Capmark Financial Group Inc.
Report as of and for the years ended
December 31, 2013 and December 31, 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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FORWARD-LOOKING STATEMENTS

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

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

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

BUSINESS

The Company

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a real estate finance company focused on the management of its commercial real estate-related assets and businesses. Through the Company's operating subsidiaries, it conducts its business primarily in North America. As of December 31, 2013, the Company had 35 employees located in 2 offices in the United States.

In 2009 and 2010, Capmark Financial Group Inc. (Capmark Financial Group Inc. prior to its emergence from bankruptcy is referred to as "Predecessor CFGI") and certain of its subsidiaries (the "Debtors") filed voluntary petitions for relief under chapter 11 of the US Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court"). Certain of the Debtors, including 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 was effective for fourteen of the Debtors (the "Reorganized Debtors"); however, on October 3, 2013, the Bankruptcy Court issued an order closing the chapter 11 cases of eight of the Reorganized Debtors. There were also ten Debtors which remained in bankruptcy as of December 31, 2013. The remaining Debtors are managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business.

CFGI continues to exist as the parent holding company. The term "Company" refers to 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.

Executive Business Summary

Highlights for 2013 were:

- Total cash received from asset collections and revenue was $718 million. Included in the total cash received, the Company realized total proceeds of $597 million from the monetization of loan and REO assets, $36 million from investment securities and $66 million of distributions from real estate equity and debt funds.

- The Company achieved consolidated net income of $92 million primarily as a result of net gains on loans, investments and real estate of $106 million and interest income of $30 million partially offset by $52 million of noninterest expense. The net gains included a $41 million realized gain on interests in collateralized debt obligations that were redeemed or sold.

- The Company repaid all outstanding deposits at Capmark Bank, which caused its deposit insurance to terminate as of December 31, 2013 after which it was no longer a regulated bank. The shareholder's equity of Capmark Bank was $75.9 million as of December 31, 2013. On January 1, 2014, the articles of organization of Capmark Bank were amended to change its name to Capmark Utah Inc., which continues to be a wholly-owned subsidiary of CFGI. Capmark Utah Inc. no longer has employees or an independent board of directors.

- The Company made aggregate distributions to stockholders of $1.05 billion, or $10.50 per share, in 2013 and ended the year with $374 million of stockholders' equity. Aggregate distributions to stockholders since emergence from bankruptcy, including those in 2013, have been $25.00 per share.

- The Company paid an additional $74 million to prepetition creditors, including $23 million under the settlement agreement with the Japanese lenders, $7 million under the settlement agreement with creditors of Crystal Ball Holdings of Bermuda Limited ("Crystal Ball") and $44 million from the disputed claims reserve. The settlement agreements and the Company's obligations thereunder were terminated.

Transaction with Centerbridge:

On March 5, 2014, the Company entered into an agreement (the "Investment Agreement") with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in the Company by Centerbridge, subject to certain terms and conditions. Funds received by the Company from Centerbridge would be used, together with the Company's own funds, to finance one or more acquisitions. Centerbridge has also agreed to assist the Company over a two to three year period in identifying potential acquisition candidates that fit the Company's strategic objectives.

Under the terms of the Investment Agreement, Centerbridge would at closing make an investment of $5 million in convertible preferred stock of the Company. The Company would also issue to Centerbridge five year warrants to acquire 43 million shares of common stock at an exercise price equal to 110% of book value as of December 31, 2014 as adjusted for certain items and events. The warrants would not be exercisable unless the Company consummates an acquisition. Centerbridge has also agreed, subject to certain terms and conditions, to purchase from the Company up to $100 million in aggregate principal amount of seven year subordinated floating rate PIK notes, whose proceeds would also be used to fund acquisitions.

The Investment Agreement and related documentation grants various other rights to Centerbridge following closing, including certain rights of participation of Centerbridge in future equity offerings by the Company, certain approval rights regarding the issuance of shares by the Company and other matters, certain information rights and customary registration and similar rights. Centerbridge is entitled to certain capped expense reimbursement, and certain matching rights on other transactions that the Company might enter into for 12 months if the Investment Agreement is terminated prior to closing.

The closing under the Investment Agreement is subject to certain conditions, including approval by the Company's stockholders of an amendment and restatement of the Company's existing articles of incorporation required for Centerbridge to make its investments.

The Company does not anticipate making additional distributions to stockholders in the near term. The terms of the Investment Agreement contain certain prohibitions on future distributions by the Company and certain of its subsidiaries.

MANAGEMENT'S COMMENTARY ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

- *Presentation of the Company's Statement of Financial Condition.* This section presents the Company's detailed analysis of its consolidated and segment statement of financial condition and a discussion of information that it believes is meaningful to an understanding of its financial condition.

- *Presentation of the Company's Results of Operations.* This section presents the Company's detailed analysis of its consolidated results of operations and a discussion of information that it believes is meaningful to an understanding of its results of operations.

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

Overview and Basis of Presentation

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

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

For management reporting purposes, the Company conducted its business in 2013 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.

The Company presents the results of operations for its three business segments in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This guidance is based on a management approach, which requires presentation of its segments based upon the Company's organization and internal reporting of results of operations.

Presentation of the Company's Statement of Financial Condition

Consolidated Balance Sheet

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

	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	$ 126,535	$ 1,478,882
Restricted cash	11,861	75,219
Accounts and other receivables	61,019	51,496
Investment securities available for sale	4,974	4,611
Loans held for sale	156,870	591,814
Real estate investments	—	154,112
Equity investments	177,534	248,350
Other assets	7,172	13,048
Assets of discontinued operations	135,177	253,518
Total assets	$ 681,142	$ 2,871,050
Liabilities and Equity		
Liabilities:		
Secured and other borrowings	130,449	222,062
Deposit liabilities	—	1,018,601
Other liabilities	65,922	127,457
Liabilities of discontinued operations	77,438	114,719
Total liabilities	273,809	1,482,839
Commitments and Contingent Liabilities		
Equity:		
Common stock	100	100
Capital paid in excess of par value	189,820	1,240,834
Retained earnings	182,015	90,313
Accumulated other comprehensive income (loss), net of tax	1,627	(4,885)
Total Capmark Financial Group Inc. stockholders' equity	373,562	1,326,362
Noncontrolling interests	33,771	61,849
Total equity	407,333	1,388,211
Total liabilities and equity	$ 681,142	$ 2,871,050

The consolidated balance sheet of the Company included $681.1 million and $2.9 billion of assets as of December 31, 2013 and 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 $83.0 million and $1.4 billion of total assets were held at Capmark Bank and $135.2 million and $253.5 million were associated with discontinued operations as of December 31, 2013 and 2012, respectively.

Cash and cash equivalents decreased from $1.5 billion as of December 31, 2012 to $126.5 million as of December 31, 2013 primarily due to the payment of $1.1 billion of aggregate cash distributions to holders of the Company's common stock and the repayment of $1.0 billion of deposit liabilities at Capmark Bank, partially offset by the $0.7 billion of proceeds received on the disposition of and collection on assets. Accounts and other receivables primarily include success fees receivable associated with the Company's former new markets tax credit ("NMTC") program and receivables from the Company's loan servicer. As of December 31, 2013 and 2012, loans held for sale included $115.1 million and $172.4 million of loans held for sale, respectively, that are no longer owned by the Company, but continue to be recognized on the Company's balance sheet because the transfers of these loans to a third party were accounted for as financings under Accounting Standards Codification ("ASC") 860, *Transfers and Servicing* ("ASC 860"). The Company expects to derive no material economic benefit from these transactions.

The consolidated balance sheet of the Company also included $273.8 million and $1.5 billion of liabilities as of December 31, 2013 and 2012, respectively. The liabilities included $77.4 million and $114.7 million associated with discontinued operations as of December 31, 2013 and 2012, respectively. Secured and other borrowings of $130.4 million and $222.1 million as of December 31, 2013 and 2012, respectively, primarily include secured borrowings that the Company recognized on the consolidated balance sheet under ASC 860 when transfers of loans to a third party were accounted for as financings. Recourse is limited to the assets related to these contractual arrangements and the Company expects to derive no material economic benefit from these transactions. Capmark Bank's liabilities were primarily comprised of $1.0 billion of Federal Deposit Insurance Corporation ("FDIC")-insured deposit liabilities as of December 31, 2012. Capmark Bank had no outstanding deposit liabilities as of December 31, 2013.

Capmark Financial Group Inc. stockholders' equity as of December 31, 2013 as compared to December 31, 2012 was primarily reduced by the $1.05 billion of aggregate cash distributions to holders of the Company's common stock.

Segment Balance Sheets

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

	December 31, 2013				
Assets from Continuing Operations	**Capmark Bank**	**North American Asset Management**	**Real Estate Investment Funds**	**Corporate and Other**	**Total**
Cash and cash equivalents	$ 27,449	$ —	$ 644	$ 98,442	$ 126,535
Restricted cash	—	—	—	11,861	11,861
Accounts and other receivables	101	56,748	—	4,170	61,019
Investment securities available for sale	—	—	—	4,974	4,974
Loans held for sale	—	152,669	—	4,201	156,870
Real estate investments	—	—	—	—	—
Equity investments	54,885	21,585	100,809	255	177,534
Other assets	539	104	—	6,529	7,172
Total continuing operations assets	$ 82,974	$ 231,106	$ 101,453	$ 130,432	$ 545,965

	December 31, 2012				
Assets from Continuing Operations	**Capmark Bank**	**North American Asset Management**	**Real Estate Investment Funds**	**Corporate and Other**	**Total**
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	$ 1,357,602	$ 811,641	$ 148,060	$ 300,229	$ 2,617,532

Capmark Bank

Capmark Bank was a wholly-owned Utah industrial bank regulated by the FDIC and the Utah Department of Financial Institutions ("UDFI") (together, the "Bank Regulators"). As of August 20, 2013, all of Capmark Bank's remaining outstanding Brokered CDs reached scheduled contractual maturity and were fully repaid. On September 25, 2013, the FDIC issued an order determining that Capmark Bank was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013. When the termination of deposit insurance became effective, Capmark Bank was no longer subject to FDIC regulation and examination and was not required to comply with capital adequacy requirements. Also on December 31, 2013, the Company returned to the UDFI the industrial bank charter under which Capmark Bank had operated since inception. On January 1, 2014, the articles of organization of Capmark Bank were amended to change its name to Capmark Utah Inc.

The aggregate carrying value of Capmark Bank's assets was $83.0 million as of December 31, 2013 compared to $1.4 billion as of December 31, 2012. The decrease in cash and cash equivalents from $1.3 billion as of December 31, 2012 to $27.4 million as of December 31, 2013 was due primarily to Capmark Bank's repayment of $1.0 billion of Brokered CDs and its $233.5 million of cash distributions to CFGI. Capmark Bank sold its remaining $2.6 million portfolio of loans and related funding commitments in the year ended December 31, 2013. Equity investments included an equity investment in the capital stock of the Federal Home Loan Bank of Seattle (“FHLB”) of $54.9 million as of December 31, 2013 and $56.9 million as of December 31, 2012.

North American Asset Management

The Company’s North American Asset Management business segment is responsible for the management of the North American commercial mortgage loan and real estate acquired through foreclosure portfolio. As of December 31, 2013, the aggregate carrying value of the assets in the North America Asset Management segment was $231.1 million compared to $811.6 million as of December 31, 2012.

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

	December 31, 2013		December 31, 2012	
	Number of assets	Aggregate carrying value	Number of assets	Aggregate carrying value
Loans held for sale - performing	3	$ 31,988	21	$ 332,812
Loans held for sale - nonperforming	2	5,586	10	68,332
Real estate acquired through foreclosure	—	—	13	154,112
Equity investments in real estate acquired through foreclosure	2	21,585	7	45,822
Total	7	$ 59,159	51	$ 601,078

The decrease in the carrying value of loans held for sale and real estate investments as of December 31, 2013 compared to December 31, 2012 was primarily due to the disposition of and collection on assets. Accounts and other receivables increased as of December 31, 2013 compared to December 31, 2012 primarily due to the reclassification of balances to reflect the change in the Company’s relationship with certain NMTC partnerships where the associated loans held for sale met the derecognition criteria under GAAP.

The North American Asset Management segment also included $115.1 million and $172.4 million of loans held for sale and $16.3 million and $9.8 million of accounts and other receivables, as of December 31, 2013 and 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 assets to a third party were accounted for as financings under 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):

	December 31, 2013		
	Number of assets	Proceeds received	Percentage of prior quarter carrying value (1)
Loans held for sale - performing	17	$ 291,916	103%
Loans held for sale - nonperforming	5	66,149	115
Real estate acquired through foreclosure	13	184,574	127
Equity investments in real estate acquired through foreclosure and other	4	19,157	110
Total	39	$ 561,796	111%

Note:

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

Real Estate Investment Funds

The Company’s Real Estate Investment Funds segment primarily consists of the management of the Company’s remaining investments in real estate equity and debt funds and joint ventures formerly managed by Capmark Investments LP. The Company ceased making any new investments as part of this business line and the investment periods on the funds have expired.

The aggregate carrying value, excluding cash and cash equivalents, of the 15 investments in the Real Estate Investment Funds segment was $100.8 million as of December 31, 2013 compared to 18 investments with a carrying value of $145.3 million as of December 31, 2012. As of December 31, 2013 and 2012, these assets primarily consisted of $85.3 million and $119.8 million of limited partnership interests and membership interests in real estate equity investment funds and joint ventures and $15.5 million and $25.5 million of limited partnership interests in real estate debt funds, respectively. The decrease in the carrying value of the investments is primarily due to $65.5 million of cash distributions received from certain of the funds and as well as from the sale of one asset, partially offset by a $21.0 million increase primarily in unrealized gains in the remaining investments.

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 $20.1 million as of December 31, 2013 and $45.1 million as of December 31, 2012. These assets primarily consisted of (i) $4.2 million of loans originated by the Company's European operations, (ii) $5.0 million of investment securities available for sale, and (iii) $6.5 million of other assets as of December 31, 2013 compared to (i) $15.7 million of loans originated by the Company's European operations, (ii) $4.4 million of investment securities available for sale, and (iii) $8.9 million of other assets as of 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 the resolution of a terminated derivative contract that was the subject of an adversary proceeding in the Bankrupcty Court and proceeds collected on a loan originated by the Company's European operations.

Corporate and Other restricted cash of $75.2 million as of December 31, 2012, included $49.7 million which is cash from variable interest 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. The decrease in the related restricted cash was due to events that occurred during the period that allowed certain restricted cash balances to be removed as the derecognition criteria under GAAP was achieved. As of December 31, 2013, the Company's continuing operations are no longer the primary beneficiary of variable interest entities and do not expect to become a primary beneficiary in the future.

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):

	December 31, 2013			December 31, 2012		
	LIHTC Business	Former Asian Operations	Total	LIHTC Business	Former Asian Operations	Total
Assets of discontinued operations	$ 134,930	$ 247	$ 135,177	$161,372	$92,146	$253,518
Liabilities of discontinued operations	77,438	—	77,438	85,609	29,110	114,719
Noncontrolling interests	33,756	—	33,756	52,027	—	52,027

As of December 31, 2013 and December 31, 2012, the $33.8 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 decrease in the assets and liabilities of discontinued operations as of December 31, 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 Liquidity and Capital Resources section for further information about the termination of the settlement agreement with Japanese lenders.

LIHTC

The Company has filed objections to the bankruptcy claims of the counterparties relating to the remaining unsettled guaranteed and non-guaranteed LIHTC funds while continuing to pursue negotiations to restructure and settle these claims. The Company's objections seek, among other things, the return of excess collateral pledged with respect to certain of the guarantees. The Company believes that the remaining unsettled guaranteed LIHTC funds will be resolved by December 31, 2014, either through consensual restructuring and settlement transactions or through the claims objection process in the Bankruptcy Court.

Former Asian Operations

The Company's Asian Operations business segment managed a portfolio of real estate investments located in Japan. Sales of the remaining real estate assets were completed by December 31, 2012. As of December 31, 2013, the remaining activities for the former Asian Operations segment primarily include dissolving and liquidating the legal entities. See Liquidity and Capital Resources section for further information about the termination of the settlement agreement with Japanese lenders.

Noncontrolling Interests

The Company's total equity as of December 31, 2013 and 2012, respectively included $33.8 million and $61.8 million of noncontrolling interests. The Company expects to derive no material economic benefit from these noncontrolling interests. The majority of the noncontrolling interests are associated with discontinued operations. The decrease in noncontrolling interests as of December 31, 2013 compared to December 31, 2012 was primarily due to the sale of LIHTC assets associated with the Company's discontinued operations and the sale of a real estate asset in continuing operations during the period which was partially owned by a third party.

Variable Interest Entities

The Company is involved with various entities in the normal course of business, one or more of which may be deemed to be a variable interest entity ("VIE"). A VIE is an entity in which the equity investors do not have sufficient equity at risk for the entity to finance its activities without additional financial support or lacks one or more of the characteristics of a controlling financial interest.

While the Company engages in activities with VIEs throughout the organization, the two businesses which account for a significant portion of involvement with VIEs are the LIHTC business included in discontinued operations and the former NMTC business. The Company's LIHTC business had sponsored guaranteed and non-guaranteed tax credit fund and operating partnerships prior to the commencement of the bankruptcy. A significant portion of the assets and liabilities of the LIHTC business are assets and liabilities of VIEs or related to VIEs. Additionally, the Company has loans held for sale to partnerships which are VIEs. These VIEs made investments, typically mortgage loans that, in turn, qualify the partnership to earn new markets tax credits.

Presentation of the Company's Results of Operations

Consolidated Results of Operations

Net Interest Income

Net interest income represents the difference between the amount of interest that the Company earns on its interest-earning assets, primarily loans held for sale, and the amount of interest that the Company pays on its interest-bearing liabilities. Net interest income is driven by the principal amount of interest-earning assets and interest-earning liabilities that the Company holds on its consolidated balance sheet and the changes in the spread between the two. Interest expense consists primarily of amounts paid to third parties under the Company's debt financing arrangements including interest that accrued on its deposit liabilities. Interest expense also includes the accretion of the premiums and discounts recognized in the application of fresh start accounting to the deposit liabilities.

Noninterest Income and Noninterest Expense

Noninterest income primarily includes net realized and unrealized gains and losses on loans, investment securities available for sale, real estate investments and equity investments. Net gains (losses) on loans also include the recognition of the discount recorded in the application of fresh start accounting to the loans held for sale. The discount is recognized as a component of the realized gain on sale at the time of a partial or full disposition of the loan.

Noninterest expense consists primarily of compensation and benefits; professional fees for bankruptcy related matters, fees of legal, accounting and other service providers; insurance premiums; costs for office space and equipment and other various expenses.

Noncontrolling Interests

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

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

	Year ended December 31, 2013
Interest income	$ 29,999
Interest expense	6,286
Net interest income	23,713
Noninterest income	127,732
Net revenue	151,445
Noninterest expense	52,396
Income from continuing operations before income taxes	99,049
Income tax benefit	(851)
Income from continuing operations after income taxes	99,900
Loss from discontinued operations, net of tax	(22,630)
Net income	77,270
Plus: Net loss attributable to noncontrolling interests	14,432
Net income attributable to Capmark Financial Group Inc.	$ 91,702

The income from continuing operations before income taxes of $99.0 million in the year ended December 31, 2013 was primarily due to $127.7 million of noninterest income and $30.0 million of interest income partially offset by $52.4 million of noninterest expense and $6.3 million of interest expense. Noninterest income of $127.7 million primarily included $41.5 million of realized gains on the dispositions of real estate investments, $40.6 million of realized gains on the redemption and sale of interests in collateralized debt obligations, $23.7 million of realized gains on full or partial dispositions of loans held for sale and $21.0 million due primarily to unrealized gains on real estate equity investment funds and joint ventures. Interest income in the year ended December 31, 2013 included the recognition of $5.5 million of previously deferred interest on loans held for sale. The $52.4 million of noninterest expense included $25.9 million of compensation and benefits costs and $19.6 million of professional fees. The $6.3 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):

	Year ended December 31, 2013
Net gains on loans	$ 26,290
Net gains on investments and real estate	79,453
Other losses, net(1)	(5,511)
Equity in income of joint ventures and partnerships	24,260
Fee revenue	341
Net real estate investment and other income	2,899
Total	$ 127,732

Note:

(1) Includes the changes in fair value on derivative instruments, gains and losses associated with the revaluation of foreign currencies, losses associated with the cumulative translation adjustment for the substantially complete liquidation of investments in foreign entities which were previously recorded in accumulated other comprehensive income (loss) and other miscellaneous gains and losses.

Net gains on loans of $26.3 million for the year ended December 31, 2013 primarily included $23.7 million of realized gains on full or partial dispositions of loans held for sale and $2.6 million of recapture of losses that were recorded at the initial application of fresh start accounting on loans held for sale. Net gains on investments and real estate of $79.5 million for the year ended December 31, 2013 primarily included $41.5 million of realized gains on the dispositions of real estate investments and $40.6 million of realized gains on the redemption and sale of interests in collateralized debt obligations investment securities classified as available for sale. Other losses, net included $9.7 million of the release of cumulative foreign currency translation losses which were previously recorded in accumulated other comprehensive income (loss) for the substantially complete liquidation of investments in foreign entities and $1.2 million of net losses associated with foreign currency remeasurement adjustments principally associated with the former Asian Operations segment. Other losses, net also includes the offsetting impact of $4.9 million of gains due to the resolution of a terminated derivative contract that was the subject of an adversary proceeding in the Bankruptcy Court. Equity in income of joint ventures and partnerships of $24.3 million was primarily due to $21.0 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):

	Year ended December 31, 2013
Compensation and benefits	$ 25,943
Professional fees	19,624
Occupancy and equipment	2,251
Corporate insurance	1,539
Other expenses(1)	3,039
Total	$ 52,396

Note:

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

Compensation and benefit costs for the year ended December 31, 2013 included $16.2 million of salary and benefits expense and $9.7 million of expense associated with various incentive compensation programs. The $16.2 million of salary and benefits expense included $2.7 million of employee benefits costs and $3.5 million of severance costs associated with the planned reduction of employees. The $9.7 million of incentive compensation expense included $3.9 million for long term incentive plans, $1.3 million of expense for retention programs and $1.8 million for stock-based compensation expense. The long term incentive plans were established pursuant to the Plan 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 all of the estimated expense associated with the long term incentive plans as of December 31, 2013. The Company made cash payments for substantially all of the remaining obligations for the long term incentive plans in the year ended December 31, 2013. The retention program provides awards of deferred cash compensation and generally entitles the recipient to receive a contractually fixed payment either on a quarterly or annual basis.

Professional fees of $19.6 million in the year ended December 31, 2013 included $9.2 million of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of $5.1 million for the year ended December 31, 2013. Other professional fees in the year ended December 31, 2013 were primarily related to legal, accounting and tax services.

Other expenses in the year ended December 31, 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 $2.9 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 December 31, 2013.

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

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

The Company’s reorganization constituted an ownership change under Section 382 of the Internal Revenue Service Code which places an annual dollar limit on the use of Predecessor CFGI net operating loss carryforwards, capital loss carryforwards and other tax attributes that may be utilized by Successor CFGI. The calculation of the annual limitation of usage of Predecessor CFGI tax attributes is based on a percentage of the equity value immediately after any ownership change. The annual amount of Predecessor CFGI tax attributes that may be utilized by Successor CFGI is limited to approximately $104.0 million.

Discontinued Operations

The loss from discontinued operations of $22.6 million for the year ended December 31, 2013 is primarily due to a $18.3 million net loss associated with the LIHTC business platform and a $4.3 million net loss from the former Asian Operations segment. Activity in the LIHTC business platform included $17.3 million of noninterest losses associated with the equity investments. The noninterest losses of the LIHTC business platform are substantially offset by the net loss attributable to noncontrolling interests and have a limited impact on the net income attributable to the Company. The net loss from the former Asian Operations segment is primarily due to $6.4 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 $14.4 million for the year ended December 31, 2013 was due primarily to the portion of the loss attributable to third party investors in certain LIHTC partnerships that are consolidated under applicable accounting guidance. In the year ended December 31, 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 December 31, 2013, the Company's continuing operations had $138.4 million in total cash and cash equivalents (including restricted cash). The following table summarizes the cash, cash equivalents and restricted cash from continuing operations (in thousands):

Cash, Cash Equivalents and Restricted Cash	December 31, 2013	December 31, 2012
Non-Capmark Bank:		
Cash and cash equivalents	$ 99,086	$ 182,726
Restricted cash	11,861	75,219
Capmark Bank cash and cash equivalents	27,449	1,296,156
Total cash, cash equivalents and restricted cash attributable to continuing operations	$ 138,396	$ 1,554,101

The Company's primary sources of liquidity from the existing assets are expected to be (1) distributions received from equity investments, (2) proceeds from the resolution of loans, including par payoffs and discounted payoffs received in connection with loan workout efforts and (3) sales of other assets in its portfolio. The Company expects to generate sufficient liquidity from the existing assets 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	December 31, 2013	December 31, 2012
Distribution escrow	$ 9,480	$ 7,462
Bankruptcy disputed administrative, priority and convenience class claims escrow	501	8,865
Cash from consolidated VIEs	—	49,663
Other	1,880	9,229
Restricted cash from continuing operations	$ 11,861	$ 75,219

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. The Company received $8.3 million of cash from the reserves for disputed administrative, priority and convenience claims. The cash release was due to the resolution of administrative and priority claims.

Distributions to Stockholders

In 2013, the Company paid cash distributions to the holders of the Company's common stock 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
December 27, 2013	December 30, 2013	1.85

For U.S. federal income tax purposes, any distribution by the Company to its stockholders will be characterized as a dividend to the extent of the Company's current or cumulative earnings and profits. Distributions made in excess of earnings and profits are next treated as a return of capital to the extent of the stockholders' basis. The Company determined that 4.25% of the distributions made to stockholders in the year ended December 31, 2013 would be taxable as a dividend however, this determination may change after finalization of the Company's 2013 federal tax return.

The Company does not anticipate making additional distributions to stockholders in the near term. The terms of the Investment Agreement contain certain prohibitions on future distributions by the Company and certain of its subsidiaries. If the Investment Agreement with Centerbridge does not close, the Company will evaluate how to utilize its cash, including whether to make distributions to stockholders.

Financing Arrangements

Brokered CDs of Capmark Bank

As of August 20, 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 was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013.

Secured and Other Borrowings

Secured and other borrowings of $130.4 million as of December 31, 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. 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 11 of the consolidated financial statements for further discussion of the discontinued operations.

Settlement of Japanese Loans under the Unsecured Credit 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 LLC ("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.

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.

Crystal Ball Settlement Agreement

Crystal Ball was a guarantor of the Credit Agreement and unsecured bridge loan (collectively, the "Unsecured Loans") and the Predecessor Senior Unsecured 6.300% Notes, the Predecessor Senior Unsecured Floating Rate Notes, and the Predecessor Senior Unsecured 5.875% Notes (collectively, the "Unsecured Notes"). The obligations under the Unsecured Loans and Unsecured Notes were discharged in the Plan for the Reorganized Debtors; however, Crystal Ball was not a debtor. To obtain a release from its guarantee obligations, Crystal Ball and the parties to the Unsecured Loans and Unsecured Notes entered into a settlement agreement in July 2011 (the "Crystal Ball Settlement Agreement") that was approved in connection with the Plan. The Crystal Ball Settlement Agreement, which was effective with the Plan, provided that on a quarterly basis Crystal Ball and its subsidiaries were required to distribute all cash in excess of working capital needed to pay liabilities and expenses to the holders of the Unsecured Loans and the Unsecured Notes in accordance with the specific allocation set forth in the Plan. Crystal Ball made the initial payment of $85.0 million on the Effective Date.

Pursuant to Section 3.2 of the Crystal Ball Settlement Agreement, Crystal Ball Holding of Bermuda Limited terminated the Crystal Ball Settlement Agreement on June 28, 2013 upon the payment of $0.9 million to the holders of the Unsecured Loans and Unsecured Notes. In accordance with the Crystal Ball Settlement Agreement, Crystal Ball Holding of Bermuda Limited made payments to the holders of the Predecessor CFGI unsecured loans and unsecured notes of $7.5 million since December 31, 2012, including the final payment and has no further obligations thereunder.

RISK FACTORS

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

Risks Related to the Capitalization of the Company

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

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

2. Ability to Meet Liquidity Needs

The Company's primary source of cash is currently funds generated from monetization, collection and sales of and earnings on the Company's existing assets, which are generally non-performing, distressed or non-marketable. In addition, the ability of the Company to make intercompany transfers, including loans and dividends, may be affected by financial, business and other factors as well as applicable federal, state, or foreign fraudulent conveyance or dividend restriction laws. There can be no assurance the Company will be able to generate sufficient cash flow from operations or that future borrowings, if needed, will be available to enable the Company to pay the Company's obligations or to fund its other liquidity needs.

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

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

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

- changes in the Company's financial performance or the value of the Company's assets;
- changes in the timing and amount of cash generated by the Company on its assets;
- speculation in the press or investment community regarding the Company's business or facts or events that may directly or indirectly affect its business;
- significant acquisitions or business combinations, strategic partnerships, by or involving the Company;
- changes in conditions in the commercial real estate finance and other markets in which the Company operates;

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

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

- significant sales of Common Stock.

4. Restrictions on Transferability of Common Stock

Certain provisions of the Company's current bylaws void certain transfers of Common Stock. In addition, if a majority of the holders of outstanding Common Stock approve the proposed form of articles of incorporation, the Company's articles will contain similar provisions voiding the transfers of Common Stock. These provisions could make it more difficult for a third party to acquire control of the Company or have the effect of discouraging a third party from attempting to acquire control over the Company. Additionally, these provisions may adversely affect the marketability of the Common Stock by discouraging potential investors from acquiring the Common Stock. In addition, these provisions could delay or frustrate the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving the Company, or impede an attempt to acquire a significant or controlling interest in the Company, even if such events might be beneficial to the Company and its stockholders.

5. Payment of Distributions

The terms of the Investment Agreement contain certain prohibitions on future distributions by the Company and certain of its subsidiaries. Even if the Company were not prohibited from making distributions, the declaration of any future distributions by the Company is within the discretion of the Company's Board of Directors and will be dependent on the Company's financial condition, as well as any other factors deemed relevant by the Board. Although the Company has made prior distributions to its stockholders, there is no guarantee that the Company will continue making distributions in the future.

6. Tax Treatment of Common Stock

To the extent the Company declares or pays any dividends on the Common Stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder's adjusted tax basis in shares of the Common Stock. Any remaining excess will be treated as gain realized on the sale or other disposition of the Common Stock.

Non-U.S. holders will generally not be subject to U.S. federal income tax on any gains realized on the sale, exchange or other disposition of the Common Stock unless:

- the gain (1) is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business and (2) if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, is attributable to a permanent establishment (or, in certain cases involving individual holders, a fixed base) maintained by the non-U.S. holder in the United States (in which case the special rules described below apply);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition of our common stock, and certain other requirements are met (in which case the gain would be subject to withholding tax, or such reduced rate as may be specified by an applicable income tax treaty, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States); or
- the rules of the Foreign Investment in Real Property Tax Act ("FIRPTA") treat the gain as effectively connected with a U.S. trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of the Common Stock if the Company is, or was within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period, a U.S. real property holding corporation ("USRPHC"). In general, the Company would be a USRPHC if interests in U.S. real estate comprised at least half of the Company's business assets. We do not believe that we are a USRPHC, but as the composition of the Company's assets vary, the Company may find itself to be a USRPHC. Even if the Company were to become a USRPHC, as long as the Common Stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if beneficially owned by a non-U.S. holder that actually or constructively owned more than 5% of the Company's outstanding common stock at some time within the five-year period preceding the disposition.

THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH STOCKHOLDER OR PROSPECTIVE STOCKHOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR CLASS A COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

Risks Associated with the Business

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

Although the Company has implemented numerous tactical and strategic initiatives and continues to consider additional strategic alternatives with a view towards maximizing value for the holders of Common Stock, there can be no assurance that the Company's initiatives will be successful. The strategies may change over time as new investment opportunities develop. The Company's strategy, the methods for its implementation, and its other objectives, may be altered by its Board of Directors without the approval of its stockholders. As a result, the nature of an investment in the Common Stock could change.

8. Future acquisitions or business opportunities

As business conditions warrant and the Company's financial resources permit, the Company may pursue opportunities to acquire businesses or form joint ventures that the Company believes could complement, enhance or expand the Company's business or that might otherwise offer the Company growth opportunities. Under the terms of the Investment Agreement, the Company's ability to make certain acquisitions may require the consent of Centerbridge. For example, any transaction that involves the amendment of the Company's articles of incorporation or bylaws would requires the prior consent of Centerbridge in order to make such amendment.

The Company may have difficulty identifying appropriate acquisition opportunities, or if opportunities are identified, the Company may not be successful in completing transactions for a number of reasons. Although the Company intends to conduct business, financial and legal due diligence in connection with the evaluation of future business or acquisition opportunities, there can be no assurance the due diligence investigations will identify every matter that could have a material adverse effect on the Company. The Company may be unable to adequately address the financial, legal and operational risks raised by such businesses or acquisitions, especially if its management and board of directors are unfamiliar with the relevant industry. The realization of any unknown risks could prevent or limit the Company from realizing the projected benefits of the businesses or acquisitions, which could adversely affect its financial condition and liquidity. In addition, the Company's financial condition and results of operations will be subject to the specific risks applicable to any business or company it acquires.

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

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

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

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

11. Inability to Utilize the Company's Tax Attributes

As of December 31, 2013, the Company had United States federal net operating losses ("NOLs") of approximately $1.4 billion, that if unused, will begin to expire in 2028. The Company has established valuation allowances for these deferred tax assets based on their assessments of the amounts of deferred tax assets that are more-likely-than-not realizable. The amount of the Company's NOLs has not been audited or otherwise validated by the Internal Revenue Service ("IRS"). The ability of the Company to utilize its NOLs and other tax carry forwards to reduce taxable income in future years may be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of such NOL carry forwards prior to their expiration and/or the IRS challenges its use. There can be no assurance that the Company will have sufficient taxable income or that the IRS will not challenge the use of the NOLs in later years to enable the Company to use the net operating loss carry forwards before they expire.

Additionally, the ability of the Company to fully use these tax assets could also be adversely affected if the respective companies were deemed to have an "ownership change" within the meaning of Sections 382 and 383 of the Code. Calculating whether an ownership change has occurred, for tax purposes, is subject to inherent uncertainty, both because of the complexity and ambiguity of Section 382 of the Code and because of limitations on a publicly-traded non-reporting company's knowledge as to the ownership of, and transactions in, its securities. Therefore, the calculation of the amount of the Company's utilizable net operating loss carry forwards could be changed as a result of a successful challenge by the IRS or as a result of the Company learning of new information about the ownership of, and transactions in the Common Stock. The Company has an ongoing study of the applicable rolling three-year testing periods for determining ownership changes under Section 382. Based on information available to the Company as of March 27, 2014, the Company has not had a Section 382 ownership change since September 30, 2011 that would result in a limitation of the ability to utilize the Company's NOLs. If an ownership change should occur in the future, the Company's ability to use the NOLs to offset future taxable income will be subject to a further annual limitation that could significantly reduce the amount of NOL that could be utilized annually to offset future income.

12. Changes to Tax Rules

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

13. Legal Proceedings

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

14. Difficulty in Retaining or Replacing Key Employees

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

15. Outsourcing Certain Corporate Functions

In an effort to be more efficient, the Company has outsourced its internal audit function and may outsource additional corporate functions to third party service providers. As a result, we may rely upon third parties to ensure that the Company's needs with respect to these functions are sufficiently met. This reliance subjects the Company to risks arising from the changes in certain processes and pricing that may affect its operating results. The failure of these service providers to satisfactorily perform these functions may have an adverse affect on the Company's business and operating results.

16. Registration under the Investment Company Act of 1940

The Investment Company Act of 1940, or the "Investment Company Act," contains substantive legal requirements that regulate the manner in which ''investment companies'' are permitted to conduct their business activities. The Company has conducted and intends to continue to conduct its business in a manner that does not result in the Company or any of its subsidiaries being required to register as an investment company under the Investment Company Act. If the Company or any of its subsidiaries fail to qualify for and maintain an exemption from registration under the Investment Company Act, or an exclusion from the definition of an investment company, or otherwise be deemed not to be required to register as an investment company, the Company or its subsidiaries could be required to register as an investment company, which could have an adverse effect on the Company, its financial results, or the value of its Common Stock. The Company is required to monitor its assets to ensure that it will not be required to register as an investment company. In order to avail itself of certain exemptions from registration, the Company's ability to sell certain kinds of assets or to conduct certain activities in the future may be restricted. In addition, the Company may need to acquire certain assets to ensure it qualifies for one or more exemptions.

17. Changes in Prevailing Interest Rates, Credit Spreads and Credit Availability

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

- adversely impact the fair value of real estate equity investments, loans and securities owned by the Company; and

- adversely affect the Company's ability to sell financial assets, which has and could in the future adversely affect the Company's liquidity and its ability to fund operations.

18. Changes in Governmental Policies

The Company's business and earnings are significantly affected by the fiscal and monetary policies of the United States government and its agencies. The Company and its subsidiaries are particularly affected by the policies of the Federal Reserve, which regulates the supply of money and credit in the United States. The Federal Reserve's policies influence the yield on the Company's interest-earning assets and the cost of its interest-bearing liabilities. In addition, the Company is subject to risks associated with legislative and regulatory reforms, including changes to tax laws or their interpretation. Changes in those policies are beyond the Company's control, are difficult to predict and could adversely affect its business, future results of operations and financial condition.

19. Liabilities under Environmental Laws

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Capmark Financial Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and December 31, 2012, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capmark Financial Group Inc. and its subsidiaries as of December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 28, 2014

FINANCIAL STATEMENTS

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

	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	$ 126,535	$ 1,478,882
Restricted cash (1)	11,861	75,219
Accounts and other receivables (1)	61,019	51,496
Investment securities available for sale	4,974	4,611
Loans held for sale (1)	156,870	591,814
Real estate investments (1)	—	154,112
Equity investments	177,534	248,350
Other assets (1)	7,172	13,048
Assets of discontinued operations (1)	135,177	253,518
Total assets	$ 681,142	$ 2,871,050
Liabilities and Equity		
Liabilities:		
Secured and other borrowings (1)	130,449	222,062
Deposit liabilities	—	1,018,601
Other liabilities (1)	65,922	127,457
Liabilities of discontinued operations (1)	77,438	114,719
Total liabilities	273,809	1,482,839
Commitments and Contingent Liabilities		
Equity:		
Common stock, $.001 par value; shares authorized — 110,000,000; shares issued and outstanding — 100,182,419 at December 31, 2013 and 100,242,722 at December 31, 2012	100	100
Capital paid in excess of par value	189,820	1,240,834
Retained earnings	182,015	90,313
Accumulated other comprehensive income (loss), net of tax	1,627	(4,885)
Total Capmark Financial Group Inc. stockholders' equity	373,562	1,326,362
Noncontrolling interests	33,771	61,849
Total equity	407,333	1,388,211
Total liabilities and equity	$ 681,142	$ 2,871,050

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 9 for further discussion.

	December 31, 2013	December 31, 2012
Assets		
Restricted cash	$ —	$ 49,663
Accounts and other receivables	—	1,055
Loans held for sale	—	181,794
Real estate investments	—	22,225
Other assets	—	1,482
Assets of discontinued operations	41,685	65,606
Total assets	$ 41,685	$ 321,825

	December 31, 2013	December 31, 2012
Liabilities		
Secured and other borrowings	$ —	$ 4,903
Other liabilities	—	2,011
Liabilities of discontinued operations	7,929	13,580
Total liabilities	$ 7,929	$ 20,494

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

	Year ended December 31, 2013	Year ended December 31, 2012
Net Interest Income		
Interest income	$ 29,999	$ 108,985
Interest expense	6,286	48,675
Net interest income	23,713	60,310
Noninterest Income		
Net gains on loans	26,290	179,019
Net gains (losses) on investments and real estate	79,453	(10,733)
Other losses, net	(5,511)	(12,226)
Equity in income of joint ventures and partnerships	24,260	25,452
Fee revenue	341	3,527
Net real estate investment and other income	2,899	(333)
Total noninterest income	127,732	184,706
Net revenue	151,445	245,016
Noninterest Expense		
Compensation and benefits	25,943	63,580
Professional fees	19,624	32,034
Occupancy and equipment	2,251	9,498
Other expenses	4,578	27,599
Total noninterest expense	52,396	132,711
Income from continuing operations before income tax benefit	99,049	112,305
Income tax benefit	(851)	(1,700)
Income from continuing operations after income tax benefit	99,900	114,005
Loss from discontinued operations, net of tax	(22,630)	(44,329)
Net income	77,270	69,676
Plus: Net loss attributable to noncontrolling interests	14,432	52,288
Net income attributable to Capmark Financial Group Inc.	$ 91,702	$ 121,964
Other comprehensive income (loss)		
Net change in unrealized gains and losses on investment securities	(1,923)	2,300
Net foreign currency translation	8,435	(5,568)
Other comprehensive income (loss)	6,512	(3,268)
Comprehensive income attributable to Capmark Financial Group Inc.	$ 98,214	$ 118,696
Basic and diluted net income per share - continuing operations	$ 1.15	$ 1.67
Basic and diluted net income per share attributable to Capmark Financial Group Inc.	0.92	1.22
Basic weighted average shares outstanding	99,728	99,607
Diluted weighted average shares outstanding	99,761	99,734

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

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

	Year ended December 31, 2013	Year ended December 31, 2012
Common Stock		
Number of shares outstanding at beginning of period	100,242,722	100,052,475
Additional shares issued	—	243,767
Treasury shares retired	(60,303)	(53,520)
Number of shares outstanding at end of period	100,182,419	100,242,722
Common Stock		
Balance at beginning of period	$ 100	$ 100
Additional shares issued (retired)	—	—
Balance at end of period	100	100
Capital Paid in Excess of Par Value		
Balance at beginning of period	1,240,834	2,692,602
Additional shares issued	—	—
Stockholder distributions	(1,052,548)	(1,454,296)
Treasury shares retired	(267)	(648)
Stock-based compensation	1,801	3,176
Balance at end of period	189,820	1,240,834
Retained Earnings (Accumulated Deficit)		
Balance at beginning of period	90,313	(31,651)
Net income attributable to Capmark Financial Group Inc.	91,702	121,964
Balance at end of period	182,015	90,313
Accumulated Other Comprehensive Income (Loss), net of tax		
Balance at beginning of period	(4,885)	(1,617)
Other comprehensive income (loss)	6,512	(3,268)
Balance at end of period	1,627	(4,885)
Total Capmark Financial Group Inc. Stockholders' Equity	373,562	1,326,362
Noncontrolling Interests		
Balance at beginning of period	61,849	178,960
Net loss attributable to noncontrolling interests	(14,432)	(52,288)
Other (includes impact of sale of discontinued operations assets)	(13,646)	(64,823)
Balance at end of period	33,771	61,849
Total Equity	$ 407,333	$ 1,388,211

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

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

	Year ended December 31, 2013	Year ended December 31, 2012
Operating Activities of Continuing Operations		
Net income	$ 77,270	$ 69,676
Net loss from discontinued operations	(22,630)	(44,329)
Net income from continuing operations	99,900	114,005
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities of continuing operations:		
Net gains	(100,232)	(156,060)
Net accretion of fresh start accounting adjustments	(17,395)	(65,242)
Equity in net gains of investees and cash return on investment	(20,454)	(22,970)
Stock-based compensation expense	1,801	3,380
Other, net	1,540	9,430
Net change in assets and liabilities which provided (used) cash:		
Accounts and other receivables	(1,951)	91,306
Other assets	5,344	90,493
Other liabilities	(58,090)	(108,017)
Current taxes payable	(19)	111
Proceeds from sales of/payments from loans held for sale	455,407	3,075,582
Net cash provided by operating activities of continuing operations	365,851	3,032,018
Investing Activities of Continuing Operations		
Net decrease in restricted cash	63,358	54,045
Proceeds from sales of investment securities classified as available for sale	46,541	18,916
Repayments of investment securities classified as available for sale	176	570,657
Purchases of investment securities classified as available for sale	(11,027)	—
Proceeds from sales of real estate investments	195,575	281,577
Proceeds from sales of/capital distributions from equity investments	88,829	101,463
Other investing activities, net	1,782	(1,689)
Net cash provided by investing activities of continuing operations	385,234	1,024,969
Financing Activities of Continuing Operations		
Repayments of debt	—	(738,959)
Repayments of secured and other borrowings	(91,613)	(427,810)
Transfer of deposit liabilities	—	(874,026)
Repayment of deposit liabilities	(1,001,206)	(1,909,451)
Distributions to stockholders	(1,052,548)	(1,454,296)
Other financing activities, net	(9,955)	2,348
Net cash used in financing activities of continuing operations	(2,155,322)	(5,402,194)
Effect of Foreign Exchange Rates on Cash	(1,024)	(89)
Discontinued Operations		
Net cash used in operating activities of discontinued operations	(6,757)	(18,192)
Net cash (used in) provided by investing activities of discontinued operations	(7,496)	259,613
Net cash used in financing activities of discontinued operations	(22,340)	(65,016)
Net cash (used in) provided by discontinued operations	(36,593)	176,405
Net Decrease in Cash and Cash Equivalents	(1,441,854)	(1,168,891)
Cash and Cash Equivalents, Beginning of Period(1)(2)	1,568,920	2,737,811
Cash and Cash Equivalents, End of Period(2)(3)	$ 127,066	$ 1,568,920

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

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

	Year ended December 31, 2013	Year ended December 31, 2012
Supplemental Disclosures of Cash Flow Information:		
Income taxes refunded, net	$ 877	$ 11,248
Interest paid	34,849	143,276
Non-cash Investing and Financing Activities:		
Transfer of loans held for sale to real estate	—	20,309
Transfer of real estate to loans held for sale	—	14,549

Notes:

(1) 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.

(2) 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.

(3) Cash and cash equivalents exclude restricted cash of $93.9 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $0.5 million, respectively as of December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

CAPMARK FINANCIAL GROUP INC.
Notes to Consolidated Financial Statements

1. Organization and Operations

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a real estate finance company focused on the management of its commercial real estate-related assets and businesses primarily 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 ("chapter 11 of the 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 Bankruptcy Code. The entities which filed voluntary cases under chapter 11 of the Bankruptcy Code are referred to herein as the "Debtors". Certain of the Debtors, including Capmark Financial Group Inc. (Capmark Financial Group Inc. following its emergence from bankruptcy is referred to as "Successor CFGI" 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 was effective for fourteen of the Debtors (the "Reorganized Debtors"); however, on October 3, 2013, the Bankruptcy Court issued an order closing the chapter 11 cases of eight of the Reorganized Debtors. There were also ten Debtors which remained in bankruptcy as of December 31, 2013. The remaining Debtors are primarily managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business.

In accordance with the Plan, on the Effective Date, the existing common stock of Predecessor CFGI was cancelled and new Successor CFGI common stock ("Common Stock") was authorized for issuance. In addition, on the Effective Date, the existing debt securities of Predecessor CFGI and the related guarantees provided by certain of its subsidiaries were discharged. On the Effective Date, Successor CFGI issued $1.25 billion of new secured debt securities ("Secured Notes") which were guaranteed and secured by the assets of certain of its domestic subsidiaries, excluding Capmark Bank. In accordance with the Plan, a combination of cash, Secured Notes and Common Stock was distributed to the Plan disbursing agent on behalf of the holders of general unsecured claims against the Reorganized Debtors in satisfaction of their claims. The Secured Notes were fully repaid on September 5, 2012.

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.

From the Effective Date through December 31, 2013, the Company operated primarily through the following subsidiaries:

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

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

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

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

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

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

Significant Accounting Policies and Recently Issued Accounting Standards

Fresh Start Accounting

The Company adopted fresh start accounting in accordance with the provisions of ASC 852, *Reorganizations*, (“ASC 852”) as of September 30, 2011 as discussed below. Accretion and recognition of certain fresh start accounting adjustments had a significant impact on the statement of comprehensive income for the years ended December 31, 2013 and 2012. In the year ended December 31, 2013, the accretion related impacts primarily included a $17.4 million decrease in interest expense comprised of the accretion of the fresh start accounting premium for the deposit liabilities. In the year ended December 31, 2012, the accretion related impacts primarily included a $62.9 million decrease in interest expense comprised of $71.1 million for the accretion of the fresh start accounting premium for the deposit liabilities and Federal Home Loan Bank of Seattle (“FHLB”) borrowings at Capmark Bank offset by $8.2 million for accretion of the fresh start accounting net discount on debt.

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

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

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

Cash, Cash Equivalents and Restricted Cash

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

Classification, Valuation, and Impairment of Investment Securities

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

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

Loans Held for Sale

Loans held for sale consist of domestic and international, fixed and floating rate loans that are secured by commercial and multifamily real estate properties. Loans are classified as held for sale at the time of origination when the Company does not intend to hold the loan for the foreseeable future or until maturity or payoff. In connection with its business plans upon emergence from bankruptcy, the Company classified all of its loans as held for sale. The Company reviews the appropriateness of its loan classifications based on a number of factors, including market demand for the Company's loan products, liquidity needs and corporate objectives. No loans have been classified as held for investment in the year ended December 31, 2013 or 2012.

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

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

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

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

Real Estate Investments

Real estate investments include real estate acquired through foreclosure. The Company transfers loan assets to real estate acquired through foreclosure when it holds title or the deed to the underlying collateral or if it determines that the Company has substantive control of the underlying collateral. Real estate acquired through foreclosure is initially recorded at estimated fair value less costs to sell and subsequently carried at the lower of cost or estimated fair value less costs to sell and any related valuation allowances.

Equity Investments

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

Non-marketable equity investments that are not carried at fair value, as described above, are reviewed for impairment. In evaluating whether a decline in value of an equity investment is other-than-temporary, the Company evaluates the investee's ability to generate and sustain an earnings capacity that would support the carrying value of the investment, as well as the Company's ability and intent to hold the investment until the decline in value is recovered. When it is determined that other-than-temporary impairment has occurred, the Company records a charge for the difference between the investment's carrying value and its fair value. In the year ended December 31, 2013, the Company recognized $2.4 million of impairment charges on equity method investments. As of December 31, 2012 the Company had no equity investments where an other-than-temporary impairment had occurred.

As further discussed in Note 6, Capmark Bank holds an investment in FHLB capital stock that is carried at cost and evaluated for impairment at each reporting date, which requires a degree of judgment. The Company evaluates whether any decline is other-than-temporary and if so, whether it affects the ultimate carrying value of the FHLB stock. The evaluation is influenced by the materiality of the carrying amount and whether the Company has a need to dispose of the stock in the foreseeable future and, if so, for an amount other than par value. The FHLB capital stock can only be sold back to the FHLB or to another member institution at par value. In management's judgment, conditions were absent that would justify an impairment of the FHLB capital stock investment and as such as of December 31, 2013 and 2012, the Company has recognized no impairments.

Secured and Other Borrowings

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

Deposit Liabilities—Brokered CDs

The Company accounted for brokered certificates of deposit ("Brokered CDs") at amortized cost.

Accounting for Income Taxes

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

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

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

Stock-Based Compensation

The unrecognized compensation expense related to performance based nonvested shares is amortized to compensation expense over the vesting period of the award if the performance condition is considered probable. Any previously recognized compensation cost would be reversed if the performance condition is not satisfied or if it is not probable that the performance condition will be achieved. The liabilities incurred under stock-based compensation arrangements are measured at fair value. Compensation expense related to nonvested shares with a service condition are measured at fair value on the grant date and recognized in the income statement, on a straight-line basis, over the applicable vesting periods for all share-based payments. Fair value is determined by the market price on the grant or measurement date.

Earnings Per Share

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

Discontinued Operations

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

Recently Issued Accounting Standards

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* ("ASU 2011-11"). The update expands the required disclosures for financial instruments and derivative instruments that offset under other GAAP or are subject to an enforceable master netting arrangement or similar agreement. The update was 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 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 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 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 is 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

Investment securities classified as available for sale included: residual interests in collateralized debt obligations ("CDOs") and securitizations and other investment securities. The following table summarizes the fair value of the Company's investment securities classified as available for sale (in thousands):

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
December 31, 2013	$ 3,455	$ 1,519	$ —	$ 4,974
December 31, 2012	$ 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.

	Year ended December 31, 2013	Year ended December 31, 2012
Gains recognized	$ 40,552	$ 1,113
Losses recognized	—	—
Net gains	$ 40,552	$ 1,113
Proceeds received	$ 46,541	$ 18,916

The Company recognized $2.6 million and $4.7 million of impairments on investment securities available for sale that were considered other-than-temporary impairment in the year ended December 31, 2013 and 2012, respectively.

The following table summarizes the maturities of investment securities classified as available for sale as of December 31, 2013 (in thousands):

	Amortized cost
Due in one year or less	$ 3,414
Due after one year through five years	41
Total	$ 3,455

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

4. Loans Held for Sale

As of December 31, 2013 and 2012, the Company had $115.1 million and $172.4 million of loans held for sale, respectively, that are no longer owned by the Company, but continue to be recognized on the Company's balance sheet because the transfers of these loans to a third party were accounted for as financings under ASC 860. These loans held for sale are pledged for the secured borrowings for transactions that do not qualify as sales under ASC 860.

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):

	December 31, 2013		December 31, 2012	
Collateral type	Carrying amount	Percent of portfolio	Carrying amount	Percent of portfolio
Office	$ 48,337	31%	$ 94,318	16%
Condominium	18,144	12	132,617	22
Retail	5,795	4	67,945	11
Healthcare	2,474	1	21,338	4
Hospitality	532	—	90,076	15
Multifamily	—	—	34,517	6
Mixed-use and other(1)	81,588	52	151,003	26
Total	$ 156,870	100%	$ 591,814	100%

Note:

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

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

	December 31, 2013		December 31, 2012	
Region	Carrying amount	Percentage of portfolio	Carrying amount	Percentage of portfolio
North East and Mid-Atlantic	$ 70,513	45%	$ 223,912	37%
South	9,282	6	112,799	19
West	3,005	2	147,440	25
North Central	—	—	4,270	1
Other—North America	69,869	44	87,683	15
Europe	4,201	3	15,710	3
Total	$ 156,870	100%	$ 591,814	100%

The Company had $5.6 million and $78.7 million of loans held for sale on nonaccrual status as of December 31, 2013 and 2012, respectively.

5. Real Estate Investments

The Company did not have real estate investments as of December 31, 2013. The following table summarizes the carrying amount of the Company's real estate investments as of December 31, 2012, by classification (in thousands):

	December 31, 2012	
Collateral Type	Amount	Percentage
Office	$ 59,655	39%
Retail	13,087	8
Multifamily	6,591	4
Hospitality	5,073	4
Mixed-use and other	69,706	45
Total	$ 154,112	100%

6. Equity Investments

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

	December 31, 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	$ 100,809	57%	$ 145,283	58%
Investment in the capital stock of FHLB	54,885	31	56,946	23
Investments in entities that hold foreclosed real estate assets in the United States	21,585	12	41,178	17
Other	255	—	4,943	2
Total	$ 177,534	100%	$ 248,350	100%

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

Investment in the capital stock of FHLB. Capmark Bank holds an investment in the capital stock of the FHLB that was required in connection with its borrowings from the FHLB and is considered restricted stock. 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 $2.1 million and $1.0 million of Capmark Bank’s capital stock pursuant to these quarterly share redemptions in the year ended December 31, 2013 and 2012, respectively.

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

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

7. Secured and Other Borrowings

Secured and other borrowings of $130.4 million and $222.1 million as of December 31, 2013 and 2012, respectively, 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.

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):

	December 31, 2013	December 31, 2012
Restricted cash	$ —	$ 43,932
Accounts and other receivables	16,320	9,782
Loans held for sale	115,095	172,352
Total assets pledged as collateral	$ 131,415	$ 226,066
Related secured borrowings	$ 130,449	$ 219,789

8. Deposit Liabilities

As of August 20, 2013, all of Capmark Bank's remaining outstanding Brokered CDs reached scheduled contractual maturity and were fully repaid. On September 25, 2013 the FDIC issued an order determining that Capmark Bank was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013.

As of December 31, 2012, Capmark Bank had Brokered CDs with a $1.0 billion carrying value and contractual amount outstanding. The deposits of Capmark Bank were interest-bearing and insured by the FDIC, subject to insurance program limits. The weighted average interest rate for total deposits was 4.2% as of December 31, 2012.

9. Variable Interest Entities

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

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

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

In the year ended December 31, 2013, the Company is no longer consolidating 9 funds associated with former 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 year ended December 31, 2013, 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

As of December 31, 2013, the Company's continuing operations are no longer the primary beneficiary of VIEs. The following table sets forth the total assets and liabilities of consolidated VIEs, after accounting for intercompany eliminations, for which the Company's continuing operations were the primary beneficiary as of December 31, 2012 (in thousands):

	December 31, 2012
Restricted cash	$ 49,663
Accounts and other receivables	1,055
Loans held for sale	181,794
Real estate investments	22,225
Other assets	1,482
Total assets	$ 256,219
Other borrowings	4,903
Other liabilities	2,011
Total liabilities	$ 6,914

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

				Maximum exposure to loss(3)			
	Size of VIEs(1)	Carrying amount of assets(2)	Carrying amount of liabilities(2)	Commitments	Loans and investments	Accounts and other receivables	Total
As of December 31, 2013							
Loans held for sale	$ 261,221	$ 29,397	$ —	$ —	$ 22,345	$ 7,052	$ 29,397
NMTC funds	213,862	179,709	—	—	132,876	46,833	179,709
Collateralized debt obligations	22,880	—	—	—	—	—	—
CMBS securitization trusts	782,332	1,384	—	—	1,384	—	1,384
Total	$ 1,280,295	$ 210,490	$ —	$ —	$ 156,605	$ 53,885	$ 210,490
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.

The Company has evaluated its investments and other interests in entities that may be considered VIEs under the provisions of ASC 810. The following describes the VIEs in which the Company's continuing operations have a significant variable interest, in circumstances where the Company consolidates the VIE and in circumstances where the Company does not consolidate the VIE, as appropriate.

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

New Markets Tax Credit Funds. Prior to emergence from bankruptcy, the Company made loans to, and syndicated and managed third party equity investments in partnerships that made investments, typically mortgage loans that, in turn, qualify the partnerships to earn new markets tax credits. The Company discontinued its syndication activities in 2008 and focused on the management of these partnerships. Also, on April 15, 2011, the Company transferred certain of its financial interests related to the partnerships to US Bancorp. The transfers of the majority of these financial assets did not meet the criteria for sale accounting under ASC 860 and were accounted for as financings with related secured borrowings.

As discussed in secured and other borrowings in Note 7, the balance of such secured borrowings at December 31, 2013 and 2012 is $130.4 million and $219.8 million, respectively. Therefore, the Company continues to have a variable interest in these partnerships.

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

For certain of these partnerships, the Company was considered the primary beneficiary because it had the power to direct activities that most significantly impact the economic performance of the partnership and had therefore consolidated the partnerships under ASC 810. The assets in these consolidated partnerships are reported primarily as a component of loans held for sale on the Company's consolidated balance sheet. There were no assets of such consolidated partnerships included on the consolidated balance sheet as of December 31, 2013. As of December 31, 2012, there were $256.2 million in assets of such consolidated partnerships included on the consolidated balance sheet. Neither the creditors nor equity investors in the NMTC funds have any recourse to the general credit of the Company.

For certain of these partnerships, the Company is not considered the primary beneficiary under ASC 810 because the Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE. These partnerships had assets of $179.7 million and $150.1 million, as of December 31, 2013 and 2012, respectively. The partnerships have loans from the Company which are reported as a component of loans held for sale on the Company's consolidated balance sheet. The Company's maximum exposure to loss in these partnerships is attributable to loans to the partnerships.

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

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

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

Discontinued Operations

Assets of discontinued operations and liabilities of discontinued operations on the Company's consolidated balance sheet as of December 31, 2013 include $41.7 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 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 December 31, 2013 and 2012 related to the Company's variable interest in 70 and 77 non-consolidated VIEs for lower-tier operating partnerships was $25.8 million and $42.9 million, respectively. At December 31, 2013 and 2012, the lower-tier operating partnerships included in discontinued operations had underlying assets of $841.2 million and $1.0 billion, respectively. The Company's discontinued operations had a maximum exposure to loss of $147.2 and $202.6

million as of December 31, 2013 and 2012, respectively, related to commitments, guarantees and collateral, and loans and investments for non-consolidating VIEs for lower-tier operating partnerships. See Note 11 for a discussion of Discontinued Operations.

10. Income Taxes

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

	Year ended December 31, 2013	Year ended December 31, 2012
Current income tax (benefit) provision:		
Federal	$ —	$ —
State	(266)	(45)
Foreign	(585)	(1,655)
Total current income tax (benefit) provision	(851)	(1,700)
Deferred income tax provision (benefit):		
Federal	—	—
State	—	—
Foreign	—	—
Total deferred income tax provision (benefit)	—	—
Total income tax (benefit) provision	$ (851)	$ (1,700)

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

In accordance with the Code, the Company reduced certain federal and state tax attributes by approximately $2.0 billion on January 1, 2012. The amount of the reduction is equal to the amount of cancellation of indebtedness income that the Company excluded from taxable income of Predecessor CFGI. The Company's calculation of cancellation of debt income of $2.0 billion equaled the excess of indebtedness discharged over the value of consideration given in the reorganization.

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

At both December 31, 2013 and 2012, the Company had federal NOL carryforwards of approximately $1.4 billion. The Company had capital loss carryforwards of approximately $764.1 million and $762.4 million as of December 31, 2013 and 2012. NOL carryforwards expire from 2028 through 2033. Capital loss carryforwards expire in years 2015 to 2017. The Company had foreign tax credits of approximately $140.0 million as of December 31, 2013 and 2012, which expire between 2014 and 2017.

The Company has state NOL carryforwards and foreign NOL carryforwards as of December 31, 2013 and 2012. The state NOL carryforwards expire in various years beginning after 2013. The foreign NOL carryforwards begin expiring in various years after 2015.

The Company establishes valuation allowances for its deferred tax assets based on a "more likely than not" threshold. The Company's ability to realize its deferred tax assets is dependent on generating sufficient taxable income within the carryback or carryforward periods provided for by law within each applicable taxing jurisdiction. In those jurisdictions with a net deferred tax asset, the Company does not believe it is more likely than not that the deferred tax assets will be realized. In recognition of this conclusion, the Company has established valuation allowances in those jurisdictions as of December 31, 2013 and 2012 on the federal, state, and foreign deferred tax assets, including federal, state, and foreign net operating losses, tax credit carryforwards, and temporary tax differences, net of any deferred tax liabilities. If or when recognized, the tax benefit relating to any reversal of the valuation allowance on deferred tax assets as of December 31, 2013 and 2012 will be accounted for as a reduction of income tax expense.

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

	December 31, 2013	December 31, 2012
Assets:		
Net operating loss carryforwards (federal, state and foreign)	$ 621,511	$ 612,061
Capital loss carryforward	297,153	296,481
Foreign tax credit carryforwards	140,042	140,042
Loans held for sale and equity investment valuations	2,984	18,444
Reserves	2,683	6,784
Other deferred tax asset	5,895	8,575
Total deferred tax assets	1,070,268	1,082,387
Valuation allowance	(1,040,793)	(1,075,480)
Total deferred tax assets, net	29,475	6,907
Liabilities:		
Equity investment valuation	25,529	—
Other deferred tax liabilities	3,946	6,907
Total deferred tax liabilities	29,475	6,907
Net deferred tax assets (liabilities)	$ —	$ —

At December 31, 2013, the Company recorded approximately $16.6 million in unrecognized tax benefits. A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows (in thousands):

	December 31, 2013	December 31, 2012
Balance as of beginning of the period	$ 16,208	$ 16,208
Additions based on tax position related to the current year	—	—
Additions based on tax position related to prior years	—	—
Reductions for tax position related to prior years	—	—
Reductions due to expiration of statutes of limitation	—	—
Settlements with taxing authorities	—	—
Balance as of end of the period	$ 16,208	$ 16,208

Of the $16.2 million liability for unrecognized tax benefits at December 31, 2013, the entire amount could impact the Company's effective tax rate in future periods.

The Company recognized a liability of approximately $10.0 million and $9.3 million attributable to interest and penalties as of December 31, 2013 and 2012, respectively. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company recognized an increase of $0.7 million and an increase of $0.7 million of gross interest and penalties in the year ended December 31, 2013 and 2012, respectively.

The Company operates in multiple tax jurisdictions, both within and outside the United States. Accordingly, the Company is, from time to time, under examination in certain tax jurisdictions and remains subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, the Company may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different statute of limitations expiration dates. The following table summarizes the tax years that remain subject to examination in the Company's major tax jurisdictions as of December 31, 2013:

United States—federal	2010-2013
United States—states	2006-2013
Ireland	2008-2012

Based upon the expiration of statutes of limitation and/or conclusion of tax examinations in several jurisdictions, management does not believe that it is reasonably possible that any of the previously unrecognized tax benefits as of December 31, 2013 for the items discussed above will decrease materially within the next 12 months.

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

	Year ended December 31, 2013		Year ended December 31, 2012	
	Amount	Percent	Amount	Percent
Income tax expense (benefit) at statutory rate	$ 34,765	35.0%	$ 39,307	35.0%
Effects of Non-U.S. operations	74	0.1	2,563	2.3
State income taxes, net of federal tax benefit	(267)	(0.3)	(45)	—
Change in valuation allowance on tax benefits	(28,326)	(28.5)	(51,011)	(45.4)
Reorganization expense	—	—	2,768	2.5
Effects of noncontrolling interests	4,988	5.0	5,667	5.0
Basis in investments	(7,083)	(7.2)	—	—
Other, net	(5,002)	(5.0)	(949)	(0.9)
Total income tax (benefit) expense	$ (851)	(0.9)%	$ (1,700)	(1.5)%

11. Discontinued Operations

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

	December 31, 2013	December 31, 2012
Cash and cash equivalents	$ 531	$ 90,038
Restricted cash	82,054	75,192
Accounts and other receivables	1,893	2,628
Investment securities	16,269	23,460
Loans held for sale	322	572
Real estate investments	8,884	15,673
Equity investments	24,658	42,309
Other assets	566	3,646
Total assets of discontinued operations	$ 135,177	$ 253,518
Debt	—	24,545
Secured and other borrowings	6,174	13,031
Other liabilities	71,264	77,143
Total liabilities of discontinued operations	$ 77,438	$ 114,719

As of December 31, 2013 and December 31, 2012, the $33.8 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 sets forth the net revenue, noninterest expense and income tax (benefit) expense of discontinued operations included on the consolidated statement of comprehensive income (in thousands):

	Year ended December 31, 2013	Year ended December 31, 2012
Net revenue	$ (11,122)	$ (10,729)
Noninterest expense	11,018	35,653
Income tax provision (benefit)	490	(2,053)
Loss from discontinued operations	$ (22,630)	$ (44,329)
Gain on sale included in loss from discontinued operations	$ —	$ 33,147

LIHTC Business

The LIHTC business is reflected on the consolidated balance sheet in the assets and liabilities of discontinued operations and the results of operations are reflected on the consolidated statement of comprehensive income as loss from discontinued operations, net of tax. The Company's financial statements continue to reflect certain LIHTC-related assets and liabilities related to guaranteed LIHTC funds managed by subsidiaries that have not been restructured and settled with the counterparties. As of December 31, 2013, there were nine remaining unsettled guaranteed LIHTC funds managed by subsidiaries of the Company that remain in bankruptcy.

The Company has filed objections to the bankruptcy claims of the counterparties relating to the remaining unsettled guaranteed and non-guaranteed LIHTC funds while continuing to pursue negotiations to restructure and settle these claims. The Company's objections seek, among other things, the return of excess collateral pledged with respect to certain of the guarantees. The Company believes that the remaining unsettled guaranteed LIHTC funds will be resolved by December 31, 2014, either through consensual restructuring and settlement transactions or through the claims objection process in the Bankruptcy Court.

The Company periodically assesses the fair value of assets and liabilities related to the LIHTC business that were determined as part of the adoption of fresh start accounting in accordance with the provisions of ASC 852. As of December 31, 2013 and 2012, the Company believes that there have been no impairments to the previously determined fair values. The impairment assessment takes into account the status of the bankruptcy claim objection proceedings, including claims seeking return of excess collateral.

As of December 31, 2013, $7.0 million of real estate investments included in assets of discontinued operations are pledged as collateral for the payment of $6.2 million of related secured borrowings included in liabilities of discontinued operations. As of December 31, 2012, $13.9 million of real estate investments included in assets of discontinued operations are pledged as collateral for the payment of $13.0 million of related secured borrowings included in liabilities of discontinued operations.

Former Asian Operations

In the second quarter of 2012, management committed to a business plan to sell the remaining real estate assets in the Asian Operations segment. The real estate assets were offered for sale in their current condition at prices that were considered reasonable in relation to the estimated fair value. Sales of these assets were completed as of December 31, 2012. As of December 31, 2013, the remaining activities for the former Asian Operations segment primarily include dissolving and liquidating the legal entities.

Settlement of Japanese Loans under the Unsecured Credit 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 agreemens. 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.

12. Common Stock

The Company paid cash distributions in aggregate of $10.50 and $14.50 per share to holders of the Company's Common Stock in the year ended December 31, 2013 and 2012, respectively.

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

On December 31, 2012, in accordance with their employment agreements and in connection with the vesting of restricted shares of Common Stock, two of the Company's executives directed the Company to withhold 54 thousand shares with an aggregate market value of $0.6 million to meet the Company's minimum statutory withholding requirements.

13. Fair Value of Assets and Liabilities

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

Fair Value Hierarchy

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

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

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

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

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

Determination of Fair Value

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

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

Investment Securities

Investment securities classified as available for sale are carried at fair value. Where quoted prices are available in an active market for identical instruments, investment securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then investment securities are classified as Level 2 and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or DCFs. Examples of instruments which would generally be classified within Level 2 of the valuation hierarchy include certain asset-backed securities and GSE securities. In cases where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. Investment securities classified within Level 3 include certain residual interests in securitizations and CDOs, tax-exempt securities, and other less liquid investment securities. The Company estimates the fair value of residual interests in securitizations based on a DCF analysis. The Company estimates the fair value of tax-exempt securities in inactive markets using inputs from third-party pricing providers for similar securities and makes qualitative adjustments based on current market conditions.

Derivative Instruments

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

Accounts Receivable

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

The Company accounts for certain of its assets at fair value on a recurring basis or considers fair value in their measurement. There are no liabilities accounted for at fair value on a recurring basis. The following table summarizes the assets measured at fair value on a recurring basis, including the asset for which the Company has elected the fair value option (in thousands):

Description	Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting	Balance as of December 31, 2013
Accounts receivable	$ —	$ —	$ 3,941	$ —	$ 3,941
Investment securities available for sale	—	—	4,974	—	4,974
Derivative assets - interest rate contracts	—	740	—	—	740
Total assets measured at fair value on a recurring basis	$ —	$ 740	$ 8,915	$ —	$ 9,655

Description	Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting	Balance as of December 31, 2012
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

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

Realized gains or losses for investment securities classified as available for sale are reported as a component of net gains (losses) on investments and real estate on the consolidated statement of comprehensive income. Gains or losses for derivatives are reported as a component of other losses, net on the consolidated statement of comprehensive income.

There were no transfers of assets between Level 1 and Level 2 in the year ended December 31, 2013 and 2012, respectively. There were no transfers of assets into Level 3 or out of Level 3 in the year ended December 31, 2013 and 2012, respectively.

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):

	Year ended December 31, 2013			Year ended December 31, 2012		
	Accounts Receivable	Investment Securities Available for Sale	Total	Accounts Receivable	Investment Securities Available for Sale	Total
Beginning balance	$ 3,685	$ 4,371	$ 8,056	$ 3,653	$ 13,112	$ 16,765
Purchases, issuances, sales and settlements:						
Purchases	—	11,027	11,027	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	(46,301)	(46,301)	—	(7,183)	(7,183)
Settlements	—	(8)	(8)	—	—	—
Total net realized/unrealized losses:						
Included in earnings	256	37,733	37,989	32	(3,007)	(2,975)
Included in other comprehensive income (loss)	—	(1,848)	(1,848)	—	1,449	1,449
Ending balance as of December 31	$ 3,941	$ 4,974	$ 8,915	$ 3,685	$ 4,371	$ 8,056
Change in unrealized (losses) gains for the period included in earnings for assets still held as of December 31	$ —	$ —	$ —	$ —	$(4,741)	$(4,741)

Certain assets are measured at fair value on a nonrecurring basis, including adjustments to fair value based on the application of lower of cost or fair value accounting and asset impairments. There were no liabilities measured at fair value on a nonrecurring basis as of December 31, 2013 and 2012. Loans held for sale accounted for at the lower of cost or fair value are measured at fair value on a nonrecurring basis. The fair values of real estate investments are based on signed purchase agreements or bids received from third parties to purchase as well as third-party appraisals and discounted cash flows expected to result from the use and eventual disposition of the assets. Any impairment recognized on real estate acquired through foreclosure is reported as a component of net gains (losses) on investments and real estate on the consolidated statement of comprehensive income. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of December 31, 2013 and 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 December 31, 2013 and 2012, respectively (in thousands):

Description	December 31, 2013	December 31, 2012
Assets measured at fair value on a nonrecurring basis:		
Loans held for sale	$ 4,332	$ 152,397
Real estate acquired through foreclosure	—	51,872

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

		December 31, 2013		December 31, 2012	
	Fair Value Hierarchy Level	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets:					
Cash and cash equivalents	Level 1	$ 126,535	$ 126,535	$ 1,478,882	$ 1,478,882
Restricted cash	Level 1	11,861	11,861	75,219	75,219
Accounts and other receivables	(1)	61,019	61,019	51,496	51,496
Investment securities available for sale	Level 2 or 3	4,974	4,974	4,611	4,611
Loans held for sale	Level 3	156,870	161,746	591,814	612,787
Derivative assets	Level 2	740	740	2,200	2,200
Financial Liabilities:					
Secured and other borrowings	Level 2	130,449	130,449	222,062	222,062
Deposit liabilities	Level 2	—	—	1,018,601	1,020,963

Note:

(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.

The following methods and assumptions were used to estimate the fair value of financial instruments not previously discussed in Note 2:

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

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

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

14. Stock-Based Compensation

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

Pursuant to the Plan and the 2011 Restricted Stock and Restricted Stock Unit Plan ("Restricted Stock Plan") which was effective as of September 30, 2011, the non-management members of the board of directors of Successor CFGI would receive annual awards of nonvested shares. Pursuant to the Restricted Stock Plan, the non-management directors were granted 52,475 nonvested shares that vested on September 30, 2012. Any dividends or distributions on the restricted shares were escrowed and paid on the vesting date. Expense associated with these awards of $1.2 million was recognized in professional fees on the consolidated statement of comprehensive income for the year ended December 31, 2012. The awards for the non-management members of the board of directors are accounted for as liability-classified under ASC 718, *Compensation – Stock Compensation*.

The Company issued the non-management members of the Board of Directors of the Company a one-time grant of 243,767 nonvested shares pursuant to the Amended and Restated 2011 Restricted Stock and Restricted Stock Unit Plan which was effective on August 29, 2012. This plan amends and restates the Restricted Stock Plan which was effective September 30, 2011 in order to appropriately align the incentive compensation of the Board of Directors of the Company with the interests of the stockholders of the Company in maximizing the return on the stockholders' equity interests. The grant included 182,827 nonvested shares that will vest two-thirds on October 1, 2014 and one-third on October 1, 2015. The grant also included 60,940 performance based nonvested shares which vest December 31, 2014 based upon the aggregate amount distributed to the Company's stockholders on a cumulative basis from August 29, 2012 to December 31, 2014 ("Aggregate Distribution"). The vesting conditions for the performance based nonvested shares are as follows: (a) one-third vest if the Aggregate Distribution is at least $2.2 billion, (b) two-thirds vest if the Aggregate Distribution is at least $2.4 billion and (c) all vest if the Aggregate Distribution is at least $2.6 billion. Expense associated with these awards of $0.1 million and $0.4 million was recognized in professional fees on the consolidated statement of comprehensive income for the year ended December 31, 2013 and 2012, respectively. The awards for the non-management members of the Board of Directors of the Company are accounted for as liability-classified under ASC 718, *Compensation – Stock Compensation*.

The following table summarizes nonvested shares activity and related information (number of shares in thousands):

	Year ended December 31, 2013				Year ended December 31, 2012			
	Performance Based Nonvested Shares		Other Nonvested Shares		Performance Based Nonvested Shares		Other Nonvested Shares	
	Number of nonvested shares	Weighted average grant date fair value	Number of nonvested shares	Weighted average grant date fair value	Number of nonvested shares	Weighted average grant date fair value	Number of nonvested shares	Weighted average grant date fair value
Outstanding as of the beginning of the period	60.9	$ 25.50	453.8	$ 18.22	—	$ —	458.8	$ 13.61
Granted	—	—	—	—	60.9	25.50	182.9	25.50
Vested	—	—	(135.5)	13.30	—	—	(187.9)	14.05
Forfeited	—	—	—	—	—	—	—	—
Outstanding as of the end of the period	60.9	$ 25.50	318.3	$ 20.31	60.9	$ 25.50	453.8	$ 18.22

The total fair value of nonvested shares that vested was $0.5 million for the year ended December 31, 2013. As of December 31, 2013, there was a total of $2.2 million of total unrecognized expense related to outstanding nonvested shares which is expected to be recognized over the weighted average remaining contractual life of 1.0 years.

15. Employee Benefit Plans

Retirement benefits

The Capmark 401(k) Plan ("401(k)") is a defined contribution plan and has a matching contribution provision in which employees who contribute to the 401(k) receive a dollar-for-dollar match up to a maximum amount. The match is subject to a five-year vesting schedule. The related expense for the year ended December 31, 2013 and 2012 was $0.2 million and $0.6 million, respectively, and is recognized in compensation and benefits expense on the consolidated statement of comprehensive income.

In May 2013, the Company announced its decision to terminate the active administration of the 401(k) effective March 31, 2014. Participants will become 100% vested in their accounts upon complete termination of the 401(k), including the distribution of all plan assets, or upon involuntary termination of employment.

Long term incentive benefits

Pursuant to the Plan, a $6.9 million long term incentive plan was established which provides deferred cash payments to certain officers and employees of Capmark Bank. These awards generally entitle recipients to receive a variable cash payment, based upon the achievement of a target equity value, measured no later than December 31, 2014 and payable by March 2015. The awards under the Capmark Bank long term incentive plan were accounted for as liability-classified under ASC 718, *Compensation – Stock Compensation*, as the awards are settled in cash. In the fourth quarter of 2012 in connection with the distribution of assets by Capmark Bank to CFGI in the third and fourth quarters of 2012, the Company measured and made all of the deferred cash payments under the long term incentive plan. The related expense recognized in compensation and benefits expense on the consolidated statement of comprehensive income was $10.7 million for the year ended December 31, 2012.

Pursuant to the Plan, a $9.2 million long term incentive plan was established which provides deferred cash payments to certain members of management other than employees of Capmark Bank. These awards generally entitle recipients to receive a variable cash payment, based upon the performance of and achievement of specific recovery values for the operational areas, measured no later than December 31, 2014 and payable by March 2015. The Company recognized the estimate of the remaining expense associated with the long term incentive plan as of December 31, 2013. The Company made cash payments for substantially all of the remaining obligations for the long term incentive plans in the year ended December 31, 2013. Other liabilities on the consolidated balance sheet included $1.2 million and $8.0 million as of December 31, 2013 and 2012, respectively, associated with this long term incentive plan. The related expense was $3.9 million and $9.3 million for the year ended December 31, 2013 and 2012, respectively, and is recognized in compensation and benefits expense on the consolidated statement of comprehensive income.

Retention programs

In August 2011, the Capmark Bank Board of Directors approved an $8.5 million retention program for certain eligible Capmark Bank employees. These awards of deferred cash compensation generally entitle the recipient to receive a fixed cash payment on a quarterly basis. At December 31, 2013 and 2012, other liabilities on the consolidated balance sheet included $0.1 million in each year associated with this retention program. The related expense was $0.2 million and $2.1 million for the year ended December 31, 2013 and 2012, respectively, and is recognized in compensation and benefits expense on the consolidated statement of comprehensive income.

Pursuant to the Plan, a $6.1 million retention program was established for certain of the Company's eligible employees other than employees of Capmark Bank. These awards of deferred cash compensation generally entitle the recipient to receive a fixed cash payment on each annual vesting date. At December 31, 2013 and 2012, other liabilities on the consolidated balance sheet included $1.5 million and $3.6 million, respectively, associated with this retention program. The related expense for the year ended December 31, 2013 and 2012 was $1.1 million and $4.0 million, respectively, and is recognized in compensation and benefits expense on the consolidated statement of comprehensive income.

16. Commitments and Contingent Liabilities

Commitments

As of December 31, 2013, the Company had outstanding commitments for continuing operations to provide $7.6 million in less than 1 year and $7.8 in one to three years to provide equity to equity method investees.

Contingencies related to LIHTC partnerships. The Company holds variable interests in syndicated LIHTC partnerships where the Company provided unaffiliated investors with a guaranteed yield on their investment. Although the Company has settled a number of LIHTC fund guarantees, the Company's financial statements continue to reflect certain assets and liabilities related to LIHTC funds managed by subsidiaries that have not been restructured and settled with the counterparties. As of December 31, 2013 and 2012, there were nine remaining unsettled guaranteed LIHTC funds managed by subsidiaries of the Company that remain in bankruptcy. As of December 31, 2013 and 2012, the Company's maximum exposure to loss under the yield guarantees was $120.3 million and $157.4 million. As of December 31, 2013 and 2012, the Company's estimate of actual loss under these yield guarantees was $67.4 million and $68.1 million and are reported as a component of liabilities of discontinued operations on the consolidated balance sheet.

As a result of previous settlements and the provisions of the Plan, recourse to the Reorganized Debtors with respect to LIHTC guarantees is limited to previously pledged collateral.

Litigation. 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. 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 December 31, 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.

17. Risks and Uncertainties

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

The Company's primary exposure to market risk is associated with its equity investments and loans held for sale. The Company's exposure to market risk is impacted by the performance of directly or indirectly owned real estate related investments which may fluctuate as demand changes for those types of assets and fair values potentially become depressed. Negative trends in the real estate market may materially adversely affect the Company's results of operations.

The Company's primary exposure to credit risk arises from its relationships, indirect and direct, with borrowers who may default and potentially cause losses if the borrowers do not repay amounts due under their loan agreements. Changes in credit risk are evaluated in the context of estimating the fair values of loans held for sale and collectability of accounts and other receivables. Negative trends in the financial position of borrowers, values of collateral underlying loans, and delinquencies and defaults on loans may materially adversely affect the Company's results of operations.

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

18. Regulatory Matters

Capmark Bank was jointly regulated by the FDIC and the UDFI (together with the FDIC, the "Bank Regulators"). The Bank Regulators imposed restrictions on Capmark Bank's operations, including capital maintenance obligations. On September 25, 2013, the FDIC issued an order determining that Capmark Bank was not engaged in the business of receiving deposits, which caused its deposit insurance to terminate on December 31, 2013. When the termination of deposit insurance became effective, Capmark Bank was no longer subject to FDIC regulation and examination and was not required to comply with capital adequacy requirements. Also on December 31, 2013, the Company returned to the UDFI the industrial bank charter under which Capmark Bank has operated since inception. On January 1, 2014, Capmark Bank amended its articles of organization to change its name to Capmark Utah Inc.

FDIC Capital Issues and Cease and Desist Orders

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

Capital Maintenance Agreement

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

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

The following table summarizes the FDIC's well-capitalized ratio requirements and Capmark Bank's regulatory capital ratios as of December 31, 2012. Although Capmark Bank satisfied the requirements to be deemed to be "well-capitalized", since Capmark Bank was subject to the C&D Orders, it was deemed to be only "adequately capitalized."

Ratio	Minimum Percentage to be "Well-Capitalized"	December 31, 2012
Tier 1 leverage ratio	5.0%	21.4%
Tier 1 risk-based capital ratio	6.0%	1,728.8%
Total risk-based capital ratio	10.0%	1,728.8%

The FDIC's minimum Tier 1 leverage ratio for a bank to remain well-capitalized was 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 was deemed to be "adequately capitalized".

19. Earnings Per Share

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

	Year ended December 31, 2013	Year ended December 31, 2012
Income from continuing operations after income taxes	$ 99,900	$ 114,005
Plus: Net loss attributable to noncontrolling interests	14,432	52,288
Income from continuing operations	114,332	166,293
Loss from discontinued operations, net	(22,630)	(44,329)
Net income attributable to Capmark Financial Group Inc.	$ 91,702	$ 121,964
Basic and diluted income per share from continuing operations	$ 1.15	$ 1.67
Basic and diluted loss per share from discontinued operations	(0.23)	(0.45)
Basic and diluted net income per share available to common stockholders	0.92	1.22
Basic weighted average shares outstanding	99,728	99,607
Effect of dilutive shares for nonvested shares	33	127
Diluted weighted average shares outstanding	99,761	99,734
Antidilutive nonvested shares	318	77

20. Accumulated Other Comprehensive Income

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

	December 31, 2013			December 31, 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 as of January 1	$ 3,550	—	$ 3,550	$ 1,250	—	$ 1,250
Net unrealized gains (losses) arising during the period	35,826	—	35,826	3,413	—	3,413
Less: reclassification adjustment for net gains (losses) included in net income	37,749	—	37,749	1,113	—	1,113
Net unrealized gain (loss) on investment securities as of December 31	1,627	—	1,627	3,550	—	3,550
Net foreign currency translation adjustment	—	—	—	(8,435)	—	(8,435)
Balance as of December 31	$ 1,627	—	$ 1,627	$ (4,885)	—	$ (4,885)

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

	Year ended December 31, 2013			Year ended December 31, 2012		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance as of January 1	$ 3,550	$ (8,435)	$ (4,885)	$ 1,250	$ (2,867)	$ (1,617)
Net unrealized gains (losses) arising during the period	35,826	(1,309)	34,517	3,413	(5,568)	(2,155)
Less: reclassification adjustment for net gains (losses) included in net income	37,749	(9,744)	28,005	1,113	—	1,113
Net change during the period	(1,923)	8,435	6,512	2,300	(5,568)	(3,268)
Balance as of December 31	$ 1,627	$ —	$ 1,627	$ 3,550	$ (8,435)	$ (4,885)

As of December 31, 2013, the Company recognized a $9.7 million release of cumulative foreign currency translation losses which were previously recorded in accumulated other comprehensive income (loss) for the substantially complete liquidation of investments in foreign entities. The Company will recognize future foreign currency translation amounts in other gains (losses), net on the consolidated statement of comprehensive income and does not expect amounts to be material.

The reclassification adjustments for net gains (losses) included in net income in the year ended December 31, 2013 and 2012 were recorded as a component of net gains (losses) on investments and real estate for investment securities and as a component of other losses, net for foreign currency translation on the consolidated statement of comprehensive income.

21. Segment Information

The operating results of the continuing operations for the Company's three reportable business segments have been determined in accordance with GAAP. The guidance is based on a management approach, which requires presentation of business segments based upon a company's organization and internal reporting of operating results from continuing operations to the company's chief operating decision maker. The Company's chief operating decision maker is its Chief Executive Officer. The accounting policies of the Company's business segments are the same as those described in Note 2, except that disaggregated results have been prepared using a management approach, which is substantially consistent with the basis and manner in which management internally disaggregates financial information for the purpose of assisting in the operating-decision process. Material intersegment transactions have been eliminated in consolidation.

The Company's business segments are separately managed and organized based on the type of business conducted. The Company's continuing operations have three reportable business segments in the year ended December 31, 2013: Capmark Bank, North American Asset Management and Real Estate Investment Funds.

Capmark Bank

Capmark Bank was jointly regulated by the Bank Regulators. The Bank Regulators imposed restrictions on Capmark Bank's operations, including capital maintenance obligations. The Company repaid all outstanding deposits at Capmark Bank, which terminated its deposit insurance as of December 31, 2013 after which it was no longer a regulated bank. See Note 18 for further discussion.

North American Asset Management

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

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

Real Estate Investment Funds

The Company's Real Estate Investment Funds segment consists of the management of the Company's remaining real estate equity and debt investments. These investments consist primarily of limited partnership and membership interests in the funds formerly managed by Capmark Investments LP and North American and European equity investments. Capmark has ceased making any new investments as part of this business line and the investment periods on the funds have expired.

Consistent with the Company's management reporting, the business segments do not include corporate administrative and support functions or certain immaterial businesses. The Company also does not allocate income taxes to its business segments or include any other eliminations, reclassifications or other adjustments that are made to conform the Company's management reporting to the consolidated financial statements. These items are included in the tables that follow under the heading "Corporate and Other" as further explained below:

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

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

The following tables summarize the financial results of the continuing operations for the Company's business segments (in thousands):

	Segments				
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	For the year ended December 31, 2013
Net interest income	$ (1,948)	$ 20,235	$ —	$ 5,426	$ 23,713
Noninterest income	111	67,443	21,271	38,907	127,732
Total net revenue	(1,837)	87,678	21,271	44,333	151,445
Noninterest expense	3,354	9,229	375	39,438	52,396
(Loss) income before income taxes	$ (5,191)	$ 78,449	$ 20,896	$ 4,895	$ 99,049
Net loss attributable to noncontrolling interests	$ —	$ (3,417)	$ —	$ 17,849	$ 14,432
Total assets at end of period	$ 82,974	$ 231,106	$ 101,453	$ 130,432	$ 545,965

	Segments				
	Capmark Bank	North American Asset Management	Real Estate Investment Funds	Corporate and Other	For the year ended December 31, 2012
Net interest income	$ 50,577	$ 34,384	$ 689	$ (25,340)	$ 60,310
Noninterest income	158,013	3,439	34,898	(11,644)	184,706
Total net revenue	208,590	37,823	35,587	(36,984)	245,016
Noninterest expense	43,106	20,753	732	68,120	132,711
(Loss) income before income taxes	$ 165,484	$ 17,070	$ 34,855	$ (105,104)	$ 112,305
Net loss attributable to noncontrolling interests	$ —	$ 2,414	$ —	$ 49,874	$ 52,288
Total assets at end of period	$ 1,357,602	$ 811,641	$ 148,060	$ 300,229	$ 2,617,532

22. Subsequent Events

On March 5, 2014, the Company entered into an agreement (the "Investment Agreement") with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in the Company by Centerbridge, subject to certain terms and conditions. The closing under the Investment Agreement is subject to certain conditions, including approval by the Company's stockholders of an amendment and restatement of the Company's existing articles of incorporation. The Company is currently seeking the consent of its stockholders for the amended and restated articles.

Subsequent events were evaluated through March 28, 2014, the date the consolidated financial statements were issued. 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.