a material adverse effect on our business, financial condition and results of operations.

Weather conditions could adversely affect our results of operations.

Because a significant portion of our business is apparel sales and subject to weather conditions in our markets, our operating results may be unexpectedly and adversely affected by inclement weather. Frequent or unusually heavy snow, ice or rain storms might make it difficult for our customers to travel to our stores or, in particularly adverse conditions, our stores might be subject to temporary closings, thereby reducing our sales and profitability. Extended periods of unseasonable temperatures in our markets, potentially during our peak seasons, could render a portion of our inventory incompatible with those unseasonable conditions, reduce sales and adversely affect our business.

Our business could be significantly disrupted if we cannot retain or replace members of our management team.

Our success depends to a significant degree upon the continued contributions of our executive officers and other key personnel, both individually and as a group. Our future performance will be substantially dependent on our ability to retain or replace our executive officers and key personnel and our inability to retain or replace our executive officers and key personnel could prevent us from executing our business strategy.

The ownership and leasing of significant amounts of real estate expose us to possible liabilities.

We currently own or lease 272 stores, which subjects us to the risks associated with owning and leasing real estate. In particular, because of changes in the investment climate for real estate, the value of a property could decrease or operating costs could increase. Our store leases generally require us to pay a fixed minimum rent and a variable amount based on a percentage of sales at that location. These leases generally do not allow for termination prior to the end of the lease term without economic consequences. If a store is not profitable and we make the decision to close it, we may remain committed to perform certain obligations under the lease, including the payment of rent, for the balance of the lease term. In addition, as each of the leases expires, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. If an existing owned store is not profitable, we may be required to record an impairment charge and/or exit costs if we make a decision to close that store. In addition, lease or other obligations may restrict our right to cease operations of an unprofitable owned or leased store, which may cause us to continue to operate the location at a loss. A decline in real estate values could also have an adverse effect on our borrowing availability under our senior secured credit facility.

Current store locations may become less desirable, and desirable new locations may not be available for a reasonable price, if at all.

The success of any store depends substantially upon its location. There can be no assurance that current locations will continue to be desirable as demographic patterns change. Neighborhood or economic conditions where stores are located could decline in the future, resulting in potentially reduced sales in those locations. In addition, if we cannot obtain desirable new locations our sales will suffer, and if we cannot obtain desirable locations at reasonable prices our cost structure will increase.

The declining financial condition of some shopping mall operators could adversely impact our stores.

Many shopping mall operators were severely impacted by the recent global economic downturn. As the great majority of our stores are located in malls, we are dependent upon the continued popularity of malls as a shopping destination for our customers. The continuation of the economic slowdown in the United States could impact shopping mall operators' financial ability to develop new shopping malls and properly maintain existing shopping malls, which could adversely affect our sales. In addition, the consolidation of ownership of shopping malls through the merger or acquisition of large shopping mall operators may give landlords increased leverage in lease negotiations and adversely affect our ability to control our lease costs.

Risks associated with our private brands could adversely affect our business.

We offer our customers quality products at competitive prices marketed under our private brands. We expect to continue to grow our private label offerings and have invested in our development and procurement resources and marketing efforts related to these exclusive brand offerings. The expansion of our private brand offerings subjects us to certain additional risks. These include, among others, risks related to: our failure to comply with government and industry safety standards; mandatory or voluntary product recalls related to our private brand offerings; our ability to successfully protect our proprietary rights in our exclusive offerings; and risks associated with overseas sourcing and manufacturing. In addition, damage to the reputation of our private brand trade names may generate negative customer sentiment. Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

Our business could be significantly disrupted and burdened with additional costs if our associates unionize.

While we believe our relationship with our associates is good, we cannot be assured that we will not become the subject of a unionization campaign. If some or all of our workforce were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements or work practices, it could have a material adverse effect on our business, financial condition and results of operations.

New legal requirements could make our business operations more costly.

Our results of operations could be adversely affected by new legal requirements, including the newly enacted U.S. health care law, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and potential global and domestic greenhouse gas emission requirements and other environmental legislation and regulations. The financial impact of these new legal requirements cannot be determined with certainty. New laws or regulations may result in increased direct costs to us for compliance or may cause our vendors to raise prices to us because of increased compliance costs or reduced availability of raw materials.

An unfavorable outcome to a potential litigation claim could have a material adverse effect on our business, financial condition and results of operations.

In the ordinary course of business, we may be involved in lawsuits and regulatory actions. We are impacted by trends in litigation, including, but not limited to, class-action allegations brought under various consumer protection and employment laws. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceeding. An unfavorable outcome could have a material adverse impact on our business, financial condition and results of operations. In addition, regardless of the outcome of any litigation or regulatory proceeding, claims brought against us could result in substantial costs and may require that we devote substantial resources to our defense.

Failure to successfully maintain and update information technology systems and enhance existing systems may adversely affect our business.

To keep pace with changing technology, we must continuously provide for the design and implementation of new information technology systems and enhancements of our existing systems. Any failure to adequately maintain and update the information technology systems supporting our sales operations or inventory control could prevent us from processing and delivering merchandise, which could adversely affect our business, financial condition and results of operations.

Operational disruptions in our information systems may adversely affect our business.

The efficient operation of our business is dependent on our information systems. We rely on our information systems to manage sales, distribution, merchandise planning and allocation functions. We also generate sales through the operations of our website. If our systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them and we may suffer interruptions in our operations in the interim. Any material interruption in our computer operations may have a material adverse effect on our business or results of operations.

A security breach that results in the unauthorized disclosure of Company, employee or customer information could adversely affect our business, reputation and financial condition.

The protection of customer, employee, and Company data is critical to us. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and changing requirements. In addition, customers have an expectation that we will adequately protect their personal information. Although we have appropriate security measures in place, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. A significant breach of customer, employee or Company data could damage our reputation and result in lost sales, fines or lawsuits.

If our marketing programs are not successful, our sales and profitability could be adversely affected.

Our business depends on attracting an adequate volume of customers who are likely to purchase our merchandise. We design our marketing programs to increase awareness of our stores and our brands, which we expect will create and maintain customer loyalty, increase the number of customers that shop our stores and increase our sales. We have a significant number of marketing initiatives which we regularly review and revise as necessary. There can be no assurance as to our continued ability to effectively execute our advertising and marketing programs, and any failure to do so could adversely affect our business and results of operations.

Tim Grumbacher has voting control over matters submitted to a vote of the shareholders, and he may take actions that conflict with the interests of our other shareholders and holders of our debt securities.

Collectively, Tim Grumbacher, trusts for the benefit of Mr. Grumbacher's grandchildren and The Grumbacher Family Foundation beneficially own shares of our outstanding common stock (which is entitled to one vote per share) and shares of our Class A common stock (which is entitled to ten votes per share) representing, in the aggregate, more than 50% of the votes eligible to be cast by shareholders in the election of directors and generally. Accordingly, Mr. Grumbacher has the power to control all matters requiring the approval of our shareholders, including the election of directors and the approval of mergers and other significant corporate transactions. The interests of Mr. Grumbacher and certain other shareholders may conflict with the interests of our other shareholders and holders of our debt securities.

In addition to Mr. Grumbacher's voting control, certain provisions of our charter documents and Pennsylvania law could discourage potential acquisition proposals and could deter, delay or prevent a change in control of the Company that our other shareholders consider favorable and could depress the market value of our common stock.

Certain provisions of our articles of incorporation and by-laws, as well as provisions of the Pennsylvania Business Corporation Law, could have the effect of deterring takeovers or delaying or preventing changes in control or management of the Company that our shareholders consider favorable and could depress the market value of our common stock.

Subchapter F of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, which is applicable to us, may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in his or her best interest. In general, Subchapter F could delay for five years and impose conditions upon "business combinations" between an "interested shareholder" and us, unless prior approval by our Board of Directors is given. The term "business combination" is defined broadly to include various merger, consolidation, division, exchange or sale transactions, including transactions using our assets for refinancing purposes. An "interested shareholder," in general, would be a beneficial owner of shares entitling that person to cast at least 20% of the votes that all shareholders would be entitled to cast in an election of directors.

Our stock price has been and may continue to be volatile.

The market price of our common stock has been and may continue to be volatile and may be significantly affected by:

- actual or anticipated fluctuations in our operating results;
- announcements of new services by us or our competitors;
- our level of indebtedness and our ability to refinance and service our debt;
- developments with respect to conditions and trends in our industry;
- governmental regulation;
- general market conditions, particularly periods of decline; and
- other factors, many of which are beyond our control.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently operate 272 stores in 24 states, encompassing approximately 25 million square feet. We own 30 stores, have ground leases on eight stores, and lease 234 stores.

We operate under seven nameplates, as follows:

Nameplate	Stores	States
Bon-Ton	64	Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont, West Virginia
Younkers	51	Illinois, Iowa, Michigan, Minnesota, Nebraska, South Dakota, Wisconsin
Carson's	51	Illinois, Indiana, Michigan
Herberger's	42	Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Wisconsin, Wyoming
Elder-Beerman	36	Indiana, Kentucky, Michigan, Ohio, West Virginia, Wisconsin
Boston Store	15	Wisconsin
Bergner's	13	Illinois

Our corporate headquarters are located in York, Pennsylvania, where the majority of our administrative and sales support functions reside, and in Milwaukee, Wisconsin, where our merchandising and marketing functions are located. We operate two distribution centers, one owned and one leased, located in Rockford, Illinois, and we lease two distribution centers located in Allentown, Pennsylvania and Fairborn, Ohio. We have a furniture warehouse attached to each of our Naperville, Illinois and Dayton, Ohio stores.

Item 3. Legal Proceedings

We are party to legal proceedings and claims that arise during the ordinary course of business. In the opinion of management, the ultimate outcome of any such litigation and claims will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on The NASDAQ Global Select Stock Market (symbol: BONT). There is no established public trading market for our Class A common stock. The Class A common stock is convertible on a share-for-share basis into common stock at the option of the holder. The following table sets forth the high and low sales price of our common stock for the periods indicated as furnished by NASDAQ:

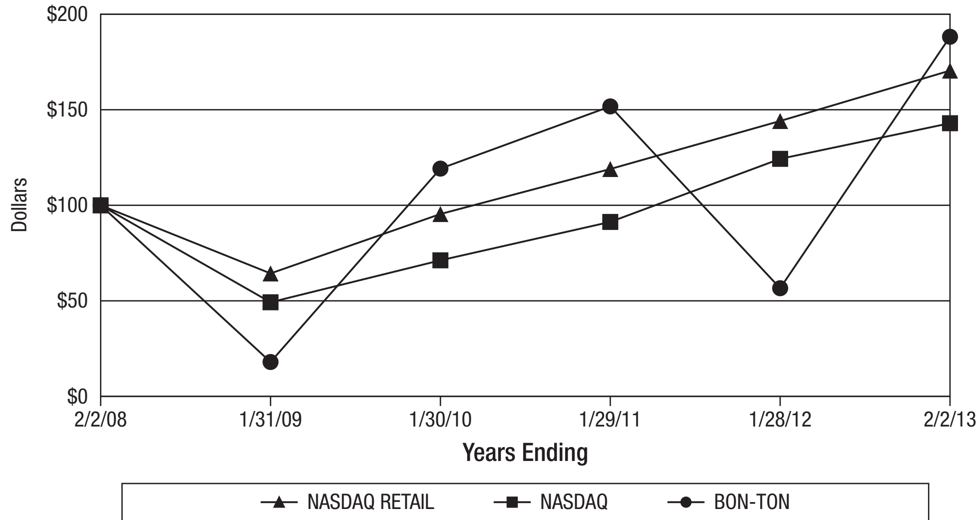
	2012		2011	
	High	Low	High	Low
1st Quarter	$ 9.79	$3.87	$17.49	$10.90
2nd Quarter	8.73	3.50	14.02	7.56
3rd Quarter	14.99	6.22	10.50	3.91
4th Quarter	14.25	9.82	5.35	2.23

On March 29, 2013, we had 220 shareholders of record of common stock and one shareholder of record of Class A common stock.

Pursuant to our senior secured credit facility agreement, as amended and restated on October 25, 2012, any dividends paid may not exceed $10.0 million in any year or $30.0 million during the term of the agreement, which expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of the senior unsecured notes and the mortgage loan facility; however, additional dividends may be paid subject to meeting other requirements. In addition, pursuant to the indentures that govern our senior unsecured notes and our second lien senior secured notes, any dividends declared and paid may not exceed $0.24 per share in any year or $40.0 million during the terms of the indentures, which expire on March 15, 2014 and July 15, 2017, respectively. We paid $0.05 per share on Class A common stock and common stock in three quarters of 2011. The dividend of $0.05 per share declared in the fourth quarter of 2011 was paid in the first quarter of 2012. In addition to paying the dividend declared in the fourth quarter of 2011, in 2012 we paid $0.05 per share on Class A common stock and common stock in four quarters, having accelerated the payment of the fourth quarter dividend in advance of likely increases in taxes in 2013 (payment would typically have occurred in the first quarter of 2013). On March 19, 2013, we declared a quarterly cash dividend of $0.05 per share, payable May 6, 2013 to shareholders of record as of April 19, 2013. Our Board of Directors may consider dividends in subsequent periods as it deems appropriate.

STOCK PERFORMANCE GRAPH

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Company's common stock from February 2, 2008 through February 2, 2013, and the cumulative total return on the Center for Research in Security Prices Total Return Index for The NASDAQ Stock Market (U.S. Companies) and the NASDAQ Retail Trade Stocks Index during such period. The comparison assumes $100 was invested on February 2, 2008 in the Company's common stock and in each of the foregoing indices and assumes the reinvestment of any dividends.



DATE	NASDAQ	NASDAQ RETAIL	BON-TON
2/2/08	100.00	100.00	100.00
1/31/09	49.25	64.34	17.99
1/30/10	71.20	95.42	119.18
1/29/11	91.29	118.98	151.73
1/28/12	124.30	144.10	56.60
2/2/13	142.94	170.47	188.17

Item 6. Selected Financial Data

(In thousands except per share, comparable stores data and number of stores)

	2012	%	2011	%	2010	%	2009	%	2008	%
Statement of Operations Data(1)(2):										
Net sales	$ 2,919,411	100.0	$ 2,884,661	100.0	$ 2,980,479	100.0	$ 2,959,824	100.0	$ 3,129,967	100.0
Other income	59,425	2.0	68,869	2.4	66,006	2.2	75,113	2.5	95,448	3.0
Gross profit	1,045,521	35.8	1,037,292	36.0	1,120,297	37.6	1,097,632	37.1	1,095,007	35.0
Selling, general and administrative expenses	936,175	32.1	936,060	32.4	942,660	31.6	963,639	32.6	1,033,525	33.0
Depreciation and amortization	88,276	3.0	95,033	3.3	102,202	3.4	111,635	3.8	117,382	3.8
Amortization of lease-related interests	4,696	0.2	4,747	0.2	4,555	0.2	4,866	0.2	4,866	0.2
Goodwill impairment	—	—	—	—	—	—	—	—	17,767	0.6
Other impairment charges	5,800	0.2	3,690	0.1	1,738	0.1	5,883	0.2	25,905	0.8
Income (loss) from operations	69,999	2.4	66,631	2.3	135,148	4.5	86,722	2.9	(8,990)	(0.3)
Interest expense, net	82,839	2.8	89,507	3.1	112,301	3.8	98,130	3.3	97,847	3.1
Loss (gain) on exchange/extinguishment of debt	8,485	0.3	(8,729)	(0.3)	—	—	678	0.0	—	—
(Loss) income before taxes	(21,325)	(0.7)	(14,147)	(0.5)	22,847	0.8	(12,086)	(0.4)	(106,837)	(3.4)
Income tax provision (benefit)(3)	228	0.0	(2,019)	(0.1)	1,353	0.0	(8,031)	(0.3)	63,093	2.0
Net (loss) income	(21,553)	(0.7)	(12,128)	(0.4)	21,494	0.7	(4,055)	(0.1)	(169,930)	(5.4)
Per share amounts—										
Basic:										
Net (loss) income	$ (1.16)		$ (0.67)		$ 1.14		$ (0.24)		$ (10.12)	
Diluted:										
Net (loss) income	$ (1.16)		$ (0.67)		$ 1.12		$ (0.24)		$ (10.12)	
Cash dividends declared per share	$ 0.20		$ 0.20		$ —		$ —		$ 0.20	
Balance Sheet Data (at end of period) :										
Working capital	$ 344,277		$ 354,163		$ 363,210		$ 365,933		$ 424,437	
Total assets	1,634,209		1,618,203		1,656,239		1,722,007		1,821,321	
Long-term debt, including capital leases	821,342		870,948		917,730		1,016,720		1,148,768	
Shareholders' equity	110,606		131,607		183,352		141,756		134,177	
Selected Operating Data:										
Total sales change	1.2%		(3.2)%		0.7%		(5.4)%		(7.0)%	
Comparable stores sales change(4)	0.5%		(2.8)%		0.9%		(5.4)%		(7.4)%	
Comparable stores data(4):										
Sales per selling square foot	$ 135		$ 133		$ 136		$ 135		$ 141	
Selling square footage	21,152,971		21,478,700		21,726,000		21,763,000		21,829,000	
Capital expenditures	$ 73,770		$ 67,235		$ 46,268		$ 32,346		$ 84,810	
Number of stores:										
Beginning of year	274		275		278		281		280	
Additions	1		1		—		—		2	
Closings	(4)		(2)		(3)		(3)		(1)	
End of year	271		274		275		278		281	

(1) Certain prior year balances have been reclassified to conform to the current year presentation. These reclassifications did not impact the Company's net (loss) income for any of the years presented.

(2) 2012 reflects the 53 weeks ended February 2, 2013. All other periods presented include 52 weeks.

(3) The effective tax rate in fiscal years 2009 through 2012 largely reflects the Company's valuation allowance position against all net deferred tax assets. Additionally, 2009 reflects an income tax benefit adjustment of $6,340 related to a deferred tax asset valuation allowance release associated with implementation of tax carry-back provisions available under legislation enacted in 2009, partially offset by certain other valuation allowance increases; 2008 reflects an increase to the provision of $108,495 for a charge relating to a deferred tax valuation allowance and a decrease to the provision of $7,038 resulting from a statute-of-limitations expiration.

(4) Comparable stores data (sales change, sales per selling square foot and selling square footage) reflects stores open for the entire current and prior fiscal year and includes sales from the Company's eCommerce operations.

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

Overview

General

We compete in the department store segment of the U.S. retail industry. Founded in 1898, the Company is one of the largest regional department store operators, currently operating 272 stores in 24 states in the Northeast, Midwest and upper Great Plains under the Bon-Ton, Bergner's, Boston Store, Carson's, Elder-Beerman, Herberger's and Younkers nameplates. Our stores are predominately located in fashion-oriented shopping malls and lifestyle centers, encompassing a total of approximately 25 million square feet and offering a broad assortment of national brand and exclusive private brand fashion apparel and accessories for women, men and children as well as cosmetics, home furnishings and other goods. The Company had net sales of $2.9 billion in 2012.

2012 Performance and Accomplishments

Throughout 2012, we took actions to stabilize and then reinvigorate our business while facing continued macroeconomic challenges, including weakness in consumer spending, that have impacted the retail industry. Our financial results, a net loss of $21.6 million, do not reflect the full extent of our achievements. Income from operations increased as we grew our comparable store sales by 0.5%, increased gross margin dollars and leveraged our SG&A expense rate to a 38 basis point improvement.

Although we did not meet our financial goals in 2012, successful execution of key initiatives resulted in successive quarterly improvements in our business such that we believe our trend bodes well for improved performance in 2013. Our accomplishments included the following:

- We achieved a better balance of traditional and updated merchandise in Women's Apparel through thoughtfully calibrated inventory adjustments. As a result, growth in Women's Apparel sales outpaced that of the Company in the fall season.
- We funded and grew important franchise businesses, such as Women's Footwear and Cosmetics, that warranted an expanded presence both in-store and in our marketing vehicles.
- We overhauled our promotional calendar to increase traffic in-store, online and via mobile devices. We focused on the strategic use of customer-friendly savings coupons and added or strengthened signature promotional events, as well as increased our investment in advanced customer relationship management systems, using enhanced consumer analytics and insights to drive marketing effectiveness through targeted and personalized initiatives.
- We executed a more disciplined approach to inventory management, particularly with regard to markdown cadence. We adjusted our markdown process to allow greater flexibility within the product lifecycle, better allocating markdown dollars to those categories requiring price reductions for timely sell-through. Additionally, we have taken an aggressive posture on our new 'clearance store' strategy that allows us to liquidate the prior year's merchandise in the proper season and achieve a higher margin than in years past. Our gross margin rate increased 64 basis points in the fall season as compared with the fall season of 2011, with opportunity for continued improvement.
- We invested in our online properties, meaningfully growing eCommerce sales through significant expansion of merchandise assortment and improvement in website performance, greatly expanding the use of digital marketing and enriching our mobile experience. We also use our online operations as synergetic selling and marketing tools to increase the visibility and exposure of our brand and generate customer traffic within our retail stores.

- We reduced ongoing SG&A expenses to better reflect the current size and scope of our business, affording us the flexibility to fund those areas we believe will give us the greatest return on our investment, including the aforementioned expansion of digital marketing and our eCommerce operations.
- We transitioned our proprietary credit card program to our new service provider, ADS. We are continuing to benefit from higher approval rates and credit limits, a streamlined new account opening process and improved marketing and store solicitation support. Proprietary credit card sales as a percentage of total sales increased to 45.0% in 2012 from 43.5% in the prior year as a result of this strategic partnership.
- We completed several financing transactions that further strengthened our financial position and created additional financial flexibility to support our growth plans. See "Exchange and Redemption of Senior Notes and Amendment to Credit Facility" and "Liquidity and Capital Resources," below.

Exchange and Redemption of Senior Notes and Amendment to Credit Facility

On June 4, 2012, we commenced an offer to certain eligible note holders to exchange outstanding 10¼% Senior Notes due 2014 (the "Old Notes") for newly issued 10⅝% Second Lien Senior Secured Notes due 2017 (the "New Notes"). We received tenders with consents from holders of $330.0 million principal amount of Old Notes, representing approximately 71% of the outstanding Old Notes. Upon the July 9, 2012 settlement, $330.0 million principal amount of New Notes was issued. Fees associated with the exchange of debt totaled $7.1 million and were recognized in loss on exchange/extinguishment of debt.

On October 25, 2012, we entered into a First Amendment (the "First Amendment") to our senior secured Second Amended and Restated Loan and Security Agreement (the "Second Amended Revolving Credit Facility"), increasing our revolving borrowing commitments to $675.0 million from $625.0 million. Unamortized deferred financing fees of $0.2 million associated with the Second Amended Revolving Credit Facility were accelerated upon entry into the First Amendment and were recognized in loss on exchange/extinguishment of debt.

On January 23, 2013, we issued a notice of partial redemption for $65.0 million aggregate principal amount of our Old Notes at a cash redemption price equal to the principal amount plus accrued and unpaid interest. The redemption was completed on February 22, 2013, after which approximately $69 million aggregate principal amount of the Old Notes remains outstanding.

We believe the extension of the maturity date of the exchanged notes from 2014 to 2017 and the increase in our borrowing availability have enhanced our financial position. Furthermore, the only significant debt maturity prior to 2016 is the remaining Old Notes, which we anticipate will be satisfied with cash flow and capacity on our Second Amended Revolving Credit Facility during 2013.

2013 Strategies and Guidance

The financial results of the fall season of 2012, particularly the fourth quarter, underscore our continued progress in implementing key initiatives to drive growth and improve our performance. We are focused on building upon the successes of the fall season with strategies we believe offer the best opportunities to improve returns, including:

- Optimizing our merchandise assortment to reenergize our core customer while gradually diversifying the mix and marketing to appeal to a younger, more contemporary customer;

- Increasing our gross margin rate by improving the average unit retail price of our sales transactions through more strategic pricing and improved turnover, particularly in our smaller stores;
- Increasing the growth of eCommerce sales by an additional 50% through continued merchandise, systems and marketing investments;
- Revamping and reintroducing our "Your Rewards" customer loyalty program, expanding the benefits and reducing the spending threshold for participation in the program;
- Building upon the expense reductions achieved in 2012 through continued process and workload analyses to maximize efficiencies;
- Reallocating marketing expenditures to increase effectiveness through the expanded employment of multichannel technologies and investment in customer relationship management systems;
- Capitalizing on our competitive strengths and opportunities in smaller markets with a renewed focus on these stores; and
- Defining ways to localize our merchandise assortments, marketing programs and shopping experiences to better reflect the unique diversity of our store base.

In 2013, we expect to achieve earnings per diluted share ranging from $0.40 to $1.00. On March 12, 2013, we provided the following assumptions with respect to our 2013 guidance:

- a comparable store sales increase ranging from 2.0% to 3.5%;
- a gross margin rate 20 to 60 basis points higher than the 2012 rate of 35.8%; and
- an SG&A rate, inclusive of increased performance incentives approximating $15 million, flat to a 20 basis point reduction from the 2012 rate of 32.1%.

Results of Operations

The following table summarizes changes in our selected operating indicators, illustrating the relationship of various income and expense items to net sales for each year presented (components may not add or subtract to totals because of rounding):

	Percent of Net Sales		
	2012	2011	2010
Net sales	100.0%	100.0%	100.0%
Other income	2.0	2.4	2.2
	102.0	102.4	102.2
Costs and expenses:			
Costs of merchandise sold	64.2	64.0	62.4
Selling, general and administrative	32.1	32.4	31.6
Depreciation and amortization	3.0	3.3	3.4
Amortization of lease-related interests	0.2	0.2	0.2
Impairment charges	0.2	0.1	0.1
Income from operations	2.4	2.3	4.5
Interest expense, net	2.8	3.1	3.8
Loss (gain) on exchange/extinguishment of debt	0.3	(0.3)	—
(Loss) income before income taxes	(0.7)	(0.5)	0.8
Income tax provision (benefit)	—	(0.1)	—
Net (loss) income	(0.7)%	(0.4)%	0.7%

2012 Compared with 2011

Results for 2012 were impacted by the inclusion of an additional week in accordance with the National Retail Federation fiscal reporting calendar, resulting in a 53-week reporting period. This compares with a reporting period of 52 weeks in 2011.

Net sales: Net sales in 2012 were $2.919 billion, an increase of 1.2% over sales of $2.885 billion in 2011. Comparable store sales, which are reflective of a 52-week reporting period for both years, increased 0.5% in 2012 as the continued refinement of our merchandise assortment of both national and private brands, particularly as it relates to the mix of traditional and updated product, and enhanced marketing efforts yielded positive results. Additionally, investments in our eCommerce business continued to result in higher sales.

The best performing merchandise categories in the period were Footwear, Coats and Better Sportswear (both included in Women's Apparel) and Cosmetics. Sales in Footwear benefited from the continued strategic capital investment for expansion and remodels in certain stores and expansion of key updated vendors to an increased number of stores. Sales growth in Coats was achieved in the fall season through timely merchandise receipts that more accurately reflected customer shopping patterns and marketing initiatives to sustain traffic. Growth in private brands and the expansion of updated nationally-branded vendors to additional stores contributed to the success in Better Sportswear. Cosmetics sales increases were driven by strength in treatment lines and men's and women's fragrances, with both core and new launch fragrances contributing to the sales growth. Additionally, fourth quarter marketing efforts were instrumental in driving the holiday business.

The poorest performing categories in the period were Furniture (included in Home) and Juniors' Apparel. Sales in Furniture were adversely impacted by ongoing economic concerns and resultant customer reluctance to purchase higher-priced items. Despite the ongoing challenge of inducing the

younger junior customer to frequent a department store, we have achieved some success in sales of cross-over merchandise that appeals to an older customer and are continuing our broader efforts to reengineer our Juniors' Apparel business through transformative changes, including merchandise adjustments and floor location conversions to effect more strategic adjacencies.

Other income: Other income was $59.4 million, or 2.0% of net sales, in 2012 as compared with $68.9 million, or 2.4% of net sales, in 2011. The decrease primarily reflects reduced income associated with our proprietary credit card program and gift card breakage.

Costs and expenses: Gross margin dollars increased $8.2 million to $1.046 billion in 2012, compared with $1.037 billion in 2011, reflecting the increased sales volume. The gross margin rate decreased 15 basis points to 35.8% of net sales, primarily due to an increase in the markdown rate and increased delivery expenses.

SG&A expense marginally increased to $936.2 million in 2012 as compared with $936.1 million in 2011, reflecting the inclusion of the 53rd week of operations in 2012. SG&A expense rate decreased 38 basis points to 32.1% of net sales, reflecting the continued execution of cost savings initiatives. We realized significant savings in our marketing expenditures as we focused on optimizing our resources and increasing efficiencies.

Depreciation and amortization expense and amortization of lease-related interests decreased $6.8 million to $93.0 million. The expense reduction primarily reflects the reduced asset base.

In 2012, we recorded $5.1 million of non-cash impairment charges which resulted in a reduction in the carrying amount of certain store properties due to their marginal operating performance. We recorded charges of $1.1 million for similar asset impairments in 2011. See Notes 2 and 3 in the Notes to Consolidated Financial Statements.

In 2012, we recorded non-cash impairment charges of $0.8 million related to the reduction in the value of three indefinite-lived private label brand names. In 2011, due to the decline in our business performance, we recorded non-cash impairment charges of $2.6 million related to the reduction in the value of three indefinite-lived trade names and one indefinite-lived private label brand name. See Notes 2 and 4 in the Notes to Consolidated Financial Statements.

Interest expense, net: Net interest expense in 2012 was $82.8 million, or 2.8% of net sales, as compared with $89.5 million, or 3.1% of net sales, in 2011. The $6.7 million decrease primarily reflects reduced average borrowings, lower interest rates and decreased deferred fees.

Loss (gain) on exchange/extinguishment of debt: In 2012, we recorded a $7.1 million loss on exchange of debt related to fees associated with the exchange of our senior notes and a $1.4 million loss on extinguishment of debt related to the prepayment of mortgage debt associated with the sale of certain of our Rochester, New York stores and amortization of deferred fees associated with an amendment to our Second Amended Revolving Credit Facility. In 2011, we recorded a $9.5 million loss on the extinguishment of debt for fees associated with the voluntary prepayment of a term loan and termination of our prior revolving credit facility. Additionally, in 2011, our repurchase, at a discount, of $46.0 million (principal) amount of our Old Notes resulted in a pre-tax gain, net of costs, of $18.2 million. The aforementioned transactions resulted in a loss on exchange/extinguishment of debt of $8.5 million in 2012 and a net gain on extinguishment of debt of $8.7 million in 2011.

Income tax provision (benefit): The effective tax rate in each of 2012 and 2011 largely reflects the Company's valuation allowance position against all net deferred tax assets. The $0.2 million income tax provision in 2012 includes certain state income tax expense and recognition of deferred tax liabilities associated with indefinite-lived assets, partially offset by a $1.5 million benefit resulting from settlement of an uncertain tax position. The $2.0 million income tax benefit in 2011 includes a $3.2 million benefit resulting from reclassifying from accumulated other comprehensive loss the residual

tax effect associated with certain interest rate swap contracts which expired on July 14, 2011, partially offset by certain state income tax expense and recognition of deferred tax liabilities associated with indefinite-lived assets.

2011 Compared with 2010

Net sales: Net sales in 2011 were $2.885 billion, a decrease of 3.2% from $2.981 billion in 2010. Comparable store sales decreased 2.8% from the prior year. Sales in merchandise categories with more traditional goods were particularly challenged in 2011, as our customer expressed a preference for updated styling. We significantly expanded our stronger selling updated merchandise throughout our families of business to increase representation of these goods. Additionally, sales of cold-weather goods across merchandise categories suffered in the fourth quarter of 2011 due to the adverse impact of milder weather in our markets. Investments in our eCommerce business resulted in significantly higher eCommerce sales in the period.

The best performing merchandise categories in 2011 were Hard Home (included in Home), Cosmetics, Better Sportswear (included in Women's Apparel) and Footwear. Increases in Hard Home were largely due to sales of small electronics. The introduction of innovative treatment products, new fragrances and intensified sales associate education fueled the sales performance in Cosmetics. Better Sportswear sales increased due to favorable customer response to expanded offerings of trend-right fashions from key national and private brands. Footwear sales benefited from strategic capital investment for expansion and remodels in certain stores; updated assortments and new in-store environments resulted in increased sales. Our customer service training initiatives were another factor in the success in Footwear sales.

The poorest performing categories in 2011 were Moderate Sportswear and the special size areas, Petite Sportswear and Women's Sportswear (all included in Women's Apparel). Sales in these categories were adversely impacted by substantial inventory investment in traditional product from private brand as well as national brand resources, particularly in the spring season.

Other income: Other income was $68.9 million, or 2.4% of net sales, in 2011 as compared with $66.0 million, or 2.2% of net sales, in 2010. Fiscal 2011 results include income of $6.5 million related to the cumulative breakage on certain unused gift and merchandise return cards issued since inception of these programs. The breakage income was partially offset by decreased revenues from our proprietary credit card operations, largely resulting from reduced sales.

Costs and expenses: Gross margin dollars decreased $83.0 million to $1.037 billion in 2011, reflecting both the decline in the sales volume and a decreased margin rate. Gross margin as a percentage of sales decreased 160 basis points to 36.0% in 2011, primarily reflecting an increased net markdown rate, a significant percentage of which is attributable to cold weather merchandise.

SG&A expense decreased $6.6 million to $936.1 million in 2011 as compared with $942.7 million in 2010, primarily due to reduced incentive compensation accruals and a favorable insurance receipt, partially offset by increased marketing expenditures. We were not able to leverage the expense reduction due to the decreased sales; SG&A expense rate in 2011 increased 80 basis points to 32.4% of net sales.

Depreciation and amortization expense and amortization of lease-related interests decreased $7.0 million, to $99.8 million in 2011 from $106.8 million in 2010, primarily due to a reduced asset base.

In 2011, we recorded $1.1 million of non-cash asset impairment charges which resulted in a reduction in the carrying value of certain store properties due to their marginal operating performance. In 2010, we recorded $1.7 million of non-cash asset impairment charges which resulted in a reduction in the carrying value of certain store and distribution center properties.

In 2011, due to the decline in our business performance, we recorded non-cash impairment charges of $2.6 million related to the reduction in the value of three indefinite-lived trade names and one indefinite-lived private label brand name. There were no such similar charges in 2010.

Interest expense, net: Net interest expense in 2011 was $89.5 million, or 3.1% of net sales, as compared with $112.3 million, or 3.8% of net sales, in 2010. The $22.8 million decrease primarily reflects reduced borrowing levels and lower interest rates as a result of the prepayment of the term loan and the entry into the Second Amended Revolving Credit Facility, both of which occurred in the first quarter of 2011.

Loss (gain) on exchange/extinguishment of debt: In the first quarter of 2011, we recorded a $9.5 million loss on the extinguishment of debt, which primarily consisted of an early termination fee of $3.8 million and accelerated deferred financing fees of $4.4 million associated with the prepayment of our term loan and accelerated deferred financing fees of $1.3 million associated with our prior revolving credit facility. In the fourth quarter of 2011, we repurchased at a discount, in open market transactions, $46.0 million (principal amount) of our Old Notes. The repurchase resulted in a gain of $18.2 million. Together, the transactions resulted in a net gain on extinguishment of debt of $8.7 million.

Income tax (benefit) provision: The effective tax rate in each of 2011 and 2010 largely reflects the Company's valuation allowance position against all net deferred tax assets. The $2.0 million income tax benefit in 2011 includes a $3.2 million benefit resulting from reclassifying from accumulated other comprehensive loss the residual tax effect associated with certain interest rate swap contracts which expired on July 14, 2011, partially offset by certain state income tax expense and recognition of deferred tax liabilities associated with indefinite-lived assets. The $1.4 million income tax provision in 2010 includes certain state income tax expense and recognition of deferred tax liabilities associated with indefinite-lived assets, offset in part by a favorable $1.5 million tax benefit resulting from recognition of uncertain tax positions due to a statute of limitations expiration.

Liquidity and Capital Resources

On April 2, 2012, in connection with the sale of two of our stores located in Rochester, New York, we prepaid outstanding indebtedness of $5.4 million under related mortgage loan agreements. We were required to pay an additional $1.0 million due to the early termination. In addition, $0.1 million of unamortized deferred financing fees related to the mortgage agreements was accelerated on the date of termination. The required additional payment and accelerated deferred financing fees were recognized in loss on exchange/extinguishment of debt.

On June 4, 2012, The Bon-Ton Department Stores, Inc. (the "Issuer"), a wholly owned subsidiary of The Bon-Ton Stores, Inc. (the "Parent"), commenced an offer to certain eligible note holders to exchange the Old Notes for the New Notes upon the terms and conditions set forth in the Confidential Offering Memorandum and Consent Solicitation Statement dated June 4, 2012 (the "Exchange Offer"). The Exchange Offer expired on July 3, 2012, with the Issuer receiving tenders with consents from holders of $330.0 million principal amount of Old Notes, representing approximately 71% of the outstanding Old Notes. Upon the July 9, 2012 settlement, $330.0 million principal amount of New Notes was issued. The New Notes are guaranteed by the Parent and by each of its subsidiaries, other than the Issuer, that is an obligor under our Second Amended Revolving Credit Facility. The New Notes are secured by a second-priority lien on collateral owned by the Issuer and each of the guarantors consisting of substantially all of the Issuer's and guarantors' tangible and intangible assets securing the Second Amended Revolving Credit Facility, except for capital stock of the Issuer and certain of the Issuer's subsidiaries and certain other exceptions. The New Notes will mature on July 15, 2017. Interest on the New Notes is payable March 15 and September 15 of each year, beginning September 15, 2012. In addition, the Issuer entered into a supplemental indenture adopting

amendments to the indenture under which the Old Notes were issued to permit the liens securing the New Notes. Fees associated with the exchange of the Old Notes and New Notes (together, the "Senior Notes") totaled $7.1 million and were recognized in loss on exchange/extinguishment of debt.

On October 25, 2012, The Bon-Ton Department Stores, Inc. and certain subsidiaries as borrowers and certain other subsidiaries as obligors entered into a First Amendment to the Company's Second Amended Revolving Credit Facility dated March 21, 2011. Commitments for loans under the Second Amended Revolving Credit Facility are in two tranches which, prior to the First Amendment, consisted of Tranche A revolving commitments of $575.0 million (which includes a $150.0 million sub-line for letters of credit and $75.0 million for swing line loans) and Tranche A-1 revolving commitments of $50.0 million. The First Amendment (1) increased the Tranche A-1 revolving commitment to $100.0 million, (2) increased the margins applicable to borrowings under the Tranche A-1 revolving commitments by 0.25%, and (3) made certain other changes to the borrowing base calculations under the Second Amended Revolving Credit Facility. Unamortized deferred financing fees of $0.2 million associated with the Second Amended Revolving Credit Facility were accelerated upon entry into the First Amendment and were recognized in loss on exchange/extinguishment of debt.

On January 23, 2013, we issued a notice of partial redemption for $65.0 million aggregate principal amount of our Old Notes at a cash redemption price equal to the principal amount plus accrued and unpaid interest. The redemption was completed on February 22, 2013, with associated interest of $2.9 million, for a total payment of $67.9 million. The redemption was realized through additional borrowings on the Second Amended Revolving Credit Facility and, as a result, the $65.0 million of redeemed Old Notes was classified as long-term debt as of February 2, 2013. The remaining outstanding $69.0 million aggregate principal amount of Old Notes is expected to be paid in 2013 and, therefore, was classified as current maturities of long-term debt as of February 2, 2013. Consequently, the expected maturity date of the Second Amended Revolving Credit Facility was classified as long-term debt as of February 2, 2013. The expiration date of the Second Amended Revolving Credit Facility heretofore for accounting purposes had been 60 days prior to the maturity date of the Old Notes (March 15, 2014). Given that the entirety of the Old Notes has been redeemed or is expected to be paid in 2013, for accounting purposes the maturity date of the Second Amended Revolving Credit Facility has, therefore, been extended to 2016. Unamortized deferred financing fees of $0.4 million associated with the Old Notes were accelerated upon redemption and were recognized in loss on exchange/extinguishment of debt in the first quarter of 2013.

At February 2, 2013, we had $7.9 million in cash and cash equivalents and $517.6 million available under our Second Amended Revolving Credit Facility (before taking into account the minimum borrowing availability covenant under such facility). Excess availability was $437.8 million as of the comparable prior year period. The increase in excess availability reflects an increased borrowing base availability due to the aforementioned First Amendment, partially offset by increased direct borrowings. The year-to-year comparison of excess availability is impacted by the July 2012 receipt of a $50.0 million signing bonus from our new credit card provider, the application of which decreased borrowings. Conversely, we utilized $16.8 million of available monies for required qualified defined benefit pension plan funding in 2012.

Typically, cash flows from operations are impacted by consumer confidence, weather in the geographic markets served by the Company, and economic 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 our ability to generate sufficient cash flows to operate our business. While the current economic uncertainty affects our assessment of short-term liquidity, we consider our resources (cash flows from operations supplemented by borrowings under the credit facility) adequate to satisfy our 2013 cash needs. While there can be no assurances, management believes there will be sufficient liquidity to cover our short-term funding needs, which includes the payment of the $69 million of outstanding Old Notes.

Our primary sources of working capital are cash flows from operations and borrowings under our Second Amended Revolving Credit Facility. Our business follows a seasonal pattern; working capital fluctuates with seasonal variations, reaching its highest level in October or November to fund the purchase of merchandise inventories prior to the holiday season. The seasonality of our business historically provides greatest cash flow from operations during the holiday season, with fiscal fourth quarter net sales generating the strongest profits of our fiscal year. As holiday sales significantly reduce inventory levels, this reduction, combined with net income, historically provides us with strong cash flow from operations at the end of our fiscal year.

Cash provided by (used in) our operating, investing and financing activities is summarized as follows:

(Dollars in millions)	2012	2011	2010
Operating activities	$ 73.3	$ 99.8	$ 141.1
Investing activities	(65.5)	(64.5)	(43.7)
Financing activities	(14.1)	(37.4)	(100.1)

The decrease in net cash provided by operating activities in 2012, as compared with 2011, primarily reflects the increase in the current year net loss and increased working capital requirements, partially offset by the change in loss (gain) on exchange/extinguishment of debt. Increased working capital needs in 2012 were primarily the result of increases in merchandise inventories, without the commensurate increase in accounts payable due to timing of payments, and current year pension plan contributions, partially offset by the deferred gain associated with the signing bonus from our new credit card service provider. The decrease in net cash provided by operating activities in 2011, as compared with 2010, primarily reflects a decline in business performance, resulting in a net loss in 2011 as compared with net income in 2010, partially offset by reduced working capital requirements and receipt of deferred income.

Capital expenditures totaled $73.8 million, $67.2 million and $46.3 million in 2012, 2011 and 2010, respectively; these expenditures do not reflect reductions for external contributions (primarily leasehold improvement and fixture allowances received from landlords or vendors) of $6.9 million, $18.2 million and $6.8 million in 2012, 2011 and 2010, respectively. In 2012, significant investment was made to support our strategic initiatives in opening and remodeling of stores, information technology, and systems enhancements in our eCommerce business. We anticipate our 2013 capital expenditures will not exceed $89.0 million (excluding external contributions, primarily leasehold improvement and fixture allowances received from landlords or vendors, of $19.0 million, reducing budgeted net capital investments to $70.0 million). Projects include two new stores, ongoing store remodels, and continued information technology investments. We believe these investments will drive growth and profitable returns.

The decrease in net cash used in financing activities in 2012 reflects net borrowings in the current year, largely due to reduced cash provided by operating activities as a result of increased working capital requirements and a decrease in the book overdraft balance. Net cash used in financing activities in 2011 was comparatively higher due to net debt payments as a result of greater cash provided by operating activities. The decrease in net cash used in financing activities in 2011, as compared with 2010, primarily reflects reduced net debt payments and cash flow generated in 2011 partially used to support cash requirements for increased capital expenditures. Financing fees incurred to amend the Second Amended Revolving Credit Facility increased cash requirements in 2011.

Credit Arrangements

On March 21, 2011, The Bon-Ton Department Stores, Inc.; The Elder-Beerman Stores Corp.; Carson Pirie Scott II, Inc.; Bon-Ton Distribution, Inc.; and McRIL, LLC, as borrowers (the

"Borrowers"), and the Company and certain other subsidiaries as obligors (together with the Borrowers and the Company, the "Obligors") entered into the Second Amended Revolving Credit Facility with Bank of America, N.A., as Agent, and certain financial institutions as lenders that amends and restates the Company's prior $675.0 million revolving credit facility, which was entered into on December 4, 2009 and scheduled to mature on June 4, 2013 (the "2009 Revolving Credit Facility"). The Second Amended Revolving Credit Facility initially provided for a revolving credit facility of $625.0 million that expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of our Old Notes and the mortgage loan facility. On October 25, 2012, the Obligors entered into the First Amendment to the Second Amended Revolving Credit Facility, which (1) increased the Tranche A-1 revolving commitment (one of two borrowing tranches that comprise the Second Amended Revolving Credit Facility) from $50.0 million to $100.0 million (resulting in an increased borrowing limit totaling $675.0 million), (2) increased the margins applicable to borrowings under the Tranche A-1 revolving commitments, and (3) made certain other changes to the borrowing base calculations under the Second Amended Revolving Credit Facility. All borrowings under the Second Amended Revolving Credit Facility are limited by amounts available pursuant to a borrowing base calculation, which is based on percentages of eligible inventory, real estate and credit card receivables, in each case subject to reductions for applicable reserves.

The terms of the Second Amended Revolving Credit Facility are substantially based on the terms of the 2009 Revolving Credit Facility. The Borrowers are jointly and severally liable for all of the obligations incurred under the Second Amended Revolving Credit Facility and the other loan documents, which obligations are guaranteed on a joint and several basis by the Company, the other Obligors and all future domestic subsidiaries of the Obligors (subject to certain exceptions).

Borrowings under the Second Amended Revolving Credit Facility bear interest at either (1) Adjusted LIBOR (based on the British Bankers Association per annum LIBOR Rate for an interest period selected by the Borrowers) plus an applicable margin or (2) a base rate (based on the highest of (a) the Federal Funds Rate plus 0.5%, (b) the Bank of America prime rate, and (c) Adjusted LIBOR based on an interest period of one month plus 1.0%) plus the applicable margin. The applicable margin is based upon the excess availability under the Second Amended Revolving Credit Facility. The Borrowers are required to pay an unused line fee to the lenders for unused commitments at a rate of 0.375% to 0.50% per annum, based upon the unused portion of the total commitment under the Second Amended Revolving Credit Facility.

The Second Amended Revolving Credit Facility is secured by a first priority security position on substantially all of the current and future assets of the Borrowers and the other Obligors, including, but not limited to, inventory, general intangibles, trademarks, equipment, certain real estate and proceeds from any of the foregoing, subject to certain exceptions and permitted liens.

The financial covenant contained in the Second Amended Revolving Credit Facility requires that the minimum excess availability be an amount greater than or equal to the greater of (1) 10% of the lesser of: (a) the aggregate commitments at such time and (b) the aggregate borrowing base at such time and (2) $50.0 million. The affirmative covenants include requirements that the Obligors and their subsidiaries provide the lenders with certain financial statements, forecasts and other reports, borrowing base certificates and notices; comply with various federal, state and local rules and regulations, their organizational documents and their material contracts; maintain their properties; and take certain actions with respect to any future subsidiaries. In addition, there are certain limitations on the Obligors and their subsidiaries, including limitations on any debt the Obligors may have in addition to the existing debt, and the terms of that debt; acquisitions, joint ventures and investments; mergers and consolidations; dispositions of property; dividends by the Obligors or their subsidiaries (dividends paid may not exceed $10.0 million in any year or $30.0 million during the term of the agreement; however, additional dividends may be paid subject to meeting other requirements); transactions with affiliates; changes in the business or corporate structure of the Obligors or their subsidiaries; prepaying,

redeeming or repurchasing certain debt; changes in accounting policies or reporting practices, unless required by GAAP; and speculative transactions. The Second Amended Revolving Credit Facility also provides that it is a condition precedent to borrowing that no event has occurred that could reasonably be expected to have a material adverse effect, as defined in the agreement, on the Company. If we fail to comply with the financial covenant or the other restrictions contained in the Second Amended Revolving Credit Facility, mortgage loan facility or the indentures that govern our Senior Notes, an event of default would occur. An event of default could result in the acceleration of our debt due to the cross-default provisions within the debt agreements. The borrowing base calculation under the Second Amended Revolving Credit Facility contains an inventory advance rate subject to periodic review at the lenders' discretion.

As of February 2, 2013, we had borrowings under the Second Amended Revolving Credit Facility of $154.3 million, with $517.6 million of borrowing availability (before taking into account the minimum borrowing availability covenant) and letter-of-credit commitments of $3.1 million. Our average and peak month-end borrowings under the Second Amended Revolving Credit Facility were $170.2 million and $317.3 million, respectively, in 2012.

As of February 2, 2013, our long-term debt included $464.0 million aggregate principal amount of our Senior Notes; this balance is not reflective of the redemption of $65.0 million of Old Notes completed in February 2013. We may from time to time seek to redeem or repurchase additional outstanding Senior Notes. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Aside from planned capital expenditures, our primary cash requirements will be to service debt and finance working capital increases during peak selling seasons.

We paid a quarterly cash dividend of $0.05 per share on shares of Class A common stock and common stock on February 1, 2012, May 1, 2012, August 1, 2012, November 1, 2012 and December 21, 2012 to shareholders of record as of January 13, 2012, April 13, 2012, July 13, 2012, October 15, 2012 and December 14, 2012, respectively. Additionally, a quarterly cash dividend of $0.05 per share was declared on March 19, 2013, payable May 6, 2013 to shareholders of record as of April 19, 2013. Our Board of Directors may consider dividends in subsequent periods as it deems appropriate.

Contractual Obligations and Commitments

The following tables reflect our contractual obligations and commitments as of February 2, 2013:

Contractual Obligations

	Payment due by period				
(Dollars in thousands)	**Total**	**Within 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**After 5 Years**
Long-term debt(1)(2)(3)	$1,066,898	$134,524	$112,148	$820,226	$ —
Capital leases(1)	82,529	8,031	15,123	15,000	44,375
Service agreements	61,108	18,306	28,186	14,616	—
Operating leases(4)	705,124	91,573	165,160	140,580	307,811
Private Brand agreements	21,643	12,151	8,503	989	—
Totals	$1,937,302	$264,585	$329,120	$991,411	$352,186

(1) Includes interest, except for interest under long-term debt obligations where such interest is calculated on a variable basis.

(2) At February 2, 2013, $134.0 million of our Old Notes was outstanding. On January 23, 2013, we issued a notice of partial redemption for $65.0 million of these notes; the transaction was completed on February 22, 2013 through additional borrowings on the Second Amended Revolving Credit Facility. As a result, debt within the "3-5 Years" category includes $65.0 million of the Old Notes. Debt within the "Within 1 Year" category includes $69.0 million of the Old Notes plus related interest as we expect to pay this obligation in 2013.

(3) The Second Amended Revolving Credit Facility expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of the Old Notes and the mortgage loan facility. Since the Old Notes have either been redeemed or are expected to be paid in 2013 (see Note 2 above), the expected maturity of the Second Amended Revolving Credit Facility is in 2016 and therefore is reflected in the "3-5 Years" category.

(4) Represents future minimum lease payments for noncancelable operating leases, including renewals determined to be reasonably assured. Future minimum lease payments have not been reduced for sublease income.

In addition, we expect to make cash contributions to our supplementary pension plans and the postretirement medical and life insurance benefit plan in the amount of $1.5 million, $1.3 million, $1.2 million, $1.1 million and $1.0 million in 2013, 2014, 2015, 2016 and 2017, respectively, and $3.6 million in the aggregate for the five years thereafter.

In 2013, we expect to make a $14.5 million contribution to the qualified defined benefit pension plan. We presently do not anticipate making an additional contribution to the qualified defined benefit pension plan in 2013, but we may choose to do so in our discretion.

Note 9 in the Notes to Consolidated Financial Statements provides a more complete description of our benefit plans.

Commitments

	Amount of expiration per period				
(Dollars in thousands)	**Total**	**Within 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**After 5 Years**
Documentary letters of credit	$ 303	$ 303	$—	$—	$—
Standby letters of credit	2,750	2,750	—	—	—
Surety bonds	500	500	—	—	—
Totals	$3,553	$3,553	$—	$—	$—

Documentary letters of credit are primarily issued to support the purchasing of merchandise, which includes our private brand goods. Standby letters of credit are primarily issued as collateral for obligations related to general liability and workers' compensation insurance and other general corporate purposes. Surety bonds are for potential obligations related to workers' compensation.

In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise up to 12 months in advance of expected delivery. These purchase orders do not contain any significant termination payments or other penalties if cancelled.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon the Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. Preparation of these financial statements required us to make estimates and judgments that affected reported amounts of assets and liabilities, revenues and expenses, and

related disclosure of contingent assets and liabilities at the date of our financial statements. On an ongoing basis, we evaluate our estimates, including those related to merchandise returns, the valuation of inventories, long-lived assets, intangible assets, insurance reserves, contingencies, litigation and assumptions used in the calculation of income taxes and retirement and other post-employment benefits, among others. We base our estimates on historical experience and on various other assumptions that we believe 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. We believe our critical accounting policies are as described below. For a discussion of the application of these and other accounting policies, see the Notes to Consolidated Financial Statements.

Inventory Valuation

Inventories are stated at the lower of cost or market as determined by the retail inventory method. Under the retail inventory method, the valuation of inventories and the 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 and the 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 include different rates of gross profit, such as those relating to seasonal merchandise. In addition, failure to take timely permanent markdowns can result in an overstatement of inventory under the lower of cost or market principle. We believe the retail inventory method we use provides an inventory valuation that results in carrying inventory in the aggregate at the lower of cost or market.

Factors considered in the determination of permanent markdowns include inventory obsolescence, excess inventories, current and anticipated demand, age of the merchandise, customer preferences and fashion trends. 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. If our inventory is determined to be overvalued in the future, we would be required to recognize such costs in costs of goods sold and reduce operating income at the time of such determination. Therefore, although every effort is made to ensure the accuracy of forecasts of merchandise demand, any significant unanticipated changes in demand or in economic conditions within our markets could have a significant impact on the value of our inventory and reported operating results.

As of February 2, 2013 and January 28, 2012, approximately 32% of the Company's merchandise inventories were valued using a first-in, first-out ("FIFO") cost basis and approximately 68% of merchandise inventories were valued using a last-in, first-out ("LIFO") cost basis. There was no effect on costs of merchandise sold for LIFO valuations in 2012, 2011 and 2010. If the FIFO method of inventory valuation had been used for all inventories, the Company's merchandise inventories would

have been lower by $6.8 million at February 2, 2013 and January 28, 2012 due to the Company having recognized prior years' cost increases associated with its LIFO calculations. The Company's LIFO calculations yielded inventory increases due to deflation reflected in price indices used. The LIFO method values merchandise sold at the cost of more recent inventory purchases (which the deflationary indices indicated 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 has reduced the carrying value of its LIFO inventories to an estimated realizable value, with reductions of $38.9 million to offset the $45.7 million cumulative inventory increases generated by its computation of LIFO inventory as of February 2, 2013 and with reductions of $37.2 million to offset the $44.0 million cumulative inventory increases generated by its computation of LIFO inventory as of January 28, 2012.

Vendor Allowances

As is standard industry practice, allowances from merchandise vendors are received as reimbursement for charges incurred on marked-down merchandise. Vendor allowances are recorded when determined to be collectable. Allowances are credited to costs of goods sold, provided the allowance is: (1) for merchandise permanently marked down or sold, (2) not predicated on a future purchase, and (3) not predicated on a future increase in the purchase price from the vendor. If the aforementioned criteria are not met, the allowances are recorded as an adjustment to the cost of merchandise capitalized in inventory and reflected as a reduction of costs of merchandise sold when the related merchandise is sold.

Additionally, allowances are received from vendors in connection with cooperative advertising programs and for reimbursement of certain payroll expenses. To the extent the reimbursements are for specific, incremental and identifiable advertising or payroll costs incurred to sell the vendor's products and do not exceed the costs incurred, they are recognized as a reduction of SG&A expense. If the aforementioned criteria are not met, the allowances are recorded as an adjustment to the cost of merchandise capitalized in inventory and reflected as a reduction of costs of merchandise sold when the related merchandise is sold.

Income Taxes

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. In addition, we are required to assess whether valuation allowances should be established against our deferred tax assets based on consideration of all available evidence using a "more likely than not" standard. To the extent a valuation allowance is established in a period, an expense must generally be recorded within the income tax provision in the statement of operations.

We reported net deferred tax liabilities of $5.2 million and $3.8 million at February 2, 2013 and January 28, 2012, respectively. In assessing the realizability of our deferred tax assets, we considered whether it is more likely than not that our deferred tax assets will be realized based upon all available evidence, including scheduled reversal of deferred tax liabilities, historical operating results, projected future operating results, tax carry-back availability and limitations pursuant to Section 382 of the Internal Revenue Code, among others. Significant weight is given to evidence that can be objectively verified. As a result, current or previous losses are given more weight than any projected future taxable income. In addition, a recent three-year historical cumulative loss is considered a significant element of negative evidence that is difficult to overcome.

We evaluate our deferred tax assets each reporting period, including assessment of the Company's cumulative income or loss over the prior three-year period, to determine if valuation allowances are required. With respect to our reviews during 2010, 2011 and 2012, our three-year historical cumulative loss and the continuation of uncertain near-term economic conditions impeded our ability to rely on our projections of future taxable income in assessing valuation allowance requirements. As such, we concluded it was necessary to continue to maintain a full valuation allowance on our net deferred tax assets.

Our deferred tax asset valuation allowance totaled $152.7 million and $147.1 million at February 2, 2013 and January 28, 2012, respectively. If actual results differ from these estimates or these estimates are adjusted in future periods, the valuation allowance may need to be adjusted, which could materially impact our financial position and results of operations. If sufficient positive evidence arises in the future indicating that all or a portion of the deferred tax assets meet the more likely than not standard for realization, the valuation allowance would be reduced accordingly in the period that such a conclusion is reached.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Interpretations and guidance surrounding income tax laws and regulations change over time, and changes to our assumptions and judgments could materially impact our financial position and results of operations.

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 our business model or capital strategy can result in the actual useful lives differing from estimates. In cases where we determined the useful life of property, fixtures and equipment should be shortened, we depreciated the net book value in excess of the salvage value over the 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. Our net property, fixtures and equipment amounted to $652.8 million and $677.1 million at February 2, 2013 and January 28, 2012, respectively.

We are required to test a long-lived asset for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Factors that could trigger an impairment review include the following:

- Significant underperformance of stores relative to historical or projected future operating results,
- Significant changes in the manner of our use of assets or overall business strategy, and
- Significant negative industry or economic trends for a sustained period.

If the undiscounted cash flows associated with the asset are insufficient to support the recorded asset, an impairment loss is recognized for the amount (if any) by which the carrying amount of the asset exceeds the fair value of the asset. Cash flow estimates are based on historical results, adjusted to reflect our best estimate of future market and operating conditions. Estimates of fair value are determined through various techniques, including discounted cash flow models utilizing a discount rate the Company believes is appropriate and would be used by market participants and market approaches using data that includes recent sales of comparable properties with similar characteristics, as considered necessary. Should cash flow estimates differ significantly from actual results, an impairment could arise and materially impact our financial position and results of operations. Given the seasonality of operations, impairment is not conclusive, in many cases, until after the holiday period in the fourth quarter is concluded.

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 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 conditions prove to be substantially different from expectations, the carrying value of new stores' long-lived assets may ultimately become impaired.

We evaluated the recoverability of our long-lived assets and, as a result, in 2012 we recognized impairment charges of $5.1 million which resulted in a reduction in the carrying amount of certain marginally performing store properties. In 2011 and 2010 we recognized asset impairment charges of $1.1 million and $1.7 million, respectively, which resulted in a reduction in the carrying amount of certain store and distribution center properties. These analyses anticipate certain economic conditions. Should economic conditions be worse than anticipated, additional impairment charges could result.

Intangible Assets

Net intangible assets totaled $110.6 million and $119.2 million at February 2, 2013 and January 28, 2012, respectively. Our intangible assets at February 2, 2013 are principally comprised of $51.7 million of lease interests that relate to below-market-rate leases and $58.8 million associated with trade names, private label brand names and customer lists. The lease-related interests are being amortized using a straight-line method. The customer lists are being amortized using a declining-balance method. At February 2, 2013, lease-related interests and customer lists had average remaining lives of 12 years and six years, respectively, for amortization purposes. At February 2, 2013, trade names and private label brand names of $50.7 million have been deemed as having indefinite lives.

Intangible assets subject to amortization are reviewed for impairment. Fair value is determined using a discounted cash flow analysis, which requires certain assumptions and estimates regarding industry economic factors, and utilizes a discount rate the Company believes is appropriate and would be used by market participants.

Intangible assets not subject to amortization are reviewed for impairment at the reporting unit level at least annually or when events or changes in circumstances indicate it is more likely than not that the carrying value of these assets exceeds their implied fair values. In determining fair value for these intangible assets, the Company utilizes a relief from royalty method to determine the assets' fair value. The relief from royalty method estimates the theoretical royalty savings from ownership of these intangible assets. Key assumptions include royalty rates, sales projections and discount rates. The Company utilizes royalty and discount rates it believes are appropriate and would be used by market participants.

The Company's policy is to conduct impairment testing based on its most current business plans, which reflect anticipated changes in the economy and the industry.

In 2012, we recorded an asset impairment charge of $0.8 million related to a reduction in the value of three indefinite-lived private label brand names. As a result of the decline in our business performance in 2011, we recognized asset impairment charges of $2.4 million and $0.2 million on three indefinite-lived trade names and one private label brand name, respectively. No adjustment was required pursuant to our review of the carrying amount of intangible assets in 2010.

Should significant changes in the manner of our use of assets or overall business strategy, future results or economic events cause us to adjust our projected cash flows, future estimates of fair value may not support the carrying amount of these assets. If actual results prove inconsistent with our assumptions and judgments, we could be exposed to a material impairment charge.

Insurance Reserve Estimates

We use a combination of insurance and self-insurance for a number of risks, including workers' compensation, general liability and employee-related health care benefits, a portion of which is paid by

our associates. We determine the estimates for the liabilities associated with these risks by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. A change in claims frequency and severity of claims from historical experience as well as changes in state statutes and the mix of states in which we operate could result in a change to the required reserve levels.

Pension and Supplementary Retirement Plans

We provide an unfunded non-qualified defined benefit supplementary pension plan to certain key executives. Through acquisitions, we acquired a qualified defined benefit pension plan and assumed the liabilities of non-qualified defined benefit supplementary pension plans and a postretirement benefit plan. Major assumptions used in accounting for these plans include the discount rate and the expected long-term rate of return on the defined benefit plan's assets.

The discount rate assumption is evaluated annually. We utilize the Citibank Pension Discount Curve to develop the discount rate assumption. A single constant discount rate is developed based on the expected timing of the benefit payments.

We base our asset return assumption on current and expected allocations of assets, as well as a long-term view of expected returns on the plan asset categories. We assess the appropriateness of the expected rate of return on an annual basis and, when necessary, revise the assumption. At February 2, 2013, our target pension plan asset allocation was 57% equity securities, 33% fixed income and 10% hedge funds.

Changes in the assumptions regarding the discount rate and expected return on plan assets may result in materially different expense and liability amounts. Actuarial estimations may differ materially from actual results, reflecting many factors including changing market and economic conditions, changes in investment strategies, higher or lower withdrawal rates and longer or shorter life-spans of participants. In addition, the funded status of this plan and the related cost reflected in our financial statements are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Losses of asset values of the defined benefit pension plan may require us to fund obligations earlier than we forecasted in order to meet minimum federal government requirements, which would have a negative impact on cash flows from operations.

Recently Issued Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. ASU 2013-02 is effective for interim and annual periods for fiscal years beginning after December 15, 2012. We do not expect the adoption of ASU 2013-02 to have an impact on our consolidated financial position, results of operations or cash flows as it requires only a change in the format of presentation.

In July 2012, ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* ("ASU 2012-02"), was issued, amending FASB Accounting Standards Codification Topic 350 ("ASC 350") to simplify the impairment testing of indefinite-lived intangible assets by allowing an entity to make a qualitative impairment assessment. Entities are required to test indefinite-lived intangible assets for impairment at least annually and more frequently if indicators of impairment exist. The addition of the optional qualitative assessment permits an entity to consider events and circumstances

that could affect the fair value of the indefinite-lived intangible asset and if the entity concludes, based on an evaluation of all relevant qualitative factors, that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, it will not be required to perform the quantitative impairment test for that asset. The amendments to ASC 350 made by ASU 2012-02 are effective for interim and annual periods for fiscal years beginning after September 15, 2012. We do not expect the adoption of ASU 2012-02 to have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk and Financial Instruments

We are exposed to market risk associated with changes in interest rates. To provide some protection against potential rate increases associated with our variable-rate borrowing facilities, we have previously entered into, and may in the future enter into, interest rate swap agreements to change the fixed/variable interest rate mix of our debt portfolio in order to maintain an appropriate balance of fixed-rate and variable-rate debt and to mitigate the impact of volatile interest rates. We have not entered into new interest rate swap agreements since the expiration of our prior interest rate swaps on July 14, 2011. During 2012 and 2011, we did not enter into or hold derivative financial instruments for trading purposes.

The following table presents principal cash flows and related weighted average interest rates by expected maturity dates at February 2, 2013:

	Expected Maturity Date By Year							
(Dollars in thousands)	**2013**	**2014**	**2015**	**2016**	**2017**	**There-After**	**Total**	**Fair Value**
Debt:								
Fixed-rate debt(1)	$75,886	$7,366	$7,862	$204,303	$329,998	$—	$625,415	$627,846
Average fixed rate	9.90%	6.40%	6.41%	6.22%	10.63%	—	8.99%	
Variable-rate debt(1)(2)	—	—	—	$219,335	—	$—	$219,335	$219,254
Average variable rate	—	—	—	2.93%	—	—	2.93%	

(1) At February 2, 2013, $134.0 million of our Old Notes was outstanding. On January 23, 2013, we issued a notice of partial redemption for $65.0 million of these notes; the transaction was completed on February 22, 2013 through additional borrowings on the Second Amended Revolving Credit Facility. As a result, variable-rate debt includes $65.0 million of the Old Notes. Fixed-rate debt expected to mature in 2013 includes $69.0 million of the Old Notes as we expect to pay this obligation in 2013.

(2) Variable-rate debt includes the Second Amended Revolving Credit Facility that expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of the Old Notes and the mortgage loan facility. Since the Old Notes have either been redeemed or are expected to be paid in 2013 (see Note 1 above), the expected maturity of the Second Amended Revolving Credit Facility is in 2016.

Seasonality and Inflation

Our 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 holiday season. See Note 18 in the Notes to Consolidated Financial Statements for the Company's quarterly results for 2012 and 2011. Due to the fixed nature of certain costs, SG&A expense is typically higher as a percentage of net sales during the first half of each year. Working capital requirements fluctuate during the year as well and generally reach their highest levels during the third and fourth quarters.

Because of the seasonality of our business, results for any quarter are not necessarily indicative of results that may be achieved for a full 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 the closing and remodeling of existing stores.

We do not believe inflation has had a material effect on operating results during the past three years. While we experienced some inflationary conditions in our merchandise and transportation costs in the spring season of 2012 and throughout 2011, we are anticipating merchandise cost decreases of approximately eight percent in the spring season of 2013 from spring 2012 levels, and merchandise costs ranging from flat to decreases of approximately six percent in fall 2013 from fall 2012.

Item 8. Consolidated Financial Statements and Supplementary Data

Information called for by this item is set forth in the Consolidated Financial Statements and Financial Statement Schedule 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

None.

Item 9A. Controls and Procedures

Attached as exhibits to this Form 10-K are certifications of the Company's Chief Executive Officer and Chief Financial Officer, which are required by Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications. This section should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report and, based on this evaluation, concluded that our disclosure controls and procedures are effective.

Management Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Management assessed the Company's internal control over financial reporting as of February 2, 2013, the end of its 2012 fiscal year. Management based its assessment on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and the Company's overall control environment.

Based on its assessment, management has concluded that the Company's internal control over financial reporting was effective as of the end of the 2012 fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. The results of management's assessment were reviewed with the Audit Committee of the Company's Board of Directors.

KPMG LLP independently assessed the effectiveness of the Company's internal control over financial reporting. KPMG LLP has issued an attestation report, which is included below.

Report of Independent Registered Public Accounting Firm

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

We have audited The Bon-Ton Stores, Inc.'s internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bon-Ton Stores, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject

to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Bon-Ton Stores, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Bon-Ton Stores, Inc. and subsidiaries as of February 2, 2013 and January 28, 2012, and the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended February 2, 2013, and the related financial statement schedule, and our report dated April 17, 2013 expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule.

/s/ KPMG LLP

Harrisburg, Pennsylvania
April 17, 2013

Inherent Limitations on Effectiveness of Controls

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements because of error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting

There were no changes to the Company's internal control over financial reporting that occurred during the fourteen weeks ended February 2, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

As part of our system of corporate governance, our Board of Directors has adopted a Code of Ethical Standards and Business Practices applicable to all directors, officers and associates. This Code is available on our website at www.bonton.com.

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 is incorporated by reference to the sections entitled "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance and Board of Directors Information" of the Proxy Statement.

Item 11. Executive Compensation

The information called for by this Item is incorporated by reference to the section entitled "Executive Compensation" of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this Item is incorporated by reference to the sections entitled "Security Ownership of Directors and Executive Officers" and "Equity Compensation Plan Information" of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this Item is incorporated by reference to the sections entitled "Related Party Transactions" and "Director Independence" of the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information called for by this Item is incorporated by reference to the section entitled "Fees Paid to KPMG" of the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(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. Financial Statement Schedule—See the Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1.

(b) The following are exhibits to this Form 10-K. If the exhibits are incorporated by reference, we have indicated the document previously filed with the SEC in which the exhibit was included.

Exhibit No.		Description	Document Location
3.1		Articles of Incorporation	Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended July 30, 2011
3.2		Bylaws	Exhibit 3.2 to Form 8-B, File No. 0-19517 ("Form 8-B")
4.1	(a)	Indenture with The Bank of New York	Exhibit 4.1 to the Current Report on Form 8-K filed on March 10, 2006 ("3/10/06 Form 8-K")
	(b)	Supplemental Indenture dated as of July 9, 2012, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and The Bank of New York, as trustee	Exhibit 4.3 to the Current Report on Form 8-K filed on July 13, 2012 ("7/13/12 Form 8-K")
	(c)	Second Supplemental Indenture dated as of January 9, 2013, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and The Bank of New York Mellon, as trustee	Exhibit 4.1 to the Current Report on Form 8-K filed on January 9, 2013 ("1/9/13 Form 8-K")
	(d)	Third Supplemental Indenture dated as of January 31, 2013, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and The Bank of New York Mellon, as trustee	Exhibit 4.1 to the Current Report on Form 8-K filed on February 5, 2013 ("2/5/13 Form 8-K")
	(e)	Fourth Supplemental Indenture dated as of February 2, 2013, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and The Bank of New York Mellon, as trustee	Exhibit 4.6 to the 2/5/13 Form 8-K
4.2	(a)	Indenture dated as of July 9, 2012, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as trustee	Exhibit 4.1 to the 7/13/12 Form 8-K

Exhibit No.		Description	Document Location
	(b)	Registration Rights Agreement dated as of July 9, 2012, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as dealer manager	Exhibit 4.2 to the 7/13/12 Form 8-K
	(c)	Supplemental Indenture dated as of January 9, 2013, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as trustee	Exhibit 4.2 to the 1/9/13 Form 8-K
	(d)	Second Supplemental Indenture dated as of January 31, 2013, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as trustee	Exhibit 4.2 to the 2/5/13 Form 8-K
	(e)	Third Indenture dated as of February 2, 2013, among The Bon-Ton Department Stores, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as trustee	Exhibit 4.7 to the 2/5/13 Form 8-K
10.1		Shareholders' Agreement among The Bon-Ton Stores, Inc. 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 Byron L. Bergren	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended July 31, 2004
	(b)	Amendment No. 1 to Employment Agreement with Byron L. Bergren	Exhibit 10.5(b) to the Annual Report on Form 10-K for the fiscal year ended January 29, 2005
	(c)	Amendment No. 2 to Employment Agreement with Byron L. Bergren	Exhibit 99.1 to the Current Report on Form 8-K filed on May 26, 2006
	(d)	Amendment No. 3 to Employment Agreement with Byron L. Bergren	Exhibit 10.1 to the Current Report on Form 8-K filed on July 19, 2007
	(e)	Amendment No. 4 to Employment Agreement with Byron L. Bergren	Exhibit 10.1 to the Current Report on Form 8-K filed on March 20, 2009
	(f)	Amendment No. 5 to Employment Agreement with Byron L. Bergren	Exhibit 10.1 to the Current Report on Form 8-K filed on January 25, 2011
	(g)	Amendment No. 6 to Employment Agreement with Byron L. Bergren	Exhibit 10.1 to the Current Report on Form 8-K filed on November 15, 2011
10.3*	(a)	Restricted Stock Unit Agreement with Byron L. Bergren	Exhibit 10.2 to the Current Report on Form 8-K filed on June 26, 2006

Exhibit No.		Description	Document Location
	(b)	Restricted Stock Agreement with Byron L. Bergren	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2007 ("8/4/07 Form 10-Q")
	(c)	Restricted Stock Agreement with Byron L. Bergren	Exhibit 10.3 to the 8/4/07 Form 10-Q
	(d)	Restricted Stock Agreement with Byron L. Bergren	Exhibit 10.1 to the Current Report on Form 8-K filed on March 27, 2008
	(e)	Restricted Stock Agreement with Byron L. Bergren	Exhibit 10.5(e) to the Annual Report on Form 10-K for the fiscal year ended January 31, 2009 ("2008 Form 10-K")
	(f)	Restricted Stock Agreement with Byron L. Bergren	Exhibit 10.5(f) to the 2008 Form 10-K
10.4*	(a)	Employment Agreement with Anthony Buccina	Exhibit 10.1 to the Current Report on Form 8-K filed on January 28, 2009 ("1/28/09 Form 8-K")
	(b)	Amendment No. 1 to Employment Agreement with Anthony Buccina	Exhibit 10.1 to the Current Report on Form 8-K filed on April 15, 2011
	(c)	Employment Agreement with Anthony Buccina	Exhibit 10.1 to the Current Report on Form 8-K filed on April 30, 2012
	(d)	Restricted Stock Agreement with Anthony Buccina	Exhibit 10.2 to the 1/28/09 Form 8-K
	(e)	Restricted Stock Agreement—Performance Shares with Anthony Buccina	Exhibit 10.3 to the 1/28/09 Form 8-K
10.5*	(a)	Employment Agreement with Stephen Byers	Exhibit 10.4 to the 1/28/09 Form 8-K
	(b)	Employment Agreement with Stephen Byers	Exhibit 10.1 to the Current Report on Form 8-K filed on May 4, 2011
	(c)	Amendment to Employment Agreement with Stephen Byers	Exhibit 10.1 to the Current Report on Form 8-K filed on August 21, 2012 ("8/21/12 Form 8-K")
	(d)	Restricted Stock Agreement with Stephen Byers	Exhibit 10.5 to the 1/28/09 Form 8-K
	(e)	Restricted Stock Agreement—Performance Shares with Stephen Byers	Exhibit 10.6 to the 1/28/09 Form 8-K
10.6*	(a)	Executive Transition Agreement with M. Thomas Grumbacher	Exhibit 10.1 to the Current Report on Form 8-K filed on March 11, 2005
	(b)	Amendment to Executive Transition Agreement with M. Thomas Grumbacher	Exhibit 10.1 to the Current Report on Form 8-K filed on December 10, 2007

Exhibit No.		Description	Document Location
	(c)	Amendment No. 2 to Executive Transition Agreement with M. Thomas Grumbacher	Exhibit 10.1 to the Current Report on Form 8-K filed on February 1, 2010
	(d)	Amendment No. 3 to Executive Transition Agreement with M. Thomas Grumbacher	Exhibit 10.1 to the Current Report on Form 8-K filed on December 21, 2010
10.7*	(a)	Employment Agreement with Brendan L. Hoffman	Exhibit 10.1 to the Current Report on Form 8-K filed on January 25, 2012 ("1/25/12 Form 8-K")
	(b)	Restricted Stock Agreement with Brendan L. Hoffman	Exhibit 10.2 to the 1/25/12 Form 8-K
	(c)	Restricted Stock Agreement— Performance Shares with Brendan L. Hoffman	Exhibit 10.3 to the 1/25/12 Form 8-K
10.8*	(a)	Employment Agreement with Barbara J. Schrantz	Exhibit 10.7(a) to the Annual Report on Form 10-K for the fiscal year ended January 29, 2011 ("2010 Form 10-K")
	(b)	Amendment to Employment Agreement with Barbara J. Schrantz	Exhibit 10.2 to the 8/21/12 Form 8-K
	(c)	Separation Agreement with Barbara J. Schrantz	Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended October 27, 2012
	(d)	Restricted Stock Agreement with Barbara J. Schrantz	Exhibit 10.7(b) to the 2010 Form 10-K
10.9*		Form of severance agreement with certain executive officers	Exhibit 10.14 to Form 8-B
10.10*	(a)	Supplemental Executive Retirement Plan	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2001
	(b)	Amendment No. 1 to Supplemental Executive Retirement Plan	Exhibit 10.8(b) to the Annual Report on Form 10-K for the fiscal year ended January 30, 2010 ("2009 Form 10-K")
10.11*	(a)	2009 Omnibus Incentive Plan	Appendix A to Other Definitive Proxy Statements on Form DEF 14A filed on May 4, 2009
	(b)	Amendment No. 1 to 2009 Omnibus Incentive Plan	Exhibit 10.1 to the Current Report on Form 8-K filed on November 24, 2010 ("11/24/10 Form 8-K")
	(c)	Form of Restricted Stock Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on April 16, 2010 ("4/16/10 Form 8-K")

Exhibit No.		Description	Document Location
	(d)	Form of Restricted Stock Agreement—Performance Shares	Exhibit 10.2 to the 11/24/10 Form 8-K
	(e)	Form of Restricted Stock Unit Agreement	Exhibit 10.3 to the 4/16/10 Form 8-K
	(f)	Form of Non-Qualified Stock Option Agreement	Exhibit 10.4 to the 4/16/10 Form 8-K
10.12*	(a)	Amended and Restated Cash Bonus Plan	Appendix A to Other Definitive Proxy Statements on Form DEF 14A filed on May 4, 2007
	(b)	Amendment to Cash Bonus Plan	Exhibit 10.3 to the 11/24/10 Form 8-K
10.13*		The Bon-Ton Stores, Inc. Deferred Compensation Plan	Exhibit 10.14 to the Annual Report on Form 10-K for the fiscal year ended February 3, 2007 (“2006 Form 10-K”)
10.14*		The Bon-Ton Stores, Inc. Severance Pay Plan	Exhibit 10.1 to the Current Report on Form 8-K filed on August 28, 2006
10.15*		The Bon-Ton Stores, Inc. Change of Control and Material Transaction Severance Plan for Certain Employees of Acquired Employers	Exhibit 10.16 to the 2006 Form 10-K
10.16		Registration Rights Agreement between The Bon-Ton Stores, Inc. and Tim Grumbacher	Exhibit 99.3 to the Current Report on Form 8-K filed on November 7, 2003
10.17	(a)	Sublease of Oil City, Pennsylvania store between The Bon-Ton Stores, Inc. and Nancy T. Grumbacher, Trustee	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
10.18	(a)	Credit Card Program Agreement between The Bon-Ton Stores, Inc. and HSBC Bank Nevada, N.A.	Exhibit 10.3 to the Current Report on Form 8-K filed on June 23, 2005
	(b)	First Amendment to the Credit Card Program Agreement	Exhibit 10.5 to the 3/10/06 Form 8-K
	(c)	Second Amendment to the Credit Card Program Agreement	Exhibit 10.22(c) to the 2006 Form 10-K
	(d)	Third Amendment to the Credit Card Program Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on August 10, 2009
	(e)	Fourth Amendment to the Credit Card Program Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on August 4, 2010

Exhibit No.		Description	Document Location
	(f)	Fifth Amendment to the Credit Card Program Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on September 7, 2010
	(g)	Sixth Amendment to the Credit Card Program Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on February 3, 2011**
	(h)	Seventh Amendment to the Credit Card Program Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on June 19, 2012
	(i)	Exhibits and Schedules to the Credit Card Program Agreement	Exhibit 10.17(e) to the 2009 Form 10-K**
10.19		Credit Card Program Agreement between The Bon-Ton Stores, Inc. and World Financial Network Bank	Exhibit 10.1 to the Current Report on Form 8-K filed on December 22, 2011**
10.20		Registration Rights Agreement between The Bon-Ton Department Stores, Inc., The Bon-Ton Stores, Inc., other guarantors listed on Schedule I of the Agreement, Banc of America Securities LLC and Citigroup Global Markets Inc.	Exhibit 10.1 to the 3/10/06 Form 8-K
10.21	(a)	Loan and Security Agreement among Bank of America, N.A., The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp., Carson Pirie Scott, Inc. (f/k/a Parisian, Inc.), Herberger's Department Stores, LLC and the other credit parties and lender parties thereto	Exhibit 10.2 to the 3/10/06 Form 8-K
	(b)	Amendment No. 1 to Loan and Security Agreement among Bank of America, N.A., The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp., Carson Pirie Scott, Inc. (f/k/a Parisian, Inc.), Herberger's Department Stores, LLC and the other credit parties and lender parties thereto	Exhibit 10.24(b) to the Annual Report on Form 10-K for the fiscal year ended February 2, 2008
	(c)	Amendment No. 2 to Loan and Security Agreement among Bank of America, N.A., The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp., Carson Pirie Scott, Inc. (f/k/a Parisian, Inc.), Herberger's Department Stores, LLC and the other credit parties and lender parties thereto	Exhibit 10.3 to the Current Report on Form 8-K filed on November 24, 2009 ("11/24/09 Form 8-K")

Exhibit No.		Description	Document Location
	(d)	Amended and Restated Loan and Security Agreement among Bank of America, N.A., The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp. and the other credit parties and lender parties thereto	Exhibit 10.1 to the Current Report on Form 8-K filed on December 9, 2009
	(e)	Exhibits and Schedules to the Amended and Restated Loan and Security Agreement among Bank of America, N.A., The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp. and the other credit parties and lender parties thereto	Exhibit 10.19(e) to the 2009 Form 10-K**
	(f)	Second Amended and Restated Loan and Security Agreement among Bank of America, N.A., The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp. and the other credit parties and lender parties thereto	Exhibit 10.1 to the Current Report on Form 8-K filed on March 24, 2011
	(g)	First Amendment to Second Amended and Restated Loan and Security Agreement dated March 21, 2011	Exhibit 10.1 to the Current Report on Form 8-K filed on October 31, 2012
10.22	(a)	Loan Agreement between Bonstores Realty One, LLP and Bank of America, N.A.	Exhibit 10.3 to the 3/10/06 Form 8-K
	(b)	Exhibits and Schedules to Loan Agreement between Bonstores Realty One, LLP and Bank of America, N.A.	Exhibit 10.20(b) to the 2009 Form 10-K**
10.23	(a)	Loan Agreement between Bonstores Realty Two, LLP and Bank of America, N.A.	Exhibit 10.4 to the 3/10/06 Form 8-K
	(b)	Exhibits and Schedules to Loan Agreement between Bonstores Realty Two, LLP and Bank of America, N.A.	Exhibit 10.21(b) to the 2009 Form 10-K**
10.24*	(a)	Carson Pirie Scott & Co. Supplemental Executive Retirement Plan	Exhibit 10.29(a) to the 2006 Form 10-K
	(b)	First Amendment to the Carson Pirie Scott & Co. Supplemental Executive Retirement Plan	Exhibit 10.29(b) to the 2006 Form 10-K
10.25	(a)	Second Lien Loan and Security Agreement among Sankaty Advisors, LLC, The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp. and the other credit parties and lender parties thereto	Exhibit 10.1 to the 11/24/09 Form 8-K

Exhibit No.	Description	Document Location
(b)	Exhibits and Schedules to Second Lien Loan and Security Agreement among Sankaty Advisors, LLC, The Bon-Ton Department Stores, Inc., The Elder-Beerman Stores Corp. and the other credit parties and lender parties thereto	Exhibit 10.23(b) to the 2009 Form 10-K**
10.26	Intercreditor Agreement among Bank of America, N.A., Sankaty Advisors, LLC and the other Revolving Credit Lenders and Term Loan Lenders	Exhibit 10.2 to the 11/24/09 Form 8-K
10.27	Second Lien Security Agreement dated as of July 9, 2012, among The Bon-Ton Department Stores, Inc., the grantors named therein, and Wells Fargo Bank, National Association, as trustee and collateral agent	Exhibit 10.1 to the 7/13/12 Form 8-K
10.28	Intercreditor Agreement dated as of July 9, 2012, among Bank of America, N.A., as collateral agent under the credit agreement dated as of March 21, 2011, Wells Fargo Bank, National Association, as collateral agent and trustee under the indenture dated as of July 9, 2012, The Bon-Ton Stores, Inc., and the subsidiaries of The Bon-Ton Stores, Inc. named therein	Exhibit 10.2 to the 7/13/12 Form 8-K
10.29	Supplement No. 1 to the Second Lien Security Agreement dated as of January 31, 2013 by and among The Bon-Ton Department Stores, Inc., The Bon-Ton Giftco, LLC, and Wells Fargo Bank, National Association, as trustee and collateral agent	Exhibit 4.3 to the 2/5/13 Form 8-K
10.30	Omnibus Joinder Agreement to Loan Documents dated as of January 31, 2013 by and among The Bon-Ton Giftco, LLC, as new guarantor, The Bon-Ton Department Stores, Inc., as borrower agent, and Bank of America, N.A., as administrative agent and co-collateral agent	Exhibit 4.4 to the 2/5/13 Form 8-K
10.31	Guaranty dated as of January 31, 2013 by The Bon-Ton Giftco, LLC, as new guarantor, in favor of Bank of America, N.A., as agent, the lenders and the other secured parties	Exhibit 4.5 to the 2/5/13 Form 8-K

Exhibit No.	Description	Document Location
10.32	Supplement No. 2 to the Second Lien Security Agreement dated as of February 2, 2013 by and among The Bon-Ton Department Stores, Inc., Carson Pirie Scott II, Inc., and Wells Fargo Bank, National Association, as trustee and collateral agent	Exhibit 4.8 to the 2/5/13 Form 8-K
10.33	Joinder Agreement to Loan Agreement dated as of February 2, 2013 by and among Carson Pirie Scott II, Inc., as new borrower, The Bon-Ton Department Stores, Inc., as borrower agent, and Bank of America, N.A., as administrative agent and co-collateral agent	Exhibit 4.9 to the 2/5/13 Form 8-K
10.34	Guaranty dated as of February 2, 2013 by Carson Pirie Scott II, Inc., as new guarantor, in favor of Bank of America, N.A., as agent, the lenders and the other secured parties	Exhibit 4.10 to the 2/5/13 Form 8-K
21	Subsidiaries of the Registrant	Filed Herewith
23	Consent of KPMG LLP	Filed Herewith
31.1	Certification of Brendan L. Hoffman	Filed Herewith
31.2	Certification of Keith E. Plowman	Filed Herewith
32	Certifications Pursuant to Rules 13a-14(b) and 15d-14(b) of the Securities Exchange Act of 1934	Filed Herewith
101***	The following financial statements from The Bon-Ton Stores, Inc.'s Annual Report on Form 10-K for the year ended February 2, 2013, filed on April 17, 2013, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.	Furnished Herewith

* Constitutes a management contract or compensatory plan or arrangement.

** Portions of the document have been omitted pursuant to a request for confidential treatment.

*** As provided in Rule 406T of Regulation S-T, these interactive data files are deemed furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE BON-TON STORES, INC.

Dated: April 17, 2013

By: /s/ KEITH E. PLOWMAN

Keith E. Plowman
Executive Vice President, Chief Financial Officer and Principal Accounting Officer

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

Signature	Capacity	Date
/s/ TIM GRUMBACHER Tim Grumbacher	Chairman Emeritus and Strategic Initiatives Officer	April 17, 2013
/s/ BYRON L. BERGREN Byron L. Bergren	Chairman of the Board	April 17, 2013
/s/ BRENDAN L. HOFFMAN Brendan L. Hoffman	President and Chief Executive Officer and Director	April 17, 2013
/s/ KEITH E. PLOWMAN Keith E. Plowman	Executive Vice President, Chief Financial Officer and Principal Accounting Officer	April 17, 2013
/s/ LUCINDA M. BAIER Lucinda M. Baier	Director	April 17, 2013
/s/ PHILIP M. BROWNE Philip M. Browne	Director	April 17, 2013
/s/ MARSHA M. EVERTON Marsha M. Everton	Director	April 17, 2013

Signature	Capacity	Date
/s/ MICHAEL L. GLEIM Michael L. Gleim	Director	April 17, 2013
/s/ TODD C. MCCARTY Todd C. McCarty	Director	April 17, 2013
/s/ JEFFREY B. SHERMAN Jeffrey B. Sherman	Director	April 17, 2013

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Report of Independent Registered Public Accounting Firm F-2

Consolidated Balance Sheets F-3

Consolidated Statements of Operations F-4

Consolidated Statements of Comprehensive (Loss) Income F-5

Consolidated Statements of Shareholders' Equity F-6

Consolidated Statements of Cash Flows F-7

Notes to Consolidated Financial Statements F-8

Schedule II—Valuation and Qualifying Accounts F-60

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of The Bon-Ton Stores, Inc. and subsidiaries as of February 2, 2013 and January 28, 2012, and the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended February 2, 2013. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule, Valuation and Qualifying Accounts. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 consolidated 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, 2013 and January 28, 2012, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 2, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Bon-Ton Stores, Inc.'s internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 17, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Harrisburg, Pennsylvania
April 17, 2013

THE BON-TON STORES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	February 2, 2013	January 28, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 7,926	$ 14,272
Merchandise inventories	758,400	699,504
Prepaid expenses and other current assets	70,601	69,032
Total current assets	836,927	782,808
Property, fixtures and equipment at cost, net of accumulated depreciation and amortization of $804,559 and $743,312 at February 2, 2013 and January 28, 2012, respectively	652,822	677,133
Deferred income taxes	15,010	12,385
Intangible assets, net of accumulated amortization of $57,596 and $51,975 at February 2, 2013 and January 28, 2012, respectively	110,563	119,165
Other long-term assets	18,887	26,712
Total assets	$1,634,209	$1,618,203
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 193,898	$ 205,492
Accrued payroll and benefits	32,410	31,636
Accrued expenses	165,536	162,855
Current maturities of long-term debt	75,886	8,066
Current maturities of obligations under capital leases	3,925	4,365
Deferred income taxes	20,256	16,231
Income taxes payable	739	—
Total current liabilities	492,650	428,645
Long-term debt, less current maturities	768,864	814,271
Obligations under capital leases, less current maturities	52,478	56,677
Other long-term liabilities	209,611	187,003
Total liabilities	1,523,603	1,486,596
Commitments and contingencies (Note 13)		
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 shares of 17,491,277 and 17,081,376 at February 2, 2013 and January 28, 2012, respectively	175	171
Class A Common Stock—authorized 20,000,000 shares at $0.01 par value; issued and outstanding shares of 2,951,490 at February 2, 2013 and January 28, 2012	30	30
Treasury stock, at cost—337,800 shares at February 2, 2013 and January 28, 2012	(1,387)	(1,387)
Additional paid-in capital	158,728	155,400
Accumulated other comprehensive loss	(73,242)	(74,356)
Retained earnings	26,302	51,749
Total shareholders' equity	110,606	131,607
Total liabilities and shareholders' equity	$1,634,209	$1,618,203

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

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

(In thousands, except per share data)	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net sales	$2,919,411	$2,884,661	$2,980,479
Other income	59,425	68,869	66,006
	2,978,836	2,953,530	3,046,485
Costs and expenses:			
Costs of merchandise sold	1,873,890	1,847,369	1,860,182
Selling, general and administrative	936,175	936,060	942,660
Depreciation and amortization	88,276	95,033	102,202
Amortization of lease-related interests	4,696	4,747	4,555
Impairment charges	5,800	3,690	1,738
Income from operations	69,999	66,631	135,148
Interest expense, net	82,839	89,507	112,301
Loss (gain) on exchange/extinguishment of debt	8,485	(8,729)	—
(Loss) income before income taxes	(21,325)	(14,147)	22,847
Income tax provision (benefit)	228	(2,019)	1,353
Net (loss) income	$ (21,553)	$ (12,128)	$ 21,494
Per share amounts—			
Basic:			
Net (loss) income	$ (1.16)	$ (0.67)	$ 1.14
Diluted:			
Net (loss) income	$ (1.16)	$ (0.67)	$ 1.12

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

THE BON-TON STORES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net (loss) income	$(21,553)	$(12,128)	$21,494
Other comprehensive income (loss), net of tax:			
Pension and postretirement benefit plans	1,114	(35,839)	12,824
Cash flow derivatives	—	(2,019)	3,590
Other comprehensive income (loss)	1,114	(37,858)	16,414
Comprehensive (loss) income	$(20,439)	$(49,986)	$37,908

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

THE BON-TON STORES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share data)	Common Stock	Class A Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
BALANCE AT JANUARY 30, 2010	$159	$30	$(1,387)	$149,649	$(52,912)	$ 46,217	$141,756
Net income	—	—	—	—	—	21,494	21,494
Other comprehensive income	—	—	—	—	16,414	—	16,414
Restricted shares forfeited in lieu of payroll taxes	(4)	—	—	(4,103)	—	—	(4,107)
Share-based compensation expense	10	—	—	7,785	—	—	7,795
BALANCE AT JANUARY 29, 2011	165	30	(1,387)	153,331	(36,498)	67,711	183,352
Net loss	—	—	—	—	—	(12,128)	(12,128)
Other comprehensive loss	—	—	—	—	(37,858)	—	(37,858)
Dividends to shareholders, $0.20 per share	—	—	—	—	—	(3,834)	(3,834)
Restricted shares forfeited in lieu of payroll taxes	(2)	—	—	(3,582)	—	—	(3,584)
Proceeds from stock options exercised	1	—	—	397	—	—	398
Share-based compensation expense	7	—	—	5,254	—	—	5,261
BALANCE AT JANUARY 28, 2012	171	30	(1,387)	155,400	(74,356)	51,749	131,607
Net loss	—	—	—	—	—	(21,553)	(21,553)
Other comprehensive income	—	—	—	—	1,114	—	1,114
Dividends to shareholders, $0.20 per share	—	—	—	—	—	(3,894)	(3,894)
Restricted shares forfeited in lieu of payroll taxes	(2)	—	—	(1,658)	—	—	(1,660)
Proceeds from stock options exercised	1	—	—	537	—	—	538
Share-based compensation expense	5	—	—	4,449	—	—	4,454
BALANCE AT FEBRUARY 2, 2013	$175	$30	$(1,387)	$158,728	$(73,242)	$ 26,302	$110,606

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

THE BON-TON STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended February 2, 2013	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Cash flows from operating activities:			
Net (loss) income	$ (21,553)	$ (12,128)	$ 21,494
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	88,276	95,033	102,202
Amortization of lease-related interests	4,696	4,747	4,555
Impairment charges	5,800	3,690	1,738
Share-based compensation expense	4,454	5,261	7,795
Gain on sale of property, fixtures and equipment	(2,768)	(91)	(2,064)
Reclassifications of accumulated other comprehensive loss	6,384	3,216	7,470
Loss (gain) on exchange/extinguishment of debt	8,485	(8,729)	—
Amortization of deferred financing costs	6,610	8,690	9,323
Amortization of deferred gain on sale of proprietary credit card portfolio	(1,021)	(2,414)	(2,414)
Deferred income tax provision (benefit)	1,400	(2,500)	1,605
Changes in operating assets and liabilities:			
Increase in merchandise inventories	(58,896)	(17,180)	(22,926)
(Increase) decrease in prepaid expenses and other current assets	(1,569)	9,386	9,272
Decrease in other long-term assets	2,004	396	2,617
Increase in accounts payable	2,591	23,405	6,045
Increase (decrease) in accrued payroll and benefits and accrued expenses	9,035	(21,307)	(1,391)
Increase (decrease) in income taxes payable	739	(137)	137
Increase (decrease) in other long-term liabilities	18,603	10,459	(4,323)
Net cash provided by operating activities	73,270	99,797	141,135
Cash flows from investing activities:			
Capital expenditures	(73,770)	(67,235)	(46,268)
Proceeds from sale of property, fixtures and equipment	8,268	2,781	2,603
Net cash used in investing activities	(65,502)	(64,454)	(43,665)
Cash flows from financing activities:			
Payments on long-term debt and capital lease obligations	(733,653)	(806,138)	(710,871)
Proceeds from issuance of long-term debt	750,401	773,906	610,375
Cash dividends paid	(4,855)	(2,872)	—
Restricted shares forfeited in lieu of payroll taxes	(1,660)	(3,584)	(4,107)
Proceeds from stock options exercised	538	398	—
Deferred financing costs paid	(1,135)	(5,931)	(717)
Debt exchange costs paid	(6,992)	—	—
(Decrease) increase in book overdraft balances	(16,758)	6,811	5,267
Net cash used in financing activities	(14,114)	(37,410)	(100,053)
Net decrease in cash and cash equivalents	(6,346)	(2,067)	(2,583)
Cash and cash equivalents at beginning of period	14,272	16,339	18,922
Cash and cash equivalents at end of period	$ 7,926	$ 14,272	$ 16,339

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

THE BON-TON STORES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share and per share data)

1. NATURE OF OPERATIONS

The Bon-Ton Stores, Inc. is a Pennsylvania corporation incorporated on January 31, 1996 as the successor of a company incorporated on January 31, 1929. As of February 2, 2013, The Bon-Ton Stores, Inc. operated, through its subsidiaries, 271 stores in 24 states in the Northeast, Midwest and upper Great Plains under the Bon-Ton, Bergner's, Boston Store, Carson's, Elder-Beerman, Herberger's and Younkers nameplates.

References to "the Company" refer to The Bon-Ton Stores, Inc. (the "Parent") and its wholly owned subsidiaries.

The Company's fiscal year ends on the Saturday nearer January 31, and consisted of 53 weeks for 2012 and 52 weeks for each of 2011 and 2010. References to "2012," "2011" and "2010" represent the Company's fiscal 2012 year ended February 2, 2013, fiscal 2011 year ended January 28, 2012 and fiscal 2010 year ended January 29, 2011, respectively. References to "2013" represent the Company's fiscal 2013 year ending February 1, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Parent and its wholly owned subsidiaries. Variable interest entities are consolidated where it has been determined the Company is the primary beneficiary of those entities' operations. All intercompany transactions have been eliminated in consolidation.

The Company has identified two operating segments: stores and eCommerce (its internet websites). The two operating segments have been aggregated into one operating segment based on the similar nature of products sold, merchandising and distribution processes involved, target customers, and economic characteristics of the two operating segments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and the reported amounts of revenues and expenses. Such estimates include those related to merchandise returns, the valuation of inventories, long-lived assets, intangible assets, insurance reserves, contingencies, litigation and assumptions used in the calculation of income taxes and retirement and other post-employment benefits, among others. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain prior year balances presented in the consolidated financial statements and notes thereto have been reclassified to conform to the current year presentation. These reclassifications did not impact the Company's net (loss) income for 2012, 2011 or 2010.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents are generally overnight money market investments.

Merchandise Inventories

Merchandise inventories are determined by the retail method. 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 and the resulting gross margin.

Factors considered in the determination of permanent markdowns include inventory obsolescence, excess inventories, current and anticipated demand, age of the merchandise, customer preferences and fashion trends. Pursuant to the retail inventory method, permanent markdowns result in the devaluation of inventory and the resulting gross margin reduction is recognized in the period in which the markdown is recorded.

The Company seeks return privileges from its vendors for damaged inventory or marks the goods out-of-stock. Historically, damaged inventory has been an immaterial factor in the Company's calculation of gross margin.

The Company regularly records a provision for estimated shrinkage, thereby reducing the carrying value of inventory. A physical inventory of each merchandise department is conducted annually in January, with the recorded amount of inventory adjusted to reflect this physical count. The differences between the estimated amount of shrinkage and the actual amount realized have been insignificant.

As of February 2, 2013 and January 28, 2012, approximately 32% of the Company's merchandise inventories were valued using a first-in, first-out ("FIFO") cost basis and approximately 68% of merchandise inventories were valued using a last-in, first-out ("LIFO") cost basis. There was no effect on costs of merchandise sold for LIFO valuations in 2012, 2011 and 2010. If the FIFO method of inventory valuation had been used for all inventories, the Company's merchandise inventories would have been lower by $6,837 at February 2, 2013 and January 28, 2012 due to the Company having recognized prior years' cost increases associated with its LIFO calculations. The Company's LIFO calculations yielded inventory increases due to deflation reflected in price indices used. The LIFO method values merchandise sold at the cost of more recent inventory purchases (which the deflationary indices indicated 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 has reduced the carrying value of its LIFO inventories to an estimated realizable value, with reductions of $38,867 to offset the $45,704 cumulative inventory increases generated by its computation of LIFO

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

inventory as of February 2, 2013 and with reductions of $37,158 to offset the $43,995 cumulative inventory increases generated by its computation of LIFO inventory as of January 28, 2012.

Costs for merchandise purchases, product development and distribution are included in costs of merchandise sold.

Property, Fixtures and Equipment: Depreciation and Amortization

Depreciation and amortization of property, fixtures and equipment is computed using the straight-line method based upon the shorter of the remaining accounting lease term, if applicable, or the economic life reflected in the following ranges:

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. The Company capitalizes interest incurred during the construction of new facilities or major improvements to existing facilities and development projects that exceed one month. See Note 12 for quantification of capitalized interest in 2012, 2011 and 2010. Repair and maintenance costs are charged to selling, general and administrative ("SG&A") expense as incurred. Property retired or sold is removed from asset and accumulated depreciation accounts and the resulting gain or loss is reflected in SG&A expense.

Costs of major remodeling and improvements on leased stores are capitalized as leasehold improvements. Leasehold improvements are amortized over the shorter of the accounting 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 in accordance with the provisions codified within Accounting Standards Codification ("ASC") Subtopic 840-30, *Leases—Capital Leases*.

ASC Section 360-10-35, *Property, Plant and Equipment—Overall—Subsequent Measurement* ("ASC 360-10-35"), requires the Company to test a long-lived asset for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. If the undiscounted cash flows associated with the asset are insufficient to support the recorded asset, an impairment loss is recognized for the amount (if any) by which the carrying amount of the asset exceeds the fair value of the asset. Cash flow estimates are based on historical results, adjusted to reflect the Company's best estimate of future market and operating conditions. Estimates of fair value are determined through various techniques, including discounted cash flow models utilizing a discount rate the Company believes is appropriate and would be used by market participants and market approaches using data that includes recent sales of comparable properties with similar characteristics, as considered necessary. (See Note 3 for quantification of asset impairment charges.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

ASC Section 350-30-35, *Intangibles—Goodwill and Other—General Intangibles Other than Goodwill—Subsequent Measurement* (''ASC 350-30-35'') requires the Company to test intangible assets subject to amortization and intangible assets not subject to amortization for impairment.

Intangible assets subject to amortization are reviewed for impairment in accordance with ASC 360-10-35. Fair value is determined using a discounted cash flow analysis, which requires certain assumptions and estimates regarding industry economic factors, and utilizes a discount rate the Company believes is appropriate and would be used by market participants.

Intangible assets not subject to amortization are reviewed for impairment at the reporting unit level at least annually or when events or changes in circumstances indicate it is more likely than not that the carrying value of these assets exceeds their implied fair values. In determining fair value for these intangible assets, the Company utilizes a relief from royalty method to determine the assets' fair value. The relief from royalty method estimates the theoretical royalty savings from ownership of these intangible assets. Key assumptions include royalty rates, sales projections and discount rates. The Company utilizes royalty and discount rates it believes are appropriate and would be used by market participants.

The Company's policy is to conduct impairment testing based on its most current business plans, which reflect anticipated changes in the economy and the industry. (See Note 4 for quantification of intangible asset impairment charges.)

Deferred Financing Fees

Amounts paid by the Company to secure financing agreements are reflected in other long-term assets and are amortized over the term of the related facility. Amortization of credit facility costs are classified as interest expense. Unamortized amounts at February 2, 2013 and January 28, 2012 were $12,868 and $18,708, respectively. Deferred financing fees amortized to expense for 2012, 2011 and 2010 were $6,610, $8,690 and $9,323, respectively.

Employee Benefit Plans

The Company, through its actuary, utilizes assumptions when estimating the liabilities for pension and other employee benefit plans. These assumptions, where applicable, include the discount rates used to determine the actuarial present value of projected benefit obligations, the long-term rate of return on assets and the growth in health care costs. The cost of these benefits is recognized in SG&A expense and the accrued benefits are reported in accrued payroll and benefits, accrued expenses and other long-term liabilities.

Interest Rate Derivatives

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. In conjunction with 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company's access to debt capital and provide debt capital as required for funding and liquidity purposes, and (2) control the aggregate interest rate risk of the debt portfolio. The Company has previously entered into, and may in the future enter into, interest rate swap agreements to change the fixed/variable interest rate mix of the debt portfolio in order to maintain an appropriate balance of fixed-rate and variable-rate debt and to mitigate the impact of volatile interest rates. These derivatives are accounted for in accordance with ASC 815, *Derivatives and Hedging* ("ASC 815").

On the date the derivative instrument is entered into, the Company designates the derivative as a hedge 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 other comprehensive income or loss and reclassified into the statement of operations as the underlying hedged item affects earnings, such as when quarterly settlements are made on the hedged forecasted transaction. 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, if any, is recorded in the current statement of operations. Also, changes in the fair value of a derivative that is not designated as a hedge, if any, are entirely recorded in the statement of operations. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions; this process includes relating all derivatives that are designated as cash flow hedges to specific balance sheet assets or 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 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. In addition, if the forecasted transaction is no longer probable of occurring, any amounts in accumulated other comprehensive income or loss ("AOCI") related to the derivative are recorded in the statement of operations for the current period. (See Note 11 for further discussion of interest rate derivatives.)

Income Taxes

Income taxes are accounted for under the asset and liability method, pursuant to ASC Topic 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 requires an assessment of whether valuation allowances are needed against deferred tax assets based upon consideration of all available evidence using a "more likely than not" standard. See Note 17 for further discussion of the Company's valuation allowances.

In accordance with ASC 740, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Net Sales and Revenue Recognition

The Company recognizes revenue, which excludes sales tax, at either the point-of-sale or at the time merchandise is delivered to the customer and all significant obligations have been satisfied. The Company has a customer return policy allowing customers to return merchandise, for which a reserve is provided for estimated returns. The reserve is based on historical returns experience, and is reflected as an adjustment to sales and costs of merchandise sold.

The following table summarizes net sales by merchandise category for each year presented:

Merchandise Category	2012	2011	2010
Women's Apparel	$ 708,411	$ 706,965	$ 763,926
Home	505,452	505,382	499,143
Cosmetics	418,609	405,588	390,451
Men's Apparel	339,283	337,035	357,340
Accessories	285,144	278,220	290,460
Footwear	273,671	255,150	254,835
Children's Apparel	196,673	197,990	209,048
Intimate Apparel	114,863	116,833	126,970
Juniors' Apparel	67,090	72,592	79,449
Other	10,215	8,906	8,857
Total	$2,919,411	$2,884,661	$2,980,479

Other Income

The Company currently receives revenues under a credit card program agreement ("CCPA") with Comenity Bank (formerly World Financial Network Bank), a bank subsidiary of Alliance Data Systems Corporation ("ADS"). Pursuant to the CCPA, the Company receives periodic royalties based on a percentage of credit card sales and outstanding credit balances. In 2012, the Company received a signing bonus of $50,000 upon transition of its CCPA to ADS; the signing bonus was recorded as deferred income and is being amortized over the initial seven-year term of the CCPA. The aforementioned revenues are recorded within other income. The Company also licenses space to third parties in its stores and receives compensation based on a percentage of sales made in these departments and receives revenues from customers for delivery of certain items and services. Revenues from gift and merchandise card breakage are included in other income (see "Gift and Merchandise Cards," below). In addition, the Company recovers a portion of its cost from the disposal of damaged or otherwise distressed merchandise; this recovery is recorded within other income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

allowances, included in SG&A expense for 2012, 2011 and 2010 were $129,349, $145,616 and $138,805, respectively. Prepaid expenses and other current assets include prepaid advertising costs of $9,062 and $6,336 at February 2, 2013 and January 28, 2012, respectively.

Vendor Allowances

As is standard industry practice, allowances from merchandise vendors are received as reimbursement for charges incurred on marked-down merchandise. Vendor allowances are recorded when determined to be collectable. Allowances are credited to costs of goods sold, provided the allowance is: (1) for merchandise permanently marked down or sold, (2) not predicated on a future purchase, and (3) not predicated on a future increase in the purchase price from the vendor. If the aforementioned criteria are not met, the allowances are recorded as an adjustment to the cost of merchandise capitalized in inventory and reflected as a reduction of costs of merchandise sold when the related merchandise is sold.

Additionally, allowances are received from vendors in connection with cooperative advertising programs and for reimbursement of certain payroll expenses. To the extent the reimbursements are for specific, incremental and identifiable advertising or payroll costs incurred to sell the vendor's products and do not exceed the costs incurred, they are recognized as a reduction of SG&A expense. If the aforementioned criteria are not met, the allowances are recorded as an adjustment to the cost of merchandise capitalized in inventory and reflected as a reduction of costs of merchandise sold when the related merchandise is sold.

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 the Company's merchandise handling costs. Accordingly, various purchase order violation charges are billed to vendors; these charges are reflected by the Company as a reduction of costs of merchandise sold in the period in which the respective violations occur. The Company establishes reserves for purchase order violations that may become uncollectible.

Gift and Merchandise Cards

The Company sells gift cards to customers at its stores and through its website, and issues merchandise cards as credit for merchandise returned to its stores. These cards do not have expiration dates. Revenues from these cards are recognized when (1) the card is redeemed by the customer, or (2) the likelihood of the card being redeemed by the customer is remote and it is determined that the Company does not have a legal obligation to remit the value of the unredeemed card to relevant jurisdictions ("card breakage"). It is the Company's historical experience that the likelihood of redemption after 60 months from issuance is remote. Should cards become aged 60 months and the Company determines that it is probable that it has no legal obligation to remit the value to relevant jurisdictions, the corresponding liability is relieved. Given the satisfaction of the aforementioned criteria, the Company recognized income from card breakage of $2,551 and $6,453 in 2012 and 2011,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

respectively. As the aforementioned criteria were not satisfied, no card breakage was recognized in 2010. Gift and merchandise card liabilities are included within accrued expenses.

Self-Insurance Liabilities

The Company is self-insured for certain losses related to workers' compensation and health insurance, although it maintains stop-loss coverage with third party insurers to limit exposure. 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 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 claims experience, demographic factors, severity factors and information provided by independent third-party advisors.

Fair Value of Financial Instruments

The carrying values of the Company's cash and cash equivalents, accounts payable and financial instruments reported within prepaid expenses and other current assets and other long-term assets approximate fair value. The Company discloses the fair value of its long-term debt in Note 5. Fair value estimates of the Company's long-term debt are determined by quoted prices in active markets or a market approach using prices generated by market transactions or derived from discounted cash flow analyses utilizing a discount rate the Company believes is appropriate and would be used by market participants.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company manages the credit risk associated with cash and cash equivalents by maintaining cash accounts and investing with high-quality institutions. The Company maintains cash accounts, primarily on an overnight basis, which may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. The Company believes that it is not exposed to any significant risks related to its cash accounts.

Operating Leases

The Company leases a majority of its retail stores under operating leases. Many of the lease agreements contain rent holidays, rent escalation clauses and contingent rent provisions—or some combination of these items. The Company recognizes rent expense in SG&A on a straight-line basis over the accounting lease term, which includes lease renewals determined to be reasonably assured. In calculating straight-line rent expense, the Company utilizes an accounting lease term that equals or exceeds the time period used for depreciation. Additionally, the commencement date of the accounting lease term reflects the earlier of the date the Company becomes legally obligated for the rent payments or the date the Company takes possession of the building for initial construction and setup. The excess of rent expense over the actual cash paid is recorded as deferred rent. Leasehold improvement allowances received from landlords and other lease incentives are recorded as deferred rent liabilities and are recognized in SG&A on a straight-line basis over the accounting lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Compensation

The Company recognizes share-based compensation pursuant to ASC Topic 718, *Compensation—Stock Compensation* ("ASC 718"). The Company measures the cost of grantee services received in exchange for an award of equity instruments based on the grant date fair value of the award, and recognizes that cost over the period that the grantee is required to provide service in exchange for the award. For stock option awards, the Company estimates grant date fair value using the Black-Scholes option valuation model.

Earnings per Share

The Company follows the provisions codified within ASC Topic 260, *Earnings Per Share* ("ASC 260"), pursuant to which unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and are included in the computation of earnings per share ("EPS") according to the two-class method if the impact is dilutive. The Company's unvested restricted shares and restricted stock units are considered participating securities. However, in the event of a net loss, participating securities are excluded from the calculation of both basic and diluted EPS.

The following table presents a reconciliation of net (loss) income and weighted average shares outstanding used in basic and diluted EPS calculations for each of 2012, 2011 and 2010:

	2012	2011	2010
Basic (Loss) Earnings Per Common Share			
Net (loss) income	$ (21,553)	$ (12,128)	$ 21,494
Less: Income allocated to participating securities	—	—	(1,447)
Net (loss) income available to common shareholders	$ (21,553)	$ (12,128)	$ 20,047
Weighted average common shares outstanding	18,528,169	18,091,286	17,642,061
Basic (loss) earnings per common share	$ (1.16)	$ (0.67)	$ 1.14
Diluted (Loss) Earnings Per Common Share			
Net (loss) income	$ (21,553)	$ (12,128)	$ 21,494
Less: Income allocated to participating securities	—	—	(1,428)
Net (loss) income available to common shareholders	$ (21,553)	$ (12,128)	$ 20,066
Weighted average common shares outstanding	18,528,169	18,091,286	17,642,061
Common shares issuable—stock options	—	—	255,807
Weighted average common shares outstanding assuming dilution	18,528,169	18,091,286	17,897,868
Diluted (loss) earnings per common share	$ (1.16)	$ (0.67)	$ 1.12

Due to the Company's net loss position in 2012 and 2011, weighted average unvested restricted shares (participating securities) of 1,314,491 and 1,395,883 for 2012 and 2011, respectively, were not

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

considered in the calculation of net loss available to common shareholders used for both basic and diluted EPS.

In addition, weighted average stock option shares (non-participating securities) of 841,224 and 988,145 for 2012 and 2011, respectively, were excluded from the calculation of diluted EPS as they would have been antidilutive. Certain of these stock option shares were excluded solely due to the Company's net loss position. Had the Company reported net income in 2012 and 2011, these shares would have had an effect of 128,452 and 147,789 dilutive shares, respectively, for purposes of calculating diluted EPS. Stock option shares totaling 554,162 were excluded from the computation of 2010 diluted weighted average common shares outstanding, as their effect would have been antidilutive.

Risks and Uncertainties

The diversity of the Company's products, customers and geographic operations reduces the risk that a severe impact will occur in the near term as a result of changes in its customer base, competition or markets.

In response to economic conditions, the Company has considered the impact of relevant factors on its liquidity and has performed an analysis of the key assumptions in its forecast such as sales, gross margin and SG&A expenses; an evaluation of its relationships with vendors and their factors, including availability of vendor credit; and an analysis of cash requirements, including the Company's inventory and other working capital requirements, capital expenditures and borrowing availability under its credit facility. Based upon these analyses and evaluations, the Company expects its anticipated sources of liquidity will be sufficient to meet its obligations without significant revisions to its planned operations through 2013.

Previously Issued Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which amends FASB Codification Topic 220 on comprehensive income disclosures. The new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements, while eliminating the option to report other comprehensive income and its components in the statement of changes in shareholders' equity. The provisions of ASU 2011-05 were adopted in the first quarter of 2012. The adoption of ASU 2011-05 did not impact the Company's consolidated financial position, results of operations or cash flows as it required only a change in the format of presentation.

In May 2011, ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* ("ASU 2011-04"), was issued, amending FASB Codification Topic 820 on fair value measurements and disclosures. The amendments (1) clarify the FASB's intent regarding application of existing fair value measurement guidance, (2) revise certain measurement and disclosure requirements that change or modify a principle to achieve convergence with international accounting standards and (3) expand the information required to be disclosed with respect to fair value measurements categorized in Level 3 fair value measurements. The provisions of ASU 2011-04 were adopted in the first quarter of 2012. The adoption of ASU 2011-04 did not have a material impact on the Company's consolidated financial statements.

3. PROPERTY, FIXTURES AND EQUIPMENT

Property, fixtures and equipment and related accumulated depreciation and amortization consisted of:

	February 2, 2013	January 28, 2012
Land and improvements	$ 118,423	$ 121,472
Buildings and leasehold improvements	690,326	675,113
Furniture and equipment	579,356	548,038
Buildings and equipment under capital leases	69,276	75,822
	1,457,381	1,420,445
Less: Accumulated depreciation and amortization	(804,559)	(743,312)
Net property, fixtures and equipment	$ 652,822	$ 677,133

Accumulated depreciation and amortization includes $27,646 and $25,104 at February 2, 2013 and January 28, 2012, respectively, related to buildings and equipment under capital leases. Amortization of buildings and equipment under capital leases is included within depreciation and amortization expense.

Depreciation and amortization expense of $86,386, $92,992 and $99,986 related to property, fixtures and equipment was included in depreciation and amortization expense for 2012, 2011 and 2010, respectively.

Asset impairment charges of $5,050, $1,134 and $1,738, which resulted in a reduction in the carrying amount of certain store properties due to marginal performance, were recorded in 2012, 2011 and 2010, respectively. The expenses are included in impairment charges.

4. INTANGIBLE ASSETS

Intangible assets consist of the following:

	February 2, 2013	January 28, 2012
Intangible assets subject to amortization		
Gross amount		
Lease-related interests	$ 94,583	$ 96,814
Customer lists and relationships	22,926	22,926
Total gross amount	117,509	119,740
Accumulated amortization		
Lease-related interests	(42,842)	(39,111)
Customer lists and relationships	(14,754)	(12,864)
Total accumulated amortization	(57,596)	(51,975)
Net intangible assets subject to amortization	$ 59,913	$ 67,765
Intangible assets not subject to amortization		
Trade names	40,300	40,300
Private label brand names	10,350	11,100
Total intangible assets not subject to amortization	50,650	51,400
Net intangible assets	$110,563	$119,165

Lease-related interests reflect below-market-rate leases purchased in store acquisitions completed in 1992 through 2006 that were adjusted to reflect fair market value. The lease-related interests, including the unfavorable lease-related interests included in other long-term liabilities, are being amortized on a straight-line method and reported as "amortization of lease-related interests" in the consolidated statements of operations. At February 2, 2013, these lease-related interests have weighted-average remaining lives of 12 years for amortization purposes.

At February 2, 2013, customer lists and relationships are being amortized on a declining-balance method over the remaining lives of six years. The amortization from the customer lists and relationships is included within depreciation and amortization expense.

During 2012, 2011 and 2010, amortization of $1,890, $2,042 and $2,215, respectively, was recorded on customer lists and relationships. Amortization of $4,696, $4,747 and $4,555 was recorded for favorable and unfavorable lease-related interests during 2012, 2011 and 2010, respectively. The Company anticipates amortization associated with customer lists and relationships of approximately $1,759 in 2013, $1,629 in 2014, $1,500 in 2015, $1,370 in 2016 and $1,262 in 2017. The Company anticipates amortization associated with favorable and unfavorable lease-related interests of approximately $4,543 in 2013, $4,925 in 2014, $4,534 in 2015, $4,319 in 2016 and $4,230 in 2017.

As a result of its review in 2012 of the carrying value of intangible assets, the Company recorded asset impairment charges of $750 related to the reduction in the value of three indefinite-lived private label brand names. In 2011, the Company recorded impairment charges of $2,400 related to the reduction in the value of three indefinite-lived trade names and $156 related to the reduction in the

4. INTANGIBLE ASSETS (Continued)

value of one indefinite-lived private label brand name, primarily due to the decline in the Company's business performance. No adjustments were required pursuant to the Company's review of the carrying amount of intangible assets in 2010. The expense is included in impairment charges.

5. FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") defines fair value and establishes a framework for measuring fair value. ASC 820 establishes fair value hierarchy levels that prioritize the inputs used in valuations determining fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are primarily quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs based on the Company's own assumptions.

The carrying values of the Company's cash and cash equivalents, accounts payable and financial instruments reported within prepaid expenses and other current assets and other long-term assets approximate fair value.

The carrying value and estimated fair value of the Company's long-term debt, including current maturities but excluding capital leases, as of February 2, 2013 are as follows:

			Fair Value Measurements Using		
	Carrying Value	Total Estimated Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior notes	$133,983	$133,816	$133,816	$ —	$ —
Second lien senior secured notes	329,998	328,348	—	328,348	—
Mortgage facilities	226,434	230,601	—	—	230,601
Senior secured credit facility	154,335	154,335	—	—	154,335
Total	$844,750	$847,100	$133,816	$328,348	$384,936

The carrying value and estimated fair value of the Company's long-term debt, including current maturities but excluding capital leases, as of January 28, 2012 are as follows:

			Fair Value Measurements Using		
	Carrying Value	Total Estimated Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior notes	$464,000	$298,180	$298,180	$—	$ —
Mortgage facilities	238,902	244,026	—	—	244,026
Senior secured credit facility	119,435	119,435	—	—	119,435
Total	$822,337	$661,641	$298,180	$—	$363,461

5. FAIR VALUE MEASUREMENTS (Continued)

The Level 2 fair value estimates are determined by a market approach using prices generated by market transactions. The Level 3 fair value estimates are determined by a discounted cash flow analysis utilizing a discount rate the Company believes is appropriate and would be used by market participants. There was no change in the valuation technique used to determine the Level 2 or Level 3 fair value estimates.

The following table presents the fair value measurement for assets measured at fair value on a nonrecurring basis as of February 2, 2013:

	February 2, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
Property, fixtures and equipment	$3,209	$—	$—	$3,209	$(5,050)
Intangible assets	$3,157	$—	$—	$3,157	$ (750)

In 2012, in accordance with ASC 360-10-35, property, fixtures and equipment with a carrying amount of $8,259 were written down to their fair value of $3,209, resulting in an impairment charge of $5,050, which is reflected in impairment charges.

Additionally in 2012, in accordance with ASC 350-30-35, intangible assets not subject to amortization with a carrying amount of $3,907 were written down to their fair value of $3,157, resulting in an impairment charge of $750, which is reflected in impairment charges.

The following table presents the fair value measurement for assets measured at fair value on a nonrecurring basis as of January 28, 2012:

	January 28, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
Property, fixtures and equipment	$ 1,368	$—	$—	$ 1,368	$(1,134)
Intangible assets	$22,061	$—	$—	$22,061	$(2,556)

In 2011, in accordance with ASC 360-10-35, property, fixtures and equipment with a carrying amount of $2,502 were written down to their fair value of $1,368, resulting in an impairment charge of $1,134, which is reflected in impairment charges.

Additionally in 2011, in accordance with ASC 350-30-35, intangible assets not subject to amortization with a carrying amount of $24,617 were written down to their fair value of $22,061, resulting in an impairment charge of $2,556, which is reflected in impairment charges.

6. SUPPLEMENTAL BALANCE SHEET INFORMATION

Prepaid expenses and other current assets were comprised of the following:

	February 2, 2013	January 28, 2012
Other receivables	$36,029	$41,119
Prepaid expenses	34,572	27,913
Total	$70,601	$69,032

Accrued expenses were comprised of the following:

	February 2, 2013	January 28, 2012
Customer liabilities	$ 46,038	$ 46,706
Taxes	35,004	35,834
Other	84,494	80,315
Total	$165,536	$162,855

Other long-term liabilities were comprised of the following:

	February 2, 2013	January 28, 2012
Deferred landlord allowances	$ 57,037	$ 55,838
Deferred proprietary credit card program signing bonus	39,100	—
Employee defined benefit plans	83,597	96,370
Other	29,877	34,795
Total	$209,611	$187,003

7. SUPPLEMENTAL CASH FLOW INFORMATION

The following supplemental cash flow information is provided for the periods reported:

	2012	2011	2010
Cash paid for:			
Interest, net of amounts capitalized	$76,303	$86,821	$102,102
Income taxes, net of refunds received	(767)	971	(6,373)
Non-cash investing and financing activities:			
Property, fixtures and equipment included in accrued expenses	$ 5,836	$ 6,981	$ 3,696
Assets acquired under capital leases	—	—	1,756
Declared dividends to shareholders included in accrued expenses	—	962	—

8. EXIT OR DISPOSAL ACTIVITIES

In 2012, the Company closed four stores, two of which were announced in 2011. In connection with the closing of these stores, the Company incurred involuntary associate termination costs and other closing costs of $105 and $79, respectively, which is included in SG&A expense in 2012. The Company paid $109 of these costs in 2012 with the balance to be paid in 2013. Additionally, the Company enacted reductions in administrative and support functions. Charges related to involuntary associate termination costs associated with these reductions were $7,556; these charges are included in SG&A expense. The Company paid $6,973 of these costs in 2012 with the balance to be paid in 2013.

In 2011, the Company closed two stores, relocated one store to a new location and announced the closing of two stores in 2012 and one in 2014. In connection with the actual and announced closing of these stores, the Company developed plans resulting in involuntary associate termination costs and other closing costs of $342 and $1,296, respectively, of which $1,415 is included in SG&A expense in 2011 and $223 in 2012 (involuntary associate termination costs and other closing costs of ($121) and $344, respectively). The Company paid $963 and $592 of these costs in 2011 and 2012, respectively, with $83 to be paid in 2014. Additionally, the Company began implementing a plan that impacted store staffing models. Charges related to involuntary associate termination costs included in SG&A expense were $235 and $(145) in 2011 and 2012, respectively. The Company paid $75 of these costs in 2011 and $15 in 2012.

In 2010, the Company closed three stores. In connection with the closing of these stores, the Company developed plans resulting in involuntary associate termination costs and other closing costs of $238 and $414, respectively, of which $667 is included in SG&A expense in 2010 and $(15) in 2011. The Company paid $470 and $182 of these costs in 2010 and 2011, respectively.

In January 2010, the Company implemented a plan to reduce corporate and store personnel. Charges related to involuntary associate termination costs were $1,600 in 2009 and $453 in 2010; these charges are reflected in SG&A expense. The Company paid these costs in 2010.

Following is a reconciliation of accruals related to the Company's closing activities:

	2012	2011	2010
Accrued beginning balance	$ 612	$ 197	$ 1,688
Provisions:			
Associate termination benefits	7,395	688	701
Other closing costs	423	948	419
Total	7,818	1,636	1,120
Payments:			
Associate termination benefits	(7,266)	(185)	(2,280)
Other closing costs	(423)	(1,036)	(331)
Total	(7,689)	(1,221)	(2,611)
Accrued balance at year-end	$ 741	$ 612	$ 197

9. EMPLOYEE BENEFIT PLANS

The Company provides eligible employees with retirement benefits under a 401(k) salary reduction and employer contribution plan (the "Plan"). Employees become eligible to receive company contributions after they reach the age of 18, complete one year of service and have worked 1,000 hours in their first year of service or, if not, in any calendar year thereafter. Participants are eligible to receive a company matching contribution if they have contributed eligible pre-tax dollars to the Plan and are employed on the last day of the Plan year. The company matching contributions consist of two parts: a match based on an employee's years of service and a profit sharing match. Under the Plan provisions, the majority of eligible employees are permitted to contribute up to 50% of their compensation to the Plan. Employees are permitted to begin non-matching contributions to the Plan after three months of service in a benefit status position. Employees are permitted to begin match-eligible contributions to the Plan after they complete one year of service and have worked 1,000 hours in their first year of service or, if not, in any calendar year thereafter. Employees are automatically enrolled to contribute 3% of pay unless the employee actively modifies or declines the election. Company matching contributions, not to exceed 6% of eligible employees' compensation, are at the discretion of the Company. Company matching contributions under the Plan become fully vested for eligible employees after three years of service in which the employee works 1,000 hours annually.

The Plan also allows for a Company retirement contribution. Participants are eligible to receive a Company retirement contribution in the Plan if they have worked 1,000 hours in the calendar year and are employed on the last day of the Plan year. Company retirement contributions made during 2008 and beyond become fully vested after three years of service.

The Company's 2012, 2011 and 2010 expense under the Plan was $3,925, $1,383 and $4,450, respectively. Pursuant to the provisions of the Plan, the Company determined that only a company matching contribution would be made for 2012, 2011 and 2010.

The Company provides a non-qualified defined benefit supplementary pension plan to certain key executives. Employees become 100% vested in the plan benefits after achieving a specific age as defined in each employee's agreement. The benefits from this unfunded plan are paid upon retirement, providing the employee is age 60.

In addition, as a result of an acquisition, the Company assumed a liability for a non-qualified defined benefit supplementary pension plan. The benefits from this unfunded plan are paid upon retirement, provided that the participant is age 65 or older. All participants in this plan are fully vested.

As part of an acquisition, the Company acquired a qualified defined benefit pension plan and an unfunded non-qualified defined benefit supplemental pension plan. In connection with the acquisition, all future benefit accruals in the qualified defined benefit plan were frozen. The qualified defined benefit pension plan is also closed to new participants.

The Company also acquired an unfunded postretirement benefit plan as part of an acquisition. The unfunded postretirement plan provides medical and life insurance benefits. The medical portion of the plan is contributory, and contains cost-sharing features such as deductibles and co-insurance. The life insurance benefits of this plan are noncontributory.

9. EMPLOYEE BENEFIT PLANS (Continued)

Benefit obligations, fair value of plan assets and funded status of the plans are as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
	2012	2011	2012	2011
Change in benefit obligation:				
Benefit obligation at beginning of year	$213,838	$189,713	$ 3,761	$ 3,793
Interest cost	8,468	9,493	142	182
Participant contributions	—	—	114	110
Benefits paid	(13,017)	(14,548)	(420)	(514)
Actuarial loss (gain)	9,846	29,180	(104)	190
Benefit obligation at end of year	$219,135	$213,838	$ 3,493	$ 3,761
Change in the fair value of plan assets:				
Plan assets at beginning of year	$119,812	$132,535	$ —	$ —
Actual return on plan assets	13,100	955	—	—
Company contributions	17,682	870	306	404
Participant contributions	—	—	114	110
Benefits paid	(13,017)	(14,548)	(420)	(514)
Plan assets at end of year	$137,577	$119,812	$ —	$ —
Funded status	$(81,558)	$(94,026)	$(3,493)	$(3,761)

Amounts recognized in the consolidated balance sheets consist of:

	Pension Benefits		Medical and Life Insurance Benefits	
	2012	2011	2012	2011
Accrued expenses	$ (863)	$ (806)	$ (590)	$ (611)
Other long-term liabilities	(80,695)	(93,220)	(2,903)	(3,150)
Net amount recognized	$(81,558)	$(94,026)	$(3,493)	$(3,761)

Amounts recognized in accumulated other comprehensive loss (income) consist of:

	Pension Benefits		Medical and Life Insurance Benefits	
	2012	2011	2012	2011
Net actuarial loss (gain):				
Gross amount recognized	$71,165	$72,549	$(2,058)	$(2,328)
Deferred tax expense	3,903	3,903	232	232
Net amount recognized	$75,068	$76,452	$(1,826)	$(2,096)

9. EMPLOYEE BENEFIT PLANS (Continued)

The accumulated benefit obligation for all of the defined benefit and supplemental pension plans was $219,135 and $213,838 at February 2, 2013 and January 28, 2012, respectively. The benefit obligation and the accumulated benefit obligation for each of the pension benefit plans exceeded its assets at February 2, 2013 and January 28, 2012.

Components of net periodic benefit expense (income) and other amounts recognized in other comprehensive (income) loss before income taxes are as follows:

	Pension Benefits			Medical and Life Insurance Benefits		
	2012	2011	2010	2012	2011	2010
Net periodic benefit expense (income):						
Interest cost	$ 8,468	$ 9,493	$ 10,171	$ 142	$ 182	$ 325
Expected return on plan assets	(8,628)	(9,435)	(7,907)	—	—	—
Recognition of net actuarial loss (gain)	6,758	2,511	3,880	(374)	(500)	—
Net periodic benefit expense (income)	$ 6,598	$ 2,569	$ 6,144	$(232)	$(318)	$ 325
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss, before taxes:						
Actuarial net loss (gain)	$ 5,374	$37,660	$ (6,429)	$(104)	$ 190	$(2,515)
Recognition of net actuarial (loss) gain	(6,758)	(2,511)	(3,880)	374	500	—
Total recognized in other comprehensive (income) loss, before taxes	$(1,384)	$35,149	$(10,309)	$ 270	$ 690	$(2,515)
Total recognized in net periodic cost and other comprehensive (income) loss, before taxes	$ 5,214	$37,718	$ (4,165)	$ 38	$ 372	$(2,190)

The Company estimates the following amounts will be amortized from accumulated other comprehensive loss (income) to net periodic cost during 2013:

	Pension Benefits	Medical and Life Insurance Benefits
Net actuarial loss (gain)	$6,566	$(363)

Weighted average assumptions used to determine benefit obligations are as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
	2012	2011	2012	2011
Discount rate	3.80%	4.10%	3.80%	4.10%
Rate of compensation increase	N/A	N/A	N/A	N/A

9. EMPLOYEE BENEFIT PLANS (Continued)

Weighted average assumptions used to determine net periodic benefit expense (income) are as follows:

	Pension Benefits			Medical and Life Insurance Benefits		
	2012	2011	2010	2012	2011	2010
Discount rate	4.10%	5.20%	5.50%	4.10%	5.20%	5.50%
Expected long-term return on plan assets	7.20%	7.50%	6.80%	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

For measurement of the medical and life insurance benefits plan, the Company assumed a 7.5% annual rate of increase in the per capita cost of covered health care benefits for 2013, grading down to 5.0% by 2018.

Assumed health care cost trend rate can have a significant effect on the amounts reported for the postretirement health care plan. A one-percentage point change in assumed health care costs would have the following effects:

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest cost components	$ 5	$ (5)
Effect on postretirement benefit obligation	138	(124)

The Company's discount rate assumption is evaluated annually. The Company utilizes the Citibank Pension Discount Curve to develop its discount rate assumption. A single constant discount rate is developed based on the expected timing of the benefit payments.

The Company bases its asset return assumption on current and expected allocations of assets, as well as a long-term view of expected returns on the plan asset categories. The Company assesses the appropriateness of the expected rate of return on an annual basis and, when necessary, revises the assumption.

At February 2, 2013, the Company's target pension plan asset allocation was 57% equity securities, 33% fixed income and 10% hedge funds. Investment objectives for the pension plan assets include:

- Providing a long-term return on plan assets that provides sufficient assets to fund pension plan liabilities at an acceptable level of risk.
- Attempting to achieve a consistent, above-average rate of return through appreciation, income and reinvestment of funds consistent with a reasonable level of growth.
- Diversifying investments within asset classes to reduce the impact of losses in a single investment.

9. EMPLOYEE BENEFIT PLANS (Continued)

The weighted average pension plan asset allocation is as follows:

	2012	2011
Cash and cash equivalents	2%	2%
Equity securities	57%	58%
Fixed income	31%	31%
Hedge funds	10%	9%

The fair value of each class of the pension plan assets as of February 2, 2013 is as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 46	$ 2,415	$ —	$ 2,461
Equity securities:				
U.S. large-cap companies—diversified sectors	7,747	—	—	7,747
U.S. small-cap companies—diversified sectors	3,650	—	—	3,650
Real estate investment trust companies	336	—	—	336
Mutual funds:				
International emerging economies equity	4,445	—	—	4,445
Fixed income(1)	22,141	—	—	22,141
Collective trusts:				
U.S. large-cap equity	—	36,217	—	36,217
U.S. small-cap equity	—	2,390	—	2,390
International developed economies equity	—	23,836	—	23,836
Fixed income(1)	—	21,041	—	21,041
Multi-strategy hedge funds(2)	—	12,575	738	13,313
Total	$38,365	$98,474	$738	$137,577

(1) Primarily invested in U.S. government securities, municipals, mortgage-backed securities, investment grade and high yield bonds.

(2) These investments are subject to a redemption frequency restriction of quarterly, subject to advance notification requirements ranging from sixty to ninety-one days. Certain of these investments are subject to a lock-up period of one year, where no redemption is allowed.

9. EMPLOYEE BENEFIT PLANS (Continued)

The fair value of each class of the pension plan assets as of January 28, 2012 is as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 1	$ 2,803	$ —	$ 2,804
Equity securities:				
U.S. large-cap companies—diversified sectors	6,895	—	—	6,895
U.S. small-cap companies—diversified sectors	2,911	—	—	2,911
Real estate investment trust companies	161	—	—	161
Mutual funds:				
International emerging economies equity	3,785	—	—	3,785
Fixed income(1)	18,038	—	—	18,038
Collective trusts:				
U.S. large-cap equity	—	33,468	—	33,468
U.S. small-cap equity	—	1,950	—	1,950
International developed economies equity	—	20,237	—	20,237
Fixed income(1)	—	18,559	—	18,559
Multi-strategy hedge funds(2)	—	6,591	4,413	11,004
Total	$31,791	$83,608	$4,413	$119,812

(1) Primarily invested in U.S. government securities, municipals, mortgage-backed securities, investment grade and high yield bonds.

(2) These investments are subject to a redemption frequency restriction of quarterly, subject to advance notification requirements ranging from sixty to ninety-one days. Certain of these investments are subject to a lock-up period of one year, where no redemption is allowed.

Changes in the fair value of the pension plans level 3 assets are as follows:

	2012	2011
Fair value at beginning of year	$ 4,413	$ —
Gain on plan assets relating to assets still held at the reporting date	223	63
Purchases, sales, settlements, net	700	4,350
Transfers into (out of) level 3, net	(4,598)	—
Fair value at end of year	$ 738	$4,413

The collective trusts and hedge funds are valued using the net asset value (“NAV”) provided by the administrator of the funds. The NAV is a quoted transactional price for participants in the fund, based on the underlying investments of the fund. The pension plan assets are invested in compliance with the Employee Retirement Income Security Act, as amended, and any subsequent regulations and laws. The Company does not permit direct purchases of its securities by the Plan.

9. EMPLOYEE BENEFIT PLANS (Continued)

Information about the expected cash flows related to the pension and other postretirement benefit plans is as follows:

	Pension Benefits	Medical and Life Insurance Benefits
Expected Company contributions in 2013	$15,360	$ 590
Expected plan benefit payments (net of expected participant contributions) for year:		
2013	$17,628	$ 590
2014	16,734	526
2015	15,884	466
2016	14,985	409
2017	14,432	354
2018 - 2022	63,314	1,122

10. LONG-TERM DEBT

Long-term debt consisted of the following:

	February 2, 2013	January 28, 2012
Senior secured credit facility—expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of the senior notes and the mortgage loan facility; interest payable periodically at varying rates (2.93% weighted average for 2012)	$154,335	$119,435
Senior notes—mature on March 15, 2014; interest payable each March 15 and September 15 at 10.25%	133,983	464,000
Second lien senior secured notes—mature on July 15, 2017; interest payable each March 15 and September 15 at 10.625%	329,998	—
Mortgage loan facility—principal payable in varying monthly installments, with balance due April 1, 2016; interest payable monthly at 6.21%; secured by land and buildings	225,020	231,581
Mortgage notes payable—principal payable in varying monthly installments through June 2016; interest payable monthly at 9.62%; secured by land and buildings	1,414	7,321
Total debt	$844,750	$822,337
Less: current maturities	(75,886)	(8,066)
Long-term debt	$768,864	$814,271

On March 21, 2011, The Bon-Ton Department Stores, Inc.; The Elder-Beerman Stores Corp.; Carson Pirie Scott II, Inc.; Bon-Ton Distribution, Inc.; and McRIL, LLC, as borrowers (the "Borrowers"), and the Company and certain other subsidiaries as obligors (together with the Borrowers and the Company, the "Obligors") entered into the Second Amended Revolving Credit Facility with

10. LONG-TERM DEBT (Continued)

Bank of America, N.A., as Agent, and certain financial institutions as lenders that amends and restates the Company's prior $675,000 revolving credit facility, which was entered into on December 4, 2009 and scheduled to mature on June 4, 2013 (the "2009 Revolving Credit Facility"). The Second Amended Revolving Credit Facility initially provided for a revolving credit facility of $625,000 that expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of the Company's 10¼% Senior Notes due 2014 (the "Old Notes") and the mortgage loan facility. Unamortized deferred financing fees of $1,271 related to the 2009 Revolving Credit Facility were accelerated on the date of the agreement and recognized in loss on exchange/extinguishment of debt.

On October 25, 2012, the Obligors entered into a First Amendment (the "First Amendment") to the Second Amended Revolving Credit Facility, which (1) increased the Tranche A-1 revolving commitment (one of two borrowing tranches that comprise the Second Amended Revolving Credit Facility) from $50,000 to $100,000 (resulting in an increased borrowing limit totaling $675,000), (2) increased the margins applicable to borrowings under the Tranche A-1 revolving commitments, and (3) made certain other changes to the borrowing base calculations under the Second Amended Revolving Credit Facility. Unamortized deferred financing fees of $202 associated with the Second Amended Revolving Credit Facility were accelerated upon entry into the First Amendment and were recognized in loss on exchange/extinguishment of debt.

All borrowings under the Second Amended Revolving Credit Facility are limited by amounts available pursuant to a borrowing base calculation, which is based on percentages of eligible inventory, real estate and credit card receivables, in each case subject to reductions for applicable reserves. Under the terms of the Second Amended Revolving Credit Facility, the Borrowers are jointly and severally liable for all of the obligations incurred under the Second Amended Revolving Credit Facility and the other loan documents, which obligations are guaranteed on a joint and several basis by the Company, the other Obligors and all future domestic subsidiaries of the Obligors (subject to certain exceptions).

Commitments for loans under the Second Amended Revolving Credit Facility are in two tranches: Tranche A revolving commitments of $575,000 (which includes a $150,000 sub-line for letters of credit and $75,000 for swing line loans) and Tranche A-1 revolving commitments of $100,000. The Second Amended Revolving Credit Facility provides that the Borrowers may make requests to increase the Tranche A revolving commitments up to $800,000 in the aggregate upon the satisfaction of certain conditions, provided that the lenders are under no obligation to provide any such increases.

Borrowings under the Second Amended Revolving Credit Facility bear interest at either (1) Adjusted LIBOR (based on the British Bankers Association per annum LIBOR Rate for an interest period selected by the Borrowers) plus an applicable margin or (2) a base rate (based on the highest of (a) the Federal Funds Rate plus 0.5%, (b) the Bank of America prime rate, and (c) Adjusted LIBOR based on an interest period of one month plus 1.0%) plus the applicable margin. The applicable margin is based upon the excess availability under the Second Amended Revolving Credit Facility. The Borrowers are required to pay an unused line fee to the lenders for unused commitments at a rate of 0.375% to 0.50% per annum, based upon the unused portion of the total commitment under the Second Amended Revolving Credit Facility.

The Second Amended Revolving Credit Facility is secured by a first priority security position on substantially all of the current and future assets of the Borrowers and the other Obligors, including, but

10. LONG-TERM DEBT (Continued)

not limited to, inventory, general intangibles, trademarks, equipment, certain real estate and proceeds from any of the foregoing, subject to certain exceptions and permitted liens.

The financial covenant contained in the Second Amended Revolving Credit Facility requires that the minimum excess availability be an amount greater than or equal to the greater of (1) 10% of the lesser of: (a) the aggregate commitments at such time and (b) the aggregate borrowing base at such time and (2) $50,000. The affirmative covenants include requirements that the Obligors and their subsidiaries provide the lenders with certain financial statements, forecasts and other reports, borrowing base certificates and notices; comply with various federal, state and local rules and regulations, their organizational documents and their material contracts; maintain their properties; and take certain actions with respect to any future subsidiaries. In addition, there are certain limitations on the Obligors and their subsidiaries, including limitations on any debt the Obligors may have in addition to the existing debt, and the terms of that debt; acquisitions, joint ventures and investments; mergers and consolidations; dispositions of property; dividends by the Obligors or their subsidiaries (dividends paid may not exceed $10,000 in any year or $30,000 during the term of the agreement; however, additional dividends may be paid subject to meeting other requirements); transactions with affiliates; changes in the business or corporate structure of the Obligors or their subsidiaries; prepaying, redeeming or repurchasing certain debt; changes in accounting policies or reporting practices, unless required by generally accepted accounting principles; and speculative transactions. The Second Amended Revolving Credit Facility also provides that it is a condition precedent to borrowing that no event has occurred that could reasonably be expected to have a material adverse effect, as defined in the agreement, on the Company. If the Company fails to comply with the financial covenant or the other restrictions contained in the Second Amended Revolving Credit Facility, mortgage loan facility or the indentures that govern the senior notes, an event of default would occur. An event of default could result in the acceleration of the Company's debt due to the cross-default provisions within the debt agreements. The borrowing base calculation under the Second Amended Revolving Credit Facility contains an inventory advance rate subject to periodic review at the lenders' discretion.

As of February 2, 2013, the Company had borrowings of $154,335 under the Second Amended Revolving Credit Facility, with $517,612 of borrowing availability (before taking into account the minimum borrowing availability covenant under this facility) and letter-of-credit commitments of $3,053.

On November 18, 2009, The Bon-Ton Department Stores, Inc. and The Elder-Beerman Stores Corp. as Borrowers, and the Company and certain other subsidiaries as Obligors entered into a Second Lien Loan and Security Agreement with Sankaty Advisors, LLC; GB Merchant Partners, LLC and GA Capital, LLC as Agents that provided for $75,000 of term loans expiring November 18, 2013 (the "Term Loan Facility"). The Term Loan Facility principal balance was voluntarily paid in full on January 31, 2011. As a result of such prepayment, the Company paid an early termination fee of $3,750 (5% of the principal amount repaid) and $14 in legal fees simultaneously with the prepayment of the outstanding indebtedness. In addition, $4,415 of unamortized deferred financing fees related to the facility was accelerated on the date of the termination. Fees paid and deferred financing fees accelerated were recognized in loss on exchange/extinguishment of debt.

On March 6, 2006, The Bon-Ton Department Stores, Inc. (the "Issuer") entered into an indenture (the "Indenture") with The Bank of New York, as trustee, under which the Issuer issued $510,000

10. LONG-TERM DEBT (Continued)

aggregate principal amount of its Old Notes. The Old Notes are guaranteed on a senior unsecured basis by the Parent and by each of its subsidiaries that is an Obligor under the Second Amended Revolving Credit Facility. The Old Notes mature on March 15, 2014. The interest rate of the Old Notes is fixed at 10¼% per year. Interest on the Old Notes is payable on March 15 and September 15 of each year, beginning on September 15, 2006. The Indenture includes covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional debt, declare and pay dividends (not to exceed $0.24 per share in any year or $40,000 during the term of the indenture) and make distributions, make certain investments, enter into certain types of transactions with affiliates, use assets as security in other transactions, and sell certain assets or merge with or into other companies. In the fourth quarter of 2011, the Company repurchased, in open market transactions, $46,000 (principal amount) of the Old Notes. As a result of such transactions, the Company realized a gain of $18,685. In addition, $506 of unamortized deferred financing fees related to the Old Notes was accelerated on the transaction dates. The gain on repurchase, partially offset by the accelerated deferred financing fees, was recognized in gain on exchange/extinguishment of debt.

On June 4, 2012, the Issuer commenced an offer to certain eligible note holders to exchange its outstanding Old Notes for newly issued 10⅝% Second Lien Senior Secured Notes due 2017 (the "New Notes") upon the terms and conditions set forth in the Confidential Offering Memorandum and Consent Solicitation Statement dated June 4, 2012 (the "Exchange Offer"). The Exchange Offer expired on July 3, 2012, with the Issuer receiving tenders with consents from holders of $330,017 principal amount of Old Notes, representing approximately 71% of the outstanding Old Notes. Upon the July 9, 2012 settlement, $329,998 principal amount of New Notes was issued. The New Notes are guaranteed by the Parent and by each of its subsidiaries, other than the Issuer, that is an Obligor under the Company's Second Amended Revolving Credit Facility. The New Notes are secured by a second-priority lien on collateral owned by the Issuer and each of the guarantors consisting of substantially all of the Issuer's and guarantors' tangible and intangible assets securing the Second Amended Revolving Credit Facility, except for capital stock of the Issuer and certain of the Issuer's subsidiaries and certain other exceptions. The New Notes will mature on July 15, 2017. Interest on the New Notes is payable March 15 and September 15 of each year, beginning September 15, 2012. In addition, the Issuer entered into a supplemental indenture adopting amendments to the indenture under which the Old Notes were issued to permit the liens securing the New Notes. Fees associated with the exchange of debt totaled $7,114 and were recognized in loss on exchange/extinguishment of debt.

On January 23, 2013, the Company issued a notice of partial redemption for $65,000 aggregate principal amount of Old Notes at a cash redemption price equal to the principal amount plus accrued and unpaid interest. The redemption was completed on February 22, 2013 through additional borrowings on the Second Amended Revolving Credit Facility and, as a result, the $65,000 of redeemed Old Notes is classified as long-term debt as of February 2, 2013. The remaining outstanding $68,983 aggregate principal amount of Old Notes is expected to be paid in 2013 and, therefore, is classified as current maturities of long-term debt as of February 2, 2013. Consequently, the expected maturity date of the Second Amended Revolving Credit Facility is classified as long-term debt as of February 2, 2013. The expiration date of the Second Amended Revolving Credit Facility heretofore for accounting purposes had been 60 days prior to the maturity date of the Old Notes (March 15, 2014). Given that the entirety of the Old Notes has been redeemed or is expected to be paid in 2013, for accounting

10. LONG-TERM DEBT (Continued)

purposes the maturity date of the Second Amended Revolving Credit Facility has, therefore, been extended to 2016.

On March 6, 2006, certain bankruptcy remote special purpose entities (each an "SPE" and, collectively, the "SPEs") that are indirect wholly owned subsidiaries of the Parent entered into loan agreements with Bank of America, pursuant to which Bank of America provided a mortgage loan facility in the aggregate principal amount of $260,000 (the "Mortgage Loan Facility"). The Mortgage Loan Facility has a term of ten years and is secured by mortgages on 23 retail stores and one distribution center owned by the SPEs. Each SPE entered into a lease with each of the Parent's subsidiaries operating on such SPE's properties (collectively, the "Tenants"). A portion of the rental income received under these leases will be used to pay the debt service under the Mortgage Loan Facility. The Mortgage Loan Facility requires level monthly payments of principal and interest based on an amortization period of 25 years and the balance outstanding at the end of ten years will then become due and payable. The interest rate for the Mortgage Loan Facility is a fixed rate of 6.21%. Financial covenants contained in the Mortgage Loan Facility require that the SPEs maintain certain financial thresholds, as defined in the agreements. In addition, the SPEs are required to establish lease shortfall, replacement, and tax and insurance reserve accounts pursuant to the terms of the Mortgage Loan Facility. If the EBITDA (earnings before interest, taxes, depreciation and amortization) associated with the Tenants' operations on the SPEs' properties falls below a prescribed level, then from excess cash, as defined in the agreement, (1) a pre-determined amount shall be deposited in the replacement reserve account to be used for repairs and improvements to the SPEs' properties; (2) an amount sufficient to make the payments of taxes and insurance premiums shall be deposited to the tax and insurance reserve account; and (3) a portion or all of the remainder (if any) will be deposited in the lease shortfall reserve account and access to those funds is restricted. If the excess cash is not sufficient to make the required deposits to the replacement and tax and insurance reserve accounts, the SPEs are required to provide additional funds as necessary.

On May 17, 1996, the Company entered into 20-year mortgage agreements for its three stores located in Rochester, New York, totaling $18,309. The loan agreements provide for principal payable in varying monthly installments through June 2016 and for interest payments at a rate of 9.62% per annum. On April 2, 2012, in connection with the sale of two of its Rochester stores, the Company prepaid its outstanding indebtedness of $5,374 under related mortgage loan agreements. The Company was required to pay an additional $1,026 due to the early termination. In addition, $143 of unamortized deferred financing fees related to the mortgage agreements was accelerated on the date of termination. The required additional payment and accelerated deferred financing fees were recognized in loss on exchange/extinguishment of debt.

The Company was in compliance with all loan agreement restrictions and covenants during 2012.

10. LONG-TERM DEBT (Continued)

Debt maturities by year at February 2, 2013 are as follows:

2013(1)	$ 75,886
2014	7,366
2015	7,862
2016(2)	423,638
2017	329,998
	$844,750

(1) At February 2, 2013, $133,983 of the Company's Old Notes was outstanding. On January 23, 2013, the Company issued a notice of partial redemption for $65,000 of these notes; the transaction was completed on February 22, 2013 through additional borrowings on the Second Amended Revolving Credit Facility. The $68,983 of remaining Old Notes is included in the 2013 debt maturities as the Company expects to pay this obligation in 2013.

(2) Debt maturities in 2016 include the $65,000 redeemed Old Notes and other borrowings on the Second Amended Revolving Credit Facility that expires on the earlier of (a) March 21, 2016 and (b) the date that is 60 days prior to the earlier of the maturity date of the Old Notes and the mortgage loan facility. As the Old Notes have either been redeemed or are expected to be paid in 2013 (see Note 1 above), the expected maturity of the Second Amended Revolving Credit Facility is in 2016.

See Note 5 for disclosure of the fair value measurement of the Company's long-term debt.

11. INTEREST RATE DERIVATIVES

The Company had two interest rate swap contracts to effectively convert a portion of its variable-rate debt to fixed-rate debt, both of which were entered into on July 14, 2006 and expired on July 14, 2011.

On December 4, 2009, the Company amended and restated its prior senior secured credit facility (see Note 10), at which time the Company de-designated and re-measured its two interest rate swaps and discontinued hedge accounting prospectively in accordance with ASC 815.

The following table summarizes the effect of the expired interest rate swaps on the consolidated statement of operations and AOCI after being de-designated on December 4, 2009:

	Location of Loss Reclassified from AOCI to the Statement of Operations	Amount of Loss Reclassified from AOCI to the Statement of Operations	Location of Loss Recognized in the Statement of Operations	Amount of Loss Recognized in the Statement of Operations
2011	Interest expense, net	$1,205	Interest expense, net	$ 93
2010	Interest expense, net	$3,590	Interest expense, net	$1,183

12. INTEREST COSTS

Interest costs for the Company are as follows:

	2012	2011	2010
Interest costs incurred, including amortization of deferred financing fees	$83,122	$89,921	$113,026
Interest income	(53)	(221)	(344)
Capitalized interest, net	(230)	(193)	(381)
Interest expense, net	$82,839	$89,507	$112,301

13. COMMITMENTS AND CONTINGENCIES

Leases

The Company is obligated under operating leases for a significant 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), both of which vary by lease.

At February 2, 2013, future minimum lease payments for the noncancelable terms of operating leases, including lease renewals determined to be reasonably assured, and the present value of net minimum lease payments under capital leases are as follows:

Year	Capital Leases	Operating Leases
2013	$ 8,031	$ 91,573
2014	7,623	85,361
2015	7,500	79,799
2016	7,500	72,685
2017	7,500	67,895
2018 and thereafter	44,375	307,811
Less: Sublease income	—	(2,222)
Total net minimum rentals	$ 82,529	$702,902
Less: Amount representing interest	(26,126)	
Present value of net minimum lease payments, of which $3,925 is due within one year	$ 56,403	

Certain store leases contain renewal options ranging from two to 50 years. Included in the minimum lease payments under operating leases are leased vehicles, copiers, postage meters, computer equipment and a related-party commitment with an entity associated with the Company's majority shareholder of $224 for each of years 2013 through 2017 and $783 for 2018 and thereafter.

13. COMMITMENTS AND CONTINGENCIES (Continued)

Rental expense, net of sublease income, consisted of the following:

	2012	2011	2010
Operating leases:			
Buildings:			
Rental expense	$82,954	$84,743	$86,382
Contingent rentals	5,771	5,761	6,469
Fixtures and equipment	1,448	1,505	1,353
Totals	$90,173	$92,009	$94,204

Rental expense includes amounts paid to an entity related to the Company's majority shareholder of $224 for each of 2012, 2011 and 2010.

Selling space has been licensed to certain other retailers ("leased departments") in many of the Company's facilities. Future minimum lease payments and rental expense disclosed above are reflected without a reduction for leased departments' license income.

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 any such litigation and claims will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

14. 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, such shares will convert to an equal number of common stock shares. Dividends, which are declared and paid on shares of common stock and Class A common stock, totaled $0.20 per share in 2012 and 2011 for each class of shares. Additionally, the Company has authorized 5,000,000 shares of preferred stock; however, no preferred shares have been issued. Treasury stock, which consists of the Company's common stock, is accounted for using the cost method.

15. COMPREHENSIVE LOSS

The accumulated balances for each classification of other comprehensive loss are as follows:

	Pension and Postretirement Benefit Plans	Cash Flow Derivatives	Accumulated Other Comprehensive Loss
Balance at January 30, 2010	$(51,341)	$(1,571)	$(52,912)
Net current period change	12,824	3,590	16,414
Balance at January 29, 2011	(38,517)	2,019	(36,498)
Net current period change	(35,839)	(2,019)	(37,858)
Balance at January 28, 2012	(74,356)	—	(74,356)
Net current period change	1,114	—	1,114
Balance at February 2, 2013	$(73,242)	$ —	$(73,242)

15. COMPREHENSIVE LOSS (Continued)

The related tax effects allocated to each component of other comprehensive income (loss) are as follows:

	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
2010:			
Pension and postretirement benefit plans:			
Reclassification adjustments for prior net actuarial loss	$ 3,880	$ —	$ 3,880
Actuarial net gain	8,944	—	8,944
	12,824	—	12,824
Cash flow derivatives:			
Reclassification adjustments for losses realized in net income	3,590	—	3,590
Other comprehensive income	$ 16,414	$ —	$ 16,414
2011:			
Pension and postretirement benefit plans:			
Reclassification adjustments for prior net actuarial loss	$ 2,011	$ —	$ 2,011
Actuarial net loss	(37,850)	—	(37,850)
	(35,839)	—	(35,839)
Cash flow derivatives:			
Reclassification adjustments for losses realized in net loss	1,205	(3,224)	(2,019)
Other comprehensive loss	$(34,634)	$(3,224)	$(37,858)
2012:			
Pension and postretirement benefit plans:			
Reclassification adjustments for prior net actuarial loss	$ 6,384	$ —	$ 6,384
Actuarial net loss	(5,270)	—	(5,270)
Other comprehensive income	$ 1,114	$ —	$ 1,114

As a result of the full deferred tax asset valuation allowance maintained throughout 2010, 2011 and 2012, the changes recognized within other comprehensive income (loss) were recorded on a gross basis for all periods presented with regard to the pension and postretirement benefit plans and for 2010 with regard to the cash flow derivatives. The change recognized within other comprehensive loss for 2011 with regard to the cash flow derivatives is net of a $3,224 tax expense resulting from the reclassification of the residual tax effect associated with certain interest rate swap contracts which expired on July 14, 2011.

16. SHARE-BASED COMPENSATION

The Company's Amended and Restated 2009 Omnibus Incentive Plan (the "2009 Omnibus Plan"), as approved by shareholders on June 12, 2012, provides for the granting of common stock options, restricted shares, restricted stock units, performance shares, stock appreciation rights, phantom stock and dividend equivalent rights to certain employees, executive officers, directors, consultants and advisors. A maximum of 4,500,000 shares may be granted under the 2009 Omnibus Plan, in addition to 209,812 available shares transferred from the Company's Amended and Restated 2000 Stock Incentive and Performance-Based Award Plan (the "2000 Stock Plan") between June 16, 2009 and March 2, 2010. At February 2, 2013, 2,510,042 shares were available within the 2009 Omnibus Plan. Vesting periods for the awards are at the discretion of the Company's Board of Directors.

The 2000 Stock Plan, as amended through June 17, 2008, provided for the granting of common stock options, restricted shares, restricted stock units and performance-based awards to certain employees, officers, directors, consultants and advisors. A maximum of 3,600,000 shares were available under the 2000 Stock Plan; no shares remain available as of February 2, 2013.

Stock options are granted with an exercise price equal to the market value of the underlying stock on the grant date, and vest over one to four years with a contractual term of seven years. No stock options were granted during 2012, 2011 or 2010.

Restricted shares granted during 2012, 2011 and 2010 vest over one to three years. Employees who are granted restricted shares are not required to pay for the shares; however, the shares will be forfeited if the employee does not remain employed with the Company until the restrictions on the shares lapse. In addition, vesting of certain restricted shares awarded during 2012, 2011 and 2010 was subject to the achievement of specified criteria based on Company performance.

Restricted stock units granted during 2012, 2011 and 2010 vest over one year. Employees and directors who are granted restricted stock units are not required to pay for the shares; however, the shares will be forfeited if the employee or director does not remain employed with the Company, or continue to serve as a member of its Board of Directors, until the restricted stock units vest.

The Company recognizes share-based compensation pursuant to ASC 718. The Company measures the cost of grantee services received in exchange for an award of equity instruments based on the grant date fair value of the award, and recognizes that cost over the period that the grantee is required to provide service in exchange for the award. For stock option awards, the Company estimates grant date fair value using the Black-Scholes option valuation model. For restricted share and restricted stock unit grants, grant date fair value is determined based upon the closing trading value of the Company's stock on the day of the grant. The Company generally issues new stock to satisfy share-based awards.

The compensation cost that has been recorded within SG&A expense for the Company's share-based award plans was $4,454, $5,261 and $7,795 for 2012, 2011 and 2010, respectively. There was no income tax benefit or expense recognized in the 2012, 2011 and 2010 statements of operations for share-based award compensation due to continuation of a full valuation allowance on all net deferred tax assets related to share-based award compensation.

Cash received from exercised stock options was $538, $398 and $0 for 2012, 2011 and 2010, respectively. Actual tax deduction benefits from exercised stock options and vested restricted shares totaled $2,115, $2,343 and $3,474 for 2012, 2011 and 2010, respectively.

16. SHARE-BASED COMPENSATION (Continued)

Awards with graded vesting are recognized using graded amortization.

Based upon an examination of forfeiture rates for the various classes of stock options, restricted stock units and restricted shares, Company management does not believe the total number of options or shares that are vested and expected to vest as of February 2, 2013 are materially different from the respective number of options or shares outstanding as of February 2, 2013.

Stock Options

The Company's stock options include stock options granted from the 2000 Stock Plan.

A summary of the stock options as of February 2, 2013 and changes during 2012 is presented below:

	Shares Under Option	Weighted Average Per-Share Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 28, 2012	969,471	$17.56		
Exercised	(103,684)	5.19		
Expired	(171,557)	21.24		
Outstanding as of February 2, 2013	694,230	18.50	1.50	$2,497
Exercisable as of February 2, 2013	694,230	$18.50	1.50	$2,497

The total intrinsic value of options exercised during 2012 and 2011 was $695 and $754, respectively. There were no options exercised during 2010. As of February 2, 2013, there was no unrecognized compensation cost related to unvested stock options.

Restricted Stock Units

Restricted stock units consist of units granted from the 2009 Omnibus Plan and the 2000 Stock Plan. The fair value of each restricted stock unit award is determined based upon the closing trading value of the Company's stock on the day of the grant. A summary of the restricted stock units as of February 2, 2013 and changes during 2012 is presented below:

	Restricted Stock Units		Weighted Average Grant-Date Fair Value	
	Performance and Service Required	Service Required	Performance and Service Required	Service Required
Outstanding as of January 28, 2012	20,259	318,254	$21.90	$8.42
Granted	—	95,883	—	5.29
Settled	(20,259)	(51,863)	21.90	9.06
Outstanding as of February 2, 2013	—	362,274	—	7.50

16. SHARE-BASED COMPENSATION (Continued)

As of February 2, 2013, there was $195 of total unrecognized compensation cost related to restricted stock units that is expected to be recognized over a weighted average period of 0.38 years. Vested awards will be settled in shares after certain events and time periods occur, as defined within the terms of the restricted stock unit grant agreements.

The total fair value of restricted stock units vested during 2012 and 2011 was $219 and $515, respectively. No restricted stock units vested during 2010.

The weighted-average grant date fair value of service restricted stock units granted during 2012, 2011 and 2010 was $5.29 per unit, $8.65 per unit and $10.81 per unit, respectively. There were no performance and service restricted stock units granted during 2012, 2011 or 2010.

Outstanding restricted stock units totaling 95,883 and 42,772 were unvested as of February 2, 2013 and January 28, 2012, respectively, with a weighted-average grant date fair value of $5.29 per unit and $8.65 per unit, respectively. All restricted stock units granted during 2012 were unvested as of February 2, 2013. No unvested restricted stock units were forfeited or settled during 2012.

The Company pays cash dividend equivalents on all outstanding restricted stock units.

Restricted Shares

The Company's restricted shares consist of shares granted from the 2009 Omnibus Plan and the 2000 Stock Plan. The fair value of each restricted share award is determined based upon the closing trading value of the Company's stock on the day of the grant. A summary of the restricted share awards as of February 2, 2013 and changes during 2012 is presented below:

	Restricted Shares		Weighted Average Grant-Date Fair Value	
	Performance and Service Required	Service Required	Performance and Service Required	Service Required
Nonvested as of January 28, 2012	—	1,338,500	$ —	$10.78
Granted	267,500	539,000	7.75	6.00
Vested	—	(594,000)	—	5.84
Forfeited	(267,500)	(166,500)	7.75	12.53
Nonvested as of February 2, 2013	—	1,117,000	—	10.84

As of February 2, 2013, there was $3,021 of total unrecognized compensation cost related to restricted shares that is expected to be recognized over a weighted average period of 1.46 years.

The total fair value of shares vested during 2012, 2011 and 2010 was $4,291, $5,158 and $7,762, respectively.

The weighted-average grant date fair value of service restricted shares granted during 2012, 2011 and 2010 was $6.00 per share, $13.60 per share and $13.10 per share, respectively. The weighted-average grant date fair value of service and performance restricted shares granted during 2012, 2011 and 2010 was $7.75 per share, $14.50 per share and $13.33 per share, respectively.

The Company pays cash dividends on all outstanding restricted shares, other than those that are performance-based.

17. INCOME TAXES

Components of the income tax provision (benefit) were as follows:

	2012	2011	2010
Current:			
Federal	$ (39)	$ (25)	$ 11
State	(1,133)	506	(263)
Total current	(1,172)	481	(252)
Deferred:			
Federal	1,164	(1,853)	1,300
State	236	(647)	305
Total deferred	$ 1,400	$(2,500)	$1,605
Income tax provision (benefit)	$ 228	$(2,019)	$1,353

Components of gross deferred tax assets and liabilities were as follows:

	February 2, 2013	January 28, 2012
Deferred tax assets:		
Net operating losses	$ 43,357	$ 56,483
Alternative minimum tax credits	5,029	4,689
Defined benefit pension obligations	30,600	36,080
Accrued expenses	7,399	7,232
Inventories	2,945	3,702
Equity compensation	6,441	7,116
Rent amortization	32,415	31,776
Capital leases	21,516	22,863
Deferred revenue	23,687	5,663
Other	12,924	13,118
Gross deferred tax assets	186,313	188,722
Less: Valuation allowance	(152,735)	(147,148)
Total gross deferred tax assets	33,578	41,574
Deferred tax liabilities:		
Property, fixtures and equipment	(34,190)	(39,606)
Other	(4,634)	(5,814)
Total gross deferred tax liabilities	(38,824)	(45,420)
Net deferred tax liabilities	$ (5,246)	$ (3,846)

ASC 740 requires that companies assess whether valuation allowances should be established against their deferred tax assets based on consideration of all available evidence using a "more likely than not" standard. In assessing the realizability of its deferred tax assets, the Company considered whether it was more likely than not that its deferred tax assets will be realized based upon all available

17. INCOME TAXES (Continued)

evidence, including the scheduled reversal of deferred tax liabilities, historical operating results, projected future operating results, tax carry-back availability, and limitations pursuant to Section 382 of the Internal Revenue Code ("Section 382"), among others. Pursuant to ASC 740, significant weight is to be given to evidence that can be objectively verified. As a result, a company's current or previous losses are given more weight than any projected future taxable income. In addition, a recent three-year historical cumulative loss is considered a significant element of negative evidence that is difficult to overcome.

The Company has evaluated its deferred tax assets each reporting period, including assessment of its cumulative income or loss over the prior three-year period, to determine if valuation allowances were required. With respect to reviews during 2010, 2011 and 2012, the Company's three-year historical cumulative loss and the continuation of uncertain near-term economic conditions impeded the Company's ability to rely on its projections of future taxable income in assessing valuation allowance requirements. As such, the Company concluded that it was necessary to maintain a full valuation allowance on its net deferred tax assets. If actual results differ from the Company's underlying estimates, or these estimates are adjusted in future periods, the Company may need to adjust its valuation allowance—which could materially impact its financial position and results of operations.

As a result of the full deferred tax asset valuation allowance maintained throughout 2012, 2011 and 2010, the changes recognized within other comprehensive income (loss) were recorded on a gross basis, with the exception of the tax benefit resulting from the reclassification of the residual tax effect associated with certain interest rate swap contracts which expired on July 14, 2011 (see Note 11).

If sufficient positive evidence arises in the future indicating that all or a portion of the deferred tax assets meet the more likely than not standard for realization under ASC 740, the valuation allowance would be reduced accordingly in the period that such a conclusion is reached.

At February 2, 2013, the Company had federal and state net operating loss carry-forwards of $76,036 and $301,161, respectively, which are available to offset future federal and state taxable income, subject to certain limitations imposed by Section 382. These net operating losses will expire at various dates from 2013 through 2033.

The Company had carry-forwards for general business tax credits of $4,034 and $2,364 as of February 2, 2013 and January 28, 2012, respectively. These credits will expire in 2033.

The Company had carry-forwards for alternative minimum tax credits of $5,029 and $4,689 as of February 2, 2013 and January 28, 2012, respectively. The Company acquired $2,064 of these credits in connection with an acquisition; their use is subject to the limitations imposed by Section 382. These credits can be carried-forward indefinitely.

17. INCOME TAXES (Continued)

A reconciliation of the tax expense (benefit) to the tax at the statutory federal income rate is as follows:

	2012	2011	2010
Tax expense (benefit) at statutory rate	$(7,464)	$(4,951)	$ 7,996
State income taxes, net of federal benefit	(1,667)	(668)	(145)
Valuation allowance changes, net	7,443	7,436	(5,790)
Residual tax reclassed from OCI	—	(3,224)	—
Tax credits	(408)	(1,184)	(516)
Nondeductible expenses	2,000	315	341
Changes in state deferred tax rate	324	248	(532)
Other, net	—	9	(1)
Tax expense (benefit) at effective rate	$ 228	$(2,019)	$ 1,353

The Company elected to use the extended carry-back for its 2008 net operating loss, as permitted by The Worker, Homeownership, and Business Assistance Act of 2009 ("2009 Act"). The 2009 Act permitted the Company to carry back federal net operating losses for up to five years, instead of the general two-year carry-back. This election resulted in a reduction to the Company's valuation allowance of $6,920 during the fourth quarter of 2009. The Company filed this carry-back claim during 2010, and received a corresponding federal income tax refund of $6,946 during the second quarter of 2010.

In accordance with ASC 740, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. A reconciliation of the beginning and ending gross unrecognized tax benefits is as follows:

	2012	2011	2010
Balance at beginning of year	$9,961	$10,749	$11,984
Increases related to prior year tax positions	59	30	—
Decreases related to prior year tax positions	—	(526)	—
Settlements with taxing authorities	(467)	(272)	—
Lapse of statute	(214)	(20)	(1,235)
Balance at end of year	$9,339	$ 9,961	$10,749

The total amount of gross unrecognized tax benefits that, if recognized, would impact the effective tax rate was $255 and $877 as of February 2, 2013 and January 28, 2012, respectively.

During 2013, it is reasonably possible that the gross unrecognized tax benefits will decrease by up to $178, all of which could impact the income tax provision. This potential decrease is due to expiration of certain statutes of limitation.

It is the Company's policy to record interest and penalties on unrecognized tax benefits as an income tax provision. For 2012, the Company recorded $117 as an income tax provision, offset by a

17. INCOME TAXES (Continued)

$1,374 reduction of accrued interest. The offset was a result of $144 of accrued interest related to a statute expiration and $1,230 related to a settlement. For 2011, the Company recorded $387 as an income tax provision to reflect additional interest on unrecognized tax benefits, offset by a $171 reduction of accrued interest pursuant to recognition of certain prior year tax positions and lapses of statues during 2011. For 2010, the Company recorded $459 as an income tax provision to reflect additional interest and penalties on unrecognized tax benefits, offset by a $323 reduction of accrued interest pursuant to lapses of statutes during 2010. At February 2, 2013 and January 28, 2012, the Company had accruals of $66 and $1,323, respectively, for interest and penalties on unrecognized tax benefits.

The Company's federal tax returns for the years ended January 31, 2010 through the present are open to examination, as are the Company's various state tax returns for the years ended February 2, 2009 through the present.

18. QUARTERLY RESULTS (UNAUDITED)

	Quarter Ended			
2012:	**April 28, 2012**	**July 28, 2012**	**October 27, 2012**	**February 2, 2013**
Net sales	$640,771	$594,855	$668,731	$1,015,054
Other income	13,526	12,405	14,389	19,105
	654,297	607,260	683,120	1,034,159
Costs and expenses:				
Costs of merchandise sold	421,216	380,716	424,219	647,739
Selling, general and administrative	228,240	219,435	224,846	263,654
Depreciation and amortization	22,187	23,425	21,481	21,183
Amortization of lease-related interests	1,183	1,178	1,168	1,167
Impairment charges	—	119	593	5,088
(Loss) income from operations	(18,529)	(17,613)	10,813	95,328
Interest expense, net	20,573	20,706	19,995	21,565
Loss on exchange/extinguishment of debt	1,169	6,301	617	398
(Loss) income before income taxes	(40,271)	(44,620)	(9,799)	73,365
Income tax provision (benefit)	509	419	349	(1,049)
Net (loss) income	$(40,780)	$(45,039)	$(10,148)	$ 74,414
Per Share Amounts—Basic:				
Net (loss) income	$ (2.23)	$ (2.43)	$ (0.55)	$ 3.74
Per Share Amounts—Diluted:				
Net (loss) income	$ (2.23)	$ (2.43)	$ (0.55)	$ 3.71

The quarter ended July 28, 2012 includes a loss on the exchange of debt of $6,301 for fees associated with the exchange of the Company's Old Notes for New Notes (see Note 10).

18. QUARTERLY RESULTS (UNAUDITED) (Continued)

The quarter ended February 2, 2013 includes an additional week of operations in accordance with the National Retail Federation fiscal reporting calendar, resulting in a 14-week reporting period. (This compares with a reporting period of 13 weeks in 2011.) Financial results in the quarter include impairment charges of $4,338 resulting in a reduction in the carrying amount of certain store properties (see Note 3) and $750 related to the reduction in the value of three indefinite-lived private label brand names (see Note 4).

Per share amounts are computed independently for each of the quarters presented. The sum of the quarters does not equal the total year amount due to a mixture of net loss and net income quarters, with differing application of basic and diluted common shares outstanding pursuant to the two-class method.

	Quarter Ended			
2011:	**April 30, 2011**	**July 30, 2011**	**October 29, 2011**	**January 28, 2012**
Net sales	$649,881	$595,480	$656,070	$ 983,230
Other income	14,600	13,790	14,498	25,981
	664,481	609,270	670,568	1,009,211
Costs and expenses:				
Costs of merchandise sold	419,267	373,918	410,703	643,481
Selling, general and administrative	222,039	219,786	234,856	259,379
Depreciation and amortization	24,510	26,172	23,114	21,237
Amortization of lease-related interests	1,195	1,194	1,195	1,163
Impairment charges	3	49	157	3,481
(Loss) income from operations	(2,533)	(11,849)	543	80,470
Interest expense, net	23,305	22,762	21,938	21,502
Loss (gain) on extinguishment of debt	9,450	—	—	(18,179)
(Loss) income before income taxes	(35,288)	(34,611)	(21,395)	77,147
Income tax provision (benefit)	700	(2,311)	640	(1,048)
Net (loss) income	$(35,988)	$(32,300)	$(22,035)	$ 78,195
Per Share Amounts—Basic:				
Net (loss) income	$ (2.01)	$ (1.78)	$ (1.21)	$ 4.00
Per Share Amounts—Diluted:				
Net (loss) income	$ (2.01)	$ (1.78)	$ (1.21)	$ 4.00

The quarter ended April 30, 2011 includes a loss on the extinguishment of debt of $9,450, which consisted of an early termination fee of $3,750, legal fees of $14 and accelerated deferred financing fees of $4,415 associated with the prepayment of the Term Loan Facility and accelerated deferred financing fees of $1,271 associated with the 2009 Revolving Credit Facility (see Note 10).

The quarter ended January 28, 2012 includes other income of $6,453 associated with income from gift and merchandise card breakage (see Note 2) and a gain on the extinguishment of debt of $18,179 for the repurchase at a discount, in open market transactions, of $46,000 (principal amount) of the

18. QUARTERLY RESULTS (UNAUDITED) (Continued)

Company's Senior Notes (see Note 10). The quarter also includes impairment charges of $925 resulting in a reduction in the carrying amount of certain store properties (see Note 3) and $2,400 related to the reduction in the value of three indefinite-lived trade names and $156 related to the reduction in the value of one indefinite-lived private label brand name (see Note 4).

Per share amounts are computed independently for each of the quarters presented. The sum of the quarters does not equal the total year amount due to a mixture of net loss and net income quarters, with differing application of basic and diluted common shares outstanding pursuant to the two-class method.

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

Certain debt obligations of the Company, which constitute debt obligations of the Issuer, are guaranteed by the Parent and by each of its subsidiaries, other than the Issuer, that is an Obligor under the Company's Second Amended Revolving Credit Facility. Separate financial statements of the Parent, the Issuer and such subsidiary guarantors are not presented because the guarantees by the Parent and each wholly owned subsidiary guarantor are joint and several, full and unconditional, except for certain customary limitations which are applicable only to a subsidiary guarantor. These customary limitations include releases of a guarantee (1) if the subsidiary guarantor no longer guarantees other indebtedness of the Issuer; (2) if there is a sale or other disposition of the capital stock of a subsidiary guarantor and if such sale complies with the covenant regarding asset sales; and (3) if the subsidiary guarantor is properly designated as an "unrestricted subsidiary."

The condensed consolidating financial information for the Parent, the Issuer and the guarantor and non-guarantor subsidiaries as of February 2, 2013 and January 28, 2012 and for 2012, 2011 and 2010 as presented below has been prepared from the books and records maintained by the Parent, the Issuer and the guarantor and non-guarantor subsidiaries. The condensed financial information may not necessarily be indicative of the results of operations or financial position had the guarantor and non-guarantor subsidiaries operated as independent entities. Certain intercompany revenues and expenses included in the subsidiary records are eliminated in consolidation. As a result of this activity, an amount due to/due from affiliates will exist at any time.

On December 31, 2012, The Elder-Beerman Stores Corp. (a guarantor subsidiary) was merged with and into the Issuer, with the Issuer as the surviving corporation. Subsequently, the Issuer contributed three stores to Carson Pirie Scott II, Inc. (a guarantor subsidiary), which then contributed those same stores to McRIL, LLC (a guarantor subsidiary). For comparative purposes, the condensed consolidating financial information as presented below has been retrospectively adjusted as if the activity described above occurred at the beginning of each period presented.

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Balance Sheet
February 2, 2013

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ 1	$ 3,414	$ 4,511	$ —	$ —	$ 7,926
Merchandise inventories	—	493,780	264,620	—	—	758,400
Prepaid expenses and other current assets	—	62,855	4,414	3,910	(578)	70,601
Total current assets	1	560,049	273,545	3,910	(578)	836,927
Property, fixtures and equipment at cost, net	—	221,966	179,437	251,419	—	652,822
Deferred income taxes	—	6,216	8,794	—	—	15,010
Intangible assets, net	—	36,666	73,897	—	—	110,563
Investment in and advances to (from) affiliates	110,605	366,851	328,183	(52)	(805,587)	—
Other long-term assets	—	17,389	343	1,155	—	18,887
Total assets	$110,606	$1,209,137	$864,199	$256,432	$(806,165)	$1,634,209
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable	$ —	$ 193,898	$ —	$ —	$ —	$ 193,898
Accrued payroll and benefits	—	26,899	5,511	—	—	32,410
Accrued expenses	—	86,686	79,350	78	(578)	165,536
Current maturities of long-term debt and obligations under capital leases	—	69,874	3,034	6,903	—	79,811
Deferred income taxes	—	9,777	10,479	—	—	20,256
Income taxes payable	—	12	727	—	—	739
Total current liabilities	—	387,146	99,101	6,981	(578)	492,650
Long-term debt and obligations under capital leases, less current maturities	—	555,532	46,279	219,531	—	821,342
Other long-term liabilities	—	155,208	52,815	1,588	—	209,611
Total liabilities	—	1,097,886	198,195	228,100	(578)	1,523,603
Shareholders' equity	110,606	111,251	666,004	28,332	(805,587)	110,606
Total liabilities and shareholders' equity	$110,606	$1,209,137	$864,199	$256,432	$(806,165)	$1,634,209

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Balance Sheet
January 28, 2012

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ 1	$ 4,695	$ 9,576	$ —	$ —	$ 14,272
Merchandise inventories	—	447,581	251,923	—	—	699,504
Prepaid expenses and other current assets	—	59,637	9,238	547	(390)	69,032
Total current assets	1	511,913	270,737	547	(390)	782,808
Property, fixtures and equipment at cost, net	—	215,913	194,054	267,166	—	677,133
Deferred income taxes	—	3,982	8,403	—	—	12,385
Intangible assets, net	—	40,358	78,807	—	—	119,165
Investment in and advances to affiliates	131,606	377,086	246,130	1,103	(755,925)	—
Other long-term assets	—	22,534	823	3,355	—	26,712
Total assets	$131,607	$1,171,786	$798,954	$272,171	$(756,315)	$1,618,203
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable	$ —	$ 205,492	$ —	$ —	$ —	$ 205,492
Accrued payroll and benefits	—	26,654	4,982	—	—	31,636
Accrued expenses	—	92,619	68,620	2,006	(390)	162,855
Current maturities of long-term debt and obligations under capital leases	—	1,568	2,797	8,066	—	12,431
Deferred income taxes	—	6,794	9,437	—	—	16,231
Total current liabilities	—	333,127	85,836	10,072	(390)	428,645
Long-term debt and obligations under capital leases, less current maturities	—	590,557	49,555	230,836	—	870,948
Other long-term liabilities	—	145,955	39,571	1,477	—	187,003
Total liabilities	—	1,069,639	174,962	242,385	(390)	1,486,596
Shareholders' equity	131,607	102,147	623,992	29,786	(755,925)	131,607
Total liabilities and shareholders' equity	$131,607	$1,171,786	$798,954	$272,171	$(756,315)	$1,618,203

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
2012

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$1,697,211	$1,222,200	$ —	$ —	$2,919,411
Other income	—	33,379	26,046	—	—	59,425
	—	1,730,590	1,248,246	—	—	2,978,836
Costs and expenses:						
Costs of merchandise sold	—	1,095,635	778,255	—	—	1,873,890
Selling, general and administrative	—	567,907	399,362	(3,458)	(27,636)	936,175
Depreciation and amortization	—	42,168	35,024	11,084	—	88,276
Amortization of lease-related interests	—	1,952	2,744	—	—	4,696
Impairment charges	—	423	5,377	—	—	5,800
Income (loss) from operations	—	22,505	27,484	(7,626)	27,636	69,999
Other income (expense):						
Intercompany rental and royalty income	—	—	120	27,516	(27,636)	—
Equity in (losses) earnings of subsidiaries	(21,325)	21,761	—	—	(436)	—
Interest expense, net	—	(58,275)	(9,377)	(15,187)	—	(82,839)
Loss on exchange/ extinguishment of debt	—	(7,316)	—	(1,169)	—	(8,485)
(Loss) income before income taxes	(21,325)	(21,325)	18,227	3,534	(436)	(21,325)
Income tax provision	228	228	1,215	—	(1,443)	228
Net (loss) income	$(21,553)	$ (21,553)	$ 17,012	$ 3,534	$ 1,007	$ (21,553)

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive (Loss) Income
2012

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net (loss) income	$(21,553)	$(21,553)	$17,012	$3,534	$ 1,007	$(21,553)
Other comprehensive income, net of tax:						
Pension and postretirement benefit plans	1,114	1,114	—	—	(1,114)	1,114
Other comprehensive income	1,114	1,114	—	—	(1,114)	1,114
Comprehensive (loss) income	$(20,439)	$(20,439)	$17,012	$3,534	$ (107)	$(20,439)

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
2011

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$1,683,970	$1,200,691	$ —	$ —	$2,884,661
Other income	—	38,333	30,536	—	—	68,869
	—	1,722,303	1,231,227	—	—	2,953,530
Costs and expenses:						
Costs of merchandise sold	—	1,083,018	764,351	—	—	1,847,369
Selling, general and administrative	—	576,164	395,048	80	(35,232)	936,060
Depreciation and amortization	—	43,359	40,506	11,168	—	95,033
Amortization of lease-related interests	—	2,293	2,454	—	—	4,747
Impairment charges	—	1,050	2,640	—	—	3,690
Income (loss) from operations	—	16,419	26,228	(11,248)	35,232	66,631
Other income (expense):						
Intercompany rental and royalty income	—	—	6,844	28,388	(35,232)	—
Equity in (losses) earnings of subsidiaries	(14,147)	25,134	—	—	(10,987)	—
Interest expense, net	—	(64,429)	(9,223)	(15,855)	—	(89,507)
Gain on extinguishment of debt	—	8,729	—	—	—	8,729
(Loss) income before income taxes	(14,147)	(14,147)	23,849	1,285	(10,987)	(14,147)
Income tax (benefit) provision	(2,019)	(2,019)	21	—	1,998	(2,019)
Net (loss) income	$(12,128)	$ (12,128)	$ 23,828	$ 1,285	$(12,985)	$ (12,128)

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive (Loss) Income
2011

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net (loss) income	$(12,128)	$(12,128)	$23,828	$1,285	$(12,985)	$(12,128)
Other comprehensive loss, net of tax:						
Pension and postretirement benefit plans	(35,839)	(35,839)	—	—	35,839	(35,839)
Cash flow derivatives	(2,019)	(2,019)	—	—	2,019	(2,019)
Other comprehensive loss	(37,858)	(37,858)	—	—	37,858	(37,858)
Comprehensive (loss) income	$(49,986)	$(49,986)	$23,828	$1,285	$ 24,873	$(49,986)

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
2010

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$1,742,114	$1,238,365	$ —	$ —	$2,980,479
Other income	—	37,960	28,046	—	—	66,006
	—	1,780,074	1,266,411	—	—	3,046,485
Costs and expenses:						
Costs of merchandise sold	—	1,089,366	770,816	—	—	1,860,182
Selling, general and administrative	—	586,235	392,411	96	(36,082)	942,660
Depreciation and amortization	—	48,952	41,816	11,434	—	102,202
Amortization of lease-related interests	—	2,474	2,081	—	—	4,555
Impairment charges	—	1,175	563	—	—	1,738
Income (loss) from operations	—	51,872	58,724	(11,530)	36,082	135,148
Other income (expense):						
Intercompany rental and royalty income	—	—	7,694	28,388	(36,082)	—
Equity in earnings of subsidiaries	22,847	55,505	—	—	(78,352)	—
Interest expense, net	—	(84,530)	(11,447)	(16,324)	—	(112,301)
Income before income taxes	22,847	22,847	54,971	534	(78,352)	22,847
Income tax provision	1,353	1,353	1,007	—	(2,360)	1,353
Net income	$21,494	$ 21,494	$ 53,964	$ 534	$(75,992)	$ 21,494

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive Income
2010

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net income	$21,494	$21,494	$53,964	$534	$(75,992)	$21,494
Other comprehensive income, net of tax:						
Pension and postretirement benefit plans	12,824	12,824	—	—	(12,824)	12,824
Cash flow derivatives	3,590	3,590	—	—	(3,590)	3,590
Other comprehensive income	16,414	16,414	—	—	(16,414)	16,414
Comprehensive income	$37,908	$37,908	$53,964	$534	$(92,406)	$37,908

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Cash Flows
2012

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net cash provided by operating activities	$ 6,515	$ 52,848	$ 15,907	$ 7,959	$(9,959)	$ 73,270
Cash flows from investing activities:						
Capital expenditures	—	(55,835)	(17,935)	—	—	(73,770)
Intercompany investing activity	(538)	(1,867)	—	—	2,405	—
Proceeds from sale of property, fixtures and equipment	—	31	3	8,234	—	8,268
Net cash (used in) provided by investing activities	(538)	(57,671)	(17,932)	8,234	2,405	(65,502)
Cash flows from financing activities:						
Payments on long-term debt and capital lease obligations	—	(717,119)	(3,040)	(13,494)	—	(733,653)
Proceeds from issuance of long-term debt	—	750,401	—	—	—	750,401
Intercompany financing activity	—	(4,855)	—	(2,699)	7,554	—
Cash dividends paid	(4,855)	—	—	—	—	(4,855)
Restricted shares forfeited in lieu of payroll taxes	(1,660)	—	—	—	—	(1,660)
Proceeds from stock options exercised	538	—	—	—	—	538
Deferred financing costs paid	—	(1,135)	—	—	—	(1,135)
Debt exchange costs paid	—	(6,992)	—	—	—	(6,992)
Decrease in book overdraft balances	—	(16,758)	—	—	—	(16,758)
Net cash (used in) provided by financing activities	(5,977)	3,542	(3,040)	(16,193)	7,554	(14,114)
Net decrease in cash and cash equivalents	—	(1,281)	(5,065)	—	—	(6,346)
Cash and cash equivalents at beginning of period	1	4,695	9,576	—	—	14,272
Cash and cash equivalents at end of period	$ 1	$ 3,414	$ 4,511	$ —	$ —	$ 7,926

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Cash Flows
2011

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net cash provided by operating activities	$ 6,456	$ 64,431	$ 32,665	$ 13,347	$(17,102)	$ 99,797
Cash flows from investing activities:						
Capital expenditures	—	(42,843)	(24,392)	—	—	(67,235)
Intercompany investing activity	(398)	(13)	—	—	411	—
Proceeds from sale of property, fixtures and equipment	—	365	2,308	108	—	2,781
Net cash (used in) provided by investing activities	(398)	(42,491)	(22,084)	108	411	(64,454)
Cash flows from financing activities:						
Payments on long-term debt and capital lease obligations	—	(796,564)	(2,596)	(6,978)	—	(806,138)
Proceeds from issuance of long-term debt	—	773,906	—	—	—	773,906
Intercompany financing activity	—	(2,872)	(7,342)	(6,477)	16,691	—
Cash dividends paid	(2,872)	—	—	—	—	(2,872)
Restricted shares forfeited in lieu of payroll taxes	(3,584)	—	—	—	—	(3,584)
Proceeds from stock options exercised	398	—	—	—	—	398
Deferred financing costs paid	—	(5,931)	—	—	—	(5,931)
Increase in book overdraft balances	—	6,811	—	—	—	6,811
Net cash used in financing activities	(6,058)	(24,650)	(9,938)	(13,455)	16,691	(37,410)
Net (decrease) increase in cash and cash equivalents	—	(2,710)	643	—	—	(2,067)
Cash and cash equivalents at beginning of period	1	7,405	8,933	—	—	16,339
Cash and cash equivalents at end of period	$ 1	$ 4,695	$ 9,576	$ —	$ —	$ 14,272

19. GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Cash Flows
2010

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net cash provided by operating activities	$ 4,107	$ 106,814	$ 31,479	$ 14,720	$(15,985)	$ 141,135
Cash flows from investing activities:						
Capital expenditures	—	(27,522)	(18,746)	—	—	(46,268)
Intercompany investing activity	—	(35)	—	—	35	—
Proceeds from sale of property, fixtures and equipment	—	2,570	33	—	—	2,603
Net cash used in investing activities	—	(24,987)	(18,713)	—	35	(43,665)
Cash flows from financing activities:						
Payments on long-term debt and capital lease obligations	—	(701,953)	(2,409)	(6,509)	—	(710,871)
Proceeds from issuance of long-term debt	—	610,375	—	—	—	610,375
Intercompany financing activity	—	—	(7,739)	(8,211)	15,950	—
Restricted shares forfeited in lieu of payroll taxes	(4,107)	—	—	—	—	(4,107)
Deferred financing costs paid	—	(717)	—	—	—	(717)
Increase in book overdraft balances	—	5,267	—	—	—	5,267
Net cash used in financing activities	(4,107)	(87,028)	(10,148)	(14,720)	15,950	(100,053)
Net (decrease) increase in cash and cash equivalents	—	(5,201)	2,618	—	—	(2,583)
Cash and cash equivalents at beginning of period	1	12,606	6,315	—	—	18,922
Cash and cash equivalents at end of period	$ 1	$ 7,405	$ 8,933	$ —	$ —	$ 16,339

20. SUBSEQUENT EVENTS

On January 23, 2013, the Company issued a notice of partial redemption for $65,000 aggregate principal amount of its Old Notes at a cash redemption price equal to the principal amount plus accrued and unpaid interest. The redemption was completed on February 22, 2013, with associated interest of $2,906, for a total payment of $67,906. Unamortized deferred financing fees of $358 associated with the Old Notes were accelerated upon redemption and were recognized in loss on extinguishment of debt in the first quarter of 2013. Upon the completion of the partial redemption, approximately $69,000 aggregate principal amount of the Old Notes remains outstanding.

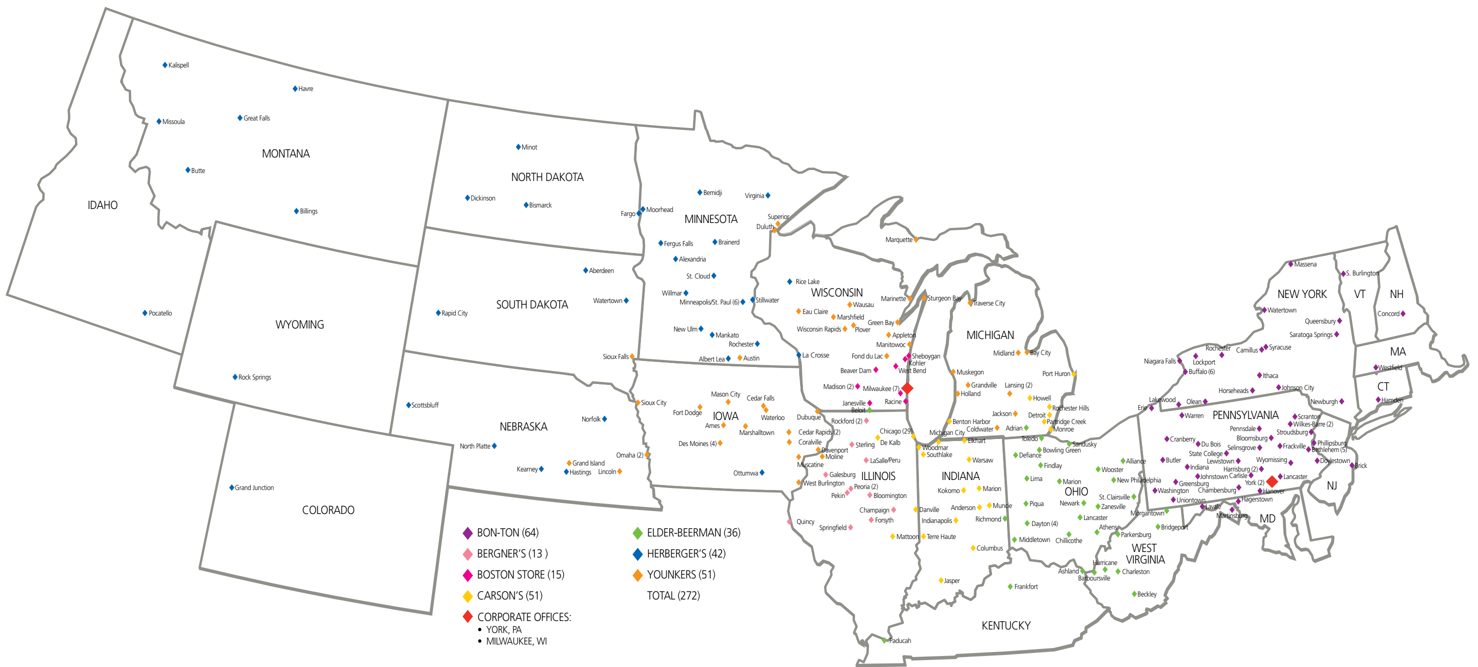
On March 19, 2013, the Company declared a quarterly cash dividend of $0.05 per share on shares of Class A common stock and common stock, payable May 6, 2013 to shareholders of record as of April 19, 2013.

Schedule II: VALUATION AND QUALIFYING ACCOUNTS
THE BON-TON STORES, INC. AND SUBSIDIARIES

Classification	Balance at Beginning of Period	Charged to Costs & Expenses	Deductions	Balance at End of Period
Year ended January 29, 2011:				
Accrual for sales returns	$18,302,000	$ 749,000	$ —	$19,051,000
Accrual for purchase order violations reserve	$ 1,362,000	$1,472,000	$(1,743,000)	$ 1,091,000
Year ended January 28, 2012:				
Accrual for sales returns	$19,051,000	$ —	$ (558,000)	$18,493,000
Accrual for purchase order violations reserve	$ 1,091,000	$1,337,000	$(1,651,000)	$ 777,000
Year ended February 2, 2013:				
Accrual for sales returns	$18,493,000	$ —	$ (245,000)	$18,248,000
Accrual for purchase order violations reserve	$ 777,000	$2,155,000	$(2,003,000)	$ 929,000

Strategic business planning and development has taken Bon-Ton from a single millinery shop founded in 1898 to one of the largest regional department store chains in the United States. The Company operates under seven nameplates: Bon-Ton, Bergner's, Boston Store, Carson's, Elder-Beerman, Herberger's and Younkers. Each nameplate has strong regional recognition and a heritage that approaches or exceeds 100 years. Bon-Ton operates 272 stores, including 11 furniture galleries, extending across 24 contiguous states in the Northeast, Midwest and upper Great Plains. We are the hometown store offering an upscale presentation of a broad assortment of national and private brand merchandise which represents fashion, quality and value, along with a high level of service.

BON-TON Bergner's Boston Store Carson's Elder-Beerman Herberger's Younkers



CORPORATE OFFICERS

Brendan L. Hoffman
President and Chief Executive Officer and Director

Stephen R. Byers
Executive Vice President –
Stores, Visual and Loss Prevention

Dennis R. Clouser
Executive Vice President –
Information Systems, Logistics and Administration

Luis Fernandez
Executive Vice President –
Chief Marketing Officer and eCommerce

Keith E. Plowman
Executive Vice President –
Chief Financial Officer and Principal Accounting Officer

BOARD OF DIRECTORS

Tim Grumbacher (1)
Chairman Emeritus & Strategic Initiatives Officer

Byron L. Bergren (1)
Chairman of the Board
Former President and Chief Executive Officer
of The Bon-Ton Stores, Inc.

Brendan L. Hoffman
President and Chief Executive Officer

Lucinda M. Baier (2)
Executive Vice President and Chief Financial Officer
of Navigant Consulting, Inc.

Philip M. Browne (2)
Managing Director, Finance and Administration,
of Franklin Square Capital Partners

Marsha M. Everton (3) (4)
President of Marsha Everton LLC

Michael L. Gleim (1) (4)
Former Vice Chairman and
Chief Operating Officer of The Bon-Ton Stores, Inc.

Todd C. McCarty (2) (3)
Senior Vice President, Global Human Resources,
Las Vegas Sands Corp.

Jeffrey B. Sherman (3)
President of The Echo Design Group, Inc.

1 – Executive Committee
2 – Audit Committee
3 – Human Resources and Compensation Committee
4 – Governance and Nominating Committee

Shareholder and Financial Information
Copies of financial documents, including reports on Form 10-K and 10-Q and other reports filed with the Securities and Exchange Commission are available by contacting:

The Bon-Ton Stores, Inc.
Investor Relations
2801 E. Market Street
York, Pennsylvania 17402
Email: ir@bonton.com

Financial reports, press releases and other Company information are available at http://investors.bonton.com

Corporate Headquarters
2801 East Market Street
York, Pennsylvania 17402
(717) 757-7660
and
331 W. Wisconsin Avenue
Milwaukee, WI 53203
(414) 347-1152

Annual Meeting
June 18, 2013, 9:00 a.m. Eastern Time
The Bon-Ton Stores, Inc.
Corporate Headquarters
2801 E. Market Street
York, PA 17402

Transfer Agent and Registrar
American Stock Transfer
& Trust Company
6201 15th Avenue
Brooklyn, NY 11219
1-800-937-5449
Website: www.amstock.com
Email: info@amstock.com

Corporate Stock Listing
The Bon-Ton Stores, Inc.
Common Stock trades on
The NASDAQ Global Select
Stock Market℠ under the
symbol "BONT."