

- FINAL -

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Bluestem Group, Inc.		2 Issuer's employer identification number (EIN) 91-1902188	
3 Name of contact for additional information Brad Atkinson	4 Telephone No. of contact 952-656-4058	5 Email address of contact brad.atkinson@bluestembrands.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 7075 Flying Cloud Drive		7 City, town, or post office, state, and ZIP code of contact Eden Prairie, MN 55344	
8 Date of action February 28, 2017	9 Classification and description Cash and deemed distribution		
10 CUSIP number	11 Serial number(s)	12 Ticker symbol OTC: BGRP	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **Bluestem Group, Inc. ("Company") paid a special distribution of \$0.60 per share on February 28, 2017, and adjusted the exercise price of its outstanding common stock warrants by the per share cash distribution. The exercise price adjustment is considered a deemed distribution to the warrant holders. Based on a third party valuation of the warrants, with and without the \$0.60 decrease in the exercise price, there is no excess fair market value to report. The full distribution exceeded the Company's earnings and profits, making the entire distribution a return of capital.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **The Company's distribution represents a 100% return of capital.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The Company's current and accumulated earnings and profits for its 2017 fiscal year ending February 2, 2018 are \$0. Based on a final third party warrant valuation, the excess fair market value with and without the special dividend exercise price adjustment deemed distribution to be \$0. The total cash distribution was \$80,200,589.**

Part II Organizational Action (continued)

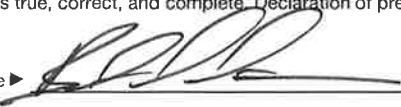
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ **Section 301 applies to the special cash dividend as a distribution of property. Section 305 and proposed Treasury Regulation 1.305-7 applies to the deemed distribution on the warrants. Section 312 and Treasury Regulation 1.312-1 applies to the Company's earnings and profits. Section 316 and Treasury Regulation 1.316-2 applies to shareholders' taxation of the distribution between dividend and return of capital.**

18 Can any resulting loss be recognized? ▶ **No, the distribution should not result in a taxable loss to the shareholders.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **Shareholders should consult their tax advisors to determine the tax impact of the distribution for their 2017 tax year. The dividend and return of capital amounts are final.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ 

Date ▶ 11/29/18

Print your name ▶ **Brad Atkinson**

Title ▶ **SVP, Chief Accounting Officer**

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	