Capmark Financial Group Inc.
Report as of and for the three months ended
March 31, 2014 and 2013

CAPMARK FINANCIAL GROUP INC.

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CAPMARK FINANCIAL GROUP INC.
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MANAGEMENT'S COMMENTARY ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Forward-Looking Statements

The Company's report as of and for the three months ended March 31, 2014 and 2013 ("Quarterly Report") contains statements that are "forward-looking statements". Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. All statements contained herein that are not clearly historical in nature are forward-looking. In some cases, you can identify these statements by use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "project," "intend," "could" or similar expressions. In particular, statements regarding the Company's plans, strategies, prospects and expectations regarding its business are forward-looking statements. You should be aware that these statements and any other forward-looking statements in this document only reflect the Company's beliefs, assumptions and expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Many of these risks, uncertainties and assumptions are beyond the Company's control and may cause actual results and performance to differ materially from the Company's expectations.

Forward-looking statements are based on the Company's beliefs, assumptions and expectations of its future performance, taking into account all information currently available to the Company. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to the Company or are within its control. If a change occurs, the Company's business, financial condition, and liquidity may vary materially from those expressed in its forward-looking statements. Important factors that could cause our actual results to be materially different from our expectations include the risks and uncertainties set forth in "Risk Factors" in the Company's Report as of and for the years ended December 31, 2013 and 2012 ("Annual Report").

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

Overview and Basis of Presentation

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a commercial real estate finance company focused on managing its existing assets and business and potentially acquiring one or more businesses with a view to maximizing shareholder value. This Quarterly Report should be read in conjunction with the Annual Report.

Highlights for Three Months Ended March 31, 2014:

- Transaction with Centerbridge:

  On March 5, 2014, the Company entered into an agreement with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in the Company by Centerbridge ("Investment Agreement"), subject to certain terms and conditions. Centerbridge will assist the Company over a two to three year period in identifying potential acquisition candidates that fit the Company's strategic objectives. Funds made available to the Company by Centerbridge would be used, together with the Company's own resources, to finance one or more acquisitions whose goal is to enhance value for all shareholders.

  On May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, (i) filed Amended and Restated Articles of Incorporation, (ii) issued to Centerbridge $5.0 million of convertible preferred stock and warrants to purchase up to 43 million shares of common stock and (iii) entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes, subject to certain terms and conditions. Pursuant to its rights as holder of the preferred stock, Centerbridge has elected Mr. Matthew Kabaker to the Company's Board of Directors, which now consists of nine members.

- Total cash received from asset collections and revenue was $75.6 million. Included in the total cash received, the Company realized total proceeds of $59.3 million from the collection on or monetization of loan and REO related assets, $5.2 million from the repayment of investment securities, $5.1 million of distributions from real estate equity and debt funds and $3.8 million from the redemption of the equity investment in the Federal Home Loan Bank of Seattle ("FHLB").

- The Company's net loss of $3.5 million for the three month ended March 31, 2014 included $9.7 million of noninterest expense partially offset by net gains on investments, real estate and loans of $2.8 million and net interest income of $2.2 million.

Presentation of the Company's Statement of Financial Condition

Consolidated Balance Sheet

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

	March 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 191,707	$ 126,535
Restricted cash	11,862	11,861
Accounts and other receivables	46,405	61,019
Investment securities available for sale	1,559	4,974
Loans held for sale	102,390	156,870
Equity investments	156,207	177,534
Other assets	6,301	7,172
Assets of discontinued operations	131,607	135,177
Total assets	$ 648,038	$ 681,142
Liabilities and Equity		
Liabilities:		
Secured borrowings	107,490	130,449
Other liabilities	62,087	65,922
Liabilities of discontinued operations	77,487	77,438
Total liabilities	247,064	273,809
Commitments and Contingent Liabilities		
Equity:		
Common stock	100	100
Capital paid in excess of par value	190,270	189,820
Retained earnings	178,526	182,015
Accumulated other comprehensive income (loss), net of tax	1,694	1,627
Total Capmark Financial Group Inc. stockholders' equity	370,590	373,562
Noncontrolling interests	30,384	33,771
Total equity	400,974	407,333
Total liabilities and equity	$ 648,038	$ 681,142

Consolidated Assets

Cash and cash equivalents increased from $126.5 million as of December 31, 2013 to $191.7 million as of March 31, 2014 primarily due to proceeds received on the disposition of and collection on assets. The Company does not anticipate making additional distributions to stockholders in the near term. The terms of the Investment Agreement with Centerbridge contain certain prohibitions on future distributions by the Company and certain of its subsidiaries.

Accounts and other receivables decreased to $46.4 million as of March 31, 2014 compared to $61.0 million as of December 31, 2013 primarily due to collection of $11.3 million of accrued interest receivables on performing loans and deferred interest receivables (also referred to as accrued success fees) on loans held for sale associated with the Company's former new markets tax credit ("NMTC") program. Accounts and other receivables also included balances associated with transfers of loans to a third party that were accounted for as financings under Accounting Standards Codification ("ASC") 860, *Transfers and Servicing* ("ASC 860") which decreased $5.2 million due to NMTC partnerships that met the derecognition criteria under accounting principles generally accepted in the United States of America ("GAAP").

Loans held for sale included $95.9 million and $115.1 million as of March 31, 2014 and December 31, 2013, respectively, of loans held for sale that are no longer owned by the Company, but continue to be recognized on the Company's balance sheet because the transfers of these loans to third parties were accounted for as financings under ASC 860. The $19.2 million decrease in the balance of these loans held for sale is due to NMTC partnerships that met the derecognition criteria under GAAP. The Company has not and does not expect to derive any material economic benefit from these transactions. The following table summarizes the Company's loans held for sale portfolio by category (in thousands, except number of assets):

	March 31, 2014		December 31, 2013	
	Number of assets	Aggregate carrying value	Number of assets	Aggregate carrying value
Loans held for sale - performing	—	$ —	3	$ 31,988
Loans held for sale - nonperforming	1	2,473	2	5,586
Loans held for sale – former European operation	2	3,978	2	4,201
Total	3	$ 6,451	7	$ 41,775

The decrease in the carrying value of loans held for sale as of March 31, 2014 compared to December 31, 2013 was primarily due to the disposition of and collection on assets. The following table presents a summary of assets disposed and proceeds collected from loans held for sale (in thousands, except number of assets):

	March 31, 2014			
	Number of assets	Servicing UPB (1)	Proceeds received	Percentage of prior quarter carrying value (2)
Loans held for sale - performing	3	36,023	$ 34,799	109%
Loans held for sale - nonperforming	1	8,784	2,962	94
Total	4	44,807	$ 37,761	107%

Notes:

(1) Unpaid principal balance ("UPB") is the current principal amount contractually due from the borrower.

(2) 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.

Equity investments include investments in real estate investment funds and other real estate ventures and an investment in the capital stock of the FHLB. The following table presents the change in the carrying value of equity investments in real estate investment funds and real estate acquired through foreclosure (in thousands):

	December 31, 2013	Distributions and Other	Statement of Comprehensive Income (Loss)	March 31, 2014
Equity investments in real estate funds:				
Limited partnership interests and membership interests in real estate equity investment funds	$ 80,630	$ (5,115)	(481)	$ 75,034
Limited partnership interests and membership interests in joint ventures	4,645	—	—	4,645
Limited partnership interests and membership interests in real estate debt funds	15,534	—	—	15,534
Total equity investments in real estate funds	100,809	(5,115)	(481)	95,213
Equity investments in real estate acquired through foreclosure	21,585	(11,713)	(83)	9,789
Total	$ 122,394	$ (16,828)	(564)	$ 105,002

Equity investments also included an equity investment in the capital stock of the FHLB of $51.1 million and $54.9 million as of March 31, 2014 and December 31, 2013, respectively. In September 2012, the FHLB announced that it would repurchase up to $25 million of excess capital stock per quarter on a pro-rata basis across its shareholder base. In February

2014, the FHLB announced that it would repurchase up to an additional $75 million of excess capital stock on a pro-rata basis from shareholders with redemption requests that have satisfied the redemption waiting period. The FHLB repurchased $3.8 million of the Company's capital stock pursuant to these quarterly redemptions in the three months ended March 31, 2014.

Consolidated Liabilities

The consolidated balance sheet of the Company included $247.1 million and $273.8 million of liabilities as of March 31, 2014 and December 31, 2013, respectively. Secured borrowings of $107.5 million and $130.4 million as of March 31, 2014 and December 31, 2013, 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. The decrease in the secured borrowings at March 31, 2014 compared to December 31, 2013 is primarily due to assets and the related borrowings associated with the Company's NMTC program that met the derecognition criteria under ASC 860. The liabilities included $77.5 million and $77.4 million associated with discontinued operations as of March 31, 2014 and December 31, 2013, respectively.

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):

	March 31, 2014			December 31, 2013		
	LIHTC Business	Former Asian Operations	Total	LIHTC Business	Former Asian Operations	Total
Assets of discontinued operations	$ 131,607	—	$ 131,607	$ 134,930	$ 247	$ 135,177
Liabilities of discontinued operations	77,487	—	77,487	77,438	—	77,438
Noncontrolling interests	30,384	—	30,384	33,756	—	33,756

As of March 31, 2014 and December 31, 2013, $30.4 million and $33.8 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, *Consolidation*, and associated with the LIHTC business portion of discontinued operations. The Company expects to derive no material economic benefit from these noncontrolling interests.

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 these funds 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 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 March 31, 2014, the Company completed the remaining activities of the former Asian Operations which included dissolving and liquidating the legal entities.

Presentation of the Company's Consolidated Results of Operations

	Three months ended March 31, 2014
Net Interest Income	
Interest income	$ 2,602
Interest expense	445
Net interest income	2,157
Noninterest Income	
Net gains on investments and real estate	1,795
Net gains on loans	976
Other gains, net	1,547
Equity in loss of joint ventures and partnerships	(564)
Net real estate investment and other income	237
Total noninterest income	3,991
Net revenue	6,148
Noninterest Expense	
Professional fees	5,245
Compensation and benefits	3,131
Occupancy and equipment	474
Other expenses	852
Total noninterest expense	9,702
Loss from continuing operations before income tax provision	(3,554)
Income tax provision	290
Loss from continuing operations after income tax provision	(3,844)
Loss from discontinued operations, net of tax	(2,953)
Net loss	(6,797)
Plus: Net loss attributable to noncontrolling interests	3,308
Net loss attributable to Capmark Financial Group Inc.	$ (3,489)

Net Interest Income

Interest income of $2.6 million included $1.0 million of deferred interest receivable recognized on loans held for sale and $0.9 million of interest on investment securities classified as available for sale. Interest income also included $0.4 million of interest on loans held for sale that are no longer owned by the Company, but continue to be recognized on the Company's balance sheet because the transfers of these loans to a third party were accounted for as financings under ASC 860. Interest expense includes $0.4 million of related interest on the secured borrowings for transactions that were accounted for as financings under ASC 860.

Noninterest Income

Net gains on investments and real estate of $1.8 million for the three months ended March 31, 2014 primarily included realized gains on the redemption of an interest in a collateralized debt obligation classified as available for sale. Net gains on loans of $1.0 million for the three months ended March 31, 2014 primarily included $1.1 million of realized gains on full or partial dispositions of loans held for sale partially offset by $0.2 million of losses from the application of lower of cost or fair value accounting to loans held for sale. Other gains, net primarily included $1.4 million of net gains recognized on accounts and other receivables related to the collection of an asset that was previously fully reserved. Equity in loss of joint ventures and partnerships of $0.6 million was primarily due to $0.5 million of losses on equity investments resulting from decreases in the fair value of assets held by real estate investment funds and joint ventures.

Noninterest Expense

Professional fees of $5.2 million in the three months ended March 31, 2014 included $2.7 million of costs associated with the Investment Agreement and $0.9 million of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of $0.3 million for the three months ended March 31, 2014.

Compensation and benefit costs for the three months ended March 31, 2014 included $1.6 million of salary expense, $0.5 million of benefits expense and $1.0 million of expense associated with various incentive compensation programs. The $1.0 million of incentive compensation expense included $0.5 million for stock-based compensation expense and $0.2 million of expense for retention programs.

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 March 31, 2014.

Discontinued Operations

The loss from discontinued operations of $3.0 million for the three months ended March 31, 2014 is primarily due to a $2.9 million net loss associated with the LIHTC business. Activity in the LIHTC business included $3.4 million of noninterest losses associated with the equity investments. The noninterest losses of the LIHTC business are substantially offset by the net loss attributable to noncontrolling interests and have a limited impact on the net income attributable to the Company.

Noncontrolling Interests

The net loss attributable to noncontrolling interests of $3.3 million for the three months ended March 31, 2014 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.

Liquidity and Capital Resources

As of March 31, 2014, the Company’s continuing operations had $203.6 million in total cash and cash equivalents, including $11.9 million of restricted cash.

The Company’s primary sources of liquidity from the existing assets are expected to be (1) distributions received from equity investments and (2) collections on and 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.

Distributions to Stockholders

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.

Financing Arrangements

As of March 31, 2014, the Company recognized $107.5 million of secured borrowings on the consolidated balance sheet under ASC 860. Recourse is limited to the assets related to these contractual arrangements.

FINANCIAL STATEMENTS

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

	March 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 191,707	$ 126,535
Restricted cash	11,862	11,861
Accounts and other receivables	46,405	61,019
Investment securities available for sale	1,559	4,974
Loans held for sale	102,390	156,870
Equity investments	156,207	177,534
Other assets	6,301	7,172
Assets of discontinued operations (1)	131,607	135,177
Total assets	$ 648,038	$ 681,142
Liabilities and Equity		
Liabilities:		
Secured borrowings	107,490	130,449
Other liabilities	62,087	65,922
Liabilities of discontinued operations (1)	77,487	77,438
Total liabilities	247,064	273,809
Commitments and Contingent Liabilities		
Equity:		
Common stock, $.001 par value; shares authorized — 110,000,000; shares issued and outstanding — 100,182,419 at March 31, 2014 and December 31, 2013	100	100
Capital paid in excess of par value	190,270	189,820
Retained earnings	178,526	182,015
Accumulated other comprehensive income (loss), net of tax	1,694	1,627
Total Capmark Financial Group Inc. stockholders' equity	370,590	373,562
Noncontrolling interests	30,384	33,771
Total equity	400,974	407,333
Total liabilities and equity	$ 648,038	$ 681,142

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

(1) The following table presents assets of consolidated variable interest entities ("VIEs") included in each balance sheet line item that can be used only to settle the obligations of the consolidated VIE and liabilities of the consolidated VIE included in each balance sheet line item for which creditors or other interest holders do not have recourse to the general credit of Capmark Financial Group Inc. and its subsidiaries. See Note 7 for further discussion.

	March 31, 2014	December 31, 2013
Assets		
Assets of discontinued operations	$ 38,313	$ 41,685
Total assets	$ 38,313	$ 41,685

	March 31, 2014	December 31, 2013
Liabilities		
Liabilities of discontinued operations	$ 7,929	$ 7,929
Total liabilities	$ 7,929	$ 7,929

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net Interest Income		
Interest income	$ 2,602	$ 12,324
Interest expense	445	2,023
Net interest income	2,157	10,301
Noninterest Income		
Net gains on investments and real estate	1,795	800
Net gains on loans	976	10,832
Other gains (losses), net	1,547	(1,489)
Equity in (loss) income of joint ventures and partnerships	(564)	465
Net real estate investment and other income	237	(321)
Total noninterest income	3,991	10,287
Net revenue	6,148	20,588
Noninterest Expense		
Professional fees	5,245	5,670
Compensation and benefits	3,131	8,760
Occupancy and equipment	474	658
Other expenses	852	3,850
Total noninterest expense	9,702	18,938
(Loss) income from continuing operations before income tax provision	(3,554)	1,650
Income tax provision	290	159
(Loss) income from continuing operations after income tax provision	(3,844)	1,491
Loss from discontinued operations, net of tax	(2,953)	(8,173)
Net loss	(6,797)	(6,682)
Plus: Net loss attributable to noncontrolling interests	3,308	4,893
Net loss attributable to Capmark Financial Group Inc.	$ (3,489)	$ (1,789)
Other comprehensive income (loss)		
Net change in unrealized gains and losses on investment securities	67	13,310
Net foreign currency translation	—	(932)
Other comprehensive income (loss)	67	12,378
Comprehensive (loss) income attributable to Capmark Financial Group Inc.	$ (3,422)	$ 10,589
Basic and diluted net (loss) income per share - continuing operations	$ (0.01)	$ 0.06
Basic and diluted net loss per share attributable to Capmark Financial Group Inc.	(0.03)	(0.02)
Basic weighted average shares outstanding	99,803	99,781
Diluted weighted average shares outstanding	99,803	99,787

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

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

	Three months ended March 31, 2014	Year ended December 31, 2013
Common Stock		
Number of shares outstanding at beginning of period	100,182,419	100,242,722
Additional shares issued	—	—
Treasury shares retired	—	(60,303)
Number of shares outstanding at end of period	100,182,419	100,182,419
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	189,820	1,240,834
Additional shares issued	—	—
Stockholder distributions	—	(1,052,548)
Treasury shares retired.	—	(267)
Stock-based compensation	450	1,801
Balance at end of period	190,270	189,820
Retained Earnings		
Balance at beginning of period	182,015	90,313
Net (loss) income attributable to Capmark Financial Group Inc.	(3,489)	91,702
Balance at end of period	178,526	182,015
Accumulated Other Comprehensive Income (Loss), net of tax		
Balance at beginning of period	1,627	(4,885)
Other comprehensive income (loss)	67	6,512
Balance at end of period	1,694	1,627
Total Capmark Financial Group Inc. Stockholders' Equity	370,590	373,562
Noncontrolling Interests		
Balance at beginning of period	33,771	61,849
Net loss attributable to noncontrolling interests	(3,308)	(14,432)
Other	(79)	(13,646)
Balance at end of period	30,384	33,771
Total Equity	$ 400,974	$ 407,333

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

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net Cash Provided By Operating Activities of Continuing Operations	$ 60,801	$ 125,778
Investing Activities of Continuing Operations		
Net increase in restricted cash	(1)	(30,003)
Proceeds from sales of investment securities classified as available for sale	—	240
Repayments of investment securities classified as available for sale	5,209	—
Proceeds from sales of real estate investments	—	20,315
Proceeds from sales of/capital distributions from equity investments	20,778	39,353
Other investing activities, net	—	2
Net cash provided by investing activities of continuing operations	25,986	29,907
Financing Activities of Continuing Operations		
Repayments of secured borrowings	(22,959)	(21,377)
Repayment of deposit liabilities	—	(99,819)
Distributions to stockholders	—	(451,092)
Other financing activities, net	—	(150)
Net cash used in financing activities of continuing operations	(22,959)	(572,438)
Effect of Foreign Exchange Rates on Cash	43	(676)
Discontinued Operations		
Net cash used in operating activities of discontinued operations	(203)	(4,924)
Net cash provided by (used in) investing activities of discontinued operations	1,300	(2,467)
Net cash used in financing activities of discontinued operations	—	(20,517)
Net cash provided by (used in) discontinued operations	1,097	(27,908)
Net Increase (Decrease) in Cash and Cash Equivalents	64,968	(445,337)
Cash and Cash Equivalents, Beginning of Period(1)(2)	127,066	1,568,920
Cash and Cash Equivalents, End of Period(3)(4)	$ 192,034	$ 1,123,583

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

Notes:

See Note 8 for further discussion of discontinued operations.

(1) 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.

(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 $95.2 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $0.3 million, respectively as of March 31, 2014.

(4) Cash and cash equivalents exclude restricted cash of $182.2 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $19.7 million, respectively as of March 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 commercial real estate finance company focused on managing its existing assets and businesses and potentially acquiring one or more businesses with a view to maximizing shareholder value.

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"); and subsequently 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 March 31, 2014. The remaining Debtors are primarily managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business.

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

2. Basis of Presentation and Recently Issued Accounting Standards

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim reporting. Accordingly, these financial statements do not include all of the information and footnote disclosures required for annual financial reporting. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Report as of and for the years ended December 31, 2013 and 2012. The Company's results for any interim period are not necessarily indicative of results for a full year or any other interim period.

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

The accompanying consolidated financial statements include financial information for Successor CFGI and its consolidated subsidiaries, including wholly-owned and majority owned subsidiaries in which the Company has a controlling financial interest and those variable interest entities ("VIEs") for which the Company is deemed the primary beneficiary. In certain cases, legal ownership interests and controlling financial interest do not strictly align and there are other specific consolidation criteria that must be applied under GAAP, and in those cases the Company follows the accounting policies more fully described in Note 2 of the consolidated financial statements included in Company's Report as of and for the years ended December 31, 2013 and 2012. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company as of March 31, 2014 and the results of its operations and cash flows for the interim periods presented.

Recently Issued Accounting Standards

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 did not 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 did not 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
March 31, 2014	$ 10	$ 1,549	$ —	$ 1,559
December 31, 2013	$ 3,455	$ 1,519	$ —	$ 4,974

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 (loss). The following table summarizes the gross realized gains and losses recognized by the Company on sales of investment securities classified as available for sale and the related proceeds received on such sales (in thousands):

	Three months ended March 31, 2014	Three months ended March 31, 2013
Gains recognized	$ —	$ —
Losses recognized	—	—
Net gains	$ —	$ —
Proceeds received	$ —	$ 240

4. Loans Held for Sale

As of March 31, 2014 and December 31, 2013, the Company had $95.9 million and $115.1 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, *Transfers and Servicing* ("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):

	March 31, 2014		December 31, 2013	
Collateral type	**Carrying amount**	**Percent of portfolio**	**Carrying amount**	**Percent of portfolio**
Office	$ 47,637	47%	$ 48,337	31%
Retail	2,521	2	5,795	4
Healthcare	2,474	2	2,474	1
Hospitality	532	1	532	—
Condominium	—	—	18,144	12
Mixed-use and other(1)	49,226	48	81,588	52
Total	$ 102,390	100%	$ 156,870	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 not otherwise delineated.

The Company had $2.5 million and $5.6 million of loans held for sale on nonaccrual status as of March 31, 2014 and December 31, 2013, respectively.

5. Equity Investments

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

	March 31, 2014		December 31, 2013	
	Carrying amount	**Percent of portfolio**	**Carrying amount**	**Percent of portfolio**
Investments in real estate investment funds and other real estate ventures	$ 95,213	61%	$ 100,809	57%
Investment in the capital stock of FHLB	51,098	33	54,885	31
Investments in entities that hold foreclosed real estate assets in the United States	9,789	6	21,585	12
Other	107	—	255	—
Total	$ 156,207	100%	$ 177,534	100%

6. Secured Borrowings

Secured borrowings of $107.5 million and $130.4 million as of March 31, 2014 and December 31, 2013, respectively, are 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):

	March 31, 2014	December 31, 2013
Accounts and other receivables	$ 8,319	$ 16,320
Loans held for sale	95,939	115,095
Total assets pledged as collateral	$ 104,258	$ 131,415
Related secured borrowings	$ 107,490	$ 130,449

7. Variable Interest Entities

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

The Company has evaluated its investments and other interests in entities that may be considered VIEs under the provisions of ASC 810, *Consolidation* ("ASC 810"). See Note 9 of the consolidated financial statements included in Company's Report as of and for the years ended December 31, 2013 and 2012 for a description of the VIEs in which the Company's continuing operations have a significant variable interest, in circumstances where the Company consolidates the VIE and in circumstances where the Company does not consolidate the VIE, as appropriate.

The Company did not provide any financial support to VIEs that it was not contractually obligated to provide for the three months ended March 31, 2014. In the three months ended March 31, 2014, there were no changes in the facts and circumstances for the VIEs that the Company is involved with that changed the Company's determination to consolidate such VIEs.

Continuing Operations

As of March 31, 2014 and December 31, 2013, the Company's continuing operations are not the primary beneficiary of any VIEs.

The following table sets forth the total assets and liabilities, and sources of maximum exposure of entities deemed to be VIEs 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 March 31, 2014							
Loans held for sale	$ 10,545	$ 3,978	$ —	$ —	$ 3,978	$ —	$ 3,978
NMTC funds	167,580	136,644	—	—	98,412	38,232	136,644
Collateralized debt obligations	16,974	—	—	—	—	—	—
CMBS securitization trusts	783,466	1,429	—	—	1,429	—	1,429
Total	$ 978,565	$ 142,051	$ —	$ —	$ 103,819	$ 38,232	$ 142,051
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

Notes:

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

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

(3) Maximum exposure to loss is based on the assumption that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets included on the consolidated balance sheet, but also

potential losses associated with off-balance sheet commitments such as unfunded liquidity and/or lending commitments and other contractual arrangements.

Discontinued Operations

Assets of discontinued operations and liabilities of discontinued operations on the Company's consolidated balance sheet as of March 31, 2014 include $38.3 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, 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. 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 March 31, 2014 and December 31, 2013 related to the Company's variable interest in 70 non-consolidated VIEs for lower-tier operating partnerships was $22.1 million and $25.8 million, respectively. At March 31, 2014 and December 31, 2013, the lower-tier operating partnerships included in discontinued operations had underlying assets of $832.5 million and $841.2 million, respectively. The Company's discontinued operations had a maximum exposure to loss of $135.2 million and $147.2 million as of March 31, 2014 and December 31, 2013, respectively, related to commitments, guarantees and collateral, and loans and investments for non-consolidating VIEs for lower-tier operating partnerships. See Note 8 for a discussion of Discontinued Operations.

8. Discontinued Operations

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

	March 31, 2014	December 31, 2013
Cash and cash equivalents	$ 327	$ 531
Restricted cash	83,354	82,054
Accounts and other receivables	1,876	1,893
Investment securities	15,291	16,269
Loans held for sale	322	322
Real estate investments	8,884	8,884
Equity investments	21,029	24,658
Other assets	524	566
Total assets of discontinued operations	$ 131,607	$ 135,177
Secured and other borrowings	6,174	6,174
Other liabilities	71,313	71,264
Total liabilities of discontinued operations	$ 77,487	$ 77,438

As of March 31, 2014 and December 31, 2013, $30.4 million and $33.8 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 the 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 provision (benefit) of discontinued operations included on the consolidated statement of comprehensive income (loss) (in thousands):

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net revenue	$ (2,321)	$ (2,314)
Noninterest expense	614	5,864
Income tax provision (benefit)	18	(5)
Loss from discontinued operations	$ (2,953)	$ (8,173)
Net loss attributable to noncontrolling interests associated with discontinued operations	$ (3,293)	$ (4,856)
Gain (loss) on sale included in loss from discontinued operations	—	—

9. Common Stock

The Company paid a cash distribution of $4.50 per share to holders of the Company's common stock in the three months ended March 31, 2013. No distributions were paid in the three months ended March 31, 2014.

10. Fair Value of Assets and Liabilities

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

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 March 31, 2014
Accounts receivable	$ —	$ —	$ 4,148	$ —	$ 4,148
Investment securities available for sale	—	—	1,559	—	1,559
Derivative assets - interest rate contracts	—	331	—	—	331
Total assets measured at fair value on a recurring basis	$ —	$ 331	$ 5,707	$ —	$ 6,038

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

There were no transfers of assets between Level 1 and Level 2 in the three months ended March 31, 2014 and 2013, respectively. There were no transfers of assets into Level 3 or out of Level 3 in the three months ended March 31, 2014 and 2013, 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):

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Accounts Receivable	Investment Securities Available for Sale	Total	Accounts Receivable	Investment Securities Available for Sale	Total
Beginning balance	$ 3,941	$ 4,974	$ 8,915	$ 3,685	$ 4,371	$ 8,056
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	(5,209)	(5,209)	—	—	—
Total net realized/unrealized losses:						
Included in earnings	207	1,764	1,971	—	(86)	(86)
Included in other comprehensive income (loss)	—	30	30	—	13,315	13,315
Ending balance as of March 31	$ 4,148	$ 1,559	$ 5,707	$ 3,685	$ 17,600	$ 21,285
Change in unrealized (losses) gains for the period included in earnings for assets still held as of March 31	$ —	$ —	$ —	$ —	$ —	$ —

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 March 31, 2014 and December 31, 2013. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of March 31, 2014 and December 31, 2013. 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 March 31, 2014 and December 31, 2013 were $2.5 million and $4.3 million, respectively.

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

		March 31, 2014		December 31, 2013	
	Fair Value Hierarchy Level	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets:					
Cash and cash equivalents	Level 1	$ 191,707	$ 191,707	$ 126,535	$ 126,535
Restricted cash	Level 1	11,862	11,862	11,861	11,861
Accounts and other receivables	(1)	46,405	46,405	61,019	61,019
Investment securities available for sale	Level 3	1,559	1,559	4,974	4,974
Loans held for sale	Level 3	102,390	106,162	156,870	161,746
Derivative assets	Level 2	331	331	740	740
Financial Liabilities:					
Secured borrowings	Level 2	107,490	107,490	130,449	130,449

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.

11. Commitments and Contingent Liabilities

The Company, its current and former officers, directors and employees (collectively, the “Capmark Parties”) may be subject to potential liability under laws and government regulations, and various pre and post-petition claims, as applicable and other legal actions that are pending or may be asserted against it. 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 March 31, 2014, after consultation with counsel and based on current knowledge, it is the opinion of management that potential liability arising from pending litigation is not expected to have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows. However, due to the inherent uncertainty with respect to these matters and since the ultimate resolution of the Company’s litigation, claims and other legal proceedings are influenced by factors outside of the Company’s control, it is reasonably possible that actual results will differ from management’s estimates.

12. Earnings Per Share

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
(Loss) income from continuing operations after income taxes	$ (3,844)	$ 1,491
Plus: Net loss attributable to noncontrolling interests	3,308	4,893
(Loss) income from continuing operations	(536)	6,384
Loss from discontinued operations, net	(2,953)	(8,173)
Net loss attributable to Capmark Financial Group Inc.	$ (3,489)	$ (1,789)
Basic and diluted (loss) income per share from continuing operations	$ (0.01)	$ 0.06
Basic and diluted loss per share from discontinued operations	(0.03)	(0.08)
Basic and diluted net loss per share available to common stockholders	(0.03)	(0.02)
Basic weighted average shares outstanding	99,803	99,781
Effect of dilutive shares for nonvested shares	—	6
Diluted weighted average shares outstanding	99,803	99,787
Antidilutive nonvested shares	379	379

13. 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):

	March 31, 2014			March 31, 2013		
	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	$ 1,627	$ —	$ 1,627	$ 3,550	$ —	$ 3,550
Net unrealized gains (losses) arising during the period	1,858		1,858	13,297	—	13,297
Less: reclassification adjustment for net gains (losses) included in net income	1,791		1,791	(13)	—	(13)
Net unrealized gain (loss) on investment securities as of March 31	67		67	16,860	—	16,860
Net foreign currency translation adjustment	—	—	—	(9,367)	—	(9,367)
Balance as of March 31	$ 1,694	$ —	$ 1,694	$ 7,493	$ —	$ 7,493

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

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance as of January 1	$ 1,627	$ —	$ 1,627	$ 3,550	$ (8,435)	$ (4,885)
Net unrealized gains (losses) arising during the period	1,858	—	1,858	13,297	(932)	12,365
Less: reclassification adjustment for net gains (losses) included in net income	1,791	—	1,791	(13)	—	(13)
Net change during the period	67	—	67	13,310	(932)	12,378
Balance as of March 31	$ 1,694	$ —	$ 1,694	$ 16,860	$ (9,367)	$ 7,493

14. Subsequent Events

On March 5, 2014, the Company entered into an agreement with Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") for a strategic investment in the Company by Centerbridge ("Investment Agreement"), subject to certain terms and conditions. On May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, (i) filed Amended and Restated Articles of Incorporation, (ii) issued to Centerbridge $5.0 million of convertible preferred stock and warrants to purchase up to 43 million shares of common stock and (iii) entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes, subject to certain terms and conditions. Pursuant to its rights as holder of the preferred stock, Centerbridge has elected Mr. Matthew Kabaker to the Company's Board of Directors, which now consists of nine members.

Subsequent events were evaluated through May 12, 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.