Bluestem Brands, Inc.

6509 Flying Cloud Drive
Eden Prairie, Minnesota 55344

Report on the Results of Operations of Bluestem Brands, Inc.
and its consolidated subsidiaries for the thirteen weeks (unaudited)
and fifty-two weeks ended January 30, 2015

FORWARD-LOOKING STATEMENTS

This Report contains statements that are "forward-looking statements". Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. All statements contained herein that are not clearly historical in nature are forward-looking. In some cases, you can identify these statements by use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "project," "intend," "could" or similar expressions. In particular, statements regarding Bluestem Brands, Inc. and its consolidated subsidiaries' plans, strategies, prospects and expectations regarding its business are forward-looking statements. You should be aware that these statements and any other forward-looking statements in this document only reflect Bluestem Brands, Inc. and its consolidated subsidiaries' beliefs, assumptions and expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Many of these risks, uncertainties and assumptions are beyond Bluestem Brands, Inc. and its consolidated subsidiaries' control and may cause actual results and performance to differ materially from Bluestem Brands, Inc. and its consolidated subsidiaries' expectations. Material uncertainties and other factors known to Bluestem Brands, Inc. and its consolidated subsidiaries are set forth under "Risk Factors" in the Capmark Financial Group Inc. ("Capmark") consolidated annual report as of and for the years ended January 30, 2015 and January 31, 2014.

Forward-looking statements are based on Bluestem Brands, Inc. and its consolidated subsidiaries' beliefs, assumptions and expectations of its future performance, taking into account all information currently available to Bluestem Brands, Inc. and its consolidated subsidiaries. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to Bluestem Brands, Inc. and its consolidated subsidiaries or are within its control. If a change occurs, Bluestem Brands, Inc. and its consolidated subsidiaries' business, financial condition, and liquidity may vary materially from those expressed in its forward-looking statements.

Accordingly, you should not place undue reliance on the forward-looking statements contained in this Report. These forward-looking statements are made only as of the date of this Report. Bluestem Brands, Inc. undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

MANAGEMENT'S COMMENTARY ON RESULTS OF OPERATIONS

The following management commentary is being provided as supplemental information to the earnings release of Capmark Financial Group Inc. ("Capmark") and its wholly owned subsidiary Bluestem Brands, Inc. ("Bluestem") dated on April 28, 2015 (available at www.capmark.com). Financial information included in this Report relates to Bluestem and its consolidated subsidiaries on a stand-alone basis and, except for the non-GAAP data referred to below, for the twelve weeks ended January 30, 2015, the forty weeks ended November 7, 2014, and the fiscal year ended January 31, 2014 are derived from the financial statements of Bluestem and its consolidated subsidiaries which are audited. Financial information included in this Report related to Bluestem and its consolidated subsidiaries on a stand-alone basis for the one week ended November 7, 2014 and thirteen weeks ended January 31, 2014 are unaudited. This Report also includes financial information that was not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), including financial measures identified as contribution margin, adjusted general and administrative expenses, pro forma net credit expense (income), adjusted EBITDA and adjusted pro forma EBITDA. These non-GAAP measures are not an alternative to measures prepared in accordance with GAAP and are unaudited. This Report should be read in conjunction with the earnings release dated April 28, 2015, the audited consolidated financial statements and related notes of Bluestem and its consolidated subsidiaries as of January 30, 2015 and January 31, 2014 and for the twelve weeks ended January 30, 2015, the forty weeks ended November 7, 2014, and the fiscal year ended January 31, 2014, and the Capmark Annual Report as of and for the years ended January 30, 2015 and January 31, 2014 (available at www.capmark.com).

The accompanying results are presented as "Predecessor" or "Successor" to indicate the period preceding the November 7, 2014 acquisition of Bluestem by Capmark ("Acquisition") or the period succeeding the Acquisition, respectively. In addition, the Predecessor and Successor periods for the thirteen weeks and fifty-two weeks ended January 30, 2015 are also presented on a combined basis ("Total") for comparison purposes and does not necessarily reflect the actual results that would have occurred had the Acquisition occurred on February 2, 2014, nor is it necessarily indicative of the future results of operations of the combined companies. No historical Predecessor period financial information included herein has been adjusted to reflect, on a pro forma basis, the possible effects the Acquisition would have had on Bluestem and its consolidated subsidiaries.

Results of Operations – Three Months Ended January 30, 2015 Compared to Three Months Ended January 31, 2014

The following table provides selected financial information (in thousands):

	Successor (12 Weeks Ended) Acquisition - January 30, 2015	(unaudited) Predecessor (1 Week Ended) November 1, 2014 - November 7, 2014	Total (13 Weeks Ended) November 1, 2014 - January 30, 2015	(unaudited) Predecessor (13 Weeks Ended) November 2, 2013 - January 31, 2014	Change [(a)]
Net sales	$ 432,392	$ 24,082	$ 456,474	$ 373,655	22.2 %
Cost of sales	256,885	14,750	271,635	227,518	19.4 %
Gross profit	**175,507**	**9,332**	**184,839**	**146,137**	**26.5 %**
Sales and marketing expenses	69,128	4,882	74,010	58,598	26.3 %
Net credit expense (income)	18,011	2,702	20,713	(30,397)	168.1 %
General and administrative expenses	34,466	28,650	63,116	42,000	50.3 %
Amortization and depreciation not included in cost of sales [(b)]	21,573	274	21,847	3,260	n/m
Loss on early extinguishment of debt	-	9,298	9,298	-	n/m
Interest expense, net [(c)]	7,091	328	7,419	3,281	126.1 %
Income (loss) before income taxes	**25,238**	**(36,802)**	**(11,564)**	**69,395**	**(116.7)%**
Income tax expense (benefit)	9,222	(12,182)	(2,960)	24,551	(112.1)%
Net income (loss)	**$ 16,016**	**$ (24,620)**	**$ (8,604)**	**$ 44,844**	**(119.2)%**

Margins and Expenses as a Percentage of Net Sales:			
Gross profit rate	40.5 %	39.1 %	138 bp
Contribution margin [(d)]	$ 90,116	$ 117,936	(23.6%)
As a percentage of net sales	19.7 %	31.6 %	(1,182) bp
General and administrative expenses	13.8 %	11.2 %	259 bp
Adjusted EBITDA [(d)]	$ 56,637	$ 94,484	(40.1%)
As a percentage of net sales	12.4 %	25.3 %	(1,288) bp
Adjusted pro forma EBITDA [(d)]	**$ 55,961**	**$ 55,542**	**0.8%**
As a percentage of net sales	**12.3 %**	**14.9 %**	**(261) bp**

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

(b) Amortization and depreciation expense not included in cost of sales primarily consists of amortization expense of customer relationship finite-lived intangible assets and depreciation expense of software. Depreciation expense related to equipment in Bluestem Brands, Inc.'s fulfillment facilities are included in cost of sales.

(c) Interest expense net of interest income.

(d) Please refer to the "Bluestem Brands, Inc. - Non-GAAP Financial Measures" within the release dated April 28, 2015 for a reconciliation of these non-GAAP financial measures to GAAP and why Bluestem Brands, Inc. believes these are important measures of its performance.

Net Income (Loss): For the three months ended January 30, 2015, net loss was $8.6 million, a decrease of $53.4 million as compared to net income of $44.8 million for the same period ended January 31, 2014. We reported a net loss for the quarter due to a $51.1 million increase in net credit expense, a $21.1 million increase in general and administrative expenses, an $18.6 million increase in amortization and depreciation not included in costs of sales, a $15.4 million increase in sales and marketing expenses, a $9.3 million increase in loss on early extinguishment of debt and a $4.1 million increase in interest expense, net, partially offset by a $38.7 million increase in gross profit and a $27.5 million decrease in income tax expense.

Adjusted Pro Forma EBITDA: Adjusted pro forma EBITDA, assuming the receivable sales transaction that we closed with SCUSA in April of 2013 was in effect and fully transitioned at the beginning of all periods presented, for the three months ended January 30, 2015 was $56.0 million, an increase of $0.5 million as compared to pro forma adjusted EBITDA of $55.5 million for the same period ended January 31, 2014.

The following table provides a reconciliation of adjusted EBITDA to adjusted pro forma EBITDA (in thousands):

	13 weeks ended January 30, 2015	13 weeks ended January 31, 2014	Change
Adjusted EBITDA	$ 56,637	$ 94,484	(40.1)%
Less:			
Net credit expense (income) pro forma adjustments [(a)]	(653)	(38,700)	
Other pro forma adjustments	(23)	(242)	
Adjusted pro forma EBITDA	**$ 55,961**	**$ 55,542**	**0.8 %**

(a) Net credit expense (income) pro forma adjustments are described below in net credit expense (income) commentary section.

Adjusted pro forma EBITDA increased by $0.5 million due to a $38.8 million increase in gross profit offset by a $15.4 million increase in sales and marketing expenses, a $13.0 million increase in net credit expense (income) and a $9.9 million increase in general and administrative expenses, as noted below.

Net Sales: For the three months ended January 30, 2015, net sales were $456.5 million, an increase of $82.8 million or 22.2% as compared to net sales of $373.7 million for the same period ended January 31, 2014. We fulfilled 2.1 million orders with an average order size of $232 for the three months ended January 30, 2015 compared to 1.7 million orders and an average order size of $225 for the three months ended January 31, 2014. We added 411 thousand new customers in the three months ended January 30, 2015 compared to 353 thousand new customers in the three months ended January 31, 2014. The $82.8 million net sales increase was due to strong sales to both new and existing customers. New customer accounts acquired were driven by broader visibility of our website through TV advertising and assortment expansion by partnering with drop ship vendors to increase product assortment. Sales to existing customers increased as a result of our credit account management strategies including targeted credit line increases and improved rebuy rates from TV advertising.

Gross Profit Rate: The gross profit rate increased 138 basis points to 40.5% for the three months ended January 30, 2015 as compared to 39.1% for the three months ended January 31, 2014. A 142 basis points increase in mark-up driven by a mix shift out of our entertainment merchandise category, which has lower mark ups, into higher margin merchandise resulting from our strategic expansion of merchandise assortment and a 90 basis points increase in shipping and handling revenue primarily due to elimination of Gettington.com "Free Shipping Every Day" strategy from 2013 partially offset by a 62 basis points increase in customer discounts primarily due to the holiday season promotions offered by our Gettington.com brand and a 28 basis points increase in distribution center costs primarily due to addition of new distribution center.

Sales and Marketing Expenses: For the three months ended January 30, 2015, sales and marketing expenses were $74.0 million, an increase of $15.4 million or 26.3% as compared to $58.6 million for the same period ended January 31, 2014. As a percent of net sales, our sales and marketing costs were 16.2%, compared to 15.7% in the prior year. The 53 basis point increase was primarily a result of the costs associated with our national TV advertising campaign, which launched at the beginning of fiscal year 2014.

Net Credit Expense (Income): Net credit expense (income) was an expense of $20.7 million and income of $30.4 million for the three months ended January 30, 2015 and January 31, 2014, respectively. Net credit expense (income) on a pro forma basis, assuming the receivable sales transaction that we closed with SCUSA in April of 2013 was in effect and fully transitioned at the beginning of all periods presented, for the three months ended January 30, 2015 was an expense of $21.4 million compared to an expense of $8.3 million for the three months ended January 31, 2014.

The following table reconciles our net credit expense (income) to pro forma net credit expense (income):

	13 Weeks Ended January 30, 2015	13 Weeks Ended January 31, 2014	Change
Net credit expense (income)	$ 20,713	$ (30,397)	(168.1)%
Less:			
Finance charge and fee income adjustment [a]	1,594	(14,044)	
Provision for doubtful accounts adjustment [a]	(1,520)	23,910	
Credit management costs adjustment [b]	-	(37)	
Servicing income adjustment [c]	(53)	(389)	
Profit sharing adjustment [c]	632	29,260	
Total pro forma net credit expense (income) adjustments	653	38,700	98.3 %
Pro forma net credit expense (income)	**$ 21,366**	**$ 8,303**	**157.3 %**
As a percentage of net sales	4.7%	2.2%	247 bps

(a) Finance charge and fee income and provision (benefit) for doubtful accounts shifted to SCUSA for all revolving receivables. Bluestem Brands, Inc. retains finance charge and fee income and provision (benefit) for doubtful accounts for retained receivables (FreshStart and PayCheck Direct).

(b) Credit management cost decrease in the prior year due to elimination of credit origination fees incurred prior to the SCUSA arrangement.

(c) Bluestem Brands, Inc. receives a 2% servicing fee and profit sharing (based on Risk Adjusted Margin) from SCUSA.

Pro forma net credit expense increased 247 basis points primarily due to our decision in the fourth quarter of 2014 to temporarily move our collections platform to manual dialing to enhance our compliance with existing regulations regarding the calling of mobile phones and our conversion to a new receivables platform in March of 2014. As a result, pro forma net credit expense had $3.7 million higher credit operating costs, $3.1 million higher provision for loan losses on our Fingerhut FreshStart credit portfolio and $4.7 million in lower profit sharing on the SCUSA-owned portfolio.

General and Administrative Expenses: General and administrative expenses were $63.1 million and $42.0 million for the three months ended January 30, 2015 and January 31, 2014, respectively. General and administrative expenses, adjusted for dividend equivalent expense, stock-based compensation expense, acquisition transaction costs, specified litigation matters, and other, for the three months ended January 30, 2015 were $33.9 million or 7.4% of net sales, an increase of $9.9 million or 100 basis points as compared to $24.0 million or 6.4% of net sales for the same period ended January 31, 2014. Adjusted general and administrative expenses increased 100 basis points primarily due to higher incentive compensation expenses and Capmark integration costs.

The following table provides a reconciliation of general and administrative expenses to adjusted general and administrative expenses (in thousands):

	13 Weeks Ended January 30, 2015	13 Weeks Ended January 31, 2014	Change
General and administrative expenses	$ 63,116	$ 42,000	50.3 %
Less:			
Dividend equivalent expense [(a)]	19,628	12,718	
Stock-based compensation expense [(b)]	7,553	657	
Acquisition transaction costs	1,581	446	
Specified litigation matters	54	4,132	
Other	401	16	
Adjusted general and administrative expenses	**$ 33,899**	**$ 24,031**	**41.1 %**
As a percentage of net sales	7.4%	6.4%	100 bps

(a) On December 6, 2013, Bluestem (as "Predecessor") declared a common stock dividend equivalent to unexpired and unexercised Predecessor stock option holders. The dividend equivalents were paid upon vesting of the Predecessor stock options and unvested options were amortized over the remaining requisite period of the options. Upon consummation of the Acquisition, all outstanding stock options were fully vested and dividend equivalents were paid to Predecessor stock option holders.
(b) Upon consummation of the Acquisition, all stock options were fully vested and the Predecessor accelerated the stock-based compensation expense related to Predecessor stock options.

Amortization and Depreciation not Included in Cost of Sales: Amortization and depreciation not included in costs of sales was $21.8 million for the three months ended January 30, 2015 as compared to $3.3 million for the three months ended January 31, 2014. This increase was primarily due to the recognition of $18.3 million of amortization expense related to the customer relationship intangible asset as a result of the Acquisition.

Loss on Early Extinguishment of Debt: Loss on early extinguishment of debt was $9.3 million for the three months ended January 30, 2015. There was no loss on early extinguishment of debt for the three months ended January 31, 2014. The loss on early extinguishment of debt during the three months ended January 30, 2015 was a result of the advance payoff of the Predecessor term loan in connection with the Acquisition.

Interest Expense: For the three months ended January 30, 2015, interest expense was $7.4 million, an increase of $4.1 million as compared to $3.3 million for the same period ended January 31, 2014. The increase is a result of weighted average borrowings outstanding for the three months ended January 30, 2015 of $291.7 million compared to $148.1 million for the three months ended January 31, 2014. The increase in weighted average borrowings was due to borrowings in connection with the Acquisition.

Income Tax Expense (benefit): For the three months ended January 30, 2015, income tax benefit was $3.0 million as compared to income tax expense of $24.6 million for the three months ended January 31, 2014. The $3.0 million income tax benefit was primarily a result of our $11.6 million loss before income taxes, whereas we had income before income taxes of $69.4 million for the three months ended January 30, 2014.

Results of Operations – For the Period Ended January 30, 2015 Compared to the Year Ended January 31, 2014

The following table provides selected financial information (in thousands):

	Successor (12 Weeks Ended) Acquisition - January 30, 2015	Predecessor (40 Weeks Ended) February 1, 2014 - November 7, 2014	Total (52 Weeks Ended) February 1, 2014 - January 30, 2015	Predecessor (52 Weeks Ended) February 2, 2013 - January 31, 2014	Change [(a)]
Net sales	$ 432,392	$ 639,131	$ 1,071,523	$ 838,937	27.7 %
Cost of sales	256,885	370,763	627,648	493,461	27.2 %
Gross profit	**175,507**	**268,368**	**443,875**	**345,476**	**28.5 %**
Sales and marketing expenses	69,128	127,667	196,795	170,530	15.4 %
Net credit expense (income)	18,011	(1,053)	16,958	(62,865)	127.0 %
General and administrative expenses	34,466	131,801	166,267	120,756	37.7 %
Amortization and depreciation not included in cost of sales [(b)]	21,573	9,739	31,312	12,564	149.2 %
Loss from derivatives in our own equity [(c)]	-	-	-	177,289	n/m
Loss on early extinguishment of debt	-	9,298	9,298	8,258	12.6 %
Interest expense, net [(d)]	7,091	13,576	20,667	19,772	4.5 %
Income (loss) before income taxes	**25,238**	**(22,660)**	**2,578**	**(100,828)**	**102.6 %**
Income tax expense (benefit)	9,222	(7,662)	1,560	26,017	(94.0)%
Net income (loss)	**$ 16,016**	**$ (14,998)**	**$ 1,018**	**$ (126,845)**	**100.8 %**

Margins and Expenses as a Percentage of Net Sales:	Total (52 Weeks Ended) January 30, 2015	Predecessor (52 Weeks Ended) January 31, 2014	Change
Gross profit rate	41.4 %	41.2 %	24 bp
Contribution margin [(e)]	$ 230,122	$ 237,811	(3.2%)
As a percentage of net sales	21.5 %	28.3 %	(687) bp
General and administrative expenses	15.5 %	14.4 %	112 bp
Net income before loss from derivatives in our equity [(e)]	$ 1,018	$ 50,444	(98.0%)
As a percentage of net sales	0.1 %	6.0 %	(592) bp
Adjusted EBITDA [(e)]	$ 119,896	$ 143,628	(16.5%)
As a percentage of net sales	11.2 %	17.1 %	(593) bp
Adjusted pro forma EBITDA [(e)]	**$ 98,699**	**$ 65,694**	**50.2%**
As a percentage of net sales	**9.2 %**	**7.8 %**	**138 bp**

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

(b) Amortization and depreciation expense not included in cost of sales primarily consists of amortization expense of customer relationship finite-lived intangible assets and depreciation expense of software. Depreciation expense related to equipment in Bluestem Brands, Inc.'s fulfillment facilities are included in cost of sales.

(c) Bluestem Brands, Inc. had derivative liabilities relating to certain Predecessor common stock warrants, preferred stock warrants, embedded derivatives in preferred stock, and a contingent fee agreement. All of the aforementioned derivatives were extinguished as part of the Predecessor 2013 recapitalization. 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.

(d) Interest expense net of interest income.

(e) Please refer to the "Bluestem Brands, Inc. - Non-GAAP Financial Measures" within the release dated April 28, 2015 for a reconciliation of these non-GAAP financial measures to GAAP and why Bluestem Brands, Inc. believes these are important measures of its performance.

Net Income (Loss): For the fiscal year ended January 30, 2015, net income was $1.0 million, an increase of $127.9 million as compared to a net loss of $126.8 million for the same period ended January 31, 2014. The improvement in net income over fiscal 2014 is due to no recorded loss from derivatives in our equity for the fiscal year ended January 30, 2015, a $98.4 million increase in gross profit and a $24.5 million decrease in income tax expense, partially offset by a $79.8 million increase net credit expense (income), a $45.5 million increase in general and administrative expenses, a $26.3 million increase in sales and marketing expenses, an $18.7 million increase in amortization and depreciation not included in costs of sales, a $1 million increase in loss on early extinguishment of debt and a $0.9 million increase in interest expense.

Adjusted Pro Forma EBITDA: Adjusted pro forma EBITDA, assuming the receivable sales transaction that we closed with SCUSA in April of 2013 was in effect and fully transitioned at the beginning of all periods presented, for the fiscal year ended January 30, 2015 was $98.7 million, an increase of $33.0 million as compared pro forma adjusted EBITDA of $65.7 million for the same period ended January 31, 2014.

The following table provides a reconciliation of adjusted EBITDA to adjusted pro forma EBITDA (in thousands):

	52 weeks ended January 30, 2015	52 weeks ended January 31, 2014	Change
Adjusted EBITDA	$ 119,896	$ 143,628	(16.5)%
Less:			
Net credit expense (income) pro forma adjustments [(a)]	(20,453)	(77,227)	
Other pro forma adjustments	(744)	(707)	
Adjusted pro forma EBITDA	**$ 98,699**	**$ 65,694**	**50.2 %**

(a) Net credit expense (income) pro forma adjustments are described below in net credit expense (income) commentary section.

Adjusted pro forma EBITDA increased by $33.0 million due to a $98.6 million increase in gross profit, partially offset by a $26.2 million increase in sales and marketing expenses, a $23.0 million increase in net credit expense (income) and a $16.4 million increase in general and administrative expenses, as noted below.

Net Sales: For the fiscal year ended January 30, 2015, net sales were $1,071.5 million, an increase of $232.6 million or 27.7% as compared to net sales of $838.9 million for the same period ended January 31, 2014. We fulfilled 4.9 million orders with an average order size of $228 for the fiscal year ended January 30, 2015 compared to 4.1 million orders and an average order size of $217 for the fiscal year ended January 31, 2014. We added 1.0 million new customers in the fiscal year ended January 30, 2015 compared to 868 thousand new customers in the fiscal year ended January 31, 2014. The $232.6 million net sales increase was due to strong sales to both new and existing customers. New customer accounts acquired were driven by broader visibility of our website through TV advertising and assortment expansion by partnering with drop ship vendors to increase product assortment. Sales to existing customers increased as a result of our credit account management strategies including targeted credit line increases and improved rebuy rates from TV advertising.

Gross Profit Rate: The gross profit rate increased 24 basis points to 41.4% for the fiscal year ended January 30, 2015 as compared to 41.2% for the fiscal year ended January 31, 2014. A 36 basis points increase in shipping and handling revenue primarily due to elimination of Gettington.com "Free Shipping Every Day" strategy from 2013, a 29 basis points increase in mark-up driven by a mix shift out of our entertainment merchandise category, which has lower mark ups, into higher margin merchandise resulting from our strategic expansion of merchandise assortment and a 26 basis point decrease in shipping expense due to lower carrier rates partially offset by a 29 basis points increase in distribution center costs primarily due to addition of new distribution center and a 24 basis points increase in customer discounts primarily due to holiday season promotions offered by our Gettington.com brand.

Sales and Marketing Expenses: For the fiscal year ended January 30, 2015, sales and marketing expenses were $196.8 million, an increase of $26.3 million or 15.4% as compared to 170.5 million for the same period ended January 31, 2014. As a percent of net sales, our sales and marketing costs were 18.4%, compared to 20.3% in the prior year. The 196 basis point decrease was primarily due to an increase in net sales.

Net Credit Expense (Income): Net credit expense (income) was an expense of $17.0 million and income of $62.9 million for the fiscal year ended January 30, 2015 and January 31, 2014, respectively. Net credit expense (income) on a pro forma basis, assuming the receivable sales transaction that we closed with SCUSA in April 2013 was in effect and fully transitioned at the beginning of all periods presented, for the fiscal year ended January 30, 2015 was an expense of $37.4 million compared to an expense of $14.4 million for the fiscal year ended January 31, 2014.

The following table reconciles our net credit expense (income) to pro forma net credit expense (income):

	52 Weeks Ended January 30, 2015	52 Weeks Ended January 31, 2014	Change
Net credit expense (income)	$ 16,958	$ (62,865)	(127.0)%
Less:			
Finance charge and fee income adjustment [(a)]	(7,993)	94,108	
Provision for doubtful accounts adjustment [(a)]	14,559	(58,375)	
Credit management costs adjustment [(b)]	-	(55)	
Servicing income adjustment [(c)]	(397)	(8,486)	
Profit sharing adjustment [(c)]	14,284	50,035	
Total pro forma net credit expense (income) adjustments	20,453	77,227	73.5 %
Pro forma net credit expense	**$ 37,411**	**$ 14,362**	**160.5 %**
As a percentage of net sales	3.5%	1.7%	179 bps

(a) Finance charge and fee income and provision (benefit) for doubtful accounts shifted to SCUSA for all revolving receivables. Bluestem Brands, Inc. retains finance charge and fee income and provision (benefit) for doubtful accounts for retained receivables (FreshStart and PayCheck Direct).

(b) Credit management cost decrease in the prior year due to elimination of credit origination fees incurred prior to the SCUSA arrangement.

(c) Bluestem Brands, Inc. receives a 2% servicing fee and profit sharing (based on Risk Adjusted Margin) from SCUSA.

Pro forma net credit expense increased 179 basis points due to our conversion to a new receivables platform in March of 2014 and our decision in the fourth quarter of 2014 to temporarily move our collections platform to manual dialing to enhance our compliance with existing regulations regarding the calling of mobile phones. As a result, pro forma net credit expense had higher credit operating costs of $10.2 million, a $3.1 million higher provision for loan losses on our Fingerhut FreshStart credit portfolio and $4.7 million in lower profit sharing on the SCUSA-owned portfolio.

General and Administrative Expenses: General and administrative expenses were $166.3 million and $120.8 million for the fiscal year ended January 30, 2015 and January 31, 2014, respectively. General and administrative expenses, adjusted for dividend equivalent expense, stock-based compensation expense, acquisition transaction costs, specified litigation matters, (gain) loss on disposal of assets and other, for the fiscal year ended January 30, 2015 were $112.5 million or 10.5% of net sales, compared to $96.1 million or 11.5% of net sales for the same period ended January 31, 2014. Adjusted general and administrative expenses as a percent of net sales decreased 95 basis points primarily due to an increase in net sales.

The following table provides a reconciliation of general and administrative expenses to adjusted general and administrative expenses (in thousands):

	52 Weeks Ended January 30, 2015	52 Weeks Ended January 31, 2014	Change
General and administrative expenses	$ 166,267	$ 120,756	37.7 %
Less:			
Dividend equivalent expense [(a)]	28,681	12,718	
Stock-based compensation expense [(b)]	9,684	2,665	
Acquisition transaction costs	11,237	446	
Specified litigation matters	3,595	8,519	
Other	596	313	
Adjusted general and administrative expenses	**$ 112,474**	**$ 96,095**	**17.0 %**
As a percentage of net sales	10.5%	11.5%	(95) bps

(a) On December 6, 2013, Bluestem (as "Predecessor") declared a common stock dividend equivalent to unexpired and unexercised Predecessor stock option holders. The dividend equivalents were paid upon vesting of the Predecessor stock options and unvested options were amortized over the remaining requisite period of the options. Upon consummation of the Acquisition, all outstanding stock options were fully vested and dividend equivalents were paid to Predecessor stock option holders.
(b) Upon consummation of the Acquisition, all outstanding stock options were fully vested and the Predecessor accelerated the stock-based compensation expense related to Predecessor stock options.

Amortization and Depreciation not Included in Cost of Sales: Amortization and depreciation not included in costs of sales was $31.3 million for the fiscal year ended January 30, 2015 as compared to $12.6 million for the fiscal year ended January 31, 2014. This increase was primarily due to the recognition of $18.3 million of amortization expense related to the customer relationship intangible asset as a result of the Acquisition.

Loss on Early Extinguishment of Debt: Loss on early extinguishment of debt was $9.3 million for the fiscal year ended January 30, 2015. Loss on early extinguishment of debt was $8.3 million for the fiscal year ended January 31, 2014. The loss on early extinguishment of debt recognized during the fiscal year ended January 30, 2015 was a result of the advance payoff of the Predecessor term loan in connection with the Acquisition. The $8.3 million loss on early extinguishment of debt recognized during the fiscal year ended January 31, 2014 was a result of the advance payoff of debt as a result of excess cash flow related to entering into the SCUSA transaction.

Interest Expense: For the fiscal year ended January 30, 2015, interest expense was $20.7 million, an increase of $0.9 million or 4.5% as compared to $19.8 million for the same period ended January 31, 2014. The increase is a result of an 8.0% weighted average interest rate for the fiscal year ended January 30, 2015 as compared to a 5.5% weighted average interest rate for the fiscal year ended January 31, 2014, partially offset by weighted average borrowings outstanding for the fiscal year ended January 30, 2015 of $223.1 million compared with $257.1 million for the fiscal year ended January 31, 2014.

Income Tax Expense (benefit): For the fiscal year ended January 30, 2015, income tax expense was $1.6 million as compared to income tax expense of $26.0 million for the fiscal year ended January 31, 2014. Our effective tax rate for the twelve weeks ended January 30, 2015, the forty weeks ended November 7, 2014, and the fiscal year ended January 31, 2014 was 36.5%. 33.8% and (25.8%), respectively. The 2.7% decrease in our effective tax rate from the twelve weeks ended January 30, 2015 as compared to 33.8% for the forty weeks ended November 7, 2014 was primarily a result of acquisition transaction costs. Our effective tax rate for the fiscal year ended January 31, 2014 was (25.8%) due to the loss from derivatives in our own equity which is a permanent difference between taxable and book income.