Capmark Financial Group Inc.
Report as of and for the three months ended December 31, 2011

FINANCIAL INFORMATION

Pursuant to Section 4.02(b) of the Indenture dated as of September 30, 2011 among Capmark Financial Group Inc., the Guarantors (as defined therein) and Wilmington Trust, National Association, as trustee and collateral agent for the Floating Rate First Lien A Notes Due 2014 and Floating Rate First Lien Extendible B Notes Due 2015.

CAPMARK FINANCIAL GROUP INC.

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FORWARD-LOOKING STATEMENTS

This Report contains statements that are "forward-looking statements". Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. All statements contained herein that are not clearly historical in nature are forward-looking. In some cases, you can identify these statements by use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "project," "intend," "could" or similar expressions. In particular, statements regarding Capmark Financial Group Inc.'s (together with its consolidated subsidiaries, "CFGI") 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 CFGI's 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 CFGI's control and may cause actual results and performance to differ materially from CFGI's expectations.

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

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

BUSINESS

The Company

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a real estate finance company focused on the management of its commercial real estate-related assets and businesses. Through the Company's operating subsidiaries, it conducts its business primarily in North America. As of December 31, 2011, the Company had approximately 220 employees located in 9 offices in the United States and one office in Japan. The Company expects to have approximately 185 employees located in 8 offices in the United States and one office in Japan as of March 31, 2012.

On October 25, 2009, Capmark Financial Group Inc. (Capmark Financial Group Inc. prior to its emergence from bankruptcy is referred to as "Predecessor CFGI") and certain of its subsidiaries filed voluntary petitions for relief under chapter 11 of the US Bankruptcy Code ("chapter 11 of the Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware. On January 15, 2010, Capmark Investments LP and on July 29, 2010, Protech Holdings C LLC commenced their respective voluntary cases under chapter 11 of the Bankruptcy Code. The entities which filed voluntary cases under chapter 11 of the Bankruptcy Code are referred to herein as the "Debtors". Certain of the Debtors, including Capmark Financial Group Inc. (Capmark Financial Group Inc. following its emergence from bankruptcy is referred to as "Successor CFGI"), emerged from bankruptcy on September 30, 2011 (the "Effective Date") pursuant to the Third Amended Joint Plan of Capmark Financial Group Inc. and certain of its subsidiaries and affiliates (the "Plan"). The Plan was effective for fourteen of the Debtors (the "Reorganized Debtors"), however, there were twenty-one Debtors which remained in bankruptcy as of December 31, 2011. Four of these Debtors' cases were dismissed on March 6, 2012. The remaining Debtors are primarily non-operating managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business.

In accordance with the Plan, on the Effective Date, the existing common stock of Predecessor CFGI was cancelled and new Successor CFGI common stock ("Common Stock") was authorized for issuance. In addition, on the Effective Date, the existing debt securities of Predecessor CFGI and the related guarantees provided by certain of its subsidiaries were cancelled. On the Effective Date, Successor CFGI issued $1.25 billion of new secured debt securities ("Secured Notes") which are guaranteed and secured by the assets of certain of its domestic subsidiaries, excluding Capmark Bank. The subsidiary guarantors of the Secured Notes are Capmark Finance LLC, Capmark Capital LLC, Capmark Affordable Equity Holdings LLC, Capmark Affordable Equity LLC, Capmark Affordable Properties LLC, Capmark REO Holding LLC, Commercial Equity Investments LLC, Property Equity Investments LLC, SJM Cap, LLC and Summit Crest Ventures, LLC (collectively, the "Guarantors," and together with Successor CFGI, the "Obligors"). In accordance with the Plan, a combination of cash, Secured Notes and Common Stock was distributed to the Plan disbursing agent on behalf of the holders of general unsecured claims against the Reorganized Debtors in satisfaction of their claims. As discussed below in "Liquidity and Capital Resources," on the Effective Date, Crystal Ball Holding of Bermuda Limited ("Crystal Ball"), one of the Company's wholly-owned subsidiaries, distributed $85.0 million in connection with a settlement reached between Crystal Ball and the holders of Unsecured Loans and Unsecured Notes (as defined below in "Liquidity and Capital Resources").

Successor CFGI continues to exist as the parent holding company. When the term "Company" is used, it refers to Successor CFGI and its consolidated subsidiaries, except where it is clear that the term means only the parent company, Capmark Financial Group Inc. without consolidated subsidiaries.

The Company's business plan is primarily focused on the management of its existing assets and businesses, with a view towards achieving its main objective of maximizing the value of its existing assets. In connection with these activities, the Company may, among other things, sell its assets, foreclose upon the collateral securing the loans, extend or modify existing loans, make investments in properties that are currently owned or may be acquired in the future and/or advance additional funds to existing borrowers.

Execution of its business plan has thus far allowed the Company to reduce the outstanding principal of the Secured Notes to $475.0 million by redeeming all of the floating rate first lien A notes and a portion of the floating rate first lien extendible B notes pursuant to several redemptions between issuance and February 1, 2012. The Company's Capmark Bank subsidiary has also reduced the remaining principal balance of borrowings with the Federal Home Loan Bank of Seattle ("FHLB") to $100.0 million as of February 6, 2012.

In addition, the Company has and will continue to implement numerous tactical and strategic initiatives in connection with its business plan, a number of which are already underway or complete, including the following:

- The Company has made targeted changes in the senior management of the enterprise and made other changes within its employment and business group structures with a view towards achieving its main objective, including the elimination of positions that are not needed to implement the business plan.

- The Company has sold a number of businesses that are not part of the ongoing business plan, including the North American mortgage banking and servicing businesses (December 2009); the European and Japanese servicing businesses (June 2009 and January 2010, respectively); the real estate equity and debt investment management businesses (March 2010 and May 2011, respectively); the new markets tax credit ("NMTC") management business (April 2011); the military housing business (December 2009); and the low income housing tax credit fund management business (sale agreement was signed in September 2011, the initial sale closing occurred in October 2011, and subsequent sales occurred in December 2011 and the first quarter of 2012).

- The Company has engaged Houlihan Lokey Capital, Inc. as a financial advisor and investment banker to assist the Company in evaluating strategic alternatives for Capmark Bank and its domestic non-bank loan portfolios including, but not limited to, sales, distributions, dividends or other dispositions of portfolios of loans or a sale of stock, merger or other business combination involving Capmark Bank. The implementation of any strategic alternative may be subject to regulatory approval and there can be no assurance that any viable strategic alternative will ultimately be developed or completed.

- The Company has initiated certain legal actions to recover payments made prior to the commencement date of the bankruptcy. In addition, the Company is involved in another action in which it is seeking a return of collateral it posted prior to the commencement date of bankruptcy, among other items. Due to the inherent uncertainty in litigation, there can be no assurances that the Company will recover any of the amounts it is seeking.

- The Company has organized its personnel in each key business area so as to provide the necessary support for its business plan. In addition, the Company has engaged independent brokers, appraisers, attorneys, and other professionals with specific expertise in the types of assets, markets, and processes that are relevant to the collection, sale, workout, or other activities involved in realizing value from the Company's portfolio of assets.

- The Company conducts detailed, periodic reviews of each business unit's portfolio with senior management. Any material asset dispositions are subject to approval by senior management as well as Successor CFGI's board of directors or a committee of the board. Any material asset dispositions by Capmark Bank are also subject to approval by Capmark Bank senior management as well as Capmark Bank's board of directors or a committee of the board.

- In addition to the elimination of personnel, offices and expenses not required to carry out the business plan, certain other organizational changes and reductions have been and may continue to be made to reduce operating expenses. The Company plans to continue to manage operating expenses to a level commensurate with the size and complexity of its business over time.

As of December 31, 2011, the Company's total assets were $8.6 billion, including $3.6 billion of loans held for sale and $672.7 million of real estate investments, and its stockholders' equity was $2.7 billion.

MANAGEMENT'S COMMENTARY ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

- *Overview and Basis of Presentation.* This section provides a discussion of the presentation of the Company's consolidated results and statement of financial condition, and the presentation of its segment results.

- *Presentation of the Company's Statement of Financial Condition.* This section provides a discussion of the presentation of the Company's consolidated statement of financial condition and a discussion of the application of fresh start accounting.

- *Presentation of the Company's Results of Operations.* This section presents the Company's detailed analysis of its consolidated and segment results of operations and a discussion of information that it believes is meaningful to an understanding of its results of operations on both a company-wide basis and for each of its four business segments.

- *Critical Accounting Estimates.* This section discusses those accounting estimates that the Company considers important to its financial condition and results of operations and that require management to exercise subjective or complex judgments in making estimates and assumptions.

- *Liquidity and Capital Resources.* This section provides an analysis of the Company's liquidity and cash flows and discusses its financing arrangements.

- *Concentrations of Risk.* This section discusses the Company's loans held for sale and real estate portfolio diversification, single risk exposures and non-performing assets.

- *Banking Regulation.* This section discusses the nature of certain regulatory matters relating to Capmark Bank.

Overview and Basis of Presentation

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a real estate finance company focused on the management of its commercial real estate-related assets and businesses. The Company's financial results are dependent, in part, on its ability to monetize assets, as well as on the changes in the values of its real estate-related assets, which impact the levels of net gains or losses, interest income and fee-based income that it recognizes.

The spreads the Company generates on its interest-earning assets and the gains or losses it realizes on sales of its assets are subject to various factors. These factors include availability of funding sources, cost of capital, changes in the interest rate environment, commercial real estate prices, levels of supply and demand for commercial real estate and real estate-related investments, competition in the Company's industry and the condition of local, national and international economies. These factors also affect expected cash flows from the Company's assets and its related valuation of those assets. As a consequence of these factors, the results of our business lines are affected by business cycles.

For management reporting purposes, the Company conducts its asset management businesses through four business segments. These business segments, which are organized based on geography and the type and the regulated nature of business conducted, are as follows:

1. Capmark Bank;

2. North American Asset Management;

3. Asian Operations; and

4. Real Estate Investment Funds.

The Company presents the results of operations for its four business segments in accordance with GAAP. This guidance is based on a management approach, which requires presentation of its segments based upon the Company's organization and internal reporting of results of operations.

The segment information included in this Report has been prepared using a reporting methodology that is different from the reporting methodology used in the Company's consolidated financial statements and, as a result, is not directly comparable to its consolidated financial statements. In particular:

- ***Corporate Functions, Allocation of Interest Expense and Immaterial Businesses.*** The Company's segment results do not reflect the expenses of its corporate administrative and support functions, which generally consist of personnel related expenses for its corporate management, finance, legal, human resources and information technology departments. In addition, interest expense on its Secured Notes and intercompany borrowings is not allocated to business segments. Lastly, certain immaterial operating business results are also included in “Corporate and Other” rather than in the Company’s segment results.

- ***Elimination of Intersegment Transactions.*** The Company’s segment results do not eliminate the effects of transactions between or among the Company’s business segments. These transactions generally result in one or more segments recording income and one or more other segments recording offsetting expenses with respect to the products or services provided.

The following tables summarize financial information for each of the Company’s four business segments as of and for the three months ended December 31, 2011. The tables also present reconciling amounts that are included in “Corporate and Other” to reconcile management’s reporting of the Company’s segment financial information to amounts from continuing operations included in its consolidated financial statements (in thousands):

	Three months ended December 31, 2011
Net Revenue(1):	
Capmark Bank	$ 3,229
North American Asset Management	5,980
Asian Operations	4,069
Real Estate Investment Funds	13,738
Subtotal	27,016
Corporate and Other:	
Corporate functions and immaterial businesses	(17,826)
Eliminations and other adjustments	(563)
Total Corporate and Other	(18,389)
Consolidated amount from continuing operations	$ 8,627
(Loss) Income From Continuing Operations Before Income Taxes:	
Capmark Bank	$ (10,945)
North American Asset Management	(2,887)
Asian Operations	3,431
Real Estate Investment Funds	13,428
Subtotal	3,027
Corporate and Other	(47,066)
Consolidated amount from continuing operations	$ (44,039)

Note:

(1) Net revenue is calculated as net interest income plus noninterest income.

	December 31, 2011
Total Assets:	
Capmark Bank	$ 6,164,409
North American Asset Management	908,948
Asian Operations	329,848
Real Estate Investment Funds	208,666
Subtotal	7,611,871
Corporate and Other	604,985
Consolidated amount from continuing operations	$ 8,216,856

Presentation of the Company's Statement of Financial Condition

Consolidated Balance Sheet

The following table presents the consolidated balance sheet as of December 31, 2011:

(in thousands)	Capmark Bank	Non –Capmark Bank	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 2,286,889	$ 446,527	$ —	$ 2,733,416
Restricted cash	—	129,264	—	129,264
Accounts and other receivables	53,450	53,438	—	106,888
Investment securities available for sale	582,535	13,112	—	595,647
Loans held for sale	2,887,733	662,536	—	3,550,269
Real estate investments	191,458	481,202	—	672,660
Equity investments	103,779	245,625	(26,804)	322,600
Investment in subsidiary	—	1,821,454	(1,821,454)	—
Other assets	58,565	47,547	—	106,112
Assets of discontinued operations	—	381,946	—	381,946
Total assets	$ 6,164,409	$ 4,282,651	$ (1,848,258)	$ 8,598,802
Liabilities and Equity				
Liabilities:				
Debt	$ —	$ 807,869	$ —	$ 807,869
Other borrowings	393,795	258,803	—	652,598
Deposit liabilities	3,860,332	—	—	3,860,332
Other liabilities	88,828	172,985	—	261,813
Liabilities of discontinued operations	—	177,796	—	177,796
Total liabilities	4,342,955	1,417,453	—	5,760,408
Commitments and Contingent Liabilities				
Equity:				
Common stock	1	100	(1)	100
Capital paid in excess of par value	1,836,377	2,692,602	(1,836,377)	2,692,602
Accumulated deficit	(15,136)	(31,651)	15,136	(31,651)
Accumulated other comprehensive income (loss), net of tax	212	(1,617)	(212)	(1,617)
Total Capmark Financial Group Inc. stockholders' equity	1,821,454	2,659,434	(1,821,454)	2,659,434
Noncontrolling interests	—	205,764	(26,804)	178,960
Total equity	1,821,454	2,865,198	(1,848,258)	2,838,394
Total liabilities and equity	$ 6,164,409	$ 4,282,651	(1,848,258)	$ 8,598,802

The consolidated balance sheet of the Company included $8.6 billion of assets, primarily comprised of a portfolio of loans, real estate and real estate-related assets and cash and cash equivalents, of which $6.2 billion were held at Capmark Bank and $381.9 million were associated with discontinued operations. Assets of the continuing operations also included $129.3 million of restricted cash that is restricted as to withdrawal or usage as further discussed below as part of Non-Capmark Bank assets from continuing operations. Substantially all of the assets of the Obligors are pledged as collateral for the Secured Notes.

The consolidated balance sheet of the Company also included $5.8 billion of liabilities, of which $4.3 billion were at Capmark Bank and $177.8 million were associated with discontinued operations, and $179.0 million of noncontrolling interests of the Company in total equity. The vast majority of noncontrolling interests represented third-party investments in the net assets of entities which are consolidated under Accounting Standards Codification ("ASC") 810, *Consolidation* ("ASC 810"), and are associated with discontinued operations. The Company expects to derive no material economic benefit from these noncontrolling interests. Capmark Bank's liabilities were primarily comprised of $3.9 billion of Federal Deposit Insurance Corporation ("FDIC") insured deposit liabilities and $393.8 million of secured Federal Home Loan Bank of Seattle ("FHLB") borrowings. The continuing operations of the Company included $733.2 million of debt obligations under the Secured Notes. The excess cash flow generated by the Obligors is required to be utilized for payment of the Secured Notes as specified under the Secured Notes indenture. Liabilities of the continuing operations of the Company also included $256.6

million of other borrowings recognized on the Company's balance sheet as a result of accounting for certain transfers of financial assets as financings under ASC 860, *Transfers and Servicing* ("ASC 860").

Segment Balance Sheet

The following table summarizes asset information, by category, for the continuing operations business segments as of December 31, 2011 (in thousands):

Assets from Continuing Operations	Capmark Bank	North American Asset Management	Asian Operations	Real Estate Investment Funds	Corporate and Other	Total
Cash and cash equivalents	$ 2,286,889	$ —	$ 90,778	$ 1,576	$ 354,173	$ 2,733,416
Restricted cash	—	—	821	—	128,443	129,264
Accounts and other receivables	53,450	33,101	2,770	—	17,567	106,888
Investment securities available for sale	582,535	—	—	—	13,112	595,647
Loans held for sale	2,887,733	597,935	9,324	4,302	50,975	3,550,269
Real estate investments	191,458	258,711	222,491	—	—	672,660
Equity investments	103,779	15,525	—	202,788	508	322,600
Other assets	58,565	3,676	3,664	—	40,207	106,112
Total continuing operations assets	$ 6,164,409	$ 908,948	$ 329,848	$ 208,666	$ 604,985	$ 8,216,856

Capmark Bank, a wholly-owned Utah industrial bank, is currently prohibited under cease and desist orders consented to on October 2, 2009 with the FDIC and the Utah Department of Financial Institutions ("UDFI") ("C&D Orders") from declaring or paying dividends or making any other form of payment representing a reduction in capital to Successor CFGI without the prior written consent of the Bank Regulators. Capmark Bank was never a debtor in Predecessor CFGI's bankruptcy case. As of December 31, 2011, Capmark Bank's loan and real estate portfolio was comprised of 228 loans held for sale and real estate investments acquired through foreclosure, of which 138 were performing loans held for sale, 63 were non-performing loans held for sale and 27 were assets acquired through foreclosure. The aggregate carrying value of Capmark Bank's assets, excluding cash and cash equivalents, was $3.9 billion, which were primarily comprised of (i) $2.2 billion of performing loans held for sale, (ii) $715.1 million of non-performing loans held for sale, (iii) $237.3 million of real estate investments acquired through foreclosure and equity investments in entities that hold real estate investments acquired through foreclosure, (iv) a $58.0 million equity investment in the capital stock of FHLB, (v) $582.5 million of investments available for sale and (vi) $112.0 million of receivables and other assets. Accounts receivable and other assets primarily included the fair value of the derivative instruments held at December 31, 2011 and a $37.4 million receivable from the loan portfolio servicing agent.

The Company's North American Asset Management business segment is responsible for the management of the North American commercial mortgage loan and real estate acquired through foreclosure portfolio (excluding assets owned by Capmark Bank). As of December 31, 2011, the aggregate carrying value of the assets in the North America Asset Management segment was $908.9 million, which were primarily comprised of (i) $248.7 million attributable to 26 performing loans held for sale, (ii) $137.5 million attributable to 29 non-performing loans held for sale, (iii) $274.2 million attributable to 29 real estate investments acquired through foreclosure, real estate assets classified as in-substance foreclosures and equity investments in entities that hold real estate investments acquired through foreclosure and (iv) $211.7 million of loans held for sale 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 were accounted for as financings under ASC 860. Also, accounts and other receivables of $33.1 million were primarily comprised of accrued interest receivable on performing loans and deferred interest receivable (also referred to as accrued success fees) on loans held for sale made to borrowers in connection with the Company's former new markets tax credit ("NMTC") program.

The Company's Asian Operations business segment manages a portfolio of 24 real estate investments located in Japan. As of December 31, 2011, the aggregate carrying value of the assets in the Asian Operation segment was $238.2 million, excluding cash, cash equivalents and restricted cash. These assets primarily consisted of (i) $171.1 million of real estate equity investments, (ii) $9.3 million of loans held for sale, and (iii) $50.9 million of loans held for sale that have been deemed to be in-substance foreclosures in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are classified as real estate acquired through foreclosure. A portion of the net cash flows generated by the disposition of assets from the Asian Operations business segment are designated for payment of the outstanding balance owed under the Japanese Settlement Agreement. See further discussion of the Japanese Settlement Agreement in the Liquidity and Capital Resources section below.

The Company's Real Estate Investment Funds segment consists of the management of the Company's remaining 20 real estate equity and debt investments. These investments consist primarily of limited partnership and membership interests in the funds and joint ventures formerly managed by Capmark Investments. The Company ceased making any new investments as part of this business line, but continues to fund its existing unfunded capital commitment obligations. As of December 31, 2011, the aggregate carrying value of the assets in the Real Estate Investment Funds segment was $207.1 million excluding cash, cash equivalents and restricted cash. These assets primarily consisted of (i) $174.2 million of limited partnership interests and membership interests in real estate equity investment funds and joint ventures, (ii) $28.6 million of limited partnership interests in real estate debt funds, and (iii) $4.3 million of performing loans held for sale.

Corporate and Other includes the remaining assets of continuing operations having an aggregate carrying value of $122.4 million, excluding cash and cash equivalents and restricted cash. These assets primarily consisted of (i) $51.0 million of loans originated by the Company's European operation, (ii) $13.1 million of investments available for sale, and (iii) $40.2 million of other assets. Other assets included $15.9 million of property and equipment, $9.1 million of current tax receivables, $9.0 million of prepaid expenses and deposits and $6.1 million for the fair value of derivative instruments held at December 31, 2011. Restricted cash primarily consisted of $25.0 million related to the Secured Notes, $18.5 million of balances in escrow for disputed administrative, priority and convenience class bankruptcy claims and $72.6 million of cash from entities that are no longer owned by the Company but continue to be recognized on the Company's balance sheet because derecognition criteria under GAAP have not been met.

Discontinued Operations

The Company has an agreement to sell substantially all the assets of its LIHTC business to affiliates of Hunt Companies, Inc. in a transaction approved by the Bankruptcy Court in September 2011 ("LIHTC Sale"). Under the terms of the $115.4 million sale agreement, the initial sale of assets for $63.1 million closed on October 7, 2011 and included those assets for which the Company had been able to achieve settlements and restructuring of the underlying transactions with counterparties as of that date. The second sale of assets for $17.1 million closed on December 20, 2011. Three additional sales of assets for an aggregate amount of $23.0 million closed in the first quarter of 2012. The sale agreement also includes provisions for future sales of assets for up to $12.2 million for the remainder of the asset portfolio subject to completion of additional restructuring and settlement transactions with guaranteed fund counterparties on the terms proposed. The future sales of the assets related to such restructuring and settlement transactions are expected to occur prior to September 30, 2012. The LIHTC business is reflected on the consolidated balance sheet in the assets and liabilities of the Company's discontinued operations.

As of December 31, 2011, the Company's consolidated balance sheet included $381.9 million of assets and $177.8 million of liabilities associated with discontinued operations of the LIHTC business. In addition, $165.8 million of noncontrolling interests included in total equity represent third-party investments in the net assets of entities, which are consolidated under ASC 810, and associated with discontinued operations. The Company expects to derive no material economic benefit from these noncontrolling interests.

Fresh Start Accounting

Upon emergence from bankruptcy on September 30, 2011, the Company determined that fresh start accounting was applicable under the guidance established in ASC 852, *Reorganizations* ("ASC 852") as both (i) the Reorganized Debtors' reorganization value was less than total post-petition liabilities and allowed claims, and (ii) a change of control occurred as holders of Predecessor CFGI voting shares before the filing and confirmation of the Plan did not receive Common Stock in the reorganization. Accordingly, the Company adjusted the historical carrying values of its assets and liabilities to fair value and simultaneously determined the resulting implied fair value of the Company's equity. The adoption of fresh start accounting had a material effect on the consolidated balance sheet as of September 30, 2011. Accretion and recognition of certain fresh start accounting adjustments had a significant impact on the statement of operations for the three months ended December 31, 2011. The accretion related impacts primarily include a $23.9 million decrease in interest expense comprised of $28.9 million for the accretion of the fresh start accounting premium for the deposit liabilities and FHLB borrowings at Capmark Bank offset by $5.0 million for accretion of the fresh start accounting net discount on debt at Non-Capmark Bank entities.

The application of fresh start accounting by the Company's management was performed in a two-step valuation process. First, management recorded the reorganization equity value of the Common Stock of $1.8 billion that was included in the Second Amended Disclosure Statement for the Plan and approved by the Bankruptcy Court in connection with the confirmation of the Plan. Second, the Company re-measured all tangible assets and liabilities, other than deferred taxes, at fair value. Deferred tax values were determined in conformity with accounting requirements for income taxes in ASC 740, *Income Taxes* ("ASC 740"). The resulting net asset value totaled $2.7 billion as of September 30, 2011. The fair value of net assets in excess of the reorganization equity value (approximately $844.7 million) was included as a component of capital paid in excess of par value on the consolidated balance sheet as of September 30, 2011 and continued to be a component of capital paid in excess of par value as of December 31, 2011. See Note 3 of the consolidated financial statements for further discussion of methodologies used to determine the reorganization equity value and the estimates of fair value. See Note 12 of the consolidated financial statements for further discussion of the application of the asset and liability method in the accounting for income taxes in accordance of ASC 740.

Fair Value in Excess of Reorganization Value

In applying fresh start accounting on September 30, 2011, which generally follows the provisions of ASC 805, *Business Combinations* ("ASC 805"), the Company recorded its assets and liabilities at fair value except for deferred income taxes. In conformity with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), the Company utilized several methodologies for estimating the fair value of assets and liabilities at the Effective Date. These estimates reflect the fair value for individual assets and liabilities and do not incorporate additional adjustments associated with the costs of selling the assets or settling the liabilities, management and operating expenses associated with retaining the assets or liabilities throughout their anticipated holding periods, or the time value of money associated with holding assets until their expected disposition date. The Company's reorganization value reflects expected free cash flows (inclusive of selling, management and other operating expenses) discounted at rates reflecting perceived business and financial risks. As of September 30, 2011, the differences in valuation approaches resulted in the Company's net assets having a fair value, as determined under ASC 820, in excess of the Company's reorganization value. The excess of fair value of the Company's net assets over its reorganization value was approximately $844.7 million and was included as a component of capital paid in excess of par value on the consolidated balance sheet as of September 30, 2011 and continued to be a component of capital paid in excess of par value as of December 31, 2011.

Summary of Impacts of Fresh Start Accounting

The effects of the implementation of the Plan and the application of fresh start accounting on the Company's consolidated balance sheet as of September 30, 2011 are summarized in the table below. The adjustments set forth in the column captioned "Settlement of Liabilities" reflect the effects of the implementation of the Plan, including, among other things, the discharge and settlement of liabilities subject to compromise based on allowed claims against the Reorganized Debtors, the issuance of Common Stock to holders of allowed claims in satisfaction of such claims against the Reorganized Debtors and the incurrence of new indebtedness. The adjustments set forth in the column captioned "Retire Existing Equity" include, among other things, the cancellation of all mezzanine equity, common stock and capital paid in excess of par of Predecessor CFGI. The adjustments set forth in the column captioned "Fresh Start Accounting Adjustments" reflect, among other things, adjustments to the carrying values of the Company's assets and liabilities to reflect their fair values and the elimination of retained deficit and accumulated other comprehensive income as a result of the application of fresh start accounting in accordance with ASC 852.

(in thousands)	Predecessor CFGI September 30, 2011 (1)	Settlement of Liabilities		Retire Existing Equity	Fresh Start Accounting Adjustments	Successor CFGI September 30, 2011
Assets						
Cash and cash equivalents	$ 3,413,379	$(1,402,059)	**(2)**	$ —	$ —	$ 2,011,320
Restricted cash	80,774	405,653	**(3)**	—	—	486,427
Accounts and other receivables	121,881	—		—	(831)	121,050
Investment securities available for sale	701,022	—		—	—	701,022
Loans held for sale	1,064,026	—		—	3,331,988	4,396,014
Loans held for investment	3,300,787	—		—	(3,300,787)	—
Real estate investments	650,206	—		—	19,689	669,895
Equity investments	323,588	—		—	9,663	333,251
Other assets	199,732	—		—	(86,465)	113,267
Assets of discontinued operations	1,182,593	—		—	(62,736)	1,119,857
Total assets	$11,037,988	$ (996,406)		$ —	$ (89,479)	$ 9,952,103
Liabilities and Equity						
Liabilities:						
Debt	$ 6,863,077	$(6,499,264)	**(4)**	$ —	$ (252,771)	$ 111,042
Secured debt	—	1,250,000	**(5)**	—	(8,017)	1,241,983
Other borrowings	899,744	(250,001)	**(6)**	—	3,697	653,440
Deposit liabilities	3,874,388	—		—	51,616	3,926,004
Other liabilities	319,599	(88,097)	**(7)**	—	72,734	304,236
Liabilities of discontinued operations	530,277	(3,577)	**(7)**	—	28,384	555,084
Total liabilities	12,487,085	(5,590,939)		—	(104,357)	6,791,789
Commitments and Contingent Liabilities						
Mezzanine Equity	71,502	—		(71,502)	—	—
Equity:						
Common stock	413	100	**(8)**	(413)	—	100
Capital paid in excess of par value	2,066,855	1,846,121	**(8)**	253,878	(1,476,054)	2,690,800
Retained deficit	(4,261,910)	2,748,312		—	1,513,598	—
Total accumulated other comprehensive (loss) income, net of tax	181,963	—		(181,963)	—	—
Total stockholders' equity	(2,012,679)	4,594,533		71,502	37,544	2,690,900
Noncontrolling interests	492,080	—		—	(22,666)	469,414
Total liabilities and equity	$ 11,037,988	$ (996,406)		$ —	$ (89,479)	$ 9,952,103

Notes:

(1) Represents Predecessor CFGI balances immediately prior to the application of fresh start accounting.

(2) Includes $900.0 million Successor CFGI and certain of the Reorganized Debtors distributed to the Plan disbursing agent for the benefit of holders of the allowed general unsecured claims and the reserve for disputed general unsecured claims, $85.0 million in connection with a settlement reached between Crystal Ball and the holders of Unsecured Loans and Unsecured Notes (see Liquidity and Capital Resources – Crystal Ball Settlement Agreement for more information), $9.2 million for professional fees and $2.2 million for allowed administrative expense, priority and convenience class claims. Also includes cash transferred to restricted cash in (3) below.

(3) Includes $361.0 million deposited with the Secured Notes indenture trustee for an October 2011 initial principal prepayment, $25.0 million deposit in a discretionary interest reserve account related to the Secured Notes and $19.6 million distributed to the Plan disbursing agent to fund the reserves for disputed administrative, priority and convenience class claims.

(4) Includes discharge of bankruptcy claim liabilities subject to compromise pursuant to the Plan consisting of $4.1 billion for the Unsecured Loans and $2.3 billion for the Unsecured Notes.

(5) Represents issuance of Secured Notes.

(6) Represents discharge of Predecessor CFGI trust preferred securities pursuant to the Plan.

(7) Represents discharge of bankruptcy claim liabilities subject to compromise pursuant to the Plan, excluding those in (4) and (6).

(8) Represents issuance of Common Stock.

Variable Interest Entities

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

While the Company engages in activities with VIEs throughout the organization, the two businesses which account for a significant portion of involvement with VIEs are the LIHTC business included in discontinued operations and the NMTC business. The Company's LIHTC business had sponsored guaranteed and non-guaranteed tax credit fund and operating partnerships prior to the commencement of the bankruptcy. A significant portion of the assets and liabilities of the LIHTC business are assets and liabilities of VIEs or related to VIEs. As noted above, the Company has an agreement to sell substantially all assets and liabilities of the LIHTC business, including those related to VIEs, through the LIHTC Sale and the LIHTC business is reflected on the consolidated balance sheet in the assets and liabilities of the Company's discontinued operations. Additionally, the Company has loans held for sale to partnerships which are VIEs. These VIEs made investments, typically mortgage loans that, in turn, qualify the partnership to earn new markets tax credits. Certain transfers of the assets associated with the NMTC VIEs did not meet the criteria for sale accounting under ASC 860 and were accounted for as financings with related secured borrowings. These assets are pledged by the current owner of the loans held for sale to the Company and include $64.3 million of restricted cash and $145.5 million of loans held for sale associated with the consolidated VIEs and $66.2 million of loans held for sale made to VIEs for which the Company is not considered to be the primary beneficiary and therefore are not consolidated by the Company.

Presentation of the Company’s Results of Operations

Consolidated Results of Operations

Net Interest Income

Net interest income represents the difference between the amount of interest that the Company earns on its interest-earning assets and the amount of interest that the Company pays on its interest-bearing liabilities. Net interest income is driven by the principal amount of interest-earning assets and interest-earning liabilities that the Company holds on its consolidated balance sheet and the changes in the spread between the two. These drivers in turn depend on the length of time that the Company holds interest-earning assets on its consolidated balance sheet, the yields that the Company earns on interest-earning assets and incurs for its funding costs, which in turn are affected by changes in prevailing interest rates. Interest income is primarily earned on the loans held for sale and from the investment securities available for sale carried on the Company’s consolidated balance sheet. Interest expense consists primarily of amounts paid to third parties under the Company’s debt financing arrangements including its Secured Notes and interest that accrues on its deposit liabilities and FHLB borrowings.

Interest expense also includes the accretion of the premiums and discounts recognized in the application of fresh start accounting to the Secured Notes, deposit liabilities and FHLB borrowings. The interest expense accretion will be recognized over the contractual maturity or the period of the estimated future payments of the underlying borrowing. If the underlying borrowing is repaid prior to contractual or expected maturity, the accretion of the premiums and discounts recognized in the application of fresh start accounting would be accelerated.

Noninterest Income

Noninterest income primarily includes net realized and unrealized gains and losses on loans, trading derivatives, investment securities available for sale, real estate investments and equity investments. The noninterest income for loans held for sale and real estate investments includes realized gains and changes in valuation recognized as the result of the application of lower or cost or fair value accounting. The noninterest income for equity investments includes both the equity in earnings of real estate investment funds and joint ventures as well as the changes in fair value of the underlying funds or joint ventures.

Net (losses) gains on loans also include the recognition of the discount recorded in the application of fresh start accounting to the loans held for sale. The discount is recognized as a component of the realized gain on sale at the time of a partial or full disposition of the loan.

Noninterest Expense

Noninterest expense consists primarily of compensation and benefits; professional fees for restructuring, legal, accounting and other service providers; insurance premiums; costs for office space and equipment; and other various expenses. A significant component of the Company’s compensation consists of incentive compensation that is based upon the performance and achievement of specific recovery values for operational areas as well as programs to retain key employees.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740. Under ASC 740, the tax effects of an economic transaction are recognized only if it is “more-likely-than-not” that the tax position would be sustained solely on its technical merits. The “more-likely-than-not” threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered “more-likely-than-not” to be sustained based solely on its technical merits, no benefits of the tax position are recognized.

Noncontrolling Interests

The Company's consolidated financial statements include the results of entities in which third parties own an economic interest. These entities consist primarily of the Company's upper-tier and lower-tier LIHTC partnerships, NMTC partnerships and certain other entities that are consolidated under applicable accounting guidance. The consolidation of these entities in the Company's financial statements requires it to recognize all of the revenues and all of the expenses that these entities recognize during an accounting period. When calculating the Company's net income, the portion of the net income or loss of consolidated entities and funds that are attributable to third party investors in those entities is reflected as income or expense attributable to noncontrolling interests, as appropriate, in its consolidated statement of operations. See further discussion in the "—*Variable Interest Entities*" section above.

The following table presents the consolidated results of operations for the three months ended December 31, 2011 (in thousands):

	Capmark Bank	Non –Capmark Bank	Eliminations	Consolidated
Interest income	$ 37,373	$ 8,999	$ —	$ 46,372
Interest expense	5,988	24,436	—	30,424
Net interest income	31,385	(15,437)	—	15,948
Noninterest income	(28,156)	21,674	(839)	(7,321)
Net revenue	3,229	6,237	(839)	8,627
Noninterest expense	14,174	39,055	(563)	52,666
Loss from continuing operations before income taxes	(10,945)	(32,818)	(276)	(44,039)
Income tax provision (benefit)	4,191	(5,069)	—	(878)
Loss from continuing operations after income taxes	(15,136)	(27,749)	(276)	(43,161)
Loss from discontinued operations, net of tax	—	(11,660)	—	(11,660)
Net loss	(15,136)	(39,409)	(276)	(54,821)
Plus: Net loss attributable to noncontrolling interests	—	22,894	276	23,170
Net loss attributable to Capmark Financial Group Inc.	$ (15,136)	$ (16,515)	$ —	$ (31,651)

Capmark Bank

The loss from continuing operations before income taxes of $10.9 million for Capmark Bank in the three months ended December 31, 2011 was primarily due to $20.7 million of net losses on loans, $6.3 million of net losses on investments and real estate and $14.2 million of noninterest expenses partially offset by $37.4 million of interest income primarily from loans held for sale. Net losses on loans of $20.7 million included $41.0 million of losses from the application of the lower of cost or fair value accounting to loans held for sale partially offset by $20.4 million of realized gains on full or partial dispositions of loans held for sale. The $14.2 million of noninterest expense included $6.8 million of compensation and benefits costs. The $6.0 million of interest expense for Capmark Bank was comprised of $34.9 million of contractual interest expense from deposit liabilities and FHLB borrowings offset by $28.9 million for the accretion of the fresh start accounting premium for the deposit liabilities and FHLB borrowings.

Non-Capmark Bank

The loss from continuing operations before income taxes of $32.8 million for Non-Capmark Bank in the three months ended December 31, 2011 was primarily due to $24.4 million of interest expense and $39.1 million of noninterest expenses, partially offset by $9.0 million of interest income on loans held for sale and investments available for sale and $21.7 million of noninterest income. The $24.4 million of interest expense included $18.1 million of contractual interest expense for the Secured Notes and $5.0 million for the accretion of the fresh start accounting discount for the Secured Notes and Japanese Settlement Agreement. The $39.1 million of noninterest expenses included $29.1 million of professional fees, of which $19.2 million was attributable to fees of restructuring professionals, and $9.2 million of compensation and benefits costs. The Non-Capmark Bank noninterest income included $13.4 million due to gains on equity investments primarily resulting from increases in the fair value of assets held by real estate investment funds and joint ventures.

Noninterest Income

The following table presents the consolidated noninterest income, by category, for the three months ended December 31, 2011 (in thousands):

	Capmark Bank	Non –Capmark Bank	Eliminations	Consolidated
Net losses on loans	$ (20,656)	$ (1,237)	$ —	$ (21,893)
Net (losses) gains on investments and real estate(1)	(6,316)	907	—	(5,409)
Other gains, net(2)	526	2,449	—	2,975
Equity in (loss) income of joint ventures and partnerships	(1,501)	14,182	(276)	12,405
Fee revenue	1,933	398	(563)	1,768
Net real estate investment (loss) income(3)	(2,155)	3,005	—	850
Other income(3)	13	1,970	—	1,983
Total	$ (28,156)	$ 21,674	$ (839)	$ (7,321)

Notes:

(1) Relates primarily to realized and unrealized gains and losses on investment securities, equity investments and real estate investments.

(2) Includes the changes in fair value on derivative instruments, gains and losses associated with the revaluation of foreign currencies and other miscellaneous gains and losses.

(3) Reported as a component of net real estate investment and other income in the Company's consolidated statement of operations.

Capmark Bank net losses on loans of $20.7 million for the three months ended December 31, 2011 include $41.0 million of losses from the application of the lower of cost or fair value accounting to loans held for sale partially offset by $20.4 million of realized gains on full or partial dispositions of loans held for sale. Net loss on investments and real estate is primarily due to valuation adjustments from the application of the lower of cost or fair value accounting and equity in loss of joint ventures and partnerships results from decreases in the fair value of assets within entities that hold foreclosed real estate.

Non-Capmark Bank net losses on loans of $1.2 million for the three months ended December 31, 2011 primarily include $8.6 million of valuation adjustment from the application of the lower of cost or fair value accounting to loans held for sale partially offset by $7.3 million of realized gains on full or partial disposition of loans held for sale. Other gains, net primarily included $2.7 million of gains associated with the revaluation of foreign currencies and $1.6 million of net interest settlement recognized on certain derivative instruments. Equity in (loss) income of joint ventures and partnerships includes $13.4 million of gains on equity investments resulting primarily from increases in the fair value of assets held by real estate investment funds and joint ventures.

Noninterest Expense

The following table presents the consolidated noninterest expense, by category, for the three months ended December 31, 2011 (in thousands):

	Capmark Bank	Non –Capmark Bank	Eliminations	Consolidated
Compensation and benefits	$ 6,823	$ 9,226	$ —	$ 16,049
Professional fees – restructuring professionals	—	19,231	—	19,231
Professional fees – other professionals	1,273	9,847	(563)	10,557
Occupancy and equipment	314	1,189	—	1,503
Loan processing fees	239	881	—	1,120
Corporate insurance	108	701	—	809
Other expenses(1)	5,417	(2,020)	—	3,397
Total	$ 14,174	$ 39,055	$ (563)	$ 52,666

Note:

(1) Includes expenses related to data processing and telecommunications, travel and entertainment, employee-related expenses, FDIC deposit insurance assessments, property inspection fees, and other miscellaneous expenses.

Compensation and benefit costs in the three months ended December 31, 2011 included $9.0 million of salary and benefits expense and $7.0 million of expense associated with various incentive compensation programs. The $9.0 million of salary and benefits expense included $1.5 million of employee benefits costs and $0.3 million of severance costs. The $7.0 million of incentive compensation expense included $2.2 million for long term incentive plans, $1.8 million of expense for retention programs and $1.8 million for stock-based compensation expense.

Professional fees for the three months ended December 31, 2011 included $19.2 million of fees for services of restructuring professionals relating to the administration and resolution of the Plan. Professional fees from other professionals included $5.2 million of fees associated with consolidated NMTC VIEs. The professional fees associated with consolidated NMTC VIEs included $2.7 million of adjustments to the initial application of fresh start accounting to write-off deferred sponsor fees, of which $0.8 million are offset in net loss attributable to noncontrolling interests. Also included in the $5.2 million of professional fees are $1.6 million of success fees payable to third parties for consolidated NMTC VIEs that are fully offset in interest income. Professional fees for other professionals also included $2.3 million of legal fees.

Income Taxes

The consolidated income tax benefit of $0.9 million for the three months ended December 31, 2011 is primarily due to favorable resolution of disputes with various tax jurisdictions, partially offset by income tax expense for foreign and state tax liabilities. Capmark Bank provides for its income taxes on a separate return basis pursuant to a tax-sharing agreement with Successor CFGI. Capmark Bank generated taxable income for the three months ended December 31, 2011 and recorded a $5.4 million current tax provision due to Successor CFGI pursuant to the tax-sharing arrangement. Successor CFGI recorded a corresponding $5.4 million tax benefit.

Discontinued Operations

The loss from discontinued operations of $11.7 million for the three months ended December 31, 2011 is primarily due to $7.6 million of noninterest expenses associated with the LIHTC business platform. The noninterest expenses are substantially offset by $5.6 million of the net loss attributable to noncontrolling interests and have a limited impact on the net loss attributable to Capmark Financial Group Inc.

Noncontrolling Interests

The net loss attributable to noncontrolling interests of $23.2 million is due to the portion of the loss of attributable to third party investors primarily in certain consolidated LIHTC partnerships and certain NMTC partnerships that are consolidated under applicable accounting guidance.

Segment Results of Operations

The following table summarizes results of operations for the continuing operations business segments for the three months ended December 31, 2011 (in thousands):

	Segments					
	Capmark Bank	North American Asset Management	Asian Operations	Real Estate Investment Funds	Corporate and Other	Consolidated
Interest income	$ 37,373	$ 6,671	$ 2	$ 1	$ 2,325	$ 46,372
Interest expense	5,988	678	—	—	23,758	30,424
Net interest income	31,385	5,993	2	1	(21,433)	15,948
Noninterest income	(28,156)	(13)	4,067	13,737	3,044	(7,321)
Net revenue	3,229	5,980	4,069	13,738	(18,389)	8,627
Noninterest expense	14,174	8,867	638	310	28,677	52,666
(Loss) income before income taxes	$ (10,945)	$ (2,887)	$ 3,431	$13,428	$ (47,066)	$ (44,039)
Net loss attributable to noncontrolling interests	$ —	$ 7,034	$ 253	$ —	$ 15,883	$ 23,170

For Capmark Bank, see further discussion in the "—*Consolidated Results of Operations*" section above. The North American Asset Management segment generates interest income on loans held for sale and has interest expense related to NMTC transactions. Corporate and Other interest expense is primarily generated by the Secured Notes. The detail of noninterest income and noninterest expense by segment is presented below.

The North American Asset Management segment net loss attributable to noncontrolling interests is the portion attributable to third party investors in NMTC VIEs. The losses are the third party investor's portion of valuation adjustments which are recorded in noninterest income and fees which are recorded in noninterest expense. The North American Asset Management segment net loss attributable to noncontrolling interests for the three months ended December 31, 2011 also included $5.8 million of adjustments to the initial application of fresh start accounting. The Corporate and Other net loss attributable to noncontrolling interests is the portion attributable to third party investors in LIHTC partnerships VIEs. The losses are the third party investor's portion of the income and expenses associated with the discontinued operations.

The following table presents the noninterest income, by category, for the continuing operations business segments for the three months ended December 31, 2011 (in thousands):

	Capmark Bank	North American Asset Management	Asian Operations	Real Estate Investment Funds	Corporate and Other	Consolidated
Net (losses) gains on loans	$ (20,656)	$ (1,856)	$ 11	$ 302	$ 306	$ (21,893)
Net (losses) gains on investments and real estate	(6,316)	(248)	1,155	—	—	(5,409)
Other gains (losses), net	526	—	(683)	—	3,132	2,975
Equity in (loss) income of joint ventures and partnerships	(1,501)	476	—	13,435	(5)	12,405
Fee revenue	1,933	211	13	—	(389)	1,768
Net real estate investment (loss) income	(2,155)	975	2,030	—	—	850
Other income	13	429	1,541	—	—	1,983
Total	$ (28,156)	$ (13)	$ 4,067	$ 13,737	$ 3,044	$ (7,321)

For Capmark Bank, see further discussion in the "—*Consolidated Results of Operations*" section above.

For the three months ended December 31, 2011, the North America Asset Management segment had net losses on loans of $1.9 million which was primarily attributable to $7.1 million of valuation adjustments from the application of the lower of cost or fair value accounting partially offset by $5.2 million of realized gains on sales and dispositions of assets. Corporate and Other had $3.1 million of other gains, net in the three months ended December 31, 2011 which primarily included $2.7 million of gains associated with the revaluation of foreign currencies and $1.6 million of net interest settlement recognized on certain derivative instruments. The Real Estate Investment Funds segment had $13.4 million of gains on equity investments primarily resulting from increases in the fair value of assets held by real estate investment funds and joint ventures.

The following table presents a summary of the asset sale and disposition activity for the Capmark Bank and North American Asset Management segments for the three months ended December 31, 2011 (in thousands, except number of assets sold):

	Capmark Bank			North American Asset Management		
	Number of assets disposed or collected	Proceeds received	Percentage of 9/30/11 carrying value	Number of assets disposed or collected	Proceeds received	Percentage of 9/30/11 carrying value
Loans held for sale - performing	29	$ 480,451	102%	9	$ 84,004	101%
Loans held for sale - nonperforming	6	78,099	103	2	10,356	115
Real estate acquired through foreclosure	3	32,660	102	1	11,945	102
Equity investments in real estate acquired through foreclosure	—	—	—	1	2,793	100
Total	38	$ 591,210	102%	13	$ 109,098	102%

For the three months ended December 31, 2011, the Asian Operations segment sold 4 assets for $22.7 million of proceeds which was 99% of the September 30, 2011 carrying value. The Real Estate Investment Funds segment did not sell any assets during the three months ended December 31, 2011.

The following table presents the noninterest expense, by category, for the continuing operations business segments for the three months ended December 31, 2011 (in thousands):

	Capmark Bank	North American Asset Management	Asian Operations	Real Estate Investment Funds	Corporate and Other	Consolidated
Compensation and benefits	$ 6,823	$ 975	$ 1,710	$ 120	$ 6,421	$ 16,049
Professional fees – restructuring professionals	—	—	—	—	19,231	19,231
Professional fees – other professionals	1,273	7,407	948	188	741	10,557
Occupancy and equipment	314	379	277	—	533	1,503
Loan processing fees	239	—	881	—	—	1,120
Corporate insurance	108	3	—	—	698	809
Other expenses	5,417	103	(3,178)	2	1,053	3,397
Total	$ 14,174	$ 8,867	$ 638	$ 310	$ 28,677	$ 52,666

Compensation and benefit costs in the three months ended December 31, 2011 include $7.0 million associated with various incentive compensation programs. Professional fees for the three months ended December 31, 2011 include $19.2 million of fees for services of restructuring professionals relating to the administration and resolution of the Plan.

North American Asset Management segment professional fees included $5.2 million of fees for consolidated VIEs associated with the Company's NMTC business. The professional fees associated with consolidated NMTC VIEs include $2.7 million of adjustments to the initial application of fresh start accounting to write-off deferred sponsor fees, of which $0.8 million are offset in net loss attributable to noncontrolling interests. The professional fees also included $1.6 million of success fees for the NMTC business which are offset in interest income and have no net impact on the statement of operations.

Asian Operations other expenses included $5.6 million of adjustments to the initial application of fresh start accounting to eliminate accrued interest expense, which was partially offset by $3.9 million of asset disposition and incentive fees paid to third party asset managers.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in accordance with GAAP requires its management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, results of operations and disclosure of contingent assets and liabilities. The Company's management regularly evaluates these estimates, judgments and assumptions based on available information and experience. Because the use of estimates, judgments and assumptions is inherent in the financial reporting process, actual results may differ from these estimates under different assumptions or conditions. Certain of the Company's accounting policies require higher degrees of judgment and are more complex than others in their application.

Fair Value Measurements Related to Loans Held for Sale and Real Estate Investments

The Company considers fair value in the critical accounting estimates used for the measurement of carrying value for loans held for sale and real estate investments. The Company determines its estimates of fair value in accordance with GAAP which defines fair value as an exit price, market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. Therefore, the Company determines fair value based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. GAAP also establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value into three levels, with the highest priority given to quoted prices in active markets for identical assets and the lowest priority to unobservable inputs. The Company's policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value estimates. For assets where there exist limited or no observable market data, fair value measurements are based primarily upon management's own estimates, and are calculated based upon the Company's pricing policy, the economic and competitive environment, the characteristics of the asset and other factors.

Specifically, the Company considers fair value measurements in its application of the lower of cost or fair value accounting to its portfolio of loans held for sale as well as its portfolio of real estate held for sale, as follows:

Loans Held for Sale

Loans held for sale are accounted for at the lower of cost or fair value, requiring management to estimate the fair value of individual loans held for sale and to remeasure at fair value those loans where fair value is less than cost. The fair values of the Company's loans held for sale are generally determined using a pricing model based on current market information obtained from external sources, including, when available, interest rates, whole loan spreads for each property type based on loan-to-value ratios of collateral and other factors, and bids or indications provided by market participants on specific loans that are actively marketed for sale. In addition, the impact of potential extensions, interest-rate floors and unfunded commitments on the Company's floating rate loan portfolio are taken into consideration when determining the fair value of each loan. The Company also considers the fair value of the collateral in estimating the fair value of certain loans along with borrowers' credit status. Although the Company bases its loan valuations on actual observable inputs to the extent possible, the valuations typically require significant judgment and therefore are estimates. Changes in market conditions, collateral values and other factors between the dates of management's estimates and the dates of disposition of the loans can have a significant impact on the amounts ultimately realized upon disposition. Therefore, the loans are classified as level 3 within the valuation hierarchy.

Real Estate Held for Sale

Real estate held for sale, including real estate held for sale included in real estate investment acquired through foreclosure, is carried at the lower of cost or fair value less cost to sell, requiring management to estimate the fair value of each real estate asset held for sale and to remeasure at fair value less cost to sell those real estate assets held for sale where fair value less cost to sell is less than cost. The fair values of the Company's real estate assets held for sale are generally determined based on discounted cash flow analyses as well as recent third-party and internal appraisals. For assets with indications of market pricing, such as letters of intent or purchase agreements, management uses the market pricing for the specific assets, as appropriate. For assets sold shortly after the measurement date, the fair value estimate is based on the actual sales price for the specific asset. Although the Company bases its valuations of real estate on actual observable inputs to the extent possible, the valuations typically require significant judgment and therefore are estimates. Changes in market conditions, discount rates and other factors between the dates of management's estimates and the dates of disposition of the real estate can have a significant impact on the amounts ultimately realized upon disposition. Therefore, real estate held for sale is classified as level 3 within the valuation hierarchy.

Accounting for Income Taxes

The Company has estimated its ability to utilize Predecessor CFGI tax attributes such as net operating loss carry forwards, capital loss carry forwards and other tax attributes against Successor CFGI income. The calculation of the annual limitation of usage of Predecessor CFGI tax attributes is based on a percentage of the equity value immediately after any ownership change. To the extent that there are subsequent changes in ownership or changes to the existing structure, the annual amount of Predecessor CFGI tax attributes that may be utilized against Successor CFGI income may be reduced to zero.

The Company has estimated that it will have cancellation of debt income in a number of U.S. and non-U.S. subsidiaries. The Company believes that it has adequate net operating losses and deferred deductions available to offset any potential cancellation of debt income in each jurisdiction; however, to the extent that the actual timing or availability of the losses is different than anticipated, the expected tax liability may be materially different.

The Company accounts for income taxes under the asset and liability method in accordance with GAAP. Under GAAP, the tax effects of a position are recognized only if it is “more-likely-than-not” to be sustained solely on its technical merits. The “more-likely-than-not” threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered “more-likely-than-not” to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. The determination of whether a tax position is “more likely than not” to be sustained can involve a considerable amount of judgment by management.

The Company establishes valuation allowances for its deferred tax assets based on a “more-likely-than-not” threshold. The Company’s ability to realize its deferred tax assets depends on its ability to generate sufficient taxable income within the carryback or carryforward periods provided for by law within each applicable tax jurisdiction. The Company evaluates all positive and negative evidence, including scheduled reversals of existing deferred tax liabilities, projected future taxable income and tax planning strategies. The Company also considers the nature, frequency and severity of recent losses and the duration of statutory carryforward periods. In making such judgments, significant weight is given to evidence that can be objectively verified. Concluding that a valuation allowance is not required is difficult when there is significant negative evidence that is objective and verifiable, such as cumulative losses in recent years.

If the Company generates future taxable income in jurisdictions where it has recorded full valuation allowances, on a sustained basis, its conclusion regarding the need for full valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of the valuation allowances. If its operations generate taxable income prior to reaching profitability on a sustained basis, the Company would reverse a portion of the valuation allowance related to the corresponding realized tax benefit for that period, without changing its conclusions on the need for a full valuation allowance against the remaining net deferred tax assets.

The valuation of deferred tax assets requires significant judgment. The Company’s accounting for deferred tax consequences of events that have been recognized in its financial statements and its future taxable income represent management’s best estimate of those future events.

Liquidity and Capital Resources

As of December 31, 2011, the Company's continuing operations had $2.9 billion in total cash and cash equivalents (including restricted cash), of which $2.3 billion was held by Capmark Bank and $575.8 million was held by its other subsidiaries. In addition, Capmark Bank held $582.5 million of highly rated government agency and other short term investment securities that the Company considers to be similar to cash equivalents. Of the $575.8 million in cash and cash equivalents held by the Non-Capmark Bank subsidiaries, $25.0 million was held by the Secured Notes trustee in the interest reserve account and $104.3 million was restricted under other contractual arrangements. The following table summarizes the cash, cash equivalents and restricted cash from continuing operations as of December 31, 2011 (in thousands):

Cash, Cash Equivalents and Restricted Cash	December 31, 2011
Capmark Bank:	
Cash and cash equivalents	$ 2,286,889
Non-Capmark Bank:	
Cash and cash equivalents – Asian Operations	90,778
Cash and cash equivalents – Other Non-Capmark Bank	355,749
Cash and cash equivalents – Total Non-Capmark Bank	446,527
Restricted cash	129,264
Total cash, cash equivalents and restricted cash attributable to continuing operations	$ 2,862,680

The following table summarizes the components of restricted cash from continuing operations as of December 31, 2011 (in thousands):

Restricted Cash	December 31, 2011
Cash from consolidated VIEs	$ 72,626
Secured Notes interest reserve	25,000
Bankruptcy disputed administrative, priority and convenience class claims escrow	18,499
Other	13,139
Restricted cash from continuing operations	$ 129,264

The Company expects to generate sufficient liquidity to meet its needs for cash in its Non-Capmark Bank operations over the next 12 months, including primarily paying its operating expenses and interest payments on the Secured Notes. The Company also expects that Capmark Bank will generate sufficient liquidity to meet its needs for cash for the next 12 months, including primarily paying its operating expenses and interest and principal due on maturing deposit liabilities and other liabilities.

The Company's primary sources of liquidity are expected to be (1) principal and interest payments on loans, (2) proceeds from the sale of loans, including discounted payoffs received in connection with loan workout efforts, and (3) proceeds from the sale of real estate acquired through foreclosure, equity investments and other assets in its portfolio. Capmark Bank is prohibited under the C&D Orders from declaring or paying dividends or making any other form of payment representing a reduction in capital to Successor CFGI without the prior written consent of the Bank Regulators.

As of December 31, 2011, the Company had commitments over the next five years to fund construction loans of $11.1 million, to fund other loans of $28.4 million and to provide equity to equity method investees of $18.4 million.

Financing Arrangements

The following table presents information concerning the financing arrangements that the Company had in place for its continuing operations as of December 31, 2011 (in thousands):

Financing Arrangements	Contractual Amount Outstanding	Weighted Average Remaining Maturity
		(months)
Capmark Bank:		
Brokered CDs (1)	$ 3,564,617	13
Institutional time deposits (1)	172,929	4
FHLB borrowings	391,069	13
Total Capmark Bank	4,128,615	13
Non-Capmark Bank:		
Secured Notes (2)	738,959	44
Japanese Settlement(3)	110,850	N/A
Other borrowings (4)	258,803	N/A
Total Non-Capmark Bank	1,108,612	44
Total contractual amount outstanding of borrowings and deposit liabilities for continuing operations	$ 5,237,227	18

Notes:

(1) Term to maturity of brokered certificates of deposit ("Brokered CDs") and institutional time deposits is calculated using the contractual maturity date.

(2) Maturity is assumed to be the final contractual maturity date for each series of Secured Notes excluding extension periods.

(3) Represents the US Dollar equivalent at the December 31, 2011 spot exchange rate of the ¥8.5 billion of the liability to the Japanese lenders under the Japanese Settlement Agreement. See "Japanese Settlement Agreement" below for a discussion of the terms of this agreement.

(4) Primarily includes secured borrowings that the Company recognized on the consolidated balance sheet under ASC 860. Recourse is limited to the assets related to these contractual arrangements. Other borrowings do not include certain liabilities related to the Company's LIHTC business that are included in liabilities of discontinued operations on the consolidated balance sheet. See Note 13 of the consolidated financial statements.

Secured Notes

On September 30, 2011, pursuant to the Plan, Reorganized CFGI issued $1.25 billion of first lien Secured Notes. The Secured Notes were issued under an indenture dated September 30, 2011 ("Indenture") in two series: $750 million floating rate first lien A notes priced at three-month LIBOR plus 5.00%, maturing September 30, 2014 and $500 million floating rate first lien extendible B notes priced at three-month LIBOR plus 7.00%, maturing September 30, 2015. The three-month LIBOR interest rate for the Secured Notes, for an interest period, is the greater of 2.0% or the three-month LIBOR rate. The Secured Notes are guaranteed by the Guarantors. The maturity date of the first lien extendible B notes is September 30, 2015, but the maturity date may be extended by Reorganized CFGI in two successive 1 year periods. The Secured Notes are paid quarterly and, except in certain circumstances, there is no prepayment premium. The quarterly payment is based upon cash held in excess of working capital and certain other reserves and amounts as specified in the Indenture. The Indenture allows the Company to retain certain amounts of cash for working capital purposes and for payment of certain reorganization related professional fees, as determined by the Company. In addition, Reorganized CFGI was permitted to and did establish a $25.0 million discretionary interest reserve account under the Indenture. The Secured Notes are secured by a first priority pledge (subject to permitted liens), security interest and lien on substantially all of the domestic loan assets, financial assets (including intercompany loans), equity interests (excluding the capital stock of Capmark Bank and certain other subsidiaries), and investments owned by the Obligors and the proceeds received from any such assets.

The terms of the Secured Notes limit Reorganized CFGI and certain of its subsidiaries' ability to access the secured and unsecured debt markets by prohibiting the Obligors and certain subsidiaries from incurring indebtedness subject to certain exceptions. This limitation has no immediate impact on the Company's funding or funding plans as it does not anticipate entering into additional borrowing arrangements prior to the repayment of the Secured Notes. These limitations would make it more expensive and more difficult, however, to access the unsecured debt markets in future periods if necessary.

The Company made the following redemptions of Secured Notes since September 30, 2011 (in thousands):

	Aggregate Principal Amount	Effective Payment Date	Type of Redemption
Floating rate first lien A notes	$ 361,041	October 5, 2011	Partial
Floating rate first lien A notes	150,000	December 2, 2011	Partial
Floating rate first lien A notes	238,959	February 1, 2012	Full
Floating rate first lien B notes	24,966	February 1, 2012	Partial

After taking into account the February 1, 2012 redemption, the remaining principal balance of the floating rate first lien extendible B notes was $475.0 million. The Company will continue to redeem outstanding Secured Notes to the extent of available excess cash as defined in the Indenture.

Deposits

Capmark Bank previously obtained funding primarily by issuing Brokered CDs. Brokered CDs and other deposits issued by Capmark Bank are insured by the FDIC, subject to applicable limitations. As of December 31, 2011, Capmark Bank had aggregate deposit liabilities in Brokered CDs with a carrying value of $3.7 billion and aggregate liabilities in institutional time deposits with a carrying value of $173.3 million. Under the C&D Orders, Capmark Bank is prohibited from issuing Brokered CDs but may still issue deposits directly to institutions or other purchasers. Capmark Bank currently does not intend to issue any deposits in the next twelve months.

FHLB

As of December 31, 2011, Capmark Bank had borrowings outstanding under a secured borrowing facility with the FHLB with a carrying value of $393.8 million and held a $58.0 million equity investment in FHLB capital stock, which was required in connection with the FHLB borrowings. Actual borrowing capacity under the FHLB facility on any business day is subject to change as individual qualifying investment securities available for sale and loans held for sale are routinely pledged and de-pledged by Capmark Bank in the normal course of business.

On January 13, 2012, Capmark Bank repaid $100.0 million of FHLB advances with maturities in 2012. The associated prepayment penalty fees of $0.5 million were substantially offset by the recognition of $0.4 million of the accretable fresh start accounting premium for the FHLB borrowings. On February 6, 2012, Capmark Bank repaid $180.7 million of FHLB advances with maturities in 2012 and 2013. The associated prepayment penalty fees of $1.6 million were partially offset by the recognition of $0.9 million of the accretable fresh start accounting premium for the FHLB borrowings.

The FHLB does not currently pay quarterly dividends on its capital stock and it is not known if or when the payment of dividends might resume. The FHLB is not currently repurchasing excess capital stock until further notice. As such, if Capmark Bank were to reduce its FHLB borrowings, the Company would likely continue to hold an excess of FHLB capital stock for an unspecified period of time.

Settlement of Japanese Loans under the Unsecured Credit Agreement ("Japanese Settlement Agreement")

On March 23, 2006, Predecessor CFGI and certain of its subsidiaries entered into a $5.5 billion unsecured credit agreement ("Credit Agreement") which included a $2.75 billion multi-currency revolving credit facility and a $2.75 billion multi-currency term loan facility each with a final maturity date of March 23, 2011. Two of the Company's subsidiaries, Capmark Japan KK and Capmark Funding Japan GK (formerly known as Capmark Funding Japan KK) ("Japanese Borrowers") as well as Crystal Ball, Predecessor CFGI and certain of its other subsidiaries were severally, but not jointly, liable for their respective obligations under the Credit Agreement. In addition, Predecessor CFGI and certain of its subsidiaries were also guarantors of the obligations under the Credit Agreement and were jointly and severally liable for their respective obligations.

On the commencement date of the bankruptcy, the beneficial owners of the Japanese Yen denominated portions of the Credit Agreement ("Japanese Lenders") were owed ¥41.5 billion (approximately $450.1 million) (referred to herein as the "Japanese Loans"). Additionally, the Japanese Borrowers owed Predecessor CFGI and Capmark Finance LLC ("Capmark

Finance") approximately ¥102.7 billion (approximately $1.1 billion) under intercompany loan agreements. In a settlement agreement approved by the Bankruptcy Court in January 2011 (the "Japanese Settlement Agreement"), the Japanese Borrowers agreed to an initial cash distribution to the Japanese Lenders, Predecessor CFGI and Capmark Finance in partial satisfaction of the outstanding amounts as well as all accrued and unpaid interest through the date of the distribution. In addition, future cash flows from the monetization of certain assets from the Japanese Borrowers' operations are to be distributed, on a pro rata basis based upon the outstanding principal balance of the Japanese Loans and intercompany loans. The Japanese Settlement Agreement also provided for the allowance of a guarantee claim against Predecessor CFGI and its subsidiaries in an amount equal to 85 percent of the principal amount of the loans owed by the Japanese Borrowers as well as a commitment that insolvency proceedings would not be pursued against the Japanese Borrowers. Under the Plan, an initial distribution of $113.0 million in cash and Secured Notes along with 5.2 million shares of Common Stock was made on September 30, 2011 to the Plan's disbursing agent for the benefit of the Japanese Lenders in respect of their guarantee claims and the value of such consideration was deemed a repayment of principal outstanding on the Japanese Loans. Pursuant to the Plan, the claims of the Japanese Lenders under guarantees of the Japanese Loans were discharged against Successor CFGI and the other Reorganized Debtors. Consequently, the Japanese Borrowers are the only obligors on the remaining balance of the Japanese Loans under the terms of the Japanese Settlement Agreement.

In accordance with the Japanese Settlement Agreement, distributions to the Japanese Lenders, including distributions under the Plan, shall not exceed 100% of the outstanding principal amounts due under the Japanese Loans at the effective date of the Japanese Settlement Agreement, plus any interest that has accrued on the outstanding amount thereof. Since the inception of the Japanese Settlement Agreement through December 31, 2011, the Japanese Borrowers have distributed ¥16.4 billion (approximately $231.1 million), ¥37.7 billion (approximately $489.9 million) and ¥3.2 billion (approximately $41.6 million) in cash to the Japanese Lenders, Capmark Finance and Predecessor CFGI, respectively. The Japanese Settlement Agreement is Yen denominated and the US dollar equivalent approximations of the aggregate Yen cash distributions are converted at the December 31, 2011 spot exchange rate.

At December 31, 2011, the amount owed under the Credit Agreement is ¥8.5 billion (approximately $110.9 million) and is reported on the consolidated balance sheet at its carrying value of $74.6 million. In accordance with the Japanese Settlement Agreement, the Japanese Borrowers made a ¥665.1 million (approximately $8.7 million) payment to the Japanese Lenders on January 10, 2012.

Crystal Ball Settlement Agreement

Crystal Ball was a guarantor of the Credit Agreement and unsecured bridge loan (collectively, the "Unsecured Loans") and the Predecessor Senior Unsecured 6.300% Notes, the Predecessor Senior Unsecured Floating Rate Notes, and the Predecessor Senior Unsecured 5.875% Notes (collectively, the "Unsecured Notes"). The obligations under the Unsecured Loans and Unsecured Notes were discharged in the Plan for the Reorganized Debtors; however, Crystal Ball was not a Debtor. To obtain a release from its guarantee obligations, Crystal Ball and the parties to the Unsecured Loans and Unsecured Notes entered into a settlement agreement in July 2011 (the "Crystal Ball Settlement Agreement") that was approved in connection with the Plan. The Crystal Ball Settlement Agreement, which was effective with the Plan, provides that on a quarterly basis Crystal Ball and its subsidiaries shall distribute all cash in excess of working capital needed to pay liabilities and expenses ("Net Cash") to the holders of the Unsecured Loans and the Unsecured Notes in accordance with the specific allocation set forth in the Plan. Crystal Ball made the initial payment of $85.0 million on the Effective Date. If Net Cash at the end of any fiscal quarter is less than $250 thousand, Crystal Ball may skip such quarterly payment and roll over such Net Cash to the next fiscal quarterly payment.

In accordance with the Crystal Ball Settlement Agreement, Crystal Ball made a $22.5 million payment on October 18, 2011. The estimated principal amount expected to be paid under the Crystal Ball Settlement Agreement at December 31, 2011 is included in other liabilities on the consolidated balance sheet at its carrying value of $20.6 million. In accordance with the Crystal Ball Settlement Agreement, Crystal Ball made a payment of $10.1 million to the holders of the Unsecured Loans and Unsecured Notes on January 20, 2012.

Secured Borrowings

The Company has secured borrowings related to transfers of financial assets where the transactions do not qualify as sales under ASC 860 and are accounted for as financings. These transactions relate to the Company's NMTC business. The funds received are recorded as liabilities in other borrowings on the consolidated balance sheet. These liabilities are generally payable from the cash flows of the related assets which did not meet derecognition criteria under GAAP and continue to be recognized in the Company's consolidated balance sheet as restricted cash or loans held for sale.

Concentrations of Risk

Collateral Type Diversification of the Company's Loan Portfolio

The following table summarizes the composition of the Company's loans held for sale portfolio as of December 31, 2011, in aggregate by collateral type (in thousands):

	December 31, 2011					
	Capmark Bank		Non-Capmark Bank		Total	
Collateral Type	Amount	Percentage	Amount	Percentage	Amount	Percentage
(in thousands)						
Hospitality	$ 974,064	34%	$ 115,209	17%	$ 1,089,273	31%
Healthcare	568,722	20	31,348	5	600,070	17
Office	422,515	15	83,040	13	505,555	14
Multifamily	417,830	14	49,855	7	467,685	13
Retail	145,764	5	127,169	19	272,933	8
Mixed-use and other(1)	358,838	12	255,915	39	614,753	17
Total	$ 2,887,733	100%	$ 662,536	100%	$ 3,550,269	100%

Note:

(1) Mixed-use and other consists of loans secured by properties with more than one commercial real estate property type, loans secured by pools of mixed property types, plus loans secured by various other property types including, but not limited to, undeveloped land, industrial properties, condominiums, and golf courses.

Geographical Diversification of the Company's Loan Portfolio

The following table summarizes the composition of the Company's loans held for sale portfolio by geographical location as of December 31, 2011(in thousands):

	December 31, 2011					
Location	Capmark Bank		Non-Capmark Bank		Total	
(in thousands)	Amount	Percentage	Amount	Percentage	Amount	Percentage
Southern California	$ 271,110	10%	$ 41,007	6%	$ 312,117	9%
Chicago	295,707	10	2,336	—	298,043	8
Metropolitan New York	207,487	7	11,528	2	219,015	6
Boston	147,963	5	23,874	4	171,837	5
Orlando	171,142	6	—	—	171,142	5
Washington, D.C.	148,078	5	11,836	2	159,914	5
Dallas	124,227	4	33,001	5	157,228	4
Phoenix	18,876	1	124,345	19	143,221	4
Atlanta	81,319	3	58,213	9	139,532	4
Houston	109,081	4	7,543	1	116,624	3
San Francisco	87,275	3	—	—	87,275	3
Denver	65,448	2	18,382	3	83,830	2
Other—North America	1,160,020	40	254,617	38	1,414,637	40
Europe	—	—	66,530	10	66,530	2
Asia	—	—	9,324	1	9,324	—
Total	$ 2,887,733	100%	$ 662,536	100%	$ 3,550,269	100%

The Company's loan portfolio consists of loans used to finance properties in more than 73 markets, including all of the major metropolitan areas in the United States. The Company's Southern California concentration currently represents its largest geographic concentration at 9% of its geographical exposure as of December 31, 2011. The portfolio is spread across 253 loans and thirteen property types, with no one property type within any market comprising more than 6.2% of its total exposure. The Company's exposure in any geographic region is subject to the risk that the performance of the loans in that region could be harmed by an economic slowdown or the occurrence of a catastrophe in the region.

Single Risk Exposures in the Company's Loan Portfolio

As of December 31, 2011, we had 8 loan commitments that exceeded $50 million. The Company's aggregate commitments with respect to the 8 loans totaled $617 million, of which $614 million had been funded. One of these loans was non-performing and maintained on non-accrual status with an unpaid principal balance of $58.2 million. The gross commitment and funded amount related to this non-performing loan was $58.2 million as of December 31, 2011. The remaining 7 loans are performing and had an aggregate unpaid principal balance of $558.9 million.

Collateral Type Diversification of the Company's Real Estate Investments Acquired Through Foreclosure Portfolio

The following table summarizes the composition of the Company's real estate investments acquired through foreclosure portfolio, including those accounted for as equity investments in entities that hold foreclosed real estate assets, as of December 31, 2011, in aggregate by collateral type (in thousands):

	December 31, 2011					
	Capmark Bank		Non-Capmark Bank		Total	
Collateral Type	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
(in thousands)						
Office	$ 80,615	34%	$ 104,862	33%	$ 185,477	33%
Retail	29,080	12	64,419	20	93,499	17
Hospitality	48,183	20	31,634	10	79,817	14
Multifamily	—	—	15,908	5	15,908	3
Mixed-use and other	79,379	34	101,242	32	180,621	33
Total	$ 237,257	100%	$ 318,065	100%	$ 555,322	100%

Geographical Diversification of the Company's Real Estate Investments Acquired Through Foreclosure Portfolio

The following table summarizes the composition of the Company's real estate investments acquired through foreclosure portfolio, including those accounted for as equity investments in entities that hold foreclosed real estate assets, by geographical location as of December 31, 2011 (in thousands):

	December 31, 2011					
Location	Capmark Bank		Non-Capmark Bank		Total	
(in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
Phoenix	$ 55,992	23%	$ 21,744	7%	$ 77,736	14%
New York Metropolitan	22,782	10	35,516	11	58,298	10
Washington D.C.	1,843	1	23,280	7	25,123	5
Las Vegas	—	—	24,104	8	24,104	4
Dallas	12,130	5	11,058	4	23,188	4
Denver	12,610	5	8,503	3	21,113	4
Norfolk	—	—	20,129	6	20,129	4
San Francisco	7,130	3	9,942	3	17,072	3
Other—North America	124,770	53	112,358	35	237,128	43
Asia	—	—	51,431	16	51,431	9
Total	$ 237,257	100%	$ 318,065	100%	555,322	100%

Non-Performing Assets

The Company's non-performing assets consist of all of its originated loans that are on non-accrual status, real estate acquired through foreclosure and equity investments in entities that hold real estate acquired through foreclosure.

The following table presents information concerning the originated non-performing loans held for sale as of December 31, 2011 (in thousands):

	December 31, 2011		
	Capmark Bank	Non-Capmark Bank	Total
Gross principal balance of loans held for sale	$ 1,086,150	$ 267,050	$ 1,353,200
Historical basis and fresh start adjustments (1)	(348,013)	(119,733)	(467,746)
Basis and other adjustments (2)	(23,014)	(5,480)	(28,494)
Carrying value of non-performing loans held for sale	$ 715,123	$ 141,837	856,960
Carrying value as a percentage of loans held for sale (3)	24.8%	32.1%	24.1%

Notes:

(1) Includes basis adjustments at and prior to the Effective Date.

(2) Includes adjustments for the application of lower of cost or fair value accounting ("LOCOM") subsequent to the Effective Date.

(3) Calculation excludes $211.7 million of loans held for sale that were no longer owned by the Company but continue to be recognized on the Company's balance sheet as a result of accounting for the transfers of these loans as financings under ASC 860.

In addition, the following table presents information concerning the fair values of real estate acquired through foreclosure and equity investments in entities that hold real estate acquired through foreclosure (together, "REO") as of December 31, 2011 (in thousands):

	December 31, 2011		
	Capmark Bank	Non-Capmark Bank	Total
Basis in REO (1)	$ 245,900	$ 320,592	$ 566,492
LOCOM and other adjustments (2)	(8,643)	(2,527)	(11,170)
Carrying value of REO	$ 237,257	$ 318,065	$ 555,322

Notes:

(1) The value recognized at the time of the application of fresh start accounting as of September 30, 2011 or the value recognized upon the subsequent transfer of the asset from loans held for sale to REO.

(2) Includes adjustments for the application of lower of cost or fair value accounting. Other adjustments include those for equity investments in entities that hold real estate acquired through foreclosure due to the application of the equity method accounting.

Banking Regulation

Capmark Bank, a Utah state chartered industrial bank and a wholly owned subsidiary of Successor CFGI, is jointly regulated by the FDIC and the UDFI (together, the "Bank Regulators"). The Bank Regulators impose restrictions on Capmark Bank's operations, including capital maintenance obligations.

Capmark Bank must file reports with the Bank Regulators concerning its activities and financial condition in addition to obtaining regulatory approvals prior to changing its approved business plan. Periodic examinations are conducted by the Bank Regulators to evaluate Capmark Bank's safety and soundness and compliance with various regulatory requirements. The regulatory structure also gives the Bank Regulators extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets for regulatory purposes.

FDIC Capital Rules

Capmark Bank has deposits that are eligible for insurance by the FDIC in accordance with FDIC rules. Regulatory restrictions require that Capmark Bank comply with capital rules of the FDIC. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal regulators to take prompt corrective action against any undercapitalized institution. FDICIA establishes five capital categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Capmark Bank is only considered "adequately capitalized," notwithstanding that Capmark Bank had a Tier 1 leverage ratio of 29.3% as of December 31, 2011, as compared to the FDIC's minimum Tier 1 leverage ratio of 5% for a bank to be considered "well-capitalized." See "Capital Maintenance Agreement" below.

Cease and Desist Orders

On October 2, 2009, Capmark Bank consented to the C&D Orders with the Bank Regulators requiring Capmark Bank to, *inter alia*, (i) maintain a Tier 1 capital to total assets ratio ("Tier 1 Leverage Ratio") of at least 8% and a ratio of qualifying total capital to risk-weighted assets ratio of at least 10%, (ii) submit a capital plan acceptable to the Regional Director of the FDIC's New York Regional Office and the UDFI and a contingency plan within 45 days of the C&D Orders, and (iii) not extend credit to Successor CFGI and its affiliates or issue dividends without the prior written consent of the Bank Regulators. The inclusion of a minimum capital requirement in the C&D Orders requires Capmark Bank to obtain approval from the Bank Regulators prior to issuing new Brokered CDs. As required by the C&D Orders, Capmark Bank submitted a capital plan to the Bank Regulators in the fourth quarter of 2009 and continues to provide annual updates. Capmark Bank has been and remains in compliance with the requirements of the C&D Orders, which remain in effect.

Capital Maintenance Agreement

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

Following the commencement of the bankruptcy cases and negotiations with the FDIC, Predecessor CFGI sought and received authorization from the Bankruptcy Court to capitalize Capmark Bank with (i) $400 million in cash by December 31, 2009 and (ii) an additional $250 million by June 30, 2010. By order of the Bankruptcy Court dated December 23, 2009, the $650 million total capital contribution was deemed to satisfy fully any claim the FDIC may assert against Predecessor CFGI and its affiliates in the bankruptcy pursuant to sections 365(o) and 507(a)(9) of the Bankruptcy Code, and otherwise. Capital contributions of $400 million and $250 million were made to Capmark Bank on or before December 31, 2009 and June 30, 2010, respectively, in compliance with the agreement with the FDIC and applicable Bankruptcy Court order.

Pursuant to section 365(o) of the Bankruptcy Code, in its bankruptcy Successor CFGI was deemed to have assumed its commitments to the FDIC under the CMA to maintain the capital level of Capmark Bank and the CMA remains in effect as of the date of this report.

As of December 31, 2011, Capmark Bank had stockholder's equity of $1.8 billion. The following table summarizes the FDIC's well-capitalized ratio requirements and Capmark Bank's regulatory capital ratios as of December 31, 2011. Since Capmark Bank is subject to the C&D Orders, it is deemed to be "adequately capitalized."

Ratio	December 31, 2011 Minimum Percentage to be "Well-Capitalized"	Capmark Bank
Tier 1 leverage ratio (1)	5.0%	29.3%
Tier 1 risk-based capital ratio	6.0%	53.8%
Total risk-based capital ratio	10.0%	53.8%

Note:

(1) The FDIC's minimum Tier 1 leverage ratio for a bank to remain well-capitalized is 5%. However, as noted above, in the C&D Orders Capmark Bank agreed to a Tier 1 leverage ratio of not less than 8%.

Other

Capmark Bank's authority to engage in transactions with "affiliates" is limited by Sections 23A and 23B of the Federal Reserve Act as implemented by the Federal Reserve Board's Regulation W. The term "affiliates" for these purposes generally means any company that controls or is under common control with an institution, and includes Successor CFGI and its subsidiaries as it relates to Capmark Bank. In general, transactions with affiliates must be on terms that are at least as favorable to the institution as comparable transactions with non-affiliates. In addition, specified types of transactions are restricted to an aggregate percentage of the institution's capital. Collateral in specified amounts must be provided by affiliates to receive extensions of credit from the institution. Federally-insured banks are subject, with certain exceptions, to restrictions on extensions of credit to their parent holding companies or other affiliates, on investments in the stock or other securities of affiliates and on the taking of such stock or securities as collateral from any borrower. In addition, these institutions are prohibited from engaging in specified tying arrangements in connection with any extension of credit or the providing of any property or service.

Capmark Bank is subject to many other federal and state statutes and regulations, such as the Bank Secrecy Act, the USA PATRIOT Act, the Gramm-Leach-Bliley Act, the Equal Credit Opportunity Act, the Truth in Savings Act, the Fair Credit Reporting Act, the Fair Housing Act, the National Flood Insurance Act, and various federal and state privacy protection laws. These laws, rules and regulations, among other things, impose licensing obligations, limit the interest rates and fees that can be charged, limit the total loans that can be extended to any person, mandate disclosures and notices to customers, mandate the collection and reporting of certain data regarding customers, regulate marketing practices, and require the safeguarding of non-public information of customers.

The UDFI conducts a holding company supervision program intended to assess the degree to which the holding company serves as a source of financial and managerial strength to its Utah bank. The UDFI has indicated that it intends to conduct periodic on-site source of strength assessments and will evaluate financial strength (including capital, earnings, and liquidity), the risks of the holding company organizational structure and risk management practices. The supervisory program supplements the existing examination activities of the UDFI and the FDIC. The UDFI has not yet conducted an assessment of Capmark Financial Group Inc.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), an initiative directed at the financial services industry, was signed into law by President Obama on July 21, 2010. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States, established the new federal Bureau of Consumer Financial Protection, and requires this new Bureau and other federal agencies, including the SEC, to undertake assessments and rulemaking.

Under Section 616 of the Dodd-Frank Act, each company that *directly or indirectly controls* an industrial bank such as Capmark Bank must serve as a "source of strength" for the bank. "Source of strength" means the ability to provide financial assistance to the bank in the event of financial distress. The federal banking agencies were required to issue regulations to carry out the purposes of Section 616 by July 21, 2011, but have not yet done so.

Under applicable federal and state laws and regulations, no person can acquire control of Capmark Bank without obtaining approval of the Bank Regulators. In addition, under Section 603(a)(3) of the Dodd-Frank Act, the FDIC must currently disapprove a change in control of an industrial bank if the change in control would result in direct or indirect control of the industrial bank by a commercial firm.

RISK FACTORS

The Company faces a variety of risks that are substantial and inherent in its business, including liquidity, credit, market, operational, legal and regulatory risks. The following are some of the more important factors that could affect the Company's business.

Risks Related to the Capitalization of the Company

1. Potential Effects of Economic and or Market Conditions on Asset Values

The value of the Company's assets is sensitive to general business, economic, and market conditions in the United States and in the various foreign markets in which the assets are located, including Japan. These conditions include changes in short-term and long-term interest rates, inflation, deflation, fluctuations in the real estate and debt capital markets, and developments in national and local economies and changes in government policies and regulations. The commercial real estate industry is cyclical and is subject to numerous economic factors including general business conditions, changes in interest rates, inflation, unemployment rates and oversupply of properties. The recessionary changes in economic conditions have had an adverse effect on the Company's business, reducing the value of loans and other real estate-related assets that the Company holds or manages and of the collateral supporting the Company's loan portfolio. In addition, the foregoing factors have caused an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws, or default on their loans or other obligations. This increase in the number of delinquencies, bankruptcies, and defaults has resulted and could continue to result in a higher level of non-performing assets, loan charge-offs, and downward valuation adjustments on the Company's real estate-related assets, which has and could continue to adversely affect the Company's future results of operations.

2. Ability to Meet Liquidity Needs

As of December 31, 2011, the Company had $739.0 million in corporate-level secured indebtedness. Significant amounts of cash flow will be dedicated to making payments of interest on and to repaying such principal indebtedness. The Company's ability to make payments on the Secured Notes and other obligations is dependent upon the Company's ability to generate cash in the future. The Company's primary source of cash is funds generated from monetization, collection and sales of and earnings on the Company's existing assets, which are generally illiquid, non-performing, or distressed. In addition, the ability of the Company to make intercompany transfers, including loans and dividends, is limited by the terms of the Secured Notes and may be further affected by prevailing economic conditions and financial, business and other factors as well as applicable bankruptcy, federal, state, or foreign fraudulent conveyance or dividend restriction laws. There can be no assurance the Company will be able to generate sufficient cash flow from operations or that future borrowings, if needed, will be available to enable the Company to pay the Company's obligations or to fund its other liquidity needs.

A significant portion of the Company's assets are owned by Capmark Bank, a wholly-owned Utah industrial bank. Currently, Capmark Bank is prohibited under C&D Orders consented to on October 2, 2009 from declaring or paying dividends or making any other form of payment representing a reduction in capital to Successor CFGI without the prior written consent of the Bank Regulators.

3. Absence of Trading Market for Secured Notes and Common Stock and Volatility of Trading Prices

The Secured Notes and Common Stock are not listed on any national securities exchange and, as a result, no level of liquidity in the market can be ensured. Accordingly, no assurance can be given that a holder of such securities will be able to sell such securities in the future or as to the price at which any sale might occur. If a holder of such securities is able to sell them in the future, the price of the securities may be volatile and will be dependent upon many factors, including, prevailing interest rates, general market liquidity for such securities, industry conditions, and the performance of and investor expectations for, the Company.

Factors that may cause fluctuations in the price of Secured Notes and Common Stock include:

- changes in the Company's financial performance or the value of the Company's portfolio assets;

- changes in the timing and amount of cash generated by the Company on its assets;

- changes in conditions in the commercial real estate and finance markets, including changes in property values, occupancy and rental rates, interest rates, interest spreads, capitalization rates, securitization markets and government-sponsored funding programs;

- general economic conditions and trends and other external factors, including those resulting from financial markets, commercial real estate markets, weather, catastrophic events, war, incidents of terrorism, or responses to these events;

- changes in the prospects or in the financial performance of companies engaged in similar businesses;

- changes in, or new interpretations or applications of, laws and regulations applicable to the Company's business;

- significant sales of Secured Notes and/or Common Stock; or

- speculation in the press or investment community regarding the Company's business, officers, employees, or facts or events that may directly or indirectly affect its business.

Risks Associated with the Business

4. Payment of Dividends

The Company's ability to declare dividends on, redeem, retire or repurchase its common stock is limited by the terms of the Indenture under which the Secured Notes were issued. In addition, the declaration of any future dividends by the Company is within the discretion of the Company's Board of Directors and will be dependent on the Company's financial condition, as well as any other factors deemed relevant by the Board.

5. Payment of Secured Notes

The Company's ability to make interest payments on the Secured Notes is dependent on the Company's ability to generate sufficient cash from the monetization of its assets. Under the terms of the Indenture, the Company may only reduce the outstanding principal balance of the Secured Notes to the extent it has excess working capital. Therefore, the Company's ability to pay principal on the Secured Notes is dependent on the Company's ability to generate sufficient cash from the monetization of its assets to fund its operating expenses and other required payments. To the extent that the Company is unable to generate sufficient cash after payment of expenses, its ability to make principal payments on the Secured Notes would be adversely affected. Although the Company has made payments substantially reducing the Secured Notes, there is no assurance that the Company will continue to reduce the outstanding principal of the Secured Notes at the same amounts and timing.

6. The Company's Ability to Implement and Execute Various Strategic Initiatives

Although the Company has implemented numerous tactical and strategic initiatives with a view toward ensuring that its portfolio of assets will be managed to maximize value for the holders of Common Stock and Secured Notes, there can be no assurance that the Company's initiatives will be successful. These initiatives depend, in part, on the continued retention of experienced personnel to manage the assets, and their ability to implement those initiatives.

7. Difficulty in Retaining or Replacing Key Employees

The Company's future results of operations will depend in part on the Company's ability to retain its existing highly skilled and qualified employees. Uncertainties about the future prospects of the Company's business have impacted and are likely to continue to impact its ability to retain key management and other personnel. Although the Company has taken measures to retain key employees, there is no assurance that such measures will be successful and the failure to continue to retain such key individuals could have a material adverse effect on the Company's ability to operate the business successfully or to meet operations, risk management, compliance, regulatory, and financial reporting requirements. If the Company is unable to retain key employees, the Company may have difficulty meeting the objectives of its strategic initiatives designed to manage its portfolio of assets to maximum value for the holders of the Common Stock and Secured Notes.

8. Deterioration in Value of Property or Other Assets Securing Loans

The Company's loan portfolio consists of loans that are generally non-recourse, which means that the Company generally is not entitled to seek recovery from the ultimate property owner or sponsor of the property in the event of a payment default, except in the case of certain construction loans and instances of fraud or other bad acts by the property owner and breaches of certain representations and covenants. Accordingly, the cash flows generated by the operation, sale or refinancing of the properties securing the Company's loans typically are the sole sources of funds for the payment of principal and interest that is due under these loans. A borrower's ability to successfully operate, refinance, or sell a mortgaged property may be affected by a number of factors, including the ability of the borrower to fully lease the property on terms sufficient to support the debt; levels of operating costs for operating the properties; competition; litigation involving the property owner or the property; changes in local, regional or national economic, business and market conditions or forecasts; changes in the availability or cost of financing for real estate; uninsured losses to the property; and other factors including those that are outside the control of the borrower.

The Company's loan portfolio is significantly comprised of interim, floating rate loans secured by "transitional" real estate. The repayment of such loans is dependent on the construction and renovation, and subsequent leasing, of collateral, and debt service payments for such loans depend on capitalized reserves or subsidies by sponsors. Reductions in demand by users of commercial real estate have caused certain of these loans to fail to achieve underwritten expectations for leasing and cash flow, contributing to increases in defaults, and non-performing loan classifications.

9. Risks Inherent in the Company's Ability to Maximize the Value of the Company's Assets

The Company's main objective is to maximize the value of its assets. There are, however, substantial risks inherent in the Company's ability to execute on its objective. The Company made loans to a number of its borrowers at higher advance rates (i.e., at higher loan to value ratios) than did many of its competitors, which may make it more difficult to sell the loans or for the borrowers to obtain replacement financing. In addition, the Company made a large number of transitional loans, which are secured by commercial properties that were either new construction or involved substantial rehabilitation and did not have sufficient cash flows at the time the loan was made to fully support the debt service payments. The significant number of such transitional loans combined with the economic downturn, has resulted in an increase in non-performing loans and corresponding decreased values for those assets. Accordingly, many borrowers have had difficulty and may continue to have difficulty refinancing their obligations with a new lender unless the Company is willing to accept a discounted payoff, which may be significant. Likewise, the Company may not be able to sell many of these assets unless its willing to accept a discount on the unpaid principal balance of the loans. Thus, the Company does not anticipate that there will be a quick conversion of many of its assets to cash. The Company's business plan calls for the collection and management of its assets over time. The longer that it takes the Company to sell its assets, the greater is the risk that unforeseen events will adversely affect the realizable value of these assets. There can be no assurance that any particular asset will be sold, or if sold, that proceeds equal to or greater than its carrying values will be received.

10. Effects of the Global Financial Crisis on Company's Business

The global financial crisis, the first signs of which appeared in late 2007, led to a severe dislocation in the debt capital markets, and adversely affected the value of, and financing for, commercial real estate assets of the kind the Company financed or owned.

The Company has experienced and may continue to experience the following negative effects from that dislocation:

- significant declines in the fair value of the Company's mortgage loans and real estate-related investments, which has caused it to hold those loans and investments for a longer period of time or to sell them at lower values than anticipated, resulting in net losses or a decrease in the net gains on the sale of those assets, negative valuation adjustments on their loan portfolio, and/or reduced returns;

- a slowdown in repayments of the Company's mortgage loans at maturity due to the limited availability of credit for refinancing of commercial properties, declines in the fair value of such properties, and an increase in non-performing assets; and

- a decrease in market liquidity for the types of assets held by the Company and an increase in the time required to monetize those assets at fair value.

11. Exemption from the Investment Company Act of 1940

The Investment Company Act of 1940, or the "Investment Company Act," contains substantive legal requirements that regulate the manner in which ''investment companies'' are permitted to conduct their business activities. The Company has conducted and intends to continue to conduct its business in a manner that does not result in the Company being characterized as an investment company. There are a number of possible exemptions from registration under the Investment Company Act that the Company believes apply to us and which the Company believes makes it possible for it not to be subject to regulation as an investment company.

For example, a bank subsidiary is exempt from the definition of an investment company, and the Investment Company Act exempts entities that are primarily engaged in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." Under current interpretations, an entity can meet the exemption for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and the liens on and interests in by maintaining at least 55% of its assets directly in mortgages and other liens on and interests in real estate, which the Company refer to as "qualifying interests," and an additional 25% of its assets in real estate-related assets. The Company believes that its subsidiaries can rely on the foregoing exemptions or others. The requirement that some of the Company's subsidiaries maintain 55% of their assets in qualifying interests or satisfy another exemption may inhibit the Company's ability to sell certain kinds of assets or to conduct certain activities in the future. In addition, the Company may need to acquire certain assets to ensure they qualify for this exemption.

12. Changes in Prevailing Interest Rates, Credit Spreads, Exchange Rates and Credit Availability

The Company's financial condition and future results of operations have and may continue to be directly affected by changes in prevailing interest rates, credit spreads, foreign exchange rates, and credit availability. In particular, an increase in interest rates, a widening of credit spreads, an increase in the value of the U.S. Dollar against the Japanese Yen or the Euro, or a decrease in the availability of debt financing for real estate-related assets has and could, among other things:

- reduce the fair value of the loans that the Company holds for sale and the securities that are classified as trading or available for sale and decrease the amounts that the Company ultimately realizes upon an asset sale;
- adversely affect the Company's ability to sell financial assets, which has and could in the future adversely affect the Company's liquidity and its ability to fund operations;
- increase the rates of defaults and delinquencies on the Company's loan portfolio, including the resulting inability of borrowers to obtain financing needed to repay loans at maturity;
- adversely impact the fair value of real estate equity investments owned by the Company; and
- reduce the value of real estate-related investments or other investments that may serve as collateral for the Secured Notes.

In addition, the Company generally does not currently hedge interest rates, foreign exchange rates or other risks and, as a result is subject to the risk that changes in prevailing interest rates, credit spreads, or foreign currency exchange rates will adversely affect the fair value of the Company's assets, including loans and investment securities, decrease the Company's income, or increase its expenses.

13. Risks Related to the Company's Business outside the United States

The Company conducts a portion of its business outside the United States, primarily in Japan. The international operations generate income and expenses and give rise to assets and liabilities denominated in currencies other than the U.S. dollar. Currency fluctuations may adversely affect the Company's results of operations and the value of its assets and liabilities. In addition, these international operations subject the Company to additional risks. The effects of these risks may, individually or in the aggregate, adversely affect the Company's future results of operations. These risks include:

- multiple foreign "doing business" and licensing laws and regulatory requirements that are subject to change;

- difficulty in managing foreign operations due to reliance on third parties for maximization of asset recoveries;

- operational risks associated with retention of a local workforce;

- laws and regulations applicable to financial services industries that differ from United States laws or are uncertain and evolving, including laws and regulations relating to financial services companies, securities, bankruptcy, creditors' rights, debt collection, property ownership, and liens and wind-up of business operations;

- potentially negative consequences arising from changes in tax laws or their application or the manner in which the Company operates outside the United States or is viewed by foreign tax authorities;

- economic instability or slowdowns in foreign countries in which the Company's assets are located; and

- difficulty in moving capital out of foreign jurisdictions, limiting the Company's liquidity.

The Company has certain Japanese subsidiaries with assets and operations located in Japan. As a result of the earthquakes and tsunami in Japan in the first quarter of 2011 and the resulting impact to the electric power generation and transportation infrastructure, economic conditions in Japan have deteriorated and commercial real estate values have declined. While the Japanese government is undertaking measures to recover from the impact to national infrastructure, economic conditions in Japan may adversely affect the value and delay the timing of the monetization of the Company's Japanese assets.

14. Liabilities under Environmental Laws

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

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

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

16. Regulated Environment in which the Company Operates and Governmental Policies

The Company is subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which the Company is subject varies from jurisdiction to jurisdiction and is based on the type of business activities involved. For example, Capmark Bank is subject to regulation and periodic examination by the UDFI and the

FDIC and must comply with applicable capital adequacy requirements, limitations on transactions with affiliates, provisions of the FDICIA, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 ("GLBA"), Dodd-Frank Act, the Bank Secrecy Act of 1970, the USA PATRIOT Act, and regulations of the Federal Reserve. See "Banking Regulation" above and Note 19 for further discussion.

As a result of the regulated nature of the Company's businesses, particularly Capmark Bank, it is also subject to risks associated with (i) possible adverse results of regulatory and other governmental examinations or inquiries; (ii) an increased possibility of litigation arising from regulatory and other governmental developments; (iii) regulators' future use of supervisory and enforcement tools; and (iv) legislative and regulatory reforms, including changes to tax laws or their interpretation. The impact of those developments could affect the Company's ability to operate its business or negatively impact its financial condition, future results of operations or reputation.

17. Changes in Governmental Fiscal and Monetary Policies

The Company's business and earnings are significantly affected by the fiscal and monetary policies of the United States government and its agencies and similar governmental authorities and agencies in markets outside the United States in which the Company operates. The Company and its subsidiaries are particularly affected by the policies of the Federal Reserve, which regulates the supply of money and credit in the United States. The Federal Reserve's policies influence the yield on the Company's interest-earning assets and the cost of its interest-bearing liabilities. Changes in those policies are beyond the Company's control, are difficult to predict and could adversely affect its business, future results of operations and financial condition.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Capmark Financial Group Inc.
Horsham, PA

We have audited the accompanying consolidated balance sheet of Capmark Financial Group Inc. and subsidiaries (the "Company") as of December 31, 2011, and the related consolidated statement of operations, stockholders' equity, and cash flows for the three months ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the three months then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 30, 2012

FINANCIAL STATEMENTS

CAPMARK FINANCIAL GROUP INC.
Consolidated Balance Sheet
(in thousands, except share amounts)

	December 31, 2011
Assets	
Cash and cash equivalents(1)	$ 2,733,416
Restricted cash (1)	129,264
Accounts and other receivables (1)	106,888
Investment securities available for sale	595,647
Loans held for sale (1)	3,550,269
Real estate investments (1)	672,660
Equity investments	322,600
Other assets (1)	106,112
Assets of discontinued operations (1)	381,946
Total assets	$ 8,598,802
Liabilities and Equity	
Liabilities:	
Debt	807,869
Other borrowings (1)	652,598
Deposit liabilities	3,860,332
Other liabilities (1)	261,813
Liabilities of discontinued operations (1)	177,796
Total liabilities	5,760,408
Commitments and Contingent Liabilities	
Equity:	
Common stock, $.001 par value; 110,000,000 shares authorized; 100,052,475 shares issued and outstanding as of December 31, 2011	100
Capital paid in excess of par value	2,692,602
Accumulated deficit	(31,651)
Accumulated other comprehensive (loss) income, net of tax	(1,617)
Total Capmark Financial Group Inc. stockholders' equity	2,659,434
Noncontrolling interests	178,960
Total equity	2,838,394
Total liabilities and equity	$ 8,598,802

The accompanying notes are an integral part of these consolidated financial statements.

(1) The following table presents assets of consolidated variable interest entities ("VIEs") included in each balance sheet line item that can be used only to settle the obligations of the consolidated VIE and liabilities of the consolidated VIE included in each balance sheet line item for which creditors or other interest holders do not have recourse to the general credit of Capmark Financial Group Inc. and its subsidiaries. See Note 11 for further discussion.

Assets		Liabilities	
Cash and cash equivalents	$ 2,949	Other borrowings	$ 6,079
Restricted cash	72,626		
Accounts and other receivables	4,757	Other liabilities	12,315
Loans held for sale	266,779	Liabilities of discontinued operations	73,482
Real estate investments	115,850	Total liabilities	$ 91,876
Other assets	3,362		
Assets of discontinued operations	240,062		
Total assets	$ 706,385		

CAPMARK FINANCIAL GROUP INC.
Consolidated Statement of Operations
(in thousands, except per share data)

	Three months ended December 31, 2011
Net Interest Income	
Interest income	$ 46,372
Interest expense	30,424
Net interest income	15,948
Noninterest Income	
Net losses on loans	(21,893)
Net losses on investments and real estate	(5,409)
Other gains, net	2,975
Equity in income of joint ventures and partnerships	12,405
Fee revenue	1,768
Net real estate investment and other income	2,833
Total noninterest income	(7,321)
Net revenue	8,627
Noninterest Expense	
Professional fees	29,788
Compensation and benefits	16,049
Occupancy and equipment	1,503
Other expenses	5,326
Total noninterest expense	52,666
Loss from continuing operations before income tax benefit	(44,039)
Income tax benefit	(878)
Loss from continuing operations after income tax benefit	(43,161)
Loss from discontinued operations, net of tax (includes loss on sale of $572)	(11,660)
Net loss	(54,821)
Plus: Net loss attributable to noncontrolling interests	23,170
Net loss attributable to Capmark Financial Group Inc.	$ (31,651)
Basic and diluted net loss per share - continuing operations	$ (0.22)
Basic and diluted net loss per share - discontinued operations	(0.13)
Basic and diluted net loss per share attributable to Capmark Financial Group Inc.	(0.34)
Basic and diluted weighted average shares outstanding	92,890

The accompanying notes are an integral part of these consolidated financial statements.

CAPMARK FINANCIAL GROUP INC.
Consolidated Statement of Stockholders' Equity
(in thousands)

	Three months ended December 31, 2011
Common Stock	
Balance at beginning of period	$ 100
Additional shares issued	—
Balance at end of period	100
Capital Paid in Excess of Par Value	
Balance at beginning of period	2,690,800
Additional shares issued	—
Stock-based compensation expense	1,802
Balance at end of period	2,692,602
Accumulated Deficit	
Balance at beginning of period	—
Net loss attributable to Capmark Financial Group Inc.	(31,651)
Balance at end of period	(31,651)
Accumulated Other Comprehensive (Loss) Income, net of tax	
Balance at beginning of period	—
Net unrealized gain on investment securities	1,250
Net foreign currency translation adjustment	(2,867)
Balance at end of period	(1,617)
Total Stockholders' Equity	2,659,434
Noncontrolling Interests	
Balance at beginning of period	469,414
Net loss attributable to noncontrolling interests	(23,170)
Other (includes impact of sale of discontinued operations assets)	(267,284)
Balance at end of period	178,960
Total Equity	$ 2,838,394
Comprehensive Loss	
Net loss	$ (54,821)
Other comprehensive (loss) income	(1,617)
Comprehensive loss	(56,438)
Plus: Comprehensive loss attributable to the noncontrolling interests	23,170
Comprehensive loss attributable to Capmark Financial Group Inc.	$ (33,268)

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three months ended December 31, 2011
Operating Activities of Continuing Operations	
Net loss.	$ (54,821)
Net loss from discontinued operations	(11,660)
Net loss from continuing operations	(43,161)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities of continuing operations:	
Provision for deferred income taxes	2,322
Net losses (gains)	24,327
Net accretion of fresh start accounting adjustments	(23,954)
Equity in net gains of investees and cash return on investment	(9,612)
Stock-based compensation expense	1,801
Other, net	(1,760)
Net change in assets and liabilities which provided (used) cash:	
Accounts and other receivables	28,100
Other assets	9,883
Other liabilities	(42,245)
Current taxes payable	201
Funding advances for loans held for sale	(5,985)
Proceeds from sales of/payments from loans held for sale	742,215
Net cash provided by operating activities of continuing operations	682,132
Investing Activities of Continuing Operations	
Net decrease in restricted cash	351,264
Repayments of investment securities classified as available for sale	106,431
Proceeds from sales of real estate investments	67,982
Proceeds from sales of/capital distributions from equity investments	20,572
Other investing activities, net	(734)
Net cash provided by investing activities of continuing operations	545,515
Financing Activities of Continuing Operations	
Repayments of debt	(550,310)
Net decrease in deposit liabilities	(37,752)
Other financing activities, net	(589)
Net cash used in financing activities of continuing operations	(588,651)
Effect of Foreign Exchange Rates on Cash	(955)
Discontinued Operations	
Net cash provided by operating activities of discontinued operations	7,145
Net cash provided by investing activities of discontinued operations	66,927
Net Increase in Cash and Cash Equivalents	712,113
Cash and Cash Equivalents, Beginning of Period(1)	2,025,698
Cash and Cash Equivalents, End of Period(2)	$ 2,737,811

Notes:

(1) Cash and cash equivalents exclude restricted cash of $653.9 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $14.4 million, respectively as of September 30, 2011.

(2) Cash and cash equivalents exclude restricted cash of $232.7 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $4.4 million, respectively as of December 31, 2011.

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

	Three months ended December 31, 2011
Supplemental Disclosures of Cash Flow Information:	
Income taxes refunded, net	$ 372
Interest paid	46,386
Non-cash Investing and Financing Activities:	
Transfer of loans to real estate	79,517
Various non-cash assets and liabilities (derecognized) acquired through (deconsolidation) consolidation of variable interest and other entities, net	6,112

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

CAPMARK FINANCIAL GROUP INC.
Notes to Consolidated Financial Statements

1. Organization and Operations

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a real estate finance company focused on the management of its commercial real estate-related assets and businesses primarily in North America.

Prior to October 25, 2009, Capmark Financial Group Inc. (Capmark Financial Group Inc. prior to its emergence from bankruptcy is referred to as "Predecessor CFGI") was a diversified commercial real estate finance company that provided financial services to investors in commercial real estate-related assets through three core businesses: lending and mortgage banking, investments and funds management, and servicing. Predecessor CFGI operated in North America, Europe and Asia. On March 23, 2006, an investor entity owned by affiliates of Kohlberg Kravis Roberts & Co. L.P., Five Mile Capital Partners LLC, Goldman Sachs Capital Partners and Dune Capital Management LP ("Sponsors") acquired a controlling equity stake in Predecessor CFGI from a subsidiary of GMAC LLC. Prior to March 23, 2006, Predecessor CFGI was an indirect wholly-owned subsidiary of GMAC LLC, formerly known as General Motors Acceptance Corporation.

On October 25, 2009, Predecessor CFGI and certain of its subsidiaries filed voluntary petitions for relief under chapter 11 of the US Bankruptcy Code ("chapter 11 of the Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware. On January 15, 2010, Capmark Investments LP and on July 29, 2010, Protech Holdings C LLC commenced their respective voluntary cases under chapter 11 of the Bankruptcy Code. The entities which filed voluntary cases under chapter 11 of the Bankruptcy Code are referred to herein as the "Debtors". See Note 3 for further discussion. Certain of the Debtors, including Capmark Financial Group Inc. (Capmark Financial Group Inc. following its emergence from bankruptcy is referred to as "Successor CFGI"), emerged from bankruptcy on September 30, 2011 (the "Effective Date") pursuant to the Third Amended Joint Plan of Capmark Financial Group Inc. and certain of its subsidiaries and affiliates (the "Plan"). The Plan was effective for fourteen of the Debtors (the "Reorganized Debtors"), however, there were twenty-one Debtors which remained in bankruptcy as of December 31, 2011. The remaining Debtors are primarily non-operating managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business.

In accordance with the Plan, on the Effective Date, the existing common stock of Predecessor CFGI was cancelled and new Successor CFGI common stock ("Common Stock") was authorized for issuance. In addition, on the Effective Date, the existing debt securities of Predecessor CFGI and the related guarantees provided by certain of its subsidiaries were discharged. On the Effective Date, Successor CFGI issued $1.25 billion of new secured debt securities ("Secured Notes") which are guaranteed and secured by the assets of certain of its domestic subsidiaries, excluding Capmark Bank. The subsidiary guarantors of the Secured Notes are Capmark Finance LLC, Capmark Capital LLC, Capmark Affordable Equity Holdings LLC, Capmark Affordable Equity LLC, Capmark Affordable Properties LLC, Capmark REO Holding LLC, Commercial Equity Investments LLC, Property Equity Investments LLC, SJM Cap, LLC and Summit Crest Ventures, LLC (collectively, the "Guarantors," and together with Successor CFGI, the "Obligors"). In accordance with the Plan, a combination of cash, Secured Notes and Common Stock was distributed to the Plan disbursing agent on behalf of the holders of general unsecured claims against the Reorganized Debtors in satisfaction of their claims. As discussed below in Note 3, Crystal Ball Holding of Bermuda Limited ("Crystal Ball"), one of the Company's wholly-owned subsidiaries, distributed $85.0 million in connection with a settlement reached between Crystal Ball and the holders of Unsecured Loans and Unsecured Notes (as defined below).

Prior to the Effective Date and in accordance with the terms of the Plan, certain of the subsidiaries of Predecessor CFGI previously organized as corporations elected to convert into or otherwise become limited liability companies. Successor CFGI continues to exist as the parent holding company. See Note 3 for further discussion.

As used herein, the term "Company" refers to Successor CFGI and its consolidated subsidiaries, except where it is clear that the term means only the parent company, Capmark Financial Group Inc. without consolidated subsidiaries.

The Company currently operates primarily through the following subsidiaries:

Capmark Bank and its subsidiary ("Capmark Bank") is a Utah chartered industrial bank and a wholly-owned subsidiary of Successor CFGI. Deposits maintained by Capmark Bank are eligible for insurance by the Federal Deposit Insurance Corporation ("FDIC"). Capmark Bank is subject to regulation and periodic examination by the Utah Department of

Financial Institutions ("UDFI") and the FDIC and is required to pay applicable FDIC insurance premiums and comply with applicable capital adequacy requirements, limitations on transactions with affiliates, and other federal and state banking regulations.

Capmark Finance LLC ("Capmark Finance") is a California limited liability company and a wholly-owned subsidiary of Successor CFGI. Capmark Finance is primarily focused on the management of its existing assets. In connection with these activities, Capmark Finance may, among other things, restructure its loans, advance required funds to maintain the value of the commercial real estate collateralizing its loans, and take actions to collect on defaulted loans, including acquiring title to the commercial real estate collateral. Any real estate acquired as a result of such actions is also managed by Capmark Finance and its subsidiaries.

2. Risks and Uncertainties

The Company's primary business risks include: (i) liquidity risk, (ii) credit risk, (iii) interest rate and other market risks, and (iv) operational risk.

Liquidity risk is the risk that the monetization of the Company's assets will be insufficient in amount or timing to pay its operating expenses and meet scheduled debt payments or other financial obligations as they come due. The Company's primary sources of liquidity are expected to be (i) proceeds from the repayment of loans, (ii) proceeds from the sale of loans, including discounted payoffs received in connection with loan workout efforts, and (iii) proceeds from the sale of real estate acquired through foreclosure, equity investments and other assets in its portfolio. Proceeds from the repayment or sale of loans or sale of owned real estate could be negatively impacted by many factors, including any borrower default in making interest or principal payments or decline in the value of the commercial real estate owned by the Company or which serve as collateral securing the loan assets.

The Company's primary exposure to credit risk arises from its owned real estate, its relationships with borrowers who may default and potentially cause the Company to incur losses if it is unable to collect amounts due through loss mitigation strategies, and from institutional counterparties to the extent they do not fulfill their obligations to the Company under the terms of specific contracts or agreements. Changes in credit risk are evaluated in the context of estimating the fair values of investment securities and loans held for sale. Negative trends in the financial position of borrowers, values of collateral underlying loans, and delinquencies and defaults on loans may materially adversely affect the Company's results of operations.

The Company's primary exposure to interest rate and other market risks is associated with its loans held for sale and investment securities as well as fixed-rate and floating-rate borrowings. Changes in the level of interest rates or changes in yield curves, as well as basis risk resulting from changes in the interest rate spread between different financial instruments, could adversely affect the estimated fair value of the Company's loans held for sale and investment securities. Changes in foreign currency exchange rates, to a lesser extent, could also adversely affect the US Dollar equivalent value of certain assets and liabilities and impact the US Dollar conversion value of cash repatriated from foreign jurisdictions. The Company's exposure to market risk is also impacted by the amount of real estate and equity investments which the Company owns directly and indirectly due to the depressed fair values and changing demand for those types of assets.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, facilities, human factors or external events such as information technology and organizational structure issues, weaknesses in internal controls, human error, fraud, and external threats. Primary responsibility for the management of operational risk lies with the Company's business and support functions, which are required to maintain processes designed to identify, assess and mitigate operational risks for their existing activities. These processes include the Company's systems and processes that relate to theft and fraud, general business practices, technology, the safeguarding of assets and data security, personnel, customers, financial reporting and external service providers.

3. Bankruptcy and Reorganization

Bankruptcy

Events leading to the commencement of the cases under Chapter 11 of the Bankruptcy Code

The unprecedented conditions in domestic and international financial markets occasioned by the global financial crisis presented particularly difficult challenges for Predecessor CFGI. Beginning in the second half of 2007, credit markets froze and ceased to generate liquidity as lending institutions and investors severely tightened lending standards and restricted access to credit. These market dislocations significantly worsened during 2008 and continued into 2009. At the end of 2008 and the beginning of 2009, Predecessor CFGI focused on out-of-court restructuring negotiations with certain of its creditor constituencies to address the pending maturity of $833 million under its unsecured bridge loan, due March 23, 2009. On April 24, 2009, Predecessor CFGI filed its Annual Report on Form 10-K with the SEC for the year ended December 31, 2008, in which Predecessor CFGI reported a consolidated net loss of $1.1 billion for the quarter ended December 31, 2008, and a consolidated net loss of $1.4 billion for the year ended December 31, 2008. Predecessor CFGI reported that the severity of these losses caused it to be out of compliance with the leverage ratio covenants in its senior unsecured credit facility and unsecured bridge loan as of December 31, 2008. As a result of Predecessor CFGI's net losses and breach of the financial covenants, substantial doubt existed as to Predecessor CFGI's ability to continue as a going concern. On May 29, 2009, following negotiations with its lenders, Predecessor CFGI entered into a new secured term loan facility and amended its senior unsecured credit facility and unsecured bridge loan to conform certain financial covenants in the senior unsecured credit facility and unsecured bridge loan to those in the secured term loan facility. The proceeds of the secured term loan facility, together with $75 million of cash from Predecessor CFGI, were used to pay down a portion of the unsecured bridge loan and the senior unsecured credit facility and the lenders under the secured term loan facility were granted security interests in Predecessor CFGI's and certain of its subsidiaries' North American mortgage loan assets. Thereafter, Predecessor CFGI engaged in further negotiations in an attempt to achieve a global restructuring of its obligations with all major creditor constituencies.

Debtors' Cases under Chapter 11 of the Bankruptcy Code

After reviewing and exploring their alternatives and after implementing numerous cost-saving strategies, Predecessor CFGI concluded an orderly reorganization of its debts under chapter 11 of the Bankruptcy Code was the best of all available strategic options to maximize value for its creditors, shareholders, and other parties in interest.

As described in Note 1, on October 25, 2009, certain Debtors commenced voluntary cases for relief under chapter 11 of the Bankruptcy Code. On January 15, 2010, Capmark Investments LP commenced its voluntary case under chapter 11 of the Bankruptcy Code. Thereafter, on July 29, 2010, Protech Holdings C LLC commenced a voluntary case under chapter 11 of the Bankruptcy Code. Successor CFGI emerged from bankruptcy on the Effective Date pursuant to the Plan.

Plan of Reorganization

Pursuant to the Plan, on the Effective Date, the existing equity (including common stock) of Predecessor CFGI was cancelled and pre-petition unsecured liabilities of the Reorganized Debtors were discharged. In accordance with the Plan, Successor CFGI and certain of the Reorganized Debtors distributed to the Plan disbursing agent for the benefit of holders of the $7.0 billion of allowed general unsecured claims and the reserve for disputed general unsecured claims (i) $900.0 million of cash, (ii) $1.25 billion of the Secured Notes, which consisted of $750 million principal amount of floating rate first lien A notes due 2014 and $500 million of floating rate first lien extendible B notes due 2015, and (iii) 99.5 million shares of Common Stock.

The Plan also provides for, among other matters:

- payment of all allowed post-petition administrative expense claims and allowed pre-petition priority claims in full in cash;
- settlement of intercompany borrowings amongst the Debtors;
- payment to holders of general pre-petition unsecured claims with individual claim amounts of $25 thousand or less (or reduced to that amount) in cash; and
- settlement of guaranty obligations owed by Crystal Ball, a non-debtor subsidiary, including an $85.0 million payment on the Effective Date. See Other Matters below for a description of the Crystal Ball Settlement Agreement.

Fresh Start Accounting

When the fresh start accounting guidance established in Accounting Standards Codification ("ASC") 852, *Reorganizations* ("ASC 852") is determined to be applicable, fresh-start accounting is required on the date on which the Plan is confirmed by the Bankruptcy Court. ASC 852 further provides that fresh-start accounting should not be applied until all material conditions to the Plan are satisfied. All material conditions to the Plan were satisfied as of September 30, 2011, the Effective Date.

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

The application of fresh start accounting by the Company's management was performed in a two-step valuation process. First, management recorded the reorganization equity value of the Common Stock of $1.8 billion that was included in the Second Amended Disclosure Statement for the Plan and approved by the Bankruptcy Court in connection with the confirmation of the Plan. Second, the Company re-measured all tangible assets and liabilities, other than deferred taxes, at fair value. Deferred tax values were determined in conformity with accounting requirements for income taxes in ASC 740, *Income Taxes* ("ASC 740"). The resulting net asset value totaled $2.7 billion. The fair value of net assets in excess of the reorganization equity value (approximately $844.7 million) is included as a component of capital paid in excess of par value on the consolidated balance sheet.

Fair Value Determinations for Fresh Start Accounting

The Company utilized the following methodologies for estimating fair value of significant tangible assets and liabilities at the Effective Date and the policy for the recognition of any related premium or discount:

<u>Investment Securities</u> - The fair values of investment securities were determined using quoted market prices, where available. When quoted market prices were not available, the Company used pricing models, quoted prices of securities with similar characteristics or discounted cash flow analysis to estimate fair value.

<u>Loans Held for Sale</u> - The fair values of the loans held for sale were generally determined using a pricing model based on current market information obtained from external sources, including, when available, interest rates, whole loan spreads for each property type based on loan-to-value ratios of collateral and other factors, and bids or indications provided by market participants on specific loans that were actively marketed for sale. In addition, the impact of potential extensions, interest-rate floors and unfunded commitments on the Company's floating rate loan portfolio were taken into consideration when determining the fair value for each loan. The Company also considered the fair value of collateral in estimating the fair value of certain loans along with a borrower's credit status. Although the Company based its loan valuations on actual observable inputs to the extent possible, the valuations typically require significant judgment and therefore are estimates. Changes in market conditions, collateral values and other factors between the date of management's estimates and the dates of disposition of the loans can have a significant impact on the amounts ultimately realized upon disposition. The discount recorded in the application of fresh start accounting on an individual loan basis is recognized as a component of the realized gain at the time of a partial or full disposition of the loan.

<u>Real Estate Investments</u> - The fair values of the real estate investments were generally determined using a combination of independent appraisals, estimates of fair value from third party providers, pricing models based on current market information from external sources, and bids or indications provided by market participants on specific properties that are actively marketed for sale.

<u>Equity Investments</u> - The fair values of the equity investments were generally determined using estimates of fair value of the underlying funds. The fair values of the equity investments in entities that own foreclosed real estate assets are determined in a manner consistent with the valuation of real estate investments discussed above.

Derivative Instruments - The fair values of derivative instruments were determined using quoted market prices, where available. When quoted market prices were not available, the Company used pricing models, quoted prices of derivative instruments with similar characteristics or discounted cash flow analysis to estimate fair value.

Property - The fair values of the real property and land owned by the Company and associated with its operations were determined based on independent appraisals. Property, other than real estate investments or equity investments in entities that own foreclosed real estate assets, is included in other assets on the consolidated balance sheet.

Secured Notes - The fair value of the Secured Notes was based upon directly observable quoted prices for the instruments in the over-the-counter market. The accretion of the discount recognized in the application of fresh start accounting to the Secured Notes will be recognized over the contractual maturity of the underlying borrowing. If the Secured Notes are repaid prior to contractual maturity, the accretion of the interest expense would be accelerated.

Deposit Liabilities and Other Borrowings - The fair values of deposit liabilities and other borrowings were discounted based upon rates currently available to the Company for obligations with similar terms and maturities. The accretion of the premium recognized in the application of fresh start accounting to the deposit liabilities and other borrowings will be recognized over the contractual maturity of the underlying borrowing. If the deposit liabilities and other borrowings are repaid prior to contractual maturity, the accretion of the interest expense would be accelerated.

Japanese Settlement Agreement - The principal amount outstanding under the Company's unsecured credit agreement with respect to borrowings by the Company's Japanese subsidiaries at September 30, 2011 was reflected at its fair value of $111.0 million, which is the present value of estimated future payments on such loans to which the holders of such debt are entitled under a settlement agreement entered into in January 2011, discounted at 13.6%. The accretion of the discount recognized in the application of fresh start accounting to the Japanese Settlement Agreement will be recognized over the period of the estimated future payments on the underlying borrowing. See Note 9 for further discussion.

Crystal Ball Settlement Agreement Liabilities - The fair value for these obligations was determined as the present value of estimated future payments under the terms of such agreement discounted at 13.6%. See Other Matters below for further discussion. The accretion of the discount recognized in the application of fresh start accounting to Crystal Ball Settlement Agreement Liabilities will be recognized over the period of the estimated future payments on the underlying borrowing.

Short-Term Assets and Liabilities - For certain financial positions, such as cash and cash equivalents, restricted cash, accounts and other receivables, and similar short-lived assets and liabilities, the carrying value approximates fair value due to the short-term nature of the instruments.

Assets and Liabilities of Discontinued Operations - The fair value of the assets and liabilities of discontinued operations generally reflects the values derived from the agreement of sale for substantially all of the remaining assets of the LIHTC business to affiliates of Hunt Companies Inc. See Note 13 for further discussion of the sale transaction.

Reorganization Value

Reorganization equity value of $1.8 billion represents the Company's estimate of the amount a willing buyer would pay for the Company immediately after the reorganization. This amount was determined by management and includes management's estimate of Predecessor CFGI cash at the Effective Date, the value of Capmark Bank determined with assistance from an independent financial advisor and management's estimate of the value of the other remaining assets and liabilities of the Company.

An independent financial advisor developed the reorganization equity value of Capmark Bank using a combination of two measurement methodologies. First, expected future free cash flows of Capmark Bank, after emergence of its parent, Capmark Financial Group Inc., from chapter 11 of the Bankruptcy Code, were discounted at rates reflecting perceived business and financial risks (the discounted cash flows or "DCF"). Second, an adjusted DCF was performed based upon management's estimates of dividends that could be distributed from Capmark Bank assuming that the bank's regulators would permit the distribution once available cash exceeded the deposit liabilities.

The basis for the Capmark Bank DCF was the five year financial projections included in the Second Amended Disclosure Statement for the Plan and included a terminal value. The five-year projections included an assumption of cash flows from the disposition of assets and payment of liabilities, anticipated gains and losses on asset sales, operating expenses throughout the projection period, as well as other factors. A discount rate of 10% to 13% was assumed. The discount rate was based in part on evaluating the cost of equity of selected publicly traded banks and selected publicly traded finance companies with characteristics relevant to Capmark Bank. These cash flows also include the present value of the terminal value to arrive at an implied equity value. The calculations also assumed a 1x book value exit multiple at the end of 2014.

The reorganization equity value for the other remaining assets of the Company was developed primarily by using a DCF. The basis for the DCF was the five year financial projections for the Non-Capmark Bank assets included in the Plan to determine a terminal value. A discount rate of 10% to 20% was generally assumed. The range of rates reflects the assessment of value for groups of individual assets and liabilities, both domestic and foreign that the Company believes a market participant would use to value the net cash flows arising from the disposition of assets, settlement of liabilities, and operations of the Non-Capmark Bank businesses throughout the projection period. These cash flows also include the present value of the terminal value to arrive at an implied equity value.

The reorganization equity value calculated is dependent on the achievement of the future forecasted financial results. The estimates and assumptions made in the valuation are subject to uncertainties, many of which are beyond the Company's control, and there is no assurance that these results can be achieved. The assumptions for which there is a reasonable possibility of a variation that would significantly affect the calculated equity value include the long term growth rate, risk weighted assets, capital ratios, cost reductions, discount rate, strength of the lending market, availability and cost of funding sources.

Fair Value in Excess of Reorganization Value

In applying fresh start accounting on September 30, 2011, which generally follows the provisions of ASC 805, *Business Combinations* ("ASC 805"), the Company recorded its assets and liabilities at fair value except for deferred income taxes. As discussed above, and in conformity with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), the Company utilized several methodologies for estimating the fair value of assets and liabilities at the Effective Date. These estimates reflect the fair value for individual assets and liabilities and do not incorporate additional adjustments associated with the costs of selling the assets or settling the liabilities, management and operating expenses associated with retaining the assets or liabilities throughout their anticipated holding periods, or the time value of money associated with holding assets until their expected disposition date. The Company's reorganization value reflects expected free cash flows (inclusive of selling, management and other operating expenses) discounted at rates reflecting perceived business and financial risks. As of September 30, 2011, the differences in valuation approaches resulted in the Company's net assets having a fair value, as determined under ASC 820, in excess of the Company's reorganization value. The excess of fair value of the Company's net assets over its reorganization value is approximately $844.7 million and was included as a component of capital paid in excess of par value on the consolidated balance sheet as of September 30, 2011 and continued to be a component of capital paid in excess of par value as of December 31, 2011.

Loan Classifications

In conjunction with fresh start accounting, the Company changed the classification of all held for investment loans to held for sale on the Effective Date.

Other Matters

<u>Disputed Claims</u>

On the Effective Date, the following amounts were deposited with the disbursing agent for the benefit of holders of general unsecured claims that have not been allowed: (1) $39.0 million in cash; (2) $54.2 million of Secured Notes; and (3) 5.5 million shares of Common Stock. These amounts are held in a reserve account by the Plan disbursing agent for potential payment of disputed pre-petition general unsecured claims. The cash is not included on the Company's consolidated balance sheet; however, the Secured Notes and Common Stock are reflected as outstanding at December 31, 2011. If a claim is not resolved in favor of the claimant, the funds will periodically be reallocated and disbursed to the other general unsecured creditors in accordance with the Plan. The Reorganized Debtors bear the costs associated with administering the remaining disputed pre-petition general unsecured claims and other outstanding bankruptcy matters and are not entitled to reimbursement for those costs from the reserve account.

Certain Reorganized Debtors also distributed $19.6 million on the Effective Date to the Plan disbursing agent to fund the reserves for disputed administrative, priority and convenience class claims. In the event that the disputed administrative, priority and convenience class claims are resolved in favor of the Company, those funds ultimately will be returned to the Company and used for general operations of the Company. An adverse resolution of the disputed administrative, priority and convenience class claims will not impact the Company beyond the reserve amounts, which are in separate bank accounts and included in restricted cash on the consolidated balance sheet. As of December 31, 2011, $18.5 million is reflected as restricted cash on the consolidated balance sheet for the reserves for disputed administrative, priority and convenience class claims. During the three months ended December 31, 2011, $1.1 million was distributed to claimants in satisfaction of resolved disputed claims. The liability related to the disputed administrative, priority and convenience class claims had a carrying value of $2.2 million at December 31, 2011 and is included in other liabilities on the consolidated balance sheet.

Crystal Ball Settlement Agreement

Crystal Ball was a guarantor of the senior unsecured credit facility and unsecured bridge loan (collectively, the “Unsecured Loans”) and the senior unsecured 6.300% notes, the senior unsecured floating rate notes, and the senior unsecured 5.875% notes (collectively, the “Unsecured Notes”). The obligations under the Unsecured Loans and Unsecured Notes were discharged in the Plan for the Reorganized Debtors; however, Crystal Ball was not a Debtor. To obtain a release from its guarantee obligations, Crystal Ball and the parties to the Unsecured Loans and Unsecured Notes entered into a settlement agreement in July 2011 (the “Crystal Ball Settlement Agreement”) that was approved in connection with the Plan. The Crystal Ball Settlement Agreement, which was effective with the Plan, provides that on a quarterly basis Crystal Ball and its subsidiaries shall distribute all cash in excess of working capital needed to pay liabilities and expenses (“Net Cash”) to the holders of the Unsecured Loans and the Unsecured Notes in accordance with the a specific allocation set forth in the Plan. If Net Cash at the end of any fiscal quarter is less than $250 thousand, Crystal Ball may skip such quarterly payment and roll over such Net Cash to the next fiscal quarterly payment.

The estimated principal amount expected to be paid under the Crystal Ball Settlement Agreement at December 31, 2011 is included in other liabilities on the consolidated balance sheet at its carrying amount of $20.6 million.

Summary of Impacts of Fresh Start Accounting

The effects of the implementation of the Plan and the application of fresh start accounting on the Company's consolidated balance sheet as of September 30, 2011 are summarized in the table below. The adjustments set forth in the column captioned "Settlement of Liabilities" reflect the effects of the implementation of the Plan, including, among other things, the discharge and settlement of liabilities subject to compromise based on allowed claims against the Reorganized Debtors by the Bankruptcy Court, the issuance of Successor CFGI common stock to holders of allowed claims in satisfaction of such claims for the Reorganized Debtors and the incurrence of new indebtedness. The adjustments set forth in the column captioned "Retire Existing Equity" include, among other things, the cancellation of all mezzanine equity, common stock and capital paid in excess of par of Predecessor CFGI. The adjustments set forth in the column captioned "Fresh Start Accounting Adjustments" reflect, among other things, adjustments to the carrying values of the Company's assets and liabilities to reflect their fair values and the elimination of retained deficit and accumulated other comprehensive income as a result of the application of fresh start accounting in accordance with ASC 852.

(in thousands)	Predecessor CFGI September 30, 2011 (1)	Settlement of Liabilities		Retire Existing Equity	Fresh Start Accounting Adjustments	Successor CFGI September 30, 2011
Assets						
Cash and cash equivalents	$ 3,413,379	$ (1,402,059)	**(2)**	$ —	$ —	$ 2,011,320
Restricted cash	80,774	405,653	**(3)**	—	—	486,427
Accounts and other receivables	121,881	—		—	(831)	121,050
Investment securities available for sale	701,022	—		—	—	701,022
Loans held for sale	1,064,026	—		—	3,331,988	4,396,014
Loans held for investment	3,300,787	—		—	(3,300,787)	—
Real estate investments	650,206	—		—	19,689	669,895
Equity investments	323,588	—		—	9,663	333,251
Other assets	199,732	—		—	(86,465)	113,267
Assets of discontinued operations	1,182,593	—		—	(62,736)	1,119,857
Total assets	$11,037,988	$ (996,406)		$ —	$ (89,479)	$ 9,952,103
Liabilities and Equity						
Liabilities:						
Debt	$ 6,863,077	$(6,499,264)	**(4)**	$ —	$(252,771)	$ 111,042
Secured debt	—	1,250,000	**(5)**	—	(8,017)	1,241,983
Other borrowings	899,744	(250,001)	**(6)**	—	3,697	653,440
Deposit liabilities	3,874,388	—		—	51,616	3,926,004
Other liabilities	319,599	(88,097)	**(7)**	—	72,734	304,236
Liabilities of discontinued operations	530,277	(3,577)	**(7)**	—	28,384	555,084
Total liabilities	12,487,085	(5,590,939)		—	(104,357)	6,791,789
Commitments and Contingent Liabilities						
Mezzanine Equity	71,502	—		(71,502)	—	—
Equity:						
Common stock	413	100	**(8)**	(413)	—	100
Capital paid in excess of par value	2,066,855	1,846,121	**(8)**	253,878	(1,476,054)	2,690,800
Retained deficit	(4,261,910)	2,748,312		—	1,513,598	—
Total accumulated other comprehensive (loss) income, net of tax	181,963	—		(181,963)	—	—
Total stockholders' equity	(2,012,679)	4,594,533		71,502	37,544	2,690,900
Noncontrolling interests	492,080	—		—	(22,666)	469,414
Total liabilities and equity	$ 11,037,988	$ (996,406)		$ —	$ (89,479)	$ 9,952,103

Notes:

(1) Represents Predecessor CFGI balances immediately prior to the application of fresh start accounting.

(2) Includes $900.0 million Successor CFGI and certain of the Reorganized Debtors distributed to the Plan disbursing agent for the benefit of holders of the allowed general unsecured claims and the reserve for disputed general unsecured claims, $85.0 million in connection with a settlement reached between Crystal Ball and the holders of Unsecured Loans and Unsecured Notes, $9.2 million for professional fees and $2.2 million for allowed administrative, priority and convenience class claims. Also includes cash transferred to restricted cash in (3) below.

(3) Includes $361.0 million deposited with the Secured Notes indenture trustee for an October 2011 initial principal prepayment, $25.0 million deposit in a discretionary interest reserve account related to the Secured Notes and $19.6 million distributed to the Plan disbursing agent to fund the reserves for disputed administrative, priority and convenience class claims.

(4) Includes discharge of bankruptcy claim liabilities subject to compromise pursuant to the Plan consisting of $4.1 billion for the Unsecured Loans and $2.3 billion for the Unsecured Notes.

(5) Represents issuance of Secured Notes.

(6) Represents discharge of Predecessor CFGI trust preferred securities pursuant to the Plan.

(7) Represents discharge of bankruptcy claim liabilities subject to compromise pursuant to the Plan, excluding those in (4) and (6).

(8) Represents issuance of Common Stock.

4. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

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

The accompanying consolidated financial statements include financial information for Successor CFGI and its consolidated subsidiaries, including wholly-owned and majority owned subsidiaries in which the Company has a controlling financial interest such as Capmark Bank and those VIEs where the Company is deemed the primary beneficiary as discussed below. All significant intercompany accounts and transactions have been eliminated in consolidation. As detailed in Note 3, the consolidated balance sheet includes the effects of adopting fresh start accounting upon emergence from bankruptcy.

The Company has involvement with entities that are VIEs under the provisions of ASC 810. VIEs are entities in which the equity holders do not have sufficient equity at risk for the entity to finance its activities without additional financial support or lack one or more of the characteristics of a controlling financial interest. The controlling financial interest in a VIE is held by the entity with 1) the power to direct the activities that most significantly impact the VIE's economic performance; and 2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The entity with both characteristics consolidates the VIE and is referred to as the primary beneficiary.

The Company consolidates VIEs for which it is deemed the primary beneficiary. The determination of the primary beneficiary is performed on an ongoing basis and involves a qualitative analysis that includes an assessment of the characteristics of the VIE and the interests of the variable interest holders in the VIE.

For investment partnerships and similar entities (e.g., limited liability companies) in which the Company serves as general partner or managing member through one of its subsidiaries but which are not considered to be VIEs under ASC 810 and are not otherwise within the scope of ASC 810-10, the Company follows the guidance in ASC 810-20, *Control of Partnerships and Similar Entities* ("ASC 810-20") to determine whether to consolidate these entities. Generally, if the limited partners or non-managing members of these entities have substantive rights to remove the Company as the general partner or managing member without cause, or to cause the entity to be liquidated, or have other substantive participating rights, the Company does not consolidate these entities. If the limited partners or non-managing members do not have such rights, the Company consolidates the entities.

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

Certain prior period amounts have been reclassified to conform to the current period's presentation.

Significant Accounting Policies and Recently Issued Accounting Standards

Fresh Start Accounting

As discussed in Note 3, the Company adopted fresh start accounting in accordance with the provisions of ASC 852, *Reorganizations* as of September 30, 2011. Accretion and recognition of certain fresh start accounting adjustments had a significant impact on the statement of operations for the three months ended December 31, 2011. The accretion related impacts primarily included a $23.9 million decrease in interest expense comprised of $28.9 million for the accretion of the fresh start accounting premium for the deposit liabilities and FHLB borrowings at Capmark Bank offset by $5.0 million for accretion of the fresh start accounting net discount on debt. See Note 3 for additional information.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash in banks and in overnight investments. The Company also considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Cash equivalents are reported at cost, which approximates fair value. Restricted cash represents cash that is restricted as to withdrawal or usage and includes amounts required to be maintained in escrow under certain of the Company's debt obligations, amounts required to meet certain regulatory liquidity ratios, and cash held by the Company's consolidated low-income housing tax credit funds that is required to be held in accordance with third-party investor agreements.

Classification, Valuation, and Impairment of Investment Securities

In accordance with ASC 320, *Investments - Debt and Equity Securities* ("ASC 320"), the classification of investment securities is based on management's intent with respect to those securities. Investment securities classified as trading are carried at estimated fair value with unrealized gains and losses recognized in current period earnings. Investment securities classified as available for sale are carried at estimated fair value with unrealized gains and losses reported as a component of accumulated other comprehensive income, net of tax, which is a component of stockholders' equity. Realized gains and losses on the sale of investment securities are determined using the specific identification method and recognized in current period earnings. Interest income is recorded using the interest method which is reviewed and adjusted periodically based on changes in estimated cash flows.

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

Loans Held for Sale

Loans held for sale consist of domestic and international, fixed and floating rate loans that are secured by commercial and multifamily real estate properties. Loans are typically classified as held for sale at the time of origination when the Company does not intend to hold the loan for the foreseeable future or until maturity or payoff. The Company regularly reviews the appropriateness of its loan classifications based on a number of factors, including market demand for the Company's loan products, liquidity needs and corporate objectives.

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

For valuation purposes of the loans held for sale portfolio, the individual loan basis may be used in determining the lower of cost or fair value for each type of loan consistent with the guidance in ASC 948-10, *Financial Services – Mortgage Banking* ("ASC 948"). A current fair value for each individual loan was determined with emphasis that the fair value of an asset was a market-based measurement which was determined based upon the assumptions that market participants would use in pricing the loan.

The fair values of the Company's loans held for sale are generally determined using a pricing model based on current market information obtained from external sources, including, when available, interest rates, whole loan spreads for each property type based on loan-to-value ratios of collateral and other factors, and bids or indications provided by market participants on specific loans that are actively marketed for sale. In addition, the impact of potential extensions, interest-rate floors and unfunded commitments on the Company's floating rate loan portfolio are taken into consideration when determining the fair value for each loan. The Company also considers the fair value of collateral in estimating the fair value of certain loans along with the borrowers' credit status. Although the Company bases its loan valuations on actual observable inputs to the extent possible, the valuations typically require significant judgment and therefore are estimates. Changes in market conditions, collateral values and other factors between the dates of management's estimates and the dates of disposition of the loans can have a significant impact on the amounts ultimately realized upon disposition. Generally, the Company's loans held for sale are classified within Level 3 of the valuation hierarchy.

Interest income on these loans is recorded as a component of interest income in the consolidated statement of operations. Interest income on loans held for sale is recorded on an accrual basis. Interest income is accrued until the loans become 90 days contractually delinquent at which time accrued but uncollected interest is reversed against interest income.

In connection with its business plans upon emergence from bankruptcy as discussed in Note 3, the Company classified all of its loans as held for sale. The Company periodically reviews its loan portfolio to determine whether any changes in classification should be made between "held for sale" and "held for investment." The Company classifies a loan as "held for investment" when it intends to hold the loan for the foreseeable future or until maturity or payoff. The Company defines "foreseeable future" based upon what it believes to be reasonable under the circumstances, including events and conditions that the Company can reasonably anticipate. The Company considers many factors in determining what the "foreseeable future" is including: its financial condition and liquidity positions; its anticipated capital requirements; its business strategy and operating plans; the current and expected economic environment and market conditions; and the nature and type of loans, including expected durations. The consideration of many of these factors requires the Company to make forward-looking evaluations for a period of time not less than twelve months. Beyond the twelve-month period, the Company is less confident in its ability to predict future events. If the Company is aware of any specific events which are likely to occur beyond the twelve-month period but prior to a loan's maturity or payoff, the Company considers such events in its evaluation. Based upon its analysis of the factors and all other relevant information, the Company determines whether the loan should be classified as either "held for sale" or "held for investment."

Real Estate Investments

Real estate investments include real estate held for sale, held for investment and acquired through foreclosure. Real estate held for sale consists primarily of real estate assets in Asia that are expected to be disposed of by sale within one year. The designation and carrying value of such assets are determined in accordance with ASC 360. Real estate held for sale is carried at the lower of cost, including impairments, or estimated fair value less costs to sell and is not depreciated. Real estate held for investment consists primarily of office buildings, hotels, retail and vacant land utilized as parking lots in Asia. Real estate held for investment is carried at cost less accumulated depreciation and is periodically reviewed for impairment in accordance with ASC 360. The Company transfers loan assets to real estate acquired through foreclosure when it holds title or deed to the underlying collateral or if it determines that the Company has substantive control of the underlying collateral. Real estate acquired through foreclosure is initially recorded at estimated fair value less costs to sell and subsequently carried at the lower of cost or estimated fair value less costs to sell and any related valuation allowances.

Equity Investments

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

Non-marketable equity investments that are not carried at fair value, as described above, are reviewed for impairment. In evaluating whether a decline in value of an equity investment is other-than-temporary, the Company evaluates the investee's ability to generate and sustain an earnings capacity that would support the carrying value of the investment, as well as the Company's ability and intent to hold the investment until the decline in value is recovered. When it is determined that other-than-temporary impairment has occurred, the Company records a charge for the difference between the investment's carrying value and its fair value.

Derivative Instruments

The Company's primary objective in utilizing derivative instruments is to minimize the volatility associated with interest rate and foreign currency risks related to the Company's assets and liabilities. Predecessor CFGI entered into derivative contracts to mitigate the risk associated with changes in the fixed-rate brokered certificates of deposit with original maturities greater than one year. In addition, the Company has and may enter into forward currency contracts or forward currency options to mitigate the foreign exchange risk on its foreign denominated borrowings. The Company does not have derivative instruments designated as hedging instruments for the purpose of hedge accounting under ASC 815, *Derivatives and Hedging*.

Derivative instruments are classified as trading and reported at their fair value in either other assets or other liabilities, as appropriate, on the consolidated balance sheet. Because the Company has not designated any of its derivative investments as hedging instruments, gains and losses resulting from changes in the estimated fair value of such instruments are reflected in the net income (loss) for the current period.

Debt and Other Borrowings

The Company accounts for its debt at amortized cost. The Company also has secured borrowings related to transfers of financial assets that do not qualify as sales under ASC 860, *Transfers and Servicing* ("ASC 860") and are accounted for as financings. These transactions relate to the Company's new markets tax credit ("NMTC") business. The funds received are recorded as liabilities in other borrowings on the consolidated balance sheet. These liabilities are generally payable from the cash flows of the related assets which did not meet derecognition criteria under GAAP and continue to be recognized on the Company's consolidated balance sheet as restricted cash or loans held for sale. The Company also has secured borrowings related to advances from the FHLB.

Deposit Liabilities—Brokered CDs and Institutional Time Deposits

The Company accounts for Brokered CDs and institutional time deposits at amortized cost.

Accounting for Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under ASC 740, the tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained solely on its technical merits. The "more-likely-than-not" threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered "more-likely-than-not" to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. Adjustments to tax assets and liabilities are recorded through income tax expense. The Company classifies interest and penalties related to unrecognized tax benefits as income tax expense.

The Company establishes valuation allowances for its deferred tax assets based on a "more-likely-than-not" threshold. The Company's ability to realize its deferred tax assets depends on its ability to generate sufficient taxable income within the carryback or carryforward periods provided for by law within each applicable tax jurisdiction. Management evaluates all positive and negative evidence, including scheduled reversals of existing deferred tax liabilities, projected future taxable income and tax planning strategies. Management also considers the nature, frequency and severity of recent losses and the duration of statutory carryforward periods. In making such judgments, significant weight is given to evidence that can be objectively verified. Concluding that a valuation allowance is not required is difficult when there is significant negative evidence that is objective and verifiable, such as cumulative losses in recent years.

The valuation of deferred tax assets requires significant judgment. The Company's accounting for deferred tax consequences of events that have been recognized in its financial statements and its future taxable income represent management's best estimate of those future events.

Stock-Based Compensation

Compensation expense is recognized in the income statement, on a straight-line basis, over the applicable vesting periods for all share-based payments. The liabilities incurred under stock-based compensation arrangements are measured at fair value.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of Common Stock outstanding during the period. Diluted earnings per share is determined using the weighted-average number of Common Stock outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of nonvested shares. In periods where losses are reported, the weighted-average number of diluted Common Stock outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

Discontinued Operations

ASC 205-20, *Discontinued Operations* ("ASC 205-20"), sets forth the presentation and reporting requirements for discontinued operations of a component of an entity. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The results of operations of a component of an entity that either has been disposed of or is classified as held for sale shall be reported in discontinued operations if both of the following conditions are met: (a) the operations and cash flow of the component have been (or will be) eliminated from the ongoing operations of the enterprise as a result of the disposal transaction and (b) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. In a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statement of a business entity for current and prior periods shall report the results of operations of the component, including any gain or loss recognized, in discontinued operations. The results of operations of a component classified as held for sale are reported in discontinued operations in the period in which they occur. The results of discontinued operations, less applicable income tax provision (benefit), shall be reported as a separate component of income before extraordinary items (if applicable).

Recently Issued Accounting Standards

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"). The update expands the required disclosures related to fair value measurements and, except for provisions related to the Level 3 activity rollforward, the provisions of ASU 2010-06 were previously effective for interim and annual periods beginning after December 31, 2009 and are reflected in the Company's financial statements for the period ended December 31, 2011. The provisions requiring the gross presentation of the activity for the rollforward of Level 3 fair value measurements were effective for annual and interim periods beginning after December 15, 2010. The Company adopted the Level 3 rollforward provisions effective for the period ended December 31, 2011. The adoption of the Level 3 rollforward guidance in ASU 2010-06 did not have a material impact on the Company's consolidated financial statements.

In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a*

Restructuring Is a Troubled Debt Restructuring ("ASU 2011-02"). This update clarifies the guidance with respect to a creditor's evaluation of whether the creditor has granted a concession and whether the debtor is experiencing financial difficulty for purposes of determining whether a modification should be accounted for as a troubled debt restructuring. The update also requires additional disclosures including qualitative and quantitative information by portfolio segment and class. The guidance in ASU 2011-02 is effective for annual and interim periods beginning on or after June 15, 2011. The guidance related to modifications applies retrospectively to the beginning of the annual period of adoption while the guidance related to measuring impairment applies prospectively. The Company adopted the guidance in ASU 2011-02 effective for the period ended December 31, 2011. The adoption of the guidance in ASU 2011-02 did not have a material impact on the Company's consolidated financial statements.

Also in April 2011, the FASB issued ASU 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements* ("ASU 2011-03"). The update removes from the assessment of effective control under ASC 860 the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed upon terms even in the event of a default by the transferee as well as the collateral maintenance implementation guidance related to the criterion. The ASU 2011-03 is effective on a prospective basis for the first interim or annual period beginning on or after December 15, 2011. The adoption of the guidance in ASU 2011-03 is not expected to have a material effect on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS* ("ASU 2011-04"). Included in the guidance are conforming amendments to International Financial Reporting Standards which do not change the application of ASC 820. Updates to GAAP include additional disclosure requirements for Level 3 items (as defined by the ASC 820 fair value hierarchy) as well as leveling disclosure requirements for items that are not measured at fair value but for which fair value is disclosed. In addition, the updated guidance includes clarification that the highest and best use concept is applicable only to nonfinancial assets and liabilities. ASU 2011-04 is effective prospectively during interim and annual periods beginning after December 15, 2011. The adoption of the guidance in ASU 2011-04 is not expected to have a material effect on the Company's consolidated financial statements

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). The update standardizes the presentation of comprehensive income by requiring either a continuous statement of comprehensive income that includes total comprehensive income, the components of net income and components of comprehensive income or two separate but continuous statements. The update also requires entities to display on the face of the financials reclassification adjustments for items that are reclassified from comprehensive income to net income in the statement where the components of net income and components of comprehensive income are presented. The update is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2011. The adoption of the guidance in ASU 2011-05 would change the presentation of the Company's consolidated statement of operations. In October 2011, the FASB decided to propose a deferral of the requirements in ASU 2011-05 related to the presentation of reclassification adjustments. The deferral would not affect the adoption of the remaining provisions of ASU 2011-05.

In December 2011, the FASB issued ASU 2011-10, *Property, Plant and Equipment (Topic 360): Derecognition of In-Substance Real Estate* ("ASU 2011-10"). The update applies to a parent that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt and clarifies that in those circumstances, the parent continues to consolidate the subsidiary's assets, liabilities and operations until legal title to the real estate is legally transferred in satisfaction of the debt. The update is effective for fiscal years and interim periods within those years beginning on or after June 15, 2012. The Company is currently evaluating the impact of adopting the guidance in ASU 2011-10.

Also in December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* ("ASU 2011-11"). The update expands the required disclosures for financial instruments and derivative instruments that offset under other GAAP or are subject to an enforceable master netting arrangement or similar agreement. The update is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting the guidance in ASU 2011-11.

5. Investment Securities Available For Sale

Investment securities classified as available for sale include: securities backed by Ginnie Mae, Fannie Mae and Freddie Mac (government sponsored enterprise or "GSE securities"); commercial paper; and other investment securities.

The following table summarizes the fair value of the Company's investment securities classified as available for sale as of December 31, 2011, by security type (in thousands):

	December 31, 2011			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
GSE securities	$ 323,905	$ 123	$ —	$ 324,028
Commercial paper	249,865	5	—	249,870
Other securities	20,639	1,110	—	21,749
Total	$ 594,409	$ 1,238	$ —	$ 595,647

The Company had pledged investment securities classified as available for sale with a fair value of $322.6 million as of December 31, 2011, primarily to support advances received by Capmark Bank from the Federal Home Loan Bank of Seattle ("FHLB"). See Note 9 for a discussion of the assets pledged for the Secured Notes.

The Company did not have any sales of investment securities available for sale for the three months ended December 31, 2011. Gains and losses are recorded as a component of net (losses) gains on investments and real estate on the consolidated statement of operations.

The following table summarizes the maturities of debt securities classified as available for sale as of December 31, 2011 (in thousands):

	Amortized cost
Due in one year or less	$ 250,111
Due after one year through five years	327,081
Due after five years through ten years	5,506
Due after ten years	11,711
Total	$ 594,409

The maturities reported in the above table reflect the instruments' final maturity dates. Actual maturities may differ from the maturities reported above due to periodic payments and prepayments.

6. Loans Held for Sale

The following table summarizes the Company's loans held for sale carried at the lower of cost or fair value by collateral type, as of December 31, 2011 (in thousands):

Collateral type	Carrying amount	Percent of portfolio
Hospitality	$ 1,089,273	31%
Healthcare	600,070	17
Office	505,555	14
Multifamily	467,685	13
Retail	272,933	8
Mixed-use and other(1)	614,753	17
Total	$ 3,550,269	100%

Note:

(1) Mixed-use and other consists of loans secured by properties with more than one commercial real estate property type, loans secured by pools of mixed property types, plus loans secured by various other property types including, but not limited to, undeveloped land, industrial properties, condominiums, and golf courses.

The following table summarizes the composition of the Company's loans held for sale by geographical location as of December 31, 2011 (in thousands).

Location	Carrying amount	Percentage of portfolio
Southern California	$ 312,117	9%
Chicago	298,043	8
Metropolitan New York	219,015	6
Boston	171,837	5
Orlando	171,142	5
Washington, D.C.	159,914	5
Dallas	157,228	4
Phoenix	143,221	4
Atlanta	139,532	4
Houston	116,624	3
San Francisco	87,275	3
Denver	83,830	2
Other—North America	1,414,637	40
Europe	66,530	2
Asia	9,324	—
Total	$ 3,550,269	100%

The Company had $857.0 million of loans held for sale on nonaccrual status as of December 31, 2011.

The Company transferred $79.5 million of loans held for sale to real estate acquired through foreclosure in the three months ended December 31, 2011.

The Company has pledged loans held for sale with a carrying amount totaling $464.4 million as of December 31, 2011 to support debt obligations other than the Secured Notes. See Note 9 for a discussion of the assets pledged for the Secured Notes.

7. Real Estate Investments

The following table summarizes the carrying amount of the Company's real estate investments as of December 31, 2011, by classification and geographic region (in thousands):

	North America	Asia	Total
Acquired through foreclosure	$ 450,169	$ 51,431	$ 501,600
Held for sale	—	118,976	118,976
Held for investment, net of depreciation	—	52,084	52,084
Total	$ 450,169	$ 222,491	$ 672,660

Real estate acquired through foreclosure as of December 31, 2011 included seven assets classified as in-substance foreclosure totaling $76.7 million. See Note 11 for further discussion of these real estate investments.

See Note 9 for a discussion of the assets pledged for the Secured Notes.

8. Equity Investments

The following table summarizes the Company's equity investments as of December 31, 2011 by investment type (in thousands):

	Carrying amount	Percent of portfolio
Investments in real estate investment funds and other real estate ventures in the United States	$ 194,220	60%
Investment in the capital stock of FHLB	57,979	18
Investments in entities that hold foreclosed real estate assets in the United States	53,722	17
Investments in real estate projects, joint ventures and real estate equity investment funds in Europe	8,559	3
Other	8,120	2
Total	$ 322,600	100%

Investments in real estate investment funds and other real estate ventures in the United States. The Company made investments in real estate partnerships and limited liability companies in the form of limited or member ownership interests. These equity funds invest in various real estate ventures with real estate developers, the purpose of which is to acquire, maintain and develop improved and unimproved real property located primarily within the United States, either directly or indirectly through equity interests. The period for new investments has terminated for all of these funds. The remaining commitments are solely for existing assets and fund operations. The Company also acquired and holds equity positions in several multifamily properties and a retail real estate project in the form of limited partnerships and limited liability companies. The Company also made and holds investments in debt investment limited partnerships which focus their investment strategy on mortgage loans and securities, opportunistic lending consisting primarily of mezzanine loans, preferred equity and bridge loans, and as market conditions allow, high yield CMBS. These partnerships are no longer making new investments.

Investment in the capital stock of FHLB. An investment in the capital stock of the FHLB that was required in connection with borrowings by Capmark Bank and is considered restricted stock. See Note 9 for further discussion of the secured funding facility with the FHLB.

Investments in entities that hold foreclosed real estate assets in the United States. The Company has equity investments in entities that hold foreclosed real estate assets. This typically occurs when the Company, along with other co-lenders, forecloses on real estate collateral. The foreclosed real estate assets are transferred to a real estate holding entity, generally limited liability companies, in which the co-lenders, including the Company, have a member ownership interest. As the Company has not consolidated these real estate holding entities, the Company's investments in these entities are included in equity investments.

Investments in real estate projects, joint ventures and real estate equity investment funds in Europe. The Company made investments in real estate partnerships and companies in the form of unit trust or share ownership interests. These investments are focused primarily on underperforming commercial real estate properties in European markets that were seeking to generate returns through capital improvements, re-leasing, intensive management, repositioning and financial restructuring.

Other. Other primarily includes equity investments accounted for under the cost method.

See Note 9 for a discussion of the assets pledged for the Secured Notes.

9. Debt and Other Borrowings

The following table summarizes the Company's outstanding borrowings and weighted average contractual interest rates in effect as of December 31, 2011 (in thousands):

	Carrying amount	Contractual amount	Weighted average rate
Secured notes	$ 733,246	$ 738,959	8.4%
Japanese settlement agreement	74,623	110,850	2.4%
Total debt	807,869	849,809	7.8%
FHLB borrowings	393,795	391,069	1.5%
Other borrowings	258,803	258,803	1.4%
Total other borrowings	652,598	649,872	1.5%
Total	$ 1,460,467	$ 1,499,681	4.9%

The Company has both U.S. dollar and non-U.S. dollar denominated borrowings. As of December 31, 2011, total borrowings included $1.4 billion funded in U.S. dollars and $74.6 million funded in Japanese yen. As of December 31, 2011, total borrowings consisted of $349.2 million issued at a fixed rate and $1.1 billion issued at a variable rate.

The rates shown in the table above represent the contractual interest rates in effect as of December 31, 2011.

Secured Notes

On September 30, 2011, pursuant to the Plan, the Company issued $1.25 billion of first lien Secured Notes. The Secured Notes were issued under an indenture dated September 30, 2011 ("Indenture") in two series: $750 million floating rate first lien A notes priced at three-month LIBOR plus 5.00%, maturing September 30, 2014 and $500 million floating rate first lien extendible B notes priced at three-month LIBOR plus 7.00%, maturing September 30, 2015. The three-month LIBOR interest rate for the Secured Notes, for an interest period, is the greater of 2.0% or the three-month LIBOR rate. The maturity date of the B notes is September 30, 2015, but the maturity date may be extended by the Company in two successive 1 year periods. The Secured Notes are repaid quarterly based upon excess cash as generally defined by the Indenture as the amount by which unrestricted cash exceeds certain working capital reserves. Except in certain circumstances, the Secured Notes do not have a prepayment premium.

The Secured Notes are guaranteed by the Obligors. The Secured Notes are secured by a first priority pledge (subject to permitted liens), security interest and lien on substantially all of the loan assets, financial assets (including intercompany loans), equity interests (excluding the capital stock of Capmark Bank), and investments owned by the Obligors and the proceeds received from any such assets. Additional subsidiaries may become guarantors in future periods if they meet specific criteria defined within the Indenture.

The Indenture under which the Secured Notes were issued contains certain affirmative and negative covenants. The Indenture covenants include restrictions on the ability of the Obligors and certain of their subsidiaries to grant liens to secure indebtedness, declare dividends on, redeem, retire or repurchase common stock, limitations on asset dispositions and limitations on activity with affiliate entities. The Indenture under which the Secured Notes were issued includes covenants which obligate the Company to provide periodic financial reports to the trustee and to post those reports to its publicly-available website.

The Company funded $361.0 million for an initial redemption of the A notes on September 30, 2011. The principal payment on the A notes was effective on October 5, 2011. The Company also funded a $150.0 million optional redemption of the aggregate principal amount of the floating rate first lien A notes on November 30, 2011. The principal payment on the floating rate first lien A notes was effective on December 1, 2011. See Note 22 for further information on redemptions made after December 31, 2011.

Management believes that the Company was in compliance with its covenant requirements for the Secured Notes as of December 31, 2011.

Settlement of Japanese Loans under the Unsecured Credit Agreement ("Japanese Settlement Agreement")

On March 23, 2006, Predecessor CFGI and certain of its subsidiaries entered into a $5.5 billion unsecured credit agreement which included a $2.75 billion multi-currency revolving credit facility and a $2.75 billion multi-currency term loan facility each with a final maturity date of March 23, 2011. Two of the Company's subsidiaries, Capmark Japan KK and

Capmark Funding Japan GK (formerly known as Capmark Funding Japan KK) ("Japanese Borrowers") as well as Crystal Ball, Predecessor CFGI and certain of its other subsidiaries were severally, but not jointly, liable for their respective obligations under the credit agreement. In addition, Predecessor CFGI and certain of its subsidiaries were also guarantors of the obligations under the credit agreement and were jointly and severally liable for their respective obligations.

On the commencement date of the bankruptcy, the beneficial owners of the Japanese Yen denominated portions of the credit agreement (the "Japanese Lenders") were owed ¥41.5 billion (approximately $450.1 million) (referred to herein as the "Japanese Loans"). Additionally, the Japanese Borrowers owed Predecessor CFGI and Capmark Finance approximately ¥102.7 billion (approximately $1.1 billion) under their intercompany loan agreements. In a settlement agreement approved by the Bankruptcy Court in January 2011 (the "Japanese Settlement Agreement"), the Japanese Borrowers agreed to an initial cash distribution to the Japanese Lenders, Predecessor CFGI and Capmark Finance in partial satisfaction of the outstanding amounts as well as all accrued and unpaid interest through the date of the distribution. In addition, future cash flows from the monetization of certain assets from the Japanese Borrowers operations are to be distributed, on a pro rata basis based upon the outstanding principal balance of the Japanese Loans and intercompany loans. The Japanese Settlement Agreement also provided for the allowance of a guarantee claim against Predecessor CFGI and its subsidiaries in an amount equal to 85 percent of the principal amount of the loans owed by the Japanese Borrowers as well as a commitment that insolvency proceedings would not be pursued against the Japanese Borrowers. Under the Plan, an initial distribution of $113.0 million in cash and Secured Notes along with 5.2 million shares of Common Stock was made on September 30, 2011 to the Plan's disbursing agent for the benefit of the Japanese Lenders in respect of their guarantee claims and the value of such consideration was deemed a repayment of principal outstanding on the Japanese Loans. Pursuant to the Plan, the claims of the Japanese Lenders under the guarantees of the Japanese Loans were discharged against Successor CFGI and the other Reorganized Debtors. Consequently, the Japanese Borrowers are the only obligors on the remaining balance of the Japanese Loans under the terms of the Japanese Settlement Agreement.

In accordance with the Japanese Settlement Agreement, distributions to the Japanese Lenders, including distributions under the Plan, shall not exceed 100% of the outstanding principal amounts due under the Japanese Loans at the effective date of the settlement agreement, plus any interest that has accrued on the outstanding amount thereof. Since the inception of the Japanese Settlement Agreement through December 31, 2011, the Japanese Borrowers have distributed ¥16.4 billion, ¥37.7 billion and ¥3.2 billion in cash to the Japanese Lenders, Capmark Finance and Predecessor CFGI, respectively.

The amount owed under the Japanese Settlement Agreement at December 31, 2011 is ¥8.5 billion (approximately $110.9 million) and is reported on the consolidated balance sheet at its carrying value of $74.6 million. See Note 22 for further information on distributions made in accordance with the Japanese Settlement Agreement after December 31, 2011.

Other borrowings

Capmark Bank has entered into a secured funding facility with the FHLB. Borrowings under this arrangement provide for long-term funding that is collateralized with loans or investment securities that meet the eligibility requirements. The borrowings were issued at terms ranging from five to seven years. Interest rates are fixed or variable based on market rate indices and interest is generally paid monthly. The Company had $393.8 million of indebtedness outstanding under this facility as of December 31, 2011. As of December 31, 2011, borrowings under this facility had a weighted average remaining maturity of 13 months. See Note 22 for further information on prepayments made on the FHLB borrowings after December 31, 2011.

The Company has secured borrowings related to the NMTC business resulting from transfers of financial assets. These transfers of financial assets do not qualify as sales under ASC 860 generally as a result of the Company's continuing rights to proceeds related to the financial assets transferred and therefore the transfers of financial assets are accounted for as financings. As of December 31, 2011, the Company had $64.3 million of restricted cash and $211.7 million of loans held for sale, which are considered a pledge of collateral and $256.6 million of liabilities on the consolidated balance sheet as a result of accounting for certain transfers of financial assets as financings.

Management believes that the Company was in compliance with its covenant requirements for all other borrowings as of December 31, 2011.

Maturities

The following table reflects the scheduled contractual maturity of the Company's borrowings as of December 31, 2011 assuming that no early redemptions will occur. The actual payment of secured borrowings may vary based on the payment activity of the related secured assets (in thousands):

2012	$ 179,095
2013	285,522
2014	262,690
2015	701,336
2016	48,275
2017 and thereafter	22,763
Total debt and other borrowings	$ 1,499,681

Pledged Assets

The Secured Notes are secured by a first priority pledge (subject to permitted liens), security interest and lien on substantially all of the domestic loan assets, financial assets (including cash and intercompany loans), equity interests (excluding the capital stock of Capmark Bank), and investments owned by the Obligors and the proceeds received from any such assets.

The following table summarizes the carrying value of assets of continuing operations that are pledged as collateral for the payment of FHLB borrowings and secured borrowings for transactions that do not qualify as sales under ASC 860, as of December 31, 2011 (in thousands):

	December 31, 2011		
	Other Secured Borrowings (Excludes Secured Notes)		
	FHLB Borrowings	Other Secured Borrowings	Total
Restricted cash	$ —	$ 64,277	$ 64,277
Investment securities available for sale	322,550	—	322,550
Loans held for sale	252,672	211,732	464,404
Total assets pledged as collateral (1)	$ 575,222	$ 276,009	$ 851,231
Related secured borrowings	$ 393,795	$ 256,637	$ 650,432

Note:

(1) Represents the carrying amount of assets pledged and not the borrowing capacity under these facilities.

As of December 31, 2011, there were no borrowings outstanding with the Federal Reserve Bank, however $19.4 million of loans held for sale were pledged as collateral.

10. Deposit Liabilities

The following table summarizes Capmark Bank's deposit liabilities as of December 31, 2011 (in thousands):

	Carrying value	Contractual amount
Brokered certificates of deposit	$ 3,687,037	$ 3,564,617
Institutional time deposits	173,295	172,929
Total	$3,860,332	$ 3,737,546

The deposits of Capmark Bank are primarily interest-bearing and insured by the FDIC, subject to current insurance program limits. The weighted average interest rate for total deposits was 3.5% as of December 31, 2011.

The following table summarizes the scheduled contractual maturity of Capmark Bank's deposits as of December 31, 2011 (in thousands):

2012	$ 1,902,094
2013	1,142,303
2014	693,149
Total deposit liabilities	$ 3,737,546

11. Variable Interest Entities

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

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

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

Continuing Operations

The following table sets forth the total assets and liabilities of consolidated VIEs for which the Company's continuing operations are the primary beneficiary (in thousands):

	NMTC funds	Real estate investments	Total
As of December 31, 2011			
Cash and cash equivalents	$ —	$ 2,949	$ 2,949
Restricted cash	72,626	—	72,626
Accounts and other receivables	1,557	3,200	4,757
Loans held for sale	266,779	—	266,779
Real estate investments	39,137	76,713	115,850
Other assets	1,442	1,920	3,362
Total assets (1)	$ 381,541	$ 84,782	$ 466,323
Other borrowings	6,079	—	6,079
Other liabilities	5,076	7,239	12,315
Total liabilities(1)	$ 11,155	$ 7,239	$ 18,394

Note:

(1) Amounts represent the carrying amount of the VIE's assets and liabilities included on the Company's consolidated balance sheet after accounting for intercompany eliminations.

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

				Maximum exposure to loss(3)			
	Size of VIEs(1)	Carrying amount of assets(2)	Carrying amount of liabilities(2)	Commitments	Loans and investments	Other	Total
As of December 31, 2011							
Loans held for sale	$ 2,401,612	$ 1,446,337	$ —	$ 15,671	$ 1,444,216	$ 2,121	$ 1,462,008
NMTC funds	217,660	189,045	—	—	159,899	29,145	189,044
Collateralized debt obligations	487,853	9,059	—	—	9,059	—	9,059
CMBS securitization trusts	2,322,831	3,086	—	—	3,086	—	3,086
Total	$ 5,429,956	$ 1,647,527	$ —	$ 15,671	$ 1,616,260	$ 31,266	$ 1,663,197

Notes:

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

(2) Amounts represent the carrying amount of the Company's variable interest included in assets and liabilities on the Company's consolidated balance sheet.

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

The Company has evaluated its investments and other interests in entities that may be considered VIEs under the provisions of ASC 810. The following describes the VIEs in which the Company's continuing operations have 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.

Loans Held for Sale. As discussed in Note 6, the Company's portfolio of loans held for sale consists of loans secured by commercial and multifamily real estate properties. These are non-recourse loans made to special purpose entities ("borrower SPEs") that were created and designed to obtain financing for the purchase and or development of commercial and multifamily real estate with the financing to be repaid through the operations, refinancing or sale of the underlying property. The Company has determined that certain of the borrower SPEs are considered VIEs under ASC 810. The Company is not considered the primary beneficiary for the borrower SPEs because it does not have the power to direct the activities that most significantly impact the economic performance of the VIE.

New Markets Tax Credit Funds. Prior to emergence from bankruptcy, the Company made loans to, and syndicated and managed third party equity investments in partnerships that made investments, typically mortgage loans that, in turn, qualify the partnerships to earn new markets tax credits. The Company discontinued its syndication activities in 2008 and focused on the management of these partnerships. Also, on April 15, 2011, the Company transferred certain of its financial interests related to the partnerships to US Bancorp. The transfers of the majority of these financial assets did not meet the criteria for sale accounting under ASC 860 and were accounted for as financings with related secured borrowings. As discussed in other borrowings in Note 9, the balance of such secured borrowings at December 31, 2011 is $256.6 million. Therefore, the Company continues to have a variable interest in these partnerships.

New markets tax credits permit taxpayers to receive a federal income tax credit for making qualified equity investments in community development entities. The Company has determined that these partnerships are considered VIEs under ASC 810 and the Company is considered to have a variable interest.

For certain of these partnerships, the Company is considered the primary beneficiary because it has the power to direct activities that most significantly impact the economic performance of the partnership and has therefore consolidated the partnerships under ASC 810. The assets in these consolidated partnerships are reported primarily as a component of loans held for sale on the Company's consolidated balance sheet. As of December 31, 2011, there were $381.5 million in assets of such consolidated partnerships included on the consolidated balance sheet. Neither the creditors nor equity investors in the NMTC funds have any recourse to the general credit of the Company.

For certain of these partnerships, the Company is not considered the primary beneficiary under ASC 810 because the Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE. As of December 31, 2011, these partnerships had assets of $189.0 million. The partnerships have loans from the Company which are reported as a component of loans held for sale on the Company's consolidated balance sheet. The Company's maximum exposure to loss in these partnerships is attributable to loans to the partnerships.

Collateralized Debt Obligations. Prior to its entry into bankruptcy, the Company sponsored and purchased subordinated equity interests in collateralized debt obligations ("CDOs") which are considered VIEs under ASC 810. The Company also served as the collateral manager for the CDOs prior to its emergence from bankruptcy. In CDO transactions, a bankruptcy-remote SPE is established that purchases a portfolio of securities and loans and issues debt and equity certificates, representing interests in the portfolio of assets. Once the CDO transaction was completed and the securities were issued by the CDO, the Company had no further obligation to provide financial support to the CDO.

The results of the primary beneficiary analysis for the CDOs support the conclusion that the Company is not the primary beneficiary under ASC 810 because the Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE. The Company's maximum exposure to loss for CDOs where the Company is not the primary beneficiary represents the Company's retained interests in these VIEs reported as a component of investment securities classified as available for sale on the consolidated balance sheet.

Real Estate Investments. Prior to emergence from bankruptcy, the Company made loans secured by commercial and multifamily real estate properties. These are non-recourse loans made to borrower SPEs that were created and designed to obtain financing for the purchase and/or development of commercial and multifamily real estate with the financing to be repaid through the operations, refinancing or sale of the underlying property. The Company has determined that certain of the borrower SPEs are considered VIEs under ASC 810. The Company is considered the primary beneficiary for certain of the borrower SPEs because, through its physical possession and substantive control of the real estate collateral (commonly referred to as in-substance foreclosure) held by the borrower SPE, the Company has the power to direct the activities that most significantly impact the economic performance of the borrower SPE. The assets on the consolidated borrower SPEs are reported as a component of real estate investments on the Company's consolidated balance sheet. Liabilities of these partnerships are reported as components of other liabilities on the Company's consolidated balance sheet. The maximum exposure to loss with respect to these consolidated SPEs was approximately $84.8 million as of December 31, 2011 and represents the value of the real estate collateral and related assets as reported in the Company's consolidated balance sheet.

CMBS Securitization Trusts. Prior to its entry into bankruptcy, the Company sold commercial mortgage loans to special purpose trusts in exchange for the proceeds from the sale of securities issued by the trusts. The Company has determined that these trusts' activities are generally limited to acquiring the assets, issuing securities, collecting payments on assets and making payments on the securities. The holders of the securities issued under these trusts do not have any recourse to the general credit of the Company. The trusts are considered VIEs under ASC 810. The Company is not considered the primary beneficiary of these trusts because the Company does not have the power to direct the activities that most significantly impact the economic performance of the trusts. The Company's maximum exposure to loss for these entities is limited to the Company's retained interests in the trusts. The Company's portion of these assets is reported as a component of investment securities classified as available for sale and loans held for sale on the Company's consolidated balance sheet.

Discontinued Operations

Assets of discontinued operations and liabilities of discontinued operations on the Company's consolidated balance sheet as of December 31, 2011 include $240.1 million of assets and $73.5 million of liabilities, respectively, for 35 guaranteed upper-tier tax credit funds and lower-tier operating partnerships constituting VIEs which are consolidated by the Company because the Company is the primary beneficiary.

The carrying value of the assets included in assets of discontinued operations on the Company's consolidated balance sheet as of December 31, 2011 related to the Company's variable interest in 179 non-consolidated VIEs for lower-tier operating partnerships was $150.4 million. At December 31, 2011, the lower-tier operating partnerships included in discontinued operations had underlying assets of $2.2 billion. At December 31, 2011, the Company's discontinued operations had a maximum exposure to loss of $422.5 million related to commitments, guarantees and collateral, and loans and investments for non-consolidating VIEs for lower-tier operating partnerships. See Note 13 for a discussion of Discontinued Operations.

12. Income Taxes

The following table summarizes the Company's income tax provision (benefit) (in thousands):

	For the three months ended December 31, 2011
Current income tax (benefit) provision:	
Federal	$ (1,307)
State	(3,145)
Foreign	1,252
Total current income tax (benefit) provision	(3,200)
Deferred income tax provision (benefit):	
Federal	—
State	—
Foreign	2,322
Total deferred income tax provision (benefit)	2,322
Federal	
Total income tax (benefit) provision	$ (878)

The Internal Revenue Service Code ("Code") generally requires income from cancellation of indebtedness to be recognized and included in taxable income of the Predecessor CFGI entity. Recognition and inclusion in taxable income is not required if the cancellation of indebtedness income is realized pursuant to a confirmed plan of reorganization, however certain tax attributes must be reduced, as is the case for the Predecessor CFGI.

In accordance with the Code, the Company estimates that it will reduce certain federal and state tax attributes by approximately $1.9 billion as of January 1, 2012. The amount of the reduction is equal to the amount of cancellation of indebtedness income that the Company expects to exclude from taxable income of Predecessor CFGI. The Company calculated cancellation of debt income of $1.9 billion, which equaled the excess of indebtedness discharged of $6.8 billion over the value of consideration given in the reorganization, which consisted of equity valued at $2.7 billion, cash of $985.0 million and debt of $1.25 billion. The Company established a deferred tax liability for cancellation of indebtedness income and reduced the valuation allowance by the same amount.

A deferred tax liability was also established for potential cancellation of debt income that may arise in certain CFGI subsidiaries in Japan. At this point, the Company believes that there are adequate net operating losses and deferred deductions available to offset any potential cancellation of debt income; however, to the extent that the actual timing of any potential cancellation of debt income is different than anticipated, the expected tax liability may be materially different.

The Company's reorganization constituted an ownership change under Section 382 of the Code which places an annual dollar limit on the use of Predecessor CFGI net operating loss ("NOL") carry forwards, capital loss carry forwards and other tax attributes that may be utilized by Successor CFGI. The calculation of the annual limitation of usage of Predecessor CFGI tax attributes is based on a percentage of the equity value immediately after any ownership change. The annual amount of Predecessor CFGI tax attributes that may be utilized by Successor CFGI is limited to approximately $104.0 million. Further, to the extent that there are subsequent changes in ownership or changes to the existing structure, the annual amount of Predecessor CFGI tax attributes that may be utilized against Successor CFGI income may be reduced to zero.

At December 31, 2011, the Company had federal NOL and capital loss carry forwards of approximately $3.9 billion prior to cancellation of indebtedness income. After cancellation of indebtedness income, the Company estimates remaining federal NOL carry forwards of $1.3 billion. The Company estimates remaining capital loss carry forwards of approximately $724.0 million. NOL carry forwards expire from 2028 through 2031. Capital loss carry forwards expire in years 2015 and 2016. The Company had foreign tax credits of approximately $140.0 million, which expire between 2014 and 2017.

The Company has state NOL carry forwards and foreign NOL carry forwards as of December 31, 2011. The state NOL carry forwards expire in various years beginning after 2013. The foreign NOL carry forwards begin expiring in various years after 2015.

The Company establishes valuation allowances for its deferred tax assets based on a "more likely than not" threshold. The Company's ability to realize its deferred tax assets is dependent on generating sufficient taxable income within the carryback or carryforward periods provided for by law within each applicable taxing jurisdiction. In those jurisdictions with a net deferred tax asset, the Company does not believe it is more likely than not that the deferred tax assets will be realized. In recognition of this conclusion, the Company has established valuation allowances in those jurisdictions as of December 31, 2011 on the federal, state, and foreign deferred tax assets; including federal, state, and foreign net operating losses, tax credit carry forwards, and temporary tax differences, net of any deferred tax liabilities. If or when recognized, the tax benefit relating to any reversal of the valuation allowance on deferred tax assets as of December 31, 2011 will be accounted for as a reduction of income tax expense.

The following table summarizes the components of the Company's deferred tax assets and liabilities as of December 31, 2011 (in thousands):

	December 31, 2011
Assets:	
Net operating loss carryforwards (federal, state and foreign)	$ 1,695,355
Capital loss carryforward	281,539
Reserves	269,574
Mark to market	54,465
Partnership income	10,676
Foreign tax credit carryforwards	140,042
Other deferred tax asset	9,889
Total deferred tax assets	2,461,540
Valuation allowance	(1,335,028)
Total deferred tax assets, net	1,126,512
Liabilities:	
Cancellation of debt income	1,103,029
Other deferred tax liabilities	25,781
Total deferred tax liabilities	1,128,810
Net deferred tax assets (liabilities)	$ (2,298)

At December 31, 2011, the Company recorded approximately $16.2 million in unrecognized tax benefits. A reconciliation of the beginning and ending balance of unrecognized tax benefits as of December 31, 2011 is as follows (in thousands):

	December 31, 2011
Balance as of September 30, 2011	$ 16,565
Additions based on tax position related to the current year	—
Additions based on tax position related to prior years	—
Reductions for tax position related to prior years	(357)
Reductions due to expiration of statutes of limitation	—
Settlements with taxing authorities	—
Balance as of end of year	$ 16,208

Of the $16.2 million liability for unrecognized tax benefits at December 31, 2011, the entire amount could impact the Company's effective tax rate in future periods.

The Company recognized a liability of approximately $8.6 million attributable to interest and penalties as of December 31, 2011. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company recognized an increase of $0.2 million of gross interest and penalties in the three months ended December 31, 2011.

The Company operates in multiple tax jurisdictions, both within and outside the United States. Accordingly, the Company is, from time to time, under examination in certain tax jurisdictions and remains subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, the Company may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. The following table summarizes the tax years that remain subject to examination in the Company's major tax jurisdictions as of December 31, 2011:

United States—federal	2009-2011
United States—states	2006-2011
Japan	2006-2011
Ireland	2007-2011

Based upon the expiration of statutes of limitation and/or conclusion of tax examinations in several jurisdictions, management does not believe that it is reasonably possible that any of the previously unrecognized tax benefits as of December 31, 2011 for the items discussed above will decrease materially within the next 12 months.

The following table reconciles the income tax benefit at the Federal statutory rate and the actual income tax benefit recorded (in thousands):

	For the three months ended December 31, 2011	
	Amount	**Percent**
Income tax benefit at statutory rate	$ (15,414)	35.0%
Effects of Non-U.S. operations	2,757	(6.3)
State income taxes, net of federal tax benefit	(3,146)	7.1
Valuation allowance on tax benefits	962	(2.2)
Reorganization expense	4,426	(10.1)
Effects of noncontrolling interests	10,357	(23.5)
Other, net	(820)	1.9
Total income tax benefit	$ (878)	1.9%

13. Discontinued Operations

The Company has an agreement to sell substantially all the assets of the LIHTC business to affiliates of Hunt Companies, Inc. in a transaction approved by the Bankruptcy Court in September 2011 ("LIHTC Sale"). Under the terms of the $115.4 million sale agreement, the initial sale of assets for $63.1 million closed on October 7, 2011 and included those assets for which the Company had been able to achieve settlements and restructuring of the underlying transactions with counterparties as of that date. The second sale of assets for $17.1 million closed on December 20, 2011. The sale agreement also includes provisions for future sales of assets for up to $35.2 million after December 31, 2011 for the remainder of the asset portfolio subject to completion of additional restructuring and settlement transactions with guaranteed fund counterparties on the terms proposed. The future sales of the remaining assets related to such restructuring and settlement transactions are expected to occur no later than September 30, 2012. See Note 22 for further information on additional asset sales that have occurred in 2012. The LIHTC business is reflected on the consolidated balance sheet in the assets and liabilities of discontinued operations and the results of the business are reflected on the consolidated statement of operations as income (loss) from discontinued operations, net of tax.

Certain of the recorded liabilities as of December 31, 2011 within discontinued operations are limited in amount to the assets of newly formed related subsidiaries. The newly formed subsidiaries assumed the obligations of certain Debtor subsidiaries under various guarantees, management obligations and liabilities of the LIHTC investment limited liability funds in which equity interests were sold to investors. Several of the other remaining liabilities associated with the LIHTC former guarantees are expected to be limited upon the settlement of the underlying transactions and further sales noted above.

The following table set forth the total assets and liabilities of discontinued operations included on the consolidated balance sheet (in thousands):

	December 31, 2011
Cash and cash equivalents	$ 4,395
Restricted cash	103,395
Investment securities	30,630
Loans held for sale	4,044
Real estate investments	81,318
Equity investments	150,243
Other assets	7,921
Total assets of discontinued operations	$ 381,946
Other borrowings	54,948
Other liabilities	122,848
Total liabilities of discontinued operations	$ 177,796

In addition, $165.8 million of noncontrolling interests included in total equity represent third-party investments in the net assets of entities, which are consolidated by the Company under ASC 810, and associated with discontinued operations. The Company expects to derive no material economic benefit from these noncontrolling interests.

As of December 31, 2011, $61.0 million of real estate investments included in assets of discontinued operations are pledged as collateral for the payment of $55.0 million of related secured borrowings included in liabilities of discontinued operations.

14. Fair Value of Assets and Liabilities

ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP, and sets forth disclosure requirements for fair value measurements. The guidance in ASC 820 is applied to the extent that other accounting pronouncements require or permit fair value measurements. Under ASC 820, fair value is an exit price, market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. Companies are required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period.

Fair Value Hierarchy

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

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

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

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

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

Determination of Fair Value

The Company determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy as described above. For assets and liabilities where there exists limited or no observable market data, fair value measurements are based primarily upon management's own estimates, and are calculated based upon the Company's pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the fair value amounts may not be realized in an actual sale or immediate settlement of the asset or liability.

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

Investment Securities

Investment securities classified as available for sale are carried at fair value. Where quoted prices are available in an active market for identical instruments, investment securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then investment securities are classified as Level 2 and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or DCFs. Examples of instruments which would generally be classified within Level 2 of the valuation hierarchy include certain asset-backed securities and GSE 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 securitizations and CDOs, tax-exempt securities, and other less liquid investment securities. The Company estimates the fair value of residual interests in securitizations based on a DCF analysis. The Company estimates the fair value of tax-exempt securities in inactive markets using inputs from third-party pricing providers for similar securities and makes qualitative adjustments based on current market conditions.

Derivative Instruments

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

Note Receivable

Under ASC 825, *Financial Instruments*, the Company elected the fair value option for a note receivable at September 30, 2011 with a $4.6 million principal amount. The fair value of the note receivable was estimated based on a DCF analysis and is classified within Level 3 of the valuation hierarchy. The DCF analysis includes a provision for an estimated reduction of the cash payment for actual losses that may emerge from a related portfolio of loans not on the Company's balance sheet. The legal obligation for losses on the related portfolio of loans has been assumed by the note obligor. The maximum loss to the Company related to the portfolio of loans is limited to the $4.6 million par amount of the note receivable.

The Company accounts for certain of its assets at fair value on a recurring basis or considers fair value in their measurement. There are no liabilities accounted for at fair value on a recurring basis. The following table summarizes the assets measured at fair value on a recurring basis, including the asset for which the Company has elected the fair value option, as of December 31, 2011 (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)	Counterparty and Cash Collateral Netting	Balance as of December 31, 2011
Assets:					
Accounts receivable	$ —	$ —	$ 3,653	$ —	$ 3,653
Investment securities available for sale:					
GSE securities	—	324,028	—	—	324,028
Commercial paper	—	249,870	—	—	249,870
Other securities	—	8,637	13,112		21,749
Derivative assets:					
Interest rate contracts	—	59,316	—	(1,900)	57,416
Foreign exchange contracts	—	393	—	—	393
Total assets	$ —	$ 642,244	$ 16,765	$ (1,900)	$ 657,109

Level 3 financial assets presented in the table above include accounts receivable and investment securities classified as available for sale. These instruments were valued using pricing models and DCF models that incorporate assumptions, which in management's judgment, reflect the assumptions a marketplace participant would use including discount rates, spreads and collateral values as well as internal risk ratings, anticipated credit losses.

Realized gains or losses for investment securities classified as available for sale are reported as a component of net (losses) gains on investments and real estate on the consolidated statement of operations. Gains or losses for derivatives are reported as a component of other gains, net on the consolidated statement of operations. The following table summarizes the changes in fair value for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended December 31, 2011 (in thousands):

	Accounts Receivable	Investment Securities Available for Sale	Total
Beginning balance as of October 1, 2011	$ 3,800	$ 12,519	$ 16,319
Purchases, issuances, sales and settlements:			
Purchases	—	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	—	—	—
Total net realized/unrealized losses:			
Included in earnings	(147)	(433)	(580)
Included in other comprehensive income	—	1,026	1,026
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance as of December 31, 2011	$ 3,653	$ 13,112	$ 16,765
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of December 31, 2011	$ (147)	$ 598	$ 451

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 December 31, 2011. Loans held for sale accounted for at the lower of cost or fair value are measured at fair value on a nonrecurring basis. The fair values of real estate investments are primarily based on the discounted cash flows expected to result from the use and eventual disposition of the assets as well as recent third-party and internal appraisals. Any impairment recognized on real estate held for investment, real estate held for sale and real estate acquired through foreclosure is reported as a component of net losses on investments and real estate on the consolidated statement of operations. The following table presents the carrying values of certain impaired assets measured at fair value on a nonrecurring basis and still held as of December 31, 2011 and any impairments recognized for the three months ended December 31, 2011 (in thousands):

	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 December 31, 2011	Total losses for the three months ended December 31, 2011
Loans held for sale	$ —	$ 9,324	$ 883,776	$ 893,100	$ (50,718)
Real estate held for sale	—	—	6,525	6,525	(607)
Real estate acquired through foreclosure	—	—	34,063	34,063	(6,751)

The following table presents the carrying amount and fair value of financial assets and financial liabilities as of December 31, 2011 (in thousands):

	December 31, 2011	
	Carrying amount	Fair value
Financial Assets:		
Cash and cash equivalents	$ 2,733,416	$ 2,733,416
Restricted cash	129,264	129,264
Accounts and other receivables	106,888	106,888
Investment securities available for sale	595,647	595,647
Loans held for sale	3,550,269	3,615,981
Derivative assets	57,809	57,809
Financial Liabilities:		
Debt	807,869	826,503
Other borrowings	652,598	653,150
Deposit liabilities	3,860,332	3,864,098

The following methods and assumptions were used to estimate the fair value of financial instruments not previously discussed in Note 4:

Cash, cash equivalents and restricted cash the carrying value approximates fair value due to the short-term nature of the instruments.

Accounts and other receivables the carrying value approximates fair value due to the short-term nature of the receivables.

Debt – Secured Notes the fair value of the Secured Notes was based upon directly observable quoted prices for the instruments in the over-the-counter market.

Debt - Japanese Settlement Agreement the fair value is the present value of estimated future payments on such loans to which the holders of such debt are entitled discounted at 13.0%. See Note 9 for further discussion.

Other borrowings and deposit liabilities The fair values of deposit liabilities and other borrowings were discounted based upon rates currently available to the Company for obligations with similar terms and maturities.

15. Derivative Instruments

The following table presents the notional amount and fair value for derivatives designated as trading and not designated as hedging instruments, disaggregated by asset and liability amounts for the periods indicated (in thousands, except for total contracts):

	December 31, 2011					
	Asset Derivatives			Liability Derivatives		
	Total Contracts	Notional	Fair Value	Total Contracts	Notional	Fair Value
Interest rate contracts	200	$ 2,513,147	$ 59,316	—	$ —	$ —
Foreign exchange contracts	2	4,438	393	—	—	—
Total	202	$ 2,517,585	$ 59,709	—	$ —	$ —

As of December 31, 2011, interest rate contracts had a weighted average remaining maturity of 18 months and foreign exchange contracts had a weighted average remaining maturity of 5 months.

The Company held $1.9 million in collateral and margin accounts for the benefit of counterparties as of December 31, 2011.

The following table summarizes the amount of gain (loss) recognized in earnings on derivatives as trading and not designated as hedging instruments on the consolidated statement of operations (in thousands):

	Three months ended December 31, 2011
Interest rate contracts	$ 869
Foreign exchange contracts	(55)
Total	$ 814

Gains and losses on derivatives designated as trading and not designated as hedging instruments are recognized in other gains, net in the consolidated statement of operations.

See Note 22 for further information on the termination of all outstanding interest rate contracts at Capmark Bank after December 31, 2011.

16. Stock-Based Compensation

Pursuant to the Plan, employment agreements were entered into with two of the Company's executives which included the grant of restricted shares of Common Stock ("nonvested shares"). The Company issued 541,676 nonvested shares pursuant to the employment agreements on September 30, 2011. The nonvested shares granted vest in increments of 25% on each of December 31, 2011, 2012, 2013 and 2014, respectively. Any dividends or distributions on the restricted shares will be escrowed and paid pursuant to the vesting schedule noted above. For the three months ended December 31, 2011, $1.8 million of expense associated with these awards was recognized in compensation and benefit expense on the consolidated statement of operations.

Pursuant to the Plan and the 2011 Restricted Stock and Restricted Stock Unit Plan ("Restricted Stock Plan") which was effective as of September 30, 2011, the non-management members of the board of directors of Successor CFGI receive annual awards of nonvested shares. Pursuant to the Restricted Stock Plan, the non-management directors were granted 52,475 nonvested shares that will vest on September 30, 2012. Any dividends or distributions on the restricted shares will be escrowed and paid on the vesting date. For the three months ended December 31, 2011, $0.2 million of expense associated with these awards was recognized in professional fees on the consolidated statement of operations. The awards for the non-management members of the board of directors are accounted for as liability-classified under ASC 718, *Compensation – Stock Compensation*.

The following table summarizes nonvested shares activity and related information for the three months ended December 31, 2011 (number of shares in thousands):

	For the three months ended December 31, 2011	
	Number of nonvested shares	Weighted average grant date fair value
Outstanding as of the beginning of the period	541.7	$ 13.30
Granted	52.5	16.00
Vested	(135.4)	13.30
Forfeited	—	—
Outstanding as of the end of the period	458.8	$ 13.61

As of December 31, 2011, there was a total of $6.1 million of total unrecognized expense related to outstanding nonvested shares which is expected to be recognized over the weighted average remaining contractual life of 1.9 years.

17. Employee Benefit Plans

Retirement benefits

The Capmark Financial Group Inc. Savings Incentive Plan (“SIP”) is a defined contribution plan and has a matching contribution provision in which employees who contribute to the SIP receive a dollar-for-dollar match up to a maximum amount. The match is subject to a five-year vesting schedule. The related expense for the three months ended December 31, 2011 was $0.2 million and is recognized in compensation and benefits expense on the consolidated statement of operations.

Long term incentive benefits

Pursuant to the Plan, a $6.9 million long term incentive plan was established which provides deferred cash payments to certain officers and employees of Capmark Bank. These awards generally entitle recipients to receive a variable cash payment, based upon the achievement of a target equity value, measured no later than December 31, 2014 and payable by March 2015. The awards under the Capmark Bank long term incentive plan are accounted for as liability-classified under ASC 718, *Compensation – Stock Compensation*, as the awards are settled in cash. At December 31, 2011, other liabilities on the consolidated balance sheet included $0.5 million associated with this long term incentive plan. The related expense for the three months ended December 31, 2011 was $0.5 million and is recognized in compensation and benefits expense on the consolidated statement of operations.

Pursuant to the Plan, a $9.2 million long term incentive plan was established which provides deferred cash payments to certain members of management other than employees of Capmark Bank. These awards generally entitle recipients to receive a variable cash payment, based upon the performance of and achievement of specific recovery values for the operational areas, measured no later than December 31, 2014 and payable by March 2015. At December 31, 2011, other liabilities on the consolidated balance sheet included $1.7 million associated with this long term incentive plan. The related expense for the three months ended December 31, 2011 was $1.7 million and is recognized in compensation and benefits expense on the consolidated statement of operations.

Retention programs

In August 2011, the Capmark Bank Board of Directors approved an $8.5 million retention program for certain eligible Capmark Bank employees. These awards of deferred cash compensation generally entitle the recipient to receive a fixed cash payment on a quarterly basis. At December 31, 2011, other liabilities on the consolidated balance sheet included $0.9 million associated with this retention program. The related expense for the three months ended December 31, 2011 was $0.9 million and is recognized in compensation and benefits expense on the consolidated statement of operations.

Pursuant to the Plan, a $6.1 million retention program was established for certain of the Company’s eligible employees other than employees of Capmark Bank. These awards of deferred cash compensation generally entitle the recipient to receive a fixed cash payment on each annual vesting date. At December 31, 2011, other liabilities on the consolidated balance sheet included $0.9 million associated with this retention program. The related expense for the three months ended December 31, 2011 was $0.9 million and is recognized in compensation and benefits expense on the consolidated statement of operations.

18. Commitments and Contingent Liabilities

Commitments

The following table summarizes the remaining maturity of the Company's outstanding commitments for continuing operations as of December 31, 2011 (in thousands):

	Years to Maturity				
Type of Commitment	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Commitments to fund construction loans	$ 2,881	$ 8,206	$ —	$ —	$ 11,087
Commitments to fund other loans	7,302	20,386	670	—	28,358
Commitments to provide equity to equity method investees	324	7,624	7,257	—	15,205
Total	$ 10,507	$ 36,216	$ 7,927	$ —	$ 54,650

As of December 31, 2011, the component of the business identified as discontinued operations, as discussed in Note 13, had $3.2 million of commitments to provide equity to equity method investees within the next twelve months.

Leases and rentals. The Company is obligated under non-cancelable operating leases primarily for office facilities. These leases have conventional terms and conditions. The future minimum rental payments, net of sublease income, under operating leases having initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2011 were as follows (in thousands):

2012	$ 2,211
2013	908
2014	740
2015	978
2016	670
2017 and thereafter	—
Total	$ 5,507

Net rental expense, primarily for office facilities, was $0.9 million for the three months ended December 31, 2011.

Contingencies related to LIHTC partnerships. The Company holds variable interests in syndicated LIHTC partnerships where the Company provides unaffiliated investors with a guaranteed yield on their investment. As of December 31, 2011, the Company's maximum exposure to loss under the yield guarantees was $255.2 million. As of December 31, 2011, the Company's estimate of actual loss under these yield guarantees was $86.0 million and is reported as a component of liabilities of discontinued operations on the consolidated balance sheet.

Litigation. The Company is subject to potential liability under laws and government regulations, and various post-petition claims and legal actions that are pending or may be asserted against it. As of December 31, 2011, after consultation with counsel, 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 in litigation 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.

19. Regulatory Matters

Capmark Bank, a Utah state chartered industrial bank and a wholly owned subsidiary of Successor CFGI, is jointly regulated by the FDIC and the UDFI (together with the FDIC, the "Bank Regulators"). The Bank Regulators impose restrictions on Capmark Bank's operations, including capital maintenance obligations.

FDIC Capital Issues and Cease and Desist Orders

On October 2, 2009, Capmark Bank consented to cease and desist orders (the "C&D Orders") with the FDIC and the UDFI requiring Capmark Bank to, among other restrictions, (i) maintain a Tier 1 capital to total assets ratio ("Tier 1 Leverage Ratio") of at least 8% and a ratio of qualifying total capital to risk-weighted assets ratio of at least 10%, and (ii) not extend credit to affiliates or issue dividends without the prior written consent of the FDIC and the UDFI. The inclusion of a minimum capital requirement in the C&D Orders requires Capmark Bank to obtain approval from the Bank Regulators prior to issuing new brokered certificates of deposit. As a result of the inclusion of specific capital requirement in the C&D Orders, Capmark Bank is considered "adequately capitalized" under applicable FDIC regulations. Capmark Bank has been and remains in compliance with the requirements of the C&D Orders, which remain in effect.

Capital Maintenance Agreement

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

Following the commencement of the bankruptcy cases and negotiations with the FDIC, Successor CFGI sought and received authorization from the Bankruptcy Court to capitalize Capmark Bank with (i) $400 million in cash by December 31, 2009 and (ii) an additional $250 million by June 30, 2010, in a form satisfactory to the FDIC, if so demanded by the FDIC. By order of the Bankruptcy Court dated December 23, 2009, the $650 million total capital contribution was deemed to satisfy fully any claim the FDIC may assert against CFGI and its affiliates in the cases under chapter 11 of the Bankruptcy Code pursuant to sections 365(o) and 507(a)(9) of the Bankruptcy Code, and otherwise. Capital contributions of $400 million and $250 million were made to Capmark Bank on or before December 31, 2009, and June 30, 2010, respectively, in compliance with the agreement with the FDIC and the December 23, 2009, Bankruptcy Court order.

As of the commencement date of the bankruptcy, pursuant to section 365(o) of the Bankruptcy Code, Successor CFGI was deemed to have assumed its commitments to the FDIC under the CMA to maintain the capital level of Capmark Bank and the CMA remains in effect as of the date of this report.

As of December 31, 2011, Capmark Bank had stockholders' equity of $1.8 billion. The following table summarizes the FDIC's well-capitalized ratio requirements and Capmark Bank's regulatory capital ratios as of December 31, 2011. Although Capmark Bank satisfies the requirements to be deemed to be "well-capitalized", since Capmark Bank is subject to the C&D Orders, it is deemed to be only "adequately capitalized."

	December 31, 2011	
Ratio	**Minimum Percentage to be "Well-Capitalized"**	**Capmark Bank**
Tier 1 leverage ratio	5.0%	29.3%
Tier 1 risk-based capital ratio	6.0%	53.8%
Total risk-based capital ratio	10.0%	53.8%

The FDIC's minimum Tier 1 leverage ratio for a bank to remain well-capitalized is 5%. However, as noted above, in the C&D Orders Capmark Bank agreed to a Tier 1 leverage ratio of not less than 8%.

20. Comprehensive Income

GAAP established accounting standards for reporting comprehensive income and its components and required that all revenues, expenses, gains and losses recognized during the period be included in comprehensive income, regardless of whether these items are considered to be results of operations for the period. The following table summarizes the components of other comprehensive income (loss), net of tax (in thousands):

	Three months ended December 31, 2011		
	Gain (loss)	**Tax provision (benefit)**	**Net amount**
Net unrealized gain (loss) on investment securities and derivative instruments:			
Net unrealized holding gains (losses) arising during the period	$ 1,172	—	$ 1,172
Less: reclassification adjustment for net gains (losses) included in net income	78	—	78
Net unrealized gain (loss) on investment securities and derivative instruments	1,250	—	1,250
Net foreign currency translation adjustment	(2,867)	—	(2,867)
Total	$ (1,617)	—	$ (1,617)

21. Segment Information

The operating results of the continuing operations for the Company's four reportable business segments have been determined in accordance with GAAP. The guidance is based on a management approach, which requires presentation of business segments based upon a company's organization and internal reporting of operating results from continuing operations to the company's chief operating decision maker. The Company's chief operating decision maker is its Chief Executive Officer. The accounting policies of the Company's business segments are the same as those described in Note 4, 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.

The Company's business segments are separately managed and organized based on geography and the type of business conducted. The Company's continuing operations have four reportable business segments: Capmark Bank, North American Asset Management, Real Estate Investment Funds and Asian Operations.

Capmark Bank

Capmark Bank, a Utah state chartered industrial loan corporation and a wholly owned subsidiary of CFGI, is jointly regulated by the Bank Regulators. The Bank Regulators impose restrictions on Capmark Bank's operations, including capital maintenance obligations.

Capmark Bank focuses on managing its existing portfolio to maximize the recovery of value from its assets and generate cash to repay funding liabilities as they mature. The asset management team utilizes all of the normal collection and workout strategies employed by commercial real estate lenders, including full and partial loan payoffs, discounted payoffs, loan sales, foreclosures, deeds-in-lieu of foreclosure, loan extensions and other modifications, and other methods. To maximize value, the Capmark Bank may advance additional money to a borrower or invest money to improve a property received in a workout to maintain or enhance the property value.

North American Asset Management

The Company's North American Asset Management segment is responsible for the management of the North American commercial mortgage loan and real estate acquired through foreclosures portfolio (excluding assets owned by Capmark Bank). This loan and real estate acquired through foreclosure portfolio is primarily comprised of and secured by assets in the office, multifamily, hospitality, retail, health care, mixed-use, and industrial property categories located throughout the United States.

The asset management team utilizes all of the normal collection and workout strategies employed by commercial real estate lenders, including full and partial loan payoffs, discounted payoffs, loan sales, foreclosures, deeds-in-lieu of foreclosure, loan extensions and other modifications, and other methods. To maximize value, the Company may advance additional money to a borrower or invest money to improve a property received in a workout to maintain or enhance the property value.

Real Estate Investment Funds

The Company's Real Estate Investment Funds segment consists of the management of the Company's remaining real estate equity and debt investments. These investments consist primarily of limited partnership and membership interests in the funds formerly managed by Capmark Investments LP and North American and European equity investments. Capmark has ceased making any new investments as part of this business line, but continues to fund any existing obligations, such as capital commitments.

Asian Operations

The Company's Asian Operations segment manages a portfolio of real estate investments located in Japan. The majority of these assets are comprised of equity investments in commercial properties of various types, including office, retail, commercial land, and hospitality properties. The Asian Operations portfolio also includes a small number of commercial real estate loans and acquired non-performing loans. Capmark has engaged Asia Pacific Land (Japan) Limited, an independent asset management firm, to manage a substantial portion of the Asian equity assets.

For a discussion of the effects of the March 11, 2011 earthquake and tsunami in Japan on the Company's Asia operations, see Risk Factors.

Consistent with the Company's management reporting, the business segments do not include corporate administrative and support functions or certain immaterial businesses. 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. These items are included in the tables that follow under the heading "Corporate and Other" as further explained below:

- Corporate activity primarily consists of unallocated personnel-related expenses for departments such as corporate management, accounting and finance, legal, information technology, human resources and risk management. Corporate activity also includes unallocated net interest income and noninterest income

- Eliminations and other adjustments are made to conform the Company's management reporting to the consolidated financial statements.

The following table summarizes the financial results of the continuing operations for the Company's business segments for the three months ended December 31, 2011 (in thousands):

	Segments					
	Capmark Bank	**North American Asset Management**	**Asian Operations**	**Real Estate Investment Funds**	**Corporate and Other**	**Consolidated**
Net interest income	$ 31,385	$ 5,993	$ 2	$ 1	$ (21,433)	$ 15,948
Noninterest income	(28,156)	(13)	4,067	13,737	3,044	(7,321)
Total net revenue	3,229	5,980	4,069	13,738	(18,389)	8,627
Noninterest expense	14,174	8,867	638	310	28,677	52,666
(Loss) income before income taxes	(10,945)	(2,887)	3,431	13,428	(47,066)	(44,039)
Net loss attributable to noncontrolling interests	—	7,034	253	—	15,883	23,170
Total assets at end of period	$ 6,164,409	$ 908,948	$ 329,848	$ 208,666	$ 604,985	$8,216,856

22. Subsequent Events

Subsequent events were evaluated through March 30, 2011, the date the consolidated financial statements were issued. Subsequent events include:

- The Company funded a $263.9 million redemption of the Secured Notes on January 31, 2012. The redemption included $238.9 million of floating rate first lien A notes which represented the complete redemption of that series and $25.0 million for a partial redemption of floating rate first lien extendible B notes. The principal payment on the Secured Notes was effective on February 1, 2012. After taking into account this redemption, the remaining principal balance of the floating rate first lien extendible B notes was $475.0 million on February 1, 2012. See Note 9 for further discussion of the Secured Notes.

- Capmark Bank repaid $100.0 million of FHLB advances with maturities in 2012 on January 13, 2012 and on February 6, 2012, Capmark Bank repaid $180.7 million of FHLB advances with maturities in 2012 and 2013. After taking into account these early repayments and regular maturities, the remaining principal balance of the FHLB borrowings was $100.0 million on February 6, 2012.

- In accordance with the Japanese Settlement Agreement, the Japanese Borrowers made a ¥665.1 million (approximately $8.7 million) payment to the Japanese Lenders on January 10, 2012. See Note 9 for further discussion of the Japanese Settlement Agreement.

- On March 7, 2012, Capmark Bank terminated all of its outstanding interest rate derivative contracts with an aggregate notional amount of $1.9 billion. There was no material impact on the consolidated statement of operations for the three months ended March 31, 2012. The transaction impact included a $50.8 million decrease in other assets, substantially offset by a $47.0 million increase in cash and cash equivalents. This comprised substantially all of the Company’s derivative contracts as of December 31, 2011.

- Three additional asset sales for the LIHTC business platform for an aggregate sale amount of $23.0 million closed in the first quarter of 2012. The sale agreement also includes provisions for future sales of assets for up to $12.2 million for the remainder of the asset portfolio subject to completion of additional restructuring and settlement transactions with guaranteed fund counterparties on the terms proposed. See Note 13 for further discussion.

- Four of the remaining Debtors’ cases as of December 31, 2011 were dismissed by the Bankruptcy Court on March 6, 2012.

- In accordance with the Crystal Ball Settlement Agreement, Crystal Ball made a $10.1 million payment on January 20, 2012. See Note 3 for further discussion of the Crystal Ball Settlement Agreement.

- In January 2012, as part of the supplemental distribution required under the Plan, (1) $4.1 million in cash; (2) $5.7 million of Secured Notes; and (3) 475.5 thousand shares of Common Stock deposited with the disbursing agent for the benefit of holders of general unsecured claims became available for redistribution to the holders of the general unsecured creditors in accordance with the Plan. This reflects amounts for claims that were dismissed, allowed and settled for less than the claim amount during the three months ended December 31, 2011 and were therefore reallocated and disbursed to the other general unsecured creditors in accordance with the Plan.

- On March 27, 2012, the Company executed a supplemental indenture that permits the Company to use up to all of the $25.0 million held in the interest reserve account held by the Trustee to pay interest and principal on the Secured Notes, beginning on the May 1, 2012 interest payment date.

Other than the matters discussed above, management has concluded that there were no significant subsequent events that otherwise require adjustment to or disclosure in these consolidated financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

Bank and Non-Capmark Bank Consolidating Balance Sheet (unaudited)
December 31, 2011
(in thousands)

(in thousands)	Capmark Bank	Non –Capmark Bank	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 2,286,889	$ 446,527	$ —	$ 2,733,416
Restricted cash	—	129,264	—	129,264
Accounts and other receivables	53,450	53,438	—	106,888
Investment securities available for sale	582,535	13,112	—	595,647
Loans held for sale	2,887,733	662,536	—	3,550,269
Real estate investments	191,458	481,202	—	672,660
Equity investments	103,779	245,625	(26,804)	322,600
Investment in subsidiary	—	1,821,454	(1,821,454)	—
Other assets	58,565	47,547	—	106,112
Assets of discontinued operations	—	381,946	—	381,946
Total assets	$ 6,164,409	$ 4,282,651	$ (1,848,258)	$ 8,598,802
Liabilities and Equity				
Liabilities:				
Debt	$ —	$ 807,869	$ —	$ 807,869
Other borrowings	393,795	258,803	—	652,598
Deposit liabilities	3,860,332	—	—	3,860,332
Other liabilities	88,828	172,985	—	261,813
Liabilities of discontinued operations	—	177,796	—	177,796
Total liabilities	4,342,955	1,417,453	—	5,760,408
Commitments and Contingent Liabilities				
Equity:				
Common stock	1	100	(1)	100
Capital paid in excess of par value	1,836,377	2,692,602	(1,836,377)	2,692,602
Accumulated deficit	(15,136)	(31,651)	15,136	(31,651)
Accumulated other comprehensive income (loss), net of tax	212	(1,617)	(212)	(1,617)
Total stockholders' equity	1,821,454	2,659,434	(1,821,454)	2,659,434
Noncontrolling interests	—	205,764	(26,804)	178,960
Total equity	1,821,454	2,865,198	(1,848,258)	2,838,394
Total liabilities and equity	$ 6,164,409	$ 4,282,651	(1,848,258)	$ 8,598,802

Bank and Non-Capmark Bank Consolidating Statement of Operations (unaudited)
For The Three Months Ended December 31, 2011
(in thousands)

	Capmark Bank	Non – Capmark Bank	Eliminations	Consolidated
Net Interest Income				
Interest income	$ 37,373	$ 8,999	$ —	$ 46,372
Interest expense	5,988	24,436	—	30,424
Net interest income	31,385	(15,437)	—	15,948
Noninterest Income				
Net losses on loans	(20,656)	(1,237)	—	(21,893)
Net (losses) gains on investments and real estate	(6,316)	907	—	(5,409)
Other gains, net	526	2,449	—	2,975
Equity in (loss) income of joint ventures and partnerships	(1,501)	14,182	(276)	12,405
Fee revenue	1,933	398	(563)	1,768
Net real estate investment and other income	(2,142)	4,975	—	2,833
Total noninterest income	(28,156)	21,674	(839)	(7,321)
Net revenue	3,229	6,237	(839)	8,627
Noninterest Expense				
Compensation and benefits	6,823	9,226	—	16,049
Professional fees	1,273	29,078	(563)	29,788
Occupancy and equipment	314	1,189	—	1,503
Other expenses	5,764	(438)	—	5,326
Total noninterest expense	14,174	39,055	(563)	52,666
Loss from continuing operations before income tax benefit	(10,945)	(32,818)	(276)	(44,039)
Income tax provision (benefit)	4,191	(5,069)	—	(878)
Loss from continuing operations after income tax benefit	(15,136)	(27,749)	(276)	(43,161)
Loss from discontinued operations, net of tax	—	(11,660)	—	(11,660)
Net loss	(15,136)	(39,409)	(276)	(54,821)
Plus: Net loss attributable to noncontrolling interests	—	22,894	276	23,170
Net loss attributable to Capmark Financial Group Inc.	$ (15,136)	$ (16,515)	$ —	$ (31,651)

Bank and Non-Capmark Bank Consolidating Statement of Stockholders' Equity (unaudited)
For The Three Months Ended December 31, 2011
(in thousands)

	Capmark Bank	Non – Capmark Bank	Eliminations	Consolidated
Common Stock				
Balance at beginning of period	$ 1	$ 100	$ (1)	$ 100
Additional shares issued	—	—	—	—
Balance at end of period	1	100	(1)	100
Capital Paid in Excess of Par Value				
Balance at beginning of period	1,835,850	2,690,800	(1,835,850)	2,690,800
Additional shares issued	—	—	—	—
Stock-based compensation expense	—	1,802	—	1,802
Other	527	—	(527)	—
Balance at end of period	1,836,377	2,692,602	(1,836,377)	2,692,602
Accumulated Deficit				
Balance at beginning of period	—	—	—	—
Net loss attributable to Capmark Financial Group Inc.	(15,136)	(31,651)	15,136	(31,651)
Balance at end of period	(15,136)	(31,651)	15,136	(31,651)
Accumulated Other Comprehensive (Loss) Income, net of tax				
Balance at beginning of period	—	—	—	—
Net unrealized gain on investment securities	212	1,250	(212)	1,250
Net foreign currency translation adjustment	—	(2,867)	—	(2,867)
Balance at end of period	212	(1,617)	(212)	(1,617)
Total Stockholders' Equity	1,821,454	2,659,434	(1,821,454)	2,659,434
Noncontrolling Interests				
Balance at beginning of period	—	496,079	(26,665)	469,414
Net loss attributable to noncontrolling interests	—	(23,446)	276	(23,170)
Other	—	(266,869)	(415)	(267,284)
Balance at end of period	—	205,764	(26,804)	178,960
Total Equity	$ 1,821,454	$ 2,865,198	$(1,848,258)	$ 2,838,394
Comprehensive Loss				
Net loss	$ (15,136)	$ (39,409)	$ (276)	$ (54,821)
Other comprehensive (loss) income	212	(1,617)	(212)	(1,617)
Comprehensive loss	(14,924)	(41,026)	(488)	(56,438)
Plus: Comprehensive loss attributable to the noncontrolling interests	—	22,894	276	23,170
Comprehensive loss attributable to Capmark Financial Group Inc.	$ (14,924)	$ (18,132)	$ (212)	$ (33,268)

Bank and Non-Capmark Bank Consolidating Statement of Cash Flows (unaudited)
For The Three Months Ended December 31, 2011
(in thousands)

	Capmark Bank	Non – Capmark Bank	Eliminations	Consolidated
Operating Activities of Continuing Operations				
Net loss.	$ (15,136)	$ (39,685)	$ —	$ (54,821)
Net loss from discontinued operations	—	(11,660)	—	(11,660)
Net loss from continuing operations	(15,136)	(28,025)	—	(43,161)
Adjustments to reconcile net loss to net cash provided by operating activities of continuing operations:				
Provision for deferred income taxes	—	2,322	—	2,322
Net losses (gains)	25,665	(1,338)	—	24,327
Net accretion of fresh start accounting adjustments	(29,117)	5,163	—	(23,954)
Equity in net income of investees and cash return on investment	(391)	(9,221)	—	(9,612)
Stock-based compensation expense	—	1,801	—	1,801
Other adjustments	—	(1,760)	—	(1,760)
Net change in assets and liabilities which provided (used) cash:				
Accounts and other receivables	25,386	2,714	—	28,100
Other assets	466	9,417	—	9,883
Other liabilities	(298)	(41,947)	—	(42,245)
Current taxes payable	3,676	(3,475)	—	201
Funding advances for loans held for sale	(5,432)	(553)	—	(5,985)
Proceeds from sales of /payments from loans held for sale	585,556	156,659	—	742,215
Net cash provided by operating activities of continuing operations	590,375	91,757	—	682,132
Investing Activities of Continuing Operations				
Net decrease in restricted cash	—	351,264	—	351,264
Repayments of investment securities classified as available for sale	106,406	25	—	106,431
Proceeds from sales of real estate investments	32,454	35,528	—	67,982
Proceeds from sales of/capital distributions from equity investments	—	20,572	—	20,572
Other investing activities, net	(415)	(319)	—	(734)
Net cash provided by investing activities of continuing operations	138,445	407,070	—	545,515
Financing Activities of Continuing Operations				
Repayments of debt	—	(550,310)	—	(550,310)
Net decrease in deposit liabilities	(37,752)	—	—	(37,752)
Other financing activities, net	—	(589)	—	(589)
Net cash used in financing activities of continuing operations	(37,752)	(550,899)	—	(588,651)
Effect of Foreign Exchange Rates on Cash	—	(955)	—	(955)
Discontinued Operations				
Net cash provided by operating activities of discontinued operations	—	7,145	—	7,145
Net cash provided by investing activities of discontinued operations	—	66,927	—	66,927
Net Increase in Cash and Cash Equivalents	691,068	21,045	—	712,113
Cash and Cash Equivalents, Beginning of Period	1,595,821	429,877	—	2,025,698
Cash and Cash Equivalents, End of Period	$ 2,286,889	$ 450,922	$ —	$ 2,737,811