BON TON STORES INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarter ended October 29, 2016	**Commission File Number** **0-19517**

THE BON-TON STORES, INC.

2801 East Market Street
York, Pennsylvania 17402
(717) 757-7660

Incorporated in Pennsylvania	**IRS No. 23-2835229**

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 twelve 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 Web site, 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 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.

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 ☒

As of November 28, 2016, there were 18,638,368 shares of Common Stock, $.01 par value, and 2,951,490 shares of Class A Common Stock, $.01 par value, outstanding.

PART I: FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE BON-TON STORES, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	(Unaudited) October 29, 2016	(Unaudited) October 31, 2015	January 30, 2016
Assets			
Current assets:			
Cash and cash equivalents	$ 6,975	$ 21,667	$ 6,879
Merchandise inventories	945,902	994,482	711,699
Prepaid expenses and other current assets	79,013	82,647	97,254
Total current assets	1,031,890	1,098,796	815,832
Property, fixtures and equipment at cost, net of accumulated depreciation and amortization of $1,016,532, $951,138 and $951,786 at October 29, 2016, October 31, 2015 and January 30, 2016, respectively	606,382	643,511	635,334
Intangible assets, net of accumulated amortization of $66,533, $62,412 and $62,204 at October 29, 2016, October 31, 2015 and January 30, 2016, respectively	77,733	85,417	82,062
Other long-term assets	18,421	16,128	17,398
Total assets	$ 1,734,426	$ 1,843,852	$ 1,550,626
Liabilities and Shareholders' (Deficit) Equity			
Current liabilities:			
Accounts payable	$ 331,747	$ 362,042	$ 162,831
Accrued payroll and benefits	21,693	21,353	28,527
Accrued expenses	156,850	154,831	147,378
Current maturities of long-term debt	57,208	102,931	—
Current maturities of capital lease and financing obligations	5,806	5,262	5,394
Total current liabilities	573,304	646,419	344,130
Long-term debt, less current maturities	913,654	895,810	855,977
Capital lease and financing obligations, less current maturities	135,534	128,089	126,692
Other long-term liabilities	180,576	191,329	188,911
Total liabilities	1,803,068	1,861,647	1,515,710
Contingencies (Note 11)			
Shareholders' (deficit) 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 18,976,168, 18,343,527 and 18,532,577 at October 29, 2016, October 31, 2015 and January 30, 2016, respectively	190	183	185
Class A Common Stock — authorized 20,000,000 shares at $0.01 par value; issued and outstanding shares of 2,951,490 at October 29, 2016, October 31, 2015 and January 30, 2016	30	30	30
Treasury stock, at cost — 337,800 shares at October 29, 2016, October 31, 2015 and January 30, 2016	(1,387)	(1,387)	(1,387)
Additional paid-in capital	166,394	163,747	164,428
Accumulated other comprehensive loss	(73,515)	(77,573)	(76,122)
Accumulated deficit	(160,354)	(102,795)	(52,218)
Total shareholders' (deficit) equity	(68,642)	(17,795)	34,916
Total liabilities and shareholders' (deficit) equity	$ 1,734,426	$ 1,843,852	$ 1,550,626

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) (Unaudited)	THIRTEEN WEEKS ENDED October 29, 2016	THIRTEEN WEEKS ENDED October 31, 2015	THIRTY-NINE WEEKS ENDED October 29, 2016	THIRTY-NINE WEEKS ENDED October 31, 2015
Net sales	$ 589,942	$ 623,400	$ 1,723,309	$ 1,789,769
Other income	17,333	17,497	51,001	49,369
	607,275	640,897	1,774,310	1,839,138
Costs and expenses:				
Costs of merchandise sold	382,892	415,025	1,118,078	1,170,318
Selling, general and administrative	213,816	220,183	641,873	654,055
Gain on insurance recovery	—	—	—	(748)
Depreciation and amortization	22,304	22,786	70,497	69,012
Amortization of lease-related interests	1,007	1,045	3,022	3,207
Impairment charges	137	203	315	425
Loss from operations	(12,881)	(18,345)	(59,475)	(57,131)
Interest expense, net	18,183	15,846	48,431	46,232
Loss on extinguishment of debt	676	—	676	4,862
Loss before income taxes	(31,740)	(34,191)	(108,582)	(108,225)
Income tax benefit	(158)	(199)	(446)	(596)
Net loss	$ (31,582)	$ (33,992)	$ (108,136)	$ (107,629)
Per share amounts —				
Basic:				
Net loss	$ (1.58)	$ (1.72)	$ (5.44)	$ (5.47)
Diluted:				
Net loss	$ (1.58)	$ (1.72)	$ (5.44)	$ (5.47)

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

THE BON-TON STORES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands) (Unaudited)	THIRTEEN WEEKS ENDED October 29, 2016	THIRTEEN WEEKS ENDED October 31, 2015	THIRTY-NINE WEEKS ENDED October 29, 2016	THIRTY-NINE WEEKS ENDED October 31, 2015
Net loss	$ (31,582)	$ (33,992)	$ (108,136)	$ (107,629)
Other comprehensive income, net of tax:				
Pension and postretirement benefit plans	873	944	2,607	2,832
Comprehensive loss	$ (30,709)	$ (33,048)	$ (105,529)	$ (104,797)

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

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

(In thousands) (Unaudited)	THIRTY-NINE WEEKS ENDED October 29, 2016	THIRTY-NINE WEEKS ENDED October 31, 2015
Cash flows from operating activities:		
Net loss	$ (108,136)	$ (107,629)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	70,497	69,012
Amortization of lease-related interests	3,022	3,207
Impairment charges	315	425
Share-based compensation expense	2,162	2,338
Loss (gain) on sale of property, fixtures and equipment	197	(2,457)
Reclassifications of accumulated other comprehensive loss	4,391	4,774
Loss on extinguishment of debt	676	4,862
Amortization of deferred financing costs and debt discount	3,200	2,227
Deferred income tax benefit	(446)	(596)
Changes in operating assets and liabilities:		
Increase in merchandise inventories	(234,203)	(259,525)
Decrease in prepaid expenses and other current assets	18,241	9,399
Decrease in other long-term assets	1,684	290
Increase in accounts payable	161,402	151,915
Increase (decrease) in accrued payroll and benefits and accrued expenses	5,420	(6,976)
Decrease in other long-term liabilities	(9,394)	(12,005)
Net cash used in operating activities	(80,972)	(140,739)
Cash flows from investing activities:		
Capital expenditures	(43,933)	(70,473)
Proceeds from insurance claim	—	1,510
Proceeds from sale of property, fixtures and equipment	8	85,268
Net cash (used in) provided by investing activities	(43,925)	16,305
Cash flows from financing activities:		
Payments on long-term debt and capital lease and financing obligations	(396,347)	(485,015)
Proceeds from issuance of long-term debt and financing obligations	519,466	624,313
Cash dividends paid	—	(3,014)
Restricted shares forfeited in lieu of payroll taxes	(191)	(399)
Proceeds from stock options exercised	—	454
Deferred financing costs paid	(5,563)	(314)
Increase in book overdraft balances	7,628	1,323
Net cash provided by financing activities	124,993	137,348
Net increase in cash and cash equivalents	96	12,914
Cash and cash equivalents at beginning of period	6,879	8,753
Cash and cash equivalents at end of period	$ 6,975	$ 21,667

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

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

(In thousands, except per share data) (Unaudited)	Common Stock	Class A Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	(Accumulated Deficit) Retained Earnings	Total
BALANCE AT JANUARY 31, 2015	$ 178	$ 30	$ (1,387)	$ 161,359	$ (80,405)	$ 7,873	$ 87,648
Net loss	—	—	—	—	—	(107,629)	(107,629)
Other comprehensive income	—	—	—	—	2,832	—	2,832
Dividends to shareholders, $0.15 per share	—	—	—	—	—	(3,039)	(3,039)
Restricted shares forfeited in lieu of payroll taxes	(1)	—	—	(398)	—	—	(399)
Proceeds from stock options exercised	1	—	—	453	—	—	454
Share-based compensation expense	5	—	—	2,333	—	—	2,338
BALANCE AT OCTOBER 31, 2015	$ 183	$ 30	$ (1,387)	$ 163,747	$ (77,573)	$ (102,795)	$ (17,795)
BALANCE AT JANUARY 30, 2016	$ 185	$ 30	$ (1,387)	$ 164,428	$ (76,122)	$ (52,218)	$ 34,916
Net loss	—	—	—	—	—	(108,136)	(108,136)
Other comprehensive income	—	—	—	—	2,607	—	2,607
Restricted shares forfeited in lieu of payroll taxes	(1)	—	—	(190)	—	—	(191)
Share-based compensation expense	6	—	—	2,156	—	—	2,162
BALANCE AT OCTOBER 29, 2016	$ 190	$ 30	$ (1,387)	$ 166,394	$ (73,515)	$ (160,354)	$ (68,642)

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

1. BASIS OF PRESENTATION

The Bon-Ton Stores, Inc., a Pennsylvania corporation, was incorporated on January 31, 1996 as the successor of a company incorporated on January 31, 1929. As of October 29, 2016, The Bon-Ton Stores, Inc. operated, through its subsidiaries, 267 stores, including nine furniture galleries and five clearance centers, in 26 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.

The accompanying unaudited consolidated financial statements include the accounts of The Bon-Ton Stores, Inc. (the "Parent") and its subsidiaries (collectively, the "Company"). All intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and do not include all information and footnotes required in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments considered necessary for a fair presentation of interim periods have been included. The Company's business is seasonal in nature and results of operations for the interim periods presented are not necessarily indicative of results for the full fiscal year. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

For purposes of the following discussion, references to the "third quarter of 2016" and the "third quarter of 2015" are to the 13 weeks ended October 29, 2016 and October 31, 2015, respectively. References to "fiscal 2016" are to the 52 weeks ending January 28, 2017; references to "fiscal 2015" are to the 52 weeks ended January 30, 2016.

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.

Reclassifications

As a result of adopting Accounting Standards Update ("ASU") No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17") as of January 30, 2016, the Company reclassified the October 31, 2015 consolidated balance sheet resulting in a reduction of $14,546 in long-term deferred income tax assets, a reduction in current deferred income tax liabilities of $24,589 and an increase in other long-term liabilities of $10,043.

Recently Adopted Accounting Standards

Effective January 31, 2016, the Company adopted ASU No. 2015-03, *Interest-Imputation of Interest* ("ASU 2015-03") and ASU No. 2015-15 (an amendment to ASU 2015-03) and retrospectively applied their provisions. The new standards require that debt issuance costs related to a recognized debt liability, other than those relating to line-of-credit arrangements, be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. As a result of adopting this guidance, as of October 31, 2015 and January 30, 2016, the Company reclassified $6,903 and $6,580, respectively, of the unamortized debt issuance costs for all debt instruments except the senior secured credit facility from other long-term assets to long-term debt and current maturities of long-term debt on the consolidated balance sheets.

Effective January 31, 2016, the Company adopted ASU No. 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software,* and prospectively applied its provisions. The new standard provides guidance on the accounting for fees paid by a customer in a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the customer is required to account for the software license consistent with the acquisition of other software licenses. Conversely, if the arrangement does not include a software license, the customer should account for the arrangement as a service contract. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* . The new standard provides guidance on eight targeted areas and how they are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017. The Company is currently reviewing the guidance and assessing the potential impact on its consolidated financial statements.

2. PER-SHARE AMOUNTS

The following table presents a reconciliation of net loss and weighted average shares outstanding used in basic and diluted earnings (loss) per share ("EPS") calculations for each period presented:

(In thousands, except share and per share data)

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Basic Loss Per Common Share				
Net loss	$ (31,582)	$ (33,992)	$ (108,136)	$ (107,629)
Less: Income allocated to participating securities	—	—	—	—
Net loss available to common shareholders	$ (31,582)	$ (33,992)	$ (108,136)	$ (107,629)
Weighted average common shares outstanding	19,993,316	19,742,212	19,887,654	19,674,082
Basic loss per common share	$ (1.58)	$ (1.72)	$ (5.44)	$ (5.47)
Diluted Loss Per Common Share				
Net loss	$ (31,582)	$ (33,992)	$ (108,136)	$ (107,629)
Less: Income allocated to participating securities	—	—	—	—
Net loss available to common shareholders	$ (31,582)	$ (33,992)	$ (108,136)	$ (107,629)
Weighted average common shares outstanding	19,993,316	19,742,212	19,887,654	19,674,082
Common shares issuable - stock options	—	—	—	—
Weighted average common shares outstanding assuming dilution	19,993,316	19,742,212	19,887,654	19,674,082
Diluted loss per common share	$ (1.58)	$ (1.72)	$ (5.44)	$ (5.47)

Due to the Company’s net loss position, weighted average unvested restricted shares (participating securities) of 1,399,101 and 1,020,723 for the third quarter in each of 2016 and 2015, respectively, and 1,333,897 and 873,250 for the 39 weeks ended October 29, 2016 and October 31, 2015, respectively, were not 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) totaling 0 and 41,001 for the third quarter of 2015 and the 39 weeks ended October 31, 2015, respectively, were excluded from the computation of diluted weighted average common shares outstanding, as their effect 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 for the third quarter of 2015 and the 39 weeks ended October 31, 2015, these shares would have increased diluted weighted average common shares outstanding by 0 and 5,597, respectively. There were no stock options outstanding during the 39 weeks ended October 29, 2016.

3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification (“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.

(In thousands, except share and per share data)

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 lease and financing obligations and unamortized debt issuance costs, as of October 29, 2016 are as follows:

			Fair Value Measurements Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Second lien senior secured notes	$ 407,292	$ 237,327	$ 237,327	$ —	$ —
Senior secured credit facility	572,131	572,131	—	—	572,131
Total	$ 979,423	$ 809,458	$ 237,327	$ —	$ 572,131

The carrying value and estimated fair value of the Company's long-term debt, including current maturities but excluding capital lease and financing obligations and unamortized debt issuance costs, as of October 31, 2015 are as follows:

			Fair Value Measurements Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Second lien senior secured notes	$ 407,292	$ 254,802	$ 254,802	$ —	$ —
Mortgage facility	102,997	103,446	—	—	103,446
Senior secured credit facility	495,355	495,355	—	—	495,355
Total	$ 1,005,644	$ 853,603	$ 254,802	$ —	$ 598,801

The carrying value and estimated fair value of the Company's long-term debt, including current maturities but excluding capital lease and financing obligations and unamortized debt issuance costs, as of January 30, 2016 are as follows:

			Fair Value Measurements Using		
	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Second lien senior secured notes	$ 407,292	$ 168,584	$ 168,584	$ —	$ —
Senior secured credit facility	455,265	455,265	—	—	455,265
Total	$ 862,557	$ 623,849	$ 168,584	$ —	$ 455,265

(In thousands, except share and per share data)

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 3 fair value estimates.

4. SUPPLEMENTAL BALANCE SHEET INFORMATION

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

	October 29, 2016	October 31, 2015	January 30, 2016
Other receivables	$ 37,335	$ 37,375	$ 60,514
Prepaid expenses	41,678	45,272	36,740
Total	$ 79,013	$ 82,647	$ 97,254

5. SUPPLEMENTAL CASH FLOW INFORMATION

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

	THIRTY-NINE WEEKS ENDED	
	October 29, 2016	October 31, 2015
Cash paid for:		
Interest, net of amounts capitalized	$ 36,497	$ 38,528
Income taxes, net of refunds received	—	(53)
Non-cash investing and financing activities:		
Property, fixtures and equipment included in accrued expenses	$ 2,547	$ 4,021
Assets acquired under capital lease	—	88,229
Declared dividends to shareholders included in accrued expenses	—	1,016

6. EXIT OR DISPOSAL ACTIVITIES

The following table summarizes exit or disposal activities during the 39 weeks ended October 29, 2016 related to store closings in fiscal 2015 and 2016, the consolidation of eCommerce fulfillment activities in connection with the Company's new eCommerce fulfillment center and the Company's expense efficiency initiative:

(In thousands, except share and per share data)

	Termination Benefits	Other Costs	Total
Accrued balance as of January 30, 2016	$ 3,696	$ —	$ 3,696
Provisions			
Thirteen weeks ended April 30, 2016	421	41	462
Thirteen weeks ended July 30, 2016	1,873	—	1,873
Thirteen weeks ended October 29, 2016	95	—	95
Payments			
Thirteen weeks ended April 30, 2016	(1,906)	(41)	(1,947)
Thirteen weeks ended July 30, 2016	(1,349)	—	(1,349)
Thirteen weeks ended October 29, 2016	(1,210)	—	(1,210)
Accrued balance as of October 29, 2016	$ 1,620	$ —	$ 1,620

The above provisions were included within selling, general and administrative expense.

7. EMPLOYEE DEFINED AND POSTRETIREMENT BENEFIT PLANS

The Company provides benefits to certain current and former associates who are eligible under a qualified defined benefit pension plan and various non-qualified supplemental pension plans (collectively, the “Pension Plans”). Net periodic benefit expense for the Pension Plans includes the following (income) and expense components:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Interest cost	$ 1,786	$ 1,702	$ 5,355	$ 5,103
Expected return on plan assets	(2,100)	(2,410)	(6,300)	(7,229)
Recognition of net actuarial loss	1,571	1,698	4,714	5,094
Net periodic benefit expense	$ 1,257	$ 990	$ 3,769	$ 2,968

During the 39 weeks ended October 29, 2016, contributions of $477 were made to the Pension Plans. The Company anticipates contributing an additional $225 to fund the Pension Plans in fiscal 2016 for an annual total of $702.

The Company also provides medical and life insurance benefits to certain former associates under a postretirement benefit plan (“Postretirement Benefit Plan”). Net periodic benefit income for the Postretirement Benefit Plan includes the following (income) and expense components:

(In thousands, except share and per share data)

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Interest cost	$ 16	$ 16	$ 47	$ 48
Recognition of net actuarial gain	(107)	(107)	(323)	(320)
Net periodic benefit income	$ (91)	$ (91)	$ (276)	$ (272)

During the 39 weeks ended October 29, 2016, the Company contributed $144 to fund the Postretirement Benefit Plan, and anticipates contributing an additional $183 to fund the Postretirement Benefit Plan in fiscal 2016, for an annual total of $327.

8. LONG-TERM DEBT

On August 15, 2016, The Bon-Ton Department Stores, Inc. and certain subsidiaries as borrowers and certain other subsidiaries as obligors entered into a Fourth Amendment (the "Fourth Amendment") to the Second Amended and Restated Loan and Security Agreement (the "Second Amended Revolving Credit Facility") which, among other changes, increased lender commitments under the A-1 Tranche of the Second Amended Revolving Credit Facility to $150,000 from the previous $100,000. This amendment brings total commitments under the Second Amended Revolving Credit Facility to $880,000 ($730,000 under Tranche A and $150,000 under Tranche A-1).

Borrowings under the Second Amended Revolving Credit Facility bear interest at either (1) Adjusted LIBOR (equal to the London Interbank Offered 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. Following the Fourth Amendment, the applicable margins in respect of the Tranche A-1 facility are 9.5% for LIBOR loans and 8.5% for base rate loans; there is also a 1% LIBOR floor utilized when determining Adjusted LIBOR for that Tranche. The applicable margins in respect of the Tranche A facility continue to be based upon the excess availability under the Second Amended Revolving Credit Facility.

A 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) $75,000. In addition, the Fourth Amendment requires that, if at any time on or after January 29, 2017 and for so long as excess availability under the Second Amended Revolving Credit Facility is less than 20% of the lesser of (a) the aggregate commitments at such time and (b) the aggregate borrowing base at such time, the fixed charge coverage ratio shall be at least 1.00 to 1.00.

The proceeds of the loans under the Tranche A-1 facility were used to repay existing Tranche A-1 loans and a portion of Tranche A loans as well as to pay fees and expenses incurred in connection with the Fourth Amendment. The Company incurred a loss on extinguishment of debt of $676 due to the write-off of certain deferred financing fees.

9. FINANCING OBLIGATION

The Company had extensive involvement in the construction of one of its leased store locations, including responsibility for construction cost over runs and non-standard tenant improvements. As a result of this involvement, the Company is deemed the "owner" for accounting purposes during the construction period, and so is required to capitalize the construction costs on its balance sheet. Upon completion of the project (in the third quarter of 2016), the Company performed a sale-leaseback analysis pursuant to ASC No. 840, *Leases* , to determine if it should remove the asset from its balance sheet. In this case, the Company was considered to have “continuing involvement,” which precluded the removal of the building asset from the balance sheet upon completion of construction. In conjunction with this lease, the Company also recorded a financing obligation equal to the $13,250 cash proceeds received from the landlord.

10. INCOME TAXES

The provisions codified within ASC Topic 740, *Income Taxes* (“ASC 740”), require companies to 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 accordance with ASC 740, the Company maintained a full valuation allowance throughout fiscal 2015 and the 39 weeks ended October 29, 2016 on all of the Company’s net deferred tax assets. The Company’s deferred tax asset valuation allowance totaled $230,298, $206,338 and $186,582 as of October 29, 2016, October 31, 2015 and January 30, 2016, respectively.

The Company recorded net income tax benefits of $158 and $446 for the 13 and 39 weeks ended October 29, 2016, respectively, which include $591 and $1,784 non-cash income tax benefits from continuing operations during the 13 and 39 weeks ended October 29, 2016, respectively. The Company recorded net income tax benefits of $199 and $596 for the 13 and 39 weeks ended October 31, 2015, respectively, which include $647 and $1,942 non-cash income tax benefits from continuing operations during the 13 and 39 weeks ended October 31, 2015, respectively. Pursuant to ASC 740, the Company is required to consider all items (including items recorded in other comprehensive income) in determining the amount of tax benefit that results from a loss from continuing operations and that should be allocated to continuing operations. As a result, the Company recorded tax benefits on the losses from continuing operations for the 13 and 39 weeks ended October 29, 2016 and October 31, 2015, respectively, which are exactly offset by income tax expense on other comprehensive income. The net income tax benefits include $433 and $1,338 recorded in the 13 and 39 weeks ended October 29, 2016, respectively, and $448 and $1,346 recorded in the 13 and 39 weeks ended October 31, 2015, respectively, for recognition of deferred tax liabilities associated with indefinite-lived assets.

11. CONTINGENCIES

During the 13 weeks ended August 1, 2015, the Company recognized a gain on insurance recovery of $748 related to a fire at one of the Company’s stores, which is shown separately in the accompanying consolidated statements of operations.

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 position, results of operations or liquidity.

12. COMPREHENSIVE LOSS

Accumulated other comprehensive loss is comprised of the net actuarial loss associated with the Pension Plans and Postretirement Benefit Plan. Other comprehensive income is comprised entirely of the amortization of the net actuarial loss (gain) associated with the Pension Plans and Postretirement Benefit Plan.

The changes recognized within other comprehensive income reflect income tax expense of $591 and $647 for the third quarter in each of 2016 and 2015, respectively, and $1,784 and $1,942 for the 39 weeks ended in each of October 29, 2016 and October 31, 2015, respectively (see Note 10).

The before-tax amount of amortization of net actuarial loss (gain) (see Note 7) was recorded within selling, general and administrative expense.

13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Certain debt obligations of the Company, which constitute debt obligations of The Bon-Ton Department Stores, Inc. (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 100% 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 subsidiaries as of October 29, 2016 and October 31, 2015 and January 30, 2016 and for the third quarter in each of 2016 and 2015 and the 39 weeks ended October 29, 2016 and October 31, 2015 as presented below has been prepared from the books and records maintained by the Parent, the Issuer and the guarantor subsidiaries. The condensed financial information may not necessarily be indicative of the results of operations or financial position had the 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 January 15, 2016, the Company and certain other subsidiaries as borrowers or obligors (collectively, the "Obligors") entered into a Consent and Third Amendment to the Second Amended Revolving Credit Facility, which among other changes, provided for the joinders of the special purpose entities ("SPEs") that had previously participated in the Company's mortgage loan facility as Obligors under the Second Amended Revolving Credit Facility, and as "Restricted Subsidiaries" and guarantors under the indentures for both the 10.625% second lien senior secured notes due 2017 and the 8.00% second lien senior secured notes due 2021. The SPEs and their assets were then added to the second lien security agreement. 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.

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Balance Sheet
October 29, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 1	$ 4,009	$ 2,965	$ —	$ 6,975
Merchandise inventories	—	617,470	328,432	—	945,902
Prepaid expenses and other current assets	—	73,354	5,839	(180)	79,013
Total current assets	1	694,833	337,236	(180)	1,031,890
Property, fixtures and equipment at cost, net	—	295,459	310,923	—	606,382
Intangible assets, net	—	18,978	58,755	—	77,733
Investment in and advances to affiliates	(68,643)	507,422	319,008	(757,787)	—
Other long-term assets	—	20,615	983	(3,177)	18,421
Total assets	$ (68,642)	$ 1,537,307	$ 1,026,905	$ (761,144)	$ 1,734,426
Liabilities and Shareholders' (Deficit) Equity					
Current liabilities:					
Accounts payable	$ —	$ 331,747	$ —	$ —	$ 331,747
Accrued payroll and benefits	—	17,564	4,129	—	21,693
Accrued expenses	—	83,748	73,282	(180)	156,850
Current maturities of long-term debt and capital lease and financing obligations	—	58,764	4,250	—	63,014
Total current liabilities	—	491,823	81,661	(180)	573,304
Long-term debt and capital lease and financing obligations, less current maturities	—	985,866	63,322	—	1,049,188
Other long-term liabilities	—	134,226	49,527	(3,177)	180,576
Total liabilities	—	1,611,915	194,510	(3,357)	1,803,068
Shareholders' (deficit) equity	(68,642)	(74,608)	832,395	(757,787)	(68,642)
Total liabilities and shareholders' (deficit) equity	$ (68,642)	$ 1,537,307	$ 1,026,905	$ (761,144)	$ 1,734,426

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Balance Sheet
October 31, 2015

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 1	$ 3,047	$ 18,619	$ —	$ 21,667
Merchandise inventories	—	662,437	332,045	—	994,482
Prepaid expenses and other current assets	—	74,089	9,026	(468)	82,647
Total current assets	1	739,573	359,690	(468)	1,098,796
Property, fixtures and equipment at cost, net	—	328,016	329,890	(14,395)	643,511
Intangible assets, net	—	22,439	62,978	—	85,417
Investment in and advances to affiliates	(17,796)	449,013	327,242	(758,459)	—
Other long-term assets	—	18,662	851	(3,385)	16,128
Total assets	$ (17,795)	$ 1,557,703	$ 1,080,651	$ (776,707)	$ 1,843,852
Liabilities and Shareholders' (Deficit) Equity					
Current liabilities:					
Accounts payable	$ —	$ 362,042	$ —	$ —	$ 362,042
Accrued payroll and benefits	—	17,123	4,230	—	21,353
Accrued expenses	—	85,705	69,594	(468)	154,831
Current maturities of long-term debt and capital lease and financing obligations	—	1,343	106,850	—	108,193
Total current liabilities	—	466,213	180,674	(468)	646,419
Long-term debt and capital lease and financing obligations, less current maturities	—	969,577	54,322	—	1,023,899
Other long-term liabilities	—	143,024	51,690	(3,385)	191,329
Total liabilities	—	1,578,814	286,686	(3,853)	1,861,647
Shareholders' (deficit) equity	(17,795)	(21,111)	793,965	(772,854)	(17,795)
Total liabilities and shareholders' (deficit) equity	$ (17,795)	$ 1,557,703	$ 1,080,651	$ (776,707)	$ 1,843,852

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Balance Sheet
January 30, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 1	$ 2,822	$ 4,056	$ —	$ 6,879
Merchandise inventories	—	467,262	244,437	—	711,699
Prepaid expenses and other current assets	—	88,346	9,088	(180)	97,254
Total current assets	1	558,430	257,581	(180)	815,832
Property, fixtures and equipment at cost, net	—	319,736	315,598	—	635,334
Intangible assets, net	—	20,964	61,098	—	82,062
Investment in and advances to affiliates	34,915	437,894	382,958	(855,767)	—
Other long-term assets	—	19,846	863	(3,311)	17,398
Total assets	$ 34,916	$ 1,356,870	$ 1,018,098	$ (859,258)	$ 1,550,626
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ —	$ 162,831	$ —	$ —	$ 162,831
Accrued payroll and benefits	—	23,154	5,373	—	28,527
Accrued expenses	—	70,386	77,172	(180)	147,378
Current maturities of long-term debt and capital lease and financing obligations	—	1,395	3,999	—	5,394
Total current liabilities	—	257,766	86,544	(180)	344,130
Long-term debt and capital lease and financing obligations, less current maturities	—	929,377	53,292	—	982,669
Other long-term liabilities	—	138,810	53,412	(3,311)	188,911
Total liabilities	—	1,325,953	193,248	(3,491)	1,515,710
Shareholders' equity	34,916	30,917	824,850	(855,767)	34,916
Total liabilities and shareholders' equity	$ 34,916	$ 1,356,870	$ 1,018,098	$ (859,258)	$ 1,550,626

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
Thirteen Weeks Ended October 29, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$ 352,724	$ 237,218	$ —	$ 589,942
Other income	—	10,491	6,842	—	17,333
	—	363,215	244,060	—	607,275
Costs and expenses:					
Costs of merchandise sold	—	230,776	152,116	—	382,892
Selling, general and administrative	—	130,023	88,777	(4,984)	213,816
Depreciation and amortization	—	12,628	9,676	—	22,304
Amortization of lease-related interests	—	467	540	—	1,007
Impairment charges	—	137	—	—	137
Loss from operations	—	(10,816)	(7,049)	4,984	(12,881)
Other income (expense):					
Intercompany income	—	406	17,550	(17,956)	—
Equity in (losses) earnings of subsidiaries	(31,740)	9,508	—	22,232	—
Interest expense, net	—	(30,162)	(993)	12,972	(18,183)
Loss on extinguishment of debt	—	(676)	—	—	(676)
(Loss) income before income taxes	(31,740)	(31,740)	9,508	22,232	(31,740)
Income tax (benefit) provision	(158)	(158)	237	(79)	(158)
Net (loss) income	$ (31,582)	$ (31,582)	$ 9,271	$ 22,311	$ (31,582)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive (Loss) Income
Thirteen Weeks Ended October 29, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net (loss) income	$ (31,582)	$ (31,582)	$ 9,271	$ 22,311	$ (31,582)
Other comprehensive income, net of tax:					
Pension and postretirement benefit plans	873	873	—	(873)	873
Comprehensive (loss) income	$ (30,709)	$ (30,709)	$ 9,271	$ 21,438	$ (30,709)

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
Thirteen Weeks Ended October 31, 2015

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$ 375,130	$ 248,270	$ —	$ 623,400
Other income	—	10,726	6,771	—	17,497
	—	385,856	255,041	—	640,897
Costs and expenses:					
Costs of merchandise sold	—	252,888	162,137	—	415,025
Selling, general and administrative	—	136,430	88,767	(5,014)	220,183
Depreciation and amortization	—	12,523	10,425	(162)	22,786
Amortization of lease-related interests	—	478	567	—	1,045
Impairment charges	—	203	—	—	203
Loss from operations	—	(16,666)	(6,855)	5,176	(18,345)
Other income (expense):					
Intercompany income	—	432	10,570	(11,002)	—
Equity in (losses) earnings of subsidiaries	(34,191)	1,227	—	32,964	—
Interest expense, net	—	(19,184)	(2,650)	5,988	(15,846)
(Loss) income before income taxes	(34,191)	(34,191)	1,065	33,126	(34,191)
Income tax (benefit) provision	(199)	(199)	235	(36)	(199)
Net (loss) income	$ (33,992)	$ (33,992)	$ 830	$ 33,162	$ (33,992)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive (Loss) Income
Thirteen Weeks Ended October 31, 2015

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net (loss) income	$ (33,992)	$ (33,992)	$ 830	$ 33,162	$ (33,992)
Other comprehensive income, net of tax:					
Pension and postretirement benefit plans	944	944	—	(944)	944
Comprehensive (loss) income	$ (33,048)	$ (33,048)	$ 830	$ 32,218	$ (33,048)

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
Thirty-Nine Weeks Ended October 29, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$ 1,034,299	$ 689,010	$ —	$ 1,723,309
Other income	—	31,059	19,942	—	51,001
	—	1,065,358	708,952	—	1,774,310
Costs and expenses:					
Costs of merchandise sold	—	675,298	442,780	—	1,118,078
Selling, general and administrative	—	392,228	264,770	(15,125)	641,873
Depreciation and amortization	—	39,827	30,670	—	70,497
Amortization of lease-related interests	—	1,403	1,619	—	3,022
Impairment charges	—	315	—	—	315
Loss from operations	—	(43,713)	(30,887)	15,125	(59,475)
Other income (expense):					
Intercompany income	—	1,307	42,165	(43,472)	—
Equity in (losses) earnings of subsidiaries	(108,582)	8,252	—	100,330	—
Interest expense, net	—	(73,752)	(3,026)	28,347	(48,431)
Loss on extinguishment of debt	—	(676)	—	—	(676)
(Loss) income before income taxes	(108,582)	(108,582)	8,252	100,330	(108,582)
Income tax (benefit) provision	(446)	(446)	706	(260)	(446)
Net (loss) income	$ (108,136)	$ (108,136)	$ 7,546	$ 100,590	$ (108,136)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive (Loss) Income
Thirty-Nine Weeks Ended October 29, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net (loss) income	$ (108,136)	$ (108,136)	$ 7,546	$ 100,590	$ (108,136)
Other comprehensive income, net of tax:					
Pension and postretirement benefit plans	2,607	2,607	—	(2,607)	2,607
Comprehensive (loss) income	$ (105,529)	$ (105,529)	$ 7,546	$ 97,983	$ (105,529)

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Operations
Thirty-Nine Weeks Ended October 31, 2015

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net sales	$ —	$ 1,063,399	$ 726,370	$ —	$ 1,789,769
Other income	—	29,346	20,023	—	49,369
	—	1,092,745	746,393	—	1,839,138
Costs and expenses:					
Costs of merchandise sold	—	698,924	471,394	—	1,170,318
Selling, general and administrative	—	403,537	254,697	(4,179)	654,055
Gain on insurance recovery	—	—	(748)	—	(748)
Depreciation and amortization	—	36,706	32,522	(216)	69,012
Amortization of lease-related interests	—	1,467	1,740	—	3,207
Impairment charges	—	425	—	—	425
Loss from operations	—	(48,314)	(13,212)	4,395	(57,131)
Other income (expense):					
Intercompany income	—	1,328	33,199	(34,527)	—
Equity in losses of subsidiaries	(108,225)	(9,780)	—	118,005	—
Interest expense, net	—	(51,459)	(10,510)	15,737	(46,232)
Loss on extinguishment of debt	—	—	(4,862)	—	(4,862)
(Loss) income before income taxes	(108,225)	(108,225)	4,615	103,610	(108,225)
Income tax (benefit) provision	(596)	(596)	703	(107)	(596)
Net (loss) income	$ (107,629)	$ (107,629)	$ 3,912	$ 103,717	$ (107,629)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Comprehensive (Loss) Income
Thirty-Nine Weeks Ended October 31, 2015

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net (loss) income	$ (107,629)	$ (107,629)	$ 3,912	$ 103,717	$ (107,629)
Other comprehensive income, net of tax:					
Pension and postretirement benefit plans	2,832	2,832	—	(2,832)	2,832
Comprehensive (loss) income	$ (104,797)	$ (104,797)	$ 3,912	$ 100,885	$ (104,797)

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Cash Flows
Thirty-Nine Weeks Ended October 29, 2016

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net cash provided by (used in) operating activities	$ 191	$ (103,174)	$ 22,011	$ —	$ (80,972)
Cash flows from investing activities:					
Capital expenditures	—	(23,800)	(20,133)	—	(43,933)
Proceeds from sale of property, fixtures and equipment	—	8	—	—	8
Net cash used in investing activities	—	(23,792)	(20,133)	—	(43,925)
Cash flows from financing activities:					
Payments on long-term debt and capital lease and financing obligations	—	(393,378)	(2,969)	—	(396,347)
Proceeds from issuance of long-term debt and financing obligations	—	519,466	—	—	519,466
Deferred financing costs paid	—	(5,563)	—	—	(5,563)
Restricted shares forfeited in lieu of payroll taxes	(191)	—	—	—	(191)
Increase in book overdraft balances	—	7,628	—	—	7,628
Net cash (used in) provided by financing activities	(191)	128,153	(2,969)	—	124,993
Net increase (decrease) in cash and cash equivalents	—	1,187	(1,091)	—	96
Cash and cash equivalents at beginning of period	1	2,822	4,056	—	6,879
Cash and cash equivalents at end of period	$ 1	$ 4,009	$ 2,965	$ —	$ 6,975

(In thousands, except share and per share data)

The Bon-Ton Stores, Inc.
Condensed Consolidating Statement of Cash Flows
Thirty-Nine Weeks Ended October 31, 2015

	Parent	Issuer	Guarantor Subsidiaries	Consolidating Eliminations	Company Consolidated
Net cash provided by (used in) operating activities	$ 3,413	$ (185,446)	$ 49,054	$ (7,760)	$ (140,739)
Cash flows from investing activities:					
Capital expenditures	—	(54,191)	(16,282)	—	(70,473)
Intercompany investing activity	(454)	(32,433)	—	32,887	—
Proceeds from insurance claim	—	—	1,510	—	1,510
Proceeds from sale of property, fixtures and equipment	—	17,546	67,722	—	85,268
Net cash (used in) provided by investing activities	(454)	(69,078)	52,950	32,887	16,305
Cash flows from financing activities:					
Payments on long-term debt and capital lease and financing obligations	—	(368,946)	(116,069)	—	(485,015)
Proceeds from issuance of long-term debt and financing obligations	—	624,313	—	—	624,313
Intercompany financing activity	—	(3,014)	28,141	(25,127)	—
Deferred financing costs paid	—	(314)	—	—	(314)
Cash dividends paid	(3,014)	—	—	—	(3,014)
Restricted shares forfeited in lieu of payroll taxes	(399)	—	—	—	(399)
Proceeds from stock options exercised	454	—	—	—	454
Increase in book overdraft balances	—	1,323	—	—	1,323
Net cash (used in) provided by financing activities	(2,959)	253,362	(87,928)	(25,127)	137,348
Net (decrease) increase in cash and cash equivalents	—	(1,162)	14,076	—	12,914
Cash and cash equivalents at beginning of period	1	4,209	4,543	—	8,753
Cash and cash equivalents at end of period	$ 1	$ 3,047	$ 18,619	$ —	$ 21,667

14. SUBSEQUENT EVENT

On November 29, 2016, the Company redeemed all of its outstanding 10.625% Second Lien Senior Secured Notes due July 15, 2017, with borrowings under its Second Amended Revolving Credit Facility. These notes, which had a balance of $57,292, were redeemed at a redemption price of 100%, plus accrued and unpaid interest.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For purposes of the following discussion, references to the "third quarter of 2016" and the "third quarter of 2015" are to the 13 weeks ended October 29, 2016 and October 31, 2015, respectively. References to "2016" and "2015" are to the 39 weeks ended October 29, 2016 and October 31, 2015, respectively. References to "fiscal 2016" are to the 52-week period ending January 28, 2017; references to "fiscal 2015" are to the 52-week period ended January 30, 2016. References to the "Company," "we," "us," and "our" refer to The Bon-Ton Stores, Inc. and its subsidiaries.

Overview

General

The Company, a Pennsylvania corporation, 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 267 stores, including nine furniture galleries and five clearance centers, in 26 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.

We operate 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 competitive retail formats—mass merchandisers, national chain retailers, specialty retailers and online retailers—and the expansion of mobile technology and social media.

Performance Summary and Fiscal 2016 Guidance

During the third quarter of 2016, we made progress on a number of our strategic initiatives:

- Delivered sales gains in several key categories and brands as well as double digit growth in our omnichannel business and accelerated growth on our mobile site;
- Maintained careful inventory controls, as we reduced inventory by 4.9% as compared to the third quarter of 2015, with fewer markdowns;
- Increased our gross margin rate by 167 basis points as a result of improved merchandise margin and reduced delivery costs; and
- Continued to make progress on our cost savings initiatives.

Comparable store sales decreased 4.9% in the third quarter of 2016, primarily as a result of the impact that unseasonably warm weather had on cold weather-related sales and continued soft mall traffic trends. However, our omnichannel business, which reflects sales via our website, mobile site, and our *Buy Online Pick Up In-Store* initiatives, grew significantly, and we expect that it will continue to deliver strong performance. We also launched our Love Style Rewards loyalty program, which provides our non-private label credit card customers the opportunity to pay "their" way and earn loyalty rewards. In addition, we rolled out a new and enhanced mobile site, expanded new brands and categories and opened furniture departments in additional stores.

On August 15, 2016, we completed a closing of a new $150 million revolving commitment that replaced the existing $100 million A-1 Tranche of our Second Amended and Restated Loan and Security Agreement (the "Second Amended Revolving Credit Facility") and increased the total commitments under the facility to $880 million (see "Liquidity and Capital Resources," for further discussion).

On November 29, 2016, we redeemed all of our outstanding 10.625% Second Lien Senior Secured Notes due July 15, 2017 (see "Liquidity and Capital Resources," for further discussion).

As a result of unseasonably warm weather in our regions and prevailing soft mall traffic trends, on November 17, 2016, we revised our fiscal 2016 guidance. We expect loss per diluted share in a range of $2.04 to $2.54.

Assumptions reflected in our full-year guidance include the following:

- A comparable store sales decrease ranging from 2.5% to 3.5%;
- A gross margin rate ranging from a 80- to 90-basis-point increase from the fiscal 2015 rate of 34.7%;
- Selling, general and administrative ("SG&A") expense between $885 million and $888 million, or an expense rate ranging from a 50- to 70-basis-point increase from the fiscal 2015 rate of 33.3%;
- Capital expenditures not to exceed $40 million, net of external contributions; and
- An estimated 20 million weighted average diluted shares outstanding.

Results of Operations

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Net sales	100.0%	100.0%	100.0%	100.0%
Other income	2.9	2.8	3.0	2.8
	102.9	102.8	103.0	102.8
Costs and expenses:				
Costs of merchandise sold	64.9	66.6	64.9	65.4
Selling, general and administrative	36.2	35.3	37.3	36.5
Gain on insurance recovery	—	—	—	—
Depreciation and amortization	3.8	3.7	4.1	3.9
Amortization of lease-related interests	0.2	0.2	0.2	0.2
Impairment charges	—	—	—	—
Loss from operations	(2.2)	(2.9)	(3.5)	(3.2)
Interest expense, net	3.1	2.5	2.8	2.6
Loss on extinguishment of debt	0.1	—	—	0.3
Loss before income taxes	(5.4)	(5.5)	(6.3)	(6.0)
Income tax benefit	—	—	—	—
Net loss	(5.4)%	(5.5)%	(6.3)%	(6.0)%

Third Quarter of 2016 Compared with Third Quarter of 2015

Net sales : Net sales in the third quarter of 2016 were $589.9 million, compared with $623.4 million in the third quarter of 2015, reflecting a decrease of 5.4%. Comparable store sales decreased 4.9% in the period due to continued soft mall traffic trends and unseasonably warm weather.

The best performing merchandise categories in the third quarter of 2016 were Furniture (included in Home), Dresses and Active Sportswear (both included in Women's Apparel). Sales in Furniture increased through the expansion of merchandise to additional doors and sales increases in mattresses. Dresses benefited primarily from a large shift in product assortment in key items and brands. Active Sportswear benefited from sales increases in key items and brands.

Merchandise categories that were challenged in the period included Coats and Petites' Sportswear (both included in Women's Apparel) and Accessories. Coats were adversely impacted by slow sales in certain merchandise categories and unseasonable weather patterns. Petites' Sportswear was adversely impacted by unfavorable sales in certain brands. Accessories were adversely affected by warmer temperatures and slow sales in certain brands. We are directing inventory investment to brands that are performing better.

Other income : Other income, which includes income from revenues received under our credit card program agreement, miscellaneous revenue departments and gift and merchandise return card breakage, was $17.3 million in the third quarter of 2016 as compared with $17.5 million in the third quarter of 2015.

Costs and expenses : Gross margin in the third quarter of 2016 decreased $1.3 million to $207.1 million as compared with $208.4 million in the comparable prior year period, primarily due to the decreased sales volume in the current period, partially offset by improved merchandise margin rate and favorable delivery costs. Gross margin as a percentage of net sales increased 167 basis points to 35.1% in the third quarter of 2016 from 33.4% in the comparable prior year period, primarily due to reduced markdowns.

SG&A expense in the third quarter of 2016 decreased $6.4 million to $213.8 million as compared with $220.2 million in the third quarter of 2015. This reduction was largely due to a benefit from expense control measures, primarily related to non-customer facing expenses, partially offset by higher medical claims as well as severance costs and consulting expenses associated with our cost reduction initiative. The current period expense rate, 36.2% of net sales, increased 92 basis points from that of the prior year period as a result of the decreased sales volume in the period.

Depreciation and amortization expense and amortization of lease-related interests decreased $0.5 million to $23.3 million in the third quarter of 2016 from $23.8 million in the third quarter of 2015.

Interest expense, net : Net interest expense was $18.2 million in the third quarter of 2016 as compared with $15.8 million in the third quarter of 2015. The $2.4 million increase primarily reflects an increased weighted average interest rate, partially offset by lower debt levels.

Loss on extinguishment of debt : In the third quarter of 2016, we recorded charges totaling $0.7 million due to the write-off of certain deferred financing fees in connection with the Second Amended Revolving Credit Facility amendment.

Income tax benefit : The effective income tax rate in the third quarter in each of 2016 and 2015 largely reflects our valuation allowance position against all net deferred tax assets. The $0.2 million income tax benefit in the third quarter in each of 2016 and 2015 includes a $0.6 million benefit from the loss on continuing operations which was partially offset by the recognition of deferred tax liabilities associated with indefinite-lived assets.

2016 Compared with 2015

Net sales : Net sales in 2016 were $1,723.3 million, compared with $1,789.8 million in 2015, reflecting a decrease of 3.7%. Comparable store sales decreased 3.3% in the period due to continued soft mall traffic trends and unseasonable weather.

The best performing merchandise categories in 2016 were Furniture (included in Home), Men's Sportswear (included in Men's Apparel) and Active Sportswear (included in Women's Apparel). Sales in Furniture increased through the expansion of merchandise to additional doors and sales increases in mattresses. Men's Sportswear benefited from increased inventory investment in key items and growth in our activewear business. Active Sportswear benefited from sales increases in key items and brands.

Merchandise categories that were challenged in the period included Coats and Better Sportswear (both included in Women's Apparel) and Accessories. Coats were adversely impacted by slow sales in certain merchandise categories and unseasonable weather patterns. Better Sportswear was adversely impacted by unfavorable sales in certain brands. Accessories were adversely affected by warmer temperatures and slow sales in certain brands.

Other income : Other income, which includes income from revenues received under our credit card program agreement, miscellaneous revenue departments and gift and merchandise return card breakage, was $51.0 million in 2016 as compared with $49.4 million in 2015. The increase primarily reflects increased revenues from our proprietary credit card operations.

Costs and expenses : Gross margin in 2016 decreased $14.2 million to $605.2 million as compared with $619.5 million in 2015, primarily due to the decreased sales volume in 2016, partially offset by improved merchandise margin rate and favorable delivery costs. Gross margin as a percentage of net sales increased 51 basis points to 35.1% in 2016 from 34.6% in 2015, due to reduced markdowns.

SG&A expense in 2016 decreased $12.2 million to $641.9 million as compared with $654.1 million in 2015. This reduction was largely driven by expense control measures, primarily related to non-customer facing expenses, partially offset by higher medical claims as well as severance costs and consulting expenses associated with our cost reduction initiative. The current period expense rate, 37.3% of net sales, increased 70 basis points from that of the prior year as a result of the decreased sales volume in the period.

Gain on insurance recovery of $0.7 million was due to an insurance settlement in the second quarter of 2015, a residual of claims associated with one store that experienced fire damage in the fourth quarter of fiscal 2014.

Depreciation and amortization expense and amortization of lease-related interests increased $1.3 million to $73.5 million in 2016 from $72.2 million in 2015.

Interest expense, net : Net interest expense was $48.4 million in 2016 as compared with $46.2 million in 2015. The increase primarily reflects higher average debt levels.

Loss on extinguishment of debt : In 2016, we recorded charges totaling $0.7 million due to the write-off of certain deferred financing fees in connection with the Second Amended Revolving Credit Facility amendment. In 2015, we recorded charges totaling $4.9 million due to the early termination of one of our mortgage facilities. As a result of the prepayment, we paid an early termination fee of $4.7 million. Additionally, unamortized deferred financing fees were accelerated on the date of termination.

Income tax benefit : The effective income tax rate in each of 2016 and 2015 largely reflects our valuation allowance position against all net deferred tax assets. The $0.4 million income tax benefit in 2016 includes a $1.8 million benefit from the loss on continuing operations which was partially offset by the recognition of deferred tax liabilities associated with indefinite-lived assets. The $0.6 million income tax benefit in 2015 includes a $1.9 million benefit from the loss on continuing operations which was partially offset by the recognition of deferred tax liabilities associated with indefinite-lived assets.

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 fiscal year, which includes the holiday season. 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 fiscal year. We typically finance working capital increases in the second half of each fiscal year through additional borrowings under our $880.0 million Second Amended Revolving Credit Facility that expires on December 12, 2018 (see “Liquidity and Capital Resources,” below, for further discussion).

Because of the seasonality of our business, results for any quarter are not necessarily indicative of results that may be achieved for a full fiscal year.

Liquidity and Capital Resources

At October 29, 2016, we had $7.0 million in cash and cash equivalents and $302.7 million available under our Second Amended Revolving Credit Facility (before taking into account the minimum borrowing availability covenant under such facility). Excess availability was $250.2 million as of the comparable prior year period.

On August 15, 2016, The Bon-Ton Department Stores, Inc. and certain subsidiaries as borrowers and certain other subsidiaries as obligors entered into a Fourth Amendment (the "Fourth Amendment") to the Second Amended Revolving Credit Facility which, among other changes, increased lender commitments under the A-1 Tranche of the Second Amended Revolving Credit Facility to $150.0 million from the previous $100.0 million. This amendment brings total commitments under the Second Amended Revolving Credit Facility to $880.0 million ($730.0 million under Tranche A and $150.0 million under Tranche A-1).

Borrowings under the Second Amended Revolving Credit Facility bear interest at either (1) Adjusted LIBOR (equal to the London Interbank Offered 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. Following the Fourth Amendment, the applicable margins in respect of the Tranche A-1 facility are 9.5% for LIBOR loans and 8.5% for base rate loans; there is also a 1% LIBOR floor utilized when determining Adjusted LIBOR for that Tranche. The applicable margins in respect of the Tranche A facility continue to be based upon the excess availability under the Second Amended Revolving Credit Facility.

A 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) by virtue of the Fourth Amendment, $75.0 million. In addition, the Fourth Amendment requires that, if at any time on or after January 29, 2017 and for so long as excess availability under the Second Amended Revolving Credit Facility is less than 20% of the lesser of (a) the aggregate commitments at such time and (b) the aggregate borrowing base at such time, the fixed charge coverage ratio shall be at least 1.00 to 1.00.

The proceeds of the loans under the Tranche A-1 facility were used to repay existing Tranche A-1 loans and a portion of Tranche A loans as well as to pay fees and expenses incurred in connection with the Fourth Amendment.

On November 29, 2016, we redeemed all of our outstanding 10.625% Second Lien Senior Secured Notes due July 15, 2017, with borrowings under our Second Amended Revolving Credit Facility. These notes, which had a balance of $57.3 million, were redeemed at a redemption price of 100%, plus accrued and unpaid interest.

Typically, cash flows from operations are impacted by the effect on sales of (1) consumer confidence, (2) weather in the geographic markets served by the Company, (3) general economic conditions and (4) 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 (including, but not limited to, cash flows from operations supplemented by borrowings under the Second Amended Revolving Credit Facility) adequate to satisfy our cash needs for at least the next 12 months.

Our primary sources of working capital are cash flows from operations and borrowings under our Second Amended Revolving Credit Facility, which provides for up to $880.0 million in borrowings (limited by amounts available pursuant to a borrowing base calculation and the minimum borrowing availability covenant). 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 (used in) provided by our operating, investing and financing activities is summarized as follows:

(Dollars in millions)	THIRTY-NINE WEEKS ENDED October 29, 2016	October 31, 2015
Operating activities	$ (81.0)	$ (140.7)
Investing activities	(43.9)	16.3
Financing activities	125.0	137.3

Net cash used in operating activities was $81.0 million and $140.7 million in 2016 and 2015, respectively. The decrease in cash outflow primarily reflects a $56.0 million favorable change in cash flow from working capital. The improvement in cash flow from working capital was largely due to favorable fluctuations of $25.3 million in cash flows from merchandise inventories, $12.4 million in cash flows from accrued payroll and benefits and accrued expenses and $9.5 million in cash flows from accounts payable.

Net cash used in investing activities was $43.9 million in 2016 and net cash provided by investing activities was $16.3 million in 2015. In 2015, the inflow of cash included $84.0 million of proceeds from the sale of assets associated with a sale-leaseback transaction. Capital expenditures totaled $43.9 million and $70.5 million in 2016 and 2015, respectively, reflecting a planned decrease in capital expenditures. These expenditures do not reflect reductions for external contributions (primarily leasehold improvement and fixture allowances received from landlords or vendors) of $20.9 million and $8.6 million in 2016 and 2015, respectively. We anticipate that our fiscal 2016 capital expenditures will not exceed $63.1 million (excluding external contributions of $23.1 million, reducing anticipated net capital investments to $40.0 million).

Net cash provided by financing activities was $125.0 million and $137.3 million in 2016 and 2015, respectively. The reduced net financing requirements were primarily due to the favorable change in working capital partially offset by planned capital expenditures.

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts and disclosure of contingent assets and liabilities. There have been no significant changes in the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended January 30, 2016.

Recently Adopted and Issued Accounting Standards

Recently adopted and issued accounting standards are discussed in Note 1 to the Consolidated Financial Statements.

Forward-Looking Statements

Certain information included in this report (as well as other communications made or to be made by the Company) and other materials filed or to be filed by the Company with the Securities and Exchange Commission contain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which may be identified by words or phrases such as “may,” “could,” “would,” “will,” “plan,” “expect,” “believe,” “anticipate,” “estimate,” “project,” “intend,” “look forward to” or other similar expressions, including the Company’s fiscal 2016 guidance and statements regarding enhancements to our online and mobile platforms, anticipated expense savings, future cash flows, inventory management initiatives and projected capital expenditures, involve important risks and uncertainties that could significantly affect results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. Factors that could cause such differences include, but are not limited to, risks related to retail businesses generally; a significant and prolonged deterioration of general economic conditions which could negatively impact the Company, including the potential write-down of the current valuation of intangible assets and deferred taxes; risks related to the Company's proprietary credit card program; potential increases in pension obligations; consumer spending patterns, debt levels, and the availability and cost of consumer credit; additional competition from existing and new competitors or changes in the competitive environment; inflation; deflation; changes in the costs of fuel and other energy and transportation costs; weather conditions that could negatively impact sales; uncertainties associated with expanding or remodeling existing stores; the ability to attract and retain qualified management; the dependence upon relationships with vendors and their factors; a data security breach or system failure; the ability to reduce or control SG&A expenses, including initiatives to reduce expenses and improve efficiency; operational disruptions; unsuccessful marketing initiatives; the ability to expand capacity and improve efficiency through the Company's new eCommerce fulfillment center; changes in, or the failure to successfully implement, our key strategies, including initiatives to improve our merchandising, marketing and operations; adverse outcomes in litigation; the incurrence of unplanned capital expenditures; the ability to obtain financing for working capital, capital expenditures and general corporate purposes; the impact of regulatory requirements including the Health Care Reform Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act; the inability or limitations on the Company's ability to favorably adjust the valuation allowance on deferred tax assets; and the financial condition of mall operators. Additional factors that could cause the Company's actual results to differ from those contained in these forward-looking statements are discussed in greater detail under Item 1A of the Company's Annual Report on Form 10-K for fiscal 2015 filed with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk and Financial Instruments

On August 15, 2016, we completed a closing of a new $150.0 million revolving commitment that replaced the existing $100.0 million A-1 Tranche of our Second Amended Revolving Credit Facility. On November 29, 2016, we redeemed all of our outstanding 10.625% Second Lien Senior Secured Notes due July 15, 2017. Both of these transactions are discussed in "Liquidity and Capital Resources" within Management's Discussion and Analysis of Financial Condition and Results of Operations.

There were no other material changes in our exposures, risk management strategies, or hedging positions since January 30, 2016. For further information, refer to Item 7A of our fiscal 2015 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

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 Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules 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.

Changes in Internal Control over Financial Reporting

There were no changes to our internal controls over financial reporting that occurred during the thirteen weeks ended October 29, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS

(a) The following exhibits are filed pursuant to the requirements of Item 601 of Regulation S-K:

10.1	Fourth Amendment to Second Amended and Restated Loan and Security Agreement dated March 21, 2011 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 15, 2016)
31.1	Certification of Kathryn Bufano
31.2	Certification of Nancy A. Walsh
32.1*	Certification Pursuant to Rules 13a-14(b) and 15d-14(b) of the Securities Exchange Act of 1934
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Furnished herewith.

SIGNATURES

Pursuant to the requirements 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.

DATE:	December 7, 2016	BY:	/s/ Kathryn Bufano Kathryn Bufano President and Chief Executive Officer (Principal Executive Officer)
DATE:	December 7, 2016	BY:	/s/ Nancy A. Walsh Nancy A. Walsh Executive Vice President— Chief Financial Officer (Principal Financial Officer)
DATE:	December 7, 2016	BY:	/s/ Michael W. Webb Michael W. Webb Senior Vice President— Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF KATHRYN BUFANO

I, Kathryn Bufano, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of The Bon-Ton Stores, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: December 7, 2016

By: /s/ Kathryn Bufano
Kathryn Bufano
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF NANCY A. WALSH

I, Nancy A. Walsh, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of The Bon-Ton Stores, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: December 7, 2016

By: /s/ Nancy A. Walsh

Nancy A. Walsh
Executive Vice President—
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Bon-Ton Stores, Inc. on Form 10-Q for the period ended October 29, 2016, as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned officers of The Bon-Ton Stores, Inc., certifies pursuant to 18 U.S.C. Section 1350, that, to his/her respective knowledge:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Bon-Ton Stores, Inc.

DATE: December 7, 2016

By: /s/ Kathryn Bufano
Kathryn Bufano
President and Chief Executive Officer

By: /s/ Nancy A. Walsh
Nancy A. Walsh
Executive Vice President—
Chief Financial Officer

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