Bluestem Group Inc.
Report as of and for the 13- and 39-weeks ended
October 30, 2015 and October 31, 2014
This report is issued December 15, 2015

BLUESTEM GROUP INC.

6509 Flying Cloud Drive
Eden Prairie, Minnesota 55344

BLUESTEM GROUP INC.

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FORWARD-LOOKING STATEMENTS

This report as of and for the 13- and 39-weeks ended October 30, 2015 and October 31, 2014 ("Quarterly Report") contains statements that are "forward-looking statements". Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. All statements contained herein that are not clearly historical in nature are forward-looking. In some cases, you can identify these statements by use of forward-looking words, such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "project," "intend," "could," or similar expressions. In particular, statements regarding Bluestem 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 Bluestem 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 Bluestem Group Inc. and its consolidated subsidiaries' control and may cause actual results and performance to differ materially from Bluestem Group Inc. and its consolidated subsidiaries' expectations. Important factors that could cause actual results to be materially different from Bluestem Group Inc. and its consolidated subsidiaries' expectations include the risks and uncertainties set forth in "Risk Factors" in the Bluestem Group Inc. and its consolidated subsidiaries' report as of and for the years ended January 30, 2015 and January 31, 2014 (the "Annual Report") (available at www.bluestem.com) as updated by the "Risk Factors" section in this Quarterly Report.

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

BUSINESS

As used in this report:

- "BGI," "we," "us," "our," or "the Company" refers to Bluestem Group Inc. with its consolidated subsidiaries
- "Bluestem" refers to Bluestem Brands, Inc., an indirect subsidiary of Bluestem Group Inc. which consists of the Bluestem Legacy Portfolio of retail brands and the Orchard Portfolio of retail brands
- "Bluestem Legacy Portfolio" refers to the consolidated Fingerhut, Gettington and PayCheck Direct retail brands
- "Orchard Portfolio", or "Orchard" refers to the consolidated Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, Sahalie, Solutions, Tog Shop, and WinterSilks retail brands
- "Commercial Real Estate" refers to the commercial real estate finance operations of BGI

The Company

Bluestem Group Inc. is a holding company whose businesses include Bluestem Brands, a multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving the boomer and senior demographic, generally considered age 50 and over, and low- to middle-income consumers across all age group demographics through 16 retail brands that include: Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Fingerhut, Gettington, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, PayCheck Direct, Sahalie, Solutions, Tog Shop and Wintersilks. Complementing each Bluestem Legacy Portfolio brand is a large selection of merchandise with payment options that provide customers with the flexibility of paying over time. Bluestem Group Inc. also includes Commercial Real Estate which is focused on managing a commercial real estate-related business and existing assets, including monetizing these assets when appropriate.

On March 5, 2014, we entered into an agreement with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in us by Centerbridge ("Investment Agreement"), subject to certain terms and conditions. On May 8, 2014, following receipt of stockholder approval, we, 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 million of convertible 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, subject to certain terms and conditions. Funds made available to us by Centerbridge would be used, together with our 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, proceeds from the exercise of warrants by Centerbridge were used to finance the acquisition of Bluestem Brands, Inc.

On November 7, 2014, a subsidiary of BGI acquired all of the outstanding common shares and voting interests of Bluestem for $565 million in cash, subject to various pre-closing and post-closing adjustments. We funded the purchase price and associated transactional expenses with $136 million of cash on hand, $136 million of proceeds from the exercise of Warrants by Centerbridge pursuant to the terms of the Investment Agreement, and a $300 million term loan facility issued by Bluestem (the "Initial Term Loan"). Certain members of Bluestem's management team also provided capital for the transaction through the purchase of our common stock. In addition, Bluestem closed on an amendment and restatement of its $80 million asset backed line of credit (the "Asset Backed Line of Credit").

On June 17, 2015, our stockholders approved a change in our name from Capmark Financial Group Inc. to Bluestem Group Inc. and we filed an amendment to our Amended and Restated Articles of Incorporation to change our name to Bluestem Group Inc.

On July 10, 2015, Bluestem Brands, Inc. acquired all of the outstanding common shares and voting interests of Orchard Brands Corporation, which operates the Orchard Portfolio, for $410 million in cash, subject to various pre-closing and post-closing adjustments. We funded the purchase price and associated transactional expenses with $104 million of cash on hand, $270 million of proceeds from a term loan facility (the "Incremental Loans" and, together with the "Initial Term Loan", the "Term Loan") issued by Bluestem, and $25 million of borrowings under Bluestem's Asset Backed Line of Credit, which was amended and restated to increase the size of the facility to $200 million.

See Note 4, *Business Combinations,* of our Notes to condensed consolidated financial statements for pro forma information and further discussion of the Bluestem and Orchard Brand Corporation acquisitions.

MANAGEMENT'S COMMENTARY ON RESULTS OF OPERATIONS, LIQUIDITY AND CAPITAL RESOURCES

Our "Management's Commentary on Results of Operations, Liquidity and Capital Resources" is organized as follows:

- *Overview and Basis of Presentation:* This section provides a discussion of the presentation of our consolidated results and the presentation of our segment results.

- *Results of Operations:* This section presents our consolidated results of operations, segment results, a detailed analysis of each segment's results of operations, and a discussion of information that we believe is meaningful to an understanding of our results of operations.
- *Liquidity and Capital Resources:* This section provides an analysis of our liquidity and cash flows.

Overview and Basis of Presentation

Bluestem Group Inc. is a holding company whose businesses include Bluestem Brands, a multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving the boomer and senior demographic, generally considered age 50 and over, and low- to middle-income consumers through 16 retail brands that include: Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Fingerhut, Gettington, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, PayCheck Direct, Sahalie, Solutions, Tog Shop and Wintersilks. Complementing each Bluestem Legacy Portfolio brand is a large selection of merchandise with payment options that provide customers with the flexibility of paying over time. Bluestem Group Inc. also includes Commercial Real Estate which is focused on managing a commercial real estate-related business and existing assets, including monetizing these assets when appropriate.

We review and present our consolidated business results based on the organizational structure we use to evaluate performance and make decisions on allocating resources and assessing performance. Our consolidated business results are being presented in three reportable segments (referred to herein as "segments") Fingerhut, Orchard and Commercial Real Estate.

On December 18, 2014, we changed our fiscal year from December 31 to the Friday closest to January 31 of the following year to conform to the fiscal year of Bluestem. Bluestem 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. The previously unaudited results for the Company for the 13- and 39-weeks ended September 30, 2014 were restated for the new fiscal quarter.

Fingerhut

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

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

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, 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 making a down payment.

Orchard

Orchard is a national multi-channel retailer offering apparel, accessories, and home products for women and men principally in the boomer and senior demographic, generally considered age 50 and older. Orchard offers its product assortments through various platforms including online, direct mail, and in retail and outlet stores. The products are offered under the brands Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, Sahalie, Solutions, Tog Shop, and WinterSilks.

Important drivers of Orchard's business performance include growth in new customers, average order size, existing customer repurchase rates, the mix of merchandise sold to customers, and promotional strategy.

Orchard has an extensive proprietary database of customer information for over 32 million households, including customer demographics and purchasing history. Orchard is able to design its marketing programs using this source of information. Marketing strategies are designed to grow lifetime value with its customers by using the strength of its brand portfolio to meet more of its customer's needs. Multiple Orchard brand relationships are fostered through circulation strategies, the design of its web universal cart, and its use of a third-party private label credit platform across all brands. The purchase of Orchard Brands broadens and diversifies the customer base and retail capabilities of Bluestem.

Commercial Real Estate

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

Other
As a result of not meeting the quantitative threshold requirements, two smaller operating segments within the Bluestem Legacy Portfolio, Gettington and PayCheck Direct, have been included within Other.

Gettington offers a wide assortment of merchandise and recognized brand names with a focus on the online shopping experience with customized payment plans. During the fourth quarter of fiscal 2015, we decided to reposition our Gettington business to focus on selling discounted, overstock and close-out merchandise to customers using Gettington's proprietary credit. Close-out, overstock and discounted merchandise segments are growing faster than general retail and currently do not well serve consumers who want the ability to buy now and pay over time. We have been considering the integration of a discount strategy into our business model for some time. We believe transitioning the Gettington business to fill this void is a natural fit, allowing us to leverage the existing Gettington retail platform and our deep expertise with payment plans to provide an exciting, new shopping opportunity for both new and existing Bluestem customers. This new business model for Gettington is expected to launch during the first quarter of our 2016 fiscal year and we will continue to operating the new business under the Gettington name. As part of repositioning Gettington's business, we expect to market Gettington's merchandise to existing Gettington customers and to a new customer base that is substantially similar to Fingerhut's current customer base.

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 12 months through payroll deductions or automatic bank withdrawals.

Corporate
Corporate includes expenses for the Bluestem Legacy Portfolio and Commercial Real Estate. These 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 investment and acquisition transactions, legal, accounting, and other service providers; occupancy costs of corporate offices; insurance; maintenance; and other overhead costs.

This Quarterly Report should be read in conjunction with the Annual Report.

Results of Operations

Consolidated Results of Operations

The following table provides our consolidated results of operations (in thousands):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015 (1)	October 31, 2014
Net sales and revenue				
Net retail sales	$ 474,957	$ -	$ 982,507	$ -
Commercial real estate revenue				
Net interest income	664	1,204	1,841	4,875
Net gains on investments available-for-sale	401	2,170	674	15,946
Other noninterest income	5,983	9,336	13,569	15,209
Total net sales and revenue	**482,005**	**12,710**	**998,591**	**36,030**
Costs and expenses				
Retail cost of goods sold	244,049	-	533,844	-
Retail sales and marketing expenses	137,753	-	245,540	-
Retail net credit expense	15,143	-	31,251	-
Commercial real estate operating expenses	618	860	1,900	4,068
General and administrative expenses	58,748	6,795	146,465	20,452
Amortization and depreciation not included in retail cost of goods sold	16,462	-	43,271	54
Gains on derivatives in our own equity	(14,120)	-	(6,306)	-
Total costs and expenses	**458,653**	**7,655**	**995,965**	**24,574**
Operating income	23,352	5,055	2,626	11,456
Retail interest expense	13,945	-	30,219	-
Income (loss) from continuing operations before income tax expense	**9,407**	**5,055**	**(27,593)**	**11,456**
Income tax (benefit) expense	(1,832)	(300)	(1,515)	199
Income (loss) from continuing operations after income tax expense	**11,239**	**5,355**	**(26,078)**	**11,257**
Income from discontinued operations, net of tax	-	37,790	-	33,037
Net income (loss)	**11,239**	**43,145**	**(26,078)**	**44,294**
Net gain attributable to noncontrolling interests	-	663	-	5,930
Net income (loss) attributable to Bluestem Group Inc.	**$ 11,239**	**$ 43,808**	**$ (26,078)**	**$ 50,224**
Other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities	(142)	(780)	5	(1,196)
Comprehensive income (loss) attributable to Bluestem Group Inc.	**$ 11,097**	**$ 43,028**	**$ (26,073)**	**$ 49,028**

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(1) Orchard Portfolio results are included for the period from July 10, 2015 through October 30, 2015.

Results of Operations by Segment:

The following tables provide selected financial information by segment (in thousands):

	13-Weeks Ended October 30, 2015					
	Fingerhut	Orchard	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Net retail sales	$ 208,652	$ 234,252	$ -	$ 32,053	$ -	$ 474,957
Commercial real estate revenue						
Net interest income	-	-	664	-	-	664
Net gains on investments available-for-sale	-	-	401	-	-	401
Other noninterest income	-	-	5,983	-	-	5,983
Total net sales and revenue	**208,652**	**234,252**	**7,048**	**32,053**	**-**	**482,005**
Costs and expenses						
Retail cost of goods sold	118,503	101,894	-	23,652	-	244,049
Retail sales and marketing expenses	42,324	89,139	-	6,290	-	137,753
Retail net credit expense	12,443	-	-	2,700	-	15,143
Commercial real estate operating expenses	-	-	618	-	-	618
General and administrative expenses	-	24,730	-	-	34,018	58,748
Amortization and depreciation not included in retail cost of goods sold	-	2,643	-	-	13,819	16,462
Gain from derivatives in our own equity	-	-	-	-	(14,120)	(14,120)
Total costs and expenses	**173,270**	**218,406**	**618**	**32,642**	**33,717**	**458,653**
Operating income (loss)	**$ 35,382**	**$ 15,846**	**$ 6,430**	**$ (589)**	**$ (33,717)**	**$ 23,352**

	13-Weeks Ended October 31, 2014					
	Fingerhut	Orchard	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Commercial real estate revenue						
Net interest income	$ -	$ -	$ 1,204	$ -	$ -	$ 1,204
Net gains on investments available-for-sale	-	-	2,170	-	-	2,170
Other noninterest income	-	-	9,336	-	-	9,336
Total net sales and revenue	**-**	**-**	**12,710**	**-**	**-**	**12,710**
Costs and expenses						
Commercial real estate operating expenses	-	-	860	-	-	860
General and administrative expenses	-	-	-	-	6,795	6,795
Total costs and expenses	**-**	**-**	**860**	**-**	**6,795**	**7,655**
Operating income (loss)	**$ -**	**$ -**	**$ 11,850**	**$ -**	**$ (6,795)**	**$ 5,055**

	39-Weeks Ended October 30, 2015					
	Fingerhut	Orchard [1]	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Net retail sales	$ 616,108	$ 282,693	$ -	$ 83,706	$ -	$ 982,507
Commercial real estate revenue						
Net interest income	-	-	1,841	-	-	1,841
Net gains on investments available-for-sale	-	-	674	-	-	674
Other noninterest income	-	-	13,569	-	-	13,569
Total net sales and revenue	**616,108**	**282,693**	**16,084**	**83,706**	**-**	**998,591**
Costs and expenses						
Retail cost of goods sold	347,874	124,243	-	61,727	-	533,844
Retail sales and marketing expenses	123,909	106,746	-	14,885	-	245,540
Retail net credit expense	26,694	-	-	4,557	-	31,251
Commercial real estate operating expenses	-	-	1,900	-	-	1,900
General and administrative expenses	-	30,851	-	-	115,614	146,465
Amortization and depreciation not included in retail cost of goods sold	-	3,392	-	-	39,879	43,271
Gain from derivatives in our own equity	-	-	-	-	(6,306)	(6,306)
Total costs and expenses	**498,477**	**265,232**	**1,900**	**81,169**	**149,187**	**995,965**
Operating income (loss)	**$ 117,631**	**$ 17,461**	**$ 14,184**	**$ 2,537**	**$ (149,187)**	**$ 2,626**

	39-Weeks Ended October 31, 2014					
	Fingerhut	Orchard	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Commercial real estate revenue						
Net interest income	$ -	$ -	$ 4,875	$ -	$ -	$ 4,875
Net gains on investments available-for-sale	-	-	15,946	-	-	15,946
Other noninterest income	-	-	15,209	-	-	15,209
Total net sales and revenue	**-**	**-**	**36,030**	**-**	**-**	**36,030**
Costs and expenses						
Commercial real estate operating expenses	-	-	4,068	-	-	4,068
General and administrative expenses	-	-	-	-	20,452	20,452
Amortization and depreciation not included in retail cost of goods sold	-	-	-	-	54	54
Loss from derivatives in our own equity	-	-	-	-	-	-
Total costs and expenses	**-**	**-**	**4,068**	**-**	**20,506**	**24,574**
Operating income (loss)	**$ -**	**$ -**	**$ 31,962**	**$ -**	**$ (20,506)**	**$ 11,456**

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[1] Orchard Portfolio results are included for the period from July 10, 2015 through October 30, 2015.

Fingerhut
The results of Fingerhut's operations have been included in the condensed consolidated financial statements since the acquisition date of November 7, 2014.

Fingerhut's net retail sales, retail costs of goods sold, and retail gross profit are summarized below (in thousands):

	13-Weeks Ended October 30, 2015	39-Weeks Ended October 30, 2015
Sales by category:		
Home	$ 96,091	$ 299,510
Entertainment	86,442	245,577
Fashion	37,731	103,492
Total sales	220,264	648,579
Returns and allowances	(16,005)	(45,381)
Commissions and other revenue	4,393	12,910
Net retail sales	208,652	616,108
Retail cost of goods sold	118,503	347,874
Retail gross profit	$ 90,149	$ 268,234
Retail gross profit percentage	43.2%	43.5%

Net Retail Sales:
Net retail sales of Fingerhut consist 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 exclude sales taxes.

Sales to existing customers for the 13- and 39-weeks ended October 30, 2015 were driven by our ability to retain customers through the use of TV advertising, assortment expansion, catalog mailings, and credit line account management strategies. New customer accounts were acquired by visibility of our website through catalog mailings, and TV advertising.

Fingerhut filled 1.0 million orders with an average order size of $231 and added approximately 155 thousand new revolving customers and approximately 55 thousand new FreshStart customers for the 13-weeks ended October 30, 2015. Fingerhut filled 2.8 million orders with an average order size of $229 and added approximately 421 thousand new revolving customers and approximately 165 thousand new FreshStart customers for the 39-weeks ended October 30, 2015.

Retail Cost of Goods Sold:
Retail cost of goods sold of Fingerhut 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, occupancy costs and depreciation of our distribution center and assets, charges from third-party distribution centers, and estimates of product obsolescence costs.

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

	13-Weeks Ended October 30, 2015	39-Weeks Ended October 30, 2015
Catalog direct mail	$ 22,427	$ 67,923
TV and digital marketing	15,473	43,101
Order entry and customer service	3,735	10,145
Premium (free gift with purchase) and other	689	2,740
Total retail sales and marketing expenses	$ 42,324	$ 123,909

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*:**

The following table presents retail net credit expense of Fingerhut, by category (in thousands):

	13-Weeks Ended October 30, 2015	39-Weeks Ended October 30, 2015
Credit management costs	17,975	52,832
Provision for doubtful accounts	1,784	7,713
Finance charge and fee income	(478)	(4,682)
Servicing fee income and portfolio profit sharing	(6,838)	(29,169)
Retail net credit expense	$ 12,443	$ 26,694
Retail net credit expense as a percentage of average customer accounts receivable	4.3%	3.0%

Retail net credit expense includes finance charge and fee income and a 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 charges 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 and continues until the account is over 90 days delinquent. 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 balance sheet date. SCUSA bears risk of loss due to uncollectibility of the Standard Receivables, as defined in the Liquidity and Capital Resources section, purchased by SCUSA. Fingerhut bears risk of loss due to uncollectibility on Nonstandard Receivables, as defined in the Liquidity and Capital Resources section, and any existing Standard Receivables not purchased by SCUSA.

As of October 30, 2015, total customer accounts receivable were $1.3 billion, of which $62.4 million was Company-owned. 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 WebBank, new account application, credit bureau processing costs, and direct customer service costs. Fingerhut receives a servicing fee and shares in a portion of the profits as compensation for servicing customer accounts receivable owned by SCUSA.

Orchard

The results of Orchard have been included in the condensed consolidated financial statements since the acquisition date of July 10, 2015.

Orchard's net retail sales, retail cost of goods sold, and retail gross profit are summarized below (in thousands):

	13-Weeks Ended October 30, 2015	July 10, 2015 - October 30, 2015
Sales by category:		
Home	$ 23,790	$ 29,517
Fashion	231,982	279,100
Total sales	255,772	308,617
Returns and allowances	(35,324)	(43,034)
Commissions and other revenue	13,804	17,110
Net retail sales	234,252	282,693
Retail cost of goods sold	101,894	124,243
Retail gross profit	$ 132,358	$ 158,450
Retail gross profit percentage	56.5%	56.1%

Net Retail Sales:

Net retail sales of Orchard consist of sales of merchandise, shipping and handling revenue, and commissions earned from third parties that market their products to our customers, shipping returns fee income, and credit card fees. 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.

For the 13-weeks ended October 30, 2015, Orchard filled 3.6 million orders with an average order size of $71 and added approximately 437 thousand gross new customers, continuing the growth of the gross house file to approximately 8.0 million active customers. For the period from July 10, 2015 through October 30, 2015, Orchard filled 4.3 million orders with an average order size of $72 and added approximately 531 thousand gross new customers, continuing the growth of the gross house file to approximately 8.0 million active customers.

Retail Cost of Goods Sold:

Retail cost of goods sold of Orchard 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 facilities and assets, and estimates of product obsolescence costs.

***Retail Sales and Marketing Expenses*:**

The following table presents retail sales and marketing expenses of Orchard, by category (in thousands):

	13-Weeks Ended October 30, 2015	July 10, 2015 - October 30, 2015
Catalog direct mail	$ 70,267	$ 83,456
Digital marketing	7,078	8,611
Order entry and customer service	2,949	3,877
Retail store	2,997	3,912
Premium (free gift with purchase) and other	5,848	6,890
Total retail sales and marketing expenses	$ 89,139	$ 106,746

Orchard's retail sales and marketing expenses primarily consisted of catalog and mailer circulation costs.

General and Administrative Expenses:

General and administrative expenses of Orchard were as follows (in thousands).

	13-Weeks Ended October 30, 2015	July 10, 2015 - October 30, 2015
Compensation and benefits	$ 17,099	$ 21,319
Professional fees	2,145	2,497
Rents and occupancy costs	4,158	4,742
Other	1,328	2,293
Total general and administrative expenses	$ 24,730	$ 30,851

Compensation and benefit costs include salaries, wages, benefits, incentive-based compensation, and expenses for severance and retention programs. For the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015, salaries, wages, and benefit costs were $17.1 million and $21.3 million, respectively, including $1.5 million and $1.8 million, respectively, of expense for severance and retention programs. During the 13-weeks ended October 30, 2015 a bonus accrual of $3.3 million was reversed.

Professional fees for the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015 were $2.1 million and $2.5 million, respectively, and consisted of costs for information technology, third-party legal and other professional services.

For the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015, rents and occupancy costs were $4.2 million and $4.7 million, respectively, and relate primarily to the various office and retail leases as well as the customer service center.

Other general and administrative expenses for the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015 were $1.3 million and $2.3 million, respectively, and consisted of costs for insurance, employee travel and entertainment, and supplies and postage expense.

Amortization and Depreciation not Included in Retail Costs of Goods Sold:

Amortization and depreciation not included in retail cost of goods sold includes depreciation of our property and equipment including purchased and internally developed software, computer hardware, machinery, and equipment; office furniture; and leasehold improvements. For the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015, amortization and depreciation not included in retail cost of goods sold was $2.6 million and $3.4 million, respectively.

Commercial Real Estate

Commercial Real Estate Revenue:
Total commercial real estate revenue is summarized below (in thousands):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Net interest income	$ 664	$ 1,204	$ 1,841	$ 4,875
Net gains on investments available-for-sale	401	2,170	675	15,946
Other noninterest income	5,983	9,336	13,568	15,209
Total commercial real estate revenue	$ 7,048	$ 12,710	$ 16,084	$ 36,030

Net Interest Income:
During the 13-weeks ended October 30, 2015, net interest income consisted of $1.0 million interest income, partially offset by $0.3 million interest expense. During the 13-weeks ended October 31, 2014, net interest income consisted of $1.7 million interest income, partially offset by $0.5 million interest expense.

During the 39-weeks ended October 30, 2015, net interest income consisted of $2.9 million interest income, partially offset by $1.0 million interest expense. Interest income was driven primarily by $1.2 million of interest on investment securities classified as available-for-sale and $0.5 million of deferred interest receivable recognized on loans held-for-sale. Interest income also included $1.0 million of interest on loans held-for-sale that we no longer own, 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. During the 39-weeks ended October 30, 2015, interest expense was driven primarily by $1.0 million of related interest on secured borrowings for transactions that were accounted for as financings.

During the 39-weeks ended October 31, 2014, net interest income consisted of $6.2 million interest income, partially offset by $1.3 million interest expense. Interest income was driven primarily by $2.4 million of interest on investment securities classified as available-for-sale and $2.1 million of deferred interest receivable recognized on loans held-for-sale. Interest income also included $1.3 million of interest on loans held-for-sale that we no longer own, 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. During the 39-weeks ended October 31, 2014, interest expense was driven primarily by $1.3 million of related interest on secured borrowings for transactions that were accounted for as financings.

Net Gains on Investments Available-for-Sale:

Net gains on investments available-for-sale were immaterial for the 13- and 39-weeks ended October 30, 2015.

During the 13-weeks ended October 31, 2014, net gains on investments available-for-sale primarily included a realized gain related to the redemption of an interest in a collateralized debt obligation classified as available-for-sale. During the 39-weeks ended October 31, 2014, net gains on investments available-for-sale primarily included a realized gain related to the payment of interest shortfalls on several tranches of a commercial mortgage backed security classified as available-for-sale and realized gains related to the redemption of interests in collateralized debt obligations, both classified as available-for-sale.

Other Noninterest Income:

The following table presents other noninterest income, by category (in thousands):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Net gains on loans held-for-sale	$ 551	$ 1,378	$ 6,402	$ 1,853
Other gains (losses), net	4,057	(1,378)	4,022	(21)
Equity in income of joint ventures and partnerships	1,373	4,065	2,652	7,233
Net real estate investment and other income	2	5,271	492	6,144
Other noninterest income	$ 5,983	$ 9,336	$ 13,568	$ 15,209

For the 13-weeks ended October 30, 2015, other noninterest income consisted primarily of other gains (losses), net which included $4.0 million for a settlement with a third-party. Other noninterest income for the 13-weeks ended October 30, 2015, also included $1.4 million equity in income of joint ventures and partnerships primarily due to $1.5 million of gains on equity investments in real estate funds resulting primarily from increases in the fair value of assets held by real estate investment funds and joint ventures.

For the 13-weeks ended October 31, 2014, other noninterest income primarily consisted of equity in income of joint ventures and partnerships due to $4.1 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. Other noninterest income for the 13-weeks ended October 31, 2014 also included net gains on loans which 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 we no longer own, 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.

For the 39-weeks ended October 30, 2015, other noninterest income consisted primarily of the net gains on loans which included $3.2 million of realized gains on the disposition of loans held-for-sale and also included $3.0 million of realized gains on loans held-for-sale related to certain partnerships associated with our former new market tax credit ("NMTC") program that met the derecognition criteria. Other noninterest income also included other gains (losses), net which included $4.0 million for a settlement with a third-party and $2.7 million of equity in income of joint ventures and partnerships primarily due to $2.6 million of gains on equity investments in real estate funds resulting primarily from increases in the fair value of assets held by real estate investment funds and joint ventures.

For the 39-weeks ended October 31, 2014, other noninterest income primarily consisted of equity in income of joint ventures and partnerships primarily due to $5.2 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 $2.0 million of gains on other equity investments. Other noninterest income for the 39-weeks ended October 31, 2014 also included net gains on loans primarily due to $1.3 million of recapture of losses that were recorded at the initial application of fresh-start accounting on loans held-for-sale that we no longer own, 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 noninterest income for the 39-weeks ended October 31, 2014 also included other gains (losses), net which 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, partially offset by $0.4 million of net losses associated with foreign currency remeasurement adjustments.

Commercial Real Estate Operating Expenses:
The following table presents the Commercial Real Estate operating expenses by category (in thousands):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Professional fees …………………………………………………………	$ 277	$ 300	$ 802	$ 2,422
Compensation and benefits …………………………………..………...	341	560	1,098	1,646
Commercial real estate operating expenses ……………………...……	$ 618	$ 860	$ 1,900	$ 4,068

Professional fees for the 13- and 39-weeks ended October 30, 2015 and October 31, 2014 consisted of legal service fees for litigation and asset transactions. Compensation and benefits for the 13-and 39-weeks ended October 30, 2015 and October 31, 2014 consisted of salary and benefits costs for asset management-related personnel and incentive compensation for retention programs.

Other

The results of Other's operations have been included in the condensed consolidated financial statements since the acquisition date of November 7, 2014.

Other's net retail sales, retail costs of goods sold, and retail gross profit are summarized below (in thousands):

	13-Weeks Ended	39-Weeks Ended
	October 30, 2015	October 30, 2015
Sales by category:		
Home………………………………………………………………	$ 13,170	$ 37,573
Entertainment……………………………………………………	16,479	40,563
Fashion……………………………………………………………	4,212	10,073
Total sales………………………………………………………	33,861	88,209
Returns and allowances…………………………………………	(2,356)	(5,775)
Commissions and other revenue……...…………………………	548	1,272
Net retail sales ………………………...…………………………	32,053	83,706
Retail cost of goods sold…………………………………………	23,652	61,727
Retail gross profit…………………………………………………	$ 8,401	$ 21,979
Retail gross profit percentage……………………………………	26.2%	26.3%

Net Retail Sales:
Net retail sales of Other consist 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 exclude sales taxes. Other's net retail sales primarily consisted of Gettington's net retail sales.

Retail Cost of Goods Sold:
Retail cost of goods sold of Other 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. Other's retail costs of goods sold primarily consisted of Gettington's cost of goods sold.

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

	13-Weeks Ended October 30, 2015	39-Weeks Ended October 30, 2015
Catalog direct mail	$ 4,468	$ 9,977
Digital marketing	625	2,110
Order entry and customer service	496	1,177
Sales commissions and other	701	1,621
Total retail sales and marketing expenses	$ 6,290	$ 14,885

Other's retail sales and marketing expenses primarily consisted of Gettington's costs and expenses.

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

	13-Weeks Ended October 30, 2015	39-Weeks Ended October 30, 2015
Credit management costs	$ 1,293	$ 3,637
Provision for doubtful accounts	1,853	3,082
Finance charge and fee income	11	34
Servicing fee income and portfolio profit sharing	(457)	(2,196)
Retail net credit expense	$ 2,700	$ 4,557
Retail net credit expense as a percentage of average customer accounts receivable	9.6%	5.5%

Other's retail net credit expense primarily consisted of Gettington costs and expenses. Other's finance charge and fee income, credit management costs and servicing fee income and portfolio profit sharing primarily relate to Gettington. Other's provision for doubtful accounts relates to our Gettington and PayCheck Direct businesses and is driven by the magnitude of the accounts receivable balance and the reserve rate for doubtful accounts. For the 13-and 39-weeks ended October 30, 2015, Other's provision for doubtful accounts primarily was driven by our PayCheck Direct business.

Corporate

Corporate includes expenses for the Bluestem Legacy Portfolio and Commercial Real Estate. Corporate activities consist of general and administrative expenses, amortization and depreciation not included in retail cost of goods sold, and gain or loss from derivatives in our own equity.

General and Administrative Expenses:
General and administrative expenses of Fingerhut, Commercial Real Estate, and Other are summarized below (in thousands).

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	**October 31, 2014**	**October 30, 2015**	**October 31, 2014**
Compensation and benefits	$ 19,765	$ 2,441	$ 67,027	$ 6,602
Professional fees	6,584	2,926	27,541	10,256
Rents and occupancy costs	5,276	518	13,288	1,571
Other	2,393	910	7,758	2,023
Total general and administrative expenses	$ 34,018	$ 6,795	$ 115,614	$ 20,452

Compensation and benefit costs include salaries, wages, benefits, and incentive-based compensation.

For the 13-weeks ended October 30, 2015, salaries, wages, and benefit costs were $18.1 million. The incentive-based compensation expense of $1.7 million for the 13-weeks ended October 30, 2015 included $1.0 million for stock-based compensation and a $3.6 million reversal of the bonus accrual.

For the 13-weeks ended October 31, 2014, salaries, wages and benefit costs were $1.3 million. The incentive-based compensation expense of $1.1 million included $0.5 million for stock-based compensation expense for the 13-weeks ended October 31, 2014.

Professional fees for the 13-weeks ended October 30, 2015 included $1.4 million of costs associated with integration of Orchard, third-party audit, tax, and legal expenses of $2.0 million, and credit and collection consulting expenses of $0.7 million. Professional fees for the 13-weeks ended October 31, 2014 included $1.4 million of costs associated with the acquisition of Bluestem.

For the 39-weeks ended October 30, 2015, salaries, wages, and benefit costs were $55.0 million. The incentive-based compensation expense of $12.0 million for the 39-weeks ended October 30, 2015 included $2.9 million for stock-based compensation. For the 39-weeks ended October 31, 2014, salaries, wages and benefit costs were $3.8 million. The incentive-based compensation expense of $2.8 million included $1.4 million for stock-based compensation expense for the 39-weeks ended October 31, 2014.

Professional fees for the 39-weeks ended October 30, 2015 included $7.9 million of costs associated with our acquisition of the Orchard Brands Corporation and $1.4 million of integration costs, information technology expenses of $3.2 million, third-party audit, tax, and legal expenses of $4.8 million, and credit and collection consulting expenses of $2.0 million. Professional fees for the 39-weeks ended October 31, 2014 included $5.6 million of costs associated with the Investment Agreement and $1.4 million of costs associated with the acquisition of Bluestem.

See Note 4, *Business Combinations*, of our Notes to condensed consolidated financial statements for further discussion on our recent acquisitions.

Rents and occupancy costs include expenses associated with corporate offices, maintenance, and other overhead costs. For the 13- and 39-weeks ended October 30, 2015, rents and occupancy costs were $5.3 million and $13.3 million, respectively, and relate primarily to corporate expenses associated with the Bluestem Legacy Portfolio. Rents and occupancy costs for the 13- and 39- weeks ended October 31, 2014 were immaterial.

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; office furniture; property under capital lease; and leasehold improvements. For the 13- and 39-weeks ended October 30, 2015, Corporate's amortization and depreciation not included in retail cost of goods sold was $13.8 million and $39.9 million, respectively, and primarily consisted of $9.8 million and $27.6 million, respectively, of amortization of our customer relationships intangible asset acquired in connection with the Bluestem acquisition. The Bluestem customer relationship intangible asset is being amortized over a six-year life using the accelerated amortization method to match the pattern in which the economic benefits of the asset are expected to be realized.

Gain/Loss from Derivatives in Our Own Equity:
Gain/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. As of October 30, 2015, Warrants to acquire 9.1 million shares of common stock remain outstanding. The derivative liability is recorded at the estimated fair value of the Warrants. Changes in fair value of the derivative liability are reflected in the Condensed Consolidated Statements of Comprehensive Income as gains or losses from derivatives in our own equity. For the 13- and 39-weeks ended October 30, 2015, gains of $14.1 million and $6.3 million, respectively, were recorded primarily due to a decrease in the over-the-counter trading price of our common stock as compared to July 31, 2015 and January 30, 2015, respectively. As of October 30, 2015, the derivative liability in our own equity was $9.0 million.

Retail Interest Expense
Retail interest expense (net of interest income) was $13.9 million and $30.2 million for the 13- and 39-weeks ended October 30, 2015, respectively, and was primarily the result of the Term Loan facility issued in conjunction with the acquisition of Bluestem and subsequently modified for the Orchard Brands Corporation acquisition and the Asset Backed Line of Credit. Weighted-average borrowings outstanding as of October 30, 2015, were $400.0 million with a weighted-average interest rate of 8.40%.

Income Tax Expense
For the 13- and 39 weeks ended October 30, 2015, $1.8 million and $1.5 million income tax benefit, respectively, was recognized on $9.4 million of income and $27.6 million of loss, respectively, from continuing operations before income taxes. The income tax benefits were primarily adjustments to prior year state tax filings. Based on our historical and cumulative losses, a tax benefit for the net loss for the 39-weeks ended October 30, 2015 was not recognized. For the 13- and 39-weeks ended October 31, 2014, $0.3 million tax benefit and $0.2 million tax expense, respectively, was recognized on $5.1 million and 11.5 million, respectively, of income from continuing operations before income taxes. The 13-week tax benefit and 39-week tax expense primarily related to state taxes.

Discontinued Operations

On September 30, 2014, we 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"). On October 14, 2014, we closed the transactions contemplated by the agreement with an affiliate of HCP Pacific Holdings, LLC, 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 our bankruptcy. Following the completion of these transactions we no longer had any material LIHTC-related assets or liabilities.

Income from discontinued operations of $37.8 million for the 13-weeks ended October 31, 2014 and $33.0 million for the 39-weeks ended October 31, 2014, 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.

Liquidity and Capital Resources

Our retail operations require a significant amount of capital to grow and fund operations. With a majority of Bluestem Legacy Portfolio's retail sales occurring on revolving customer credit accounts, cash flows from Bluestem's retail operations are dependent on the sale of our customer accounts receivable to SCUSA. We sell all of the eligible Fingerhut and Getttington revolving customer accounts receivable to SCUSA on the day we purchase the customer accounts receivable from WebBank. Ensuring adequate liquidity is, and will continue to be, at the forefront of our business objectives. Our cash requirements relate to purchases of inventory, purchases and production of promotional materials, debt service, cash collateral account requirements, capital investments in our business, and other general working capital needs. The Bluestem Legacy Portfolio's cash requirements are seasonal, with peak needs arising in September through November as higher levels of sales and customer accounts receivable are experienced, and amounts become due for holiday season inventory purchases and marketing efforts. The Orchard Portfolio's cash requirements are seasonal in nature due to the purchase and receipt of inventory in advance of the Spring and Fall seasons.

Cash flows from our commercial real estate business are 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) cash flows from operations, (4) available capacity on our Asset Backed Line of Credit, (5) distributions received from our real estate related equity investments, and (6) collections on and sales of other assets in our portfolio. As of October 30, 2015, we had $183.1 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 expenditures, and debt service needs.

In prior years, we had made cash distributions to our 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 us during the Investment Period.

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 13- and 39-weeks ended October 30, 2015 and October 31, 2014 (in thousands):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	**October 31, 2014**	**October 30, 2015**	**October 31, 2014**
Continuing Operations				
Net cash (used in) provided by operating activities	$ (20,642)	$ 6,265	$ 21,514	$ 15,849
Net cash (used in) provided by investing activities	$ (12,007)	$ 33,553	$ (359,463)	$ 84,994
Net cash provided by (used in) financing activities	$ 34,061	$ (5,538)	$ 248,748	$ (14,216)

Operating Activities - Net cash used in operating activities for the 13-weeks ended October 30, 2015 was $20.6 million and consisted of net income of $11.2 million and $45.4 million of non-cash items. The net change in working capital accounts used cash of $77.3 million, consisting of a $87.1 million increase in retail merchandise inventory, a $39.6 million increase in other assets, an $52.2 million increase in customer accounts and other receivables offset by a $74.2 million increase in accounts payable and other liabilities and $27.4 million of proceeds from sales of/payments from loans held-for-sale due to the derecognition of loans held-for-sale. The increases in inventory, other assets, customer accounts and other receivables, and accounts payable and other liabilities are due to the acquisition of the Orchard Portfolio, purchases of holiday season inventory, and growth in the Bluestem Legacy Portfolio.

Investing Activities - Net cash used in investing activities for the 13-weeks ended October 30, 2015 was $12.0 million. This activity consisted primarily of $242.3 million of purchases of customer accounts receivables, $9.4 million of expenditures for property and equipment and a $6.6 million increase in restricted cash, offset by $242.5 million of proceeds from sale of customer accounts receivables and $3.4 million of proceeds from capital distributions received from equity investments.

Financing Activities - Net cash provided by financing activities for the 13-weeks ended October 30, 2015 was $34.1 million and consisted primarily of $177.8 million of borrowings on revolving credit facilities offset by $102.4 million of repayments on revolving credit facilities and $41.3 million decrease in collateralized borrowings resulting from the derecognition of certain NMTC partnerships which met the derecognition criteria and net payments on the Term Loan. Collateralized borrowings include amounts related to loans held-for-sale associated with our former NMTC program that we no longer own, but continue to be recognized on our balance sheet because the transfers of these loans to third parties did not qualify as a sale and, therefore, were accounted for as financings.

Operating Activities - Net cash provided by operating activities for the 39-weeks ended October 30, 2015 was $21.5 million and consisted of a net loss of $26.1 million offset by $119.1 million of non-cash items. The net change in working capital accounts used cash of $71.5 million consisting of a $83.1 million increase in retail merchandise inventories, a $41.1 million increase in other assets, $82.4 million increase in customer accounts and other receivables, partially offset by a $74.1 million increase in accounts payable and other liabilities and $60.9 million of proceeds from sales of/payments from loans held-for-sale due to the derecognition of loans held-for-sale. The increases in inventory, other assets, customer accounts and other receivables, and accounts payable and other liabilities are due to the acquisition of the Orchard Portfolio, purchases of holiday season inventory, and growth in the Bluestem Legacy Portfolio.

Investing Activities - Net cash used in investing activities for the 39-weeks ended October 30, 2015 was $359.5 million. This activity consisted primarily of $717.3 million of purchases of customer accounts receivables, the $392.2 million purchase of the Orchard Brands Corporation, $24.6 million of expenditures for property and equipment and a $4.6 million increase in restricted cash, offset by $717.7 million of proceeds from sale of customer accounts receivables and $60.9 million of proceeds from capital distributions received from equity investments.

Financing Activities - Net cash provided by financing activities for the 39-weeks ended October 30, 2015 was $248.7 million and consisted primarily of the issuance of $280.0 million of Incremental Loans under the Term Loan (as defined below in *"Debt and Financing Arrangements"* section). Net proceeds of $269.5 million were used to finance, in part, the acquisition of the Orchard Brands Corporation in July 2015. In addition, during the 39-weeks ended October 30, 2015, Bluestem made payments of $35.8 million on its outstanding Term Loan balances and certain NMTC partnerships met the derecognition criteria resulting in a $57.5 million decrease in collateralized borrowings. In addition, proceeds of $370.1 million were received under our Asset Backed Line of Credit, offset by payments of $297.3 million.

Transfers and Servicing of Financial Assets — Customer Accounts Receivable

Bluestem is a party to a series of transactions with WebBank and SCUSA related to revolving Fingerhut and Gettington customer accounts receivable. See Note 6, *Serviced Credit Portfolio,* of our Notes to condensed consolidated financial statements for a description of our A/R Program Agreements.

Except as described below, Bluestem is obligated to sell all new receivables originated under revolving credit accounts to SCUSA on the same day those receivables are purchased by Bluestem from WebBank. All receivables originated in revolving credit accounts are referred to as "Standard Receivables." All 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 retains all Nonstandard Receivables purchased from WebBank and the PayCheck Direct receivables, which are not originated by WebBank. Bluestem bears risk of loss due to uncollectibility on Nonstandard Receivables and any existing Standard Receivables not purchased by SCUSA. SCUSA bears risk of loss due to uncollectibility of the Standard Receivables purchased by SCUSA. See Note 6, *Serviced Credit Portfolio*, of our Notes to condensed consolidated financial statements for more information on SCUSA-owned and Bluestem-owned accounts receivable.

Effective September 1, 2015, Bluestem and SCUSA amended certain terms of the Standard Receivables Sales Agreement. Among other things, the amendments include changes to the annual profit sharing splits between the Bluestem and SCUSA and modifications to SCUSA's exclusivity rights, which permit Bluestem, at Bluestem's option, to purchase from SCUSA on a one-time basis up to 9.99% of the SCUSA-owned accounts receivable and/or to retain up to 20% of Standard Receivables on newly originated revolving credit accounts that otherwise would be sold to SCUSA. Bluestem has identified as a strategic priority the diversification of its sources of funding including the consideration of alternative structures and third-party relationships, and the receivables that Bluestem has an option to purchase from SCUSA pursuant to the September 1, 2015 amendment could provide an initial portfolio of receivables to help Bluestem achieve this strategic priority.

On October 29, 2015, SCUSA announced that it reclassified its entire personal loan portfolio as "held for sale", which includes the Standard Receivables SCUSA has purchased from Bluestem under the Standard Receivables Sales Agreement. SCUSA remains obligated to purchase Standard Receivables from Bluestem in accordance with the terms of the Standard Receivables Agreement, and Bluestem maintains a consent right over any assignment by SCUSA of SCUSA's forward purchase obligation under the Standard Receivables Sales Agreement. The term of the Standard Receivables Sales Agreement for the forward purchase of Standard Receivables by SCUSA and servicing of Standard Receivables by Bluestem extends into 2020, and Bluestem may, in its sole discretion, extend the term of the Standard Receivables Sales Agreement through April 19, 2022, and the agreement automatically renews for additional two-year terms thereafter unless terminated by either party.

Effective November 1, 2015, in accordance with the Standard Receivables Sale Agreement between Bluestem and SCUSA, sales of Standard Receivables to SCUSA will be at a discount to par. The Standard Receivables Sale Agreement states if the Risk-Adjusted Margin ("RAM") forecast projects RAM, as a percentage of forecasted average program receivables to be less than a specified percentage for the full fiscal year, then Bluestem shall implement a merchant discount rate on all standard receivables purchased by SCUSA. The merchant discount rate is determined by dividing the forecasted merchant discount fee, which is the amount when included in the RAM forecast results in a RAM of the applicable percentage for the full fiscal year, by the forecast amount of Standard Receivables to be purchased by SCUSA during the remaining months of the current fiscal year. The RAM forecasts are updated each January, April, July, October, and at the option of SCUSA, December. We expect the average merchant discount to be 2.22% for sales of Standard Receivables between November 1, 2015 and January 29, 2016. In the event that the future RAM forecast predicts RAM to be at or above the applicable percentage, Bluestem will no longer be obligated to apply the merchant discount rate. As a result of the September 1, 2015 amendment to the Standard Receivables Sales Agreement, the fourth quarter merchant fee was based on forecasted RAM for the period from September 1, 2015 through January 31, 2016.

Debt and Financing Arrangements
Information regarding debt and financing arrangements is included in Management's Commentary on Financial Condition and Results of Operations – "Liquidity and Capital Resources" of our Annual Report and is updated as follows:

Term Loan
On November 7, 2014, Bluestem entered into the $300 million Initial Term Loan with a syndication of investors which matures on November 7, 2020. The Initial Term Loan was issued with an original issue discount totaling $12.0 million. Proceeds from the Initial Term Loan were used to finance the purchase of Bluestem. See Note 4, *Business Combinations,* of our Notes to condensed consolidated financial statements for further information.

On July 10, 2015, Bluestem entered into the First Amendment and Incremental Agreement to the Term Loan and borrowed an additional $280 million. There were no changes to the payment terms, interest rate or financial covenants in connection with the Incremental Loans, except Orchard Brands Corporation's results are now included in the calculation of minimum liquidity and total leverage ratio. Proceeds from the Incremental Loans were used to finance the purchase of Orchard Brands Corporation. See Note 4, *Business Combinations*, of our Notes to condensed consolidated financial statements for further information.

Outstanding borrowings under the Term Loan, at the option of Bluestem, can be classified on a monthly or quarterly basis as either alternative base rate or eurocurrency rate borrowings. Interest payments are due quarterly on alternative base rate borrowings, and monthly on eurocurrency rate borrowings.

Bluestem is required to repay the outstanding principal balance of the Term Loan in quarterly installments of $7.5 million, with the balance due at maturity. The quarterly installments may be reduced by the excess cash flow mandatory prepayment which is calculated at the end of each fiscal year. In addition, Bluestem is obligated to make mandatory prepayments of principal on an annual basis under certain circumstances. The Term Loan is secured by a first lien on unencumbered Bluestem property and equipment and a second lien on Bluestem's inventory and customer accounts receivable not otherwise pledged or sold. Bluestem is subject to minimum liquidity and leverage ratio financial covenants under the Term Loan. Failure to comply with these financial covenants is an event of default, subject to certain cure rights. As of October 30, 2015, Bluestem was in compliance with all these financial covenants. As of October 30, 2015, the outstanding balance of the Term Loan was $544.2 million. See Note 10, *Collateralized Borrowing and Other Financing*, of our Notes to consolidated financial statements for additional information on our secured borrowing.

Asset Backed Line of Credit
Bluestem has an Asset Backed Line of Credit, as amended on July 10, 2015, which is secured by a first lien on inventory, and non-customer accounts receivables and a second lien on other unencumbered assets of Bluestem. The Asset Backed Line of Credit has a maturity date of July 10, 2020, and a total facility size of $200 million, subject to borrowing capacity. Borrowing capacity is calculated as the lower of 90% of the liquidation value from the latest inventory appraisal or 65% of eligible inventory, plus between 85% and 90% of other eligible receivables (depending on the type of receivable), in each case less any reserves plus the lesser of $20 million and the applicable portion of Bluestem's eligible inventory in transit.

Daily outstanding balances on the Asset Backed Line of Credit will, at Bluestem's request, be classified as either LIBOR loans, or adjusted base rate loans, subject to available balances. The applicable margin is subject to adjustment based on the historical excess availability under the Asset Backed Line of Credit.

The July 10, 2015 amendment permits Bluestem to increase commitments under the Asset Backed Line of Credit by an amount not to exceed $50 million. Any increase in commitments or incremental term loans will be subject to certain conditions and 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.

Bluestem is subject to minimum net liquidity financial covenants under the Asset Backed Line of Credit, which are based on Bluestem's stand-alone financial results. As of October 30, 2015 Bluestem was in compliance with all provisions of the Asset Backed Line of Credit Agreement. See Note 10, *Collateralized Borrowing and Other Financing*, of our Notes to consolidated financial statements for additional information on our Asset Backed Line of Credit.

As of October 30, 2015, outstanding borrowings on the Asset Backed Line of Credit were $80.6 million and $94.7 million was available for drawdown. We had $4.9 million of outstanding letters of credit, the majority of which are related to requirements for worker's compensation insurance and customs requirements from inventory purchasing as of October 30, 2015.

Contractual Obligations and Commitments
A summary of future contractual obligations and commitments is included in Management's Commentary on Financial Condition and Results of Operations – "Liquidity and Capital Resources" of our Annual Report and is updated as follows:

	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)……………………………………….………	$ 544,229	$ 7,511	$ 60,084	$ 60,084	$ 416,550
Estimated Term Loan interest payments (1)…………………	208,055	11,855	89,891	78,701	27,608
Revolving line of credit……………………………………..…	80,620	80,620	-	-	-
Commitments to provide equity to equity method investees………..……………………………………	15,024	7,175	7,849	-	-
Capital and operating lease obligations………………………	77,328	3,622	25,568	17,675	30,463
Inventory purchase commitments (2)…………………………	153,825	67,891	85,934	-	-
Total………………………………………………………	$ 1,079,081	$ 178,674	$ 269,326	$ 156,460	$ 474,621

(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 prepayments currently due.
(2) The Orchard Portfolio enters into a number of cancelable and non-cancelable inventory purchase commitments. See Note 15, *Commitments and Contingent Liabilities,* of our Notes to condensed consolidated financial statements for further discussion.

Risk Factors

We have updated our risk factors as previously disclosed in the Annual Report as follows:

The repositioning of our Gettington brand to a new business model presents new risks that could adversely affect our operating results and financial condition.

During the fourth quarter of fiscal 2015, we decided to reposition our Gettington business to focus on selling discounted, overstock and close-out merchandise to customers using Gettington's proprietary credit. We expect the repositioning of the Gettington business to occur in the first quarter of our 2016 fiscal year. The repositioning of our Gettington business from a general retailer focused on online shopping to a business focused on a discount, overstock and close-out model creates new risks for us. We do not have experience operating a business focused on discount, overstock and close-out merchandise and therefore cannot assure you that we will be able to operate this business model profitably or effectively compete against other companies who have substantially more experience operating this type of business. Existing customers also might not be attracted to the merchandise we offer through the new Gettington business, which could adversely affect our sales. We also cannot assure you that we will be able to acquire a sufficient number of new Gettington customers to offset any loss of sales we might experience from existing Gettington customers who chose not to continue purchasing from us due to the change to the Gettington business model. If existing customers chose not to continue purchasing from Gettington, those customers also might choose not to pay existing balances on their WebBank/Gettington credit accounts, which could adversely affect the performance of our proprietary credit portfolio. We also might not be able to attract or retain the talent necessary to successfully operate Gettington as a discount, overstock and close-out business due to the changes to our prior Gettington business model. If any of these risks are realized, the repositioning of our Gettington business could adversely affect our operating results and financial condition.

Our acquisition of Orchard Brands Corporation presents risks to our business and could harm our operating results and financial condition.

In July 2015, we completed our acquisition of the Orchard Brands Corporation for $410 million, subject to various pre-closing and post-closing adjustments. Our acquisition of the Orchard Brands Corporation presents certain risks to our business, including:

- we may not realize the anticipated benefits of the acquisition or be able to integrate the Orchard Brands Corporation businesses successfully;
- integrating the Orchard Brands Corporation could distract our management from the ongoing operation of our other businesses;
- a substantial portion of the purchase price for the acquisition will be allocated to goodwill and other identifiable intangible assets, which could result in impairment charges that could reduce our earnings;
- we have substantial indebtedness following the acquisition and our ability to invest in our businesses and execute our growth plan could be limited by our need to service this indebtedness and comply with restrictive covenants in our loan agreements;
- the acquisition and integration of the Orchard Brands Corporation may involve unexpected costs, liabilities or delays; and
- disruption from the acquisition may harm relationships with key employees or business partners.

BLUESTEM GROUP INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	October 30, 2015 (Unaudited)	January 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 164,892	$ 254,207
Restricted cash	18,209	13,586
Customer accounts receivable, net of allowance of $9,601 and $10,457	52,785	40,928
Commercial real estate accounts and other receivables	11,441	19,270
Retail merchandise inventories	323,079	96,431
Other current assets	109,751	33,670
Total current assets	680,157	458,092
Loans held-for-sale	23,222	78,080
Equity investments	56,440	114,736
Property and equipment, net	100,698	49,755
Intangibles, net	350,337	377,892
Goodwill	506,649	201,642
Other assets	16,523	21,195
Total Assets	**$ 1,734,026**	**$ 1,301,392**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 241,939	$ 82,037
Accrued costs and other liabilities	124,465	92,823
Short-term debt	107,991	17,787
Total current liabilities	474,395	192,647
Long-term debt	520,590	354,204
Deferred income taxes	95,232	79,949
Other long-term liabilities	12,134	20,037
Total liabilities	1,102,351	646,837
Stockholders' equity:		
Series A participating convertible preferred stock, $0.01 par value, $5,000 stated value; shares authorized —10,000,000 at October 30, 2015 and January 30, 2015; shares issued and outstanding — 1,000 at October 30, 2015 and January 30, 2015	4,941	4,856
Common stock, $0.01 par value, shares authorized — 350,000,000 at October 30, 2015 and January 30, 2015; shares issued — 136,577,382 and 136,374,593 at October 30, 2015 and January 30, 2015, respectively; shares outstanding 136,555,963 and 136,374,593 at October 30, 2015 and January 30, 2015, respectively	1,366	1,364
Treasury stock, at cost, 21,419 and no shares at October 30, 2015 and January 30, 2015, respectively	(131)	-
Additional paid-in capital	360,019	356,697
Retained earnings	264,611	290,774
Accumulated other comprehensive income, net of tax	869	864
Total stockholders' equity	631,675	654,555
Total Liabilities and Stockholders' Equity	**$ 1,734,026**	**$ 1,301,392**

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

BLUESTEM GROUP INC.
Condensed Consolidated Statements of Comprehensive Income
(in thousands, except shares and per share amounts)
(Unaudited)

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Net sales and revenue				
Net retail sales	$ 474,957	$ -	$ 982,507	$ -
Commercial real estate revenue				
Net interest income	664	1,204	1,841	4,875
Net gains on investments available-for-sale	401	2,170	674	15,946
Other noninterest income	5,983	9,336	13,569	15,209
Total net sales and revenue	**482,005**	**12,710**	**998,591**	**36,030**
Costs and expenses				
Retail cost of goods sold	244,049	-	533,844	-
Retail sales and marketing expenses	137,753	-	245,540	-
Retail net credit expense	15,143	-	31,251	-
Commercial real estate operating expenses	618	860	1,900	4,068
General and administrative expenses	58,748	6,795	146,465	20,452
Amortization and depreciation not included in retail cost of goods sold	16,462	-	43,271	54
Gains on derivatives in our own equity	(14,120)	-	(6,306)	-
Total costs and expenses	**458,653**	**7,655**	**995,965**	**24,574**
Operating income	23,352	5,055	2,626	11,456
Retail interest expense	13,945	-	30,219	-
Income (loss) from continuing operations before income tax expense	**9,407**	**5,055**	**(27,593)**	**11,456**
Income tax (benefit) expense	(1,832)	(300)	(1,515)	199
Income (loss) from continuing operations after income tax expense	**11,239**	**5,355**	**(26,078)**	**11,257**
Income from discontinued operations, net of tax	-	37,790	-	33,037
Net income (loss)	**11,239**	**43,145**	**(26,078)**	**44,294**
Net gain attributable to noncontrolling interests	-	663	-	5,930
Net income (loss) attributable to Bluestem Group Inc.	**$ 11,239**	**$ 43,808**	**$ (26,078)**	**$ 50,224**
Other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities	(142)	(780)	5	(1,196)
Comprehensive income (loss) attributable to Bluestem Group Inc.	**$ 11,097**	**$ 43,028**	**$ (26,073)**	**$ 49,028**
Basic and Diluted Income (Loss) Per Share - Common Stockholders				
Basic income (loss) per share from continuing operations	$ 0.08	$ 0.06	$ (0.19)	$ 0.17
Diluted (loss) income per share from continuing operations	$ (0.02)	$ 0.06	$ (0.23)	$ 0.17
Basic income (loss) per share attributable to Bluestem Group Inc.	$ 0.08	$ 0.44	$ (0.19)	$ 0.50
Diluted (loss) income per share attributable to Bluestem Group Inc.	$ (0.02)	$ 0.43	$ (0.23)	$ 0.50
Basic weighted average shares outstanding	136,160,378	99,844,755	136,142,101	99,817,074
Diluted weighted average shares outstanding	139,119,658	101,328,814	138,386,375	100,734,797

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

BLUESTEM GROUP INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except number of shares)
(Unaudited)

	Bluestem Group Inc. Stockholders										
	Series A Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
BALANCE — January 31, 2014	-	$ -	100,182,419	$ 100	-	$ -	$ 189,970	$ 181,922	$ 1,601	$ 32,503	$ 406,096
Net income (loss)								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
Net loss								(26,078)			(26,078)
Total other comprehensive income, net of tax									5		5
Issuance of restricted common stock			177,165	2							2
Exercise of common stock options			25,624								-
Deemed dividend from beneficial conversion feature associated with preferred stock		85						(85)			-
Stock-based compensation							3,204				3,204
Treasury shares repurchased			(21,419)		21,419	(131)	118				(13)
BALANCE — October 30, 2015	1,000	$ 4,941	136,555,963	$ 1,366	21,419	$ (131)	$ 360,019	$ 264,611	$ 869	$ -	$ 631,675

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

BLUESTEM GROUP INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Operating Activities of Continuing Operations				
Net income (loss)………..………………………………………………………	$ 11,239	$ 43,145	$ (26,078)	$ 44,294
Net income from discontinued operations…………………………………………	-	37,790	-	33,037
Net income (loss) from continuing operations……………………………………	11,239	5,355	(26,078)	11,257
Adjustments to reconcile net income (loss) from continuing operations to net				
cash (used in) provided by operating activities of continuing operations:				
Provision for deferred income taxes………………..……………………………	504	731	(368)	731
Net (gains) losses on loans held-for-sale, investment securities and other…….	(5,008)	(2,142)	(11,098)	(17,749)
Equity in net (gains) losses of investees and cash return on investment………	(1,336)	(3,431)	(2,465)	(4,532)
Amortization and depreciation expense……………………..…………………	19,021	-	48,379	54
Gain from derivatives in our own equity………………………………………	(14,120)	-	(6,306)	-
Provision for doubtful accounts…………………….…………………………..	3,638	-	10,795	-
Provision for retail merchandise returns………………………………………	29,065	-	47,637	-
Stock-based compensation expense…………………..…………………………	1,095	1,063	4,042	1,963
Inventory obsolescence and other reserves……………………..………………	13,254	-	28,838	-
Other, net……………………..………………………………………………	(675)	34	(321)	34
Net change in assets and liabilities:				
Customer account and other receivables, net …………………………………	(52,206)	301	(82,351)	4,800
Retail merchandise inventories…………………………………………………	(87,122)	-	(83,105)	-
Other assets……………………..………………………………………………	(39,569)	6	(41,064)	1,696
Accounts payable and other liabilities…………………….……………………	74,217	(5,641)	74,081	(3,770)
Proceeds from sales of / payments from loans held for sale……………………	27,361	9,989	60,898	21,365
Net cash (used in) provided by operating activities of continuing operations…….	(20,642)	6,265	21,514	15,849
Investing Activities of Continuing Operations				
Net (increase) decrease in restricted cash…………………………………………	(6,604)	4,569	(4,623)	4,569
Proceeds from sales of investment securities classified as available-for-sale………	-	-	51	-
Proceeds from repayments of investment securities classified as available-for-sale	400	2,198	623	15,967
Proceeds from sales of / capital distributions from equity investments………….	3,352	26,788	60,875	59,797
Purchases of customer accounts receivable………………………………………	(242,268)	-	(717,299)	-
Proceeds from sale of customer accounts receivable………………………………	242,472	-	717,650	-
Acquisition of Orchard Brands Corporation, net of cash on hand…………………	-	-	(392,158)	-
Net (purchases) dispositions of property and equipment…………………………	(9,359)	(2)	(24,582)	4,661
Net cash (used in) provided by investing activities of continuing operations…….	(12,007)	33,553	(359,463)	84,994

(Continued on next page)

BLUESTEM GROUP INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Financing Activities of Continuing Operations				
Net (repayments) borrowings of debt	$ (41,332)	$ (5,538)	$ 176,154	$ (19,216)
Borrowings on revolving credit facilities	177,769	-	370,045	-
Repayments on revolving credit facilities	(102,376)	-	(297,320)	-
Proceeds from issuance of preferred stock	-	-	-	5,000
Treasury shares repurchased	-	-	(131)	-
Net cash provided by (used in) financing activities of continuing operations	34,061	(5,538)	248,748	(14,216)
Effect of Foreign Exchange Rates on Cash	(37)	(109)	(114)	(46)
Discontinued Operations				
Net cash used in operating activities of discontinued operations	-	(5,122)	-	(6,314)
Net cash provided by investing activities of discontinued operations	-	62,974	-	65,710
Net cash provided by discontinued operations	-	57,852	-	59,396
Net Increase (Decrease) in Cash and Cash Equivalents	1,375	92,023	(89,315)	145,977
Cash and Cash Equivalents, Beginning of Period	163,517	223,398	254,207	169,444
Cash and Cash Equivalents, End of Period	$ 164,892	$ 315,421	$ 164,892	$ 315,421
Supplemental Disclosures of Cash Flow Information:				
Interest paid	$ 13,355	$ -	$ 29,029	$ -
Income taxes paid (refunded)	$ 37	$ (16)	$ (2,016)	$ 197
Non-cash Transactions:				
Purchases of property and equipment on account	$ 1,167	$ -	$ 2,045	$ -

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

BLUESTEM GROUP INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Operations

As used in this report:

- "BGI" or "the Company" refers to Bluestem Group Inc. with its consolidated subsidiaries
- "Bluestem" refers to Bluestem Brands, Inc., an indirect subsidiary of Bluestem Group Inc. which consists of the Bluestem Legacy Portfolio of retail brands and the Orchard Portfolio of retail brands
- "Bluestem Legacy Portfolio" refers to the consolidated Fingerhut, Gettington and PayCheck Direct retail brands
- "Orchard Portfolio" refers to the consolidated Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, Sahalie, Solutions, Tog Shop, and WinterSilks retail brands
- "Commercial Real Estate" refers to the commercial real estate finance operations of BGI

Bluestem Group Inc. is a holding company whose businesses include Bluestem Brands, a multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving the boomer and senior demographic, generally considered age 50 and over, and low- to middle-income consumers across all age demographics through 16 retail brands that include: Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Fingerhut, Gettington, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, PayCheck Direct, Sahalie, Solutions, Tog Shop and Wintersilks. Complementing each Bluestem Legacy Portfolio brand is a large selection of merchandise with payment options that provide customers with the flexibility of paying over time. Bluestem Group Inc. also includes Commercial Real Estate which is focused on managing a commercial real estate-related business and existing assets, including monetizing these assets when appropriate.

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 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, 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. As discussed below, funds made available to the Company by Centerbridge were used to finance the acquisition of Bluestem Brands, Inc.

On November 7, 2014, a subsidiary of BGI acquired all of the outstanding common shares and voting interests of Bluestem 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 $136 million of cash on hand, $136 million of proceeds from the exercise of Warrants by Centerbridge pursuant to the terms of the Investment Agreement, and a $300 million term loan facility issued by Bluestem (the "Initial Term Loan"). Certain members of Bluestem's management team also provided capital for the transaction through the purchase of the Company's common stock. In addition, Bluestem closed on an amendment and restatement of its $80 million asset backed line of credit (the "Asset Backed Line of Credit"). The operating results of Bluestem's operations have been included in the condensed consolidated financial statements since November 7, 2014.

On June 17, 2015, the Company's stockholders approved a change in its name from Capmark Financial Group Inc. to Bluestem Group Inc. and the Company filed an amendment to its Amended and Restated Articles of Incorporation to change its name to Bluestem Group Inc.

On July 10, 2015, Bluestem Brands, Inc. acquired all of the outstanding common shares and voting interests of Orchard Brands Corporation, which operates the Orchard Portfolio, for $410 million in cash, subject to various pre-closing and post-closing adjustments. The Company funded the purchase price and associated transactional expenses with $104 million of cash on hand, $270 million of proceeds from a term loan facility (the "Incremental Loans" and, together with the "Initial Term Loan", the "Term Loan") issued by Bluestem, and $25 million of borrowings under Bluestem's Asset Backed Line of Credit, which was amended and restated to increase the size of the facility to $200 million. The operating results of the Orchard Brands Corporation have been included in the condensed consolidated financial statements since July 10, 2015.

See Note 4, *Business Combinations,* for pro forma information and further discussion of the Bluestem and Orchard Brand Corporation acquisitions.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim reporting. Accordingly, these financial statements do not include all of the information and footnote disclosures required for annual financial reporting. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's report as of and for the years ended January 30, 2015 and January 31, 2014 ("Annual Report") (available at www.bluestem.com). The Company's results for any interim period are not necessarily indicative of results for a full year or any other interim period.

The preparation of the condensed 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 made by management include revenue recognition, revenue deferrals, 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, valuation of derivatives in the Company's own equity, fair value estimates related to intangible and long-lived assets, direct response advertising costs, and the estimated demand used in the calculation of the amortization of direct response advertising costs. 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 unaudited condensed 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. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company as prescribed by GAAP for interim reporting.

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. Bluestem 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. The previously unaudited results for the Company for the 13- and 39-weeks ended October 31, 2014 were restated for the new fiscal quarter.

In these unaudited condensed consolidated financial statements, including the notes thereto, financial results are for the 13- and 39-weeks ended October 30, 2015 and October 31, 2014. All fiscal quarters presented include a 13-week period.

3. Significant Accounting Policies and Recently Issued Accounting Standards

Due to the Company's acquisition of the Orchard Brands Corporation on July 10, 2015, the Company updated its accounting policies previously disclosed in the Annual Report as follows:

Revenue Recognition

Net retail sales consist of merchandise sales, shipping and handling revenue, shipping returns fee income, credit card fees 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 exclude sales taxes.

Payments received in advance of receipt of merchandise by customers are recorded in Accrued costs and other liabilities in the Condensed Consolidated Balance Sheets.

Gift cards are sold to customers without expiration dates and administrative fees are not charged on unused gift cards. Revenue is recognized from gift cards when they are redeemed by the customer. Income is recognized on unredeemed gift cards when the Company can determine that the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The gift card breakage rate is based on historical redemption patterns. Gift card breakage is included in net retail sales in the Condensed Consolidated Statements of Comprehensive Income.

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

Other noninterest income primarily includes net realized and unrealized gains and losses on loans held-for-sale 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.

Credit Card Agreements

Orchard Brands Corporation has entered into arrangements with a third party program operator to provide private label credit cards to its customers where it may receive payments from the program operators if certain specified measures are met. These amounts are recorded as a component of net retail sales in the Condensed Consolidated Statements of Comprehensive Income, when earned. Additionally, reimbursement of certain marketing expenses may be received which are recorded as a reduction in operating expenses in the Condensed Consolidated Statements of Comprehensive Income.

Self Insurance

Orchard Brands Corporation self-insures its health insurance benefits provided to substantially all of its employees. Orchard Brands Corporation has purchased stop-loss insurance to cover individual claims in excess of $250,000. Incurred but not reported ("IBNR") claims are estimated under the health insurance program based on specific actual historical claims experience. The recorded accrual is equal to the IBNR plus the amount of any unpaid reported claims. As of October 30, 2015, Orchard Brands Corporation's total medical liability, including IBNR claims, was $2.1 million. The estimate of exposure to health insurance claims is subjective, and the amount of claims actually incurred could differ, which could result in increased or decreased expense in future periods. Bluestem self-insures its workers' compensation benefits. The total liability relating to the worker's compensation benefits was $0.8 million at October 30, 2015. The liabilities are included in Accrued costs and other liabilities in the Company's Condensed Consolidated Balance Sheets.

Recently Adopted Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 changes the criteria for reporting discontinued operations. 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. 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. This guidance was effective for the Company beginning February 2015. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In April 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.

In August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.* The amendment clarified that given the absence of authoritative guidance within Update 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of credit arrangement. In accordance with ASU 2015-15, debt issuance costs associated with the Company's Asset Backed Line of Credit are recorded as an asset and are amortized over the term of the line of credit.

In connection with the acquisition of Orchard Brands Corporation, the Company amended the Term Loan facility and the Asset Backed Line of Credit and borrowed an additional $280 million and $25 million, respectively. See Note 4, *Business Combinations*, for further information on the Company's acquisitions. The Company elected to early adopt ASU 2015-03 for debt issuance costs associated with the Company's Term Loan facility during the 13-weeks ended July 31, 2015. The balances for the period ended January 30, 2015 have been retrospectively adjusted as follows (in thousands):

	As Originally Reported	As Adjusted	Effect Of Change
ASSETS			
Current assets:			
Other current assets	$ 34,999	$ 33,670	$ (1,329)
Total current assets	459,421	458,092	(1,329)
Other assets	26,474	21,195	(5,279)
Total Assets	$ 1,308,000	$ 1,301,392	$ (6,608)
LIABILITIES			
Current liabilities:			
Short-term debt	$ 19,116	$ 17,787	$ (1,329)
Total current liabilities	193,976	192,647	(1,329)
Long-term debt	359,483	354,204	(5,279)
Total Liabilities	$ 653,445	$ 646,837	$ (6,608)
Total Liabilities and Stockholders' Equity	$ 1,308,000	$ 1,301,392	$ (6,608)

Accounting Standards Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contract with Customer (Topic 606)* ("ASU 2014-09") which 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 guidance was initially expected to be effective for annual reporting periods beginning after December 15, 2016, and provides for either full retrospective adoption or a modified retrospective adoption by which the cumulative effect of the change is recognized in retained earnings at the date of initial application. In July 2015, the FASB approved the deferral of the effective date of this standard by one year, and allows for adoption either at annual reporting periods beginning after December 15, 2016 or December 15, 2017. The Company is currently evaluating the requirements of this standard and has not yet determined the impact on the results of operations or financial position.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). The amendments in ASU 2015-16 require the acquirer to record, in the same period's financial statements, the effect on earnings, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. This amendment eliminates the requirement to retrospectively account for adjustments to the provisional amounts and is 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. The Company anticipates the adoption of this guidance will not have a material effect on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). The amendments in ASU 2015-17 require deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. The amendments in this update are effective for public business entities that present a classified statement of position for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company anticipates the adoption of this guidance will not have a material effect on its consolidated financial statements.

4. Business Combinations

Orchard Brands Corporation

On July 10, 2015, the Company acquired all of the outstanding common shares and voting interests of Orchard Brands Corporation for $410 million in cash, subject to various post-closing adjustments. The Company funded the purchase price and associated transactional expenses with:

- $104 million of cash on hand;
- $270 million of proceeds from the Term Loan facility; and
- $25 million of borrowings under the Asset Backed Line of Credit.

The operating results of the Orchard Brands Corporation have been included in the condensed consolidated financial statements since July 10, 2015. The Orchard Brands Corporation is a national multi-channel retailer offering apparel, accessories, and home products for women and men principally in the boomer and senior demographic, generally considered age 50 and older. Product assortments are offered through various platforms including online, direct mail, and in retail and outlet stores.

The purchase price was preliminarily allocated based on the carrying value of net assets acquired and liabilities assumed at the date of acquisition. The Company has engaged a third-party valuation advisor to conduct analyses of certain assets acquired and liabilities assumed in order to assist in the determination of the purchase price allocation. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The Company expects the purchase price to be completed in the fourth quarter of fiscal year 2015.

The following table summarizes the estimate of the fair value of assets acquired and liabilities assumed as part of the Orchard Brands Corporation acquisition (in thousands):

Purchase price	$	392,510
Cash		352
Inventory		127,255
Property and equipment		42,843
Other assets		54,228
Total identifiable assets acquired		224,678
Current liabilities		117,147
Other liabilities		20,028
Total liabilities assumed		137,175
Net identifiable assets acquired		87,503
Goodwill		305,007
Net assets acquired	$	392,510

The excess purchase price over tangible net assets acquired was preliminarily allocated to goodwill in the amount of $305.0 million and was fully allocated to the Orchard reporting segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

The amount of revenue included in the Company’s Condensed Consolidated Statements of Comprehensive Income for the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015 related to the Orchard Brand Corporation was $234.3 million and $282.7 million, respectively. The amount of income from operations included in the Company’s Condensed Consolidated Statements of Comprehensive Income for the 13-weeks ended October 30, 2015 and for the period from July 10, 2015 through October 30, 2015 related to the Orchard Brand Corporation was $15.8 million and $17.5 million, respectively.

Bluestem

On November 7, 2014, the Company acquired all of the outstanding common shares and voting interests of Bluestem Brands, Inc. 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 of Warrants by Centerbridge pursuant to the terms of the Investment Agreement; and
- Borrowings under a $300 million Term Loan facility.

The results of the Bluestem acquisition have been included in the condensed consolidated financial statements since November 7, 2014. Bluestem 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 and PayCheck Direct. Bluestem offers a large selection of name-brand, private label, and non-branded merchandise through online platforms and catalogs to customers in the United States. It primarily sells consumer electronics, domestics, housewares, and home furnishings. By combining its proprietary marketing and credit decision-making technologies, Bluestem is able to tailor merchandise and credit offers to prospective as well as existing customers.

The following table summarizes the consideration paid for Bluestem and the amount of assets acquired and liabilities assumed on November 7, 2014 (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

Through the application of "push-down" accounting, the assets and liabilities of Bluestem were adjusted to fair value on November 7, 2014. The fair value of the acquired intangible assets of $396.2 million includes customer relationships and tradenames of $176.2 million and $220.0 million, respectively. Fair value of the customer relationships was determined by using a discounted cash flow analysis which required significant estimates in the determination of expected cash flows. Fair value of the tradenames was determined by using the relief from royalty method which required significant estimates in the determination of expected revenue and an estimated royalty rate. See Note 9, *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 knowledge. None of the goodwill is expected to be deductible for income tax purposes. As of October 30, 2015, there were no changes in the recognized amounts of goodwill resulting from the acquisition of Bluestem. See Note 9, *Goodwill and Intangibles,* for further information.

The amount of revenue included in the Company's Condensed Consolidated Statements of Comprehensive Income for the 13- and 39-weeks ended October 30, 2015 related to Bluestem was $240.7 million and $699.8 million, respectively. The amount of loss from operations included in the Company's Condensed Consolidated Statements of Comprehensive Income for the 13- and 39-weeks ended October 30, 2015 related to Bluestem was $25.1 million and $56.1 million, respectively.

Pro forma Results

The following summary presents unaudited pro forma consolidated results of operations for the 13- and 39-weeks ended October 30, 2015 and October 31, 2014, as if the Orchard Brands Corporation acquisition had occurred on February 1, 2014 and as if the Bluestem Brands, Inc. 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, the Orchard Brands Corporation, and Bluestem Brands, Inc. been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies (in thousands):

	13-Weeks Ended			
	October 30, 2015		October 31, 2014	
	Reported	Proforma	Reported	Proforma
Total net sales and revenue	$ 482,005	$ 482,005	$ 12,710	$ 473,610
Income from continuing operations before income taxes	$ 9,407	$ 14,845	$ 5,055	$ 7,761

	39-Weeks Ended			
	October 30, 2015		October 31, 2014	
	Reported	Proforma	Reported	Proforma
Total net sales and revenue	$ 998,591	$ 1,466,349	$ 36,030	$ 1,403,993
Income (loss) from continuing operations before income taxes	$ (27,593)	$ (7,254)	$ 11,456	$ (3,816)

Pro forma operating adjustments consist of the following (in thousands):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Amortization expense	$ 4,029	$ (7,519)	$ 1,827	$ (34,409)
Interest expense	-	(3,485)	(1,993)	(9,955)
Reversal of rent expense	-	292	-	876
Dividend equivalent expense	-	2,917	-	9,053
Acquisition costs	1,409	8,165	18,059	(7,010)
Acceleration of stock compensation expense	-	-	4,662	(4,662)
Loss on early retirement of debt	-	-	5,729	(7,692)

5. Net Income (Loss) Allocated to Common Stockholders

The table below demonstrates how the Company computed basic and diluted income (loss) per share (in thousands, except share and per share amounts):

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Income (loss) from continuing operations after income taxes	$ 11,239	$ 5,355	$ (26,078)	$ 11,257
Plus: Net gain attributable to noncontrolling interests	-	663	-	5,930
Subtotal	11,239	6,018	(26,078)	17,187
Income from discontinued operations, net	-	37,790	-	33,037
Net income (loss) attributable to Bluestem Group Inc.	11,239	43,808	(26,078)	50,224
Less: Net income allocated to preferred stockholders	109	60	-	193
Less: Deemed dividends to preferred stockholders	29	19	85	46
Net income (loss) allocated to common stockholders - Basic	11,101	43,729	(26,163)	49,985
Less: Gain from derivatives in our own equity	14,120	-	6,306	-
Net (loss) income allocated to common stockholders - Diluted	$ (3,019)	$ 43,729	$ (32,469)	$ 49,985
Basic and Diluted Income (Loss) Per Share - Common Stockholders				
Basic income (loss) per share from continuing operations	$ 0.08	$ 0.06	$ (0.19)	$ 0.17
Diluted (loss) income per share from continuing operations	$ (0.02)	$ 0.06	$ (0.23)	$ 0.17
Basic income per share from discontinued operations	$ -	$ 0.38	$ -	$ 0.33
Diluted income per share from discontinued operations	$ -	$ 0.37	$ -	$ 0.33
Basic income (loss) per share available to common stockholders	$ 0.08	$ 0.44	$ (0.19)	$ 0.50
Diluted (loss) income per share available to common stockholders	$ (0.02)	$ 0.43	$ (0.23)	$ 0.50
Basic weighted average shares outstanding	136,160,378	99,844,755	136,142,101	99,817,074
Effect of dilutive shares for preferred stock	1,340,771	1,373,626	-	880,913
Effect of dilutive shares for nonvested restricted shares	220,497	110,433	-	36,811
Effect of dilutive shares for warrants	1,398,012	-	2,244,275	-
Diluted weighted average shares outstanding	139,119,658	101,328,814	138,386,375	100,734,797
Antidilutive nonvested shares	1,735,160	63,640	9,972,005	274,004

6. Serviced Credit Portfolio

The Company markets revolving credit accounts and installment credit accounts to qualifying customers identified by the Company. WebBank extends credit directly to Fingerhut and Gettington customers. The credit accounts may only be used to purchase goods and services from Fingerhut, Gettington, and certain third parties that market their goods and services to Fingerhut and Gettington customers. The Company is obligated to purchase and assume ownership of the receivables after a contractual holding period by WebBank of three business days. The purchase price of the receivables from WebBank is at par value, and the Company pays applicable interchange fees, origination fees, and other product fees along with applicable customer finance charges earned by WebBank during the contractual hold period. SCUSA is obligated to reimburse the Bluestem for origination and other product fees.

Bluestem is a party to a series of transactions with WebBank and SCUSA related to revolving Fingerhut and Gettington customer accounts receivables. The following are primary agreements executed by Bluestem (collectively the “A/R Program Agreement”).

Agreement	**Counterparty**
Receivables Sales Agreement	WebBank
Standard Receivables Sales Agreement	SCUSA
Program Agreement	WebBank and SCUSA

Except as described below, Bluestem is obligated to sell all new receivables originated under revolving credit accounts to SCUSA on the same day those receivables are purchased by Bluestem from WebBank. All receivables originated in revolving credit accounts are referred to as “Standard Receivables.” All 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 retains all Nonstandard Receivables purchased from WebBank. SCUSA bears risk of loss due to uncollectibility of the Standard Receivables purchased from Bluestem. Bluestem bears risk of loss due to uncollectibility on Nonstandard Receivables and any existing Standard Receivables not purchased by

SCUSA.

Effective September 1, 2015, Bluestem and SCUSA amended certain terms of the Standard Receivables Sales Agreement. Among other things, the amendments include changes to the annual profit sharing splits between the Bluestem and SCUSA and modifications to SCUSA's exclusivity rights, which permit Bluestem, at Bluestem's option, to purchase from SCUSA on a one-time basis up to 9.99% of the SCUSA-owned accounts receivable selected randomly and/or to retain up to 20% of Standard Receivables on newly originated revolving credit accounts that otherwise would be sold to SCUSA.

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

Fingerhut customers may be offered one of two credit products. Fingerhut revolving credit is typically accepted on customary revolving credit terms. The Fingerhut FreshStart credit product is primarily marketed as a counter offer to customers who have applied but were declined a revolving credit account. Gettington revolving credit is accepted on customary revolving credit terms. The PayCheck Direct non-interest bearing installment receivables are issued by the Company to consumers who are members and employees of participating organizations and customers make installment payments through payroll deductions or automatic bank withdrawals.

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

	Revolving [1]	FreshStart [2]	PayCheck Direct Installment [3]
Balance active accounts	1,812	120	38
Average balance outstanding	$ 677	$ 103	$ 541
Customer accounts receivable [4]	$ 1,225,964	$ 12,385	$ 20,618
Balances 30+ days delinquent [5]	$ 215,964	$ 4,333	$ 1,058
Balances 30+ days delinquent as a percentage of total customer accounts receivable [6]	17.6 %	35.0 %	5.1 %

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

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

(3) 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.

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

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

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

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. The revolving accounts receivables owned by the Company are generally accounts which have not had a new sale origination since the SCUSA arrangement began in April 2013 or are in a certain status, such as qualified hardship, bankruptcy, deceased or 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 from third-party payment processors, in-transit payments related to third-party credit card and debit transaction and purchase or finance charge payments that have not yet posted to a customer revolving or installment account.

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

	October 30, 2015	January 30, 2015
FreshStart installment accounts receivable	$ 12,473	$ 19,706
PayCheck Direct accounts receivable	20,793	16,494
Revolving accounts receivable	5,643	9,241
Other accounts receivable	23,477	5,944
Customer accounts receivable	62,386	51,385
Less allowance for doubtful accounts	(9,601)	(10,457)
Customer accounts receivable - net	$ 52,785	$ 40,928

Finance charge and fee income is recognized on Company-owned revolving and FreshStart 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 for all Company-owned accounts receivables, with the exception of the Orchard Portfolio's accounts receivable, is included in retail net credit expense in the Condensed 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. The Orchard Portfolio's accounts receivable are not included as part of the Bluestem credit portfolio and its provision for doubtful accounts is included in General and administrative expense in the Condensed Consolidated Statements of Comprehensive Income. Company-owned customer accounts receivable with delinquent balances in excess of 30 days were $6.9 million as of October 30, 2015. Impaired accounts, which include qualified hardship, bankrupt, deceased, and re-aged customer accounts receivable were $2.5 million as of October 30, 2015.

Changes in the allowance for doubtful accounts for the 39-weeks ended October 30, 2015 are as follows (in thousands):

Balance at January 30, 2015	$	10,457
Orchard Brands Corporation balance at acquisition		86
Provision for doubtful accounts		10,795
Principal charge-offs		(12,896)
Recoveries		1,159
Balance at October 30, 2015	$	9,601

SCUSA-owned Customer Accounts Receivable

For the 13- and 39-weeks ended October 30, 2015, the Company purchased $247.6 million and $722.6 million, respectively, of new Standard Receivables and sold $247.9 million and $723.0 million, respectively, of new and existing Standard Receivables at par value under the A/R Program Agreements. SCUSA reimburses the Company for fees paid to WebBank except for applicable interchange fees.

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 39-weeks ended October 30, 2015, the compensation received approximated adequate compensation for the services, and as such, there is no servicing asset or liability as of October 30, 2015.

7. Loans Held-for-Sale

As of October 30, 2015 and January 30, 2015, the Company had $22.1 million and $75.8 million of loans held-for-sale, respectively, that are no longer owned by the Company, but continue to be recognized on the Company's 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):

	October 30, 2015		January 30, 2015	
Collateral type	**Carrying Amount**	**Percent of Portfolio**	**Carrying amount**	**Percent of portfolio**
Mixed-use and industrial	$ 22,112	95%	$ 29,273	37%
Retail	1,110	5%	2,093	3%
Office	-	0%	46,714	60%
Total	$ 23,222	100%	$ 78,080	100%

8. Equity Investments

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

	October 30, 2015		January 30, 2015	
	Carrying amount	Percent of Portfolio	Carrying amount	Percent of Portfolio
Investments in real estate investment funds and other real estate ventures	$ 48,570	86%	$ 66,740	58%
Investments in entities that hold foreclosed real estate assets and other …	7,870	14%	8,177	7%
Investment in the capital stock of Federal Home Loan Bank of Seattle	-	0%	39,819	35%
Total	$ 56,440	100%	$ 114,736	100%

The Federal Home Loan Bank ("FHLB") of Seattle obtained all necessary regulatory approvals for redemption of its outstanding shares of regulatory-restricted mandatorily redeemable capital stock. On May 18, 2015, the FHLB of Seattle redeemed the Company's outstanding shares of regulatory-restricted mandatorily redeemable capital stock at par for $29.4 million. On June 1, 2015, the FHLB of Des Moines redeemed the Company's remaining capital stock balance of $6.8 million. For the 39-weeks ended October 30, 2015, the FHLB of Seattle also repurchased $3.6 million of the Company's capital stock pursuant to previously established quarterly share redemptions of excess capital stock.

9. Goodwill and Intangibles

As of October 30, 2015 and January 30, 2015, the Company's intangible assets and goodwill, consisted of the following (in thousands):

	October 30, 2015			January 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives:						
Customer relationships	$ 176,200	$ (45,863)	$ 130,337	$ 176,200	$ (18,308)	$ 157,892
Intangible assets with indefinite lives:						
Tradenames	220,000	-	220,000	220,000	-	220,000
Total intangible assets	$ 396,200	$ (45,863)	$ 350,337	$ 396,200	$ (18,308)	$ 377,892
Goodwill	506,649	-	506,649	201,642	-	201,642
Total intangible assets and goodwill	$ 902,849	$ (45,863)	$ 856,986	$ 597,842	$ (18,308)	$ 579,534

The changes in the carrying amount of goodwill for the 39-weeks ended October 30, 2015 are as follows (in thousands):

	Fingerhut	Orchard	Total
Balance as of January 30, 2015	$ 201,642	$ -	$ 201,642
Additions	-	305,007	305,007
Balance as of October 30, 2015	$ 201,642	$ 305,007	$ 506,649

Intangible assets with finite lives are amortized using the accelerated method over their estimated useful lives. Intangible assets amortization expense for the 13- and 39-weeks ended October 30, 2015 was $9.8 million and $27.6 million, respectively.

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

Fiscal Years		
Remainder of 2015	$	21,175
2016		36,158
2017		27,370
2018		20,365
2019		14,683
Thereafter		10,586
Total	$	130,337

10. Collateralized Borrowing and Other Financing

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

	October 30, 2015		January 30, 2015	
Short-term debt				
Debt facility - net of discount and financing fees of $5,062 and $3,577	$	105,600	$	16,061
Capital lease obligation		2,358		1,672
Other notes payable		33		54
Short-term debt	$	107,991	$	17,787
Long-term debt				
Debt facility - net of discount and financing fees of $20,458 and $14,576	$	493,729	$	269,645
Capital lease obligation		3,004		3,072
Other notes payable		-		172
Collateralized borrowings		23,857		81,315
Long-term debt	$	520,590	$	354,204

Debt Facility

Term Loan

On November 7, 2014, Bluestem Brands, Inc. entered into a $300 million Initial Term Loan facility with a syndication of investors, which matures on November 7, 2020. The Initial 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 amortized under the straight-line method, which approximates the effective interest method, as interest expense over the term of the loan. The deferred charges and original issue discount were recorded as a deduction from the carrying amount of the Initial Term Loan on the Company's Condensed Consolidated Balance Sheets. Proceeds from the Initial Term Loan were used to finance the purchase of Bluestem. See Note 4, *Business Combinations,* for further information.

On July 10, 2015, Bluestem Brands, Inc. entered into the First Amendment and Incremental Agreement to the Term Loan and borrowed an additional $280 million. There were no changes to the payment terms, interest rate or financial covenants in connection with the Incremental Loans with the exception of the Orchard Brands Corporation's results are now included for purposes of calculating the financial covenants. The Incremental Loans were issued with an original issue discount totaling $2.8 million and were accounted for as a debt modification. As a result, new lender fees of $7.7 million were recorded as deferred charges and $0.2 million of third-party fees were expensed. Both the original issue discount and the deferred charges are amortized under the straight-line method, which approximates the effective interest method, as interest expense over the remaining term of the loan. The deferred charges and original issue discount were recorded as a deduction from the carrying amount of the Term Loan on the Company's Condensed Consolidated Balance Sheets. Proceeds from the Incremental Loans were used to finance the purchase of the Orchard Brands Corporation. See Note 4, *Business Combinations*, for further information.

Bluestem is required to repay the outstanding principal balance of the Term Loan in quarterly installments of $7.5 million, with the balance due at maturity. Quarterly installments may be reduced by the mandatory prepayments of principal on an annual basis equal to:

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

Outstanding balances under the Term Loan, at the option of Bluestem, 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. 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 property and equipment and a second lien on Bluestem's inventory and customer accounts receivable not otherwise pledged or sold. Under provisions of the Term Loan, Bluestem has restrictions on the amount of dividends declared and is subject to the following financial covenants, which are based on Bluestem's stand-alone financial results:

- Minimum Liquidity — As of the last day of any fiscal quarter, Bluestem 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.
- Total Leverage Ratio — As of the last day of any fiscal quarter, Bluestem 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 October 30, 2015, Bluestem was in compliance with all these financial covenants.

As of October 30, 2015, the outstanding balance of the Term Loan was $544.3 million.

Asset Backed Line of Credit
Bluestem has an Asset Backed Line of Credit, as amended on July 10, 2015, which is secured by a first lien on inventory, and non-customer accounts receivables and a second lien on other unencumbered assets of Bluestem. The Asset Backed Line of Credit has a maturity date of July 10, 2020, and a total facility size of $200 million, subject to borrowing capacity. Borrowing capacity is calculated as the lower of 90% of the liquidation value from the latest inventory appraisal or 65% of eligible inventory, plus between 85% and 90% of other eligible receivables (depending on the type of receivable), in each case less any reserves, plus the lesser of $20 million and the applicable portion of Bluestem's eligible inventory in transit.

The July 10, 2015 amendment permits Bluestem to increase commitments under the Asset Backed Line of Credit by an amount not to exceed $50 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 Bluestem was to request any such additional commitments and the existing lenders or new lenders were to agree to provide such commitments, the size of the Asset Backed Line of Credit could be increased to $250 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. Lender and third party costs of $2.5 million associated with the July 2015 amendment were deferred and will be amortized over the remaining term.

Daily outstanding balances on the Asset Backed Line of Credit will, at Bluestem's request, be classified as either LIBOR loans, or adjusted base rate loans, subject to available balances. The rate of interest payable is (i) with respect to LIBOR Loans, the adjusted LIBOR 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 Asset Backed Line of Credit.

The Asset Backed Line of Credit agreement requires the payment of an unused commitment fee of 0.375% if the average utilization is less than 50% and 0.25% if the average utilization is equal to or greater than 50%.

Bluestem is subject to a minimum net liquidity financial covenant under the Asset Backed Line of Credit, which is based on Bluestem's stand-alone financial results. Bluestem 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 or any of its subsidiaries.

As of October 30, 2015, outstanding borrowings on the Asset Backed Line of Credit were $80.6 million and $94.7 million was available. Bluestem also had $4.9 million of outstanding letters of credit, the majority of which are related to requirements for worker's compensation insurance and customs requirements from inventory purchasing. As of October 30, 2015 Bluestem was in compliance with all provisions of the Asset Backed Line of Credit Agreement.

The future maturities of the financing agreements, net of discounts and financing costs of $25.5 million, are as follows (in thousands):

Fiscal Years	**October 30, 2015**
Remainder of 2015	$ 87,497
2016	27,205
2017	26,477
2018	25,687
2019	25,243
Thereafter	412,615
Total	$ 604,724

Retail Interest Expense

For the 13- and 39-weeks ended October 30, 2015, retail interest expense is as follows (in thousands):

	13-Weeks Ended October 30, 2015	**39-Weeks Ended October 30, 2015**
Interest on debt	$ 12,449	$ 26,705
Interest on capital lease obligation	98	206
Amortization of deferred charges	779	1,550
Amortization of original issue discount	619	1,761
Interest income	-	(3)
Total interest expense, net	$ 13,945	$ 30,219

Collateralized Borrowings

Collateralized borrowings of $23.9 million and $81.3 million as of October 30, 2015 and January 30, 2015, 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 that are pledged as collateral for the transactions that do not qualify as sales (in thousands):

	October 30, 2015	**January 30, 2015**
Loans held for sale	$ 22,112	$ 75,786
Commercial real estate accounts and other receivables	473	1,420
Total assets pledged as collateral	$ 22,585	$ 77,206
Related collateralized borrowings	$ 23,857	$ 81,315

11. Other Balance Sheet Data

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

	October 30, 2015	January 30, 2015
Other Current Assets		
Promotional inventories	$ 85,881	$ 13,976
Prepaid expenses and other	23,870	19,694
Total other current assets	$ 109,751	$ 33,670
Other Assets		
Commercial real estate accounts and other receivables - noncurrent	$ 12,370	$ 20,228
Investment securities available-for-sale	874	870
Deferred charges and other	3,279	97
Total other assets	$ 16,523	$ 21,195
Accrued Costs and Other Liabilities		
Accrued liabilities	$ 70,493	$ 36,846
Accrued payroll and benefits	26,462	25,925
Derivative liability in our own equity	9,047	15,353
Deferred revenue	18,463	7,336
Current income taxes payable	-	3,202
Other	-	4,161
Total accrued costs and other liabilities	$ 124,465	$ 92,823
Other Long-Term Liabilities		
Unrecognized tax benefits	$ 8,310	$ 8,632
Other	3,824	11,405
Total other long-term liabilities	$ 12,134	$ 20,037

12. Variable Interest Entities

The Company is involved with various entities in the normal course of business that may be deemed to be variable interest entities (“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.

The Company has evaluated its investments and other interests in entities that may be considered VIEs under the provisions of ASC 810, *Consolidation*. See Note 14 of the Annual Report for a description of the VIEs in which the Company has a significant variable interest, in circumstances where the Company consolidates the VIE and in circumstances where the Company does not consolidate the VIE, as appropriate. As of October 30, 2015 and January 30, 2015, the Company is 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 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	Commercial real estate accounts and other receivables	Total
As of October 30, 2015							
New markets tax credit funds…………….	$ 63,690	$ 36,398	$ -	$ -	$ 22,112	$ 14,286	$ 36,398
CMBS securitization trusts……………….	66,659	757	-	-	757	-	757
Loans held for sale………………………..	3,364	1,110	-	-	1,110	-	1,110
Total………………………………………	$ 133,713	$ 38,265	$ -	$ -	$ 23,979	$ 14,286	$ 38,265
As of January 30, 2015							
New markets tax credit funds…………….	$ 140,487	$ 108,937	$ -	$ -	$ 75,786	$ 33,151	$ 108,937
CMBS securitization trusts……………….	117,520	703	-	-	703	-	703
Loans held for sale………………………..	6,543	2,294	-	-	2,294	-	2,294
Total………………………………………	$ 264,550	$ 111,934	$ -	$ -	$ 78,783	$ 33,151	$ 111,934

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

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

(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 Condensed Consolidated Balance Sheets, but also potential losses associated with off-balance sheet commitments, such as unfunded liquidity and/or lending commitments and other contractual arrangements.

13. Income Taxes

For the 39-weeks ended October 30, 2015, the Company's tax provision included a $1.1 million benefit for prior year state taxes, $0.3 million decrease to the liability for unrecognized tax benefits, and $0.1 million was expensed for foreign and state taxes. The Company also recognized a $0.2 million tax benefit for temporary differences that will result in future taxable income. No tax benefit was recorded for the $27.6 million pre-tax accounting loss for the 39-weeks ended October 30, 2015, because of the Company's historical and cumulative tax losses. There was a $15.3 million increase in the net deferred tax liability as of October 30, 2015 because of the acquisition of the Orchard Brands Corporation and changes in state rates. All other changes in deferred tax assets and liabilities were offset by changes in the valuation allowance and unrecognized tax benefit liability.

14. Fair Value of Assets and Liabilities

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

Upon emerging from bankruptcy on September 30, 2011, the Company elected the fair value option, under ASC 825, *Financial Instruments*, for a note receivable with a $4.6 million principal amount, which is included in commercial real estate accounts and other receivables on the Consolidated Balance Sheets. The fair value of the note receivable was estimated based on a discounted cash flow ("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 Sheets. 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 Sheets. 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. An example of instruments which would generally be classified within Level 2 of the valuation hierarchy is 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 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. 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 October 30, 2015
Commercial real estate note receivable	$ -	$ -	$ 4,370	$ 4,370
Investment securities available-for-sale	-	-	874	874
Total assets measured at fair value on a recurring basis	$ -	$ -	$ 5,244	$ 5,244
Derivative liabilities in our own equity measured at fair value on a recurring basis	$ -	$ -	$ 9,047	$ 9,047

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
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

There were no transfers of assets between Level 1 and Level 2 in the 39-weeks ended October 30, 2015 and October 31, 2014, respectively. There were no transfers of assets into Level 3 or out of Level 3 in the 39-weeks ended October 30, 2015 and October 31, 2014, respectively.

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

	13-Weeks Ended October 30, 2015				13-Weeks Ended October 31, 2014		
	Commercial Real Estate Note Receivable	Investment Securities Available for Sale	Total Assets	Derivatives Liabilities in Our Own Equity	Commercial Real Estate Note Receivable	Investment Securities Available for Sale	Total Assets
Beginning balance	$ 4,242	$ 1,016	$ 5,258	$ 23,167	$ 4,156	$ 1,044	$ 5,200
Purchases, issuances, sales and settlements:							
Settlements	-	(401)	(401)	-	-	(2,170)	(2,170)
Total net realized/unrealized (gains) losses:							
Included in earnings	128	401	529	(14,120)	12	2,170	2,182
Included in other comprehensive income (loss)	-	(142)	(142)	-	-	(633)	(633)
Ending balance	$ 4,370	$ 874	$ 5,244	$ 9,047	$ 4,168	$ 411	$ 4,579
Change in unrealized gains for the period included in earnings for assets or liabilities still held as of end of year	$ 128	$ -	$ 128	$ (14,120)	$ 12	$ -	$ 12

	39-Weeks Ended October 30, 2015				39-Weeks Ended October 31, 2014		
	Commercial Real Estate Note Receivable	Investment Securities Available for Sale	Total Assets	Derivatives Liabilities in Our Own Equity	Commercial Real Estate Note Receivable	Investment Securities Available for Sale	Total Assets
Beginning balance	$ 4,224	$ 870	$ 5,094	$ 15,353	$ 3,941	$ 1,560	$ 5,501
Purchases, issuances, sales and settlements:							
Sales	-	(51)	(51)	-	-	-	-
Settlements	-	(624)	(624)	-	-	(15,939)	(15,939)
Total net realized/unrealized (gains) losses:							
Included in earnings	146	674	820	(6,306)	227	15,880	16,107
Included in other comprehensive income (loss)	-	5	5	-	-	(1,090)	(1,090)
Ending balance	$ 4,370	$ 874	$ 5,244	$ 9,047	$ 4,168	$ 411	$ 4,579
Change in unrealized gains for the period included in earnings for assets or liabilities still held as of end of year	$ 146	$ -	$ 146	$ (6,306)	$ 227	$ -	$ 227

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 October 30, 2015 and January 30, 2015. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of October 30, 2015 and January 30, 2015. 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 October 30, 2015 and January 30, 2015 were $1.1 million and $2.1 million, respectively.

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

	Fair Value Hierarahy Level	October 30, 2015		January 30, 2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:					
Investment securities available-for-sale	Level 3	$ 874	$ 874	$ 870	$ 870
Loans held-for-sale	Level 3	23,222	24,136	78,080	82,702
Financial Liabilities:					
Secured and other borrowings	Level 2	23,857	23,857	81,315	81,315
Derivative liabilities	Level 3	9,047	9,047	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 receivable - 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 3.

15. Commitments and Contingent Liabilities

Operating Lease Commitments

In connection with the Orchard Brands Corporation acquisition, the Company acquired certain operating lease obligations for retail and office facilities having initial or remaining terms of more than one year. Many of these leases require payment of taxes, maintenance, insurance and certain other operating expenses applicable to leased properties. Rental payments under the terms of some store facility leases include contingent rents based on sales levels and some are the greater of a minimum rental payment or a percentage of the store's gross receipts. The original lease terms under existing arrangements range from 1 to 6 years and may or may not include renewal options, rent escalation clauses and landlord leasehold improvement incentives. The resulting rent expense is recorded on a straight-line basis over the lease term, and accordingly, a deferred lease liability has been recorded at October 30, 2015. In addition, the Orchard Brands Corporation has lease commitments for various office and warehouse equipment.

During October 2015, the Company executed a lease agreement effective March 1, 2016 for a new corporate headquarters in Eden Prairie, Minnesota. The lease is for approximately 345,000 square feet with an initial term of 120 months, including a seven-month rent holiday and other lease incentives, with payments beginning on October 1, 2016. Rent expense will be recorded on a straight-line basis over the lease term. The Company is responsible for all operating expenses.

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 $5.6 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 October 30, 2015, are as follows (in thousands):

Fiscal Years	Operating	Capital
Remainder of 2015	$ 3,213	$ 617
2016	11,646	2,417
2017	10,458	1,548
2018	9,038	728
2019	7,614	295
Thereafter	30,463	-
Sublease income	(709)	-
Total future minimum lease payments	$ 71,723	$ 5,605
Less: Amount representing Interest		(243)
Present value of future minimum lease payments		$ 5,362

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.

Inventory Purchase Commitments

In addition to the lease commitments disclosed above, the Orchard Brands Corporation enters into a number of cancelable and non-cancelable commitments. Typically, these commitments are for less than a year in duration and are principally focused on the procurement of inventory. Preliminary commitments with merchandise vendors typically are made five to seven months in advance of the planned receipt date. Inventory purchase commitments at October 30, 2015 were approximately $153.8 million.

Telephone Consumer Protection Act

Bluestem Brands, Inc. entered into an agreement to settle certain claims relating to allegations that it 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 October 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. The parties to the litigation therefore have not been able to settle the matter as originally agreed. The case has been dismissed from the Florida court where it originally was filed, and the case was re-filed in Illinois state court on September 9, 2015.

Litigation

Bluestem is party to two putative class action lawsuits filed in federal court in the United States alleging violations of various state and federal laws arising from finance charges allegedly included in the price of goods sold under the Fingerhut brand. The named plaintiffs in these cases seek, among other relief, unspecified monetary damages and an order enjoining Bluestem from continuing the allegedly unlawful practices. Bluestem also is a third party defendant in a putative class action lawsuit filed in West Virginia state court alleging violations of various state laws based on the theory that Bluestem, rather than WebBank, is the lender to Fingerhut customers who open credit accounts with WebBank. The named third-party plaintiff in this lawsuit seeks unspecified monetary damages. Each of these putative class action suits is in its early stages, and the likelihood of any material loss in connection with each case cannot be determined at this time. As a result, no amount was recorded related to any of these matters as of October 30, 2015.

The Company and, former officers, directors and employees of the Company (collectively, the "BGI Parties") may be subject to potential liability under laws and government regulations, and various pre-petition and post-petition claims, as applicable, and other legal actions that are pending or may be asserted against it. The BGI 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 BGI Parties also receive numerous requests, subpoenas, and orders seeking documents, testimony, and other information in connection with various aspects of their pre-petition 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. As of October 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 legal proceedings, 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, and it is possible that litigation, claims or legal proceedings 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 shareholders of Bluestem Brands, Inc. are responsible for certain litigation matters per terms of the agreement dated September 28, 2014, whereby the Company acquired Bluestem on November 7, 2014.

Indemnities and Guarantees

During the normal course of business, the Orchard Brands Corporation has made certain indemnities, under which it may be required to make payments in relation to certain transactions. These indemnities include those given to various lessors in connection with facility leases for certain claims arising from such facility or lease and indemnities to directors and officers of the Orchard Brands Corporation and its subsidiaries to the extent permitted under the laws of the states of incorporation. The duration of these indemnities vary. The Company has not recorded any liability for these indemnities in the Condensed Consolidated Balance Sheets as all the claims are expected to be immaterial.

Escheatment Liability

Management has assessed exposure for unclaimed property which has not been remitted to applicable states. The unclaimed property exposure relates primarily to refund checks that have not been cashed by customers. At October 30, 2015, the liability recorded, including interest, amounted to $3.1 million. These amounts are included in Accrued costs and other liabilities in the Condensed Consolidated Balance Sheets.

16. Accumulated Other Comprehensive Income

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

	13-Weeks Ended		39-Weeks Ended	
	October 30, 2015	October 31, 2014	October 30, 2015	October 31, 2014
Balance as of beginning of period……………………………………	$ 1,011	$ 1,186	$ 864	$ 1,602
Net unrealized gain on investment securities:				
Net unrealized gains arising during the period………………………..	634	2,032	1,317	15,104
Less: reclassification adjustment for net (gains) included in net income…………………………………………………	(776)	(2,812)	(1,312)	(16,300)
Net change during the period………………………………………….	$ (142)	$ (780)	$ 5	$ (1,196)
Balance as of end of period…………………………………………...	$ 869	$ 406	$ 869	$ 406

17. Segment Information

The Company reviews and presents the consolidated business results based on the organizational structure Company management uses to evaluate performance and make decisions on allocating resources and assessing performance.

As a result of the Bluestem Brands, Inc. acquisition, 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 consolidated business results are being presented in three reportable segments (referred to herein as "segments") Fingerhut, Orchard and Commercial Real Estate.

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 of the Annual Report and as updated in the Quarterly Report as of and for the 13- and 26-weeks ended July 31, 2015 and August 1, 2014 dated September 28, 2015, 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.

Fingerhut

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

Orchard

Orchard is a national multi-channel retailer offering apparel, accessories, and home products for women and men principally in the boomer and senior demographic, generally considered ages 50 and older. Orchard offers its product assortments through various platforms including online, direct mail, and in retail and outlet stores. Orchard's focus on and understanding of its customer demographic provides a competitive advantage. The products are offered under the brands Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Gold Violin, Haband, LinenSource, Norm Thompson, Old Pueblo Traders, Sahalie, Solutions, Tog Shop, and WinterSilks. Orchard designs its marketing programs using its extensive proprietary database of customer information of over 32 million households.

Commercial Real Estate

Commercial Real Estate is focused on managing a 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 the Bluestem Legacy Portfolio, Gettington, and PayCheck Direct have been included within Other. Gettington offers a wide assortment of merchandise and recognized brand names with a focus on the online shopping experience with customized payment plans. 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. These 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 investment and acquisition transactions, legal, accounting, and other service providers; occupancy costs of corporate offices; insurance; 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):

	13-Weeks Ended October 30, 2015					
	Fingerhut	Orchard	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Net retail sales	$ 208,652	$ 234,252	$ -	$ 32,053	$ -	$ 474,957
Commercial real estate revenue						
Net interest income	-	-	664	-	-	664
Net gains on investments available-for-sale	-	-	401	-	-	401
Other noninterest income	-	-	5,983	-	-	5,983
Total net sales and revenue	**208,652**	**234,252**	**7,048**	**32,053**	**-**	**482,005**
Costs and expenses						
Retail cost of goods sold	118,503	101,894	-	23,652	-	244,049
Retail sales and marketing expenses	42,324	89,139	-	6,290	-	137,753
Retail net credit expense	12,443	-	-	2,700	-	15,143
Commercial real estate operating expenses	-	-	618	-	-	618
General and administrative expenses	-	24,730	-	-	34,018	58,748
Amortization and depreciation not included in retail cost of goods sold	-	2,643	-	-	13,819	16,462
Gain from derivatives in our own equity	-	-	-	-	(14,120)	(14,120)
Total costs and expenses	**173,270**	**218,406**	**618**	**32,642**	**33,717**	**458,653**
Operating income (loss)	**$ 35,382**	**$ 15,846**	**$ 6,430**	**$ (589)**	**$ (33,717)**	**$ 23,352**

	13-Weeks Ended October 31, 2014					
	Fingerhut	Orchard	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Commercial real estate revenue						
Net interest income	$ -	$ -	$ 1,204	$ -	$ -	$ 1,204
Net gains on investments available-for-sale	-	-	2,170	-	-	2,170
Other noninterest income	-	-	9,336	-	-	9,336
Total net sales and revenue	**-**	**-**	**12,710**	**-**	**-**	**12,710**
Costs and expenses						
Commercial real estate operating expenses	-	-	860	-	-	860
General and administrative expenses	-	-	-	-	6,795	6,795
Total costs and expenses	**-**	**-**	**860**	**-**	**6,795**	**7,655**
Operating income (loss)	**$ -**	**$ -**	**$ 11,850**	**$ -**	**$ (6,795)**	**$ 5,055**

	39-Weeks Ended October 30, 2015					
	Fingerhut	Orchard [1]	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Net retail sales	$ 616,108	$ 282,693	$ -	$ 83,706	$ -	$ 982,507
Commercial real estate revenue						
Net interest income	-	-	1,841	-	-	1,841
Net gains on investments available-for-sale	-	-	674	-	-	674
Other noninterest income	-	-	13,569	-	-	13,569
Total net sales and revenue	**616,108**	**282,693**	**16,084**	**83,706**	**-**	**998,591**
Costs and expenses						
Retail cost of goods sold	347,874	124,243	-	61,727	-	533,844
Retail sales and marketing expenses	123,909	106,746	-	14,885	-	245,540
Retail net credit expense	26,694	-	-	4,557	-	31,251
Commercial real estate operating expenses	-	-	1,900	-	-	1,900
General and administrative expenses	-	30,851	-	-	115,614	146,465
Amortization and depreciation not included in retail cost of goods sold	-	3,392	-	-	39,879	43,271
Gain from derivatives in our own equity	-	-	-	-	(6,306)	(6,306)
Total costs and expenses	**498,477**	**265,232**	**1,900**	**81,169**	**149,187**	**995,965**
Operating income (loss)	**$ 117,631**	**$ 17,461**	**$ 14,184**	**$ 2,537**	**$ (149,187)**	**$ 2,626**

	39-Weeks Ended October 31, 2014					
	Fingerhut	Orchard	Commercial Real Estate	Other	Corporate	Total
Net sales and revenue						
Commercial real estate revenue						
Net interest income	$ -	$ -	$ 4,875	$ -	$ -	$ 4,875
Net gains on investments available-for-sale	-	-	15,946	-	-	15,946
Other noninterest income	-	-	15,209	-	-	15,209
Total net sales and revenue	**-**	**-**	**36,030**	**-**	**-**	**36,030**
Costs and expenses						
Commercial real estate operating expenses	-	-	4,068	-	-	4,068
General and administrative expenses	-	-	-	-	20,452	20,452
Amortization and depreciation not included in retail cost of goods sold	-	-	-	-	54	54
Loss from derivatives in our own equity	-	-	-	-	-	-
Total costs and expenses	**-**	**-**	**4,068**	**-**	**20,506**	**24,574**
Operating income (loss)	**$ -**	**$ -**	**$ 31,962**	**$ -**	**$ (20,506)**	**$ 11,456**

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[1] Orchard Portfolio results are included for the period from July 10, 2015 through October 30, 2015.

18. Subsequent Events

During the fourth quarter of fiscal 2015, we decided to reposition our Gettington business to focus on selling discounted, overstock and close-out merchandise to customers using Gettington's proprietary credit. Close-out, overstock and discounted merchandise segments are growing faster than general retail and currently do not well serve consumers who want the ability to buy now and pay over time. We have been considering the integration of a discount strategy into our business model for some time. We believe transitioning the Gettington business to fill this void is a natural fit, allowing us to leverage the existing Gettington retail platform and our deep expertise with payment plans to provide an exciting, new shopping opportunity for both new and existing Bluestem customers. This new business model for Gettington is expected to launch during the first quarter of our 2016 fiscal year and we will continue to operate the new business under the

Gettington name. As part of repositioning Gettington's business, we expect to market Gettington's merchandise to existing Gettington customers and to a new customer base that is substantially similar to Fingerhut's current customer base.

These financial statements include consideration of subsequent events through December 15, 2015, the date the consolidated financial statements were issued.