



Capmark Financial Group Inc.
Report as of and for the three and nine months ended
September 30, 2013 and 2012

FINANCIAL INFORMATION

Pursuant to Article VII, Section 11 of the Amended and Restated By-Laws of
Capmark Financial Group Inc.

CAPMARK FINANCIAL GROUP INC.

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MANAGEMENT'S COMMENTARY ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

When the term "Company" is used, it refers to Capmark Financial Group Inc. and its consolidated subsidiaries, except where it is clear that the term means only the parent company, Capmark Financial Group Inc. without consolidated subsidiaries. Capmark Financial Group Inc. prior to its emergence from bankruptcy is referred to as "Predecessor CFGI" and following its emergence from bankruptcy is referred to as "Successor CFGI" or "CFGI".

Forward-Looking Statements

The Company's report as of and for the three and nine months ended September 30, 2013 and 2012 ("Quarterly Report") contains statements that are "forward-looking statements". Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. All statements contained herein that are not clearly historical in nature are forward-looking. In some cases, you can identify these statements by use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "project," "intend," "could" or similar expressions. In particular, statements regarding the Company's 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 the Company'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 the Company's control and may cause actual results and performance to differ materially from the Company's expectations.

Forward-looking statements are based on the Company's beliefs, assumptions and expectations of its future performance, taking into account all information currently available to the Company. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to the Company or are within its control. If a change occurs, the Company's business, financial condition, and liquidity may vary materially from those expressed in its forward-looking statements. Important factors that could cause our actual results to be materially different from our expectations include the risks and uncertainties set forth in "Risk Factors" in the Company's Report as of and for the periods ended December 31, 2012 and 2011.

Accordingly, you should not place undue reliance on the forward-looking statements contained in this Quarterly Report. These forward-looking statements are made only as of the date of this Quarterly Report. 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.

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. This Quarterly Report should be read in conjunction with the Company's Report as of and for the periods ended December 31, 2012 and 2011.

Highlights for Three Months Ended September 30, 2013:

- Total cash received from asset collections and revenue was \$74 million. Included in the total cash received, the Company realized total proceeds of \$54 million from the monetization of loan and REO assets and investment securities and \$16 million of distributions from real estate equity and debt funds.
- The Company achieved consolidated income of \$9 million primarily as a result of net gains on investments and real estate of \$12 million and interest income of \$5 million partially offset by \$10 million of noninterest expense. The net gains included a \$12 million realized gain on interests in a collateralized debt obligation that were sold.
- The Company paid a cash distribution of \$1.65 per share on September 27, 2013 to shareholders of record on September 23, 2013, bringing aggregate distributions to shareholders since emergence from bankruptcy to \$23.15 per share.
- The Company continued to reduce its staffing levels commensurate with the reduction in assets, reducing its staff from 90 employees at year end to 49 at September 30, 2013.

- On September 25, 2013 the FDIC issued an order determining that Capmark Bank is not engaged in the business of receiving deposits and therefore its deposit insurance will terminate on December 31, 2013.

On November 7, 2013, Capmark Bank made a distribution to CFGI of \$36.8 million.

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

1. Capmark Bank;
2. North American Asset Management; and
3. Real Estate Investment Funds.

Presentation of the Company's Statement of Financial Condition

Consolidated Balance Sheet

The following tables present the consolidated balance sheet (in thousands):

	September 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 98,884	\$ 1,478,882
Restricted cash	53,842	75,219
Accounts and other receivables	64,300	51,496
Investment securities available for sale	14,033	4,611
Loans held for sale	303,940	591,814
Real estate investments	16,289	154,112
Equity investments	180,998	248,350
Other assets	8,100	13,048
Assets of discontinued operations	149,420	253,518
Total assets	<u>\$ 889,806</u>	<u>\$ 2,871,050</u>
Liabilities and Equity		
Liabilities:		
Secured and other borrowings	175,366	222,062
Other liabilities	72,497	127,457
Deposit liabilities	—	1,018,601
Liabilities of discontinued operations	79,070	114,719
Total liabilities	<u>326,933</u>	<u>1,482,839</u>
Commitments and Contingent Liabilities		
Equity:		
Common stock	100	100
Capital paid in excess of par value	375,085	1,240,834
Retained earnings	144,329	90,313
Accumulated other comprehensive income (loss), net of tax	5,052	(4,885)
Total Capmark Financial Group Inc. stockholders' equity	524,566	1,326,362
Noncontrolling interests	38,307	61,849
Total equity	<u>562,873</u>	<u>1,388,211</u>
Total liabilities and equity	<u>\$ 889,806</u>	<u>\$ 2,871,050</u>

The consolidated balance sheet of the Company included \$889.8 million and \$2.9 billion of assets as of September 30, 2013 and December 31, 2012, respectively. The assets were primarily comprised of a portfolio of loans, real estate, real estate-related assets and cash and cash equivalents, of which \$119.8 million and \$1.4 billion of total assets were held at Capmark Bank and \$149.4 million and \$253.5 million were associated with discontinued operations as of September 30, 2013 and December 31, 2012, respectively.

The consolidated balance sheet of the Company also included \$326.9 million and \$1.5 billion of liabilities as of September 30, 2013 and December 31, 2012, respectively. The liabilities included \$6.2 million and \$1.0 billion at Capmark Bank and \$79.1 million and \$114.7 million associated with discontinued operations as of September 30, 2013 and December 31, 2012, respectively. Capmark Bank's liabilities were primarily comprised of Federal Deposit Insurance Corporation ("FDIC")-insured deposit liabilities as of December 31, 2012. Capmark Bank had no outstanding deposit liabilities as of September 30, 2013.

Capmark Financial Group Inc. stockholders' equity decreased to \$524.6 million as of September 30, 2013 from \$1.3 billion as of December 31, 2012 primarily as a result of \$867.1 million of aggregate cash distributions to holders of the Company's common stock in March, June and September of 2013.

Segment Balance Sheets

The following tables summarize asset information, by category, for the continuing operations business segments (in thousands):

	September 30, 2013				
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	Total
Assets from Continuing Operations					
Cash and cash equivalents	\$ 64,125	\$ —	\$ 675	\$ 34,084	\$ 98,884
Restricted cash	—	—	—	53,842	53,842
Accounts and other receivables	5	48,632	—	15,663	64,300
Investment securities available for sale	—	—	—	14,033	14,033
Loans held for sale.....	—	299,550	—	4,390	303,940
Real estate investments.....	—	16,289	—	—	16,289
Equity investments.....	55,399	22,740	102,604	255	180,998
Other assets.....	228	534	—	7,338	8,100
Total continuing operations assets.....	<u>\$119,757</u>	<u>\$ 387,745</u>	<u>\$ 103,279</u>	<u>\$ 129,605</u>	<u>\$ 740,386</u>

	December 31, 2012				
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	Total
Assets from Continuing Operations					
Cash and cash equivalents	\$ 1,296,156	\$ —	\$ 2,777	\$ 179,949	\$ 1,478,882
Restricted cash	—	—	—	75,219	75,219
Accounts and other receivables	234	35,527	—	15,735	51,496
Investment securities available for sale	240	—	—	4,371	4,611
Loans held for sale.....	2,608	573,496	—	15,710	591,814
Real estate investments.....	—	154,112	—	—	154,112
Equity investments.....	56,946	45,822	145,283	299	248,350
Other assets.....	1,418	2,684	—	8,946	13,048
Total continuing operations assets.....	<u>\$ 1,357,602</u>	<u>\$ 811,641</u>	<u>\$ 148,060</u>	<u>\$ 300,229</u>	<u>\$ 2,617,532</u>

Capmark Bank

The decrease in cash and cash equivalents from \$1.3 billion as of December 31, 2012 to \$64.1 million as of September 30, 2013 was due primarily to Capmark Bank's repayment of \$1.0 billion of brokered certificates of deposit ("Brokered CDs") and its \$196.7 million of cash distributions to CFGI. Capmark Bank has no outstanding Brokered CDs as of September 30, 2013. Capmark Bank sold its remaining \$2.6 million portfolio of loans and related funding commitments in the nine months ended September 30, 2013.

North American Asset Management

The following table summarizes North American Asset Management’s loan and real estate portfolio, by category (in thousands, except number of assets):

	September 30, 2013		December 31, 2012	
	Number of assets	Aggregate carrying value	Number of assets	Aggregate carrying value
Loans held for sale - performing.....	4	\$ 151,272	21	\$ 332,812
Loans held for sale - nonperforming.....	6	18,114	10	68,332
Real estate acquired through foreclosure.....	2	16,289	13	154,112
Equity investments in real estate acquired through foreclosure and other.....	4	22,740	7	45,822
Total.....	16	\$ 208,415	51	\$ 601,078

The decrease in the carrying value of loans held for sale and real estate investments as of September 30, 2013 compared to December 31, 2012 was primarily due to the disposition of and collection on assets. Accounts and other receivables increased as of September 30, 2013 compared to December 31, 2012 primarily due to the reclassification of balances to reflect the change in the Company’s relationship with certain new markets tax credit (“NMTC”) partnerships where the associated loans held for sale met the derecognition criteria under accounting principles generally accepted in the United States of America (“GAAP”).

The North American Asset Management segment also included \$130.2 million and \$172.4 million of loans held for sale, as of September 30, 2013 and December 31, 2012, respectively, that are no longer owned by the Company, but continue to be recognized on the Company’s balance sheet because the transfers of these loans to a third party were accounted for as financings under Accounting Standards Codification (“ASC”) 860, *Transfers and Servicing* (“ASC 860”). The number of assets and aggregate carrying value in the table above does not reflect the loans held for sale that were accounted for as financings under ASC 860.

The following table presents a summary of assets disposed and proceeds collected from assets of the North American Asset Management segment (in thousands, except number of assets):

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Number of assets	Proceeds received	Percentage of prior quarter carrying value (1)	Number of assets	Proceeds received	Percentage of prior quarter carrying value (1)
Loans held for sale - performing.....	1	\$ 10,954	108%	15	\$ 161,761	102%
Loans held for sale - nonperforming.....	—	—	—	4	56,283	122
Real estate acquired through foreclosure.....	2	12,512	104	11	166,343	129
Equity investments in real estate acquired through foreclosure and other.....	1	772	98	3	15,116	94
Total.....	4	\$ 24,238	106%	33	\$ 399,503	114%

Note:

(1) Aggregate percentage of the carrying value, as determined at the lower of cost or fair value (“LOCOM”) of each asset in the quarter prior to the disposal of the asset.

Real Estate Investment Funds

The aggregate carrying value, excluding cash and cash equivalents, of the 17 investments in the Real Estate Investment Funds segment was \$102.6 million as of September 30, 2013 compared to the 18 investments with a carrying value of \$145.3 million as of December 31, 2012. The decrease in the carrying value of the investments is primarily due to \$48.2 million of cash distributions received from certain of the funds partially offset by a \$5.5 million increase primarily in unrealized gains in the remaining investments in the nine months ended September 30, 2013.

Corporate and Other

Corporate and Other includes the remaining assets of continuing operations which had an aggregate carrying value, excluding cash and cash equivalents and restricted cash, of \$41.7 million and \$45.1 million as of September 30, 2013 and December 31, 2012. These assets primarily consisted of loans originated by the Company's European operations, investment securities available for sale, and other assets as of September 30, 2013 and December 31, 2012. The decrease in the value of the remaining assets, excluding cash and cash equivalents, compared to December 31, 2012 is primarily due to proceeds collected on a loan originated by the Company's European operations partially offset by an increase in the carrying value of an investment security classified as available for sale due to recording an unrealized gain.

Discontinued Operations and Noncontrolling Interests

The following table presents a summary of assets and liabilities of discontinued operations, including the low-income housing tax credit ("LIHTC") business and former Asian Operations segment (in thousands):

	September 30, 2013			December 31, 2012		
	LIHTC Business	Former Asian Operations	Total	LIHTC Business	Former Asian Operations	Total
Assets of discontinued operations.....	\$141,057	\$ 8,363	\$ 149,420	\$161,372	\$92,146	\$253,518
Liabilities of discontinued operations.....	79,029	41	79,070	85,609	29,110	114,719
Noncontrolling interests.....	38,292	—	38,292	52,027	—	52,027

The decrease in the assets and liabilities of discontinued operations as of September 30, 2013 compared to December 31, 2012 is primarily due to payments made under the settlement agreement with Japanese lenders and the sale of assets and resolution of related liabilities associated with the LIHTC business. See footnote 8 to the financial statements of the Quarterly Report for further information about the termination of the settlement agreement with Japanese lenders. As of September 30, 2013, the remaining activities for the former Asian Operations segment primarily include repatriating cash balances and dissolving and liquidating the legal entities.

The Company's total equity as of September 30, 2013 and December 31, 2012, respectively included \$38.3 million and \$61.8 million of noncontrolling interests. The decrease in noncontrolling interests as of September 30, 2013 compared to December 31, 2013 was primarily due to the sale of LIHTC assets associated with the Company's discontinued operations during the period and the sale of a real estate asset during the period which was partially owned by a third party. Included in the noncontrolling interests as of September 30, 2013 and December 31, 2012, respectively, were \$38.3 million and \$52.0 million of noncontrolling interests that represent third-party investments in the net assets of entities, which are consolidated under ASC 810, *Consolidation*, and associated with discontinued operations. The Company expects to derive no material economic benefit from these noncontrolling interests.

Presentation of the Company's Results of Operations

Consolidated Results of Operations

The following table presents the consolidated results of operations (in thousands):

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest income.....	\$ 5,348	\$ 23,811
Interest expense	576	4,302
Net interest income	4,772	19,509
Noninterest income	14,348	85,084
Net revenue.....	19,120	104,593
Noninterest expense.....	9,580	42,003
Income from continuing operations before income taxes	9,540	62,590
Income tax provision	115	365
Income from continuing operations after income taxes	9,425	62,225
Loss from discontinued operations, net of tax	(4,585)	(17,988)
Net income.....	4,840	44,237
Plus: Net loss attributable to noncontrolling interests.....	3,975	9,779
Net income attributable to Capmark Financial Group Inc.	\$ 8,815	\$ 54,016

The income from continuing operations before income taxes of \$9.5 million in the three months ended September 30, 2013 was primarily due to \$14.3 million of noninterest income and \$5.3 million of interest income on loans held for sale and investment securities available for sale partially offset by \$9.6 million of noninterest expense. Noninterest income of \$14.3 million primarily included \$11.9 million of realized gain on the sale of interests in a collateralized debt obligation and \$1.6 million of income and unrealized gains on equity investments. The \$9.6 million of noninterest expense included \$5.9 million of compensation and benefits costs and \$4.4 million of professional fees. The \$0.6 million of interest expense primarily included \$2.1 million of contractual interest expense from deposit liabilities at Capmark Bank offset by \$1.7 million from the accretion of the fresh start accounting premium for the deposit liabilities.

The income from continuing operations before income taxes of \$62.6 million in the nine months ended September 30, 2013 was primarily due to \$85.1 million of noninterest income and \$23.8 million of interest income partially offset by \$42.0 million of noninterest expense and \$4.3 million of interest expense. Noninterest income of \$85.1 million primarily included \$36.8 million of realized gains on the dispositions of real estate investments, \$26.1 million of realized gain on the redemption and sale of interests in collateralized debt obligations, \$15.3 million of realized gains on full or partial dispositions of loans held for sale and \$5.8 million due primarily to unrealized gains on equity investments. Interest income in the nine months ended September 30, 2013 included the recognition of \$5.5 million of previously deferred interest on loans held for sale. The \$42.0 million of noninterest expense included \$21.2 million of compensation and benefits costs and \$16.0 million of professional fees. The \$4.3 million of interest expense primarily included \$20.9 million of contractual interest expense from deposit liabilities at Capmark Bank offset by \$17.4 million from the accretion of the fresh start accounting premium for the deposit liabilities.

Noninterest Income

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

	<u>Three months ended</u> <u>September 30, 2013</u>	<u>Nine months ended</u> <u>September 30, 2013</u>
Net gains on loans.....	\$ 157	\$ 19,353
Net gains on investments and real estate(1).....	12,364	60,749
Other losses, net(2)	197	(1,810)
Equity in income of joint ventures and partnerships.....	1,641	5,804
Fee revenue	52	193
Net real estate investment and other income	(63)	795
Total.....	<u>\$ 14,348</u>	<u>\$ 85,084</u>

Notes:

- (1) Relates primarily to realized and unrealized gains and losses on investment securities, equity investments and real estate investments.
- (2) Includes losses associated with the changes in fair value on derivative instruments, gains and losses associated with the revaluation of foreign currencies and other miscellaneous gains and losses.

Net gains on investments and real estate of \$12.4 million for the three months ended September 30, 2013 primarily included \$11.9 million of realized gain on the sale of interests in a collateralized debt obligation investment security classified as available for sale. Equity in income of joint ventures and partnerships of \$1.6 million was primarily due to \$0.8 million of unrealized gains on equity investments resulting from increases in the fair value of assets held by real estate investment equity and debt funds and joint ventures and \$0.8 million of income on an investment in an entity that holds foreclosed real estate assets.

Net gains on loans of \$19.4 million for the nine months ended September 30, 2013 primarily included \$15.3 million of realized gains on full or partial dispositions of loans held for sale, \$1.6 million of net recapture of losses from the application of LOCOM to loans held for sale and \$2.8 million of recapture of losses that were recorded at the initial application of fresh start accounting on loans held for sale. Net gains on investments and real estate of \$60.7 million for the nine months ended September 30, 2013 primarily included \$36.8 million of realized gains on the dispositions of real estate investments and \$26.1 million of realized gains on the redemption and sale of interests in collateralized debt obligations investment securities classified as available for sale partially offset by \$2.8 million of impairments on real estate investments held at the end of the period. Other losses, net included \$1.8 million of net losses associated with foreign currency

remeasurement adjustments principally associated with the former Asian Operations segment. Equity in income of joint ventures and partnerships of \$5.8 million was primarily due to \$5.7 million of gains on equity investments resulting 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 (in thousands):

	<u>Three months ended September 30, 2013</u>	<u>Nine months ended September 30, 2013</u>
Compensation and benefits	\$ 5,850	\$ 21,208
Professional fees	4,432	15,990
Occupancy and equipment	503	1,701
Corporate insurance	296	759
Other expenses(1)	<u>(1,501)</u>	<u>2,345</u>
Total	<u>\$ 9,580</u>	<u>\$ 42,003</u>

Note:

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

Compensation and benefit costs for the three months ended September 30, 2013 included \$4.0 million of salary and benefits expense and \$1.9 million of expense associated with various incentive compensation programs. The \$4.0 million of salary and benefits expense included \$1.1 million of severance costs associated with the planned reduction of employees and \$0.5 million of employee benefits costs. The \$1.9 million of incentive compensation expense included \$0.5 million for stock-based compensation expense, \$0.4 million of expense for retention programs and \$0.3 million for long term incentive plans.

Compensation and benefit costs for the nine months ended September 30, 2013 included \$13.3 million of salary and benefits expense and \$7.9 million of expense associated with various incentive compensation programs. The \$13.3 million of salary and benefits expense included \$3.0 million of severance costs associated with the planned reduction of employees and \$2.3 million of employee benefits costs. The \$7.9 million of incentive compensation expense included \$3.7 million for long term incentive plans, \$1.4 million for stock-based compensation expense and \$0.9 million of expense for retention programs. The long term incentive plans were established pursuant to the Third Amended Joint Plan of Capmark Financial Group Inc. and certain of its subsidiaries and affiliates and provide deferred cash payments to certain officers and employees based upon the achievement of a target equity value or based upon the performance of and achievement of specific recovery values for the operational areas. The awards are contractually committed to be measured no later than December 31, 2014 and payable by March 2015. The Company recognized approximately 95% of the expense associated with the long term incentive plans as of June 30, 2013 based on achievement of a target equity value or based upon the performance of and achievement of specific recovery values for the operational areas. The Company made cash payments for substantially all of the remaining obligations for the long term incentive plans in the three and nine months ended September 30, 2013.

Professional fees of \$4.4 million and \$16.0 million in the three and nine months ended September 30, 2013, respectively include \$1.8 million and \$ 7.8 million, respectively, of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of \$1.5 million and \$4.3 million for the three and nine months ended September 30, 2013. Other professional fees in the three and nine months ended September 30, 2013 were primarily related to legal, accounting and tax services.

Other expenses in the three and nine months ended September 30, 2013 included the impact of a \$1.1 million decrease in the accrual for the estimate of the payment of certain disputed administrative and priority claims and \$1.3 million decrease in the estimate for the payment of certain accrued tax liabilities.

Income Taxes

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.

As of September 30, 2011, the Company established a valuation allowance on its federal, state and foreign deferred tax assets, including federal, state and foreign net operating loss, tax credit carryforwards, and temporary tax differences, net of any deferred tax liabilities 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 in the tax law for 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. The Company concluded that a valuation allowance was still required as of September 30, 2013.

Discontinued Operations

The loss from discontinued operations of \$4.6 million for the three months ended September 30, 2013 is due to a \$4.2 million net loss associated with the LIHTC business platform and a \$0.4 million net loss from the former Asian Operations segment. Activity in the LIHTC business platform primarily included \$3.9 million of noninterest losses associated with the equity investments. The noninterest losses of the LIHTC business platform are substantially offset by the net loss attributable to noncontrolling interests and have a limited impact on the net income attributable to the Company.

The loss from discontinued operations of \$18.0 million for the nine months ended September 30, 2013 is due to a \$14.0 million net loss associated with the LIHTC business platform and a \$4.0 million net loss from the former Asian Operations segment. Activity in the LIHTC business platform included \$12.9 million of noninterest losses associated with the equity investments. The net loss from the former Asian Operations segment is primarily due to \$5.7 million of operating expenses partially offset by a \$1.4 million decrease to the liability under the settlement agreement with Japanese lenders.

Noncontrolling Interests

The net loss attributable to noncontrolling interests of \$4.0 million and \$9.8 million for the three and nine months ended September 30, 2013, respectively, was due primarily to the portion of the loss attributable to third party investors primarily in certain LIHTC partnerships that are consolidated under applicable accounting guidance. In the nine months ended September 30, 2013, the loss attributable to third party investors was partially offset by the net gain attributable to noncontrolling interests primarily associated with sale of a real estate asset during the period which was partially owned by a third party.

Liquidity and Capital Resources

As of September 30, 2013, the Company’s continuing operations had \$152.7 million in total cash and cash equivalents (including restricted cash), of which \$64.1 million was held by Capmark Bank and \$88.6 million was held by its other subsidiaries. The following table summarizes the cash, cash equivalents and restricted cash from continuing operations (in thousands):

<u>Cash, Cash Equivalents and Restricted Cash</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Non-Capmark Bank:		
Cash and cash equivalents.....	\$ 34,759	\$ 182,726
Restricted cash	53,842	75,219
Capmark Bank cash and cash equivalents	<u>64,125</u>	<u>1,296,156</u>
Total cash, cash equivalents and restricted cash attributable to continuing operations.....	<u>\$ 152,726</u>	<u>\$ 1,554,101</u>

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, (3) distributions received from equity investments, (4) proceeds from the sale of real estate and (5) sales of other assets in its portfolio. The Company expects to generate sufficient liquidity to meet its needs for cash in its operations over the next 12 months, including paying its operating expenses.

The following table summarizes the components of restricted cash from continuing operations (in thousands):

Restricted Cash	September 30, 2013	December 31, 2012
Cash from consolidated variable interest entities (“VIEs”)	\$ 37,824	\$ 49,663
Distribution escrow.....	11,913	7,462
Bankruptcy disputed administrative, priority and convenience class claims escrow	2,241	8,865
Other.....	1,864	9,229
Restricted cash from continuing operations.....	<u>\$ 53,842</u>	<u>\$ 75,219</u>

Cash from consolidated VIEs is 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. On August 2, 2013, the Company received \$6.4 million of cash from the reserves for disputed administrative and priority claims. The cash release was due to the resolution of administrative and priority claims.

Significant Transactions

The Company paid cash distributions to holders of the Company’s common stock since December 31, 2012 as follows:

Record Date	Distribution Paid	Distribution Amount Per Share
March 15, 2013	March 22, 2013	\$ 4.50
June 17, 2013	June 21, 2013	2.50
September 23, 2013	September 27, 2013	1.65

The Company will consider making additional distributions to shareholders of cash in excess of working capital needs and expects to make a distribution in the fourth quarter of 2013, however the specific timing and amount of any distribution have not been determined.

Capmark Bank distributed \$157.1 million, \$4.9 million, \$34.7 million and \$36.8 million in cash to CFGI in February, May, August and November 2013, respectively.

Financing Arrangements

Brokered CDs of Capmark Bank

As of September 30, 2013, all of Capmark Bank’s remaining outstanding deposit liabilities reached scheduled contractual maturity and were fully repaid. On September 25, 2013 the FDIC issued an order determining that Capmark Bank is not engaged in the business of receiving deposits and therefore its deposit insurance will terminate on December 31, 2013.

Secured and Other Borrowings

Secured and other borrowings of \$175.4 million as of September 30, 2013 primarily include 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. Secured and 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 12 of the Company’s Report as of and for the periods ended December 31, 2012 and 2011.

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

	September 30, 2013	December 31, 2012
Restricted cash.....	\$ 35,082	\$ 43,932
Accounts and other receivables	6,651	9,782
Loans held for sale.....	130,164	172,352
Total assets pledged as collateral.....	<u>\$ 171,897</u>	<u>\$ 226,066</u>
Related secured borrowings.....	<u>\$ 173,093</u>	<u>\$ 219,789</u>

Concentrations of Risk

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 (in thousands):

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Gross principal balance of loans held for sale.....	\$ 31,814	\$ 129,769
Historical basis and fresh start adjustments (1).....	(7,448)	(40,530)
Basis and other adjustments (2)	(6,252)	(10,570)
Carrying value of non-performing loans held for sale	<u>\$ 18,114</u>	<u>\$ 78,669</u>
Carrying value as a percentage of all originated loans held for sale (3).....	10.5%	19.7%

Notes:

- (1) Includes basis adjustments at and prior to emergence from bankruptcy.
- (2) Includes adjustments for the application of LOCOM subsequent to emergence from bankruptcy.
- (3) Calculation excludes \$130.2 million and \$172.4 million of loans held for sale as of September 30, 2013 and December 31, 2012, respectively, 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") (in thousands):

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Basis in REO (1)	\$ 40,206	\$ 217,724
LOCOM and other adjustments (2).....	(2,436)	(22,434)
Carrying value of REO.....	<u>\$ 37,770</u>	<u>\$ 195,290</u>

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 LOCOM. Other adjustments include those for equity investments in entities that hold real estate acquired through foreclosure due to the application of the equity method of accounting.

FINANCIAL STATEMENTS

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

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Assets		
Cash and cash equivalents	\$ 98,884	\$ 1,478,882
Restricted cash (1)	53,842	75,219
Accounts and other receivables (1).....	64,300	51,496
Investment securities available for sale	14,033	4,611
Loans held for sale (1)	303,940	591,814
Real estate investments (1)	16,289	154,112
Equity investments.....	180,998	248,350
Other assets (1)	8,100	13,048
Assets of discontinued operations (1)	149,420	253,518
Total assets	<u>\$ 889,806</u>	<u>\$ 2,871,050</u>
Liabilities and Equity		
Liabilities:		
Secured and other borrowings (1).....	175,366	222,062
Other liabilities (1).....	72,497	127,457
Deposit liabilities	—	1,018,601
Liabilities of discontinued operations (1)	79,070	114,719
Total liabilities	<u>326,933</u>	<u>1,482,839</u>
Commitments and Contingent Liabilities.....		
Equity:		
Common stock, \$.001 par value; shares authorized — 110,000,000; shares issued and outstanding —100,242,722 at September 30, 2013 and December 31, 2012	100	100
Capital paid in excess of par value	375,085	1,240,834
Retained earnings.....	144,329	90,313
Accumulated other comprehensive income (loss), net of tax	5,052	(4,885)
Total Capmark Financial Group Inc. stockholders' equity	<u>524,566</u>	<u>1,326,362</u>
Noncontrolling interests.....	<u>38,307</u>	<u>61,849</u>
Total equity	<u>562,873</u>	<u>1,388,211</u>
Total liabilities and equity	<u>\$ 889,806</u>	<u>\$ 2,871,050</u>

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 7 for further discussion.

	<u>September 30, 2013</u>	<u>December 31, 2012</u>		<u>September 30, 2013</u>	<u>December 31, 2012</u>
Assets			Liabilities		
Restricted cash	\$ 37,824	\$ 49,663	Secured and other borrowings	\$ 4,789	\$ 4,903
Accounts and other receivables	98	1,055	Other liabilities.....	196	2,011
Loans held for sale	30,914	181,794	Liabilities of discontinued operations.....	7,894	13,580
Real estate investments	11,400	22,225	Total liabilities	<u>\$ 12,879</u>	<u>\$ 20,494</u>
Other assets	184	1,482			
Assets of discontinued operations	<u>46,186</u>	<u>65,606</u>			
Total assets	<u>\$ 126,606</u>	<u>\$ 321,825</u>			

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

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net Interest Income				
Interest income	\$ 5,348	\$ 22,921	\$ 23,811	\$ 93,777
Interest expense	576	6,656	4,302	46,325
Net interest income	<u>4,772</u>	<u>16,265</u>	<u>19,509</u>	<u>47,452</u>
Noninterest Income				
Net gains on loans	157	3,827	19,353	141,687
Net gains (losses) on investments and real estate.....	12,364	(3,703)	60,749	(8,267)
Other gains (losses), net	197	(8,625)	(1,810)	(11,410)
Equity in income of joint ventures and partnerships	1,641	10,335	5,804	10,776
Fee revenue	52	359	193	3,291
Net real estate investment and other income	(63)	(4,084)	795	(1,551)
Total noninterest income	<u>14,348</u>	<u>(1,891)</u>	<u>85,084</u>	<u>134,526</u>
Net revenue	<u>19,120</u>	<u>14,374</u>	<u>104,593</u>	<u>181,978</u>
Noninterest Expense				
Compensation and benefits	5,850	17,168	21,208	47,145
Professional fees.....	4,432	8,370	15,990	22,916
Occupancy and equipment	503	5,492	1,701	7,885
Other expenses	(1,205)	12,312	3,104	25,019
Total noninterest expense.....	<u>9,580</u>	<u>43,342</u>	<u>42,003</u>	<u>102,965</u>
Income (loss) from continuing operations before income tax provision.....	9,540	(28,968)	62,590	79,013
Income tax provision (benefit)	115	(819)	365	(2,008)
Income (loss) from continuing operations after income tax provision.....	9,425	(28,149)	62,225	81,021
Loss from discontinued operations, net of tax.....	(4,585)	(13,776)	(17,988)	(27,428)
Net income (loss)	4,840	(41,925)	44,237	53,593
Plus: Net loss attributable to noncontrolling interests.....	3,975	10,999	9,779	49,242
Net income (loss) attributable to Capmark Financial Group Inc.	<u>\$ 8,815</u>	<u>\$ (30,926)</u>	<u>\$ 54,016</u>	<u>\$ 102,835</u>
Other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities.....	2,442	(758)	10,552	(5,068)
Net foreign currency translation.....	476	(682)	(615)	1,806
Other comprehensive income (loss)	<u>2,918</u>	<u>(1,440)</u>	<u>9,937</u>	<u>(3,262)</u>
Comprehensive income (loss) attributable to Capmark Financial Group Inc.	<u>\$ 11,733</u>	<u>\$ (32,366)</u>	<u>\$ 63,953</u>	<u>\$ 99,573</u>
Basic and diluted net income (loss) per share from continuing operations	\$ 0.13	\$ (0.17)	\$ 0.72	\$ 1.31
Basic and diluted net income (loss) per share attributable to Capmark Financial Group Inc.	<u>\$ 0.09</u>	<u>\$ (0.31)</u>	<u>\$ 0.54</u>	<u>\$ 1.03</u>
Basic weighted average shares outstanding	99,728	99,594	99,728	99,594
Diluted weighted average shares outstanding	99,809	99,594	99,766	99,743

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

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

	<u>Nine Months Ended</u> <u>September 30, 2013</u>	<u>Year ended</u> <u>December 31, 2012</u>
Common Stock		
Number of shares outstanding at beginning of period	100,242,722	100,052,475
Additional shares issued	—	243,767
Treasury shares retired	—	(53,520)
Number of shares outstanding at end of period	<u>100,242,722</u>	<u>100,242,722</u>
Common Stock		
Balance at beginning of period	\$ 100	\$ 100
Additional shares issued	—	—
Balance at end of period	<u>100</u>	<u>100</u>
Capital Paid in Excess of Par Value		
Balance at beginning of period	1,240,834	2,692,602
Additional shares issued	—	—
Shareholder distributions	(867,100)	(1,454,296)
Treasury shares retired	—	(648)
Stock-based compensation	1,351	3,176
Balance at end of period	<u>375,085</u>	<u>1,240,834</u>
Retained Earnings (Accumulated Deficit)		
Balance at beginning of period	90,313	(31,651)
Net income attributable to Capmark Financial Group Inc.	54,016	121,964
Balance at end of period	<u>144,329</u>	<u>90,313</u>
Accumulated Other Comprehensive Income (Loss), net of tax		
Balance at beginning of period	(4,885)	(1,617)
Other comprehensive income (loss)	9,937	(3,268)
Balance at end of period	<u>5,052</u>	<u>(4,885)</u>
Total Capmark Financial Group Inc. Stockholders' Equity	<u>524,566</u>	<u>1,326,362</u>
Noncontrolling Interests		
Balance at beginning of period	61,849	178,960
Net loss attributable to noncontrolling interests	(9,779)	(52,288)
Other comprehensive income (loss) attributable to noncontrolling interests	—	—
Other (includes impact of sale of discontinued operations assets)	(13,763)	(64,823)
Balance at end of period	<u>38,307</u>	<u>61,849</u>
Total Equity	<u>\$ 562,873</u>	<u>\$ 1,388,211</u>

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

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

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net Cash Provided By Operating Activities of Continuing Operations	\$ 207,051	\$ 2,391,482
Investing Activities of Continuing Operations		
Net decrease in restricted cash	21,376	81,977
Proceeds from sales of investment securities classified as available for sale	27,143	7,183
Repayments of investment securities classified as available for sale	—	570,336
Proceeds from sales of real estate investments	172,477	208,148
Proceeds from sales of/capital distributions from equity investments	69,604	52,298
Other investing activities, net	1,665	(2,159)
Net cash provided by investing activities of continuing operations	292,265	917,783
Financing Activities of Continuing Operations		
Repayments of debt	—	(738,958)
Repayments of secured and other borrowings	(46,647)	(392,744)
Transfer of deposit liabilities	—	(874,026)
Repayment of deposit liabilities	(1,001,206)	(1,774,907)
Distribution to shareholders	(867,100)	—
Other financing activities, net	(9,682)	—
Net cash used in financing activities of continuing operations	(1,924,635)	(3,780,635)
Effect of Foreign Exchange Rates on Cash	(956)	(304)
Discontinued Operations		
Net cash used in operating activities of discontinued operations	(7,993)	(5,724)
Net cash (used in) provided by investing activities of discontinued operations	(5,756)	131,464
Net cash used in financing activities of discontinued operations	(22,340)	(43,252)
Net cash (used in) provided by discontinued operations	(36,089)	82,488
Net Decrease in Cash and Cash Equivalents	(1,462,364)	(389,186)
Cash and Cash Equivalents, Beginning of Period(1)(2)	1,568,920	2,737,811
Cash and Cash Equivalents, End of Period(3)(4)	\$ 106,556	\$ 2,348,625
 Supplemental Disclosures of Cash Flow Information:		
Income taxes refunded, net	\$ 1,539	\$ 11,020
Interest paid	34,849	134,725

Notes:

- (1) Cash and cash equivalents exclude restricted cash of \$150.4 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of \$90.0 million, respectively as of December 31, 2012.
- (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.
- (3) Cash and cash equivalents exclude restricted cash of \$134.2 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of \$7.7 million, respectively as of September 30, 2013.
- (4) Cash and cash equivalents exclude restricted cash of \$124.1 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of \$100.1 million, respectively as of September 30, 2012.

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 (unaudited)

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 located 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.

On October 25, 2009, Predecessor CFGI and certain of its subsidiaries filed voluntary petitions for relief under chapter 11 of the US Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (“Bankruptcy Court”). 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 US Bankruptcy Code. The entities which filed voluntary cases under chapter 11 of the US 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” or “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 is effective for fourteen of the Debtors (the “Reorganized Debtors”), however, there were ten Debtors which remained in bankruptcy as of September 30, 2013. The remaining Debtors are primarily managing member entities associated with the Company’s low-income housing tax credit (“LIHTC”) business.

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.

2. Basis of Presentation and Recently Issued Accounting Standards

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”) for interim reporting. Accordingly, these financial statements do not include all of the information and footnote disclosures required for annual financial reporting. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Report as of and for the periods ended December 31, 2012 and 2011. The Company’s results for any interim period are not necessarily indicative of results for a full year or any other interim period.

The preparation of the 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 variable interest entities (“VIEs”) for which the Company is deemed the primary beneficiary. In certain cases, legal ownership interests and controlling financial interest do not strictly align and there are other specific consolidation criteria that must be applied under GAAP, and in those cases the Company follows the accounting policies more fully described in Note 3 of the consolidated financial statements included in Company’s Report as

of and for the periods ended December 31, 2012 and 2011. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company as of September 30, 2013 and the results of its operations and cash flows for the interim periods presented.

Recently Issued Accounting Standards

In December 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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, and interim periods therein. The adoption of the guidance in ASU 2011-11 did not have a material effect on the Company’s consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* (“ASU 2012-02”). The update provides entities with the option to use a qualitative approach to assess the impairment of an indefinite-lived intangible asset. Under that approach, an entity would qualitatively assess whether existing events or circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired. The more-likely-than-not threshold refers to a likelihood that is more than 50 percent. An entity would not be required to perform a quantitative impairment test to compare the fair value of the asset with its carrying value if, after assessing the totality of relevant events and circumstances, management determines that it is not more likely than not that the indefinite-lived intangible asset is impaired. The update is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of the guidance in ASU 2012-02 did not have a material effect on the Company’s consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (“ASU 2013-01”). The update clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11, and limits the scope of the offsetting disclosures to only derivatives accounted for in accordance with Accounting Standards Codification (“ASC”) 815, *Derivatives and Hedging*. The update is effective for annual periods beginning on or after January 1, 2013, and interim periods therein. The adoption of the guidance in ASU 2013-01 did not have a material effect on the Company’s consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income* (“ASU 2013-02”). The update adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (“AOCI”). The ASU is intended to help entities improve the transparency of changes in other comprehensive income (“OCI”) and items reclassified out of AOCI in their financial statements by requiring entities to disclose additional information about reclassification adjustments, including (1) changes in AOCI balances by component and (2) significant items reclassified out of AOCI. It does not amend any existing requirements for reporting net income or OCI in the financial statements. The new disclosure requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of the guidance in ASU 2013-02 has been reflected in preparing the Company’s consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (“ASU 2013-05”). The update clarifies when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or a group of assets that is a business (other than a sale of in substance real estate or the conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance ASC 830-30, *Translation of Financial Statements*, to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of the guidance in ASU 2013-05 is not expected to have a material effect on the Company’s consolidated financial statements.

In April 2013, the FASB issued ASU 2013-07, *Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting* (“ASU 2013-07”). The update requires an entity to prepare its financial statements using liquidation basis of accounting when it determines that liquidation is imminent. Under the update, liquidation would be considered imminent

when either a) a plan of liquidation has been approved by the person(s) with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked or that the entity will return from liquidation or b) a plan for liquidation was imposed by other forces and the likelihood is remote that the entity will return from liquidation. ASU 2013-7 also provides additional guidance on the presentation requirements and minimum disclosures required for an entity under liquidation accounting. The update is effective for an entity that determines liquidation is imminent during the annual reporting periods beginning after December 15, 2013, and the interim reporting periods therein. The Company is currently evaluating the potential impact of the guidance in ASU 2013-07.

In June 2013, the FASB issued ASU 2013-08, *Financial Services-Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure* (“ASU 2013-08”). The update provides guidance on whether an entity is an investment company by developing a two-tier approach for assessment. One tier represents required characteristics and one tier requires judgment. The update also requires an investment company to measure non-controlling ownership interests in other investment companies at fair value rather than the equity method and disclosures that the entity is applying the guidance in Topic 946 and information about changes in an entity’s status as an investment company. The update is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier adoption is prohibited. The adoption of the guidance in ASU 2013-08 is not expected to have a material effect on the Company’s consolidated financial statements.

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

3. Investment Securities Available For Sale

The following table summarizes the fair value of the Company’s investment securities classified as available for sale (in thousands):

	September 30, 2013				December 31, 2012			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Total.....	\$ 44	\$ 13,989	\$ —	\$ 14,033	\$ 1,246	\$ 3,365	\$ —	\$ 4,611

Realized gains and losses are recorded as a component of net gains (losses) on investments and real estate on the consolidated statement of comprehensive income. The following table summarizes the gross realized gains and losses recognized by the Company on sales of investment securities classified as available for sale and the related proceeds received on such sales (in thousands):

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Gains recognized	\$ 11,907	\$ 861	\$ 26,096	\$ 930
Losses recognized	—	—	—	—
Net gains	\$ 11,907	\$ 861	\$ 26,096	\$ 930
Proceeds received	\$ 12,714	\$ 3,126	\$ 27,143	\$ 7,183

The Company also recorded an \$11.7 million unrealized gain in accumulated other comprehensive income on the consolidated balance sheet as of September 30, 2013 on its interests in a collateralized debt obligation, an investment security classified as available for sale.

4. 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 (in thousands):

Collateral type	September 30, 2013		December 31, 2012	
	Carrying amount	Carrying amount	Carrying amount	Percent of portfolio
Office	\$ 48,417	16%	\$ 94,318	16%
Retail	15,640	5	67,945	11
Hospitality	12,081	4	90,076	15
Multifamily	6,260	2	34,517	6
Healthcare	5,274	2	21,338	4
Mixed-use and other(1)	216,268	71	283,620	48
Total	<u>\$ 303,940</u>	<u>100%</u>	<u>\$ 591,814</u>	<u>100%</u>

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, industrial properties, condominiums, and a parking garage.

The following table summarizes the composition of the Company's loans held for sale by geographical region (in thousands):

Region	September 30, 2013		December 31, 2012	
	Carrying amount	Percentage of portfolio	Carrying amount	Percentage of portfolio
North East and Mid-Atlantic ..	\$ 197,221	65%	\$ 223,912	37%
South.....	27,292	9	112,799	19
West.....	19,943	7	147,440	25
North Central.....	3,508	1	4,270	1
Other—North America.....	51,586	17	87,683	15
Europe	4,390	1	15,710	3
Total	<u>\$ 303,940</u>	<u>100%</u>	<u>\$ 591,814</u>	<u>100%</u>

The Company had \$18.1 million and \$78.7 million of loans held for sale on nonaccrual status as of September 30, 2013 and December 31, 2012, respectively.

The Company had pledged loans held for sale with a carrying amount totaling \$130.2 million and \$172.4 million as of September 30, 2013 and December 31, 2012, respectively, for the secured borrowings for transactions that do not qualify as sales under ASC 860, *Transfers and Servicing*.

5. Real Estate Investments

The following table summarizes the Company's real estate acquired through foreclosure by collateral type (in thousands):

Collateral Type	September 30, 2013		December 31, 2012	
	Amount	Percentage	Amount	Percentage
Retail.....	\$ 4,889	30%	\$ 13,087	8%
Office.....	—	—	59,655	39
Multifamily	—	—	6,591	4
Hospitality.....	—	—	5,073	4
Mixed-use and other	11,400	70	69,706	45
Total.....	<u>\$ 16,289</u>	<u>100%</u>	<u>\$ 154,112</u>	<u>100%</u>

6. Equity Investments

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

	September 30, 2013		December 31, 2012	
	Carrying amount	Percent of portfolio	Carrying amount	Percent of portfolio
Investments in real estate investment funds and other real estate ventures.....	\$ 102,604	56%	\$ 145,283	58%
Investment in the capital stock of Federal Home Loan Bank of Seattle ("FHLB")	55,399	31	56,946	23
Investments in entities that hold foreclosed real estate assets in the United States.....	21,481	12	41,178	17
Other	1,514	1	4,943	2
Total.....	<u>\$ 180,998</u>	<u>100%</u>	<u>\$ 248,350</u>	<u>100%</u>

Capmark Bank holds an investment in the capital stock of the FHLB that was required in connection with its membership in and borrowings from the FHLB and is considered restricted stock. Capmark Bank no longer has borrowings with the FHLB and will continue to hold an excess FHLB capital stock position for an unspecified period of time. The FHLB had suspended repurchases of excess capital stock in December 2008. In October 2010, the FHLB entered into a consent order with its primary regulator, the Federal Housing Finance Agency ("FHFA") which stipulated that once the FHLB reached and maintained certain financial metrics and other operational thresholds and with FHFA approval, the FHLB could begin repurchasing member capital stock at par value. In September 2012, the FHLB announced that it would repurchase up to \$25 million of excess capital stock per quarter at par on a pro-rata basis across all FHLB shareholders. The FHLB repurchased \$1.5 million of Capmark Bank's capital stock pursuant to these quarterly share redemptions in the first nine months of 2013.

7. Variable Interest Entities

The Company is involved with various entities in the normal course of business that may be deemed to be VIEs. The Company consolidates VIEs for which it is determined to be the primary beneficiary. The Company holds significant variable interests in VIEs in which it may or may not be the sponsor and that have not been consolidated because the Company is not considered the primary beneficiary.

The Company has evaluated its investments and other interests in entities that may be considered VIEs under the provisions of ASC 810, *Consolidation* ("ASC 810"). See Note 10 of the consolidated financial statements included in Company's Report as of and for the periods ended December 31, 2012 and 2011 for a description of 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.

The Company did not provide any financial support to VIEs that it was not contractually obligated to provide for the nine months ended September 30, 2013. In the three months ended September 30, 2013, there were no changes in the facts and circumstances for the VIEs that the Company is involved with that changed the Company's determination to consolidate such VIEs. In the nine months ended September 30 2012, the Company is no longer consolidating 5 funds associated with former new markets tax credit ("NMTC") business deemed to be VIEs as the underlying assets were paid off or sold and therefore the Company is no longer considered to be the primary beneficiary of the VIEs. In the nine months ended September 30 2012, the Company is also no longer consolidating 4 non-guaranteed upper-tier tax credit funds and lower-tier operating partnerships associated with the LIHTC business where the Company's interest in the VIE was sold to a third party and therefore the Company is no longer considered to be the primary beneficiary of the VIEs.

Continuing Operations

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

	September 30, 2013	December 31, 2012
Restricted cash.....	\$ 37,824	\$ 49,663
Accounts and other receivables	98	1,055
Loans held for sale.....	30,914	181,794
Real estate investments	11,400	22,225
Other assets.....	184	1,482
Total assets (1).....	\$ 80,420	\$ 256,219
Secured and other borrowings	4,789	4,903
Other liabilities	196	2,011
Total liabilities (1)	\$ 4,985	\$ 6,914

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):

	Size of VIEs(1)	Carrying amount of assets(2)	Carrying amount of liabilities(2)	Maximum exposure to loss(3)			
				Commitments	Loans and investments	Other	Total
As of September 30, 2013							
Loans held for sale.....	\$ 261,533	\$ 143,884	\$ —	\$ —	\$ 136,963	\$ 6,921	\$ 143,884
NMTC funds.....	205,562	163,796	—	—	123,418	40,378	163,796
Collateralized debt obligations	64,894	11,719	—	—	11,719	—	11,719
CMBS securitization trusts.....	1,126,100	2,100	—	—	2,100	—	2,100
Total.....	\$ 1,658,089	\$ 321,499	\$ —	\$ —	\$ 274,200	\$ 47,299	321,499
As of December 31, 2012							
Loans held for sale.....	\$ 606,240	\$ 184,425	\$ —	\$ —	\$ 184,425	\$ 416	\$ 184,841
NMTC funds.....	163,511	150,103	—	—	120,701	29,402	150,103
Collateralized debt obligations	288,689	807	—	—	807	—	807
CMBS securitization trusts.....	1,546,878	3,020	—	—	3,020	—	3,020
Total.....	\$ 2,605,318	\$ 338,355	\$ —	\$ —	\$ 308,953	\$ 29,818	\$ 338,771

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.

Discontinued Operations

Assets of discontinued operations and liabilities of discontinued operations on the Company's consolidated balance sheet as of September 30, 2013 include \$46.2 million of assets and \$7.9 million of liabilities, respectively, for 11 non-guaranteed upper-tier tax credit funds and lower-tier operating partnerships associated with the LIHTC business. Assets of discontinued operations and liabilities of discontinued operations on the Company's consolidated balance sheet as of December 31, 2012 include \$65.6 million of assets and \$13.6 million of liabilities, respectively, for 15 non-guaranteed upper-tier tax credit funds and lower-tier operating partnerships. All of these entities constitute 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 September 30, 2013 and December 31, 2012 related to the Company's variable interest in 70 and 77 non-consolidated VIEs for lower-tier operating partnerships associated with the LIHTC business was \$30.4 million and \$42.9 million, respectively. At September 30, 2013 and December 31, 2012, the lower-tier operating partnerships included in discontinued operations had underlying assets of \$853.8 million and \$1.0 billion, respectively. The Company's discontinued operations had a maximum exposure to loss of \$162.2 million and \$202.6 million as of September 30, 2013 and December 31, 2012, respectively, related to commitments, guarantees and collateral, and loans and investments for non-consolidating VIEs for lower-tier operating partnerships.

8. Discontinued Operations

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

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Cash and cash equivalents.....	\$ 7,672	\$ 90,038
Restricted cash	80,314	75,192
Accounts and other receivables.....	2,493	2,628
Investment securities.....	17,728	23,460
Loans held for sale	323	572
Real estate investments	9,979	15,673
Equity investments	29,065	42,309
Other assets	1,846	3,646
Total assets of discontinued operations	<u>\$ 149,420</u>	<u>\$ 253,518</u>
Debt.....	—	24,545
Secured and other borrowings.....	7,463	13,031
Other liabilities.....	71,607	77,143
Total liabilities of discontinued operations	<u>\$ 79,070</u>	<u>\$ 114,719</u>

As of September 30, 2013 and December 31, 2012, the \$38.3 million and \$52.0 million of noncontrolling interests, respectively, 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 LIHTC business portion of discontinued operations. The Company expects to derive no material economic benefit from these noncontrolling interests.

The following table set forth the net revenue, noninterest expense and income tax (benefit) expense of discontinued operations included on the consolidated statement of comprehensive income (loss) (in thousands):

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Net revenue	\$ (2,984)	\$ (5,306)	\$ (8,656)	\$ (2,017)
Noninterest expense	1,274	10,703	9,000	27,460
Income tax provision/(benefit).....	327	(2,233)	332	(2,049)
Loss from discontinued operations	<u>\$ (4,585)</u>	<u>\$ (13,776)</u>	<u>\$ (17,988)</u>	<u>\$ (27,428)</u>
Gain (loss) on sale included in loss from discontinued operations	<u>\$ —</u>	<u>\$ 2,631</u>	<u>\$ —</u>	<u>\$ 28,423</u>

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 (the “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 GK (formerly known as Capmark Japan KK) and Capmark Funding Japan GK (formerly known as Capmark Funding Japan KK) (the “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, cash flows from the monetization of certain assets from the Japanese Borrowers operations were required 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 guarantor subsidiaries in an amount equal to 85 percent of the Japanese Loans 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 claim 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 were 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 other payments made with respect to the Japanese guarantee claim, could 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.

On June 27, 2013 the Japanese Borrowers made the final distribution payment to the Japanese Lenders, CFGI and Capmark Finance. The final distribution payment and the other payments required to be made pursuant to the Japanese Settlement Agreement effected the termination of this agreement and the termination of all of the Japanese Borrowers’ obligations to the Japanese Lenders thereunder.

9. Common Stock

The Company paid cash distributions of \$1.65 and \$8.65 per share to holders of the Company’s common stock in the three and nine months ended September 30, 2013, respectively. The Company paid cash distributions of \$6.00 per share to holders of the Company’s common stock in the three and nine months ended September 30, 2012.

10. Fair Value of Assets and Liabilities

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 (in thousands):

<u>Description</u>	<u>Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Counterparty and Cash Collateral Netting</u>	<u>Balance as of September 30, 2013</u>
Accounts receivable.....	\$ —	\$ —	\$ 3,685	\$ —	\$ 3,685
Investment securities available for sale	—	—	14,033	—	14,033
Derivative assets - interest rate contracts.....	—	1,058	—	—	1,058
Total assets measured at fair value on a recurring basis	\$ —	\$ 1,058	\$ 17,718	\$ —	\$ 18,776

<u>Description</u>	<u>Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Counterparty and Cash Collateral Netting</u>	<u>Balance as of December 31, 2012</u>
Accounts receivable.....	\$ —	\$ —	\$ 3,685	\$ —	\$ 3,685
Investment securities available for sale	—	240	4,371	—	4,611
Derivative assets - interest rate contracts.....	—	2,200	—	—	2,200
Total assets measured at fair value on a recurring basis	\$ —	\$ 2,440	\$ 8,056	\$ —	\$ 10,496

There were no transfers of assets between Level 1 and Level 2 in the three and nine months ended September 30, 2013. The following table summarizes the changes in fair value for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	<u>Three months ended September 30, 2013</u>			<u>Three months ended September 30, 2012</u>		
	<u>Accounts Receivable</u>	<u>Investment Securities Available for Sale</u>	<u>Total</u>	<u>Accounts Receivable</u>	<u>Investment Securities Available for Sale</u>	<u>Total</u>
Beginning balance	\$ 3,685	\$ 12,371	\$ 16,056	\$ 3,653	\$ 6,811	\$ 10,464
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances.....	—	—	—	—	—	—
Sales.....	—	(12,714)	(12,714)	—	(3,125)	(3,125)
Settlements.....	—	—	—	—	—	—
Total gains (losses):						
Included in earnings.....	—	11,895	11,895	—	766	766
Included in other comprehensive income (loss).....	—	2,481	2,481	—	(872)	(872)
Transfers into Level 3.....	—	—	—	—	—	—
Transfers out of Level 3.....	—	—	—	—	—	—
Ending balance.....	\$ 3,685	\$ 14,033	\$ 17,718	\$ 3,653	\$ 3,580	\$ 7,233
Change in unrealized (losses) gains for the period included in earnings for assets still held as of the end of the reporting period.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

	Nine months ended September 30, 2013			Nine months ended September 30, 2012		
	Accounts Receivable	Investment Securities		Accounts Receivable	Investment Securities	
		Available for Sale	Total		Available for Sale	Total
Beginning balance	\$ 3,685	\$ 4,371	\$ 8,056	\$ 3,653	\$ 13,112	\$ 16,765
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	(26,903)	(26,903)	—	(7,183)	(7,183)
Settlements	—	—	—	—	—	—
Total gains (losses):						
Included in earnings	—	25,943	25,943	—	(3,798)	(3,798)
Included in other comprehensive income (loss)	—	10,622	10,622	—	1,449	1,449
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—
Ending balance	<u>\$ 3,685</u>	<u>\$14,033</u>	<u>\$17,718</u>	<u>\$ 3,653</u>	<u>\$ 3,580</u>	<u>\$ 7,233</u>
Change in unrealized (losses) gains for the period included in earnings for assets still held as of the end of the reporting period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,741)</u>	<u>\$ (4,741)</u>

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 September 30, 2013 or December 31, 2012. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of September 30, 2013 or December 31, 2012. The following table presents the carrying values of certain impaired assets measured at fair value on a nonrecurring basis and using significant unobservable inputs (Level 3) and still held as of September 30, 2013 and December 31, 2012, respectively (in thousands):

Description	September 30, 2013	December 31, 2012
Assets measured at fair value on a nonrecurring basis:		
Loans held for sale	\$ 24,422	\$ 152,397
Real estate acquired through foreclosure	4,889	51,872

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

	Fair Value Hierarchy Level	September 30, 2013		December 31, 2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets:					
Cash and cash equivalents	Level 1	\$ 98,884	\$ 98,884	\$ 1,478,882	\$ 1,478,882
Restricted cash	Level 1	53,842	53,842	75,219	75,219
Accounts and other receivables	(1)	64,300	64,300	51,496	51,496
Investment securities available for sale	(2)	14,033	14,033	4,611	4,611
Loans held for sale	Level 3	303,940	315,387	591,814	612,787
Derivative assets	Level 2	1,058	1,058	2,200	2,200
Financial Liabilities:					
Deposit liabilities	Level 2	—	—	1,018,601	1,020,963
Secured and other borrowings	Level 2	175,366	175,366	222,062	222,062

Notes:

- (1) All accounts and other receivables are Level 1 except as noted in the tables that summarize the assets measured at fair value on a recurring basis.
- (2) Investment securities available for sale are Level 2 and Level 3 as noted in the tables that summarize the assets measured at fair value on a recurring basis.

11. Commitments and Contingent Liabilities

The Company, its current and former officers, directors and employees (collectively, the “Capmark Parties”) may be subject to potential liability under laws and government regulations, and various pre and post-petition claims, as applicable and other legal actions that are pending or may be asserted against it. Certain of these actions and proceedings may include claims for damages or for injunctive relief. The Capmark Parties may also be subject to governmental and regulatory examinations, information requests, investigations and proceedings, certain of which may result in settlements, fines, penalties, or other relief. In addition, the Capmark Parties also receive numerous requests, subpoenas and orders seeking documents, testimony and other information in connection with various aspects of their pre and post-petition businesses.

As of September 30, 2013, after consultation with counsel and based on current knowledge, it is the opinion of management that potential liability arising from pending litigation is not expected to have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows. However, due to the inherent uncertainty with respect to these matters and since the ultimate resolution of the Company’s litigation, claims and other legal proceedings are influenced by factors outside of the Company’s control, it is reasonably possible that actual results will differ from management’s estimates.

12. Regulatory Matters

Capmark Bank, a Utah chartered industrial bank and a wholly-owned subsidiary of Successor CFGI, is jointly regulated by the Federal Deposit Insurance Corporation (“FDIC”) and the Utah Department of Financial Institutions (together with the FDIC, the “Bank Regulators”). The Bank Regulators impose restrictions on Capmark Bank’s operations, including capital maintenance obligations. On September 25, 2013 the FDIC issued an order determining that Capmark Bank is not engaged in the business of receiving deposits and therefore its deposit insurance will terminate on December 31, 2013.

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 Bank Regulators 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 Bank Regulators. 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.

Capmark Bank distributed \$157.1 million, \$4.9 million and \$34.7 million in cash to CFGI in February, May and August 2013, respectively. See Note 16 for further information on the distribution made to CFGI after September 30, 2013. Capmark Bank intends to seek permission to make additional distributions of excess capital to CFGI.

Capital Maintenance Agreement

Predecessor CFGI and Capmark Bank entered into a capital maintenance agreement 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%.

The following table summarizes the FDIC’s well-capitalized ratio requirements and Capmark Bank’s regulatory capital ratios. 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.”

Ratio	Minimum Percentage to be		
	“Well-Capitalized”	September 30, 2013	December 31, 2012
Tier 1 leverage ratio	5.0%	38.0%	21.4%
Tier 1 risk-based capital ratio	6.0%	945.0%	1,728.8%
Total risk-based capital ratio	10.0%	945.0%	1,728.8%

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% and is deemed to be “adequately capitalized”.

13. Earnings Per Share

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

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Income (loss) from continuing operations after income taxes	\$ 9,425	\$ (28,149)	\$ 62,225	\$ 81,021
Plus: Net loss attributable to noncontrolling interests.....	3,975	10,999	9,779	49,242
Income (loss) from continuing operations	13,400	(17,150)	72,004	130,263
Loss from discontinued operations, net	(4,585)	(13,776)	(17,988)	(27,428)
Net income (loss) attributable to Capmark Financial Group Inc. ...	<u>\$ 8,815</u>	<u>\$ (30,926)</u>	<u>\$ 54,016</u>	<u>\$ 102,835</u>
Basic and diluted income (loss) per share from continuing operations.....	\$ 0.13	\$ (0.17)	\$ 0.72	\$ 1.31
Basic and diluted loss per share from discontinued operations	\$ (0.05)	\$ (0.14)	\$ (0.18)	\$ (0.28)
Basic and diluted net income (loss) per share attributable to Capmark Financial Group Inc.....	\$ 0.09	\$ (0.31)	\$ 0.54	\$ 1.03
Basic weighted average shares outstanding	99,728	99,594	99,728	99,594
Effect of dilutive shares for nonvested shares	81	—	38	149
Diluted weighted average shares outstanding.....	99,809	99,594	99,766	99,743
Antidilutive nonvested shares	379	650	379	20

14. Accumulated Other Comprehensive Income

The following table summarizes the components of accumulated other comprehensive income (loss), net of tax (in thousands) as of and for the nine months ended September 2013 and 2012:

	September 30, 2013			September 30, 2012		
	Gain (loss)	Tax provision (benefit)	Net amount	Gain (loss)	Tax provision (benefit)	Net amount
Net unrealized gain (loss) on investment securities:						
Net unrealized gain (loss) on investment securities – January 1	\$ 3,550	—	\$ 3,550	\$ 1,250	—	\$ 1,250
Net unrealized gains (losses) arising during the period	36,596	—	36,596	2,729	—	2,729
Less: reclassification adjustment for net gains (losses) included in net income ...	26,044	—	26,044	923	—	923
Net unrealized gain (loss) on investment securities – September 30.....	14,102	—	14,102	3,056	—	3,056
Net foreign currency translation adjustment	<u>(9,050)</u>	<u>—</u>	<u>(9,050)</u>	<u>(7,935)</u>	<u>—</u>	<u>(7,935)</u>
Balance as of September 30	<u>\$ 5,052</u>	<u>—</u>	<u>\$ 5,052</u>	<u>\$ (4,879)</u>	<u>—</u>	<u>\$ (4,879)</u>

The reclassification adjustment for net gains (losses) included in net income in the nine months ended September 30, 2013 and 2012 was recorded as a component of net gains (losses) on investments and real estate on the consolidated statement of comprehensive income.

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

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance	\$ 11,660	\$ (9,526)	\$ 2,134	\$ 3,550	\$ (8,435)	\$ (4,885)
Net unrealized gains (losses) arising during the period	14,322	476	14,798	36,596	(615)	35,981
Less: reclassification adjustment for net gains (losses) included in net income ...	11,880	—	11,880	26,044	—	26,044
Net change during the period	2,442	476	2,918	10,552	(615)	9,937
Balance as of September 30, 2013	\$ 14,102	\$ (9,050)	\$ 5,052	\$ 14,102	\$ (9,050)	\$ 5,052

15. Segment Information

The Company's business segments are separately managed and organized based on the type of business conducted. The Company's continuing operations have three reportable business segments: Capmark Bank, North American Asset Management and Real Estate Investment Funds. The Company's segment results do not eliminate the effects of transactions between or among 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 the financial results of the continuing operations for the Company's business segments (in thousands):

	Segments				Three months ended September 30, 2013
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	
Net interest income.....	\$ (166)	\$ 2,988	\$ —	\$ 1,950	\$ 4,772
Noninterest income	14	(1,057)	797	14,594	14,348
Total net revenue.....	(152)	1,931	797	16,544	19,120
Noninterest expense	714	1,810	91	6,965	9,580
Income (loss) before income taxes	\$ (866)	\$ 121	\$ 706	\$ 9,579	\$ 9,540
Net loss attributable to noncontrolling interests	\$ —	\$ —	\$ —	\$ 3,975	\$ 3,975

	Segments				Three months ended September 30, 2012
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	
Net interest income.....	\$ 4,112	\$ 14,213	\$ 47	\$ (2,107)	\$ 16,265
Noninterest income	46,991	(65,918)	11,654	5,382	(1,891)
Total net revenue.....	51,103	(51,705)	11,701	3,275	14,374
Noninterest expense	8,834	5,836	74	28,598	43,342
Income (loss) before income taxes	\$ 42,269	\$ (57,541)	\$ 11,627	\$ (25,323)	\$ (28,968)
Net loss attributable to noncontrolling interests	\$ —	\$ 533	\$ —	\$ 10,466	\$ 10,999

	Segments				Nine months ended September 30, 2013
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	
Net interest income.....	\$ (1,974)	\$ 17,419	\$ —	\$ 4,064	\$ 19,509
Noninterest income	92	50,276	5,713	29,003	85,084
Total net revenue.....	(1,882)	67,695	5,713	33,067	104,593
Noninterest expense	2,554	7,952	278	31,219	42,003
Income (loss) before income taxes	\$ (4,436)	\$ 59,743	\$ 5,435	\$ 1,848	\$ 62,590
Net loss attributable to noncontrolling interests	\$ —	\$ (3,415)	\$ —	\$ 13,194	\$ 9,779

	Segments				Nine months ended September 30, 2012
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	
Net interest income.....	\$ 51,522	\$ 22,205	\$ 50	\$ (26,325)	\$ 47,452
Noninterest income	156,819	(36,009)	18,187	(4,471)	134,526
Total net revenue.....	208,341	(13,804)	18,237	(30,796)	181,978
Noninterest expense	38,657	13,847	396	50,065	102,965
Income (loss) before income taxes	\$ 169,684	\$ (27,651)	\$ 17,841	\$ (80,861)	\$ 79,013
Net loss attributable to noncontrolling interests	\$ —	\$ 2,574	\$ —	\$ 46,668	\$ 49,242

16. Subsequent Events

Subsequent events were evaluated through November 7, 2013, the date the consolidated financial statements were issued. Subsequent events include:

- In October 2013, the Company was notified of the redemption of its interests in a collateralized debt obligation and it received \$14.3 million of cash proceeds. The interests in the collateralized debt obligation owned by the Company at September 30, 2013 were an investment security classified as available for sale. As part of this transaction, the Company purchased two investment securities for \$11.0 million in an auction conducted by the trustee for the collateralized debt obligation. The Company recognized an \$11.7 million net realized gain on the sale and purchase transactions in net gains (losses) on investments and real estate on the consolidated statement of comprehensive income (loss) in the fourth quarter of 2013. The unrealized gain in the fair value of the collateralized debt obligation interests was recorded in accumulated other comprehensive income on the consolidated balance sheet in the third quarter of 2013.
- On November 7, 2013, Capmark Bank distributed \$36.8 million in cash to CFGI.

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.