

**BLUESTEM BRANDS, INC.**  
**Consolidated Statements of Operations and Selected Operating Data**  
**(unaudited — in thousands, except average order size)**

	<b>52 Weeks Ended</b>		
	<b>January 31, 2014</b>	<b>February 1, 2013</b>	<b>Change <sup>(a)</sup></b>
Net sales	\$ 838,937	\$ 700,099	19.8 %
Cost of sales	493,461	390,567	26.3 %
Gross profit	345,476	309,532	11.6 %
Sales and marketing expenses	170,530	158,182	7.8 %
Net credit expense (income)	(62,865)	(46,015)	36.6 %
General and administrative expenses	133,320	101,706	31.1 %
Loss from derivatives in our own equity <sup>(b)</sup>	177,289	1,988	n/m
Loss on early extinguishment of debt	8,258	3,121	164.6 %
Interest expense, net <sup>(c)</sup>	19,772	33,158	(40.4)%
(Loss) income before income taxes	(100,828)	57,392	(275.7)%
Income tax expense	26,017	21,243	22.5 %
Net (loss) income	\$ (126,845)	\$ 36,149	(450.9)%
<b>Margins and Expenses as a Percentage of Net Sales:</b>			
Gross profit rate	41.2 %	44.2 %	(303) bp
Contribution Margin <sup>(d)</sup>	\$ 237,811	\$ 197,365	20.5%
As a percentage of net sales	28.3 %	28.2 %	16 bp
General and administrative expenses	15.9 %	14.5 %	137 bp
Net income before loss from derivatives in our equity <sup>(d)</sup>	\$ 50,444	\$ 38,137	32.3%
As a percentage of net sales	6.0 %	5.4 %	57 bp
Adjusted EBITDA <sup>(d)</sup>	\$ 143,628	\$ 111,536	28.8%
As a percentage of net sales	17.1 %	15.9 %	119 bp
Adjusted pro forma EBITDA <sup>(d)</sup>	\$ 65,694	\$ 70,088	(6.3)%
As a percentage of net sales	7.8 %	10.0 %	(218) bp
<b>Selected Operating Data:</b>			
Revolving new customer credit accounts <sup>(e)</sup>	643	606	6.2%
FreshStart new customer credit accounts <sup>(e)</sup>	225	220	2.4%
Active accounts <sup>(f)</sup>	1,417	1,339	5.8%
Average order size <sup>(g)</sup>	\$ 217	\$ 201	8.1%
Percentage of orders placed online <sup>(h)</sup>	59 %	55 %	478 bp

(a) Changes in rates are presented as the basis point (bp) increase (decrease) from the prior period.

(b) We had derivative liabilities relating to certain of our common stock warrants, preferred stock warrants, embedded derivatives in preferred stock, and a contingent fee agreement. These derivative liabilities were recorded at their estimated fair value at each balance sheet date. Changes in fair value were reflected in the consolidated statement of operations as gains or losses from derivatives in our own equity.

(c) Interest expense net of interest income.

(d) Please refer to the "Non-GAAP Financial Measures" within this release for a reconciliation of non-GAAP financial measures to GAAP and why we believe these are important measures of our performance.

(e) Customers that have made their initial order on account during the fiscal period presented.

(f) Customers that have made at least one purchase on account within the previous twelve fiscal months and at least one payment on account since origination.

(g) Average order size represents retail merchandise sales including shipping and handling revenue divided by the number of merchandise orders fulfilled during the fiscal period presented.

(h) Number of online orders as a percentage of all orders taken during the fiscal period presented.

**BLUESTEM BRANDS, INC.**  
*Condensed Consolidated Balance Sheets*  
(unaudited — in thousands)

	<b>January 31, 2014</b>	<b>February 1, 2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 132,388	\$ 349
Restricted cash	7,065	22,085
Customer accounts receivable — net of allowance for doubtful accounts of \$37,101 and \$164,449, respectively	36,406	720,078
Merchandise inventories	68,151	51,835
Promotional material inventories	15,362	13,852
Prepaid expenses and other assets	28,598	25,108
Total current assets	287,970	833,307
Property and equipment, net	37,063	26,995
Deferred charges and other assets	8,803	15
Total Assets	\$ 333,836	\$ 860,317
<b>Liabilities, Mezzanine Equity, and Shareholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 71,572	\$ 106,191
Accrued costs and other liabilities	72,897	34,789
Derivative liabilities in our own equity	-	85,992
Short-term debt	27,979	443,484
Total current liabilities	172,448	670,456
Long-term debt	198,280	1,617
Other long-term liabilities	8,653	10,438
Mezzanine equity	-	228,401
Shareholders' deficit:		
Series B convertible preferred stock	469	-
Series A convertible preferred stock	872	-
Additional paid-in capital	142,086	-
Accumulated deficit	(188,972)	(50,595)
Total shareholders' deficit	(45,545)	(50,595)
Total Liabilities, Mezzanine Equity, and Shareholders' Deficit	\$ 333,836	\$ 860,317

**BLUESTEM BRANDS, INC.**  
**Supplemental Financial Information**  
**(unaudited — in thousands)**

	52 Weeks Ended				Change
	January 31, 2014		February 1, 2013		
<b>Sales by merchandise category:</b>					
Home	\$ 351,389	40.0%	\$ 311,127	42.8%	12.9 %
Entertainment	387,413	44.0%	303,112	41.7%	27.8 %
Fashion	140,229	16.0%	112,739	15.5%	24.4 %
Total merchandise sales <sup>(a)</sup>	<u>879,031</u>	<u>100.0%</u>	<u>726,978</u>	<u>100.0%</u>	20.9 %
Returns and allowances	(56,059)		(41,673)		34.5 %
Commissions	15,965		14,794		7.9 %
Net sales	<u>\$ 838,937</u>		<u>\$ 700,099</u>		19.8 %

	52 Weeks Ended		
	January 31, 2014	February 1, 2013	Change
<b>Net credit expense (income):</b>			
Finance charge and fee income	\$ (96,835)	\$ (219,968)	(56.0)%
Provision for doubtful accounts	74,562	129,080	(42.2)%
Credit management costs	50,600	44,873	12.8 %
Portfolio profit sharing and servicing fee income	(91,192)	-	n/m
Net credit expense (income)	<u>\$ (62,865)</u>	<u>\$ (46,015)</u>	36.6 %

**Serviced Portfolio Selected Credit Data:**

Customer accounts receivable	\$ 1,061,143	\$ 872,041
Balances 30+ days delinquent <sup>(b)</sup>	\$ 155,832	\$ 125,298
Balances 30+ days delinquent as a percentage of total customer accounts receivable <sup>(c)</sup>	14.7 %	14.4 %
Average customer accounts receivable	\$ 881,213	\$ 722,300
Annualized finance charge and fee income as a percentage of average customer accounts receivable	29.3 %	30.5 %
Net principal charge-offs	\$ 148,712	\$ 104,183
Annualized net principal charge-offs as a percentage of average customer accounts receivable	16.9 %	14.4 %

(a) Total merchandise sales includes shipping and handling revenue and is net of sales discounts.

(b) Delinquent balances as of the customers' statement cycle dates prior to or on fiscal period end.

(c) Delinquent balances as of the customers' statement cycle dates prior to or on fiscal period end as a percentage of total customer accounts receivable as of the customers' statement cycle dates prior to or on fiscal period end.

**BLUESTEM BRANDS, INC.**  
**Non-GAAP Financial Measures**  
**(unaudited — in thousands)**

To supplement the consolidated financial statements of Bluestem Brands, Inc. and its subsidiaries which are presented in accordance with U.S. Generally Accepted Accounting Principles, or GAAP, we use the following non-GAAP measures:

*Contribution Margin*, as we present it, is defined as net sales less cost of sales, sales and marketing expenses and net credit expense (income). Contribution Margin represents the combined performance of merchandising, marketing and credit management activities.

*Net (loss) income before loss from derivatives in our own equity*, defined as GAAP net (loss) income adjusted for the non-cash loss from derivatives in our own equity. We no longer have derivatives in our own equity.

*Adjusted EBITDA*, as we present it, represents net (loss) income before interest expense, income tax expense, depreciation and amortization expense, stock-based compensation expense, dividend equivalent expense, loss from derivatives in our own equity, loss on early extinguishment of debt, loss (gain) on disposal of assets, acquisition transaction costs, specified litigation matters, and certain financing costs. Specified litigation matters are certain litigation contingencies that existed as of the November 7, 2014 acquisition of Bluestem by Capmark that are subject to limited indemnification by Bluestem's former shareholders.

*Adjusted pro forma EBITDA*, as we present it, represents net (loss) income assuming that the Santander Consumer USA Inc. ("SCUSA") credit financing arrangement had been in place and all revolving customer accounts receivable were sold to SCUSA prior to the 2013 fiscal year before interest expense, income tax expense, depreciation and amortization expense, stock-based compensation expense, dividend equivalent expense, loss from derivatives in our own equity, loss on early extinguishment of debt, loss (gain) on disposal of assets, acquisition transaction costs, specified litigation matters, and certain financing costs. In April 2013, the Company entered into a new strategic relationship with SCUSA, under which the Company would sell all newly originated Fingerhut and Gettington revolving credit receivables to SCUSA at par on the same business day as its purchase from WebBank and shares the profit on the receivables with SCUSA.

We provide these measures because we believe they are useful to investors in evaluating our operating performance (while giving affect to the SCUSA transaction) compared to other companies in our industry as it assists in analyzing and benchmarking the performance and value of our business. Non-GAAP measures should be considered along with the GAAP financial presentation and should not be considered in isolation or as a substitute for GAAP net income attributable to Bluestem Brands. In addition, our calculations of Contribution Margin, net (loss) income before loss from derivatives in our own equity, Adjusted EBITDA, and Adjusted pro forma EBITDA may not be comparable to the calculations of such measures by other companies.

The following table reconciles our Contribution Margin to the nearest GAAP performance measure, which is net (loss) income:

	<b>52 Weeks Ended</b>	
	<b>January 31, 2014</b>	<b>February 1, 2013</b>
<b>Contribution Margin:</b>		
Net (loss) income	\$ (126,845)	\$ 36,149
Income tax expense	26,017	21,243
Interest expense, net	19,772	33,158
Loss on early extinguishment of debt	8,258	3,121
Loss from derivatives in our own equity	177,289	1,988
General and administrative expenses	133,320	101,706
Contribution Margin	<u>\$ 237,811</u>	<u>\$ 197,365</u>

The following table reconciles our net (loss) income before loss from derivatives in our own equity to the nearest GAAP performance measure, which is net (loss) income:

	<b>52 Weeks Ended</b>	
	<b>January 31, 2014</b>	<b>February 1, 2013</b>
<b>Net (loss) income before loss from derivatives in our own equity:</b>		
Net (loss) income	\$ (126,845)	\$ 36,149
Loss from derivatives in our own equity	177,289	1,988
Net income before loss from derivatives in our own equity	<u>\$ 50,444</u>	<u>\$ 38,137</u>

**BLUESTEM BRANDS, INC.***Non-GAAP Financial Measures*

(unaudited — in thousands)

*Adjusted EBITDA*

The following table reconciles our Adjusted EBITDA to the nearest GAAP performance measure, which is net (loss) income:

	<b>52 Weeks Ended</b>	
	<b>January 31, 2014</b>	<b>February 1, 2013</b>
<b>Adjusted EBITDA:</b>		
Net (loss) income	\$ (126,845)	\$ 36,149
Interest expense	19,805	33,158
Income tax expense	26,017	21,243
Depreciation and amortization expense	13,928	12,923
Stock-based compensation expense	2,665	1,118
Dividend equivalent expense	12,718	-
Loss from derivatives in our own equity	177,289	1,988
Loss on early extinguishment of debt	8,258	3,121
Loss (gain) on disposal of assets	44	(25)
Acquisition transaction costs	446	-
Specified litigation matters	8,519	1,178
Certain financing costs	784	683
Adjusted EBITDA	<u>\$ 143,628</u>	<u>\$ 111,536</u>

**BLUESTEM BRANDS, INC.***Non-GAAP Financial Measures*

(unaudited — in thousands)

*Adjusted pro forma EBITDA*

The following table compares our Adjusted EBITDA to Adjusted pro forma EBITDA:

	52 weeks ended January 31, 2014		52 weeks ended February 1, 2013	
	Adjusted EBITDA	Adjusted pro forma EBITDA	Adjusted EBITDA	Adjusted pro forma EBITDA
Net sales <sup>(a)</sup>	\$ 838,937	\$ 838,937	\$ 700,099	\$ 700,099
Cost of sales	493,461	493,461	390,567	390,567
Gross profit <sup>(a)</sup>	345,476	345,476	309,532	309,532
Sales and marketing expenses <sup>(b)</sup>	170,530	170,682	158,182	159,147
Net credit expense (income):				
Finance charge and fee income <sup>(c)</sup>	(96,835)	(2,727)	(219,968)	(3,023)
Provision for doubtful accounts <sup>(c)</sup>	74,563	16,187	129,080	10,333
Credit management costs	50,600	50,545	44,873	42,415
Servicing income <sup>(d)</sup>	(8,644)	(17,129)	-	(14,101)
Profit sharing <sup>(d)</sup>	(82,549)	(32,514)	-	(41,156)
Net credit expense (income)	(62,865)	14,362	(46,015)	(5,532)
General and administrative expenses	133,320	133,320	101,706	101,706
Loss from derivatives in our own equity	177,289	177,289	1,988	1,988
Loss on early extinguishment of debt	8,258	8,258	3,121	3,121
Interest expense, net	19,772	19,772	33,158	33,158
(Loss) income before income taxes <sup>(e)</sup>	(100,828)	(178,207)	57,392	15,944
Interest expense	19,805	19,805	33,158	33,158
Depreciation and amortization expense <sup>(f)</sup>	13,928	13,373	12,923	12,923
Stock-based compensation expense	2,665	2,665	1,118	1,118
Dividend equivalent expense	12,718	12,718	-	-
Loss from derivatives in our own equity	177,289	177,289	1,988	1,988
Loss on early extinguishment of debt	8,258	8,258	3,121	3,121
Loss (gain) on disposal of assets	44	44	(25)	(25)
Acquisition transaction costs	446	446	-	-
Specified litigation matters	8,519	8,519	1,178	1,178
Certain financing costs	784	784	683	683
Adjusted EBITDA	<u>\$ 143,628</u>	<u>\$ 65,694</u>	<u>\$ 111,536</u>	<u>\$ 70,088</u>
Adjusted EBITDA % of net sales	17.1%	7.8%	15.9%	10.0%

(a) No change in net sales, gross profit, or net selling margin

(b) Sales and marketing expenses increase in the prior year due to the inclusion of SCUSA interchange fees

(c) Finance charge and fee income and provision for doubtful accounts shifted to SCUSA for all revolving receivables. We retain finance charge and fee income and provision for doubtful accounts for retained receivables (FreshStart and PayCheck Direct)

(d) We receive 2% servicing fee and profit share (based on Risk Adjusted Margin ("RAM")) from SCUSA

(e) (Loss) income before income taxes decrease from the shift of net credit revenue and provision to SCUSA

(f) Depreciation and amortization decrease due to elimination of amortization of deferred SCUSA transaction related expenses