Capmark Financial Group Inc.
Report as of and for the three and six months ended
June 30, 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 and six months ended June 30, 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 June 30, 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 and amended and restated its By-laws, (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 $31.4 million. Included in the total cash received was $12.0 million from investment securities, $4.5 million from the sale of the Company's headquarters, $4.4 million of distributions from real estate equity and debt funds, $3.8 million from the redemption of the equity investment in the Federal Home Loan Bank of Seattle ("FHLB") and $3.1 million from the monetization of loan related assets.

- The Company's net income of $7.0 million for the three months ended June 30, 2014 included $13.4 million of noninterest income primarily from net gains on investments and $1.8 million of net interest income partially offset by noninterest expense of $8.3 million. Included in noninterest income was $12.0 million related to the payment of interest shortfalls on several tranches of a commercial mortgage backed security classified as available for sale.

Subsequent Events Highlight:

On July 15, 2014, the Company announced that it has entered into an agreement (the "Sale Agreement") to sell its interests in a subsidiary ("NewCo") to be formed in connection with the Restructuring and Settlement Agreement (the "RSA") among the Company, certain of its subsidiaries and Ambac Assurance Corporation ("Ambac") relating to certain low-income housing tax credit funds for which Ambac issued surety bonds to investors (the "Ambac Funds"). Under the terms of the Sale Agreement, the Company will sell its interests in NewCo to HCP Pacific Holdings, LLC, an affiliate of Hunt Capital Partners, LLC and Hunt Companies Inc., for a purchase price of $31 million.

At the closing of the RSA, $30 million of the approximately $90 million of cash and investment securities previously pledged to Ambac for up to approximately ten additional years will be released to the Company and the Company will be released from all obligations related to the Ambac Funds. NewCo will be capitalized with the remaining Ambac collateral after payment of certain expenses in connection with the RSA and with certain other assets related to the Ambac Funds and will issue a new guarantee to Ambac for reimbursement of any payments it is required to make under the surety bonds.

The Company will receive an aggregate of $61 million upon the closing of the RSA and the Sale Agreement. Following the closing of the Sale Agreement, the Company will have no remaining interest in the Ambac Funds or NewCo.

The RSA was filed with the U.S. Bankruptcy Court for the District of Delaware on June 24, 2014 and approved on July 11, 2014. The closing of the RSA and the Sale Agreement are subject to certain closing conditions. The Company currently expects the RSA and the Sale Agreement to close in the third quarter of 2014, subject to fulfillment of closing conditions. The Company expects to record a gain on sale of discontinued operations of approximately $30 million after the closing of both the RSA and the Sale Agreement.

Presentation of the Company's Statement of Financial Condition

Consolidated Balance Sheet

The following table presents the consolidated balance sheet (in thousands):

	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 218,082	$ 126,535
Restricted cash	11,758	11,861
Accounts and other receivables	41,717	61,019
Investment securities available for sale	1,064	4,974
Loans held for sale	88,933	156,870
Equity investments	148,368	177,534
Other assets	1,683	7,172
Assets of discontinued operations	138,496	135,177
Total assets	650,101	$ 681,142
Liabilities and Equity		
Liabilities:		
Secured borrowings	93,597	130,449
Other liabilities	59,617	65,922
Liabilities of discontinued operations	87,147	77,438
Total liabilities	$ 240,361	273,809
Commitments and Contingent Liabilities		
Equity:		
Preferred stock	4,772	—
Common stock	1,002	100
Capital paid in excess of par value	190,047	189,820
Retained earnings	185,548	182,015
Accumulated other comprehensive income (loss), net of tax	1,211	1,627
Total Capmark Financial Group Inc. stockholders' equity	382,580	373,562
Noncontrolling interests	27,160	33,771
Total equity	409,740	407,333
Total liabilities and equity	$ 650,101	$ 681,142

Consolidated Assets

Cash and cash equivalents increased from $126.5 million as of December 31, 2013 to $218.1 million as of June 30, 2014 primarily due to proceeds received on the disposition of and collection on assets. The Company does not anticipate making distributions to stockholders in the near term. The terms of the Investment Agreement with Centerbridge prohibit future distributions to stockholders by the Company.

Accounts and other receivables decreased to $41.7 million as of June 30, 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 $9.2 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 $85.0 million and $115.1 million as of June 30, 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 $30.1 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):

	June 30, 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	—	—	2	5,586
Loans held for sale – former European operation	2	3,932	2	4,201
Total	2	$ 3,932	7	$ 41,775

The decrease in the carrying value of loans held for sale as of June 30, 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):

	Three Months Ended June 30, 2014				Six Months Ended June 30, 2014			
	Number of assets	Servicing UPB (1)	Proceeds received	Percentage of prior quarter carrying value (2)	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	3,510	2,847	107	2	12,294	5,809	100
Total	1	$ 3,510	$ 2,847	107%	5	$ 48,318	$ 40,607	108%

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)	June 30, 2014
Equity investments in real estate funds:				
Limited partnership interests and membership interests in real estate equity investment funds	$ 80,630	$ (9,228)	$ (554)	$ 70,848
Limited partnership interests and membership interests in joint ventures	4,645	(275)	109	4,479
Limited partnership interests and membership interests in real estate debt funds	15,534	—	243	15,777
Total equity investments in real estate funds	100,809	(9,503)	(202)	91,104
Equity investments in real estate acquired through foreclosure	21,585	(11,713)	(60)	9,812
Total	$ 122,394	$ (21,216)	$ (262)	$ 100,916

Equity investments also included an equity investment in the capital stock of the FHLB of $47.3 million and $54.9 million as of June 30, 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 and $7.6 million of the Company's capital stock at par value pursuant to these quarterly redemptions in the three and six months ended June 30, 2014, respectively.

Consolidated Liabilities

The consolidated balance sheet of the Company included $240.4 million and $273.8 million of liabilities as of June 30, 2014 and December 31, 2013, respectively. Secured borrowings of $93.6 million and $130.4 million as of June 30, 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 June 30, 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 $87.1 million and $77.4 million associated with discontinued operations as of June 30, 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):

	June 30, 2014			December 31, 2013		
	LIHTC Business	Former Asian Operations	Total	LIHTC Business	Former Asian Operations	Total
Assets of discontinued operations	$ 138,496	—	$ 138,496	$ 134,930	$ 247	$ 135,177
Liabilities of discontinued operations	87,147	—	87,147	77,438	—	77,438
Noncontrolling interests	27,158	—	27,158	33,756	—	33,756

Assets of discontinued operations and liabilities of discontinued operations increased as of June 30, 2014 compared to December 31, 2014 due to the consolidation of a variable interest entity for which the Company became the primary beneficiary.

As of June 30, 2014 and December 31, 2013, $27.2 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.

The closing of the RSA and the Sale Agreement related to the Ambac Funds will substantially reduce the amount of assets and liabilities of discontinued operations.

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, through consensual restructuring and settlement transactions. See Section See "Management's Commentary on Financial Condition and Results of Operations—Overview and Basis of Presentation—Subsequent Events Highlight" in this Quarterly Report.

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. In the first quarter of 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 June 30, 2014	Six months ended June 30, 2014
Net Interest Income		
Interest income	$ 2,233	$ 4,835
Interest expense	455	900
Net interest income	1,778	3,935
Noninterest Income		
Net gains on investments and real estate	11,977	13,772
Net gains on loans	498	1,474
Other (losses) gains, net	(123)	1,424
Equity in income (loss) of joint ventures and partnerships	329	(235)
Net real estate investment and other income	696	933
Total noninterest income	13,377	17,368
Net revenue	15,155	21,303
Noninterest Expense		
Professional fees	4,453	9,698
Compensation and benefits	2,664	5,795
Occupancy and equipment	322	796
Other expenses	901	1,753
Total noninterest expense	8,340	18,042
Income from continuing operations before income tax provision	6,815	3,261
Income tax provision	209	499
Income from continuing operations after income tax provision	6,606	2,762
Loss from discontinued operations, net of tax	(2,708)	(5,661)
Net income (loss)	3,898	(2,899)
Plus: Net loss attributable to noncontrolling interests	3,124	6,432
Net income attributable to Capmark Financial Group Inc.	$ 7,022	$ 3,533

Net Interest Income

Interest income of $2.2 million in the three months ended June 30, 2014 included $1.0 million of interest on investment securities classified as available for sale and $0.6 million of deferred interest receivable recognized on loans held for sale. Interest income also included $0.5 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 $0.5 million of related interest on the secured borrowings for transactions that were accounted for as financings under ASC 860.

Interest income of $4.8 million in the six months ended June 30, 2014 included $2.0 million of interest on investment securities classified as available for sale and $1.7 million of deferred interest receivable recognized on loans held for sale. Interest income also included $0.9 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 $0.9 million of related interest on the secured borrowings.

Noninterest Income

Net gains on investments and real estate of $12.0 million for the three months ended June 30, 2014 primarily included a realized gain related to the payment of interest shortfalls on several tranches of a commercial mortgage backed security classified as available for sale. Net gains on loans of $0.5 million for the three months ended June 30, 2014 primarily included $0.4 million of realized gains on the disposition of loans held for sale and $0.1 million recapture of losses from the application of lower of cost or fair value accounting to loans held for sale.

Net gains on investments and real estate of $13.8 million for the six months ended June 30, 2014 primarily included realized gains related to the payment of interest shortfalls on several tranches of a commercial mortgage backed security and on a redemption of an interest in a collateralized debt obligation, both classified as available for sale. Net gains on loans of

$1.5 million for the six months ended June 30, 2014 primarily included $1.6 million of realized gains on the disposition of loans held for sale partially offset by $0.1 million of net 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.

Noninterest Expense

Professional fees of $4.5 million in the three months ended June 30, 2014 included $2.5 million of costs associated with the Investment Agreement and $0.6 million of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of $0.6 million for the three months ended June 30, 2014.

Professional fees of $9.7 million in the six months ended June 30, 2014 included $5.6 million of costs associated with the Investment Agreement and $1.5 million of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of $0.9 million for the six months ended June 30, 2014.

Compensation and benefit costs of $2.7 million for the three months ended June 30, 2014 included $1.5 million of salary expense, $0.2 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 $0.1 million of expense for retention programs.

Compensation and benefit costs of $5.8 million for the six months ended June 30, 2014 included $3.1 million of salary expense, $0.6 million of benefits expense and $2.1 million of expense associated with various incentive compensation programs. The $2.1 million of incentive compensation expense included $0.9 million for stock-based compensation expense and $0.3 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 June 30, 2014.

Discontinued Operations

The loss from discontinued operations of $2.7 million and $5.7 million for the three and six months ended June 30, 2014, respectively, is primarily due to the net loss associated with the LIHTC business. Activity in the LIHTC business included $3.0 million and $6.4 million of noninterest losses associated with the equity investments for the three and six months ended June 30, 2014, respectively. 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 $3.1 million and $6.4 million for the three and six months ended June 30, 2014, respectively, 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 June 30, 2014, the Company's continuing operations had $229.8 million in total cash and cash equivalents, including $11.8 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 distributions to stockholders in the near term. The terms of the Investment Agreement with Centerbridge prohibit future distributions to stockholders by the Company.

Financing Arrangements

As of June 30, 2014, the Company recognized $93.6 million of secured borrowings on the consolidated balance sheet under ASC 860. Recourse is limited to the assets related to these contractual arrangements.

As discussed in "Management's Commentary on Financial Condition and Results of Operations—Overview and Basis of Presentation" in this Quarterly Report, on May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes ("Notes"), subject to certain terms and conditions. The Notes, if issued, will bear interest at LIBOR + 7.0%, with a 1.0% LIBOR floor and can be used for acquisition debt financing. As of June 30, 2014 and as of the date of this Quarterly Report, none of the Notes had been issued.

FINANCIAL STATEMENTS

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

	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 218,082	$ 126,535
Restricted cash	11,758	11,861
Accounts and other receivables	41,717	61,019
Investment securities available for sale	1,064	4,974
Loans held for sale	88,933	156,870
Equity investments	148,368	177,534
Other assets	1,683	7,172
Assets of discontinued operations (1)	138,496	135,177
Total assets	$ 650,101	$ 681,142
Liabilities and Equity		
Liabilities:		
Secured borrowings	93,597	130,449
Other liabilities	59,617	65,922
Liabilities of discontinued operations (1)	87,147	77,438
Total liabilities	240,361	273,809
Commitments and Contingent Liabilities		
Equity:		
Series A participating convertible preferred stock, $0.01 par value, $5,000 stated value; shares authorized — 10,000,000 at June 30, 2014 and 0 at December 31, 2013; shares issued and outstanding — 1,000 at June 30, 2014 and 0 at December 31, 2013	4,772	—
Common stock, $0.01 par value, shares authorized — 350,000,000 at June 30, 2014; $0.001 par value; shares authorized — 110,000,000 at December 31, 2013; shares issued and outstanding — 100,182,419 at June 30, 2014 and December 31, 2013	1,002	100
Capital paid in excess of par value	190,047	189,820
Retained earnings	185,548	182,015
Accumulated other comprehensive income (loss), net of tax	1,211	1,627
Total Capmark Financial Group Inc. stockholders' equity	382,580	373,562
Noncontrolling interests	27,160	33,771
Total equity	409,740	407,333
Total liabilities and equity	$ 650,101	$ 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.

	June 30, 2014	December 31, 2013
Assets		
Assets of discontinued operations	$ 45,023	$ 41,685
Total assets	$ 45,023	$ 41,685

	June 30, 2014	December 31, 2013
Liabilities		
Liabilities of discontinued operations	$ 17,865	$ 7,929
Total liabilities	$ 17,865	$ 7,929

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Net Interest Income				
Interest income	$ 2,233	$ 6,139	$ 4,835	$ 18,463
Interest expense	455	1,703	900	3,726
Net interest income	1,778	4,436	3,935	14,737
Noninterest Income				
Net gains on investments and real estate	11,977	47,585	13,772	48,385
Net gains on loans	498	8,364	1,474	19,196
Other (losses) gains, net	(123)	(518)	1,424	(2,007)
Equity in income (loss) of joint ventures and partnerships	329	3,698	(235)	4,163
Net real estate investment and other income	696	1,320	933	999
Total noninterest income	13,377	60,449	17,368	70,736
Net revenue	15,155	64,885	21,303	85,473
Noninterest Expense				
Professional fees	4,453	5,888	9,698	11,558
Compensation and benefits	2,664	6,598	5,795	15,358
Occupancy and equipment	322	540	796	1,198
Other expenses	901	459	1,753	4,309
Total noninterest expense	8,340	13,485	18,042	32,423
Income from continuing operations before income tax provision	6,815	51,400	3,261	53,050
Income tax provision	209	91	499	250
Income from continuing operations after income tax provision	6,606	51,309	2,762	52,800
Loss from discontinued operations, net of tax	(2,708)	(5,230)	(5,661)	(13,403)
Net income (loss)	3,898	46,079	(2,899)	39,397
Plus: Net loss attributable to noncontrolling interests	3,124	911	6,432	5,804
Net income attributable to Capmark Financial Group Inc.	$ 7,022	$ 46,990	$ 3,533	$ 45,201
Other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities	(483)	(5,200)	(416)	8,110
Net foreign currency translation	—	(159)	—	(1,091)
Other comprehensive income (loss)	(483)	(5,359)	(416)	7,019
Comprehensive income attributable to Capmark Financial Group Inc.	$ 6,539	$ 41,631	$ 3,117	$ 52,220
Basic and diluted net income per share - continuing operations	$ 0.10	$ 0.52	$ 0.09	$ 0.59
Basic and diluted net income per share attributable to Capmark Financial Group Inc.	0.07	0.47	0.03	0.45
Basic weighted average shares outstanding	99,803	99,728	99,803	99,728
Diluted weighted average shares outstanding	100,628	99,756	100,217	99,745

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)

	Six months ended June 30, 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
Preferred Stock		
Number of shares outstanding at beginning of period	—	—
Additional shares issued	1,000	—
Number of shares outstanding at end of period	1,000	—
Preferred Stock		
Balance at beginning of period	$ —	$ —
Shares issued	5,000	—
Beneficial conversion feature associated with Preferred Stock	(228)	—
Balance at end of period	4,772	—
Common Stock		
Balance at beginning of period	100	100
Change in par value from $0.001 to $0.01 per share	902	—
Additional shares issued (retired)	—	—
Balance at end of period	1,002	100
Capital Paid in Excess of Par Value		
Balance at beginning of period	189,820	1,240,834
Additional shares issued	—	—
Change in par value from $0.001 to $0.01 per share	(902)	—
Beneficial conversion feature associated with Preferred Stock	228	—
Stockholder distributions	—	(1,052,548)
Treasury shares retired.	—	(267)
Stock-based compensation	901	1,801
Balance at end of period	190,047	189,820
Retained Earnings		
Balance at beginning of period	182,015	90,313
Net income attributable to Capmark Financial Group Inc.	3,533	91,702
Balance at end of period	185,548	182,015
Accumulated Other Comprehensive Income (Loss), net of tax		
Balance at beginning of period	1,627	(4,885)
Other comprehensive income (loss)	(416)	6,512
Balance at end of period	1,211	1,627
Total Capmark Financial Group Inc. Stockholders' Equity	382,580	373,562
Noncontrolling Interests		
Balance at beginning of period	33,771	61,849
Net loss attributable to noncontrolling interests	(6,432)	(14,432)
Other	(179)	(13,646)
Balance at end of period	27,160	33,771
Total Equity	$ 409,740	$ 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)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net Cash Provided By Operating Activities of Continuing Operations	$ 69,540	$ 220,709
Investing Activities of Continuing Operations		
Net increase in restricted cash	104	13,202
Repayments of investment securities classified as available for sale	17,179	14,189
Proceeds from sales of investment securities classified as available for sale	—	240
Proceeds from sales of/capital distributions from equity investments	29,001	51,604
Proceeds from sales of real estate investments	—	160,602
Sale of property and equipment	4,664	—
Other investing activities, net	(1)	1
Net cash provided by investing activities of continuing operations	50,947	239,838
Financing Activities of Continuing Operations		
Repayments of secured borrowings	(36,852)	(57,457)
Proceeds from the issuance preferred stock	5,000	—
Repayment of deposit liabilities	—	(423,396)
Distributions to stockholders	—	(701,699)
Other financing activities, net	—	(9,624)
Net cash used in financing activities of continuing operations	(31,852)	(1,192,176)
Effect of Foreign Exchange Rates on Cash	41	(739)
Discontinued Operations		
Net cash used in operating activities of discontinued operations	(271)	(10,530)
Net cash provided by (used in) investing activities of discontinued operations	2,871	(4,140)
Net cash used in financing activities of discontinued operations	—	(22,340)
Net cash provided by (used in) discontinued operations	2,600	(37,010)
Net Increase (Decrease) in Cash and Cash Equivalents	91,276	(769,378)
Cash and Cash Equivalents, Beginning of Period(1)(2)	127,066	1,568,920
Cash and Cash Equivalents, End of Period(3)(4)	$ 218,342	$ 799,542

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 $96.7 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $0.3 million, respectively as of June 30, 2014.

(4) Cash and cash equivalents exclude restricted cash of $140.7 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $8.8 million, respectively as of June 30, 2013.

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 June 30, 2014. The remaining Debtors are primarily managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business.

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 and amended and restated its By-laws, (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 elected an additional director to the Company's Board of Directors, which now consists of nine members.

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 June 30, 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"), commercial mortgage backed securities, 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
June 30, 2014	$ 7	$ 1,057	$ —	$ 1,064
December 31, 2013	$ 3,455	$ 1,519	$ —	$ 4,974

4. Loans Held for Sale

As of June 30, 2014 and December 31, 2013, the Company had $85.0 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):

	June 30, 2014		December 31, 2013	
Collateral type	**Carrying amount**	**Percent of portfolio**	**Carrying amount**	**Percent of portfolio**
Office	$ 47,637	54%	$ 48,337	31%
Retail	2,562	3	5,795	4
Hospitality	532	1	532	—
Condominium	—	—	18,144	12
Healthcare	—	—	2,474	1
Mixed-use and other(1)	38,202	42	81,588	52
Total	$ 88,933	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.

5. Equity Investments

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

	June 30, 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	$ 91,104	61%	$ 100,809	57%
Investment in the capital stock of FHLB	47,318	32	54,885	31
Investments in entities that hold foreclosed real estate assets in the United States	9,812	7	21,585	12
Other	134	—	255	—
Total	$ 148,368	100%	$ 177,534	100%

6. Secured Borrowings and Other Financing Arrangements

Secured Borrowings

Secured borrowings of $93.6 million and $130.4 million as of June 30, 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):

	June 30, 2014	December 31, 2013
Accounts and other receivables	$ 4,418	$ 16,320
Loans held for sale	85,001	115,095
Total assets pledged as collateral	$ 89,419	$ 131,415
Related secured borrowings	$ 93,597	$ 130,449

Note Purchase Agreement

As discussed in Note 1, on May 8, 2014, following receipt of stockholder approval, the Company, as contemplated by the Investment Agreement, entered into a Note Purchase Agreement under which Centerbridge committed to purchase up to $100 million of floating-rate subordinated payment-in-kind notes (“Notes”), subject to certain terms and conditions. The Notes, if issued, will bear interest at LIBOR + 7.0%, with a 1.0% LIBOR floor and can be used for acquisition debt financing.

The Notes will be guaranteed by certain of the Company’s subsidiaries and the Company and its subsidiaries will be subject to covenant compliance and certain other terms and conditions. The Company made certain representations and warranties at the signing of the Note Purchase Agreement, and the Company and certain of its subsidiaries will be required to affirm these representations and warranties upon any issuance of the Notes.

As of June 30, 2014 and as of the date of this Quarterly Report, none of the Notes had been issued.

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 and six months ended June 30, 2014. In the three and six months ended June 30, 2014, there were changes in the facts and circumstances for one of the VIEs that the Company is involved with that changed the Company’s determination to consolidate such VIEs.

Continuing Operations

As of June 30, 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 June 30, 2014							
Loans held for sale	$ 10,650	$ 3,932	$ —	$ —	$ 3,932	$ —	$ 3,932
NMTC funds	151,191	119,928	—	—	85,001	34,927	119,928
Collateralized debt obligations	13,831	—	—	—	—	—	—
CMBS securitization trusts	567,984	926	—	—	926	—	926
Total	$ 743,656	$ 124,786	$ —	$ —	$ 89,859	$ 34,927	$ 124,786
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 June 30, 2014 include $45.0 million of assets and $17.9 million of liabilities, respectively, for 12 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 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 June 30, 2014 and December 31, 2013 related to the Company's variable interest in 69 and 70 non-consolidated VIEs for lower-tier operating partnerships was $19.1 million and $25.8 million, respectively. At June 30, 2014 and December 31, 2013, the lower-tier operating partnerships included in discontinued operations had underlying assets of $819.4 million and $841.2 million, respectively. The Company's discontinued operations had a maximum exposure to loss of $123.8 million and $147.2 million as of June 30, 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):

	June 30, 2014	December 31, 2013
Cash and cash equivalents	$ 260	$ 531
Restricted cash	84,925	82,054
Accounts and other receivables	2,140	1,893
Investment securities	14,464	16,269
Loans held for sale	—	322
Real estate investments	16,454	8,884
Equity investments	17,942	24,658
Other assets	2,311	566
Total assets of discontinued operations	$ 138,496	$ 135,177
Secured and other borrowings	13,744	6,174
Other liabilities	73,403	71,264
Total liabilities of discontinued operations	$ 87,147	$ 77,438

As of June 30, 2014 and December 31, 2013, $27.2 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Net revenue	$ (2,886)	$ (3,358)	$ (5,207)	$ (5,672)
Noninterest expense	(178)	1,862	436	7,726
Income tax provision (benefit)	—	10	18	5
Loss from discontinued operations	$ (2,708)	$ (5,230)	(5,661)	$ (13,403)
Net loss attributable to noncontrolling interests associated with discontinued operations	$ 3,126	$ 4,363	$ 6,419	$ 9,219
Gain (loss) on sale included in loss from discontinued operations	—	$ —	—	$ —

See Note 15 for further information on the events impacting discontinued operations after June 30, 2014.

9. Capital Stock

As discussed in Note 1, 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 and amended and restated its By-laws, (ii) issued to Centerbridge $5.0 million of Series A participating convertible preferred stock (“Preferred Stock”) and warrants to purchase up to 43 million shares of common stock (“Warrants”) 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.

The conversion price of the Preferred Stock and Warrants is based upon the “Adjusted Book Value”. Adjusted Book Value is defined as the net book value of the Company at December 31, 2013, less the Company’s cumulative net losses (offset by gains and excluding losses arising from external legal, consulting and advisory costs incurred in connection with potential acquisitions and business development activities), if any, from December 31, 2013 to the date of determination and less the difference between the carrying value, as of the date of determination, of the shares of the FHLB held by the Company and 80% of the stated value of those shares. Per share adjusted book value is the adjusted book value divided by the number of shares of common stock of the Company outstanding on December 31, 2013 on a fully diluted basis.

Under the terms of the Investment Agreement, Centerbridge is anticipated to provide assistance to the Company in identifying acquisition opportunities over a period of two years from closing, which may be extended for an additional year if the parties are working together in good faith with regard to the Company's pursuit of a potential acquisition that could be acceptable to both the Company and Centerbridge. This period is referred to as the "Investment Period".

Series A Convertible Preferred Stock

On May 8, 2014, the Preferred Stock, was established and 1,000 shares were issued to Centerbridge with a stated valued of $5,000 per share. Preferred Stock is entitled to receive the same dividends, when declared by the Company's Board of Directors, and has the same voting rights as common stock on an as-converted basis. The Preferred Stock has a liquidation preference in advance of the common stock or any junior series of preferred stock. Upon the expiration of the Investment Period, all of the Preferred Stock can be converted to common stock at the Adjusted Book Value. The Company can redeem all of the outstanding Preferred Stock under certain circumstances including within 5 years if the warrants to purchase up to 43 million shares of common stock have not been exercised or on the 12 year anniversary of issuance.

Pursuant to its rights as holder of the Preferred Stock, Centerbridge elected an additional director to the Company's Board of Directors, which now consists of nine members. If the Company has consummated an acquisition approved by Centerbridge and Centerbridge exercises any Warrants, Centerbridge will be entitled to representation on the Board of Directors in proportion to the shares of common stock that it holds, including the stock issuable on conversion of the Series A Preferred Stock. If Centerbridge exercises all of the Warrants, it will be entitled to elect one less than a majority of the directors on the Board, subject to reversion to proportionate representation if Centerbridge reduces it share ownership by a specified amount.

The Preferred Stock contains a beneficial conversion feature with a value of $0.2 million at the issuance date because the effective conversion price of the Preferred Stock is less than the fair value per share of the Company's Common Stock.

Common Stock

In accordance with the Amended and Restated Articles of Incorporation of the Company, the Company has the authority to issue 350,000,000 shares of Common Stock at a par value of $0.01 per share and 10,000,000 shares of preferred stock at a par value of $0.01 per share. The par value of the Common Stock was adjusted from $0.001 per share to $0.01 per share.

During the Investment Period, for the first 30 million shares, subject to adjustment for stock splits, etc., that the Company issues for capital raising purposes following the closing, Centerbridge will have the right to acquire up to 67% and stockholders other than Centerbridge will have the right to purchase 33%.

Distributions Paid

The Company paid a cash distribution of $2.50 and $7.00 per share to holders of the Company's common stock in the three and six months ended June 30, 2013, respectively. No distributions were paid in the three and six months ended June 30, 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 tables summarize 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 June 30, 2014**
Accounts receivable	$ —	$ —	$ 4,156	$ —	$ 4,156
Investment securities available for sale	—	—	1,064	—	1,064
Derivative assets - interest rate contracts	—	—	—	—	—

Total assets measured at fair value on a recurring basis	$ —	$ —	$ 5,220	$ —	$ 5,220

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 and six months ended June 30, 2014 and 2013, respectively. There were no transfers of assets into Level 3 or out of Level 3 in the three and six months ended June 30, 2014 and 2013, respectively.

The following tables summarize 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 June 30, 2014			Three months ended June 30, 2013		
	Accounts Receivable	Investment Securities Available for Sale	Total	Accounts Receivable	Investment Securities Available for Sale	Total
Beginning balance	$ 4,148	$ 1,559	$ 5,707	$ 3,685	$ 17,600	$ 21,285
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	(11,969)	(11,969)	—	(14,189)	(14,189)
Total net realized/unrealized losses:						
Included in earnings	8	11,966	11,974	—	14,134	14,134
Included in other comprehensive income (loss)	—	(492)	(492)	—	(5,174)	(5,174)
Ending balance as of June 30	$ 4,156	$ 1,064	$ 5,220	$ 3,685	$ 12,371	$ 16,056
Change in unrealized (losses) gains for the period included in earnings for assets still held as of June 30	$ 8	$ —	$ 8	$ —	$ —	$ —

	Six months ended June 30, 2014			Six months ended June 30, 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	—	(17,179)	(17,179)	—	(14,189)	(14,189)
Total net realized/unrealized losses:						
Included in earnings	215	13,731	13,946	—	14,048	14,048
Included in other comprehensive income (loss)	—	(462)	(462)	—	8,141	8,141
Ending balance as of June 30	$ 4,156	$ 1,064	$ 5,220	$ 3,685	$ 12,371	$ 16,056
Change in unrealized (losses) gains for the period included in earnings for assets still held as of June 30	$ 215	$ —	$ 8	$ —	$ —	$ —

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 June 30, 2014 and December 31, 2013. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of June 30, 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 June 30, 2014 and December 31, 2013 were $2.6 million and $4.3 million, respectively.

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

		June 30, 2014		December 31, 2013	
	Fair Value Hierarchy Level	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets:					
Cash and cash equivalents	Level 1	$ 218,082	$ 218,082	$ 126,535	$ 126,535
Restricted cash	Level 1	11,758	11,758	11,861	11,861
Accounts and other receivables	(1)	41,717	41,717	61,019	61,019
Investment securities available for sale	Level 3	1,064	1,064	4,974	4,974
Loans held for sale	Level 3	88,933	93,614	156,870	161,746
Derivative assets	Level 2	—	—	740	740
Financial Liabilities:					
Secured borrowings	Level 2	93,597	93,597	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. Stock-Based Compensation

The Company accounts for non-employee share-based awards in accordance with the measurement and recognition criteria of ASC 505-50, *Equity-Based Payments to Non-Employees* (“ASC 505-50”). ASC 505-50 requires the costs of goods and services received in exchange for an award of equity instruments to be recognized using the fair value of the goods and services or the fair value of the equity award, whichever is more reliably measurable. The fair value of the equity award is determined on the measurement date, which is the earlier of the date that a performance commitment is reached or the date that performance is complete.

Warrants

The Company issued warrants to purchase up to 43 million shares of common stock on May 8, 2014 which may be exercised for a period of 5 years either concurrently or following the consummation of an approved acquisition transaction. Under the terms of the Investment Agreement, Centerbridge is anticipated to provide assistance to the Company in identifying acquisition opportunities, which is deemed to be a performance condition. The performance condition for the Warrants will be met when the Company consummates an approved acquisition transaction.

Centerbridge is required to exercise the Warrants if the Company consummates a Company approved acquisition transaction that is also approved by Centerbridge during the Investment Period, such that the proceeds of exercise are used to fund up to 50% of the equity component of the acquisition. Centerbridge can also exercise its Warrants in connection with, or after the time that the Company has consummated a Company approved acquisition transaction that is not approved by Centerbridge.

During the Investment Period, Centerbridge must exercise its Warrants for cash, unless the Company consents to a cashless exercise. Following the Investment Period, Centerbridge may exercise any remaining Warrants on a cashless basis. The Warrants will be exercisable at a price equal to 110% of the per share Adjusted Book Value, subject to customary anti-dilution adjustment.

12. 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 June 30, 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.

13. Earnings Per Share

Earnings per share is computed under the two-class method beginning in the three months ended June 30, 2014, which includes the weighted-average number of Common Stock outstanding during the periods and other securities that participate in dividends. Preferred Stock is a participating security as it has non-forfeitable rights to dividends or dividend equivalents. Earnings per share is computed after deducting Preferred Stock dividends, if any. 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, excluding outstanding participating securities. 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 and warrants using the treasury stock method and preferred stock using the if-converted method. 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.

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

	Three months ended		Six months ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
Income from continuing operations after income taxes	$ 6,606	$ 51,309	$ 2,762	$ 52,800
Plus: Net loss attributable to noncontrolling interests	3,124	911	6,432	5,804
Income from continuing operations	9,730	52,220	9,194	58,604
Loss from discontinued operations, net	(2,708)	(5,230)	(5,661)	(13,403)
Net income attributable to Capmark Financial Group Inc.	7,022	$ 46,990	3,533	$ 45,201
Less: Income allocated to participating securities	133	—	133	—
Net income allocated to common shareholders	$ 6,889	$ 46,990	$ 3,400	$ 45,201
Basic and diluted income per share from continuing operations allocated to common shareholders	$ 0.10	$ 0.52	$ 0.09	$ 0.59
Basic and diluted loss per share from discontinued operations	(0.03)	(0.05)	(0.06)	(0.13)
Basic and diluted net income per share allocated to common stockholders	0.07	0.47	0.03	0.45
Basic weighted average shares outstanding	99,803	99,728	99,803	99,728
Effect of dilutive shares for preferred stock	825	—	414	—
Effect of dilutive shares for nonvested shares	—	28	—	17
Diluted weighted average shares outstanding	100,628	99,756	100,217	99,745
Antidilutive nonvested shares	379	379	379	379

14. 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):

	June 30, 2014			June 30, 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	14,146	—	14,146	22,274	—	22,274
Less: reclassification adjustment for net gains (losses) included in net income	14,562	—	14,562	14,164	—	14,164
Net unrealized gain (loss) on investment securities as of June 30	1,211	—	1,211	11,660	—	11,660
Net foreign currency translation adjustment	—	—	—	(9,526)	—	(9,526)
Balance as of June 30	$ 1,211	$ —	$ 1,211	$ 2,134	$ —	$ 2,134

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

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance as of April 1	$ 1,694	$ —	$ 1,694	$ 16,860	$ (9,367)	$ 7,493
Net unrealized gains (losses) arising during the period	12,288	—	12,288	8,977	(159)	8,818
Less: reclassification adjustment for net gains (losses) included in net income	12,771	—	12,771	14,177	—	14,177
Net change during the period	(483)	—	(483)	(5,200)	(159)	(5,359)
Balance as of June 30	$ 1,211	$ —	$ 1,211	$ 11,660	$ (9,526)	$ 2,134

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance as of January 1	$ 1,627	$ —	$ 1,627	$ 3,550	$ (8,435)	$ (4,885)
Net unrealized gains (losses) arising during the period	14,146	—	14,146	22,274	(1,091)	21,183
Less: reclassification adjustment for net gains (losses) included in net income	14,562	—	14,562	14,164	—	14,164
Net change during the period	(416)	—	(416)	8,110	(1,091)	7,019
Balance as of June 30	$ 1,211	$ —	$ 1,211	$ 11,660	(9,526)	$ 2,134

15. Subsequent Events

On July 15, 2014, the Company announced that it has entered into an agreement (the “Sale Agreement”) to sell its interests in a subsidiary (“NewCo”) to be formed in connection with the Restructuring and Settlement Agreement (the “RSA”) among the Company, certain of its subsidiaries and Ambac Assurance Corporation (“Ambac”) relating to certain low-income housing tax credit funds for which Ambac issued surety bonds to investors (the “Ambac Funds”). Under the terms of the Sale Agreement, the Company will sell its interests in NewCo to HCP Pacific Holdings, LLC, an affiliate of Hunt Capital Partners, LLC and Hunt Companies Inc., for a purchase price of $31 million.

At the closing of the RSA, $30 million of the approximately $90 million of cash and investment securities previously pledged to Ambac for up to approximately ten additional years will be released to the Company and the Company will be released from all obligations related to the Ambac Funds. NewCo will be capitalized with the remaining Ambac collateral after payment of certain expenses in connection with the RSA and with certain other assets related to the Ambac Funds and will issue a new guarantee to Ambac for reimbursement of any payments it is required to make under the surety bonds.

The Company will receive an aggregate of $61 million upon the closing of the RSA and the Sale Agreement. Following the closing of the Sale Agreement, the Company will have no remaining interest in the Ambac Funds or NewCo.

The RSA was filed with the U.S. Bankruptcy Court for the District of Delaware on June 24, 2014 and approved on July 11, 2014. The closing of the RSA and the Sale Agreement are subject to certain closing conditions. The Company currently expects the RSA and the Sale Agreement to close in the third quarter of 2014, subject to fulfillment of closing conditions.

Subsequent events were evaluated through August 14, 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.