Capmark Financial Group Inc.
Report as of and for the years ended
January 30, 2015 and January 31, 2014

CAPMARK FINANCIAL GROUP INC.

6509 Flying Cloud Drive
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CAPMARK FINANCIAL GROUP INC.
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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 Capmark Financial Group 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 Capmark Financial Group 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 Capmark Financial Group Inc. and its consolidated subsidiaries' control and may cause actual results and performance to differ materially from Capmark Financial Group Inc. and its consolidated subsidiaries' expectations. Important factors that could cause our actual results to be materially different from our expectations include the risks and uncertainties set forth below under "Risk Factors"

Forward-looking statements are based on Capmark Financial Group Inc. and its consolidated subsidiaries' beliefs, assumptions and expectations of its future performance, taking into account all information currently available to Capmark Financial Group 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 Capmark Financial Group Inc. and its consolidated subsidiaries or are within its control. If a change occurs, Capmark Financial Group 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. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

BUSINESS

The Company

Capmark Financial Group Inc. is a holding company whose businesses include Bluestem Brands, Inc. and commercial real estate finance companies. On November 7, 2014 ("Acquisition Date"), a subsidiary of Capmark Financial Group Inc. acquired all of the outstanding common shares and voting interest of Bluestem Brands, Inc., a multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving low-to-middle income consumers nationwide. The commercial real estate finance companies are focused on managing the commercial real estate-related business and existing assets, including monetizing the assets when appropriate.

As used in this report:

- "CFGI," "we," "us," "our," or "the Company" refer to Capmark Financial Group Inc. with its consolidated subsidiaries
- "Bluestem Brands" refers to Bluestem Brands, Inc., an indirect subsidiary of Capmark Financial Group Inc.
- "Commercial Real Estate" refers to the commercial real estate finance operations
- "Successor CFGI" refers to CFGI, the Company's commercial real estate finance operations following its emergence from bankruptcy on September 30, 2011
- "Predecessor CFGI" refers to CFGI prior to its emergence from bankruptcy on September 30, 2011

Prior to October 25, 2009, Predecessor CFGI was a commercial real estate finance company that provided financial services to investors in commercial real estate-related assets through three core businesses: lending and mortgage banking, investments and funds management, and servicing.

In 2009 and 2010, Predecessor CFGI and certain of its subsidiaries ("Debtors") filed voluntary petitions for relief under Chapter 11 of the US Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court"). Certain of the Debtors, including Successor CFGI, emerged from bankruptcy on September 30, 2011 ("Effective Date") pursuant to the Third Amended Joint Plan of Capmark Financial Group Inc. and certain of its subsidiaries and affiliates ("Plan"). The Plan was effective for fourteen of the Debtors (the "Reorganized Debtors"). The cases of the Debtors not subject to the Plan have been dismissed by the Bankruptcy Court. On October 3, 2013, the Bankruptcy Court issued an order closing the Chapter 11 cases of eight of the Reorganized Debtors. On December 10, 2014, the Bankruptcy Court issued an order closing the Chapter 11 cases of the remaining six Reorganized Debtors.

On March 5, 2014, the Company entered into an agreement with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in the Company by Centerbridge ("Investment Agreement"), subject to certain terms and conditions. On May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, (i) filed Amended and Restated Articles of Incorporation and amended and restated its Bylaws, (ii) issued to Centerbridge $5.0 million of convertible preferred stock ("Preferred Stock") and warrants to purchase up to 43 million shares of common stock ("Warrants") and (iii) entered into an agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes ("Note Purchase Agreement"), subject to certain terms and conditions. Funds made available to the Company by Centerbridge would be used, together with the Company's own resources, to finance one or more acquisitions over a period of two years from closing, which may be extended for an additional year ("Investment Period"). As discussed below, funds made available to the Company by Centerbridge were used to finance the acquisition of Bluestem Brands.

On November 7, 2014, the Company acquired Bluestem Brands for $565 million in cash, subject to various pre-closing and post-closing adjustments. The Company funded the purchase price and associated transactional expenses with approximately $136 million of cash on hand, $136 million of proceeds from the exercise of common stock purchase Warrants by Centerbridge pursuant to the terms of the Investment Agreement, and a $300 million term debt facility issued by Bluestem Brands. Certain members of Bluestem Brands' management team also provided capital for the transaction through the purchase of the Company's common stock. In addition, Bluestem Brands closed on an amendment and restatement of its $80 million asset-based lending facility. The results of Bluestem Brands' operations have been included in the consolidated financial statements since the Acquisition Date. See Note 4, *Business Combination*, of the consolidated financial statements for further discussion of the Bluestem Brands acquisition.

From the Effective Date through January 30, 2015, the Company operated primarily through the following subsidiaries:

Bluestem Brands is a Delaware corporation and an indirect wholly-owned subsidiary of Successor CFGI. Bluestem Brands is a national multi-brand online retailer serving low-to-middle income consumers by offering products with customized payment plans through three brands: Fingerhut, Gettington.com and PayCheck Direct. Fingerhut and Gettington.com generally target consumers with low-to-middle incomes and offer consumers a broad assortment of merchandise with the ability to pay via monthly payments. PayCheck Direct is an employee benefit program that is offered directly through employers or organizations as a voluntary benefit to employees and members, which allows consumers to purchase products with the convenience of payment for their purchases over time through payroll deductions or automatic bank withdrawals. By combining proprietary marketing and credit decision-making technologies, Bluestem Brands is able to tailor merchandise and credit offers to prospective as well as existing customers. Bluestem Brands views merchandising, marketing and credit management within its business model as strategically indivisible. Credit is offered to customers to reasonably assist them in making merchandise purchases while enhancing customer loyalty and driving repeat orders. As a result, its credit offerings are designed to complement its marketing initiatives rather than maximize the profitability of its credit portfolio on a stand-alone basis. Approximately

95% of Bluestem Brands' sales are on revolving customer credit accounts, extended through an unaffiliated credit issuer. Bluestem Brands offers a large selection of name-brand, private label, and non-branded merchandise through Internet websites and catalogs to customers in the United States. Merchandise is continuously tailored across three key product categories:

- ***Home*** — including housewares, bed and bath, lawn and garden, home furnishings and hardware;
- ***Entertainment*** — including electronics, video games, toys and sporting goods
- ***Fashion*** — including apparel, footwear, cosmetics, fragrances and jewelry

Capmark Finance LLC ("Capmark Finance") is a Delaware limited liability company and a wholly-owned subsidiary of Successor CFGI. Capmark Finance was previously a California limited liability company and became a Delaware limited liability company effective September 25, 2013, through a statutory conversion process. Capmark Finance is primarily focused on the management of its existing assets, including monetizing the assets when appropriate. In connection with these activities, Capmark Finance has, among other things, restructured its loans, advanced required funds to maintain the value of the commercial real estate collateralizing its loans, and taken actions to collect on defaulted loans, including acquiring title to the commercial real estate collateral. Any real estate acquired as a result of such actions has been managed by Capmark Finance or one of its subsidiaries.

Capmark Bank was a Utah-chartered industrial bank and a wholly-owned subsidiary of Successor CFGI ("Capmark Bank"). Deposits that were maintained by Capmark Bank were eligible for insurance by the Federal Deposit Insurance Corporation ("FDIC"). Capmark Bank was subject to regulation and periodic examination by the Utah Department of Financial Institutions ("UDFI") and the FDIC and was required to pay applicable FDIC insurance premiums and comply with applicable capital adequacy requirements, limitations on transactions with affiliates, and other federal and state banking regulations. On September 25, 2013, the FDIC issued an order determining that Capmark Bank was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013. When the termination of deposit insurance became effective, Capmark Bank was no longer subject to FDIC regulation and examination and was not required to comply with capital adequacy requirements. Also on December 31, 2013, the Company returned to the UDFI the industrial bank charter under which Capmark Bank had operated since inception. On January 1, 2014, Capmark Bank amended its articles of organization to change its name to Capmark Utah Inc.

On December 18, 2014, the Company's Board of Directors approved a change in our fiscal year from December 31 to the Friday closest to January 31 of the following year. This change is to conform to the fiscal year of Bluestem Brands. Bluestem Brands operates on a fiscal calendar widely used by the retail industry that results in fiscal years consisting of a 52- or 53-week period ending on the Friday closest to January 31 of the following year. In these consolidated statements, including the notes thereto, financial results are for fiscal years ended January 30, 2015 and January 31, 2014.

The Company is a Nevada corporation that was incorporated on April 17, 1998 and is headquartered in Eden Prairie, Minnesota. As of January 31, 2014, the Company had 35 employees. As of January 30, 2015, after the acquisition, the Company had 1,289 employees. The Company's recent annual reports, quarterly reports, Bluestem Brands stand-alone reports and other periodic filings are available free of charge on our website, www.capmark.com.

Board of Directors and Chief Executive Officer

As of the date of this report, Steven H. Nave serves as the Company's President and Chief Executive Officer. The Company's Board of Directors is composed of Charles H. Cremens, Eugene I. Davis, Thomas L. Fairfield, William C. Gallagher, Matthew Kabaker, Brian L. Libman, Michael Hegarty, Thomas F. Maher, Jason Mozingo, Steven H. Nave, and Scott A. Schroepfer.

Market Information

The Company's common stock, par value $0.01 per share, is quoted on the over-the-counter markets under the symbol "CPMK." American Stock Transfer & Trust Company, LLC, serves as the registrar and transfer agent for the common stock and the Preferred Stock and can be reached at 6201 - 15th Avenue, Brooklyn, NY 11219, attention: Shareholder Services.

Nature and Extent of Facilities

The Company maintains its corporate headquarters at 6509 Flying Cloud Drive, Eden Prairie, Minnesota. The Company maintains additional offices in Horsham, Pennsylvania and operates its Bluestem Brands, Fingerhut, Gettington.com and PayCheck Direct businesses out of the corporate headquarters and at a second office location in Eden Prairie, Minnesota. Bluestem Brands operates a distribution center and a call center, each located in St. Cloud, Minnesota. All of the Company's facilities are leased.

Executive Business Summary

Highlights for fiscal year 2014 were:

- On September 30, 2014, the Company closed the transactions contemplated by the Restructuring and Settlement Agreement ("Ambac RSA") among the Company and Ambac Assurance Corporation ("Ambac") relating to certain low-income housing tax credit ("LIHTC") funds for which Ambac issued surety bonds to investors ("Ambac Funds"). At the closing of the Ambac RSA, $30 million of cash was released to the Company and the Company was released from all previous obligations related to the Ambac Funds. Also on September 30, 2014, the Company sold its remaining assets related to the Ambac Funds to an affiliate of HCP Pacific Holdings, LLC ("Pacific"), an affiliate of Hunt Capital Partners, LLC and Hunt Companies Inc. for $31 million. The Company recorded a gain on sale of discontinued operations of $35.5 million after the closing of both the Ambac RSA and related subsequent asset sale and incurred approximately $4.4 million of fees and expenses related to the transaction.

- On October 14, 2014, the Company closed the transactions contemplated by the September 22, 2014 agreement entered into with an affiliate of Pacific ("Pacific RSA") to restructure the guaranteed LIHTC funds for which JP Morgan Chase Bank, N.A. and certain of its affiliates ("JPM") were the investors ("JPM Funds") and settled the claims related to the JPM Funds in the Company's bankruptcy. Immediate prior to the closing of the Pacific RSA, Pacific closed the transactions contemplated by its agreement with JPM pursuant to which one of its affiliates acquired JPM's interests in the JPM Funds and JPM's claims in the Company's bankruptcy cases related to the JPM Funds. In connection with the Pacific RSA, the Company formed a subsidiary ("JPM NewCo"), which was capitalized with substantially all of the Company's assets related to the JPM Funds. The Company sold the JPM NewCo to Pacific for $2.0 million on October 14, 2014. Following the closing of the Pacific RSA and the sale of JPM NewCo, the Company has no further interest in the JPM Funds or JPM NewCo. In addition, the Company no longer has any material LIHTC-related assets or liabilities.

- On March 5, 2014, the Company entered into the Investment Agreement. Funds made available to the Company by Centerbridge under the Investment Agreement were used, together with the Company's own resources, to finance the Bluestem Brands acquisition on November 7, 2014.

- On November 7, 2014, the Company acquired Bluestem Brands, Inc. The results of Bluestem Brands' operations have been included in the consolidated financial statements for the period from the Acquisition Date to January 30, 2015.

- Total cash received from asset collections and revenue of commercial real estate-related assets and businesses were $152.9 million, including $61.0 million from the Ambac RSA and the related subsequent asset sale. Also included in the total cash received for commercial real estate-related assets and businesses was $45.3 million of distributions from real estate equity and debt funds and $15.1 million from the partial redemption of the equity investment in the Federal Home Loan Bank of Seattle ("FHLB"). Total cash received from the sale of Bluestem Brands customer accounts receivable for the period from Acquisition Date to January 30, 2015 was $430.9 million.

MANAGEMENT'S COMMENTARY ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's "Management's Commentary on Financial Condition and Results of Operations" is organized as follows:

- *Overview and Basis of Presentation:* This section provides a discussion of the presentation of the Company's consolidated results and the presentation of its segment results.
- *Presentation of the Company's Results of Operation:* This section presents the Company's detailed analysis of its consolidated results of operations and a discussion of information that it believes is meaningful to an understanding of its results of operations.
- *Liquidity and Capital Resources:* This section provides an analysis of the Company's liquidity and cash flows.

Overview and Basis of Presentation

The Company is a holding company whose businesses include Bluestem Brands, Inc., a national multi-brand online retailer serving low-to-middle income consumers by offering products with customized payment plans, and commercial real estate finance companies with a focus on the management of their commercial real estate-related assets. The results of Bluestem Brands' operations have been included in the consolidated financial statements since the Acquisition Date. In fiscal 2014, we changed our organizational structure as a result of the acquisition of Bluestem Brands. We review and present our consolidated business results in two reportable segments (referred to herein as "segments"), Fingerhut and Commercial Real Estate, based on the organizational structure that we use to evaluate performance and make decisions on allocating resources and assessing performance.

Fingerhut

Fingerhut is a national multi-brand online retailer servicing low-income consumers by offering products with customized payment plans and through revolving credit lines or installment loans. Fingerhut offers a large selection of name-brand, private label, and non-branded merchandise through Internet websites and catalogs to customers in the United States. It primarily sells consumer electronics, domestics, housewares, home furnishings, children's merchandise, and apparel.

Important drivers of Fingerhut's business performance include growth in new customer credit accounts, existing customer repurchase rates, the mark-up and mix of merchandise sold to customers, access to liquidity to finance customer purchases, and the overall performance and credit quality of the customer accounts receivable portfolio.

While numerous retailers sell merchandise via the Internet and catalogs focusing on low-to-middle income customers, Fingerhut has created a differentiated business model by utilizing direct-marketing expertise to integrate proprietary credit offerings with broad general merchandise offerings. The majority of sales are on revolving customer credit accounts, originated through WebBank ("Credit Issuer"), reflecting Fingerhut's ability to combine a relevant merchandise offering with an attractive consumer credit product aligned with the consumer's ability to pay. Fingerhut also offers the FreshStart program, which provides the option of purchasing merchandise on installment credit terms after first making a down payment.

Commercial Real Estate

Commercial Real Estate is focused on managing its existing commercial real estate-related business and existing assets, including monetizing the assets when appropriate.

Other

As a result of not meeting the quantitative threshold requirements, two smaller operating segments within Bluestem Brands, Gettington.com and PayCheck Direct have been included within Other. Gettington.com targets middle-income consumers and offers merchandise selections and payment plans similar to Fingerhut. PayCheck Direct is an employee benefit program that is offered directly through employers or organizations as a voluntary benefit to employees and members, which allows consumers to purchase products with the convenience of paying for their purchases over time through payroll deductions or automatic bank withdrawals.

Corporate

Corporate expenses primarily consist of unallocated payroll and benefit costs for corporate and administrative employees, including information technology, legal, human resources, finance, merchandising, supervision of credit servicing, executive and sales and marketing management; professional fees for bankruptcy-related matters and investment and acquisition transactions; professional fees for legal, accounting and other service providers; occupancy costs of corporate and distribution center facilities; insurance; and maintenance and other overhead costs.

Presentation of the Company's Results of Operations

Consolidated Results of Operations

The following table provides selected financial information for the Company (in thousands) for the years ended:

	January 30, 2015	January 31, 2014
Net sales and revenue		
Net retail sales	$ 432,392	$ -
Commercial real estate revenue		
Net interest income	6,609	23,255
Net gains on investments and real estate	15,978	78,794
Other noninterest income	23,505	49,848
Total net sales and revenue	**478,484**	**151,897**
Costs and expenses		
Retail cost of goods sold	256,885	-
Retail sales and marketing expenses	69,128	-
Retail net credit expense	18,011	-
Commercial real estate operating expenses	4,901	18,583
General and administrative expenses	85,289	28,830
Amortization and depreciation not included in retail cost of goods sold	21,627	737
Loss from derivatives in our own equity	15,353	-
Total costs and expenses	**471,194**	**48,150**
Operating Income	**7,290**	**103,747**
Retail interest expense	7,091	-
Income from continuing operations before income taxes	**199**	**103,747**
Income tax benefit	69,770	869
Income from continuing operations after income taxes	**69,969**	**104,616**
Income (loss) from discontinued operations, net of tax	33,037	(20,900)
Net income	**103,006**	**83,716**
Plus: Net loss attributable to noncontrolling interests	5,930	14,185
Net income attributable to Capmark Financial Group Inc.	**$ 108,936**	**$ 97,901**

Results of Operations by Segment:

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

	Year ended January 30, 2015				
	Fingerhut	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue					
Net retail sales	$ 382,584	$ -	$ 49,808	$ -	$ 432,392
Commercial real estate revenue					
Net interest income	-	6,609	-	-	6,609
Net gains on investments and real estate	-	15,978	-	-	15,978
Other noninterest income	-	23,505	-	-	23,505
Total net sales and revenue	**382,584**	**46,092**	**49,808**	**-**	**478,484**
Costs and expenses					
Retail cost of goods sold	218,447	-	38,438	-	256,885
Retail sales and marketing expenses	62,669	-	6,459	-	69,128
Retail net credit expense (income)	17,075	-	936	-	18,011
Commercial real estate operating expenses	-	4,901	-	-	4,901
General and administrative expenses	-	-	-	85,289	85,289
Amortization and depreciation not included in retail cost of goods sold	-	-	-	21,627	21,627
Loss from derivatives in our own equity	-	-	-	15,353	15,353
Total costs and expenses	**298,191**	**4,901**	**45,833**	**122,269**	**471,194**
Operating Income	**$ 84,393**	**$ 41,191**	**$ 3,975**	**$ (122,269)**	**$ 7,290**

	Year ended January 31, 2014				
	Fingerhut	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue					
Net retail sales	$ -	$ -	$ -	$ -	$ -
Commercial real estate revenue					
Net interest income	-	23,255	-	-	23,255
Net gain on investments and real estate	-	78,794	-	-	78,794
Other noninterest income	-	49,848	-	-	49,848
Total net sales and revenue	**-**	**151,897**	**-**	**-**	**151,897**
Costs and expenses					
Retail cost of goods sold	-	-	-	-	-
Retail sales and marketing expenses	-	-	-	-	-
Retail net credit expense (income)	-	-	-	-	-
Commercial real estate operating and other expenses	-	18,583	-	-	18,583
General and administrative expenses	-	-	-	28,830	28,830
Amortization and depreciation not included in retail cost of goods sold	-	-	-	737	737
Loss from derivatives in our own equity	-	-	-	-	-
Total costs and expenses	**-**	**18,583**	**-**	**29,567**	**48,150**
Operating Income	**$ -**	**$ 133,314**	**$ -**	**$ (29,567)**	**$ 103,747**

Fingerhut

Fingerhut's net retail sales, retail costs of goods sold, and retail gross profit were included in our results from Acquisition Date through January 30, 2015, and consist of the following (in thousands):

		January 30, 2015
Sales by category:		
Home	$	131,050
Entertainment		194,955
Fashion		75,333
Total sales		401,338
Returns and allowances		(24,366)
Commissions		5,612
Net retail sales		382,584
Retail cost of goods sold		218,447
Retail gross profit	$	164,137
Retail gross profit percentage		42.9%

Net retail sales:
Net retail sales consists of sales of merchandise, shipping and handling revenue, and commissions earned from third parties that market their products to our customers. Merchandise sales and shipping and handling revenue are recorded at the estimated time of delivery to the customer. Merchandise sales are reported net of discounts and estimated sales returns and excludes sales taxes. On November 7, 2014, we acquired Bluestem Brands; as a result, net retail sales were included in our results from Acquisition Date through January 30, 2015. For the period from Acquisition Date through January 30, 2015, Fingerhut's net retail sales were $382.6 million. Fingerhut filled 1.9 million orders during the period from Acquisition Date through January 30, 2015, with an average order size of $232.

Fingerhut added approximately 270 thousand and 117 thousand new revolving and Freshstart customers, respectively, for the period from Acquisition Date through January 30, 2015. The $382.6 million net retail sales were a result of strong sales to both new and existing customers. New customer accounts acquired were driven by broader visibility of our website through television ("TV") advertising, merchandise assortment expansion including expansion of drop ship vendors to increase product assortment, and catalog circulation to prospective customers including mailings of the 2014 Holiday Big Book as a customer acquisition tool.

Retail cost of goods sold:
Retail cost of goods sold includes the cost of merchandise sold (net of vendor rebates, purchase discounts and estimated returns), shipping and handling costs, inbound freight costs, payroll and benefits for distribution center employees, depreciation of distribution center assets, and estimates of product obsolescence costs. Distribution center occupancy costs are not included in cost of sales. For the period from Acquisition Date through January 30, 2015, Fingerhut's retail cost of sales was $218.4 million.

***Retail Sales and Marketing Expenses*:**
The following table presents retail sales and marketing expense, by category (in thousands):

		January 30, 2015
Catalog direct mail	$	35,975
TV and digital marketing		17,582
Order entry and customer service		7,061
Other		2,051
Total retail sales and marketing expenses	$	62,669

Retail sales and marketing expenses of $62.7 million were included in our total operating expenses from Acquisition Date through January 30, 2015. Fingerhut's retail sales and marketing expenses primarily consisted of catalog circulation costs and TV advertising to drive visibility of our website.

Retail Net Credit Expense:
Retail net credit expense of $17.1 million was included in our total operating expenses from Acquisition Date through January 30, 2015. The following table presents retail net credit expense, by category (in thousands):

	January 30, 2015
Finance charge and fee income	$ (3,417)
Provision for doubtful accounts	9,972
Credit management costs	17,962
Servicing fee income and portfolio profit sharing	(7,442)
Retail net credit expense	$ 17,075

Retail net credit expense includes finance charge and fee income and provision for doubtful accounts on Company-owned accounts receivable, servicing fee income and portfolio profit sharing from Santander Consumer USA Inc. ("SCUSA") owned accounts receivable and credit management costs on all customer accounts receivable whether owned by the Company or SCUSA. Finance charge and fee income are accrued on Company-owned accounts receivable until the account balance is paid or charged off. A late fee is imposed if the customer does not pay at least the minimum payment by the payment due date. We record a provision for doubtful accounts to maintain the allowance for doubtful accounts at a level intended to absorb probable losses in customer accounts receivable owned by the Company as of the Consolidated Balance Sheet date. SCUSA bears risk of loss due to uncollectibility of the Standard Receivables, as defined in the liquidity section, purchased by SCUSA. The Company bears risk of loss due to uncollectibility on Nonstandard Receivables, as defined in the liquidity section, and any existing Standard Receivables not purchased by SCUSA. As of January 30, 2015, total customer accounts receivable was $1.3 billion, of which $51.4 million was Company-owned accounts receivable. Credit management costs related to both the Company-owned and SCUSA-owned customer accounts receivable include statement and payment processing, collections, origination fees paid to the Credit Issuer, new account application and credit bureau processing costs, as well as direct customer service costs. The Company receives a servicing fee and shares in a portion of the profits as compensation for servicing customer accounts receivable sold to SCUSA. For the period from Acquisition Date through January 30, 2015, Fingerhut's retail net credit expense was $17.1 million.

Commercial Real Estate

Commercial real estate revenue:
Total commercial real estate revenue is summarized below:

	January 30, 2015	January 31, 2014
Net interest income	$ 6,609	$ 23,255
Net gains on investments and real estate	15,978	78,794
Other noninterest income	23,505	49,848
Total commercial real estate revenue	$ 46,092	$ 151,897

Net interest income:
Net interest income represents the difference between the amount of interest that we earn on our interest-earning assets, primarily loans held-for-sale, and the amount of interest that we pay on our interest-bearing liabilities. Net interest income is driven by the principal amount of interest-earning assets and interest-earning liabilities that we hold on our Consolidated Balance Sheet and the changes in the spread between the two. Interest expense consists primarily of interest on the collateralized borrowings for transactions that were accounted for as financings. Interest expense also includes interest that accrued on our deposit liabilities and the accretion of the premiums recognized in the application of fresh-start accounting to the deposit liabilities for the year ended January 31, 2014. The following table presents net interest income, by category (in thousands):

	January 30, 2015	January 31, 2014
Interest income	$ 8,409	$ 28,993
Interest expense	(1,800)	(5,738)
Net interest income	$ 6,609	$ 23,255

During the year ended January 30, 2015, interest income was driven primarily by $2.9 million of interest on investment securities classified as available-for-sale and $2.6 million of deferred interest receivable recognized on loans held-for-sale. Interest income also included $1.8 million of interest on loans held-for-sale that are no longer owned by the Company, but continue to be recognized on our Consolidated Balance Sheet because the transfers of these loans to a third party did not qualify as a sale and; therefore, were accounted for as financings.

During the same period, interest expense was driven primarily by $1.8 million of related interest on secured borrowings for transactions that were accounted for as financings.

During the year ended January 31, 2014, interest income was driven primarily by $10.6 million of interest on loans held-for-sale, $5.4 million of interest on investment securities classified as available-for-sale and $3.1 million of deferred interest receivable recognized on loans held-for-sale. Interest income also included $2.9 million of interest on loans held-for-sale that are no longer owned by the Company, but continue to be recognized on our balance sheet because the transfers of these loans to a third party did not qualify as a sale and, therefore, were accounted for as financings. Interest income in the year ended January 31, 2014 also included the recognition of $5.5 million of previously deferred interest on loans held-for-sale. During the same period, interest expense was driven primarily by $2.9 million of related interest on secured borrowings for transactions that were accounted for as financing and $17.3 million of contractual interest expense from deposit liabilities at Capmark Bank, offset by $14.4 million from the accretion of the fresh-start accounting premium for the deposit liabilities.

Net gains on investments and real estate:
During the year ended January 30, 2015, net gains on investments and real estate primarily included realized gains related to the payment of interest shortfalls on several tranches of a commercial mortgage-backed security and on redemption of an interest in a collateralized debt obligation, both classified as available-for-sale. During the year ended January 31, 2014, net gains on investments and real estate primarily included $40.8 million of realized gains on the dispositions of real estate investments and $40.6 million of realized gains on the redemption and sale of interests in collateralized debt obligations classified as investment securities available-for-sale.

Other noninterest income:
Other noninterest income primarily includes net realized and unrealized gains and losses on loans and equity investments. Net gains on loans also include the recognition of the discount recorded in the application of fresh-start accounting to the loans held-for-sale. The discount is recognized as a component of the realized gain on sale at the time of a partial or full disposition of the loan. The following table presents other noninterest income, by category (in thousands):

	January 30, 2015	January 31, 2014
Net gains on loans	$ 1,720	$ 26,137
Other gain (losses), net	24	(5,346)
Equity in income of joint ventures and partnerships	15,061	24,333
Net real estate investment and other income	6,700	4,724
Other noninterest income	$ 23,505	$ 49,848

For the year ended January 30, 2015, other noninterest income consisted of the following: Net gains on loans primarily included $1.3 million of recapture of losses that were recorded at the initial application of fresh-start accounting on loans held-for-sale that are no longer owned by the Company, but continue to be recognized on our balance sheet because the transfers of these loans to a third party did not qualify as a sale and were accounted for as financings. Other gains (losses), net included $1.4 million of net gains recognized on commercial real estate accounts and other receivables related to the collection of an asset that was previously fully reserved substantially offset by $1.1 million of net losses associated with foreign currency remeasurement adjustments. Equity in income of joint ventures and partnerships was primarily due to $12.1 million of gains on equity investments in real estate funds resulting primarily from increases in the fair value of assets held by these real estate investment funds and joint ventures and $3.0 million of gains on other equity investments.

For the year ended January 31, 2014, other noninterest income consisted of the following: Net gains on loans primarily included $24.3 million of realized gains on full or partial dispositions of loans held-for-sale and $2.6 million of recapture of losses that were recorded at the initial application of fresh-start accounting on loans held-for-sale that are no longer owned by the Company, but continue to be recognized on our Consolidated Balance Sheet because the transfers of these loans to a third party did not qualify as a sale and were accounted for as financings. Other gain (losses), net included $9.7 million of the release of cumulative foreign currency translation losses which were previously recorded in accumulated other comprehensive income (loss) for the substantially complete liquidation of investments in foreign entities and $1.0 million of net losses associated with foreign currency remeasurement adjustments principally associated with the former Asia business operations. Other gains (losses), net also includes the offsetting impact of a $4.9 million gain due to the resolution of a terminated derivative contract that was the subject of an adversary proceeding in the Bankruptcy Court. Equity in income of joint ventures and partnerships was primarily due to $21.1 million of gains on equity investments resulting from increases in the fair value of assets held by these real estate investment funds and joint ventures.

Commercial Real Estate Operating Expenses
Commercial real estate operating expenses consist primarily of professional fees for legal service providers for asset transactions and litigation and compensation and benefits costs for asset management related personnel. The following table presents the Commercial Real Estate operating expenses by category (in thousands):

	January 30, 2015	January 31, 2014
Professional fees	$ 2,740	$ 9,501
Compensation and benefits	2,161	9,082
Commercial real estate operating expenses	**$ 4,901**	**$ 18,583**

Professional fees for the year ended January 30, 2015, consisted primarily of $1.9 million of costs associated with litigation and $0.8 million for asset transaction and fees related to the Company's former new markets tax credit ("NMTC") program. Professional fees for the year ended January 31, 2014 consisted primarily of $5.2 million of costs associated with litigation and $4.3 million of asset transaction and NMTC related fees.

Compensation and benefit costs for the year ended January 30, 2015 included $1.7 million of salary and benefits expense and $0.4 million of expense associated with various incentive compensation programs. Compensation and benefit costs for the year ended January 31, 2014, included $5.3 million of salary and benefits expense and $3.7 million of expense associated with various incentive compensation programs. The salary and benefits expense included $1.6 million of severance costs associated with the planned reduction of employees for the year ended January 31, 2014.

For the year ended January 31, 2014, the incentive compensation expense included $2.6 million for long-term incentive plans and $0.5 million of expense for retention programs. The long-term incentive plan was established pursuant to the Plan and provided deferred cash payments to certain employees based upon the performance of and achievement of specific recovery values for the operational areas. The Company made cash payments for substantially all of the remaining obligations for the long-term incentive plans in the year ended January 31, 2014 and the remaining amounts were paid by March 2015. This retention program provided awards of deferred cash compensation and generally entitled the recipient to receive a contractually fixed payment either on a quarterly or an annual basis.

Other

Other's net retail sales, retail costs of goods sold, and retail gross profit were included in our results from Acquisition Date through January 30, 2015 and consist of the following (in thousands):

Sales by category:	January 30, 2015
Home	$ 14,284
Entertainment	30,208
Fashion	7,624
Total sales	52,116
Returns and allowances	(2,852)
Commissions	544
Net retail sales	49,808
Retail cost of goods sold	38,438
Retail Gross Profit	$ 11,370
Retail gross profit percentage	22.8%

Net Retail Sales:
Other's net retail sales were $49.8 million, which primarily consisted of Gettington.com net retail sales.

Retail Cost of Goods Sold:
Retail cost of goods sold includes the cost of merchandise sold (net of vendor rebates, purchase discounts and estimated returns), shipping and handling costs, inbound freight costs, payroll and benefits for distribution center employees, depreciation of distribution center assets, and estimates of product obsolescence costs. For the period from Acquisition Date through January 30, 2015, Other's retail cost of sales was $38.4 million, which consisted primarily of Gettington.com costs.

Retail Sales and Marketing Expenses:
Other's retail sales and marketing expenses were included in our results from Acquisition Date through January 30, 2015. The following table presents retail sales and marketing expense, by category (in thousands):

	January 30, 2015	
Catalog direct mail	$	3,387
TV and digital marketing		1,446
Order entry and customer service		475
Sales commissions and other		1,151
Total retail sales and marketing expenses	$	6,459

Other's retail sales and marketing expenses were $6.5 million and primarily consisted of Gettington.com costs and expenses.

Retail Net Credit Expense:
The following table presents retail net credit expense, by category (in thousands):

	January 30, 2015	
Finance charge and fee income	$	(19)
Provision for doubtful accounts		539
Credit management costs		1,075
Servicing fee income and portfolio profit sharing		(659)
Retail net credit expense	$	936

For the period from Acquisition Date through January 30, 2015, Other's retail net credit expense was $0.9 million and primarily consisted of Gettington.com costs and expenses.

Corporate

Corporate activities consist of general and administrative expenses, amortization and depreciation not included in retail cost of goods sold and loss from derivatives in our own equity.

General and Administrative Expenses:
General and administrative expenses include unallocated payroll and benefit costs for corporate and administrative employees, including information technology, legal, human resources, finance, merchandising, supervision of credit servicing, executive and sales and marketing management; professional fees for bankruptcy related matters and investment and acquisition transactions; professional fees for legal, accounting and other service providers; occupancy costs of corporate and distribution center facilities; insurance; and maintenance and other overhead costs. On November 7, 2014, we acquired Bluestem Brands; as a result, general and administrative expenses of Bluestem Brands were included in our expenses from Acquisition Date through January 30, 2015. Total general and administrative expenses for the years ended January 30, 2015 and January 31, 2014, were as follows (in thousands).

	January 30, 2015		January 31, 2014	
Compensation and benefits	$	29,976	$	14,539
Professional fees		46,041		8,812
Rents and occupancy costs		5,533		2,750
Other		3,739		2,729
Total general and administrative expenses	$	85,289	$	28,830

Compensation and benefit costs include salaries, wages and benefits and incentive based compensation. For the year ended January 30, 2015, salary and benefits cost were $21.4 million associated with a headcount of 20 prior to Acquisition Date and 682 post Acquisition Date. The incentive-based compensation expense included $2.5 million for stock-based compensation expense and $0.2 million of expense for retention programs for the year ended January 30, 2015. For the year ended January 31, 2014, salary and benefits costs were $9.2 million associated with a headcount of 26. The incentive-based compensation expense included $1.8 million for stock-based compensation expense, $0.9 million for long-term incentive plans and $0.7 million of expense for retention programs.

Professional fees included in general and administrative expenses for the year ended January 30, 2015 included $20.1 million of stock-based compensation expense associated with Centerbridge's exercise of 33.9 million Warrants in connection with the Bluestem Brands acquisition. The Warrants had a performance commitment which was satisfied with the Bluestem Brands acquisition. Professional fees included in general and administrative expenses for the year ended January 30, 2015 also included $9.9 million of costs associated with the acquisition of Bluestem Brands, $5.7 million of costs associated with the Investment Agreement, $1.8 million of costs associated with strategic initiatives, and $0.7 million of costs associated with bankruptcy-related matters. Professional fees for the year ended January 31, 2014, consisted of $3.4 million of costs associated with litigation and bankruptcy-related matters and $2.8 million of third-party advisory fees.

Amortization and Depreciation not Included in Retail Costs of Goods Sold:
Amortization and depreciation not included in retail cost of goods sold includes amortization of our customer relationships intangible asset and depreciation of our property and equipment including purchased and internally-developed software, computer hardware, machinery, and equipment used in Bluestem Brands' distribution center, office furniture, property under capital lease, and leasehold improvements. For the period from Acquisition Date through January 30, 2015, amortization and depreciation not included in retail cost of goods sold was $21.6 million and primarily consisted of $18.3 million of amortization of our customer relationships intangible asset acquired in connection with the Bluestem Brands acquisition. We are amortizing the customer relationship intangible asset over a six year life using an accelerated amortization method to match the pattern in which the economic benefits of the asset are expected to be consumed.

Loss from Derivatives in Our Own Equity:
Loss from derivatives in our own equity reflects the recognition and subsequent changes in the estimated fair value of the outstanding Warrants that meet the definition of a derivative. The Company issued Warrants to Centerbridge on May 8, 2014 which may be exercised for a period of five years either concurrently or following the consummation of an approved acquisition transaction. Centerbridge exercised 33.9 million Warrants in conjunction with the Bluestem Brands acquisition. As of January 30, 2015, 9.6 million Warrants remain outstanding which were determined to meet the definition of a derivative as the Warrants do not meet the criteria necessary to be considered indexed to the Company's own stock. The derivative liability is recorded at the estimated fair value of the Warrants. Changes in fair value are reflected in the Consolidated Statement of Comprehensive Income as gains or losses from derivatives in our own equity. As of January 30, 2015, a loss from derivatives in our own equity and a derivative liability of $15.4 million was recorded.

Retail Interest Expense

Retail interest expense (net of interest income) was $7.1 million for the period from Acquisition Date through January 30, 2015, and was primarily the result of the term debt facility issued by Bluestem Brands in conjunction with the acquisition and the asset-based lending facility. Weighted-average borrowings outstanding in the period from Acquisition Date through January 30, 2015 were $300.5 million with a weighted average interest rate of 8.33%. See Liquidity for additional information.

Income Tax Benefit

For the year ended January 30, 2015 our provision for taxes was a benefit of $69.8 million which includes favorable discrete items. The discrete tax benefit items include $70.1 million from utilization of our net operating loss and capital loss carryforwards, and other releases of our deferred asset valuation allowance. In addition, an $18.6 million benefit was recorded for adjustments to uncertain state tax positions. The tax benefits were partially offset by $17.9 million of tax expense from nondeductible stock transaction expenses and losses from derivatives in our own equity.

Net operating loss and capital loss carryforwards offsetting current year income and temporary difference balances which are expected to generate future taxable income resulted in a tax benefit. Based on the Company's historical and cumulative tax losses, a tax benefit for carryforwards offsetting future income has not been recognized for the year ended January 30, 2015. However, tax benefits from carryforwards offsetting income beyond the current year may be recognized in the future which would be material.

For 2013, foreign and state losses resulted in a $0.9 million tax benefit. No benefit was recorded for federal taxes because of uncertainty of future income needed to utilize our carryforwards.

Discontinued Operations

Income from discontinued operations of $33.0 million for the year ended January 30, 2015, is primarily due to the gain on the sale of discontinued operations assets of $35.5 million from the closing of the Ambac RSA and the related subsequent asset sale related to the Ambac Funds, partially offset by approximately $4.4 million of fees and expenses related to the Ambac RSA and related subsequent asset sale and a net loss associated with the LIHTC business. Upon completion of these sales, the Company no longer has any material LIHTC-related assets or liabilities. Activity in the LIHTC business included $4.5 million of noninterest losses associated with the equity investments for the year ended January 30, 2015. The noninterest losses of the LIHTC business are substantially offset by the net loss attributable to noncontrolling interests and have a limited impact on the net income attributable to the Company.

The loss from discontinued operations of $20.9 million for the year ended January 31, 2014 is primarily due to an $18.0 million net loss associated with the LIHTC business platform and a $2.9 million net loss from the former Asia business operations. Activity in the LIHTC business platform included $16.5 million of noninterest losses associated with the equity investments. The noninterest losses of the LIHTC business platform are substantially offset by the net loss attributable to noncontrolling interests and have a limited impact on the net income attributable to the Company. The net loss from the former Asia business operations is primarily due to $4.6 million of operating expenses, partially offset by a $1.4 million decrease to the liability under the settlement agreement with Japanese lenders.

Noncontrolling Interest

The net loss attributable to noncontrolling interests of $5.9 million for the year ended January 30, 2015 was due primarily to the portion of the loss attributable to third-party investors in certain LIHTC partnerships that are consolidated under applicable accounting guidance.

The net loss attributable to noncontrolling interests of $14.2 million for the year ended January 31, 2014 was due primarily to the portion of the loss attributable to third-party investors in certain LIHTC partnerships that are consolidated under applicable accounting guidance. In the year ended January 31, 2014, the loss attributable to third party investors in certain LIHTC partnerships was partially offset by the net gain attributable to noncontrolling interests primarily associated with sale of a real estate asset during the period which was partially owned by a third party.

Liquidity and Capital Resources

Our retail operations require a significant amount of capital to fund operations and to grow. With a majority of the retail sales occurring on revolving customer credit accounts, merchandise sales do not generate immediate positive cash flow from our customers. Cash flows from our retail operations are dependent on the sale of our customer accounts receivable to SCUSA. We sell all of Fingerhut and Getttington.com related revolving customer accounts receivable to SCUSA on the day we purchase customer accounts receivable from our Credit Issuer. Ensuring adequate liquidity is, and will continue to be, at the forefront of our business objectives. Our cash requirements relate to purchases of inventory, carrying of customer accounts receivable, purchases and production of promotional materials, debt service, collateral requirements, investments in our management information systems and other infrastructure, and other general working capital needs. These requirements are seasonal, with peak needs arising in September through January as we experience higher levels of sales and customer accounts receivable, and amounts become due for holiday season inventory purchases and marketing efforts. We also offer deferred payment terms to qualifying customers, which delays the first principal installment on holiday purchases until the first half of the following year.

Cash flows from our commercial real estate business is dependent, in part, on our ability to monetize assets, as well as on the changes in the values of our real estate-related assets, which impact the levels of net gains or losses and interest income that we recognize. The gains or losses realized on sales of assets and the interest income generated on interest-earning assets are subject to various factors. These factors include changes in the interest rate environment, commercial real estate prices, the level of supply and demand for commercial real estate and real estate-related investments, and the condition of local and national economies.

Our primary sources of liquidity are (1) proceeds from sale of customer receivables to SCUSA, (2) cash on hand, (3) funds available under our asset-based revolving inventory facility, (4) distributions received from equity investments, and (5) collections on and sales of other assets in our portfolio. As of January 30, 2015, we had $267.8 million in total cash and cash equivalents (including restricted cash) on hand. We believe our sources of liquidity will be sufficient to meet our liquidity needs over the next 12 months, including our working capital, capital expenditure, debt service and other cash requirements.

In prior years, our commercial real estate business has made significant cash distributions to stockholders. We do not anticipate making distributions to stockholders in the near term. The terms of the Investment Agreement with Centerbridge prohibit future distributions to stockholders by the Company during the Investment Period in which Centerbridge will assist the Company in identifying potential acquisition candidates that fit the Company's strategic objectives.

Sources and Uses of Cash

The following table represents a comparison of the net cash provided by operating activities, investing activities, and financing activities for the years ended January 30, 2015 and January 31, 2014 (in thousands):

	January 30, 2015	January 31, 2014
Continuing Operations		
Net cash provided by operating activities………………………...……	$ 99,050	$ 403,871
Net cash (used in) provided by investing activities…..……..…….	(408,727)	357,336
Net cash provided by (used in) financing activities………………	335,340	(2,178,756)

Operating Activities — Net cash provided by operating activities for the year ended January 30, 2015 was $99.0 million and consisted of net income from continuing operations as adjusted for non-cash activity of $69.4 million and net inflow from working capital accounts of $29.7 million. The non-cash activity consisted primarily of add-backs for stock-based compensation, amortization and depreciation expense, loss from derivatives in our own equity, and provision for doubtful accounts and merchandise returns related to Bluestem Brands, offset by the benefit for deferred income taxes, release of the liability for uncertain tax positions and gains on investment securities and equity investments. Cash inflow from working capital accounts is primarily due to the timing of the purchase of merchandise and promotional inventory, partially offset by the timing of vendor payments and the receipt of customer payments related to Bluestem Brands and proceeds from loans held-for-sale. Net cash provided by operating activities for the year ended January 31, 2014 was $403.9 million and consisted of a net loss from continuing operations as adjusted for non-cash activity of $26.8 million and net inflow from working capital accounts of $430.7 million, which consisted primarily of proceeds from sales and payments received on loans held-for-sale and gains on real estate investments, investment securities, loans held-for-sale and equity investments.

Investing Activities — Net cash used in investing activities for the year ended January 30, 2015 was $408.7 million. This activity consisted primarily of the purchase of Bluestem Brands and purchases of customer accounts receivable; offset by proceeds from sale of customer accounts receivable and proceeds from the sale of and capital distributions received from equity investments. Net cash provided by investing activities for the year ended January 31, 2014 was $357.3 million. This activity consisted primarily of proceeds from the sales of real estate investments; proceeds from the sale of and capital distributions received from equity investments; net decreases in restricted cash; and repayments received on investment securities classified as available-for-sale.

Financing Activities — Net cash provided by financing activities for the year ended January 30, 2015 was $335.3 million. This activity consisted primarily of $281.1 million in proceeds from financing in connection with the Bluestem Brands acquisition and $135.6 million in proceeds from Centerbridge's exercise of 33.9 million Warrants in connection with the Bluestem Brands acquisition. Net cash used in financing activities for the year ended January 31, 2014 was $2.2 billion. This activity consisted primarily of distributions to stockholders and repayments of deposit liabilities.

Debt and Financing Arrangements

On November 7, 2014, in conjunction with the acquisition of Bluestem Brands, the Company entered into a $300 million long-term debt facility ("Term Loan") with a syndicate of institutional lenders. On November 7, 2014, the Company also entered into an amended and restated $80 million asset-based revolving credit facility.

Outstanding balances under the Term Loan, at the option of the Company, can be classified on a monthly or quarterly basis as either alternative base rate or Eurocurrency rate borrowings. Alternative base rate borrowings bear an interest rate of 6.5% per annum plus adjustments amounting to a minimum additional rate of 2% per annum. Eurocurrency rate borrowings bear an interest rate of 7.5% per annum plus adjustments amounting to a minimum additional rate of 1% per annum. The interest rate adjustment amounts required under the two different types of borrowings may exceed the 2% and 1% floors, respectively, depending on changes in the federal funds rate, the prime rate, or the London InterBank Offered Rate (LIBOR). Interest payments are due quarterly on alternative base rate borrowings and monthly on Eurocurrency rate borrowings.

The Term Loan is secured by a first lien on unencumbered Bluestem Brands' property and equipment and a second lien on Bluestem Brands' inventory and customer accounts receivable not otherwise pledged or sold. Bluestem Brands is subject to a minimum liquidity financial covenant under the Term Loan. Failure to comply with the covenant is an event of default, subject to certain cure rights. As of January 30, 2015, Bluestem Brands was in compliance with all financial covenants. See Note 13, *Collateralized Borrowing and Other Financing,* of our Notes to Consolidated Financial Statements for additional information.

As of January 30, 2015, the Company recognized $81.3 million of collateralized borrowings on the Consolidated Balance Sheet. Recourse is limited to the assets related to these contractual arrangements. Collateralized borrowings, loans held-for-sale and commercial real estate accounts and other receivables include amounts related to loans held-for-sale associated with Company's former NMTC program that are no longer owned by the Company, but continue to be recognized on our Consolidated Balance Sheet because the transfers of these loans to third parties did not qualify as a sale and; therefore, were accounted for as financings. During the year ended January 30, 2015, certain NMTC partnerships met the derecognition criteria. As a result, loans held-for-sale decreased $19.9 million, commercial real estate accounts and other receivables decreased $7.0 million and secured borrowing decreased $26.3 million during the period. The Company has not and does not expect to derive any material economic benefit from these transactions. See Note 13, *Collateralized Borrowing and Other Financing,* of our Notes to Consolidated Financial Statement for additional information on our secured borrowings.

As contemplated by the Investment Agreement on May 8, 2014, following receipt of stockholder approval, the Company entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes ("Notes"), subject to certain terms and conditions. The Notes, if issued, will bear interest at LIBOR plus 7.0%, with a 1.0% LIBOR floor and can be used for acquisition debt financing. As of January 30, 2015 and as of the date of this Annual Report, none of the Notes had been issued. When the Bluestem Brands acquisition closed, the terms of the $300 million Term Loan made to Bluestem Brands contained provisions that effectively prohibit the issuance of the Notes without amendment of the Note Purchase Agreement.

Transfers and Servicing of Financial Assets — Customer Accounts Receivable

Bluestem Brands is a party to a series of transactions with Credit Issuer and SCUSA related to revolving Fingerhut and Gettington.com customer accounts receivables. The following are the primary agreements executed by Bluestem Brands related to these transactions and the counterparties to each transaction (collectively the "A/R Program Agreements").

Agreement	Counterparty
Receivables Sales Agreement	Credit Issuer
Standard Receivables Sales Agreement	SCUSA
Program Agreement	Issuer and SCUSA

Bluestem Brands sells all new receivables originated under revolving credit accounts to SCUSA on the same day those receivables are purchased by Bluestem Brands from Credit Issuer. Furthermore, if the Fingerhut or Gettington.com customer whose purchase of goods triggered the origination of that new receivable also had an existing receivable balance on his or her revolving credit account, that existing balance is also required to be purchased by SCUSA. All new and existing receivables originated in revolving credit accounts are referred to as "Standard Receivables." All new and existing receivables generated in accounts other than revolving credit accounts, including Fingerhut FreshStart credit accounts and PayCheck Direct accounts, are referred to as "Nonstandard Receivables." Bluestem Brands retains all Nonstandard Receivables purchased from Credit Issuer. SCUSA bears risk of loss due to uncollectibility of the Standard Receivables purchased by SCUSA. Bluestem Brands bears risk of loss due to uncollectibility on Nonstandard Receivables and any existing Standard Receivables not purchased by SCUSA.

Bluestem Brands services the credit accounts and related receivables as Credit Issuer's and/or SCUSA's agent. In consideration of Bluestem Brands' servicing of the Standard Receivable portfolio owned by SCUSA, SCUSA pays a servicing fee to and shares a portion of the profits of the portfolio with Bluestem Brands. The Company is subject to financial covenants consisting of a minimum net liquidity measurement, a leverage ratio and a fixed charge ratio, which are based on Bluestem Brands' stand-alone financial results. Failure to comply with these financial covenants is an event of default, subject to certain cure rights. As of January 30, 2015, the Company was in compliance with all these financial covenants. See Note 6, *Serviced Credit Portfolio*, of our Notes to Consolidated Financial Statements for additional information on the purchase and sale of our customer accounts receivable.

Contractual Obligations and Commitments

The following table summarizes our material contractual cash obligations and commitments as of January 30, 2015:

	Payments due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
Term Loan (1)………………………………………	$ 300,000	$ 15,942	$ 30,000	$ 30,000	$ 224,058
Estimated Term Loan interest payments (1)…..…	128,003	24,966	47,021	41,414	14,603
Revolving line of credit……………………….….……	3,748	3,748	-	-	-
Commitments to provide equity to equity method investees……….……………….………	15,473	7,624	3,575	4,274	-
Other notes payable…………………………...…	226	54	125	47	-
Capital and operating lease obligations…………...	43,566	7,079	13,179	8,559	14,749
Total…………………………………………	$ 491,016	$ 59,413	$ 93,900	$ 84,294	$ 253,410

(1) The Term Loan is subject to mandatory prepayments of annual excess cash flow. The obligations outlined above for principal and interest payments on the Term Loan only reflect excess cash flow prepayemnts currently due.

Off-Balance-Sheet Arrangements

Information regarding derivative liabilities in our own equity is included in Note 18, *Fair Value of Assets and Liabilities* and Note 19, *Stock-Based Compensation* of our Notes to Consolidated Financial Statements. We do not have any guarantee contracts, contingent interest in assets transferred, or variable interest entities that qualify as off-balance-sheet arrangements.

RISK FACTORS

The Company's business, operations and financial condition are subject to various risks and uncertainties. The following are some of the more significant factors that may adversely affect the Company's business, operations, financial performance and condition.

Risks Related to our Consolidated Business

We recently completed a transformative merger with Bluestem Brands; this merger and other acquisitions, significant investments in new businesses, or strategic transactions in which we may engage in the future, may result in a variety of risks, any of which may adversely affect our business.

We have made through our merger with Bluestem Brands, and we may make in the future, acquisitions of, or significant investments in, businesses or assets that we believe offer complementary products, services and technologies.

Our merger with Bluestem Brands and any future acquisitions or investments will be accompanied by the risks commonly encountered in acquisitions of businesses, which may include:

- failure to achieve the financial and strategic goals for the acquired and combined business;
- overpayment for the acquired companies or assets;
- difficulty integrating the operations and personnel of the acquired businesses;
- disruption of our existing business;
- distraction of management from our ongoing business;
- dilution of our existing stockholders and earnings per share;
- unanticipated liabilities, legal risks and costs;
- increased regulatory and compliance requirements;
- retention of key personnel; and
- impairment of relationships with employees and customers as a result of integration of new management personnel.

These risks could harm our business, financial condition or results of operations, particularly if they occur in the context of a significant acquisition.

Additional risks related to the operation of our consolidated business are set forth below in the section entitled "*Risks Related to the Operation of our Consolidated Business"*.

Risks Related to the Operation of our Bluestem Brands Business

Substantially all of Bluestem Brands's sales are made on credit, and we are dependent upon the availability of a single third party financial institution to issue credit accounts to our customers.

We have agreements with WebBank, which we refer to herein as "Credit Issuer," that permit our customers to establish credit accounts that may be used exclusively to purchase our products and services. Approximately 96% of our total sales are originated by credit extended through Credit Issuer, and therefore, we are dependent on Credit Issuer. Under our agreements with Credit Issuer, we are responsible for marketing our credit programs and products, applying Credit Issuer's underwriting criteria and ongoing administration of the credit programs and products. In that regard, we are required to process all applications for credit accounts, determine whether Credit Issuer's eligibility criteria are satisfied, and perform certain administrative, processing, custodial, and collection services. We are also required to purchase from Credit Issuer our customers' accounts receivable after a contractual holding period, generally one business day while Credit Issuer retains full ownership of all accounts. If we fail to perform these obligations or otherwise are in default under our agreements with Credit Issuer, it can, among other things, terminate our agreements and stop lending to our customers.

Credit Issuer is itself exposed to liquidity, financial, operating, and regulatory risks that may adversely affect its ability to fulfill its obligations to us and to meet our needs, particularly issuing credit accounts to our customers at levels necessary to operate our business profitably or to grow our business, and to meet the needs of our customers. Should Credit Issuer refuse, become unable, limit availability, or otherwise cease to provide credit to some or all of our customers, we may not be able to find replacements for Credit Issuer. This is complicated by the very small pool of financial institutions which we believe might be able and willing to meet the credit needs of our customers. Because we do not have a bank charter, our ability to extend credit, other than through agreements with Credit Issuer or another replacement financial institution, is limited unless we were to become licensed in certain states. If we are unable to extend or execute new agreements with Credit Issuer at the expiration of our current agreements, or if our existing or new agreements with Credit Issuer were terminated or otherwise disrupted, there is a risk that we would not be able to enter into agreements with an alternate provider on terms that we consider favorable or in a timely manner without disruption of our business.

Any of the above adverse events, including our failure to perform under or termination of agreements with Credit Issuer, adverse regulatory actions, or interruption of our relationship with Credit Issuer could materially and adversely impact our business and results of operations.

We sell substantially all revolving credit receivables originated by Credit Issuer to SCUSA, and we are dependent upon purchase of these receivables by SCUSA as our principal source of cash flow and liquidity.

Pursuant to agreements with SCUSA, SCUSA purchases substantially all revolving credit receivables and related collections that we obtain from Credit Issuer and SCUSA becomes the sole owner of such receivables for all purposes. The loss or material reduction of the SCUSA purchase commitment, or any material increase in the cost of such relationship would materially and adversely affect our ability to support the purchase by our customers of our merchandise under the credit accounts provided by Credit Issuer, our ability to purchase inventory to sell to our customers, our ability to meet our cash flow needs, and our results of operations.

A loss or material reduction of the SCUSA purchase commitment would cause Bluestem Brands to remain the owner of any receivables purchased from Credit Issuer, with direct responsibility for the related collections. To the extent Bluestem Brands maintains ownership of the receivables, Bluestem Brands would no longer benefit from the receipt of upfront cash at the time of sale and would bear the resulting account collection risk over the life of the receivable in addition to having to self-fund customer receivables to maintain growth. As of January 30, 2015, we had $267.8 million in total cash and cash equivalents (including restricted cash) on hand

We have been retained by SCUSA to act as the servicer of its receivables. Our services are detailed in our agreements, and we are obligated to undertake services in accordance with service level standards and other consumer-facing and servicing materials approved by Credit Issuer and SCUSA. SCUSA has retained the right to enter into a loan or securitization with respect to the receivables that it purchases, and we have certain obligations to cooperate with SCUSA with respect to any such securitization that may be pursued in the future, which may result in increased demands on time and resources and negotiation and execution of certain amendments to related agreements.

Our agreements with SCUSA and Credit Issuer are interdependent and a material reduction or termination of either SCUSA or Credit Issuer's participation may lead to a similar determination by the other party.

Because of the interdependence among our agreements with SCUSA and Credit Issuer, a material modification or termination of our arrangements with Credit Issuer could materially adversely affect our ability to maintain our relationship and level of activity with SCUSA. If Credit Issuer determined to materially reduce or terminate its role in originating receivables for Bluestem Brands, then it would be necessary for Bluestem Brands to engage replacement originator in order to maintain the SCUSA relationship.

Under our agreements with Credit Issuer and SCUSA, we undertake substantial commitments to comply with, or are affected significantly by, the regulatory regimes affecting consumer credit and the operations of banks and other financial institutions such as Credit Issuer and SCUSA.

Our operations, and the operations of Credit Issuer and SCUSA, are or may be subject to the jurisdiction of federal, state, and local government authorities, including the Consumer Financial Protection Bureau, which we refer to herein as the Bureau, the Securities and Exchange Commission, the FDIC, the Office of the Comptroller of the Currency, the Federal Trade Commission (FTC), state regulators having jurisdiction over financial institutions and debt origination and collection, and state attorneys general. Because we act as a service provider to Credit Issuer and SCUSA, our business practices, including the terms of our marketing, servicing, and collection practices, may be subject to both periodic and special reviews by these regulatory and enforcement authorities. These reviews could range from investigations of specific consumer complaints or concerns to broader inquiries into our practices generally. If, as part of these reviews, the regulatory authorities conclude that we are not complying with applicable law, they could request or impose a wide range of remedies including requiring changes in advertising and collection practices, changes in the terms of our products (such as decreases in interest rates or fees), the imposition of fines or penalties, or the paying of restitution or the taking of other remedial action with respect to affected customers. They also could require us to stop offering some of our products, either nationally or in selected states. In addition, an action by regulators may give rise to a right of termination by Credit Issuer and SCUSA under our agreements.

To the extent that these remedies are imposed on Credit Issuer or SCUSA, under certain circumstances, we are responsible for the remedies as a result of our indemnification obligations with Credit Issuer and SCUSA. We also may elect to change practices or products that we believe are compliant with law in order to respond to regulatory concerns, although a change in our policies and practices may be subject to prior approval by Credit Issuer and SCUSA. Furthermore, negative publicity relating to any specific inquiry or investigation could hurt our ability to conduct business with various industry participants or to attract new customers and could negatively affect our stock price, which would adversely affect our ability to raise additional capital and would raise our costs of doing business. If any deficiencies or violations of law or regulations are identified by us or asserted by any regulator, or if any regulator requires us to change any of our practices, the correction of such deficiencies or violations, or the making of such changes, could have a material adverse effect on our financial condition, results of operations, or business. We face the risk that restrictions or limitations resulting from the enactment, change, or interpretation of laws and regulations could negatively affect our business activities or effectively eliminate some of the credit products currently offered to our customers. In addition, whether or not we modify our practices when a regulatory or enforcement authority requests or requires that we do so, there is a risk that we or other industry participants may be named as defendants in litigation involving alleged violations of federal and state laws and regulations, including consumer protection laws. Any failure to comply with legal requirements by us, Credit Issuer, or SCUSA in connection with the issuance of those products, or by us or our agents as the servicer of accounts and receivable, could significantly impair our ability to collect the full amount of outstanding receivable balances. The institution of any litigation of this nature, or any judgment against us or any other industry participant in any litigation of this nature, could adversely affect our business and financial condition in a variety of ways.

We have agreed to perform many functions related to making credit available to our customers under our agreements with Credit Issuer, subject to the oversight of Credit Issuer and its regulators, including maintaining compliance with certain applicable laws, sourcing prospective borrowers, applying Credit Issuer's underwriting criteria for new applicants, setting up account files, and maintaining bookkeeping. As a result, we may be liable to Credit Issuer, or our agreements with it may be subject to termination, in the case of violations of such laws. Moreover, our dependence on Credit Issuer exposes us to the risks related to the failure by Credit Issuer to materially comply with legal or regulatory requirements.

Consumer credit protection laws and regulations regularly undergo significant changes and continue to develop as the Dodd-Frank Act continues to be implemented. For example, the Bureau has begun to impose more oversight over credit issuers, collection activity, the sale of debt, and credit bureau reporting. State regulators such as the New York State Department of Financial Services have also begun to impose more oversight and issue more regulatory requirements over collection activity and the sale of debt. TCPA litigation has increased rapidly, exposing us to the increased costs of litigating and settling TCPA claims. The Bureau has also become interested in arbitration provisions which provide protection to the Company in certain TCPA actions and could take the position that such provisions are not enforceable. These changes, as well as new regulations and guidance issued by federal and state authorities from time to time, can have significant effects and may change interpretation of existing laws and rules and regulations, some of which may be materially adverse, on our product offerings, services, and results of operations.

We are not licensed to extend credit and therefore rely on Credit Issuer to extend credit to our customers, and a successful challenge to our arrangements with Credit Issuer could result in a requirement to be licensed as a lender in one or more states, unenforceability of the receivables purchased from Credit Issuer, material modification or termination of our relationships with Credit Issuer, discontinuance of our marketing activities and product offerings, or other adverse changes in our current business practices.

The laws of many states require entities that engage in consumer credit-related activities to be licensed and, in some cases, examined by state regulators. National banks and other federally chartered financial institutions are generally excluded from state laws that are otherwise applicable to state chartered banks. Further, as a result of federal preemption, Credit Issuer and other similar chartered financial institutions subject to federal law may extend credit without complying with many state laws, including rate and fee limitations of states other than those from which Credit Issuer extend credit.

We are not chartered as a financial institution and we are not licensed to extend credit to our customers in any state. Accordingly, we rely on Credit Issuer to extend credit to customers and to facilitate uniform lending terms and practices nationwide. Several lawsuits against other entities have brought under scrutiny the association between certain loan marketers and banks. These lawsuits have alleged, in some cases successfully, that the loan marketers establish deceptive relationships with banks to conceal the marketers’ roles as lenders so that loan marketers do not have to comply with state laws related to licensing, credit terms, rates, disclosure, collection practices, and other consumer protection requirements where they do business. Although we believe that our relationships are distinguishable from those involved in these cases, additional federal or state consumer protection laws would be applicable to us if, as a result of lawsuits of the type described above, we were deemed a lender. In that event, the receivables purchased from Credit Issuer could be voidable or unenforceable, and we could be subject to other penalties. In addition, we or Credit Issuer could be subject to enforcement actions and penalties by regulators or state attorneys general, and we could be forced to discontinue the manner in which our customers currently obtain credit, materially modify or terminate our relationships with Credit Issuer and SCUSA, materially modify rates, fees, and other terms of credit extended to our customers, or be required to register or obtain licenses or regulatory approvals in those states in which we do business. These actions could force us to restructure aspects of our business, which would impose a substantial cost and compliance burden on us and, if we did not have sufficient lead time to accomplish this, could interrupt our ability to make sales. Any of the actions described above could have a material adverse effect on our business and our financial results.

The Company undertakes collections activities pursuant to our agreement with Credit Issuer and subject to Credit Issuer’s oversight. We collect in Credit Issuer’s name, and our collections’ activity is structured so that the Company’s collectors act as de facto employees of Credit Issuer. As such, the Company is not subject to the FDCPA or state laws requiring licensing and registration of third-party debt collectors. Increased attention to debt collection activities by the Bureau, the FTC, and state regulators could result in a change in the interpretation of the existing laws, rules, and regulations governing collections such that the Company could be determined to be a third-party collector. New laws and regulations governing debt collections could be enacted which would require us to register as a third-party debt collector and subject us to the FDCPA. If, as a result of a change in the interpretation of existing law of enactment of new laws of the type described above, we were deemed a third-party collector, we could be subject to enforcement actions and penalties by regulators or state attorneys general for failure to register as third-party collectors, be required to register or obtain licenses or regulatory approvals in those states which require that of third-party collectors, and we could be forced to discontinue the manner in which we collect debt on behalf of Credit Issuer. Collecting as a third party could force us to restructure aspects of our business, which would impose a substantial cost and compliance burden on us and, if we did not have sufficient lead time to accomplish this, could interrupt our ability to collect which would have a material impact on our business including our ability to meet our obligations to SCUSA.

We do not collect state or local sales, use, or other transaction-based taxes for all retail brands, which could subject us to liability for past sales and any imposition of an obligation to do so in the future could negatively impact our financial results.

We generally do not collect state or local sales, use, or other transaction-based tax on sales of goods shipped to customers located in states where we have determined no physical presence. If our interpretation of applicable tax regulations and judicial rulings is not correct, or if legislation or future judicial rulings alter the law, including bills currently pending in the U.S. Congress, then we could be required to collect sales and use taxes in the future from customers in additional jurisdictions. In some cases, such obligations could be retroactive. In addition, future changes in our operations could be deemed to create a physical presence in other states and thus require us to collect sales and use taxes from customers in such additional states.

Our customers may be obligated to file use tax returns and pay use tax on taxable purchases of items that we sell when we do not collect the tax. However, we cannot reasonably ensure that use tax returns are filed. Some states have enacted, and other states may be considering, legislation requiring us to notify our customers of their possible use tax liability and provide the state with information about customer purchases. We have not fully complied with such laws and could face adverse consequences as a result of such noncompliance. If we were required to collect and remit tax in additional jurisdictions, our customers in those jurisdictions might perceive the tax to be in the nature of a price increase, which could negatively impact our sales. In that case, we may also become less competitive with retailers that currently are collecting, reporting, and remitting sales and use taxes, depending on their base pricing levels. Since customer spending is constrained by credit availability, funds spent on taxes are otherwise unavailable for making purchases. Consequently, sales-related tax impositions can directly and adversely impact revenues. Collecting the tax would also impose additional administrative burdens on us.

Some states have enacted, and other states may be considering, legislation requiring the collection of sales and use taxes from customers if a seller has commission agreements with Internet advertisers located in the state. We have terminated our relationships with Internet advertisers located in the states that have enacted such laws if we do not already collect sales and use tax for other reasons. If other states adopt similar laws, we may decide to terminate our Internet advertisers in those states as well. Such terminations could harm our business by reducing our advertising on the Internet.

We may have exposure to greater than anticipated income tax liabilities.

The Company and other online retailers are the focus of a number of U.S. states attempting to increase corporate tax revenues by taking an expansive view of corporate presence to impose corporate income taxes and other direct business taxes on companies that have no physical presence in their state. Many states are also altering their apportionment formulas to increase the amount of taxable income/loss attributable to their state from certain out-of-state businesses. If taxing authorities are successful in applying direct taxes to online retail companies that do not have a physical presence in the jurisdiction, this will increase our effective tax rate.

The determination of our provision for income taxes requires estimation and significant judgment, where the ultimate tax determination is uncertain. Like many other corporations, we are subject to tax in multiple tax jurisdictions and have structured our operations to reduce our effective tax rate. Governments are focused on ways to increase revenues, which has contributed to an increase in audit activity and stances taken by tax authorities. Our determination of our tax liability is always subject to audit and review by applicable tax authorities. Any adverse outcome of any such audit or review could have a negative effect on our business, operating results and financial condition, and the ultimate tax outcome may differ from the amounts recorded in our Consolidated Financial Statements and may materially affect our financial results in the period or periods for which such determination is made.

Our sales are highly dependent on consumer discretionary spending.

The extent to which our customers can engage in discretionary spending has a very significant impact on our net sales and results of operations. This is particularly true for us since many of our customers have low-to-middle income and most of the purchases made from us could be considered discretionary in nature. Most factors affecting discretionary spending are beyond our control, including unfavorable general business conditions, increases in gas and energy prices, higher interest rates, and inflation. Consumer debt levels, the availability of consumer credit, increased taxation, adverse unemployment trends, declining consumer confidence, war, terrorism or fears of war are further examples. Increased borrowing costs due to adverse mortgage rate adjustments, credit card liability, or other debt service obligations also reduce available consumer discretionary spending. Further deterioration in economic conditions or increasing unemployment levels, or consumer concerns over future employment levels, may continue to reduce the level of consumer spending and inhibit consumers' use of credit, which may adversely affect our business, our financial condition, and our results of operations.

Our customer base is largely composed of low-to-middle income consumers, who depend on the credit arranged through us to purchase our products, are sensitive to changes in economic conditions and present risk of default for nonpayment and collection of receivables that are owned or serviced by us.

Our customer base is largely composed of low-to-middle income consumers that utilize the proprietary credit products that we market to purchase our products in connection with the credit accounts offered by Credit Issuer. Our customers are at greater risk for credit delinquency and default than those with higher incomes and less dependency on credit. We purchase receivables generated by Credit Issuer in respect of customer accounts on a daily basis and in turn sell all receivables related to revolving credit accounts to SCUSA, on the same business day. While SCUSA bears the risk of nonpayment on accounts purchased from us, our cost to service the portfolio generally increases and our servicing compensation generally decreases as the performance of the portfolio deteriorates.

The nature of our customer base makes our business sensitive to adverse economic conditions. These conditions may make our customers less likely to make purchases on credit, or less likely to meet the underwriting standards established with Credit Issuer, which may be more restrictive in an adverse economic environment. As a result, during such periods, we may experience decreases in the growth of new customers and limit the availability of credit to existing customers, which may adversely affect our net sales and profitability.

We rely on internal models to manage risk, to provide accounting estimates and to make other business decisions. Our results could be adversely affected if those models do not provide reliable estimates or predictions of future activity.

The accurate modeling of risks is critical to our business, particularly with respect to managing underwriting and credit extensions on behalf of Credit Issuer. Our expectations regarding response rates, customer repayment levels, and other accounting estimates are based in large part on internal modeling. We also rely heavily on internal models in making a variety of other decisions crucial to the successful operation of our business. It is therefore important that our models are accurate, and any failure in this regard could have a material adverse effect on our results.

Models are inherently imperfect predictors of actual results because they are based on historical data available to us and our assumptions about factors such as credit demand, payment rates, default rates, delinquency rates, and other factors that may overstate or understate future experience. Our models could produce unreliable results for a number of reasons, including the limitations of historical data to predict results due to unprecedented events or circumstances, invalid or incorrect assumptions underlying the models, the need for manual adjustments in response to rapid changes in economic conditions, incorrect coding of the models, incorrect data being used by the models, or inappropriate application of a model to products or events outside of the model's intended use. In particular, models are less dependable when the economic environment is outside of historical experience, as has been the case recently.

Due to the factors described above, we may, among other things, experience unanticipated deterioration of our owned and serviced credit portfolio that may result in lower profit sharing in connection with our receivables sale arrangements with SCUSA, actual charge-offs that exceed our estimates and possibly are greater than our allowance for doubtful accounts or require material adjustments to the allowance, adversely affect our profitability and financial condition and adversely affect our ability to finance our business.

New initiatives, adding new customers and an evolving business model are important to our growth strategy and may not be successful.

We have limited experience introducing new brands, entering new markets and introducing new credit products or services. Consequently, whenever we attempt new projects there is no assurance of success, if any, or of our ability to recoup our investments. In the recent past we have launched new initiatives, including Fingerhut FreshStart and PayCheck Direct. Profitability, if any, of additional new activities may be lower than in our existing business. Any failure of new initiatives could damage our reputation, limit our growth and adversely affect our operating results.

To grow our business we will seek to acquire new customers. The costs of acquiring new customers are frequently not recovered until year subsequent from when the accounts activate. Newer customers also present a higher risk of delinquency and default than established accounts. As a result, we anticipate an increase in historical levels of delinquency and default rates as we grow our new customer base. If we fail to appropriately manage the customer acquisition costs, default and collection risks associated with our growing base of new customers, it could have significant adverse effects on our business and results of operations.

In addition, while our catalogs continue to comprise a significant sales driver of our merchandise, we have an evolving business model. In particular, we have increased and will seek to continue to increase the proportion of our net sales that come through non-catalog marketing initiatives like TV and digital. . However, we may not be successful in our efforts to grow sales through these channels, and our actions taken in furtherance of this goal could negatively impact our catalog sales and have other adverse effects on our business and results of operation.

The introduction of new credit products may also require Credit Issuer, SCUSA, and us to comply with additional regulatory and licensing requirements. These requirements may entail additional investment of time and capital, including additional marketing expenses, legal costs, and other incremental operating costs or restrict our ability to leverage existing marketing and customer acquisition strategies. Any failure to comply with applicable regulations could result in fines, suspensions, or legal actions against Credit Issuer, SCUSA, and/or us or limit our ability to grow new accounts and sales and could have a material adverse effect on our business, prospects, results of operations, and financial condition. Our failure to offer new products in an efficient manner, or low customer demand for any of these new products, could have a material adverse effect on our business, prospects, results of operations and financial condition.

We face intense competition.

The general merchandise retail industry is highly competitive. We have many competitors, including traditional retailers, catalog merchants and e-commerce services. Credit card issuers, banks and consumer credit agencies also compete with us for consumer lending that is critical to our customer base. Many of our competitors have greater resources and brand recognition than we do. Their more significant purchasing power and higher efficiency may permit them to offer products at more attractive prices and credit terms to customers. In addition, competition may intensify if our competitors target our historical customer base.

Few traditional retailers combine merchandising with convenient consumer access to non-traditional consumer credit in the way we do. The entry of such a competitor, particularly if it had significant resources and name recognition, could have a material adverse effect on our business.

Any easing by other lenders in general purpose and private label credit card underwriting standards for low-to-middle income consumers could adversely impact our net sales and profitability in several ways. It would increase credit offers by third parties to our current and prospective consumers, thereby expanding their access to available credit and reducing the effectiveness of our distinctive business model. It would also increase the direct mailing by others to our customers, affecting our catalog response rate and reducing our marketing efficiency. It could also cause adverse selection for the individuals applying for credit through us. For example, lower risk credit customers might not respond to our offers in the same proportion as higher risk credit customers. Finally, more freely available credit to consumers generally can result in higher overall consumer leverage which impacts their ability to pay for debt incurred in their purchases from us.

The lack of traditional brick and mortar storefronts places us at a disadvantage compared to some of our competitors. Some consumers prefer locations where they can view and handle products, make comparisons, make payments and rely on the input of store personnel.

Physical storefronts are also preferred by individuals without established banking relationships that rely on a cash based economy, as is the case for many of our target customers. This is particularly true where cultural preferences extend to cash based commerce.

We could be liable for breaches of security and any failure to protect the security of personal information about our customers.

The nature of our business involves the receipt and storage of personal information about our customers. If we experience a data security breach, we could be exposed to government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue usage of our services. Such events could lead to lost future sales, adversely affect our results of operations, damage our brand, and require us to expend resources on alterations to our data security systems. Although we have developed systems and processes that are designed to protect consumer information and prevent fraudulent payment transactions and other security breaches, these systems and processes may not be successful and any failure to prevent or mitigate such fraud or breaches may adversely affect our operating results and our brand. We have agreements with SCUSA and Credit Issuer regarding each party's obligation to ensure compliance with the Gramm-Leach-Bliley Act and similar laws, rules, and regulations which relate to the use, disclosure, storage, and safeguarding of customer information, but we have indemnification obligations to Credit Issuer and SCUSA with respect to any violations of laws which may occur as a result of a security breach.

Changes in regulations or customer concerns, in particular as they relate to privacy and protection of customer data, could adversely affect our business.

We are subject to laws relating to the collection, use, retention, security and transfer of personally identifiable information about our customers. The interpretation and application of privacy and customer data protection laws are in flux and vary from jurisdiction to jurisdiction. These laws may be interpreted and applied inconsistently and our current data protection policies and practices may not be consistent with those interpretations and applications. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. In addition, there is an increased likelihood of passage of federal legislation governing data privacy as well as increased activity and a strong showing of interest in regulating data privacy by the FTC and the Bureau.

Continued access to credit, demographic, purchasing and other information is critical to us, both to identify new customer prospects and to structure marketing efforts encouraging repeat business by existing customers. We identify and collect prospective customers in various ways and rely heavily on a confidential and proprietary database that contains customer and purchasing information. By collecting this data and sharing portions with third parties we can obtain additional prospect information in exchange, greatly leveraging the value of our database. Should regulators restrict data collection and sharing between companies, exchanges and cooperatives in the future, it could adversely affect our marketing capabilities. In addition, initiatives directed at focusing advertising to those most directly interested in our products and services could be at odds with laws and regulations limiting collection and dissemination of the very consumer data needed to accomplish such focused marketing. Likewise, if new regulations were adopted limiting our ability to use credit bureau information to pre-select individuals for possible credit extension, or adversely affecting our ability to utilize the Internet and mobile phone communication channels to market our business, it could have a significant adverse effect on our business.

Increasingly we have made use of broadly disseminated advertising, primarily television to promote our products and services. This positioning exposes the Company to broader general awareness of consumers and possible regulators of our business which could result in increased complaints, focus and/or enforcement efforts.

Because our services are increasingly Web-based and the fact that we process, store, and transmit large amounts of data, failure to prevent or mitigate data loss, including failures of our vendors' technology and systems, could expose us or our customers to a risk of loss of such information, adversely affect our operating results, result in litigation or potential liability for us, and otherwise harm our business. We use third party technology and systems for a variety of reasons, including, without limitation, storage, encryption and authentication technology, and other functions. Although we have developed systems and processes that are designed to prevent data loss, including systems and processes designed to reduce the impact of a data loss at a third party vendor, such measures cannot provide absolute data integrity.

Any failure, or perceived failure, by us to comply with our own privacy policies or with any regulatory requirements or orders or other privacy or consumer protection related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity and adversely affect our operating results.

Challenges in anticipating merchandising trends and forecasting sales may adversely affect our business.

Approximately 75% of our sales are driven by products we hold in inventory. Our success is tied to our ability to anticipate changes in trends and customer expectations. Since we need to order merchandise well in advance of customer orders, we must order our merchandise based on our best projections of consumers' tastes, current trends and anticipated demand. We cannot guarantee that such projections will be accurate which may impact net sales and customer experience. Conversely, if items do not achieve projected sales projections, we may have surplus or un-saleable inventory that would force us to take significant inventory markdowns, which could impact profitability.

Our ability to accurately predict customer demand also impacts our fulfillment operations and impacts the decision around marketing expenditures, staffing and operations. Shortfalls in sales volume may be reflected in lower than expected margins.

Failure to successfully manage the use of digital and print advertising could adversely affect our business.

Our television, email, and other digital marketing and catalogs are key drivers of our sales. We must create, design, and publish Web content and catalogs and create and produce commercials that offer and display merchandise that our customers want to purchase along with a credit product that is attractive. Our future success depends in part on our ability to anticipate, assess, and react to changing product trends and market demand, designing and publishing Web content and catalogs, and producing commercials that address these developments in a way that generates sales. We must also accurately determine the optimal amount of commercial air time and market focus and the number of catalogs to publish and the most advantageous distribution strategies. There can be no assurance that we will be able to identify and react to trends in a timely fashion with a high level of effectiveness justifying our marketing investment.

Increases in postage and paper and other operating costs could negatively affect our results of operation and financial condition.

We are particularly vulnerable to postage and shipping rate increases with respect to catalog mailings, which is a central aspect of our business model, and merchandise deliveries. While some of these variations are cyclical, others have been unpredictable and significant.

Paper and postage represent significant components of our total cost to produce, distribute, and market our products. We use the U.S. Postal Service for distribution of substantially all of our catalogs and other marketing materials. As such, the continued rise in postal rates has increased our costs. Postal rates are dependent on the operating efficiency of the postal service and on legislative mandates imposed upon the postal service. We cannot predict the magnitude of future price changes in postage. The current economic environment is likely to lead to further potential rate increases.

Paper is the principal raw material used in our business for printed products and promotional materials. Paper is a commodity and its price is subject to significant volatility. The price of paper may fluctuate significantly in the future, and changes in the market supply of or demand for paper could affect delivery times and prices. We may need to find alternative sources for paper from time to time. We cannot assure that we will continue to have access to paper in the necessary amounts or at reasonable prices or that any increases in the cost of paper will not have a material adverse effect on our business. Further, we may not be able to pass such increases on to our customers. Any paper shortage may increase our paper costs, cause us to reduce our catalog circulation and force us to use different weights or grades of paper that could increase our cost, reduce the number of pages per catalog or both. The impact of increases in postage and paper costs or any strategic determination not to pass on all or a portion of these increases to customers could materially and adversely affect our results of operations and financial condition.

Current and future government regulation of our retail operations could substantially harm our business.

We are subject to various laws and regulations, including regulations of the Federal Trade Commission governing the manner in which customers may be solicited, and prescribing other obligations in fulfilling orders and consummating sales. In addition to general business regulations and laws, we are subject to governmental oversight of interstate commerce generally and orders taken over the Internet in particular. Existing and future regulations and laws may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, restrictions on imports and exports, customs, tariffs, user and consumer privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet and online commerce. Unfavorable resolution of these issues may slow the growth of online commerce and, in turn, our business.

Changes in any of the laws and regulations to which we are or may become subject, or additional regulation, could cause the demand for and sales of our products to decrease. Moreover, complying with increased or changed regulations could force us to change our business practices and may cause our operating expenses to increase. This could adversely affect our revenues and profitability.

We rely on third-party carriers and logistics services as significant part of our fulfillment operations, and these carriers and services could fail to adequately serve our customers.

We rely on a limited number of carriers and logistics services to pull and ship inventory to our fulfillment centers or to our customers. If we are unable to negotiate service levels and costs that are acceptable, or our logistics and delivery vendors fail to perform satisfactorily, it could negatively affect the satisfaction of our customers and our profitability. Other transportation impediments could be caused by external factors including issues with third-party storage and routing facilities, inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war, terrorism, and acts of God.

We rely on dropship inventory vendors as a way to increase our merchandise assortment while decreasing our inventory obsolescence risk. These vendors could fail to meet the merchandise demands of our customers, or they could create a poor experience for our customers damaging the reputation of our brands which could impact future net sales and profitability.

A key initiative is to increase our relevance to existing and new customers by significantly expanding of our merchandise assortment and sku's offered to customers by way of drop shipments. Dropship vendors ship product directly to our customers from their warehouses using their packing and shipping processes, materials, quality assurance programs and logistic partners. While we require service level and compliance standards, vendors may not meet those standards and may not have inventory sufficient to satisfy our customer demands.

System interruption and the lack of integration and redundancy in our order entry and online systems may adversely affect our net sales.

Customer access to our websites and call centers is key to the continued flow of new orders. Anything that would hamper or interrupt such access could adversely affect our net sales, operating results and customer satisfaction. Examples of risks that could affect access include problems with the Internet or telecommunication infrastructure, limited Web access by our customers, local or more systemic impairment of computer systems due to viruses or malware, or impaired access due to breaches of Internet security or denial of service attacks. Changes in the policies of service providers or others that increase the cost of telephone or Internet access could inhibit our ability to market our products or transact orders with customers.

In addition, our ability to operate our business from day to day, in particular our ability to manage our credit operations and inventory levels, largely depends on the efficient operation of our computer hardware and software systems and communications systems. Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins or denial of service attacks, improper operation by employees, and similar events or disruptions. Any of these events could cause system interruption, delays, and loss of critical data, and could prevent us from accepting and fulfilling customer orders and providing services, which would impair our operations. Certain of our systems are not redundant and we have not fully implemented a disaster recovery plan. In addition, we may have inadequate insurance coverage to compensate us for any related losses. Interruptions to customer ordering, particularly if prolonged, could damage our reputation and be expensive to remedy and have significant adverse effects on our financial results.

Our anticipated growth is subject to a number of uncertainties that could adversely affect our plans and our results of operations.

We have rapidly and significantly expanded our operations, and anticipate that further significant expansion will be required to address potential growth in our customer base and market opportunities. This expansion has placed, and is expected to continue to place, a significant strain on the Company's management, operational and financial resources. To manage the expected growth of our operations and personnel, we will be required to improve existing and/or implement new transaction processing, operational and financial systems, procedures and controls, and to expand, train and manage our already growing employee base. Furthermore, should we add fulfillment and warehouse capacity or add new businesses with different fulfillment requirements, our fulfillment system could become increasingly complex and challenging to operate.

We also may be required to expand our finance, administrative and operations staff. Further, our management will be required to maintain and expand our relationships with various merchandise vendors, logistic service providers, distributors and printers, freight companies, websites and Web service providers, Internet and other online service providers and other third parties necessary to our business. There can be no assurance that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations, that management will be able to hire, train, retain, motivate and manage required personnel or that our management will be able to successfully identify, manage and exploit existing and potential market opportunities. If we are unable to manage growth effectively, our business, prospects, financial condition and results of operations will be materially adversely affected.

General economic factors may adversely affect our retail business financial performance.

General economic conditions may adversely affect our financial performance. In the United States, changes in interest rates, changes in fuel and other energy costs, weakness in the housing market, inflation or deflation or expectations of either inflation or deflation, higher levels of unemployment, unavailability of or limitations on consumer credit, higher consumer debt levels or efforts by consumers to reduce debt levels, higher tax rates and other changes in tax laws, overall economic slowdowns, changes in consumer desires and other economic factors could adversely affect consumer demand for the products and services we sell, change the mix of products we sell to a mix with a lower average gross margin, result in slower inventory turnover and greater markdowns on inventory and result in higher levels of slow payment, default and uncollectibility in our customers' accounts.. Higher interest rates, transportation costs, inflation, costs of labor, insurance and health care, foreign exchange rate fluctuations, higher tax rates and adverse changes in tax and other laws and regulations and other economic factors in the United States can increase our cost of sales, commodity pricing, operating, selling, general and administrative expenses and interest expense, and otherwise adversely affect our operations and operating results. These factors affect not only our operations, but also the operations of our sources of consumer and commercial credit critical to our business, as well as suppliers from whom we purchase goods, a condition that can limit the availability of credit or goods to us or increase the cost to us of the goods we sell to, and credit we arrange for, our customers.

The seasonality of our retail business increases the strain on our operations and results in fluctuations in our quarterly results.

A disproportionate amount of our retail net sales, 43% in fiscal 2014, occurs during our fourth fiscal quarter. If we and/or our dropship vendors do not maintain adequate inventory to meet seasonal customer demand, it could significantly affect our net sales and future growth. Conversely, if we overstock seasonal products in excess of demand, we may have to offer significant pricing markdowns or take inventory write-offs. If too many customers access our telephone order lines, servicing connections or websites within a short period, particularly during holidays, it could prevent us from taking orders or reduce customer satisfaction. A similar adverse impact would result from inadequate staffing in our customer service and ordering centers and warehouse fulfillment functions during times of peak volume.

In addition, because a disproportionate amount of our retail net sales occur during the fourth fiscal quarter, our financial results in such quarter will have a disproportionate effect on our financial results for the full year. Our stock price may also experience substantial volatility based on our results for the fourth fiscal quarter due to the intense focus investors and stock analysts place on these results.

Our international sourcing relationships and service providers subject us to risks that could adversely affect our business.

We source our merchandise both domestically and internationally, as do many of our third party suppliers. In addition, we rely on foreign third party service providers based in Guatemala, India, Jamaica, Panama and the Philippines for various aspects of our operations, including phone and mail order entry, collections and global import transportation/logistics.

International purchases subject us and our suppliers to inbound freight costs, tariffs, duties and currency fluctuations as well as other risks and could increase our costs and, therefore, decrease our gross profits as well as decrease our ability to ship our merchandise in a timely manner.

We may source an increasing amount of merchandise directly from vendors abroad, particularly in Asia, which will subject us to risks and uncertainties including import/export controls or regulations and quotas and possible cancellations of backorders due to delayed shipping. Any disruption or delays in, or increased costs of, importing our products could have an adverse effect on our business, financial condition and operating results. Foreign orders are often placed through third party intermediaries, and as a result may present greater difficulty in identifying and supervising vendors with respect to quality control and addressing product defects. In addition, declines in the value of the U.S. dollar relative to foreign currencies affect our buying power and the ultimate price of the products we sell to our customers.

Changing or uncertain economic conditions in foreign countries and political unrest, war, natural disasters or health epidemics can all be detrimental to dealings with foreign sources of product or service providers. Any of these factors may disrupt the ability of foreign vendors to supply merchandise in a timely manner or at all, and the ability of foreign service providers to fulfill their obligations to us. Such factors could also substantially increase our costs to source merchandise through foreign vendors or engage third party service providers. The need to replace any such vendors or service providers could be expensive and disruptive to our operations.

If we are unable to maintain vendor relationships and obtain adequate supplies of inventory, our results of operations will be negatively impacted.

Our financial performance depends on the ability to purchase products in sufficient quantities at competitive prices. We offer a growing and changing mix of products and, therefore, our buyers must develop and maintain relationships with vendors to locate sources for high quality, low cost, name brand merchandise they believe will interest our customers. We currently purchase our products from over 1,400 domestic and foreign manufacturers. Our top ten suppliers accounted for approximately 25% of our merchandise inventory purchases in fiscal 2014. Inability to obtain merchandise from any of the larger vendors could cause supply disruptions that would hamper the business.

If we are unable to maintain supplier relationships, our ability to offer high quality, competitively priced products to our customers may be impaired, and our retail net sales and gross profits would decline. If our current vendors were to stop selling merchandise to us on acceptable terms, including because of one or more vendor bankruptcies due to poor economic conditions, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms, or at all.

Because the contracts with our suppliers are frequently short term in nature, we may be unable to acquire product to meet customer demand that extends beyond initial expectations and retail net sales may suffer. Furthermore, vendors under short term contracts may increase prices or cut off supply at any time.

We are subject to regional risks and adverse effects upon our business and results of operations if our fulfillment operations are interrupted for any significant period of time.

In order to maximize efficiency, we use a large primary fulfillment center located in St. Cloud, Minnesota and two smaller supplemental fulfillment centers in Indiana and Nevada, where we warehouse our merchandise and ship customer orders. This arrangement subjects us to regional risks, such as a shutdown or interruption in operations at regional airports, and risks associated with systems lacking sufficient redundancy. The facilities are susceptible to damage or interruption from human error, fire, flood or other acts of God, power loss, telecommunications failure, terrorist attacks, acts of war, break-ins and similar events. Many of our competitors operate in numerous facilities across the United States and thus are not as vulnerable to the risks of operating in one region. Should anything interrupt operations at one or more of our facilities, we have very limited alternate ways to fill product orders and limited ability to reroute orders to third parties for drop shipping.

Strikes, work stoppages and slowdowns by our employees could adversely affect our business, financial position and results of operations.

As of the end of fiscal 2014, the Company employed approximately 1,300 employees, of which approximately 280 were warehouse and order fulfillment employees subject to a collective bargaining agreement. Labor organizing activities could result in additional employees becoming unionized. Strikes, work stoppages and slowdowns by our employees could adversely affect our ability to fulfill orders and meet our customers' needs, and customers may move their business to competitors as a result. This could adversely affect our business, financial position and results of operations. Increased unionization and the terms of future collective bargaining agreements also may affect our competitive position and results of operations.

If we do not respond to technological changes, our services could become obsolete and we could lose customers.

To remain competitive, we must continue to enhance and improve the functionality and features of our e-commerce websites and other technologies. We may face material delays in introducing new products and enhancements. If this happens, our customers may forego the use of our websites and use those of our competitors. The Internet and the online commerce industry are rapidly changing. If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing websites and our proprietary technology and systems may become obsolete. Our failure to respond to technological change or to adequately maintain, upgrade and develop our computer network and the systems used to process customers' orders and payments could harm our business, prospects, financial condition and results of operations.

We are dependent on third parties to perform certain business operations, including with respect to credit underwriting, payment processing, and merchandise delivery systems , and are vulnerable to various risks with respect to these relationships.

We depend on a number of independent businesses to operate our business efficiently, none of which are under our control. Any adverse developments affecting these vendors, the products or services provided by them, or the fees that they charge us could have a detrimental impact on our operations and financial results. A failure or delay in responding to such developments, even for a short period of time, could have significant adverse effects on our ability to provide customers access to credit, generate sales and operate our business.

Examples of critical vendors include the following:

- Logistics partners
- vendors that print and mail our catalogs;
- vendors that handle credit applications, remittance and collections;
- shipping companies;
- telephone and Internet providers;
- e-commerce service providers;
- outside call centers handling customer telephone orders, account servicing and collections, many of which reside in foreign countries;
- outside service providers to provide repairs under extended service plans; and
- factory direct vendors for timely fulfillment of merchandise orders.

Many of our vendor agreements have relatively short terms. As a result, we are at risk of increased vendor pricing and other adverse changes in vendor terms. Further, the need to replace one of our vendors, particularly on short notice, could cause significant disruption to our operations and have an adverse effect on our financial results.

Litigation may adversely affect our retail business and results of operations.

The Company is subject to litigation, other proceedings and claims in the normal course of business and could become subject to additional claims in the future, some of which could be material. Litigation, these proceedings and claims may result in substantial costs and diversion of resources. The outcome of existing legal proceedings may differ from the Company's expectations because the outcomes of litigation and similar disputes are often difficult to predict reliably. Various factors and developments can lead to changes in current estimates of liabilities or make additional estimates, including new or modified estimates that may be appropriate due to a judicial ruling or judgment, a settlement, regulatory developments or changes in applicable law. A future adverse ruling, settlement or unfavorable development could result in charges that could have a material adverse effect on the Company's results of operations in any particular period.

We face the risk of litigation, including class action lawsuits challenging, among other things, our marketing and sales practices as well as our actions as a servicer for Credit Issuer and SCUSA. In particular, our role as contract servicer for Credit Issuer and SCUSA exposes us to liability under the TCPA and FCRA. Both statutes provide for extremely high damage awards especially in the class action context. Other potential risks of litigation driven by our activities in the consumer finance area relate to lending terms, rates, disclosures, collections and/or other practices, under state and federal consumer protection statutes and other laws, as well as licensing requirements relating to consumer lending activity. State attorneys general, the Bureau, and other government prosecutors have shown an increased interest in the enforcement of consumer protection laws, including laws relating to subprime lending, predatory lending practices and privacy. Likewise class action lawyers are very active in the consumer protection area. As the Company grows and becomes more visible as the result of its marketing and advertising activities including national television advertising the risk of litigation is likely to increase. We may also be subject, from time to time, to employee claims alleging injuries, wage and hour violations, discrimination, harassment or wrongful termination. In addition to the risk of loss following an adverse ruling in any such litigation, all litigated matters involve costs, in terms of both monetary expenditures and the diversion of management's time and attention. In addition, litigation may result in orders that require us to change our business practices, pay settlement costs and damages and, in some cases, penalties. Any or all of these could negatively affect our business and financial results.

None of the Company's current litigated matters are likely to have a material financial impact on the Company based on an award of monetary damages because liability for any monetary damages awarded in these matters has been assumed by the stockholders of the pre-merger entity. However, the following matters could have a material impact on the Company based on a grant of injunctive relief:

Purchasing Power, LLC v. Bluestem Brands, Inc.

On December 21, 2011, Purchasing Power, LLC named the Company as a defendant in a lawsuit in the Superior Court of Fulton County, Georgia. Bluestem, relying on plaintiff's representation that diversity of citizenship existed, removed the lawsuit to the Federal District Court for the Northern District of Georgia. The plaintiff alleged via various causes of action, including violation of the Georgia Trade Secrets Act, breach of contract and misrepresentation, that Bluestem Brands misappropriated its trade secrets and used them to develop its PayCheck Direct business. The District Court issued summary judgment in Bluestem Brands' favor on May 9, 2014. Purchasing Power, LLC appealed to the United States Court of Appeals for the Eleventh Circuit. The Eleventh Circuit remanded the case to the District Court on August 4, 2014, to make factual findings whether diversity jurisdiction existed at the time the case was removed to federal court. The court held two evidentiary hearings and found that diversity jurisdiction did not exist at the time of removal. The court then ordered Purchasing Power, LLC to show cause why sanctions should not be imposed based on its representations to the court regarding its jurisdiction, and stating in detail the inquiry conducted by counsel into the legal and factual assertions regarding whether complete diversity existed. The court also permitted the Company to file a motion requesting that Purchasing Power, LLC be sanctioned for violation of various provisions of the Federal Rules of Civil Procedure based on Purchasing Power's representations to the Company regarding its jurisdiction. The Court can be expected to rule sometime after March 20, 2015, when both the order to show cause and the motion for sanctions have been fully briefed and is likely to remand the matter to the Superior Court of Fulton County, Georgia, after deciding the issues before it. Should Purchasing Power, LLC prevail in continued proceedings before the Georgia state court and garner an award of injunction relief, such injunctive relief could, in the worst case, require the Company to cease operation of its PayCheck Direct entity.

We may be subject to product liability claims if people or property is harmed by products we sell.

Some of the products we sell may expose us to product liability claims relating to personal injury, death, or environmental or property damage, and may require product recalls or other actions. The risk may be particularly high with respect to products we sell intended for use by or with children, as well as pellet guns, knives, archery and similar products. The risks of product liability exposure may increase as we grow our product offerings. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

Adverse publicity, or any failure to maintain our brand images and corporate reputation, could adversely affect our business and results of operations, as could various other social factors affecting credit use and consumption.

Our success depends in part on our ability to maintain the image of the Fingerhut, Gettington.com and PayCheck Direct brands as well as our reputation for providing excellent service to our customers. Adverse publicity or widespread declines in perception regarding our products and service quality could tarnish the image of our brands, even if these developments are unfounded or the information false. We could be similarly adversely affected if customers mistakenly associate unrelated businesses with our own operations.

We do not insure against any diminution in the value of our brands or the business itself, arising from claims, adverse publicity or otherwise. In addition, adverse publicity surrounding labor relations, our business concentration in the low-to-middle income consumer sector or our reliance on financing to such customers could damage our reputation and loss of sales and brand equity could result. This could require the expenditure of additional resources to rebuild our reputation and restore the value of our brands.

In addition, a variety of social factors may cause changes in customer purchases contingent upon credit, including the public's perception of consumer debt, payment patterns, personal bankruptcy, and the rate of defaults by account holders and borrowers. If consumers develop negative attitudes about incurring debt or if consumption trends continue to decline, our business and financial results will be negatively affected.

Risks Related to the Operation of our Real Estate-Related Asset Portfolio Business

Potential Effects of Economic and or Market Conditions on Asset Values

The value of the Company's real estate-related assets is sensitive to general business, economic, and market conditions in the markets in which these assets are located. These conditions include changes in short-term and long-term interest rates, inflation, deflation, fluctuations in the real estate and debt capital markets, and developments in national and local economies and changes in government policies and regulations. The commercial real estate industry is cyclical and is subject to numerous economic factors including general business conditions, changes in interest rates, inflation, unemployment rates and oversupply of properties. This increase in the number of delinquencies, bankruptcies, and defaults could result in a downward valuation adjustment on the Company's real estate-related assets, which could adversely affect the Company's future results of operations.

Recovery of Less than Carrying Value of the Company's Assets

The Company holds equity positions in certain real estate funds and other real estate-related assets, the value of which is subject to risks affecting the value of commercial real estate generally, including those discussed above, as well as specific risks relating to the particular assets, including properties held by the real estate funds. In the case of investments in real estate funds, the Company's investments in real estate funds are generally in the form of a limited partnership interest and there can be no assurance that the Company will be able to recover the carrying value of the equity position.

Accuracy of Estimates or Assumptions Used to Value the Company's Assets

In connection with the preparation of the Company's consolidated balance sheet, the Company is required to use estimates and make various assumptions in determining the fair values of assets that the Company carries on its Consolidated Balance Sheet. These estimates and assumptions are based on a number of factors and considerations, which may include, depending on the particular asset being valued, the Company's experience and expectations concerning discount rates, interest rates, credit spreads, market pricing for sales of similar assets, prepayment rates, delinquency rates, and defaults on loans and loss recovery rates. A material difference between the Company's estimates and assumptions and its actual experience may require the Company to write down the value of assets, which could adversely affect its financial condition or future results of operations.

Liabilities under Environmental Laws

Under various United States federal, state, and local environmental laws, ordinances, and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under, or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of hazardous or toxic substances. The costs of investigation, remediation, or removal of those substances may be substantial. The owner or control party of a site also may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos-containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos-containing materials. Absent succeeding to ownership or control of real property, a secured lender is not likely to be subject to any of these forms of environmental liability. However, real estate investments in which the Company holds or held an ownership interest, either by exercise of their remedies as a secured lender or by an equity investment, can subject the Company to environmental liability.

Risks Related to the Operation of our Consolidated Business

Risks Related to Ownership of Our Common Stock

Our common stock is not listed on any exchange and trades at the discretion of brokers and dealers pursuant to quotation on the over-the-counter market; our common stock price may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares

Our common stock is not listed on any national securities exchange and, as a result, no level of market liquidity or volume can be assured. No assurance can be given that a holder of such securities will be able to sell such securities in the future or as to the price at which any sale might occur. If a holder of such securities is able to sell them in the future, the price of the securities may be volatile and may fluctuate significantly in response to a number of factors, many of which are outside of our control, including:

- our ability to retain and attract customers and increase net sales;
- availability and pricing of, and the regulatory environment for, consumer and commercial credit;
- varying response rates to catalogs and other marketing activities;
- unanticipated delinquencies and losses in our customer accounts receivable portfolio;
- our ability to offer products on favorable terms, manage inventory, and fulfill orders;
- pricing pressures due to competition or otherwise;
- changes in consumer tastes and demand for particular products;
- changes in consumer willingness to purchase goods on credit via catalogs and through the Internet;
- weak economic conditions, economic uncertainty and lower consumer confidence and discretionary spending;
- changes in taxation of catalog and Internet sales;
- timing, effectiveness, and costs of expansion and upgrades of our systems and infrastructure;
- variations in the mix of products and services we offer and level of vendor returns;
- changes in key personnel;

- entry into new markets;
- announcements by us or our competitors of new product offerings or significant acquisitions;
- the public's response to press releases or other public announcements by us or third parties, and announcements relating to litigation;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- changes in financial estimates by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;
- ratings downgrades by any securities analysts who follow our common stock;
- the development and sustainability of an active trading market for our common stock;
- future sales of our common stock by our officers, directors and significant stockholders;
- other events or factors, including those resulting from war, acts of terrorism, natural disasters or responses to these events; and
- changes in accounting principles.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail and finance companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

We may need additional equity capital, and raising additional capital may dilute existing stockholders.

We believe that our existing capital resources, availability of borrowings under our credit facilities, and cash generated from our business, will enable us to maintain our current and planned operations. However, if for any reason this is not the case, we may choose or be required to raise additional funds to fund our operations. If our capital requirements vary materially from those currently planned, we may require additional equity financing sooner than anticipated. For example, if we grow at a faster rate than we currently expect, we may need to raise additional equity in order to stay in compliance with the terms of our credit facilities, or to maintain a debt-to-equity ratio that we feel is appropriate. Additional financing may not be available in sufficient amounts or on terms acceptable to us and may be dilutive to existing stockholders. If adequate funds are not available or are not available on acceptable terms, our ability to fund our future growth, take advantage of new opportunities, develop or enhance our offerings, or otherwise respond to competitive pressures would be significantly limited.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock.

We do not expect to pay any cash dividends for the foreseeable future.

The continued operation and expansion of our business will require substantial funding. In addition, the terms of the Investment Agreement with Centerbridge contain certain prohibitions on future distributions by the Company and certain of its subsidiaries. Accordingly, we do not anticipate that we will pay any cash dividends on shares of our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, including under our existing credit facilities and other indebtedness we may incur, restrictions imposed by applicable law and other factors our board of directors deems relevant. Realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur.

Restrictions on Transferability of Common Stock

Certain provisions of the Company's articles of incorporation contain provisions voiding the transfers of Common Stock. These provisions, which limit transfers to or by stockholders that own 4.8% or more of the Common Stock or transfers that would cause any shareholder to own 4.8% or more of the Common Stock, generally prohibit transfers that could result in a limitation of the Company's ability to utilize net operating losses carried over from prior tax periods and transfers that could cause our Company to become required to file reports under the Exchange Act . These restrictions on transfer could make it more difficult for a third party to acquire control of the Company or have the effect of discouraging a third party from attempting to acquire control over the Company. Additionally, these provisions may adversely affect the marketability of the Common Stock by discouraging potential investors from acquiring the Common Stock. In addition, these provisions could delay or frustrate the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving the Company, or impede an attempt to acquire a significant or controlling interest in the Company, even if such events might be beneficial to the Company and its stockholders.

We face risk related to the strength of our operational, technological and organizational infrastructure.

We are exposed to operational risks that can be manifested in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees, contractors or third parties and exposure to external events. In addition, we are heavily dependent on the strength and capability of our technology systems which we use to manage our internal financial, credit and other systems, interface with our customers and develop and implement effective marketing campaigns.

Our ability to operate our business to meet the needs of our existing customers and attract new ones and to run our business in compliance with applicable laws and regulations depends on the functionality of our operational and technology systems. Any disruptions or failures of our operational and technology systems, including those associated with improvements or modifications to such systems, could cause us to be unable to market and manage our products and services and to report our financial results in a timely and accurate manner, all of which could have a negative impact on our results of operations.

In some cases, we outsource delivery, maintenance and development of our operational and technological functionality to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. Any increase in the amount of our infrastructure that we outsource to third parties may increase our exposure to these risks.

The loss of key senior management personnel and other key personnel could negatively affect our business.

While we attempt to anticipate succession planning needs, departures by senior management and other key personnel can be disruptive. We depend heavily on our senior management and other key personnel to execute our business plan. The loss of any of our executive officers or other key employees could harm our business. We do not have key person life insurance policies. We have employment agreements for certain members of our executive management team but not for all key employees.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We regard our trademarks, service marks, copyrights, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success. In particular, we believe certain proprietary information, including but not limited to our credit models, is central to our business model and give us a key competitive advantage. We rely on trademark and copyright law, trade secret protection, and confidentiality, license and work product agreements with our employees, customers, and others to protect our proprietary rights.

We may be unable to prevent third parties from acquiring trademarks, service marks and domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. In addition, we currently own the exclusive right to use various domain names containing or relating to our Company name and brands. We may be unable to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Failure to protect our domain names could affect adversely our reputation and brand, and make it more difficult for users to find our website.

We may be unable to discover or determine the extent of any unauthorized use of our proprietary rights. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. In addition, the steps we take to protect our intellectual property may not adequately protect our rights or prevent parties from infringing or misappropriating our proprietary rights. We can be at risk that others will independently develop or acquire equivalent or superior technology or other intellectual property rights. The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales, or otherwise harm our business.

We cannot be certain that the intellectual property used in our business does not and will not infringe the intellectual property rights of others, and we are from time to time subject to third party infringement claims. Due to recent changes in patent law, we face the risk of a temporary increase in patent litigation due to new restrictions on including unrelated defendants in patent infringement lawsuits in the future particularly from entities that own patents but that do not make products or services covered by the patents. Any third party infringement claims against us, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the payment of damages. Moreover, should we be found liable for infringement, we may be required to seek to enter into licensing agreements, which may not be available on acceptable terms or at all.

Inability to Utilize the Company's Tax Attributes

As of January 30, 2015, the Company had $694.6 million of deferred tax assets for federal, state, and foreign net operating and capital loss carryforwards ("Attributes"). The deferred tax assets are determined by applying the applicable tax rates to the Attributes. The $1.7 billion United States federal net operating losses ("NOLs") will begin to expire in 2028. The $313.3 million of capital losses will begin to expire in 2015. The Company believes that it is more likely than not that these deferred tax assets will only be realized to the extent of current year income and temporary differences that will result in future taxable income. A $637.1 million valuation allowances has been recorded against the balance of the deferred tax assets based on our assessment that they are less likely than not to be realized. The Company's tax Attributes have not been audited or otherwise validated by the Internal Revenue Service ("IRS"). The ability of the Company to utilize its tax Attributes to reduce taxable income in future years may be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of NOL carry forwards prior to their expiration and/or the IRS challenges its use. In addition, based on current business activity, there is very limited opportunity to generate capital gains which are needed to utilize capital losses. There can be no assurance that the Company will have sufficient taxable income or that the IRS will not challenge the use of the losses in later years to enable the Company to use the Attributes before they expire.

Additionally, the ability of the Company to fully use these deferred tax assets could also be adversely affected if it was deemed to have an "ownership change" within the meaning of Sections 382 and 383 of the Code. Calculating whether an ownership change has occurred for tax purposes is subject to inherent uncertainty, both because of the complexity and ambiguity of Section 382 of the Code, and because of limitations on a publicly-traded non-reporting company's knowledge as to the ownership of and transactions in its securities. Therefore, the calculation of the amount of the Company's utilizable net operating loss carry forwards could be changed as a result of a successful challenge by the IRS, or as a result of the Company learning of new information about the ownership of and transactions in the Common Stock. Based on information available to the Company, there has not been a Section 382 ownership change since its September 30, 2011 bankruptcy reorganization, and its annual limitation of the ability to utilize NOLs continues to be $104.0 million. However, if an ownership change as defined under Section 382, should occur in the future, including trading of its non-reporting securities, the Company's ability to use the NOLs to offset future taxable income may be reduced to zero.

The rules relating to income taxation are constantly under review by persons involved in the legislative and administrative rulemaking processes, and by the IRS, United States Treasury Department, state, and foreign taxing authorities resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Future revisions in tax laws and interpretations thereof could adversely impair the Company's ability to use some or all of the tax benefits associated with its NOLs,

Maintenance of our Investment Company Act exemption imposes limits on our operations.

Neither the Company nor any of its subsidiaries intend to register as an investment company under the Investment Company Act of 1940 ("Investment Company Act"). Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash) on an unconsolidated basis. The Company has conducted and intends to continue to conduct its operations so that it is not required to register as an investment company. If the Company or its subsidiaries were to fail to be excluded from the definition of an investment company or fail to qualify for an exemption from registration under the Investment Company Act, the Company or its subsidiaries could be obligated to register as an investment company and comply with a variety of substantive requirements under the Investment Company Act which could have an adverse effect on the Company, its financial results, or the value of its Common Stock. The Company is required to monitor its assets, including the securities issued by its subsidiaries, on an ongoing basis to ensure that it will not be required to register as an investment company.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Capmark Financial Group, Inc.
Eden Prairie, Minnesota

We have audited the accompanying consolidated financial statements of Capmark Financial Group, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of January 30, 2015 and January 31, 2014, and the related consolidated statements of comprehensive income, cash flows, and stockholders' equity for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capmark Financial Group, Inc. and its subsidiaries as of January 30, 2015 and January 31, 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

May 25, 2015

Member of
Deloitte Touche Tohmatsu

CAPMARK FINANCIAL GROUP INC.
Consolidated Balance Sheets
(in thousands, except share data)

	January 30, 2015	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 254,207	$ 169,006
Restricted cash	13,586	11,756
Customer accounts receivable, net of allowance of $10,457	40,928	-
Commercial real estate accounts and other receivables	19,270	4,738
Retail merchandise inventories	96,431	-
Other current assets	34,999	6,828
Current assets of discontinued operations ($0 and $10,241 related to VIE's, respectively) (1)	-	85,325
Total current assets	459,421	277,653
Loans held for sale	78,080	103,716
Equity investments	114,736	176,801
Property and equipment, net	49,755	-
Intangibles, net	377,892	-
Goodwill	201,642	-
Other assets	26,474	42,625
Other assets of discontinued operations ($0 and $25,836 related to VIE's, respectively) (1)	-	48,574
Total assets	**$ 1,308,000**	**$ 649,369**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 82,037	$ 8
Accrued costs and other liabilities	92,823	17,127
Short-term debt	19,116	-
Current liabilities of discontinued operations ($0 and $1,972 related to VIE's, respectively) (1)	-	3,636
Total current liabilities	193,976	20,771
Long-term debt	359,484	107,274
Deferred income taxes	79,948	-
Other long-term liabilities	20,037	41,444
Other liabilities of discontinued operations ($0 and $5,957 related to VIE's, respectively) (1)	-	73,784
Total liabilities	653,445	243,273
COMMITMENTS AND CONTINGENCIES (Note 21)		
Stockholders' Equity:		
Series A participating convertible preferred stock, $0.01 par value, $5,000 stated value; shares authorized —10,000,000 at January 30, 2015 and 0 at January 31, 2014; shares issued and outstanding — 1,000 at January 30, 2015 and 0 at January 31, 2014	4,856	-
Common stock, $0.01 par value, shares authorized — 350,000,000 at January 30, 2015; $0.001 par value; shares authorized — 110,000,000 at January 31, 2014; shares issued and outstanding — 136,374,593 at January 30, 2015 and 100,182,419 at January 31, 2014	1,364	100
Additional paid-in capital	356,697	189,970
Retained earnings	290,774	181,922
Accumulated other comprehensive income (loss), net of tax	864	1,601
Total Capmark Financial Group Inc. stockholders' equity	654,555	373,593
Noncontrolling interest	-	32,503
Total Equity	654,555	406,096
Total Liabilities and Stockholders' Equity	**$ 1,308,000**	**$ 649,369**

(1) Assets and liabilities of consolidated variable interest entities ("VIE") included that can be used only to settle the obligations of the consolidated VIE and liabilities of the consolidated VIE included in each consolidated balance sheet line item for which creditors or other interest holders do not have recourse to the general credit of Capmark Financial Group Inc. and its subsidiaries. See Note 14 for further discussion.

The accompanying notes are an integral part of these Consolidated Financial Statements

CAPMARK FINANCIAL GROUP INC.
Consolidated Statements of Comprehensive Income
(in thousands, except shares and per share amounts)

	January 30, 2015	January 31, 2014
Net sales and revenue		
Net retail sales	$ 432,392	$ -
Commercial real estate revenue		
Net interest income	6,609	23,255
Net gains on investments and real estate	15,978	78,794
Other noninterest income	23,505	49,848
Total net sales and revenue	**478,484**	**151,897**
Costs and expenses		
Retail cost of goods sold	256,885	-
Retail sales and marketing expenses	69,128	-
Retail net credit expense	18,011	-
Commercial real estate operating expenses	4,901	18,583
General and administrative expenses	85,289	28,830
Amortization and depreciation not included in retail cost of goods sold	21,627	737
Loss from derivatives in our own equity	15,353	-
Total costs and expenses	**471,194**	**48,150**
Operating Income	**7,290**	**103,747**
Retail interest expense	7,091	-
Income from continuing operations before income taxes	**199**	**103,747**
Income tax benefit	69,770	869
Income from continuing operations after income taxes	**69,969**	**104,616**
Income (loss) from discontinued operations, net of tax	33,037	(20,900)
Net income	**103,006**	**83,716**
Plus: Net loss attributable to noncontrolling interests	5,930	14,185
Net income attributable to Capmark Financial Group Inc.	**$ 108,936**	**$ 97,901**
Other comprehensive income (loss)		
Net change in unrealized gains (losses) on investment securities	(737)	(1,248)
Net foreign currency translation	-	8,964
Other comprehensive income (loss)	**(737)**	**7,716**
Comprehensive income attributable to Capmark Financial Group Inc.	**$ 108,199**	**$ 105,617**
Basic and Diluted Earnings Per Share - Common Stockholders		
Basic and diluted earnings per share - continuing operations	$ 0.69	$ 1.19
Basic earnings per share attributable to Capmark Financial Group Inc.	$ 1.00	$ 0.98
Diluted earnings per share attributable to Capmark Financial Group Inc.	$ 0.99	$ 0.98
Basic weighted average shares outstanding	108,277,257	99,734,703
Diluted weighted average share outstanding	109,335,400	99,787,071

The accompanying notes are an integral part of these Consolidated Financial Statements.

CAPMARK FINANCIAL GROUP INC.
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except number of shares)

	Series A Convertible Preferred Stock Shares	Series A Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
BALANCE — February 1, 2013	-	$ -	100,242,722	$ 100	$ 1,240,985	$ 84,021	$ (6,115)	$ 60,204	$ 1,379,195
Net income (loss)						97,901		(14,185)	83,716
Total other comprehensive income net of tax							7,716		7,716
Stock-based compensation					1,801				1,801
Treasury shares retired			(60,303)		(267)				(267)
Stockholder distributions					(1,052,549)				(1,052,549)
Other (includes impact from sale of discontinued operations assets)								(13,516)	(13,516)
BALANCE — January 31, 2014	-	$ -	100,182,419	$ 100	$ 189,970	$ 181,922	$ 1,601	$ 32,503	$ 406,096
Net income						108,936		(5,930)	103,006
Total other comprehensive (loss) net of tax							(737)		(737)
Common stock par value adjustment				902	(902)				-
Issuance of preferred stock	1,000	5,000							5,000
Beneficial conversion feature associated with preferred stock at issuance		(228)			228				-
Issuance of common stock			2,081,357	21	8,317				8,338
Issuance of restricted common stock			249,623	2					2
Exercise of common stock warrants			33,861,194	339	135,311				135,650
Deemed dividend from beneficial conversion feature associated with preferred stock		84				(84)			-
Stock-based compensation					23,773				23,773
Other (includes impact from sale of discontinued operations assets)								(26,573)	(26,573)
BALANCE — January 30, 2015	1,000	$ 4,856	136,374,593	$ 1,364	$ 356,697	$ 290,774	$ 864	$ -	$ 654,555

The accompanying notes are an integral part of these Consolidated Financial Statements.

CAPMARK FINANCIAL GROUP INC.
Consolidated Statements of Cash Flows
(in thousands)

	January 30, 2015	January 31, 2014
Operating Activities of Continuing Operations		
Net income	$ 103,006	$ 83,716
Net income (loss) from discontinued operations	33,037	(20,900)
Net income from continuing operations	69,969	104,616
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities of continuing operations:		
Benefit for deferred income taxes	(48,047)	-
Uncertain tax positions	(18,699)	-
Net gains	(17,722)	(99,585)
Equity in net gains of investees and cash return on investment	(11,330)	(20,527)
Amortization and depreciation expense	21,885	457
Net accretion of fresh start accounting adjustment	-	(14,414)
Loss from derivatives in our own equity	15,353	-
Provision for doubtful accounts	10,510	-
Provision for retail merchandise returns	11,455	-
Stock-based compensation expense	23,773	1,801
Other, net	12,218	857
Net change in assets and liabilities which provided (used) cash:		
Customer account and other receivables, net	(35,297)	9,796
Retail merchandise inventories	78,895	-
Other assets	21,477	5,918
Accounts payable and other liabilities	(61,671)	(54,777)
Proceeds from sales of/payments from loans held for sale	26,281	469,729
Net cash provided by operating activities of continuing operations	99,050	403,871
Investing Activities of Continuing Operations		
Net decrease in restricted cash	12,331	63,299
Proceeds from sales of investment securities classified as available for sale	-	17,832
Proceeds from repayments of investment securities classified as available for sale	15,972	32,059
Proceeds from sales of real estate investments	-	181,419
Proceeds from sales of/capital distributions from equity investments	73,105	71,967
Purchases of investment securities classified as available for sale	-	(11,027)
Purchases of customer accounts receivable	(430,600)	-
Proceeds from sale of customer accounts receivable	430,949	-
Acquisition of Bluestem Brands, Inc. net of cash on hand	(509,796)	-
Net (purchase) disposition of property and equipment	(688)	1,787
Net cash (used in) provided by investing activities of continuing operations	(408,727)	357,336

(Continued on next page)

CAPMARK FINANCIAL GROUP INC.
Consolidated Statements of Cash Flows
(in thousands)

Financing Activities of Continuing Operations		
Repayments of debt	(25,961)	(115,047)
Borrowings on debt, net of financing fees	281,064	-
Repayments of deposit liabilities	-	(1,001,206)
Borrowings on revolving credit facilities	180,287	-
Repayments on revolving credit facilities	(182,676)	-
Settlement of Bluestem Brands selling stockholders' acquisition-related liabilities	(66,362)	-
Proceeds from issuance of preferred stock	5,000	-
Proceeds from issuance of common stock	143,988	-
Distributions to stockholders	-	(1,052,548)
Other financing activities, net	-	(9,955)
Net cash provided by (used in) financing activities of continuing operations	335,340	(2,178,756)
Effect of Foreign Exchange Rates on Cash	(297)	(593)
Discontinued Operations		
Net cash used in operating activities of discontinued operations	(6,313)	(5,539)
Net cash provided by (used in) investing activities of discontinued operations	65,710	(7,496)
Net cash used in financing activities of discontinued operations	-	(1,823)
Net cash provided by (used in) discontinued operations	59,397	(14,858)
Net Increase (Decrease) in Cash and Cash Equivalents	84,763	(1,433,000)
Cash and Cash Equivalents, Beginning of Period	169,444	1,602,444
Cash and Cash Equivalents, End of Period (1)	$ 254,207	$ 169,444
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	7,320	26,238
Income and franchise taxes paid (refunded), net	442	(1,371)
NON-CASH TRANSACTIONS:		
Purchases of property and equipment on account	288	-
Capital lease obligation incurred	35	-

Notes:

(1) Cash and cash equivalents include non-restricted cash of discontinued operations of $0.4 million as of January 31, 2014.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CAPMARK FINANCIAL GROUP INC.
Notes to Consolidated Financial Statements

1. Organization and Operations

Capmark Financial Group Inc. is a holding company whose businesses include Bluestem Brands, Inc. and commercial real estate finance companies. On November 7, 2014 ("Acquisition Date"), a subsidiary of Capmark Financial Group Inc. acquired all of the outstanding common shares and voting interest of Bluestem Brands, Inc., a multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving low-to-middle income consumers nationwide. Additional information about the Bluestem Brands, Inc. acquisition is discussed in Note 4, *Business Combination*. The commercial real estate finance companies are focused on managing the commercial real estate-related business and existing assets, including monetizing the assets when appropriate.

As used in this report:

- "CFGI," "we", "us," "our," or "the Company" refers to Capmark Financial Group Inc. with its consolidated subsidiaries
- "Bluestem Brands" refers to Bluestem Brands, Inc., an indirect subsidiary of Capmark Financial Group Inc.
- "Commercial Real Estate" refers to the commercial real estate finance operations
- "Successor CFGI" refers to CFGI, the Company's commercial real estate finance operations following its emergence from bankruptcy on September 30, 2011
- "Predecessor CFGI" refers to CFGI prior to its emergence from bankruptcy on September 30, 2011

Prior to October 25, 2009, Predecessor CFGI was a commercial real estate finance company that provided financial services to investors in commercial real estate-related assets through three core businesses: lending and mortgage banking, investments and funds management, and servicing.

In 2009 and 2010, Predecessor CFGI and certain of its subsidiaries ("Debtors") filed voluntary petitions for relief under Chapter 11 of the US Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court"). Certain of the Debtors, including Successor CFGI, emerged from bankruptcy on September 30, 2011 ("Effective Date") pursuant to the Third Amended Joint Plan of Capmark Financial Group Inc. and certain of its subsidiaries and affiliates ("Plan"). The Plan was effective for fourteen of the Debtors (the "Reorganized Debtors"). The cases of the Debtors not subject to the Plan have been dismissed by the Bankruptcy Court. On October 3, 2013, the Bankruptcy Court issued an order closing the Chapter 11 cases of eight of the Reorganized Debtors. On December 10, 2014, the Bankruptcy Court issued an order closing the Chapter 11 cases of the remaining six Reorganized Debtors.

On March 5, 2014, the Company entered into an agreement with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in the Company by Centerbridge ("Investment Agreement"), subject to certain terms and conditions. On May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, (i) filed Amended and Restated Articles of Incorporation and amended and restated its Bylaws, (ii) issued to Centerbridge $5.0 million of convertible preferred stock ("Preferred Stock") and warrants to purchase up to 43 million shares of common stock ("Warrants") and (iii) entered into an agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes ("Note Purchase Agreement"), subject to certain terms and conditions.

From the Effective Date through January 30, 2015, the Company operated primarily through the following subsidiaries:

Capmark Finance LLC ("Capmark Finance") is a Delaware limited liability company and a wholly-owned subsidiary of Successor CFGI. Capmark Finance was previously a California limited liability company and became a Delaware limited liability company effective September 25, 2013 through a statutory conversion process. Capmark Finance is primarily focused on the management of its existing assets, including monetzing the assets when appropriate. In connection with these activities, Capmark Finance has, among other things, restructured its loans, advanced required funds to maintain the value of the commercial real estate collateralizing its loans, and taken actions to collect on defaulted loans, including acquiring title to the commercial real estate collateral. Any real estate acquired as a result of such actions has been managed by Capmark Finance or one of its subsidiaries.

Bluestem Brands is a Delaware corporation and an indirect wholly-owned subsidiary of Successor CFGI. Bluestem Brands is a national multi-brand online retailer serving low-to-middle income consumers by offering products with customized payment plans through three brands: Fingerhut, Gettington.com and PayCheck Direct. Fingerhut and Gettington.com generally target consumers with low-to-middle incomes and offer consumers a broad assortment of merchandise with the ability to pay via monthly payments and allowing access to a revolving credit line. PayCheck Direct is an employee benefit program that is offered directly through employers or organizations as a voluntary benefit to employees and members, which allows consumers to purchase products with the convenience of payment for their purchases over time through payroll deductions or automatic bank withdrawals. The brands offer a large selection of name-brand, private label, and non-branded merchandise through Internet websites and catalogs to customers in the United States. Bluestem Brands primarily sells consumer electronics, domestics, housewares, home furnishings, children's merchandise, and apparel. By combining its proprietary marketing and credit decision-making technologies, Bluestem Brands is able to tailor merchandise and credit offers to prospective as well as existing customers.

Bluestem Brands is a party to a series of transactions with WebBank ("Credit Issuer") and Santander Consumer USA Inc. ("SCUSA") related to revolving Fingerhut and Gettington.com customer accounts receivables. Credit Issuer is the originating bank for Bluestem Brands' customer revolving credit accounts. All new and existing receivables originated in revolving credit accounts are referred to as "Standard Receivables". Bluestem Brands sells all new receivables originated in revolving credit accounts to SCUSA on the same day those receivables are purchased by Bluestem Brands from Credit Issuer. Furthermore, if the Fingerhut or Gettington.com customer whose purchase of goods triggered the origination of that new receivable also had an existing receivable balance on his or her revolving credit account, that existing balance is also required to be sold to SCUSA. Bluestem Brands services the credit accounts and related receivables as Credit Issuer's and/or SCUSA's agent. In consideration of Bluestem Brand's servicing of the Standard Receivable portfolio owned by SCUSA, SCUSA pays a servicing fee to and shares a portion of the profits of the portfolio with Bluestem Brands. See Note 6, *Serviced Credit Portfolio,* of our Notes to Consolidated Financial Statements for additional information on the purchase and sale of our customer accounts receivable.

Capmark Bank was a Utah chartered industrial bank and a wholly-owned subsidiary of Successor CFGI ("Capmark Bank"). Deposits that were maintained by Capmark Bank were eligible for insurance by the Federal Deposit Insurance Corporation ("FDIC"). On September 25, 2013, the FDIC issued an order determining that Capmark Bank was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013. On January 1, 2014, Capmark Bank amended its articles of organization to change its name to Capmark Utah Inc. ("Capmark Utah"). See Note 22, *Regulatory Matters* for further information on Capmark Bank.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts and disclosures of revenue and expense. Significant estimates in the consolidated financial statements include revenue recognition, the allowance for doubtful accounts, reserves for excess and obsolete merchandise inventories, allowances for merchandise returns and customer allowances, promotional material inventories, income taxes, valuation of loans held-for-sale, valuation of stock-based awards and derivatives in our own equity. The Company's estimates and assumptions are affected by risks and uncertainties associated with credit exposure and interest rate and market spread volatility. Management bases their estimates on historical corporate and industry experience and various other assumptions they believe are appropriate under the circumstances, including market-based inputs when available. Future changes in credit and market trends and conditions may occur which could cause actual results to differ materially from the estimates used in preparing the accompanying consolidated financial statements. Certain of the Company's critical accounting estimates require higher degrees of judgment and are more complex than others in their application. For all of these estimates, future events rarely develop exactly as forecasted and, therefore, routinely require adjustment.

The accompanying consolidated financial statements include financial information for the Company and its consolidated subsidiaries, including wholly-owned and majority owned subsidiaries in which the Company has a controlling financial interest and those variable interest entities ("VIEs") for which the Company is deemed the primary beneficiary as discussed below. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative analysis that includes an assessment of the characteristics of the VIE and the interests of the variable interest holders in the VIE. The Company is deemed to be the primary beneficiary if it has both 1) the power to direct the activities that most significantly impact the VIE's economic performance; and 2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company consolidates VIEs for which it is deemed the primary beneficiary. The determination of the primary beneficiary is performed on an ongoing basis.

The Company serves as general partner or managing member through one of its subsidiaries for investment partnerships and similar entities (e.g., limited liability companies) which are not considered to be VIEs. If the limited partners or non-managing members of these entities have substantive rights to remove the Company as the general partner or managing member without cause, or to cause the entity to be liquidated, or have other substantive participating rights, the Company does not consolidate these entities. If the limited partners or non-managing members do not have such rights, the Company consolidates the entities.

The financial statements of subsidiaries outside the United States of America are generally measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars using observable exchange rates as of the balance sheet date.

Reclassification

In connection with the acquisition of Bluestem Brands, the Company made certain reclassifications to the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income to better align the presentation of both companies. The Consolidated Balance Sheet has been reclassified to include current and noncurrent assets and liabilities. Accounts included in current assets include cash, receivables and other assets that are expected to be realized in cash or sold during the normal operating cycle of the business. Current liabilities include accounts payable, accrued costs and other obligations that are expected to be paid during the normal operating cycle of the business. Noncurrent assets and noncurrent liabilities include assets and liabilities that are expected to remain on the Company's balance sheets for longer than one normal operating cycle.

In the Consolidated Statement of Comprehensive Income, the Company's noninterest expenses have been reclassified between commercial real estate operating expenses and general and administrative expenses. Commercial real estate operating expenses consist primarily of professional fees for legal service providers for asset transactions and litigation and compensation and benefits costs for asset management related personnel. General and administrative expenses include payroll and benefit costs for corporate and administrative employees; professional fees for bankruptcy related matters and investment and acquisition transactions; fees of legal, accounting and other service providers; occupancy costs of the Company's corporate offices; insurance; maintenance; and other overhead costs.

Fiscal Year

On December 18, 2014, the Company changed its fiscal year from December 31 to the Friday closest to January 31 of the following year to conform to the fiscal year of Bluestem Brands. Bluestem Brands operates on a fiscal calendar widely used by the retail industry that result in fiscal years consisting of a 52- or 53-week period ending on the Friday closest to January 31 of the following year. The previously audited results for the Company for the year ended December 31, 2013 were restated for the new fiscal years and included in this audited report.

In these consolidated financial statements, including the notes thereto, financial results are for fiscal years ended January 30, 2015, and January 31, 2014. These years, which are referred to as fiscal years 2014 and 2013, each included a 52 week period.

3. Significant Accounting Policies and Recently Issued Accounting Standards

Purchase Accounting

The acquisition of Bluestem Brands was accounted for as a business combination. Under this method, the purchase price paid by the acquirer is allocated to the assets acquired and liabilities assumed as of the acquisition date based on their fair value. The Company engaged an outside appraisal firm to assist in determining the fair value of certain assets acquired and liabilities assumed and it used the appraisal for the final purchase price allocation. The excess of the purchase price over the fair value of the assets and liabilities assumed was recorded as goodwill. Through the application of "push down" accounting, Bluestem's assets, liabilities and equity were adjusted to fair value on November 7, 2014. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. Estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. During the measurement period, which shall not exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings. See Note 4, *Business Combination* for a discussion of the estimated fair values of assets and liabilities recorded in connection with acquisition of Bluestem Brands.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and in overnight investments and liquid investments with original maturities of three months or less. All cash and cash equivalents are carried at cost, which approximate fair value.

Restricted Cash

Restricted cash represents cash that is restricted as to withdrawal or usage and includes restricted depository accounts related to the Company's agreement with the Credit Issuer to originate customer credit accounts. Under the agreements with the Credit Issuer, as amended, Bluestem Brands is required to maintain a segregated deposit account with its Credit Issuer in an amount equivalent to a minimum of $2.0 million plus 100% of the highest of the preceding calendar week's daily outstanding principal balance held by its Credit Issuer during the contractual holding period. At January 30, 2015 restricted cash included $9.1 million related to the Credit Issuer's origination of customer revolving and installment credit accounts.

The Company has restricted accumulated customer cash receipts related to the A/R Program Agreements as of January 30, 2015. Under the A/R Program Agreements, payments on customer accounts receivable received are accumulated in restricted accounts and, subsequently, are released to the Company and SCUSA. As of January 30, 2015, $4.1 million of accumulated customer cash receipts was reported as a component of restricted cash in the Company's Consolidated Balance Sheets.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts at a level intended to absorb estimated probable losses inherent in customer accounts receivable owned by the Company, including accrued finance charges and fees as of the balance sheet date. The Company uses its judgment to evaluate the adequacy of the allowance for doubtful accounts based on a variety of quantitative and qualitative risk considerations. Quantitative factors include, among other things, customer credit risk and aging of customer accounts receivable. Qualitative factors include, among other things, economic factors that have historically been leading indicators of future delinquency and losses such as national unemployment rates, changing trends in the financial obligations ratio published by the Federal Reserve, and changes in the consumer price index. The Company segments customer accounts receivable into vintage pools based on date of account origination. Each vintage is further segmented into pools based on delinquency status as of the balance sheet date and risk profile. Estimate of future losses are based on historical losses on receivables with a similar vintage, delinquency status, and risk profile, adjusted for current trends and changes in underwriting. Customer receivables are written off as of the statement cycle date following the passage of 180 days (120 days for FreshStart installment accounts) without receiving a qualifying payment. Customer accounts receivable relating to bankrupt or deceased account holders are written off as of the statement cycle date following the passage of 60 days after receipt of formal notification regardless of delinquency status. Recoveries of receivables previously written off are recorded when received.

Inventories

Retail merchandise inventories are valued at the lower of weighted-average cost or market value. The Company writes down inventory considered obsolete based on management's best estimate of the amount of inventory that is subject to obsolescence. The estimates are subject to change in the near term, depending on changes in economic conditions and other factors, which may affect the ending inventory valuation as well as gross margin. Retail merchandise inventories were $96.4 million net of write-downs for excess and obsolete merchandise of $9.6 million at January 30, 2015. Cash discounts and trade rebates from vendors are recorded as a reduction to retail merchandise inventories.

Promotional material inventories consists of raw materials, work in process, and costs associated with catalog direct response advertising and premium (free gift) inventory. Production of catalog direct response advertising includes costs associated with photography, page design, development, separations, payroll and benefit costs for employees involved in the creation of catalogs, as well as costs of paper, printing, and postage. Catalog direct response advertising costs are deferred and amortized to sales and marketing expense over the period during which the sales are expected to occur, generally over three to five months following a mailing. Premiums are expensed when shipped to the customer along with the product order. Catalog direct response advertising expense for the period from the date of acquisition through January 30, 2015 was $39.4 million. Promotional material inventories as of January 30, 2015 consist of the following (in thousands):

	January 30, 2015
Premium inventory	$ 1,162
Catalog advertising work in process	5,154
Deferred promotional costs	7,660
Promotional material inventories	$ 13,976

The Company did not maintain inventories prior to its acquisition of Bluestem Brands.

Classification, Valuation, and Impairment of Investment Securities

The classification of investment securities is based on management's intent with respect to those securities. Investment securities classified as available-for-sale are carried at estimated fair value and included in other assets with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss), net of tax, which is a component of stockholders' equity. Realized gains and losses on the sale of investment securities are determined using the specific-identification method and recognized in current period earnings. Interest income is recorded using the interest method, which is reviewed and adjusted periodically based on changes in estimated cash flows.

Investment securities classified as available-for-sale are periodically reviewed for potential impairment. Impairment is measured using a systematic methodology intended to consider all available evidence. If the carrying value of an investment security exceeds its estimated fair value, the Company evaluates, among other factors, the magnitude and duration of the decline in estimated fair value, the performance of the underlying assets, and the Company's intent and ability to hold the asset until its value recovers. The Company evaluates unrealized losses to identify those impairments that would be considered other-than-temporary. The Company's evaluation includes a credit analysis of its investment securities based on cash flow projections reflecting its monitoring of the underlying assets and relevant market information. Impairments considered other-than-temporary typically result from a decline in the projected cash flows due to increased loss projections and the Company's determination that the impairments will not otherwise be recovered. Once a decline in estimated fair value is determined to be other-than-temporary, an impairment charge is recorded in the Company's Consolidated Statement of Comprehensive Income as a component of net gains on investments and real estate and a new cost basis is established.

Loans Held-for-sale

Loans held-for-sale consist of domestic and international, fixed and floating rate loans that are secured by commercial and multifamily real estate properties. Loans are classified as held-for-sale at the time of origination when the Company does not intend to hold the loan for the foreseeable future or until maturity or payoff. In connection with its business plans upon emergence from bankruptcy, the Company classified all of its loans as held-for-sale. The Company reviews the appropriateness of its loan classifications based on a number of factors, including market demand for the Company's loan products, liquidity needs and corporate objectives. No loans have been classified as held for investment for the years ended January 30, 2015 and January 31, 2014.

Loans held-for-sale are carried at the lower of cost or fair value. Therefore, the Company's operating results would be negatively affected by changes in the fair value if one or more of its loans were valued lower than amortized cost.

For purposes of valuing the loans held-for-sale portfolio, the individual loan basis may be used in determining the lower of cost or fair value for each type of loan. A current fair value for each individual loan was determined with emphasis that the fair value of an asset was a market-based measurement which was determined based upon the assumptions that market participants would use in pricing the loan.

The fair values of the Company's loans held-for-sale are generally determined using the fair value of collateral and bids or indications provided by market participants on specific loans that are actively marketed for sale. The valuation of loans typically requires significant judgment, and therefore, the valuation is an estimate. Changes in market conditions, collateral values and other factors between the dates of management's estimates and the dates of disposition of the loans can have a significant impact on the amounts ultimately realized upon disposition. Generally, the Company's loans held-for-sale are classified within Level 3 of the valuation hierarchy.

Interest income on these loans is recorded as a component of net interest income in the Consolidated Statement of Comprehensive Income. Interest income on loans held-for-sale is recorded on an accrual basis. Interest income is accrued until the loans become 90 days contractually delinquent at which time accrued but uncollected interest is reversed against interest income.

Equity Investments

The Company acquired and holds non-marketable equity positions in certain real estate funds. Such equity positions are generally in the form of limited partnership and limited liability company investments and are accounted for under the equity method. The investments made by certain of these funds are carried by the funds at estimated fair value, and accordingly, the Company's equity in the earnings of the investees includes both net investment income and net realized and unrealized gains and losses. Valuations of the underlying investments in such funds are subject to many of the same risks and uncertainties affecting the valuations of the Company's directly-owned loans and the Company's operating results are affected to the extent of its equity interests in such funds.

Non-marketable equity investments that are not carried at fair value, as described above, are reviewed for impairment. In evaluating whether a decline in value of an equity investment is other-than-temporary, the Company evaluates the investee's ability to generate and sustain an earnings capacity that would support the carrying value of the investment, as well as the Company's ability and intent to hold the investment until the decline in value is recovered. When it is determined that other-than-temporary impairment has occurred, the Company records a charge for the difference between the investment's carrying value and its fair value. For the year ended January 30, 2015, the Company had no equity investments where an other-than-temporary impairment had occurred. For the year ended January 31, 2014, the Company recognized $2.4 million of impairment charges on equity method investments.

As further discussed in Note 10, *Equity Investments*, Capmark Utah holds an investment in Federal Home Loan Bank of Seattle ("FHLB") capital stock that is carried at cost and evaluated for impairment at each reporting date, which requires a degree of judgment. The Company evaluates whether any decline is other-than-temporary and if so, whether it affects the ultimate carrying value of the FHLB stock. The evaluation is influenced by the materiality of the carrying amount and whether the Company has a need to dispose of the stock in the foreseeable future and, if so, for an amount other than par value. The FHLB capital stock can only be sold back to the FHLB or to another member institution at par value. In management's judgment, conditions were absent that would justify an impairment of the FHLB capital stock investment and as such as of January 30, 2015 and January 31, 2014, the Company has recognized no impairments.

Property and Equipment, net

Property and equipment includes purchased and internally-developed software, computer hardware, machinery and equipment used in the Company's distribution center, office furniture, property under capital lease, and leasehold improvements with estimated useful lives ranging from three to seven years. Property under capital lease is comprised of computer hardware used for corporate data storage, software and equipment. Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the contractual term of the lease, with consideration of lease renewal options if renewal appears probable. Purchased and internally-developed software are amortized over the estimated useful lives of the assets not to exceed seven years. The Company has pledged unencumbered Bluestem Brands property and equipment as additional collateral for the Term Loan, with the Inventory Line of Credit in a secondary position. See Note 13, *Collateralized Borrowing and Other Financing* for further information on the Term Loan and Inventory Line of Credit.

Finite-lived Intangible Assets

Finite-lived intangible assets, which consist of customer relationships, are amortized using the accelerated method over their estimated useful lives, estimated at six years. The Company considers the period of expected cash flows and underlying data used to measure the fair value of the intangible assets when selecting a useful life.

Indefinite-lived Intangible Assets

Indefinite-lived intangible assets, which consist of tradenames, are not subject to amortization. Rather, the Company assesses the recoverability of indefinite-lived intangible annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Fair values are established using a discounted cash flow method.

Goodwill

Goodwill is carried at cost and represents the excess of the purchase price over the fair value assigned to the tangible and intangible assets and liabilities assumed in a business combination. Goodwill is not subject to amortization. Goodwill is tested for impairment at the reporting unit level on an annual basis, or more frequently if events occur or circumstances change that would warrant such a review. When the fair value of a reporting unit falls below its carrying amount, an impairment charge is recorded for the amount by which the carrying amount of goodwill exceeds its implied fair value. Fair values are established using a discounted cash flow method.

Impairment of Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset, plus net proceeds expected from disposition of the asset (if any). When an impairment loss is recognized, the carrying amount of the asset is reduced to estimated fair value based on discounted cash flows, quoted market prices, or other valuation techniques. Assets to be disposed of are reported at the lower of the carrying amount of the asset or fair value less costs to sell. No impairment losses have been recognized.

Collateralized Borrowings

The Company has collateralized borrowings related to transfers of financial assets that do not qualify as sales under Accounting Standards Codification (ASC) 860, *Transfers and Servicing*, and are accounted for as financings. These transactions relate to the Company's new markets tax credit ("NMTC") business. The funds received are recorded in long-term debt on the Consolidated Balance Sheet. These liabilities are generally payable from the cash flows of the related assets which did not meet derecognition criteria under GAAP and continue to be recognized on the Company's Consolidated Balance Sheet as commercial real estate accounts and other receivables or loans held-for-sale. The fair value of collateralized borrowings is based upon rates currently available to the Company for obligations with similar terms and maturities.

Deferred Charges

Costs incurred to secure financing in connection with the acquisition of Bluestem Brands were capitalized and amortized as interest expense over the term of the related debt using the effective interest method. Amortization of financing costs was $0.3 million for the year ended January 30, 2015, of which all was incurred in the period from the Acquisition Date through January 30, 2015.

Derivative Liabilities in Our Own Equity

The Company issued Warrants to Centerbridge on May 8, 2014, which may be exercised for a period of five years either concurrently or following the consummation of an approved acquisition transaction. Under the terms of the Investment Agreement, Centerbridge is anticipated to and has provided assistance to the Company in identifying acquisition opportunities, which is deemed to be a performance commitment. Upon the consummation of the Bluestem Brands transaction, the performance commitment was met and 33.9 million Warrants were exercised. The remaining 9.1 million Warrants were determined to meet the definition of a derivative and a $15.4 million loss from derivatives in our own equity and a derivative liability of $15.4 million was recorded as of January 30, 2015. The conversion price of the Warrants is based upon the Adjusted Book Value, as defined in the Investment Agreement. As the conversion price contains variables that could affect the settlement amount and would not be inputs to the fair value of a "fixed-for-fixed" forward on equity shares, the Warrants that remained after the performance commitment was met do not meet the criteria necessary to be considered indexed to the Company's own stock and are accounted for as a derivative. The derivative liability is recorded at the estimated fair value of the Warrants. Changes in fair value are reflected in the Consolidated Statement of Comprehensive Income as gains or losses from derivatives in our own equity. See Note 18, *Fair Value of Assets and Liabilities Financing* and Note 19, *Stock-Based Compensation* for further information.

Operating Leases

The Company rents equipment, office and distribution center space under operating leases which, in addition to the minimum lease payments, require payment of a proportionate share of the real estate taxes and certain building operating expenses. A portion of the Company's leased office space is sublet to non-affiliated parties.

Rent expense is recognized on a straight-line basis over the lease term, net of sublease income, after consideration of rent escalations and rent holidays. The difference between the straight-line rent amounts and amounts payable under the leases is recorded as deferred rent. The lease term for purposes of the calculation begins on the earlier of the lease commencement date or the date the Company takes possession of the property. Leasehold improvements that are funded by landlord incentives or allowances under an operating lease are recorded as deferred rent and amortized as reductions to rent expense over the lease term.

Capital Leases

Assets held under capital leases are included in property and equipment. Capital lease obligations are included in current and long-term debt, as appropriate. See Note 13, *Collateralized Borrowing and Other Financing.*

Fresh-start Accounting

Upon emergence from bankruptcy on September 30, 2011, the Company determined that fresh-start accounting was required when all material conditions to the Plan were satisfied as both (i) the Reorganized Debtors' reorganization value was less than total post-petition liabilities and allowed claims, and (ii) a change of control occurred as holders of Predecessor CFGI voting shares before the filing and confirmation of the Plan did not receive Common Stock. Accordingly, the Company adopted fresh-start accounting and adjusted the historical carrying values of its assets and liabilities to fair value and simultaneously determined the resulting implied fair value of its equity. Adopting fresh-start accounting results in a new reporting entity with no beginning retained earnings or deficit. All prior earnings or deficits are eliminated through the accounts of Predecessor CFGI as of and for the period immediately preceding the Effective Date. The effects of the adjustments to individual assets and liabilities resulting from the adoption of fresh-start accounting and the effects of the accounting for the forgiveness of debt would be reflected in Predecessor CFGI's final statement of comprehensive income.

Accretion and recognition of certain fresh-start accounting adjustments had a significant impact on the statement of comprehensive income for the year ended January 31, 2014 and primarily included a $14.4 million decrease in interest expense comprised of the accretion of the fresh-start accounting premium for the deposit liabilities.

Revenue Recognition

Net retail sales consists of merchandise sales, shipping and handling revenue, and commissions earned from third parties that market their products to the Company's customers. Merchandise sales and shipping and handling revenue are recorded at the estimated time of delivery to the customer. Net retail sales are reported net of discounts and estimated sales returns, and excludes sales taxes. Net retail sales were included in our results from Acquisition Date through January 30, 2015 and consist of the following (in thousands):

Sales by category:		
Home	$	145,334
Entertainment		225,163
Fashion		82,957
Total sales		453,454
Returns and allowances		(27,218)
Commissions		6,156
Net retail sales	$	432,392

Net interest income represents the difference between the amount of interest that the Company earns on its interest-earning assets, primarily loans held-for-sale, and the amount of interest that the Company pays on its interest-bearing liabilities.

Net gains on investments and real estate primarily include net realized gains and losses on investment securities available-for-sale and net realized and unrealized gains and losses on real estate investments.

Other noninterest income primarily includes net realized and unrealized gains and losses on loans and equity investments and the recognition of the discount recorded in the application of fresh-start accounting to the loans held-for-sale. The discount is recognized as a component of the realized gain on sale at the time of a partial or full disposition of the loan.

Retail Cost of Goods Sold

Retail cost of sales includes the cost of merchandise sold (net of vendor rebates, purchase discounts and estimated returns), shipping and handling costs, inbound freight costs, payroll and benefits for distribution center employees, depreciation of distribution center assets, and estimates of product obsolescence costs. Distribution center occupancy costs are not included in cost of sales.

Retail Sales and Marketing Expenses

Retail sales and marketing expenses include television advertising, e-commerce advertising, catalog production and postage costs, premium (i.e., free gift with purchase) expense, interchange fee, order entry, and customer service costs. Television advertising is expensed the first time the advertising takes place. Catalog production and postage costs are deferred and amortized over the period during which the future benefits of the mailing are expected to be received.

Retail Net Credit Expense

The Company recognizes finance charge and fee income on Company-owned customer accounts receivable according to the contractual provisions of its customer account agreements. Finance charge income is accrued on Company-owned customer accounts receivable until the account balance is paid off or charged off. A late fee is imposed if the customer does not pay at least the minimum payment by the payment due date. The Company ceases to charge a late fee when an account is 90 or more days past due. The Company's estimate of uncollectible finance charge and fee income is included in the allowance for doubtful accounts.

The Company records a provision for doubtful accounts to maintain the allowance for doubtful accounts at a level intended to absorb probable losses in Company-owned customer accounts receivable as of the Consolidated Balance Sheet date.

Credit management costs, related to both the Company-owned and SCUSA-owned customer accounts receivable, include statement and payment processing, collections, origination fees paid to the Credit Issuer, new account application and credit bureau processing costs, as well as direct customer service costs.

The Company receives a servicing fee and shares a portion of the profits, as defined in the A/R Program Agreements, of the SCUSA owned portfolio of Standard Receivables. See Note 6, *Serviced Credit Portfolio,* for further information on the A/R Program Agreements. The SCUSA owned portfolio profits are based on finance charges, fees and other revenues, less write-offs of uncollectable receivables, net of recoveries, servicing fees, an agreed upon cost of funds and a merchant fee, as applicable. Servicing fee income and portfolio profit sharing income is recognized according to the contractual provisions in the A/R Program Agreements.

Retail net credit expense for the period from date of acquisition through January 30, 2015 was as follows (in thousands):

Finance charge and fee income………………………………..	$	(3,436)
Provision for doubtful accounts…………………………….…..		10,510
Credit management costs……………………………………..		19,038
Servicing fee income and portfolio profit sharing…………….		(8,101)
Retail net credit expense …………………………….…....	$	18,011

Commercial Real Estate Operating Expenses

Commercial real estate operating expenses consist primarily of professional fees for legal service providers for asset transactions and litigation and compensation and benefits costs for asset management related personnel.

General and Administrative Expenses

General and administrative expenses include payroll and benefit costs for corporate and administrative employees, including information technology, legal, human resources, finance, merchandising, credit supervision, executive, sales and marketing management; professional fees for bankruptcy related matters and investment and acquisition transactions; fees of legal, accounting and other service providers; occupancy costs of corporate and distribution center facilities; insurance; maintenance; and other overhead costs.

Stock-Based Compensation

Compensation expense related to nonvested shares with a service condition is recognized in an amount equal to fair value on the date of the grant and is recognized on a straight-line basis over the period the employees are required to provide service in exchange for the stock-based award. Compensation expense related to market or performance based nonvested shares is recognized over the vesting period of the award if the market or performance condition is considered probable. Any previously recognized compensation cost would be reversed if the market or performance condition is not satisfied or if it is not probable that the market or performance condition will be achieved. The liabilities incurred under stock-based compensation arrangements are measured at fair value. Fair value is determined by the market price on the grant or measurement date.

Under the terms of the Investment Agreement, Centerbridge is anticipated to provide and has provided assistance to the Company in identifying acquisition opportunities, which is deemed to be a performance commitment. Therefore, the Warrants are equity instruments issued in a stock-based payment transaction as compensation in exchange for nonemployee services. The costs of goods and services received by a nonemployee in exchange for an award of equity instruments is recognized using the fair value of the goods and services or the fair value of the equity award, whichever is more reliably measurable. The fair value of the equity award is determined on the measurement date, which is the earlier of the date that a performance commitment is reached or the date that performance is complete.

Transfer and Servicing of Financial Assets — Serviced Credit Portfolio

A Standard Receivable eligible to be sold under the A/R Program Agreements, as discussed in Note 6, *Serviced Credit Portfolio,* qualifies as a sale under ASC 860 and is recorded at the lower of cost or fair value at the date of eligibility. At that time, any reduction in the Standard Receivable's value is reflected as a charge to provision for doubtful accounts expense with a corresponding addition to the allowance for doubtful accounts. The Standard Receivable is then reclassified as held-for-sale and the Company records a charge-off for any reduction below par on the Standard Receivable with a corresponding reduction in the allowance for doubtful accounts. The Company derecognizes the Standard Receivable upon the sale and any servicing asset or liability is recognized at fair value. During the year ended January 30, 2015, compensation received for the services approximated adequate compensation and, therefore, there was no servicing asset or liability. For the year ended January 30, 2015, the Company did not record charges to the provision for doubtful accounts or charge-offs related to the sale of Standard Receivables as all Standard Receivables were sold at par value.

Accounting for Income Taxes

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best assessment of current and future taxes to be paid. We are subject to income taxes in both the United States and foreign jurisdictions. Significant judgments and estimates are required in determining the income tax expense or benefit.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their financial statement amounts, which will result in taxable or deductible amounts in the future. In evaluating the Company's ability to recover deferred tax assets, we consider available positive and negative evidence including historical income and losses, reversals of temporary differences, and projected future income. Cumulative losses are an objective form of negative evidence and carry significant weight when compared to the Company's projected future income, which requires significant estimates and judgment. We currently believe that it is more likely than not that our deferred tax asset will be realized to the extent of current year income and temporary differences that will result in future taxable income. A valuation allowance is recorded for the balance of the Company's deferred tax assets. If our assessment changes and we determine that the deferred tax assets will be realized, the tax benefits related to the reversal of the valuation allowance will be recorded as an income tax provision benefit.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws across multiple jurisdictions. We record a liability for unrecognized tax benefits for a tax position based on its technical merits. The Company also records related interest and penalties in the tax provision. Because of the complexities of these uncertainties, the ultimate resolution may result in a material difference from our estimate that would require a payment and income tax expense. As such, the liability for unrecognized tax benefits and uncertain tax positions is management's best estimate of future events.

Discontinued Operations

The Company classifies the results of operations of a business component that either has been disposed of or is classified as held-for-sale as discontinued operations if both of the following conditions are met: (i) the operations and cash flow of the component have been (or will be) eliminated from our ongoing operations and (ii) the Company will no longer have any significant continuing involvement in the operations of the component after the disposal transaction. In the period in which a business component has been either disposed of or is classified as held-for-sale, the results of operations of the component, including any gain or loss recognized, is reported in discontinued operations in the Company's Consolidated Statement of Comprehensive Income.

Recently Adopted Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update was issued to alleviate diversity in practice regarding the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss or a tax credit carryforward exists. The update states an unrecognized tax benefit, or a portion thereof should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward except as follows. To the extent a net operating loss carryforward, a similar tax loss or tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This guidance was effective for us beginning February 2014. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In November 2014, the FASB issued ASU 2014-17, *Business Combinations (Subtopic 805): Pushdown Accounting.* This update provides that an acquired entity may elect to apply pushdown accounting in it separate financial statements upon a change-in-control event in which an acquirer obtains control of the acquired entity. Upon issuance of this guidance, the Securities and Exchange Commission ("SEC") rescinded its guidance on pushdown accounting. Therefore SEC registrants and non-registrants will follow this new GAAP guidance. This guidance was effective on November 18, 2014. After November 18, 2014, an acquired entity can make an election to apply the guidance to future or recent change-in-control events. If the entity's financial statement for the period in which the most recent change-in-control event occurred have been issued or made available to be issued, the application of this guidance would be a change in accounting principal. This guidance was effective for us on November 18, 2014. Pushdown accounting was applied to the Bluestem Brands acquisition.

Accounting Standards Issued But Not Yet Adopted

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update was issued to reduce the number of dispositions resulting in discontinued operations presentation. The amendments include a component of an entity or a group of components of an entity or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable or operating segment, a reporting unit, a subsidiary or an asset group. The FASB also eliminated the requirement to evaluate continuing involvement with the disposed component to conclude on discontinued operations presentation. The update expands the disclosures about discontinued operations and disposals of individually insignificant components that do not qualify as discontinued operations. This update is effective prospectively for disposals occurring within annual periods beginning on or after December 15, 2014, and interim periods within those annual periods. Early application is permitted, but only for those disposals (or classifications as held-for-sale) that have not been reported in financial statements previously issued or available for issuance. This guidance is effective prospectively for us beginning February 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contract with Customer (Topic 606).* This update requires revenue to be recognized based on the amount an entity is expected to be entitled to for promised goods or services provided to customers. The update also requires expanded disclosures regarding contracts with customers. The guidance in this update supersedes the revenue recognition requirements in Topic 605, "*Revenue Recognition"*, and most industry-specific guidance. This update is effective for public business entities for annual reporting periods beginning after December 15, 2016, including interim periods within those reporting periods. Early adoption is not permitted. This guidance is effective for us beginning February 2017. We are currently evaluating the requirements of this standard and have not yet determined the impact on our results of operations or financial position.

In May 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an entity's Ability to Continue as a Going Concern.* This guidance requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. This guidance is effective for us beginning February 2017. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

On February 18, 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810) — Amendments to the Consolidation Analysis*. The amendments in this update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments (1) modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the analysis for evaluating fees paid to a decision maker or a service provider as a VIE; and (4) end the deferral granted to investment companies from applying the VIE guidance. The amendments in this update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. This guidance is effective for us beginning February 2016. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

On April 7, 2015, the FASB issued ASU 2015-03, *Interest — Imputation of Interest (Subtopic 835-30) — Simplifying the Presentation of Debt Issuance Costs.* The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This requirement will simplify the presentation of debt issuance costs as the presentation will be consistent with the presentation for debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendments in this update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. This guidance is effective retrospectively for us beginning February 2016. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

4. Business Combination

On November 7, 2014, the Company acquired all of the outstanding common shares and voting interest of Bluestem Brands for $565 million in cash, subject to various post-closing adjustments. The Company funded the purchase price and associated transactional expenses with:

- $136 million of cash on hand
- $136 million of proceeds from the exercise Warrants by Centerbridge pursuant to the terms of the Investment Agreement
- Borrowings under a $300 million long-term debt facility (Term Loan)

The results of Bluestem Brands' operations have been included in the consolidated financial statements since the Acquisition Date. Bluestem Brands is a national multi-brand online retailer serving low-to-middle income consumers by offering products with customized payment plans through three operating segments: Fingerhut, Gettington.com and PayCheck Direct. Bluestem Brands offers a large selection of name-brand, private label, and non-branded merchandise through Internet websites and catalogs to customers in the United States. It primarily sells consumer electronics, domestics, housewares, home furnishings, children's merchandise, and apparel. By combining its proprietary marketing and credit decision-making technologies, Bluestem Brands is able to tailor merchandise and credit offers to prospective as well as existing customers. .

The following table summarizes the consideration paid for Bluestem Brands and the amount of assets acquired and liabilities assumed at the Acquisition Date (in thousands):

Purchase price	$	552,484
Current assets ……		320,910
Property and equipment……		47,511
Intangible assets……		396,200
Other assets……		3,065
Total identifiable assets acquired……		767,686
Current liabilities……		259,323
Long-term debt……		3,594
Other liabilities……		153,927
Total liabilities assumed……		416,844
Net identifiable assets acquired……		350,842
Goodwill……		201,642
Net assets acquired……	$	552,484

The fair value of the acquired intangible assets of $396.2 million includes customer relationships and tradenames of $176.2 million and $220 million, respectively. Fair value of the customer relationships was determined by using a discounted cash flow analysis. Significant estimates included the determination of expected cash flows. Fair value of the tradenames was determined by using the relief from royalty method. Significant estimates included the determination of expected revenue and estimated royalty rate. See Note 11, *Goodwill and Intangibles,* for further information.

The goodwill of $201.6 million has been assigned in full to the Fingerhut segment and is primarily attributable to Fingerhut's assembled workforce and its proprietary marketing and credit decision-making tools and management know-how. None of the goodwill is expected to be deductible for income tax purposes. As of January 30, 2015, there were no changes in the recognized amounts of goodwill resulting from the acquisition of Bluestem Brands. See Note 11, *Goodwill and Intangibles,* for further information.

The Company recognized $9.9 million of acquisition related costs for the year ended January 30, 2015, which have been included as part of general and administrative expenses in the Consolidated Statement of Comprehensive Income.

The amount of revenue and net income included in the Company's Consolidated Statement of Comprehensive Income for the year ended January 30, 2015 related to Bluestem Brands was $432.4 million and $16.0 million, respectively.

As of January 30, 2015, we are in the process of finalizing the purchase price allocation related to the Bluestem Brands acquisition. The preliminary purchase price allocation is subject to a working capital adjustment and may require further adjustments, but is not expected to result in material changes to the estimated fair value of net assets acquired and liabilities assumed.

Pro forma Results

The following summary presents unaudited pro forma consolidated results of operations for the years ended January 30, 2015 and January 31, 2014 as if the Bluestem Brands acquisition had occurred on February 2, 2013. The following unaudited pro forma financial information does not necessarily reflect the actual results that would have occurred had the Company and Bluestem Brands been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies (in thousands):

	January 30, 2015	January 31, 2014
Consolidated pro forma revenue……………………...…	$ 1,117,616	$ 990,834
Consolidated pro forma income from continuing operations before income taxes……………………	$ 12,273	$ 96,996

Pro forma adjustments for fiscal year 2014 consist primarily of the following: 1) recognition of $23.3 million of amortization expense as a result of finite-lived intangible assets, 2) recognition of $7.1 million of interest expense, offset by 3) the reversal of $9.9 million of transaction costs incurred in connection with the Bluestem Brands acquisition, and 4) the reversal of $0.9 million related to rent expense.

Pro forma adjustments for fiscal year 2013 consist primarily of the following: 1) recognition of $45.9 million of amortization expense as a result of finite-lived intangible assets, 2) recognition of $24.9 million of interest expense, partially offset by 3) the reversal of $1.2 million related to rent expense.

5. Earnings Per Share

The Company computes earnings per share under the two-class method, which includes the weighted-average number of shares of Common Stock outstanding during the period and other securities that participate in dividends. Preferred Stock is a participating security as it has non-forfeitable rights to dividends or dividend equivalents. Earnings per share is computed after deducting Preferred Stock dividends, if any. Undistributed earnings are allocated to common stock and participating securities to the extent that each security may share in earnings as if all the earnings for the period had been distributed. Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of shares of Common Stock outstanding during the period, excluding outstanding participating securities. Diluted earnings per share is determined using the weighted-average number of shares of Common Stock outstanding during the period, adjusted for the dilutive effect of Common Stock equivalents, consisting of nonvested shares and Warrants using the treasury stock method and Preferred Stock using the if-converted method. In periods where losses are reported, the weighted-average number of diluted shares of Common Stock outstanding excludes Common Stock equivalents, because their inclusion would be anti-dilutive. The table below demonstrates how the Company computed basic and diluted earnings per share (in thousands, except per share amounts):

	Year ended January 30, 2015	Year ended January 31, 2014
Income from continuing operations after income taxes	$ 69,969	$ 104,616
Plus: Net loss attributable to noncontrolling interests	5,930	14,185
Income from continuing operations	75,899	118,801
Gain (loss) from discontinued operations, net	33,037	(20,900)
Net income attributable to Capmark Financial Group Inc.	108,936	97,901
Less: Net income allocated to preferred stockholders - Undistributed	755	-
Less: Deemed dividends to preferred stockholders - Distributed	84	-
Net income allocated to common stockholders - Undistributed	$ 108,097	$ 97,901
UNDISTRIBUTED BASIC AND DILUTED EARNINGS PER SHARE - COMMON STOCKHOLDERS		
Basic and diluted earnings per share from continuing operations allocated to common stockholders	$ 0.69	$ 1.19
Basic earnings (loss) per share from discontinued operations	$ 0.31	$ (0.21)
Diluted earnings (loss) per share from discontinued operations	$ 0.30	$ (0.21)
Basic earnings per share available to common stockholders	$ 1.00	$ 0.98
Diluted earnings per share available to common stockholders	$ 0.99	$ 0.98
Basic weighted-average shares outstanding	108,277,257	99,734,703
Effect of dilutive shares for preferred stock	1,011,395	-
Effect of dilutive shares for nonvested restricted shares	46,748	52,368
Effect of dilutive shares for warrants	-	-
Effect of dilutive shares for options	-	-
Diluted weighted-average shares outstanding	109,335,400	99,787,071
Antidilutive nonvested shares	10,006,881	317,743

6. Serviced Credit Portfolio

The Company markets revolving credit accounts and installment credit accounts to qualifying customers identified by the Company. The Credit Issuer extends credit directly to Fingerhut and Gettington.com customers. The credit accounts may only be used to purchase goods and services from Fingerhut, Gettington.com, and certain third parties that market their goods and services to the Company's customers. The Company is obligated to purchase and assume ownership of the receivables after a contractual holding period by the Credit Issuer, generally one business day. The purchase price of the receivables from the Credit Issuer is par value, and the Company pays applicable interchange fees, origination fees, and other products fees along with applicable customer finance charges earned by the Credit Issuer during the contractual hold period.

The Company is obligated to sell to SCUSA all new Standard Receivables on the same day those receivables are purchased by the Company from the Credit Issuer, and if the Fingerhut or Gettington.com customer whose purchase of goods triggered the origination of that new receivable also had an existing receivable balance not previously sold to SCUSA, that existing balance is also required to be sold to SCUSA. The Company retains all Nonstandard Receivables purchased from the Credit Issuer. SCUSA bears risk of loss due to uncollectibility of the Standard Receivables purchased by SCUSA. The Company bears risk of loss due to uncollectibility on Nonstandard Receivables and any existing Standard Receivables not purchased by SCUSA.

The Company is responsible for servicing all accounts issued by the Credit Issuer whether the related receivables are owned by the Company or SCUSA ("Serviced Credit Portfolio") including account transaction authorization, preparation and mailing of account statements, undertaking collections, providing customer service and other services as are ordinary and customary in the servicing of revolving credit accounts and installment credit accounts.

Fingerhut revolving credit is typically accepted on customary revolving credit terms and offers the customer the option of paying the entire balance during a "grace period" of at least 24 days without incurring finance charges. Alternatively, customers may make scheduled minimum payments and incur finance charges on the revolving balance. Depending on the dollar value of the account balance, minimum payments range from $6.99 to $69.99 for balances up to $1,399, or 5% of the account balance for balances greater than $1,399. For balances of $6.99 or less, the minimum payment is the outstanding balance. The Company also offers qualifying customers credit on deferred payment billing terms. Generally, the deferral periods are between 30 and 150 days. Finance charges are assessed on the deferred payment purchase from the date of the sale, regardless if the purchase is paid in full by the end of the deferred payment.

The Company's Fingerhut FreshStart credit product is primarily marketed as a counter offer to customers who have applied but were declined a revolving credit account. Fingerhut FreshStart provides the credit applicant the alternative of purchasing merchandise on installment credit terms. Once approved and after a $30 down payment has been received, Fingerhut FreshStart applicants are allowed a one-time purchase of Fingerhut merchandise up to their credit limit. The remaining balance is repaid by monthly installments. If all payments are made on time and for the full amount, the customer credit account is graduated to Fingerhut's customary revolving credit.

Gettington.com revolving credit is accepted on customary revolving credit terms and offers the customer the option of paying the entire balance during a "grace period" of at least 24 days without incurring finance charges. Alternatively, customers may make scheduled minimum payments and incur finance charges on the revolving balance. Minimum payments depend on whether the customer has chosen the Fast Option or the Easy Option. The Fast Option calculates the minimum payment in four equal monthly installments at the time of purchase, which includes related interest charges. The Easy Option minimum payment amount is determined by the purchases and balances on the Easy Option plan. The minimum payment is calculated on the original purchase as either $20 or 5.5% of the beginning account balance, whichever is greater. The Easy Option payment is recalculated after each additional purchase.

PayCheck Direct installment receivables are issued by the Company to consumers who are members and employees of participating organizations and employers in the program. Customers make installment payments through payroll deductions or automatic bank withdrawals based on their company or organization's payroll frequency over the course of one year or less. No interest is charged on these installment receivables.

Serviced Credit Portfolio metrics as of January 30, 2015 are as follows (in thousands):

	Revolving [a]	FreshStart [b]	PayCheck Direct Installment [c]
Balance active accounts	1,878	184	25
Average balance outstanding	$ 686	$ 127	$ 723
Customer accounts receivable (d)	$ 1,287,526	$ 23,346	$ 17,921
Balances 30+ days delinquent (e)	$ 189,092	$ 4,805	$ 1,109
Balances 30+ days delinquent as a percentage of total customer accounts receivable (f)	14.7 %	20.6%	6.2 %

(a) Revolving serviced portfolio includes Fingerhut and Gettington.com revolving credit accounts.

(b) FreshStart serviced portfolio is Fingerhut's installment accounts.

(c) PayCheck Direct installment serviced portfolio is installment receivables issued to consumers who are members and employees of participating organizations and employers in the PayCheck Direct program.

(d) Customer accounts receivable excludes impact from purchase accounting fair value adjustment.

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

(f) 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.

Company-owned Customer Accounts Receivable

Company-owned customer accounts receivable primarily consist of FreshStart installment accounts receivable, PayCheck Direct installment accounts receivable, revolving accounts receivable and other accounts receivable. FreshStart installment, PayCheck Direct installment and other accounts receivable are not sold to SCUSA, as defined by the AR Program Agreement. The revolving accounts receivables owned by the Company are generally accounts which have not had a new sale origination since the SCUSA arrangement in April 2013 or are in a certain status, such as qualified hardship, bankruptcy, deceased and re-aged. The Company-owned revolving accounts receivable will run-off over time as payments are made or the account is charged-off. Other accounts receivable represents in-transit payments related to third-party credit card and debit transactions that are not related to or have not yet posted to a customer revolving or installment account.

Company-owned customer accounts receivable as of January 30, 2015 are as follows (in thousands):

		January 30, 2015
FreshStart installment accounts receivable	$	19,706
PayCheck Direct accounts receivable		16,494
Revolving accounts receivable		9,241
Other accounts receivable		5,944
Customer accounts receivable		51,385
Less allowance for doubtful accounts		(10,457)
Customer accounts receivable - net	$	40,928

Finance charge and fee income is recognized on Company-owned customer accounts receivable according to the contractual provisions of the credit account agreements. The Company maintains an allowance for doubtful accounts at a level intended to absorb estimated probable losses inherent in Company-owned customer accounts receivable, including accrued finance charges and fees as of the balance sheet date. The provision for doubtful accounts is included in retail net credit expense in the consolidated statements of comprehensive income. Upon charge-off, any unpaid principal is applied to the allowance for doubtful accounts and any accrued but unpaid finance charges and fees are netted against finance charge and fee income with an offsetting equivalent reversal of the allowance for doubtful accounts through the provision for doubtful accounts.

Changes in the allowance for doubtful accounts for the period from Acquisition Date through January 30, 2015 are as follows (in thousands):

		January 30, 2015
Allowance for doubtful accounts		
Date of Acquisition	$	-
Provision for doubtful accounts		10,510
Principal charge-offs		(53)
Recoveries		-
End of year	$	10,457

The Company estimates the allowance for doubtful accounts by segmenting customer accounts receivable by time since origination. The time since origination of customer accounts and their related accounts receivable balance as of January 30, 2015 are as follows (in thousands):

		January 30, 2015
Time since origination, as segmented in our estimate of the allowance for doubtful accounts:		
0 - 3 months	$	31,070
4 - 6 months		9,383
7 - 9 months		2,531
10 - 12 months		268
13 - 15 months		1,373
16 - 18 months		344
19+ months		2,599
Impaired (1)		3,817
Period-end customer accounts receivable	$	51,385

Note: (1) Includes qualified hardship, bankrupt, deceased, and re-aged customer accounts.

SCUSA-owned Customer Accounts Receivable

Bluestem Brands entered into the A/R Program Agreement, as amended, with the Credit Issuer and SCUSA related to revolving Fingerhut and Gettington.com customer accounts receivables. Under this agreement, the Credit Issuer originates, the Company markets revolving credit accounts, and the Company sells all new Standard Receivables to SCUSA, and if the Fingerhut or Gettington.com customer whose purchase of goods triggered the origination of that new receivable also had an existing receivable balance on his or her revolving credit account, that existing balance is also required to be sold to SCUSA. All Standard Receivables sold are purchased at par value. SCUSA reimburses the Company for the fees paid to the Credit Issuer except for the applicable interchange fees.

For the period from Acquisition Date through January 30, 2015, the Company purchased $423.8 million of new Standard Receivables and sold $424.1 million of new and existing Standard Receivables at par value under the A/R Program Agreements. No charge was recorded to provision for doubtful accounts as the Standard Receivables value approximates net realizable value.

In consideration of the Company's servicing of the Standard Receivable portfolio owned by SCUSA, SCUSA pays a servicing fee to and shares a portion of the profits of the portfolio with the Company. The portfolio profits are based on finance charge, fees and other revenues, less write-offs of uncollectable receivables, net of recoveries, servicing fees, an agreed-upon cost of funds and in certain circumstances a merchant fee. Upon transfer, any servicing asset or liability is initially recognized at fair value. For the period from Acquisition Date through January 30, 2015, the compensation received approximates adequate compensation for the services, and as such, there is no servicing asset or liability as of January 30, 2015.

The Company is subject to the following financial covenants under the A/R Program Agreements, which are based on Bluestem Brands' standalone financial results:

- *Minimum Net Liquidity* — Bluestem Brands must maintain net liquidity of at least $40 million measured at each fiscal month end as the sum of (i) unrestricted cash and cash equivalents, and (ii) availability of cash under any credit facility maintained by Bluestem Brands or any of its subsidiaries.
- *Leverage Ratio* — Bluestem Brands must maintain a leverage ratio of less than or equal to 5.0 to 1.0 measured at each fiscal quarter end as (a) Total Debt outstanding minus cash and cash equivalents to (b) consolidated adjusted EBITDA (for the most-recently ended four fiscal quarters). Under the A/R Program Agreements, consolidated adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization and, among other items, includes the add back of the loss from derivatives in our own equity and loss on early extinguishment of debt.
- *Fixed Charge Ratio* — Bluestem Brands must maintain a fixed charge ratio equal to or greater than 1.10x measured at each fiscal quarter end for the most recently ended four fiscal quarters, as (i) consolidated adjusted EBITDA minus capital expenditures made during such period (excluding the portion thereof funded with long term debt financing provided by third parties) to (ii) consolidated fixed charges.

Failure to comply with these financial covenants is an event of default, subject to certain grace periods or waivers. As of January 30, 2015, the Company was in compliance with all these financial covenants.

7. Other Consolidated Balance Sheet Data

The following table provides additional information concerning selected consolidated balance sheet accounts (in thousands):

	January 30, 2015	January 31, 2014
Other Current Assets		
Promotional inventories	$ 13,976	$ -
Property and equipment held for sale - net	-	4,717
Prepaid expenses and other	21,023	2,111
Total other current assets	$ 34,999	$ 6,828
Other Assets		
Commercial real estate accounts and other receivables - noncurrent	$ 20,228	$ 41,065
Investment securities available for sale	870	1,560
Deferred charges and other	5,376	-
Total other assets	$ 26,474	$ 42,625
Accrued Costs and Other Liabilities		
Current Income Taxes Payable	$ 3,202	$ -
Accrued liabilities	36,846	13,837
Accrued payroll and benefits	25,925	3,290
Derivative liability in our own equity	15,353	-
Deferred revenue	7,336	-
Other	4,161	-
Total accrued costs and other liabilities	$ 92,823	$ 17,127
Other Long-Term Liabilities		
Unrecognized tax benefits	8,632	26,223
Other	11,405	15,221
Total other long-term liabilities	$ 20,037	$ 41,444

8. Loans Held-for-Sale

As of January 30, 2015 and January 31, 2014, the Company had $75.8 million and $95.7 million of loans held-for-sale, respectively, that are no longer owned by the Company, but continue to be recognized on the Company's Consolidated Balance Sheet because the transfers of these loans to a third party did not qualify as sales and were accounted for as financings. These loans held-for-sale are pledged for the collateralized borrowings for transactions that do not qualify as sales.

The following table summarizes the Company's loans held-for-sale carried at the lower of cost or fair value by collateral type (in thousands):

	January 30, 2015		January 31, 2014	
Collateral type	**Carrying amount**	**Percent of portfolio**	**Carrying amount**	**Percent of portfolio**
Office	$ 46,714	60%	$ 47,355	46%
Retail	2,093	3%	2,632	3%
Health care	-	-	2,474	2%
Hospitality	-	-	532	1%
Mixed use and other (1)	29,273	37%	50,723	48%
Total	$ 78,080	100%	$ 103,716	100%

Note: (1) Mixed-use and other consists of loans secured by properties with more than one commercial real estate property type, loans secured by pools of mixed property types, plus loans secured by various other property types not otherwise delineated.

The Company had $2.5 million of loans held-for-sale on nonaccrual status as of January 31, 2014. There were no loans held-for-sale on nonaccrual status as of January 30, 2015.

9. Investment Securities — Available-for-sale

Investment securities classified as available-for-sale included: residual interests in collateralized debt obligations ("CDO"), commercial mortgage-backed securities, securitizations and other investment securities.

Investment securities classified as available-for-sale are included in other assets on the Consolidated Balance Sheet. The following table summarizes the fair value of the Company's investment securities classified as available-for-sale (in thousands):

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
January 30, 2015	$ 6	$ 864	$ -	$ 870
January 31, 2014	$ 66	$ 1,494	$ -	$ 1,560

Realized gains and losses are recorded as a component of commercial real estate revenue on the Consolidated Statement of Comprehensive Income. In the year ended January 31, 2014, the Company received $17.8 million of proceeds on the sale of investment securities available-for-sale and recorded a related $11.9 million gross realized gain. There were no sales of investment securities available-for-sale in the year ended January 30, 2015.

The Company recognized a $2.6 million impairment charge that was considered other-than-temporary on available-for-sale investment securities in the year ended January 31, 2014. There were no impairment charges for the year ended January 30, 2015.

The investment securities classified as available-for-sale as of January 30, 2015 are due to mature after one year but before five years based upon the instruments' final maturity dates. Actual maturities may differ from the maturities reported above due to periodic payments and prepayments.

10. Equity Investments

The following table summarizes the Company's equity investments by investment type (in thousands):

	January 30, 2015		January 31, 2014	
	Carrying amount	Percent of Portfolio	Carrying amount	Percent of Portfolio
Investments in real estate investment funds and other real estate ventures	$ 66,740	58%	$ 100,122	57%
Investment in the capital stock of FHLB	39,819	35%	54,885	31%
Investments in entities that hold foreclosed real estate assets and other	8,177	7%	21,794	12%
Total	$ 114,736	100%	$ 176,801	100%

Investments in Real Estate Investment Funds and Other Real Estate Ventures — The Company made investments in real estate partnerships in the United States and Europe limited liability companies in the form of limited or member ownership interests in the United States; and companies in the form of unit trust or share ownership interests in Europe. These equity funds in the United States invest in various real estate ventures with real estate developers. The remaining commitments are solely for existing assets and fund operations.

Investment in the Capital Stock of FHLB — The Company holds an investment in the capital stock of the FHLB that was required in connection with its borrowings from the FHLB and is considered restricted stock. The Company no longer has borrowings with the FHLB and will continue to hold an excess FHLB capital stock position until it is repurchased or redeemed by the FHLB. The FHLB had suspended repurchases of excess capital stock in December 2008. In October 2010, the FHLB entered into a consent order with its primary regulator, the Federal Housing Finance Agency ("FHFA") which stipulated that once the FHLB reached and maintained certain financial metrics and other operational thresholds and with FHFA approval, the FHLB could begin repurchasing member capital stock at par value. In September 2012, the FHLB announced that it would repurchase up to $25 million of excess capital stock per quarter on a pro-rata basis across its stockholder base. In February 2014, the FHLB announced that it would repurchase up to an additional $75 million of excess capital stock per quarter on a pro-rata basis from stockholders with redemption requests that have satisfied the redemption waiting period. The FHLB repurchased $15.1 million and $2.1 million of the Company's capital stock pursuant to these quarterly share redemptions for the year ended January 30, 2015 and January 31, 2014, respectively.

On September 25, 2014, the FHLB and the Federal Home Loan Bank of Des Moines announced that they entered into a definitive agreement to merge the two banks, subject to certain closing conditions, including approval by the FHFA. On December 19, 2014 the FHLB and the Federal Home Loan Bank of Des Moines announced that the FHFA approved the banks' application to merge. The merger agreement was ratified by the members of both banks on February, 27 2015. The merger agreement provides that prior to the consummation of the merger, the FHLB shall use its reasonable best efforts to obtain all the necessary regulatory approvals for the redemption of its outstanding shares of regulatory-restricted mandatorily redeemable capital stock. Subject to satisfaction of the remaining closing conditions contained in the merger agreement, the FHLB and the Federal Home Loan Bank of Des Moines anticipate that the merger will become effective on May 31, 2015. As of January 30, 2015, $33.0 million of the Company's investment in the capital stock of the FHLB is regulatory-restricted mandatorily redeemable capital stock.

Investments in Entities That Hold Foreclosed Real Estate Assets and Other — The Company has equity investments in entities that hold foreclosed real estate assets. This typically occurs when the Company, along with other co-lenders, forecloses on real estate collateral. The foreclosed real estate assets are transferred to a real estate holding entity, generally limited liability companies, in which the co-lenders, including the Company, have a member ownership interest. As the Company has not consolidated these real estate holding entities, the Company's investments in these entities are included in equity investments. Also includes equity investments accounted for under the cost method.

11. Goodwill and Intangibles

As of January 30, 2015, the Company's intangible assets and goodwill, all related to the acquisition of Bluestem Brands, consisted of the following (in thousands):

	January 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives			
Customer relationships………………….	$ 176,200	$ (18,308)	$ 157,892
Intangible assets with indefinite lives			
Trade names……………………………..	220,000	-	220,000
Total intangible assets…………………..	396,200	(18,308)	377,892
Goodwill…………………………………….	201,642	-	201,642
Total intangible assets and goodwill………..	$ 597,842	$ (18,308)	$ 579,534

Intangible assets with finite lives are amortized using the accelerated method over their estimated useful lives. Intangible assets amortization expense for the year ended January 30, 2015 was $18.3 million.

As of January 30, 2015, estimated annual amortization expense for intangible assets for the next five fiscal years and thereafter is as follows (in thousands):

Fiscal Years	
2015…………………………………………………………	$ 48,731
2016…………………………………………………………	36,158
2017…………………………………………………………	27,370
2018…………………………………………………………	20,365
2019………………………………………………………..….	14,683
Thereafter……………………………………………….…..…	10,585
Total…………………………………………………………	$ 157,892

The changes in the carrying amount of goodwill for the fiscal year ended January 30, 2015 are as follows:

	Fingerhut
Balance as of January 31, 2014………………………………	$ -
Acquisition of Bluestem Brands………………………………	201,642
Balance as of January 30, 2015………………………………	$ 201,642

12. Property and Equipment, net

Property and equipment — net as of January 30, 2015 consisted of the following (in thousands):

	January 30, 2015
Software	$ 39,711
Computer hardware	3,920
Machinery, equipment, and furniture	2,724
Property under capital lease	4,637
Leasehold improvements	2,580
Total property and equipment	53,572
Less: accumulated depreciation and amortization	(3,817)
Property and equipment - net	$ 49,755

Prior to the acquisition of Bluestem Brands, the Company owned furniture and fixtures in its corporate headquarters as property and equipment, which had no carrying value. As of January 31, 2014, $4.7 million related to the land and building for the corporate office in Horsham, Pennsylvania was classified as held-for-sale and included in other current assets.

For the year ended January 30, 2015, depreciation of fixed assets and internal-use software and website development amortization expense was $3.6 million, of which $3.5 million occurred during the period from date of acquisition through January 30, 2015 and of which $0.3 million was reported in retail cost of goods sold. For the year ended January 31, 2014, depreciation expense was $0.7 million. For the year ended January 30, 2015, routine maintenance and repair costs were $1.9 million, of which $1.4 million occurred during the period from Acquisition Date through January 30, 2015. For the year ended January 31, 2014, routine maintenance and repair costs were $1.0 million. Routine maintenance and repair cost are reported in general and administrative expenses.

13. Collateralized Borrowing and Other Financing

Collateralized borrowing and other financing is included as short-term debt and long-term debt on the Consolidated Balance Sheet as follows (in thousands):

	January 30, 2015	January 31, 2014
Short-term Debt		
Short-term financing	$ 19,116	$ -
Short-term debt	$ 19,116	$ -
Long-term Debt		
Collateralized borrowings	$ 81,315	$ 107,274
Long-term debt	278,169	-
Long-term debt	$ 359,484	$ 107,274

Collateralized Borrowings

Collateralized borrowings of $81.3 million and $107.3 million as of January 30, 2015 and January 31, 2014, respectively, related to transfers of financial assets that do not qualify as sales. The funds received are recorded as liabilities in long-term debt on the Consolidated Balance Sheet. Recourse is limited to the assets related to these contractual arrangements.

The following table summarizes the carrying value of assets of continuing operations that are pledged as collateral for the transactions that do not qualify as sales, (in thousands):

	January 30, 2015	January 31, 2014
Commercial real estate accounts and other receivables	$ 1,420	$ 11,009
Loans held for sale	75,786	95,673
Total assets pledged as collateral	$ 77,206	$ 106,682
Related collateralized borrowings	$ 81,315	$ 107,274

Financing

Outstanding financing agreements as of January 30, 2015 were as follows (in thousands):

	January 30, 2015
Short-term financing	
Term Loan - net of discount of $2,300	$ 13,642
Inventory line of credit	3,748
Capital lease obligation	1,672
Other notes payable	54
Short-term financing	$ 19,116
Long-term financing	
Term Loan - net of discount of $9,134	$ 274,926
Capital lease obligation	3,072
Other notes payable	172
Long-term financing	$ 278,169

Term Loan

On November 7, 2014, Bluestem Brands entered into a $300 million long-term debt facility with a syndication of investors ("Term Loan"), which matures on November 7, 2020. The Term Loan was issued with an original issue discount totaling $12.0 million. Direct loan origination fees of $6.9 million were capitalized as deferred charges. Both the original issue discount and the deferred charges are being amortized under the effective interest method as interest expense over the term of the loan. Proceeds from the Term Loan were used to finance the Acquisition. See Note 4, *Business Combination,* for further information.

The Company is required to repay the outstanding principal balance of the Term Loan in quarterly installments of $3.8 million, with the balance due at maturity; however, the quarterly installments may be reduced by the excess cash flow mandatory prepayment described below. In addition, the Company is obligated to make mandatory prepayments of principal on an annual basis equal to:

- 50% of annual excess cash flow (as defined in the Term Loan), during the first period, subject to a range of 0% to 75% based upon specified leverage ratio targets for the following period and;
- net cash proceeds from (1) certain asset sales, (2) certain debt offerings, and (3) certain insurance condemnation proceeds.

For the fiscal year ended January 30, 2015, Bluestem Brands generated excess cash flow resulting in a mandatory prepayment of $15.9 million. As of January 30, 2015, the mandatory prepayment is included within the current portion of long-term debt in the Consolidated Balance Sheet.

Outstanding balances under the Term Loan, at the option of the Company, can be classified on a monthly or quarterly basis as either alternative base rate or eurocurrency rate borrowings. Alternative base rate borrowings bear an interest rate of 6.5% per annum plus adjustments amounting to a minimum additional rate of 2% per annum. Eurocurrency rate borrowings bear an interest rate of 7.5% per annum plus adjustments amounting to a minimum additional rate of 1% per annum. The interest rate adjustment amounts required under the two different types of borrowings may exceed the 2% and 1% floors respectively, depending on changes in the federal funds rate, the prime rate, or the London InterBank Offered Rate ("LIBOR"). Interest payments are due quarterly on Alternative Base Rate borrowings, and monthly on Eurocurrency Rate borrowings.

The Term Loan is secured by a first lien on unencumbered Bluestem Brands property and equipment and a second lien on Bluestem Brands' inventory and customer accounts receivable not otherwise pledged or sold. Under provisions of the Term Loan, the Company has restriction on the amount of dividends declared and is subject to the following financial covenants, which are based on Bluestem Brands' stand-alone financial results:

- Minimum Liquidity — As of the last day of any fiscal quarter, Bluestem Brands must maintain liquidity of at least $40 million measured as the sum of (i) unrestricted cash and cash equivalents, plus (ii) undrawn committed availability under any credit facility maintained by Bluestem Brands.
- Total Leverage Ratio — As of the last day of any fiscal quarter, Bluestem Brands must maintain a total leverage ratio (net debt outstanding to adjusted EBITDA) of no greater than 5:1, dropping to 4.75:1 for fiscal quarters ending in 2016 and 4.5:1 for fiscal quarters ending in 2017 and thereafter. EBITDA is defined as earnings before interest, tax, depreciation and amortization, plus various other add back items generally representing non-operating or non-recurring items.

Failure to comply with these financial covenants is an event of default, subject to certain cure rights. As of January 30, 2015, the Company was in compliance with all these financial covenants.

As of January 30, 2015, the outstanding balance of the Term Loan was $288.6 million.

Inventory Line of Credit

The Company has a line of credit, as amended on November 7, 2014, that is secured by inventory and a second lien on other unencumbered assets of Bluestem Brands (the "Inventory Line of Credit"). The Inventory Line of Credit has a maturity date of November 7, 2019, and a total facility size of $80 million, subject to borrowing capacity. Borrowing capacity is calculated as the lower of 85% of the liquidation value from the latest inventory appraisal, or 65% of eligible inventory, in either case less any reserves.

The November 2014 Amendment permits the Company to increase commitments under the Inventory Line of Credit by an amount not to exceed $20 million. However, the lenders are under no obligation to provide any such additional commitments, and any increase in commitments or incremental term loans will be subject to certain conditions. If the Company were to request any such additional commitments and the existing lenders or new lenders were to agree to provide such commitments, the size of the Inventory Line of Credit could be increased to $100 million, but the Company's ability to borrow would still be limited by the amount of the borrowing base. The cash proceeds of any incremental commitments may be used for working capital and general corporate purposes.

Daily outstanding balances on the Inventory Line of Credit will, at the Company's request, be classified as either LIBOR Loans, or Adjusted Base Rate Loans (both as defined in the Inventory Line of Credit Agreement), subject to available balances. The rate of interest payable is (i) with respect to LIBOR Loans, the Adjusted LIBOR (as defined) for the interest period elected, plus an applicable margin; or (ii) with respect to Adjusted Base Rate Loans, the highest of the applicable margin plus (i) prime rate (as defined), (ii) the federal funds rate plus 0.50% or (iii) one month LIBOR plus 1%. The applicable margin is up to 1% with respect to Adjusted Base Rate Loans and up to 2% with respect to LIBOR Loans. The applicable margin is subject to adjustment based on the historical excess availability under the Inventory Line of Credit.

The Inventory Line of Credit agreement restricts the amount of dividends declared and requires the payment of an unused commitment fee of 0.375% through November 7, 2015, and is afterwards subject to adjustment based on the Company's historical average utilization under the Inventory Line of Credit.

- The Company is subject to minimum net liquidity financial covenants under the Inventory Line of Credit, which are based on Bluestem Brands' stand-alone financial results. Bluestem Brands must maintain net liquidity of at least $40 million measured at each fiscal month end as the sum of (i) unrestricted cash and cash equivalents, and (ii) availability of cash under any credit facility maintained by Bluestem Brands or any of its subsidiaries.

As of January 30, 2015, outstanding borrowings on the Inventory Line of Credit were $3.7 million and $43.1 million was available under the Inventory Line of Credit. The Company also had $0.5 million of outstanding letters of credit related to its inventory purchasing activities as of January 30, 2015. The Company was in compliance with all provisions of the Inventory Line of Credit agreement.

Capital Lease Obligation

As of January 30, 2015, capital lease obligations were $4.7 million with interest rate ranging from 2.4% and 4.7% per annum for the year ended January 30, 2015. There were no capital leases prior to the Bluestem acquisition.

Note Purchase Agreement

As contemplated by the Investment Agreement, the Company entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes from the Company (“Notes”), subject to certain terms and conditions. The Notes, if issued, would bear interest at LIBOR + 7.0%, with a 1.0% LIBOR floor and could be used for acquisition debt financing.

If issued, the Notes would be guaranteed by certain of the Company’s subsidiaries and the Company and its subsidiaries would be subject to covenant compliance and certain other terms and conditions. The Company made certain representations and warranties at the signing of the Note Purchase Agreement, and the Company and certain of its subsidiaries would be required to affirm those representations and warranties upon any issuance of the Notes.

Provisions of the Term Loan effectively prohibit issuance of the Notes without amendment of the Note Purchase Agreement. As of January 30, 2015 none of the Notes had been issued.

The future maturities of long-term debt, net of discounts of $11.4 million, for subsequent years as of January 30, 2015, are as follows (in thousands):

Fiscal Years		
2015	$	19,116
2016		14,552
2017		14,079
2018		13,442
2019		13,327
Thereafter		222,769
Total	$	297,285

Retail Interest Expense

For the period from date of acquisition through January 30, 2015, retail interest expense is as follows (in thousands):

	January 30, 2015	
Interest on debt	$	6,156
Interest on capital lease obligation		38
Amortization of deferred charges		333
Amortization of original issue discount		567
Interest income		(3)
Total interest expense - net	$	7,091

14. Variable Interest Entities

The Company is involved with various entities in the normal course of business that may be deemed to be VIEs. A VIE is an entity in which the equity investors do not have sufficient equity at risk for the entity to finance its activities without additional financial support or lacks one or more of the characteristics of a controlling financial interest. The characteristics of a controlling financial interest are as follows: the power through voting rights or similar rights to direct the activities of the entity that most significantly impact the entity’s economic performance, the obligation to absorb the expected losses and the right to receive the expected residual returns. The primary beneficiary of a VIE is the entity whose variable interests in the VIE provide it with the characteristics of a controlling financial interest, which includes the power to direct activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company consolidates VIEs for which it is determined to be the primary beneficiary. The Company holds significant variable interests in VIEs in which it may or may not be the sponsor and that have not been consolidated because the Company is not considered the primary beneficiary.

Upon initial involvement with an entity, the Company determines if the entity is a VIE and whether the Company is the primary beneficiary of the VIE. The Company reassesses the VIE status of an entity upon the occurrence of a reconsideration event and the determination of the primary beneficiary of a VIE is made on a continuous basis. In making the initial and any subsequent determinations, the Company uses a qualitative approach based on an assessment of the purpose and design of the VIE as well as the risks it was designed to create and pass to its variable interest holders. The assessment also includes consideration of the Company's involvement in the VIE and the involvement of the other variable interest holders in the VIE.

The significant judgments and assumptions made by the Company in determining whether to disclose the Company's involvement with a VIE and whether to consolidate a VIE, including a description of the Company's involvement in the VIE, are discussed below.

In the year ended January 30, 2015, the Company is also no longer consolidating 11 non-guaranteed upper-tier tax credit funds and lower-tier operating partnerships associated with the low-income housing tax credit ("LIHTC") business where the Company's interest in the VIE was sold to a third party and therefore the Company is no longer considered to be the primary beneficiary of the VIEs.

Continuing Operations

As of January 30, 2015 and January 31, 2014, the Company's continuing operations are not the primary beneficiary of any VIEs.

The following table sets forth the total assets and liabilities, and sources of maximum exposure of entities deemed to be VIEs related to the Company's continuing operations for which the Company is not considered to be the primary beneficiary and which are not consolidated by the Company, including significant variable interests as well as sponsored entities with a variable interest (in thousands):

				Maximum exposure to loss (3)			
	Size of VIEs (1)	Carrying amount of assets (2)	Carrying amount of liabilities (2)	Commitments	Loans and investments	Accounts and other receivables	Total
As of January 30, 2015							
Loans held for sale	$ 6,543	$ 2,294	$ -	$ -	$ 2,294	$ -	$ 2,294
New markets tax credit funds	140,487	108,937	-	-	75,786	33,151	108,937
Collateralized debt obligations	-	-	-	-	-	-	-
CMBS securitization trusts	117,520	703	-	-	703	-	703
Total	$ 264,550	$ 111,934	$ -	$ -	$ 78,783	$ 33,151	$ 111,934
As of January 31, 2014							
Loans held for sale	$ 10,756	$ 4,106	$ -	$ -	$ 4,106	$ -	$ 4,106
New markets tax credit funds	174,575	138,753	-	-	99,610	39,143	138,753
Collateralized debt obligations	23,114	-	-	-	-	-	-
CMBS securitization trusts	769,965	1,358	-	-	1,358	-	1,358
Total	$ 978,410	$ 144,217	$ -	$ -	$ 105,074	$ 39,143	$ 144,217

Notes:

(1) Size of the VIEs represents the amount of the underlying assets held by the VIEs.

(2) Amounts represent the carrying amount of the Company's variable interest included in assets and liabilities on the Company's Consolidated Balance Sheet.

(3) Maximum exposure to loss is based on the assumption that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets included on the Consolidated Balance Sheet, but also potential losses associated with off-balance sheet commitments such as unfunded liquidity and/or lending commitments and other contractual arrangements.

The Company has evaluated its investments and other interests in entities that may be considered VIEs. The following describes the VIEs in which the Company's continuing operations have a significant variable interest.

Loans Held-for-sale. The Company's portfolio of loans held-for-sale consists of loans secured by commercial and multifamily real estate properties. These are non-recourse loans made to special purpose entities ("borrower SPEs") that were created and designed to obtain financing for the purchase and or development of commercial and multifamily real estate with the financing to be repaid through the operations, refinancing or sale of the underlying property. The Company has determined that certain of the borrower SPEs are considered VIEs. The Company is not considered the primary beneficiary for the borrower SPEs because it does not have the power to direct the activities that most significantly impact the economic performance of the VIE.

New Markets Tax Credit Funds. Prior to emergence from bankruptcy, the Company made loans to, and syndicated and managed third party equity investments in partnerships that made investments, typically mortgage loans that, in turn, qualify the partnerships to earn new markets tax credits. The Company discontinued its syndication activities in 2008 and focused on the management of these partnerships. Also, on April 15, 2011, the Company transferred certain of its financial interests related to the partnerships to a third party. The transfers of the majority of these financial assets did not meet the criteria for sale accounting and were accounted for as financings with related collateralized borrowings. As discussed in Note 13, *Collateralized Borrowings and Other Financing,* the balance of such collateralized borrowings at January 30, 2015 and January 31, 2014 was $81.3 million and $107.3 million, respectively. Therefore, the Company continues to have a variable interest in these partnerships.

New markets tax credits permit taxpayers to receive a federal income tax credit for making qualified equity investments in community development entities. The Company has determined that these partnerships are considered VIEs and the Company is considered to have a variable interest.

The Company is not considered the primary beneficiary for these partnerships because the Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE. The Company had assets related to these partnerships of $108.9 million and $138.8 million, as of January 30, 2015 and January 31, 2014, respectively. The partnerships have loans from the Company which are reported as a component of loans held-for-sale on the Company's Consolidated Balance Sheet. The Company's maximum exposure to loss in these partnerships is attributable to loans to the partnerships.

Collateralized Debt Obligations. Prior to its entry into bankruptcy, the Company sponsored and purchased subordinated equity interests in CDOs which are considered VIEs. The Company also served as the collateral manager for the CDOs prior to its emergence from bankruptcy. In CDO transactions, a bankruptcy-remote Special Purpose Entity ("SPE") is established that purchases a portfolio of securities and loans and issues debt and equity certificates, representing interests in the portfolio of assets. Once the CDO transaction was completed and the securities were issued by the CDO, the Company had no further obligation to provide financial support to the CDO.

For the CDOs, the Company is not the primary beneficiary because the Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE. The Company's maximum exposure to loss for CDOs where the Company is not the primary beneficiary represents the Company's retained interests in these VIEs reported as a component of investment securities classified as available-for-sale on the Consolidated Balance Sheet.

CMBS Securitization Trusts. Prior to its entry into bankruptcy, the Company sold commercial mortgage loans to special purpose trusts in exchange for the proceeds from the sale of securities issued by the trusts. The Company has determined that these trusts' activities are generally limited to acquiring the assets, issuing securities, collecting payments on assets and making payments on the securities. The holders of the securities issued under these trusts do not have any recourse to the general credit of the Company. The trusts are considered VIEs. The Company is not considered the primary beneficiary of these trusts because the Company does not have the power to direct the activities that most significantly impact the economic performance of the trusts. The Company's maximum exposure to loss for these entities is limited to the Company's retained interests in the trusts. The Company's portion of these assets is reported as a component of investment securities classified as available-for-sale on the Company's Consolidated Balance Sheet.

Discontinued Operations

As of January 30, 2015, the Company's discontinued operations are not the primary beneficiary of any VIEs. Assets of discontinued operations and liabilities of discontinued operations on the Company's Consolidated Balance Sheet as of January 31, 2014 include $10.2 million in current assets of discontinued operations and $25.8 million in other assets of discontinued operations and $2.0 million in current liabilities of discontinued operations and $6.0 million in other liabilities of discontinued operations, respectively, for 11 non-guaranteed upper-tier tax credit funds and lower-tier operating partnerships associated with the LIHTC business. All of these entities constituted VIEs which were consolidated by the Company because the Company was the primary beneficiary
.

As of January 30, 2015, there are no longer any non-consolidated VIEs related to the Company's discontinued operations. The carrying value of the assets on the Company's Consolidated Balance Sheet as of January 31, 2014 related to the Company's variable interest in 70 non-consolidated VIEs for lower-tier operating partnerships was $1.0 million in current assets of discontinued operations and $23.3 million in other assets of discontinued operations**.** At January 31, 2014, the lower-tier operating partnerships included in discontinued operations had underlying assets of $841.2 million. The Company's discontinued operations had a maximum exposure to loss of $142.5 million January 31, 2014, related to commitments, guarantees and collateral, and loans and investments for non-consolidating VIEs for lower-tier operating partnerships. See Note 16, *Discontinued Operations*, for further information.

15. Income Taxes

The following table summarizes the Company's income tax provision (benefit) for the years ended January 30, 2015 and January 31, 2014 (in thousands):

	January 30, 2015	January 31, 2014
Current income tax (benefit) provision:		
State	$ (16,055)	$ (266)
Foreign	18	(603)
Total current income tax (benefit) provision	(16,037)	(869)
Deferred income tax provision (benefit):		
Federal	(53,733)	-
Total deferred income tax provision (benefit)	(53,733)	$ -
Total income tax (benefit) provision	$ (69,770)	$ (869)

The following table reconciles the income tax benefit at the federal statutory rate and the actual income tax benefit recorded for the years ended January 30, 2015 and January 31, 2014 (in thousands):

	January 30, 2015	January 31, 2014
Income tax expense at statutory rate	$ 76	$ 36,311
Change in valuation allowance on tax benefits	(70,075)	(34,700)
State income taxes, net of federal tax benefit	(18,055)	(267)
Stock warrant expenses	12,413	-
Nondeductible stock transaction expenses	5,511	-
Effects of noncontrolling interests	4,199	(6,986)
Effects of Non-U.S. operations	870	(245)
Basis in investments	-	(7,083)
Other, net	(4,709)	12,101
Total income tax benefit	$ (69,770)	$ (869)

The following table summarizes the components of the Company's deferred tax assets and liabilities (in thousands):

	January 30, 2015	January 31, 2014
Assets:		
Net operating loss carryforwards (federal, state and foreign).......	$ 572,732	$ 621,511
Capital loss carryforward..	121,845	297,153
Foreign tax credit carryforwards......................................	-	140,042
Reserves..	9,300	2,683
Accrued Compensation..	6,762	2,205
Inventory...	5,663	-
Other deferred tax asset..	6,080	6,674
Total deferred tax assets..	722,382	1,070,268
Valuation allowance...	(637,070)	(1,040,793)
Total deferred tax assets, net...	$ 85,312	$ 29,475
Liabilities:		
Tradename intangible..	$ 79,948	$ -
Customer relationship intangible.......................................	57,167	-
Equity investment valuation...	14,522	25,529
Depreciation..	6,674	342
Other deferred tax liabilities...	6,949	3,604
Total deferred tax liabilities..	165,260	29,475
Net deferred tax (liabilities) assets....................................	$ (79,948)	$ -

The Company had U.S. federal net operating loss ("NOL") carryforwards of $1.7 billion and capital loss carryforwards of $313.3 million for the year ending January 30, 2015. The Company's NOL and capital loss carryforwards were $2.2 billion for the year ended January 31, 2014. The NOL carryforwards expire from 2028 through 2033. The capital loss carryforwards expire 2015 through 2017. Based on current business activity, there is limited opportunity to generate capital gains. An unrecognized tax benefit liability of $155.0 million related to the NOL carryforward is recorded as a reduction to the deferred tax asset and valuation allowance.

The Company's noncontrolling interests and discontinued operations net income include a tax benefit of $15.2 million from the change in valuation allowance. The decrease in valuation allowance was a result of NOL and capital loss carryforward utilization.

The Internal Revenue Code ("Code") limits NOL carryforwards, capital loss carryforwards, and other tax attributes that can be utilized by the Company. The annual limitation of NOL that can be used by the Company is $104.0 million which is based on a percentage of the equity value immediately after the ownership change that resulted from its September 30, 2011 bankruptcy reorganization. Further, to the extent there are future changes in ownership or ownership structure, as defined under Section 382 of the Code, the amount of NOL and other tax attributes that can be utilized against future income may be reduced to zero.

The Company has state NOL carryforwards and foreign NOL carryforwards as of January 30, 2015 and January 31, 2014. The state NOL carryforwards expire in various years beginning in 2014. The foreign NOL carryforwards begin expiring in various years after 2015. The deferred tax asset and valuation allowance were reduced by $20.9 million for foreign and state NOLs that will not be utilized or have expired. The Company had foreign tax credits of approximately $140.0 million as of January 30, 2015 and January 31, 2014 which will expire 2015-2017. However, the deferred tax asset and related valuation allowance were both reduced for the foreign tax credits in the year ended January 30, 2015 because future taxability is expected to be reduced by the capital loss and NOL carryforwards, making utilization of the credits unlikely.

Management assesses available positive and negative evidence including historical income and losses, reversals of temporary differences, and projected future income to determine the recognition of deferred tax assets. The Company's cumulative historical losses are an objective form of negative evidence and carry significant weight when compared to projected future income which requires significant estimates and judgment. We currently believe that it is more likely than not that our deferred tax asset will be realized to the extent of current year income and temporary differences that will result in future taxable income. A valuation allowance is recorded for the balance of our deferred tax assets.

As a result of ASC 718, *Compensation-Stock Compensation*, the table of deferred tax assets and liabilities shown above does not include deferred tax assets that arose from equity compensation tax deductions that are greater than financial reporting compensation. Equity will increase by $5.4 million if and when such deferred tax assets are ultimately realized. The Company uses “With-and-Without” ordering when determining when excess tax benefits have been realized.

At January 30, 2015, the Company recorded approximately $159.3 million in unrecognized tax benefits. A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows (in thousands):

	January 30, 2015	January 31, 2014
Balance as of beginning of the period	$ 16,208	$ 16,208
Acquisitions	949	-
Additions based on tax position related to prior years	155,033	-
Reductions for tax position related to prior years	(12,665)	-
Settlements with taxing authorities	(221)	-
Balance as of end of the period	$ 159,304	$ 16,208

Of the $159.3 million liability for unrecognized tax benefits at January 30, 2015, the entire amount could impact the Company’s effective tax rate in future periods.

The Company recognized a liability of approximately $4.3 million and $10.0 million attributable to interest and penalties as of January 30, 2015 and January 31, 2014, respectively. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company recognized an increase of $0.8 million and an increase of $0.7 million of gross interest and penalties in the years ended January 30, 2015 and January 31, 2014, respectively.

The Company operates in multiple tax jurisdictions, both within and outside the United States. Accordingly, the Company is, from time to time, under examination in certain tax jurisdictions and remains subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, the Company may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. The following table summarizes the tax years that remain subject to examination in the Company’s major tax jurisdictions as of January 30, 2015:

United States — federal	2011-2014
United States — states	2008-2014
Ireland	2010-2014

Based upon the expiration of statutes of limitation and/or conclusion of tax examinations in several jurisdictions, management does not believe that it is reasonably possible that any of the previously unrecognized tax benefits as of January 30, 2015 for the items discussed above will decrease materially within the next 12 months.

16. Discontinued Operations

There were no discontinued operations remaining as of January 30, 2015. The following table sets forth the total assets and liabilities of discontinued operations for the Company's Commercial Real Estate segment included on the Consolidated Balance Sheet (in thousands) as of January 31, 2014:

	January 31, 2014
Current assets:	
Cash and cash equivalents	$ 438
Restricted cash	82,445
Commercial real estate accounts and other receivable	1,855
Other current assets	587
Total current assets	85,325
Investment securities	15,926
Loans held for sale	322
Real estate investments	8,884
Equity investments	23,442
Total assets of discontinued operations	$ 133,899
Current liabilities:	
Accrued costs and other liabilities	$ 3,636
Total current liabilities	3,636
Secured and other borrowings	6,174
Other long-term liabilities	67,610
Total liabilities of discontinued operations	$ 77,420

As of January 31, 2014, $32.5 million of noncontrolling interests, included in total equity, represent third-party investments in the net assets of entities which are consolidated by the Company and associated with LIHTC business portion of discontinued operations. The Company derived no material economic benefit from these noncontrolling interests.

Investment securities classified as available-for-sale were carried at fair value and categorized into a three-level fair value hierarchy as Level 2 based on the priority of the inputs used in the valuation technique. The fair value of Level 2 assets were estimated by using pricing models, quoted prices of securities with similar characteristics or a discounted cash flow analysis.

On September 30, 2014, the Company closed the transactions contemplated by the Restructuring and Settlement Agreement ("Ambac RSA") among the Company and Ambac Assurance Corporation ("Ambac") relating to certain LIHTC funds for which Ambac issued surety bonds to investors ("Ambac Funds"). On October 14, 2014, the Company closed the transactions contemplated by the agreement ("Pacific RSA") with an affiliate of HCP Pacific Holdings, LLC ("Pacific"), an affiliate of Hunt Capital Partners, LLC and Hunt Companies Inc. to restructure certain guaranteed LIHTC funds for which JP Morgan Chase Bank, N.A. and certain of its affiliates ("JPM") were the investors ("JPM Funds") and settle the claims related to the JPM Funds in the Company's bankruptcy. Following the completion of these transactions the Company no longer has any material LIHTC-related assets or liabilities. See "LIHTC Business" section below for further discussion.

The following table sets forth the net revenue, noninterest expense and income tax expense of discontinued operations included on the Consolidated Statement of Comprehensive Income (in thousands):

	January 30, 2015	January 31, 2014
Net revenue	$ 38,859	$ (10,997)
Noninterest expense	5,804	9,187
Income tax provision	18	716
Income (loss) from discontinued operations	33,037	(20,900)
Gain on sale included in gain from discontinued operations	$ 42,299	$ -

LIHTC Business

The LIHTC business is reflected on the Consolidated Balance Sheet in the current assets of discontinued operations, other assets of discontinued operations, current liabilities of discontinued operations and other liabilities of discontinued operations. The results of operations are reflected on the Consolidated Statement of Comprehensive Income as gain (loss) from discontinued operations, net of tax. The Company's financial statements for the year ended January 31, 2014 reflected certain LIHTC-related assets and liabilities related to guaranteed LIHTC funds managed by subsidiaries that had not been restructured and settled with the counterparties as of such date.

On September 30, 2014, the Company closed the transactions contemplated by the Ambac RSA among the Company and Ambac relating to the Ambac Funds. At the closing of the Ambac RSA, $30 million of cash of the approximately $90 million of cash and investment securities previously pledged to Ambac was released to the Company and the Company was released from all previous obligations related to the Ambac Funds.

In connection with the closing of the Ambac RSA, the Company formed a subsidiary ("Ambac NewCo"), which was capitalized with the remaining Ambac collateral after payment of certain expenses in connection with the Ambac RSA and with certain other assets related to the Ambac Funds. Ambac NewCo also issued a new guarantee to Ambac for reimbursement of any payments it is required to make under the surety bonds.

Also on September 30, 2014, the Company sold its interests in Ambac NewCo to Pacific pursuant to the terms of an agreement ("Sale Agreement") between the Company and Pacific for a purchase price of $31 million. The Company recorded a gain on sale of discontinued operations of $35.5 million after the closing of both the Ambac RSA and the Sale Agreement and incurred approximately $4.4 million of fees and expenses related to the transaction. Following the closing of the Ambac RSA and the Sale Agreement, the Company has no remaining interest in the Ambac Funds or Ambac NewCo.

On September 22, 2014, the Company entered into the Pacific RSA with Pacific to restructure the JPM Funds and settle the claims related to the JPM Funds in the Company's bankruptcy. Pacific concurrently entered into an agreement with JPM pursuant to which one of its affiliates acquired JPM's interests in the JPM Funds and JPM's claims in the bankruptcy cases of the Company. In connection with the Pacific RSA, the Company formed a subsidiary ("JPM NewCo"), which was capitalized with substantially all of the Company's assets related to the JPM Funds. On October 14, 2014, the Company closed the Pacific RSA with Pacific's affiliate and sold the JPM NewCo to Pacific for $2.0 million. Following the closing of the sale of JPM NewCo, the Company has no further interest in the JPM Funds or the JPM NewCo.

The Company periodically assessed the fair value of assets and liabilities related to the LIHTC business that were determined as part of the adoption of fresh-start accounting. As of January 31, 2014, the Company believed that there had been no impairments to the previously determined fair values. The impairment assessment had taken into account the status of the bankruptcy claim objection proceedings, including claims seeking return of excess collateral. There are no material discontinued assets or liabilities remaining as of January 30, 2015.

As of January 31, 2014, $7.0 million of real estate investments included in assets of discontinued operations are pledged as collateral for the payment of $6.2 million of related secured borrowings included in liabilities of discontinued operations.

17. Capital Stock

On May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, (i) filed Amended and Restated Articles of Incorporation and amended and restated its Bylaws, (ii) issued to Centerbridge $5.0 million of Series A participating convertible Preferred Stock and Warrants to purchase up to 43 million shares of common stock and (iii) entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes, subject to certain terms and conditions.

The conversion price of the Preferred Stock and Warrants is based upon the "Adjusted Book Value". Adjusted Book Value is defined as the net book value of the Company at December 31, 2013, less the Company's cumulative net losses (offset by gains and excluding losses arising from external legal, consulting and advisory costs incurred in connection with potential acquisitions and business development activities), if any, from December 31, 2013 to the date of determination and less the difference between the carrying value, as of the date of determination, of the shares of the FHLB held by the Company and 80% of the stated value of those shares. Per share adjusted book value is the adjusted book value divided by the number of shares of common stock of the Company outstanding on December 31, 2013 on a fully diluted basis.

Under the terms of the Investment Agreement, Centerbridge is anticipated to and has provided assistance to the Company in identifying acquisition opportunities over a period of two years from closing, which may be extended for an additional year if the parties are working together in good faith with regard to the Company's pursuit of a potential acquisition that could be acceptable to both the Company and Centerbridge. This period is referred to as the "Investment Period."

Series A Convertible Preferred Stock

On May 8, 2014, the Preferred Stock, was established and 1,000 shares were issued to Centerbridge with a stated value of $5,000 per share. Preferred Stock is entitled to receive the same dividends, when declared by the Company's Board of Directors, and has the same voting rights as common stock on an as-converted basis. The Preferred Stock has a liquidation preference in advance of the common stock or any junior series of preferred stock. Upon the expiration of the Investment Period, all of the Preferred Stock can be converted to common stock at the Adjusted Book Value. The Adjusted Book Value was $3.65 as of January 30, 2015. The Company can redeem all of the outstanding Preferred Stock under certain circumstances including the date on which Centerbridge ceases to have the right to elect any directors or on the 12 year anniversary of issuance.

With the closing of the Bluestem Brands acquisition, the Company's Board of Directors was expanded to permit 12 directors. If the Company consummates additional acquisitions approved by Centerbridge and Centerbridge exercises any Warrants, Centerbridge will be entitled to further representation on the Company's Board of Directors in proportion to the shares of common stock that it holds, including the stock issuable on conversion of the Series A Preferred Stock. If Centerbridge exercises all of the Warrants, it will be entitled to elect one less than a majority of the directors on the Company's Board, subject to reversion to proportionate representation if Centerbridge reduces its share ownership by a specified amount.

The Preferred Stock contains a beneficial conversion feature with a value of $0.2 million at the issuance date because the effective conversion price of the Preferred Stock is less than the fair value per share of the Company's Common Stock. The beneficial conversion feature is recognized over the period up to the earliest date that the Preferred Stock can be converted. As the beneficial conversion feature is amortized, a deemed distribution will be recorded for Preferred Stock as an increase to Preferred Stock and a reduction of retained earnings.

Common Stock

In accordance with the Amended and Restated Articles of Incorporation of the Company, the Company has the authority to issue 350,000,000 shares of Common Stock at a par value of $0.01 per share and 10,000,000 shares of preferred stock at a par value of $0.01 per share. The par value of the Common Stock was adjusted from $0.001 per share to $0.01 per share.

During the Investment Period, for the first 30 million shares of Common Stock, subject to adjustment for stock splits, etc., that the Company issues for capital raising purposes following the closing, Centerbridge will have the right to acquire up to 67% and stockholders other than Centerbridge will have the right to purchase 33%.

On November 7, 2014, in conjunction with the Company's acquisition of Bluestem Brands, Centerbridge exercised 33.9 million common stock purchase Warrants at an exercise price of $4.01 or $135.6 million of cash proceeds to the Company. In addition, certain members of Bluestem Brands' management also provided capital for the Bluestem Brands acquisition through the purchase of 2.1 million shares at a price of $4.01 or $8.3 million of the Company's common stock.

On December 31, 2013, in accordance with their employment agreements and in connection with the vesting of restricted shares of Common Stock, two of the Company's executives directed the Company to withhold 60 thousand shares with an aggregate market value of $0.3 million to meet the Company's minimum statutory withholding requirements.

Distributions Paid

The Company paid cash distributions in aggregate of $10.50 per share to holders of the Company's Common Stock in the year ended January 31, 2014. No distributions were paid for the year ended January 30, 2015 in accordance with the Investment Agreement.

18. Fair Value of Assets and Liabilities

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Companies are required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period.

Fair Value Hierarchy

The Company categorizes its assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Assets and liabilities recorded on the Company's consolidated financial statements are categorized based on whether the inputs to the valuation techniques are observable or unobservable as follows:

Level 1 — assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2 — assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; pricing models whose inputs are observable either directly or indirectly for substantially the full term of the asset or liability (examples include interest rate and currency contracts); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 — assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 assets and liabilities include those where value is determined using pricing models, discounted cash flow ("DCF") methodologies, or similar techniques, as well as those for which the determination of fair value requires significant management judgment or estimation.

Determination of Fair Value

It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy as described above. For assets and liabilities where there exists limited or no observable market data, fair value measurements are based primarily upon management's own estimates, and are calculated based upon the Company's pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the fair value amounts may not be realized in an actual sale or immediate settlement of the asset or liability.

Following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the three-level fair value hierarchy.

Commercial Real Estate Note Receivable

Under ASC 825, *Financial Instruments*, the Company elected the fair value option for a note receivable at Effective Date with a $4.6 million principal amount, which is included in commercial real estate accounts and other receivables on the Consolidated Balance Sheet. The fair value of the note receivable was estimated based on a DCF analysis and is classified within Level 3 of the valuation hierarchy. The DCF analysis includes a provision for an estimated reduction of the cash payment for actual losses that may emerge from a related portfolio of loans not on the Company's Consolidated Balance Sheet. The legal obligation for losses on the related portfolio of loans has been assumed by the note obligor. The maximum loss to the Company related to the portfolio of loans is limited to the $4.6 million par amount of the note receivable.

Investment Securities

Investment securities classified as available-for-sale are carried at fair value and included in other assets on the Consolidated Balance Sheet. Where quoted prices are available in an active market for identical instruments, investment securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then investment securities are classified as Level 2 and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or DCFs. Examples of instruments which would generally be classified within Level 2 of the valuation hierarchy include certain asset-backed securities. In cases where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. Investment securities classified within Level 3 include certain residual interests in in collateralized debt obligations, commercial mortgage-backed securities and securitizations and other less liquid investment securities. The Company estimates the fair value of residual interests in securitizations based on a DCF analysis.

Derivative Instruments

Derivative instruments are accounted for as either assets or liabilities and are carried at fair value. Exchange-traded derivative instruments are valued using quoted market prices and are classified within Level 1 of the valuation hierarchy. The Company's derivative instruments related to interest rate contracts are not exchange-traded and are valued using internally developed models that use readily observable market parameters and are classified within Level 2 of the valuation hierarchy. The Company's derivatives instruments related to Warrants on common stock are valued based upon models with significant unobservable market parameters and are classified within Level 3 of the valuation hierarchy.

The Company accounts for certain of its assets and liabilities at fair value on a recurring basis or considers fair value in their measurement. The following table summarizes the assets and liabilities measured at fair value on a recurring basis, including the commercial real estate note receivable for which the Company has elected the fair value option (in thousands):

Description	Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of January 30, 2015
Commercial real estate note receivable………………………….	$ -	$ -	$ 4,224	$ 4,224
Investment securities available for sale……………..…………	-	-	870	870
Derivative assets - interest rate contracts…………..…………	-	-	-	-
Total assets measured at fair value on a recurring basis………	$ -	$ -	$ 5,094	$ 5,094
Derivative liabilities in our own equity measured at fair value on a recurring basis…………..……...………………...……….	$ -	$ -	$ 15,353	$ 15,353

Description	Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of January 31, 2014
Commercial real estate note receivable………………………….	$ -	$ -	$ 3,941	$ 3,941
Investment securities available for sale……………..…………	-	-	1,560	1,560
Derivative assets - interest rate contracts…………..…………	-	387	-	387
Total assets measured at fair value on a recurring basis………	$ -	$ 387	$ 5,501	$ 5,888
Derivative liabilities in our own equity measured at fair value on a recurring basis…………..……...………………...……….	$ -	$ -	$ -	$ -

Level 3 financial assets presented in the table above include commercial real estate notes receivable and investment securities classified as available-for-sale. These instruments were valued using pricing models and DCF models that incorporate assumptions, which in management’s judgment, reflect the assumptions a marketplace participant would use including discount rates, spreads and collateral values as well as internal risk ratings and anticipated credit losses. Level 3 financial liabilities presented in the table above include derivative liabilities related to Warrants on common stock that were valued using a Black-Scholes-Merton pricing model with certain inputs that utilized significant unobservable market parameters, including historical volatility.

Realized gains or losses for investment securities classified as available-for-sale are reported as a component net gains (losses) on investments and real estate on the Consolidated Statement of Comprehensive Income. Gains or losses for derivatives assets are reported as a component of other noninterest income on the Consolidated Statement of Comprehensive Income. Gains or losses for derivative liabilities are reported as loss on derivatives in our own equity on the Consolidated Statement of Comprehensive Income.

There were no transfers of assets between Level 1 and Level 2 for the year ended January 30, 2015 and January 31, 2014. There were no transfers of assets into Level 3 or out of Level 3 for the year ended January 30, 2015 and January 31, 2014.

The following table summarizes the changes in fair value for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	January 30, 2015				January 31, 2014		
	Commercial Real Estate Note Receivable	Investment Securities Available for Sale	Derivative Liabilities in Our Own Equity	Total	Commercial Real Estate Note Receivable	Investment Securities Available for Sale	Total
Beginning balance	$ 3,941	$ 1,560	$ -	$ 5,501	$ 3,684	$ 3,704	$ 7,388
Purchases, issuances, sales and settlements:							
Purchases	-	-	-	-	-	11,027	11,027
Issuances	-	-	-	-	-	-	-
Sales	-	-	-	-	-	(17,832)	(17,832)
Settlements	-	(15,972)	-	(15,972)	-	(32,059)	(32,059)
Total net realized/unrealized losses:				-			
Included in earnings	283	15,938	15,353	31,574	257	37,902	38,159
Included in other comprehensive income (loss)	-	(656)	-	(656)	-	(1,182)	(1,182)
Ending balance	$ 4,224	$ 870	$ 15,353	$ 20,447	$ 3,941	$ 1,560	$ 5,501
Change in unrealized gains for the period included in earnings for assets or liabilities still held as of end of year	$ 283	-	$ 15,353	$ 15,636	$ 257	-	$ 257

Certain assets are measured at fair value on a nonrecurring basis, including adjustments to fair value based on the application of lower of cost or fair value accounting and asset impairments. There were no liabilities measured at fair value on a nonrecurring basis as of January 30, 2015 and January 31, 2014. Loans held-for-sale accounted for at the lower of cost or fair value are measured at fair value on a nonrecurring basis. The fair values of commercial real estate are based on signed purchase agreements or bids received from third parties to purchase as well as third-party appraisals and discounted cash flows expected to result from the use and eventual disposition of the assets. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of January 30, 2015 and January 31, 2014. The carrying values of certain impaired loans held-for-sale measured at fair value on a nonrecurring basis and using significant unobservable inputs (Level 3) and still held as of January 30, 2015 and January 31, 2014 were $2.1 million and $2.6 million, respectively.

The following table presents the carrying amount and fair value of financial assets and financial liabilities (in thousands):

		January 30, 2015		January 31, 2014	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:					
Investment securities available for sale	Level 3	$ 870	$ 870	$ 1,560	$ 1,560
Loans held for sale	Level 3	78,080	82,702	103,716	107,410
Derivative assets	Level 2	-	-	387	387
Financial Liabilities:					
Secured and other borrowings	Level 2	81,315	81,315	107,274	107,274
Derivative liabilities	Level 3	15,353	15,353	-	-

Cash, Cash Equivalents and Restricted Cash — the carrying value approximates fair value due to the short-term nature of the instruments and are classified as Level 1.

Customer Accounts Receivables — the carrying value approximates fair value due to the short-term nature of the receivables and are classified as Level 1.

Commercial Real Estate Accounts and Other Receivables — the carrying value approximates fair value due to the short-term nature of the receivables. All commercial real estate accounts and other receivables are classified as Level 1, with the exception of the note receivable discussed above and summarized in the tables, which is classified as Level 2.

19. Stock-Based Compensation

Restricted Stock

Pursuant to the Plan, employment agreements were entered into with two of the Company's executives which included the grant of restricted shares of Common Stock ("nonvested shares"). The Company issued 541,676 nonvested shares pursuant to the employment agreements on September 30, 2011. The nonvested shares granted vested in increments of 25% on each of December 31, 2012, 2013, 2014 and 2015. Any dividends or distributions on the restricted shares were escrowed and paid pursuant to the vesting schedule noted above. The Company recognized stock-based compensation expense associated with these awards in general and administrative expenses on the Consolidated Statement of Comprehensive Income of $1.7 million and $1.8 million for the years ended January 30, 2015 and January 31, 2014, respectively.

The Company issued the non-management members of the Company's Board of Directors a grant of 243,767 nonvested shares pursuant to the Amended and Restated 2011 Restricted Stock and Restricted Stock Unit Plan ("Restricted Stock Plan") which was effective on August 29, 2012. This plan amended and restated the Restricted Stock Plan which was effective September 30, 2011 in order to appropriately align the incentive compensation of the Board of Directors of the Company with the interests of the stockholders of the Company in maximizing the return on the stockholders' equity interests. The grant included 182,827 nonvested shares that were scheduled to vest two-thirds on October 1, 2014 and one-third on October 1, 2015. The grant also included 60,940 performance based nonvested shares which vested December 31, 2014 based upon the aggregate amount distributed to the Company's stockholders on a cumulative basis from August 29, 2012 to December 31, 2014 ("Aggregate Distribution"). The vesting conditions for the performance based nonvested shares are as follows: (a) one-third vest if the Aggregate Distribution is at least $2.2 billion, (b) two-thirds vest if the Aggregate Distribution is at least $2.4 billion and (c) all vest if the Aggregate Distribution is at least $2.6 billion. On November 7, 2014, in conjunction with the Bluestem Brands acquisition, the nonvested shares scheduled to vest on October 1, 2015 and the performance based nonvested shares all fully vested. Stock compensation expense associated with these awards of $0.5 million and $0.1 million was recognized for the years ended January 30, 2015 and January 31, 2014, respectively. The awards for the non-management members of the Board of Directors of the Company were accounted for as a liability.

Under the Restricted Stock Plan, the non-management members of the board of directors were granted additional awards of 249,623 nonvested shares on November 10, 2014. These shares fully vest on November 10, 2015 and any dividends or distributions on the restricted shares are to be escrowed and paid as of the vesting date. Stock compensation expense associated with these awards of $0.2 million was recognized for the year ended January 30, 2015. The awards for the non-management members of the Board of Directors of the Company are accounted for as a liability.

The following table summarizes nonvested shares activity and related information:

	Year ended January 30, 2015				Year ended January 31, 2014			
	Performance Based Nonvested Shares		Other Nonvested Shares		Performance Based Nonvested Shares		Other Nonvested Shares	
	Number of nonvested shares	Weighted average grant date fair value	Number of nonvested shares	Weighted average grant date fair value	Number of nonvested shares	Weighted average grant date fair value	Number of nonvested shares	Weighted average grant date fair value
Outstanding as of the beginning of the period…..	60,940	$ 25.50	318,246	$ 20.31	60,940	$ 25.50	453,665	$ 18.22
Granted………………......	-	-	249,623	4.23	-	-	-	-
Vested……………..….....	(60,940)	(26)	(318,246)	20.31	-	-	(135,419)	13.30
Forfeited………………....	-	-	-	-	-	-	-	-
Outstanding as of the end of the period……………..	$ -	$ -	249,623	$ 4.23	60,940	$ 25.50	318,246	$ 20.31

The total fair value of nonvested shares that vested was 1.8 million and $0.5 million for the years ended January 30, 2015 and January 31, 2014, respectively.

Warrants

The Company issued Warrants on May 8, 2014, which may be exercised for a period of five years either concurrently or following the consummation of an approved acquisition transaction. Under the terms of the Investment Agreement, Centerbridge is anticipated to provide assistance to the Company in identifying acquisition opportunities, which is deemed to be a performance commitment. The performance commitment for the Warrants will be met when the Company consummates an approved acquisition transaction.

Centerbridge is required to exercise the Warrants if the Company consummates a company approved acquisition transaction that is also approved by Centerbridge during the Investment Period, such that the proceeds of exercise are used to fund up to 50% of the equity component of the acquisition. The Bluestem Brands acquisition triggered such requirement to exercise Warrants. As the performance commitment for the Warrants was met with the Bluestem Brands acquisition, the Company recognized the difference between the Warrant exercise price of $4.01 and the fair value of the Warrants exercised as stock-based compensation expense in the amount of $20.1 million for the year ended January 30, 2015. The remaining 9.1 million Warrants are outstanding and a $15.4 million loss from derivatives in our own equity and a derivative liability of $15.4 million was recorded as of January 30, 2015.

During the Investment Period, Centerbridge must exercise its Warrants for cash, unless the Company consents to a cashless exercise. Following the Investment Period, Centerbridge may exercise any remaining Warrants on a cashless basis. The Warrants will be exercisable at a price equal to 110% of the per share Adjusted Book Value, subject to customary anti-dilution adjustment. The per share Adjusted Book Value was $3.65 as of January 30, 2015. See Note 3, *Significant Accounting Policies and Recently Issued Accounting Standards — Derivative Liabilities in Our Own Equity*, for further discussion of the accounting treatment for the Warrants remaining after the Bluestem Brands acquisition.

Stock Options

Concurrent with acquiring Bluestem Brands on November 7, 2014, the Company adopted an Equity Incentive Plan to further align the interests of eligible participants with those of the Company's stockholders by providing long-term incentive compensation opportunities tied to the performance of the Company and its common stock. During the year ended January 30, 2015, 18,827,761 stock options were granted under the Equity Incentive Plan and vest to recipients upon both the passage of time and the Company's attainment of specified performance measurements, subject to continued service with the Company. The time-based portion of the awards generally vest proportionally (20% per year) over a five year period from the grant date and all options awarded under the plan expire after ten years. Fifty percent of the performance-based award vests if the fair market value of the common stock, valued at a five percent discount from such fair market value, is at least $8.25. The remaining fifty percent of the performance based award vests if the fair market value of the common stock, valued at a five percent discount from such fair market value, is at least $9.50.

Under the plan, the Company compensated officers and key employees with stock-based compensation. A summary of stock option activity provided below:

	Year ended January 30, 2015					
	Performance Based Stock Options			Time Based Stock Options		
	Number of nonvested shares	Weighted average exercise price per share	Weighted average remaining contractual term (years)	Number of nonvested shares	Weighted average exercise price per share	Weighted average remaining contractual term (years)
Outstanding as of the beginning of the period……………………………………...	-	-	-	-	-	-
Granted……………………………………..……	11,296,658	$ 4.62	9.8	7,531,103	$ 4.62	9.8
Vested……………...…………………………	-	-	-	-	-	-
Forfeited………………………………………	-	-	-	-	-	-
Outstanding as of the end of the period……………………………………...	11,296,658	$ 4.62	9.8	7,531,103.0	$ 4.62	9.8
Exercisable as of January 30, 2015………….	-			-		

The weighted-average grant date fair value of the stock option granted during the year ended January 30, 2015 was $1.06 per share. Stock compensation expense associated with these awards of $0.8 million was recognized for the period from Date of Acquisition through January 30, 2015. At January 30, 2015, there was approximately $18.2 million of unrecognized stock option compensation expense related to nonvested stock options that is expected to be recognized over a weighted-average period of approximately 9.8 years.

A third party valuation advisor was utilized to assist management in determining the fair value of options granted using the Black-Sholes-Merton option-pricing model based on the grant price and assumptions regarding the expected term, expected volatility, dividends, and risk-free interest rates. A description of significant assumptions used to estimate the expected volatility, expected term, risk-free interest rate, and forfeiture rate are as follows:

- *Expected Volatility* — Expected volatility was determined based on historical volatility of stock prices of a public company peer group.
- *Expected Term* — Expected term represents the period that stock-based awards are expected to be outstanding and was determined based on historical experience and anticipated future exercise patterns, considering the contractual terms of unexercised stock-based awards.
- *Risk-Free Interest Rate* — The risk-free interest rate was based on the implied yield currently available on U.S. Treasury zero-coupon issues with a term equal to the expected term.
- *Forfeiture Rate* — Historical data was used to estimate forfeitures.

The assumptions used to calculate the fair value of awards granted during the year ended January 30, 2015 using the Black-Scholes-Merton option-pricing model were as follows:

	January 30, 2015
Expected volatility………………………………………………	35.0%
Expected term (years)……………...……………………………	6.5
Risk-free interest rate……………………………….…………	2.03%
Forfeiture rate…………………………………………………...	5.0%
Expected dividend yield…………………….…………………	-

20. Employee Benefit Plans

Retirement Benefits

The Company maintains three defined contribution plans. The Capmark 401(k) Plan ("Capmark 401(k) Plan") is a defined contribution plan and has a matching contribution provision in which CFGI employees who contribute to the Capmark 401(k) Plan receive a dollar-for-dollar match up to a maximum amount. Employees are 100% vested in their pretax contributions at all times and the employer matching contributions are subject to a five-year vesting schedule. The related expense for the year ended January 31, 2014 was $0.2 million. There was no expense recognized for the year ended January 30, 2015.

In May 2013, the Company announced its decision to terminate the active administration of the Capmark 401(k) Plan effective March 31, 2014. All Capmark 401(k) Plan participants who were not fully vested in the employer match as of March 31, 2014 were made to be 100% vested as of that date. In November 2014, the Company received a favorable determination notice from the Internal Revenue Service ("IRS") acknowledging and authorizing the plan termination. In December 2014, the Plan termination date was amended to May 31, 2014 for administrative reasons. The IRS was informed of this change. All participant assets were distributed from the Plan as of April 8, 2015 and the Plan was effectively terminated.

The Company, through its subsidiary Capmark Finance LLC ("CFL"), also sponsors a Savings Incentive Match Plan for Employees of Small Employers ("Simple"). This plan is a Simple Individual Retirement Account ("Simple IRA") which allows for employee pretax contributions, up to the annual Internal Revenue Code contribution limit, for all eligible employees of CFL. The Company began sponsoring the Simple IRA on January 1, 2015. The Company contributes 2% of employee earnings (up to the annual IRS earnings limit) to the Simple IRA, regardless of the employee's participation or contribution amount. Employees are 100% vested in their pretax contributions at all times and are fully vested in the employer contribution when made. The related expense for the year ended January 30, 2015 was $0.1 million.

The Bluestem Brands 401(k) Retirement Savings Plan (the "Bluestem 401(k) Plan") is open to eligible Bluestem Brands employees who have attained age 21. Bluestem Brands employees covered by a collective bargaining agreement are not eligible for participation. The Bluestem 401(k) Plan allows for employee pretax contributions up to the Internal Revenue Code contribution limit. The first 3% of employee contributions are matched by the Company at a rate of 100%, and the next 2% of employee contributions are matched by the Company at a rate of 50%, up to a total maximum company matching contribution of $10,400. Employees are 100% vested in their pretax contributions at all times and are fully vested in the employer matching contribution when made. Contributions are expensed as incurred and were $0.6 million for the period from date of acquisition through January 30, 2015.

Bluestem Brands participates in a multiemployer retirement plan, Unite Here National Retirement Plan (the "Retirement Plan"). The Retirement Plan is open to eligible union employees at Bluestem Brands' St. Cloud, Minnesota, distribution center. The eligibility for participation in the Retirement Plan is completion of 1,000 hours of service. The participants earn a right to benefits after attaining five years of vesting service. The union collective bargaining agreement expires March 31, 2017 and sets forth terms of the Company's participation. The Company's contributions were $0.1 million for the period from date of acquisition through January 30, 2015.

Long Term Incentive Benefits

In connection with the Plan, a $9.2 million long term incentive plan was established which provides deferred cash payments to certain members of management. These awards generally entitle recipients to receive a variable cash payment, based upon the performance of and achievement of specific recovery values for the operational areas, measured no later than December 31, 2014 and payable by March 2015. The Company made cash payments for substantially all of the remaining obligations for the long term incentive plans in the year ended January 31, 2014 and the remaining amounts were paid by March 2015. Current accrued costs and other liabilities on the Consolidated Balance Sheet included $1.2 million as of both January 30, 2015 and January 31, 2014, associated with the long term incentive plan. The Company recognized the $3.5 million estimate of the remaining expense associated with the long term incentive plan for the year ended January 31, 2014.

Retention Programs

In connection with the Plan, a $6.1 million retention program was established for certain of the Company's eligible employees. These awards of deferred cash compensation generally entitle the recipient to receive a fixed cash payment on each annual vesting date. Final payments under the retention program were made in January 2015. At January 31, 2014, current accrued cost and other liabilities on the Consolidated Balance Sheet included $0.7 million associated with this retention program. There was no liability related to the retention program remaining at January 30, 2015. The related compensation and benefit expense for the year ended January 30, 2015 and January 31, 2014 was $0.2 million and $1.1 million, respectively.

21. Commitments and Contingent Liabilities

Equity Investment Commitments

As of January 30, 2015, the Company had outstanding commitments for continuing operations to provide $7.6 million in less than 1 year and $7.8 million in one to three years of equity to equity method investees.

Operating Lease Commitments

The Company has operating lease commitments for equipment and facilities that expire on various dates through 2024. Rental expense was $1.9 million**,** net of $0.8 million of sublease income, for the year ended January 30, 2015. Rental expense was $0.9 million, net of $0.8 million of sublease income, for the year ended January 30, 2014. Rent expense is included in general and administrative expenses in the Consolidated Statements of Comprehensive Income.

In June 2014, the Company sold its corporate headquarters in Horsham, Pennsylvania and moved to a new office in Horsham under a lease effective September 1, 2014. The lease has a term of 36 months, with payments beginning September 1, 2014, and increasing $0.50 per square foot annually. The Company is responsible for its pro-rata share of all operating expenses at the multi-office complex. With the consent of the lessor, the Company can assign or sublet all or a portion of its office space.

The Company leases office space in McClean, Virginia which was formerly occupied by certain operations of Predecessor CFGI. The Company's lease commenced May 15, 2006 and will terminate on August 31, 2016. The base rent increases 2.75% per annum and the Company is responsible for its pro-rata share of operating expenses. The Company has subleased all of the space to three non-affiliated companies through the remaining term of the lease.

The Company leases its St. Cloud, Minnesota distribution center for Bluestem Brands' operations under a lease effective February 1, 2009, with an initial term of 180 months. Rent payments began February 1, 2009 and increase 2.5% per annum. The Company is responsible for all operating expenses. The Company has an option to accelerate the termination of the lease that can be exercised between January 31, 2022 through January 31, 2024, by providing written notice to the landlord and incurring a termination fee. The termination fee is determined based on a formula, including monthly minimum and additional rentals, operating expenses, and the recapture of the remaining unamortized portion of the tenant allowances and real estate broker commissions paid by the landlord. The Company also has an option to extend the lease for two consecutive five-year terms.

The Company also leases a building for Bluestem Brands headquarters in Eden Prairie, Minnesota under a lease effective June 1, 2008, with an initial term of 124 months, including a four-month rent holiday. Payments began October 1, 2008 and increase 2% per annum. The Company is responsible for all operating expenses. The Company has an option to terminate the lease agreement effective May 31, 2016, by providing written notice to the landlord by May 31, 2015, and paying a termination fee of $3 million. In addition, the Company has the option to extend the lease for two consecutive five-year terms.

Lease Commitments

The Company holds assets under capital lease commitments, principally computer hardware used for corporate data storage, software and equipment, and is obligated under existing capital lease commitments to make future payments, including interest, of $5.0 million through fiscal year 2019.

The aggregate minimum rental commitments under operating leases, net of sublease income, and future maturities of capital leases for subsequent years as of January 30, 2015, are as follows (in thousands):

Fiscal Years	Operating	Capital
2015	$ 6,116	$ 1,788
2016	5,757	1,742
2017	5,123	1,058
2018	4,557	296
2019	3,607	99
Thereafter	14,749	-
Sublease income	(1,326)	-
Total future minimum lease payments	$ 38,583	4,983
Less amount representing interest		(242)
Present value of future minimum lease payments		$ 4,741

Certain of the Company's leases contain predetermined rent increases over the lease term. These rent increases are included in the above minimum rental commitments table in the year in which the rent increase occurs.

Telephone Consumer Protection Act

Bluestem Brands entered into an agreement to settle certain claims relating to allegations that the Company failed to comply with certain requirements of the Telephone Consumer Protection Act. The Company has recorded a $4.5 million liability and a $1.2 million receivable from a third party collection company related to the settlement as of January 30, 2015. On May 14, 2015, the magistrate judge assigned to review the settlement recommended against accepting it based on the belief that the class of proposed plaintiffs do not meet the requirements set forth in the federal rules for certifying a class action. As a result, the parties to the litigation cannot settle the matter as originally agreed. It is not possible, at the time, to determine the outcome of the matter or the likelihood of any potential additional liability from the matter except that a significant portion of any potential loss would be borne by the predecessor stockholders of Bluestem Brands per terms of the agreement dated September 28, 2014 whereby the Company acquired Bluestem Brands on November 7, 2014.

Litigation

The Company and, former officers, directors and employees of CFGI (collectively, the "Capmark Parties") may be subject to potential liability under laws and government regulations, and various prepetition and post-petition claims, as applicable and other legal actions that are pending or may be asserted against it. The Capmark Parties may also be subject to governmental and regulatory examinations, information requests, investigations and proceedings, certain of which may result in settlements, fines, penalties, or other relief. The Capmark Parties also receive numerous requests, subpoenas and orders seeking documents, testimony and other information in connection with various aspects of their prepetition and post-petition businesses. In addition, the Company is periodically involved in legal proceedings arising in the ordinary course of business including, among others, claims relating to collection activities. The Company is well positioned to defend against such claims but, due to the general uncertainty of litigation could, in the future, enter into settlements of claims or incur judgments that could have a material adverse effect on its results of operations in any particular period. Legal costs for these matters are expensed as incurred. Predecessor stockholders of Bluestem Brands are responsible for certain litigation matters as specified in the agreement whereby the Company acquired Bluestem Brands on November 7, 2014.

As of January 30, 2015, after consultation with counsel and based on current knowledge, it is the opinion of management that potential liability arising from pending litigation is not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. However, due to the inherent uncertainty with respect to these matters and since the ultimate resolution of the Company's litigation, claims and other legal proceedings are influenced by factors outside of the Company's control, it is reasonably possible that actual results will differ from management's estimates.

22. Regulatory Matters

Capmark Bank

Capmark Bank was a Utah chartered industrial bank and a wholly-owned subsidiary of Successor CFGI. Deposits that were maintained by Capmark Bank were eligible for insurance by the FDIC. Capmark Bank was subject to regulation and periodic examination by the Utah Department of Financial Institutions ("UDFI") and the FDIC and was required to pay applicable FDIC insurance premiums and comply with applicable capital adequacy requirements, limitations on transactions with affiliates, and other federal and state banking regulations. On September 25, 2013, the FDIC issued an order determining that Capmark Bank was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013. When the termination of deposit insurance became effective, Capmark Bank was no longer subject to FDIC regulation and examination and was not required to comply with capital adequacy requirements. Also on December 31, 2013, the Company returned to the UDFI the industrial bank charter under which Capmark Bank had operated since inception. On January 1, 2014, Capmark Bank amended its articles of organization to change its name to Capmark Utah.

FDIC Capital Issues and Cease and Desist Orders

On October 2, 2009, Capmark Bank consented to cease and desist orders (the “C&D Orders”) with the FDIC and the UDFI requiring Capmark Bank to, among other restrictions, (i) maintain a Tier 1 capital to total assets ratio (“Tier 1 Leverage Ratio”) of at least 8% and a ratio of qualifying total capital to risk-weighted assets ratio of at least 10%, and (ii) not extend credit to affiliates or issue dividends without the prior written consent of the FDIC and the UDFI. As a result of the inclusion of specific capital requirements in the C&D Orders, Capmark Bank was considered “adequately capitalized” under applicable FDIC regulations. Capmark Bank remained in compliance with the requirements of the C&D Orders, which were in effect until terminated by the FDIC and UDFI in January 2014.

Capital Maintenance Agreement

In 2006 Predecessor CFGI and Capmark Bank entered into a capital maintenance agreement (the “Capital Maintenance Agreement,” or “CMA”) with the FDIC requiring Predecessor CFGI to contribute cash or other assets acceptable to the FDIC to Capmark Bank if it falls below “well-capitalized” status or its Tier 1 Leverage Ratio falls below 8%.

Pursuant to Section 365(o) of the Bankruptcy Code, in its bankruptcy Successor CFGI was deemed to have assumed its commitments to the FDIC under the CMA to maintain the capital level of Capmark Bank but the CMA was no longer applicable after December 31, 2013.

23. Accumulated Other Comprehensive Income

The following table summarizes the components of accumulated other comprehensive income (loss), net of tax (in thousands):

	January 30, 2015	January 31, 2014
Net unrealized gain on investment securities:		
Net unrealized gain on investment securities as of beginning of period, net of tax…………………………………………………	$ 1,601	$ 2,849
Net unrealized gains arising during the period…………………	17,741	36,502
Less reclassification adjustment for net gains included in net income………………………………………………………………	(18,478)	(37,750)
Net unrealized gain on investment securities as of end of period, net of tax…………………………………………………………	864	1,601
Net foreign currency translation adjustment ………………	-	-
Balance as of end of period………………………………………	$ 864	$ 1,601

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income (loss), net of tax (in thousands):

	January 30, 2015			January 31, 2014		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Balance as of beginning of period……………………………	$ 1,601	$ -	$ 1,601	$ 2,849	$ (8,964)	$ (6,115)
Net unrealized gains (losses) arising during the period………………………………………………………	17,741	-	17,741	36,502	(780)	35,722
Less: reclassification adjustment for net gains (losses) included in net income………………………………………	(18,478)	-	(18,478)	(37,750)	9,744	(28,006)
Net change during the period………………………………	(737)	-	(737)	(1,248)	8,964	7,716
Balance as of end of period…………………………………	$ 864	$ -	$ 864	$ 1,601	$ -	$ 1,601

As of January 31, 2014, the Company recognized $9.7 million in connection with the release of cumulative foreign currency translation losses which were previously recorded in accumulated other comprehensive income (loss) for the substantially complete liquidation of investments in foreign entities. Subsequent to January 31, 2014, the Company started recognizing foreign currency translation amounts directly to the Consolidated Statement of Comprehensive Income. Foreign currency translation amounts are recognized as a component of other noninterest income on the Consolidated Statement of Comprehensive Income.

The reclassification adjustments for investment securities for the years ended January 30, 2015 and January 31, 2014 were recorded as a component of other noninterest income on the Consolidated Statement of Comprehensive Income. The reclassification adjustments for foreign currency translation included in net income for the year ended January 31, 2014 were recorded as a component of other noninterest income on the Consolidated Statement of Comprehensive Income.

24. Segment Information

We review and present our business results in two reportable segments, Commercial Real Estate and Fingerhut, based on the organizational structure that we use to evaluate performance and make decisions on allocating resources and assessing performance.

Operating segments are defined as business areas or lines of an enterprise about which financial information is available and evaluated on a regular basis by the chief operating decision makers, or decision-making groups, in deciding how to allocate capital and other resources to such lines of business. The Company was previously organized under three reportable segments: Capmark Bank, North American Asset Management and Real Estate Investment Funds. As a result of the acquisition of Bluestem Brands, during the year ended January 30, 2015, the Company modified its management reporting structure to align with changes in how the business is managed. The Company has recast data from prior periods to reflect this change in reportable segments to conform to the current year presentation.

The Company's business segments are separately managed and organized based on the type of business conducted. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 3, except that disaggregated results have been prepared using a management approach, which is substantially consistent with the basis and manner in which management internally disaggregates financial information for the purpose of assisting in the operating-decision process. Material intersegment transactions have been eliminated in consolidation.

Commercial Real Estate
Commercial Real Estate is focused on managing its existing commercial real estate-related assets and business, including monetizing the assets when appropriate.

Fingerhut
Fingerhut is a national multi-brand online retailer servicing low income consumers by offering products with customized payment plans through revolving credit lines. Fingerhut offer a large selection of name-brand, private label, and non-branded merchandise through Internet websites and catalogs to customers in the United States. It primarily sells consumer electronics, domestics, housewares, home furnishings, children's merchandise, and apparel. By combining our proprietary marketing and credit decision-making technologies, we are able to tailor merchandise and credit offers to prospective as well as existing customers.

Other
As a result of not meeting the quantitative threshold requirements, two smaller operating segments within Bluestem Brands, Gettington.com and PayCheck Direct have been included within Other activity. Gettington.com targets middle income consumers and offers merchandise selections and payment plans similar to Fingerhut. PayCheck Direct is an employee benefit program that is offered directly through employers or organizations as a voluntary benefit to employees and members, which allows consumers to purchase products with the convenience of paying for their purchases over time through payroll deductions or automatic bank withdrawals.

Corporate
Consistent with the Company's management reporting, the business segments do not include corporate administrative and support functions or certain immaterial businesses. This includes unallocated payroll and benefit costs for corporate and administrative employees, including information technology, legal, human resources, finance, merchandising, supervision of credit servicing, executive and sales and marketing management; professional fees for bankruptcy related matters and investment and acquisition transactions; professional fees for legal, accounting and other service providers; occupancy costs of corporate and distribution center facilities; insurance; and maintenance and other overhead costs. The Company also does not allocate income taxes to its business segments or include any other eliminations, reclassifications or other adjustments that are made to conform the Company's management reporting to the consolidated financial statements.

Management evaluates segment performance based on revenue, operating expenses and results of continuing operations. The following tables summarize the financial results of the continuing operations for the Company's business segments (in thousands):

	Year ended January 30, 2015				
	Fingerhut	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue					
Net retail sales	$ 382,584	$ -	$ 49,808	$ -	$ 432,392
Commercial real estate revenue					
Net interest income	-	6,609	-	-	6,609
Net gains on investments and real estate	-	15,978	-	-	15,978
Other noninterest income	-	23,505	-	-	23,505
Total net sales and revenue	**382,584**	**46,092**	**49,808**	**-**	**478,484**
Costs and expenses					
Retail cost of goods sold	218,447	-	38,438	-	256,885
Retail sales and marketing expenses	62,669	-	6,459	-	69,128
Retail net credit expense (income)	17,075	-	936	-	18,011
Commercial real estate operating expenses	-	4,901	-	-	4,901
General and administrative expenses	-	-	-	85,289	85,289
Amortization and depreciation not included in retail cost of goods sold	-	-	-	21,627	21,627
Loss from derivatives in our own equity	-	-	-	15,353	15,353
Total costs and expenses	**298,191**	**4,901**	**45,833**	**122,269**	**471,194**
Operating Income	**$ 84,393**	**$ 41,191**	**$ 3,975**	**$ (122,269)**	**$ 7,290**

	Year ended January 31, 2014				
	Fingerhut	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue					
Net retail sales	$ -	$ -	$ -	$ -	$ -
Commercial real estate revenue					
Net interest income	-	23,255	-	-	23,255
Net gain on investments and real estate	-	78,794	-	-	78,794
Other noninterest income	-	49,848	-	-	49,848
Total net sales and revenue	**-**	**151,897**	**-**	**-**	**151,897**
Costs and expenses					
Retail cost of goods sold	-	-	-	-	-
Retail sales and marketing expenses	-	-	-	-	-
Retail net credit expense (income)	-	-	-	-	-
Commercial real estate operating and other expenses	-	18,583	-	-	18,583
General and administrative expenses	-	-	-	28,830	28,830
Amortization and depreciation not included in retail cost of goods sold	-	-	-	737	737
Loss from derivatives in our own equity	-	-	-	-	-
Total costs and expenses	**-**	**18,583**	**-**	**29,567**	**48,150**
Operating Income	**$ -**	**$ 133,314**	**$ -**	**$ (29,567)**	**$ 103,747**

25. Subsequent Events

These financial statements include consideration of subsequent events through May 25, 2015, the date the consolidated financial statements were issued. The FHLB obtained all necessary regulatory approvals for redemption of its outstanding shares of regulatory-restricted mandatorily redeemable capital stock. On May 18, 2015, the FHLB redeemed the Company’s outstanding shares of regulatory-restricted mandatorily redeemable capital stock at par for $29.4 million. See Note 10, *Equity Investments,* for additional information regarding the Company’s investment in the capital stock of the FHLB that is considered regulatory-restricted mandatorily redeemable capital stock.