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

On May 8, 2014, the Company closed the investment agreement, dated March 5, 2014, among the Company, Centerbridge Capital Partners II, L.P. and certain of its affiliates ("Centerbridge") ("Investment Agreement").

Highlights for Three Months Ended September 30, 2014

- On September 29, 2014, the Company announced that it has entered into a series of agreements pursuant to which it will acquire Bluestem Brands, Inc. ("Bluestem"), a multi-brand, online retailer of name-brand and private label general merchandise serving low-to-middle income consumers on a nationwide basis. Bluestem operates through its Fingerhut and Gettington.com retailing brands, each of which offers a large selection of merchandise with a variety of payment options to provide customers with the flexibility of paying over time. Bluestem also operates through PayCheck Direct, an employee purchase program.

  Under the terms of the transaction, the Company will acquire Bluestem for approximately $565 million in cash, subject to various pre-and post-closing adjustments. The Company expects to fund the purchase price and associated transactional expenses with cash on hand, an equal amount of cash invested in the Company by Centerbridge through the exercise of warrants pursuant to the terms of the Investment Agreement, and a $300 million term debt facility to be issued by Bluestem and led by Credit Suisse, Jefferies Finance LLC and KeyBank National Association. Certain members of Bluestem's management team are also providing capital for the transaction. In addition, Bluestem will have upon closing a new $80 million asset-based lending facility led by U.S. Bank National Association.

Upon consummation of the acquisition, Steve Nave, Bluestem's Chief Executive Officer, will become Chief Executive Officer of the Company. Bill Gallagher and Tom Fairfield, the Company's current Chief Executive Officer and Chief Operating Officer, respectively, will remain with the Company with responsibility for the continued management of the Company's legacy assets. Gene Davis will remain the Company's Executive Chairman of the board of directors ("Board"), and the Board will be expanded to include Mr. Nave and additional representatives of Centerbridge, as contemplated by the Investment Agreement.

The closing of the acquisition, which is expected to occur in the fourth quarter of 2014, is subject to customary conditions, including compliance with the filing and waiting period requirements under the Hart-Scott-Rodino Act.

- On September 30, 2014, the Company closed the transactions contemplated by the Restructuring and Settlement Agreement ("Ambac RSA") among the Company and Ambac Assurance Corporation ("Ambac") relating to certain low-income housing tax credit ("LIHTC") funds for which Ambac issued surety bonds to investors ("Ambac Funds"). At the closing of the Ambac RSA, $30 million of cash of the approximately $90 million of cash and investment securities previously pledged to Ambac was released to the Company and the Company was released from all previous obligations related to the Ambac Funds.

  Also on September 30, 2014, the Company sold its remaining assets related to the Ambac Funds to an affiliate of HCP Pacific Holdings, LLC, an affiliate of Hunt Capital Partners, LLC and Hunt Companies Inc. ("Pacific") for $31 million. The Company recorded a gain on sale of discontinued operations of $35.5 million after the closing of both the Ambac RSA and related subsequent asset sale and incurred approximately $4.4 million of fees and expenses related to the transactions.

- Total cash received from asset collections and revenue was $97.0 million, including $61.0 million from the Ambac RSA and the related subsequent asset sale. Also included in the total cash received was $27.4 million of distributions from real estate equity and debt funds and $3.8 million from the partial redemption of the equity investment in the Federal Home Loan Bank of Seattle ("FHLB").

- The Company's net income of $38.8 million for the three months ended September 30, 2014 included a $35.5 million gain on sale of discontinued operations, $13.3 million of noninterest income primarily from equity in income of joint ventures and partnerships and $1.5 million of net interest income partially offset by noninterest expense of $7.6 million.

Subsequent Events Highlight

On September 22, 2014, the Company entered into an agreement ("Pacific RSA") with Pacific to restructure the guaranteed LIHTC funds for which JP Morgan Chase Bank, N.A. and certain of its affiliates ("JPM") were the investors ("JPM Funds") and settle the claims related to the JPM Funds in the Company's bankruptcy. Pacific concurrently entered into an agreement with JPM pursuant to which one of its affiliates acquired JPM's interests in the JPM Funds and JPM's claims in the bankruptcy cases of the Company. In connection with the Pacific RSA, the Company formed a subsidiary ("JPM NewCo"), which was capitalized with substantially all of the Company's assets related to the JPM Funds. On October 14, 2014, the Company closed the Pacific RSA with Pacific's affiliate and sold the JPM NewCo to Pacific for $2.0 million. Following the closing of the sale of JPM NewCo, the Company has no further interest in the JPM Funds or the JPM NewCo. In addition, the Company no longer has any material LIHTC-related assets or liabilities.

Presentation of the Company's Statement of Financial Condition

Consolidated Balance Sheet

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

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 315,162	$ 126,535
Restricted cash	11,757	11,861
Accounts and other receivables	41,184	61,019
Investment securities available for sale	414	4,974
Loans held for sale	84,223	156,870
Equity investments	121,533	177,534
Other assets	1,301	7,172
Assets of discontinued operations	3,569	135,177
Total assets	$ 579,143	$ 681,142
Liabilities and Equity		
Liabilities:		
Secured borrowings	87,837	130,449
Other liabilities	61,080	65,922
Liabilities of discontinued operations	5,975	77,438
Total liabilities	154,892	273,809
Commitments and Contingent Liabilities		
Equity:		
Preferred stock	4,818	—
Common stock	1,002	100
Capital paid in excess of par value	190,497	189,820
Retained earnings	224,337	182,015
Accumulated other comprehensive income (loss), net of tax	408	1,627
Total Capmark Financial Group Inc. stockholders' equity	421,062	373,562
Noncontrolling interests	3,189	33,771
Total equity	424,251	407,333
Total liabilities and equity	$ 579,143	$ 681,142

Consolidated Assets

Cash and cash equivalents increased from $126.5 million as of December 31, 2013 to $315.2 million as of September 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 during the two to three year period in which Centerbridge will assist the Company in identifying potential acquisition candidates that fit the Company's strategic objectives.

Accounts and other receivables decreased to $41.2 million as of September 30, 2014 compared to $61.0 million as of December 31, 2013 primarily due to collection of $13.6 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 $9.4 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 $80.7 million and $115.1 million as of September 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 $34.4 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 portfolio of loans held for sale owned by the Company by category (in thousands, except number of assets):

	September 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	3,519	2	4,201
Total	2	$ 3,519	7	$ 41,775

The decrease in the carrying value of loans held for sale as of September 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):

	Nine Months Ended September 30, 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	2	12,294	5,809	100
Total	5	$ 48,317	$ 40,608	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 thousands):

	December 31, 2013	Distributions and Other	Statement of Comprehensive Income (Loss)	September 30, 2014
Equity investments in real estate funds:				
Limited partnership interests and membership interests in real estate equity investment funds	$ 80,630	$ (26,660)	$ 1,629	$ 55,599
Limited partnership interests and membership interests in joint ventures	4,645	(4,862)	2,085	1,868
Limited partnership interests and membership interests in real estate debt funds	15,534	(5,514)	1,063	11,083
Total equity investments in real estate funds	100,809	(37,036)	4,777	68,550
Investment in the capital stock of FHLB	54,885	(11,327)	—	43,558
Equity investments in real estate acquired through foreclosure	21,585	(12,293)	—	9,292
Other	255	(2,107)	1,985	133
Total	$ 177,534	$ (62,763)	$ 6,762	$ 121,533

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 per quarter on a pro-rata basis from shareholders with redemption requests that have satisfied the redemption waiting period.

On September 25, 2014, the FHLB and the Federal Home Loan Bank of Des Moines announced that they entered into a definitive agreement to merge the two banks, subject to certain closing conditions, including approval by the primary regulator. The potential merger must be approved by the members of both banks through a voting process that is expected to take place in the first half of 2015. The merger agreement provides that prior to the consummation of the merger, the FHLB shall use its reasonable best efforts to obtain all the necessary regulatory approvals for the redemption of its outstanding shares of regulatory-restricted mandatorily redeemable capital stock. As of September 30, 2014, $36.8 million of the Company's investment in the capital stock of the FHLB is regulatory-restricted mandatorily redeemable capital stock.

Consolidated Liabilities

The consolidated balance sheet of the Company included $154.9 million and $273.8 million of liabilities as of September 30, 2014 and December 31, 2013, respectively. Secured borrowings of $87.8 million and $130.4 million as of September 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 September 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 also included $6.0 million and $77.4 million associated with discontinued operations as of September 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 LIHTC business and former Asian Operations segment (in thousands):

	September 30, 2014			December 31, 2013		
	LIHTC Business	Former Asian Operations	Total	LIHTC Business	Former Asian Operations	Total
Assets of discontinued operations	$ 3,569	—	$ 3,569	$ 134,930	$ 247	$ 135,177
Liabilities of discontinued operations	5,975	—	5,975	77,438	—	77,438
Noncontrolling interests	3,189	—	3,189	33,756	—	33,756

Assets of discontinued operations and liabilities of discontinued operations decreased as of September 30, 2014 compared to December 31, 2013 due to the closing of the Ambac RSA and related subsequent asset sale related to the Ambac Funds. See "Management's Commentary on Financial Condition and Results of Operations—Overview and Basis of Presentation" in this Quarterly Report for further discussion of the closing of the Ambac RSA and related subsequent asset sale.

As of September 30, 2014 and December 31, 2013, $3.2 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.

LIHTC

On September 30, 2014, the Company closed the transactions contemplated by the Ambac RSA among the Company and Ambac relating to the Ambac Funds. See "Management's Commentary on Financial Condition and Results of Operations—Overview and Basis of Presentation" in this Quarterly Report for further discussion of the closing of the Ambac RSA.

In connection with the closing of the Ambac RSA, the Company formed a subsidiary ("Ambac NewCo"), which was capitalized with the remaining Ambac collateral after payment of certain expenses in connection with the Ambac RSA and with certain other assets related to the Ambac Funds. Ambac NewCo also issued a new guarantee to Ambac for reimbursement of any payments it is required to make under the surety bonds. Also on September 30, 2014, the Company sold its interests in Ambac NewCo to an affiliate of Pacific pursuant to the terms of an agreement between the Company and Pacific for a purchase price of $31 million. Following the closing of the Ambac RSA and the related subsequent asset sale, the Company has no remaining interest in the Ambac Funds or Ambac NewCo.

On September 22, 2014, the Company entered into the Pacific RSA. See "Management's Commentary on Financial Condition and Results of Operations—Overview and Basis of Presentation" in this Quarterly Report for further discussion of the Pacific RSA. On October 14, 2014, the Company closed the Pacific RSA with Pacific's affiliate and sold the JPM NewCo to Pacific for $2.0 million. Following the closing of the sale of JPM NewCo, the Company has no further interest in the JPM Funds or the JPM NewCo. In addition, the Company no longer has any material LIHTC-related assets or liabilities.

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.

Stockholders' Equity

Stockholders' equity increased from $373.6 million as of December 31, 2013 to $421.1 million as of September 30, 2014 primarily due to $42.4 million of net income attributable to Capmark Financial Group Inc. and the issuance of $5.0 million of convertible preferred stock.

Presentation of the Company's Consolidated Results of Operations

	Three months ended September 30, 2014	Nine months ended September 30, 2014
Net Interest Income		
Interest income	$ 1,997	$ 6,832
Interest expense	454	1,354
Net interest income	1,543	5,478
Noninterest Income		
Net gains on investments and real estate	12	13,784
Net gains on loans	1,378	2,852
Other (losses) gains, net	(511)	913
Equity in income of joint ventures and partnerships	6,997	6,762
Net real estate investment and other income	5,393	6,326
Total noninterest income	13,269	30,637
Net revenue	14,812	36,115
Noninterest Expense		
Professional fees	3,412	13,110
Compensation and benefits	2,826	8,621
Occupancy and equipment	275	1,071
Other expenses	1,084	2,837
Total noninterest expense	7,597	25,639
Income from continuing operations before income tax provision	7,215	10,476
Income tax (benefit) provision	(300)	199
Income from continuing operations after income tax provision	7,515	10,277
Gain from discontinued operations, net of tax	30,656	24,995
Net income	38,171	35,272
Plus: Net loss attributable to noncontrolling interests	664	7,096
Net income attributable to Capmark Financial Group Inc.	$ 38,835	$ 42,368

Net Interest Income

Interest income of $2.0 million in the three months ended September 30, 2014 included $0.8 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 $6.8 million in the nine months ended September 30, 2014 included $2.9 million of interest on investment securities classified as available for sale and $2.3 million of deferred interest receivable recognized on loans held for sale. Interest income also included $1.4 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 $1.4 million of related interest on the secured borrowings.

Noninterest Income

Equity in income of joint ventures and partnerships of $7.0 million for the three months ended September 30, 2014 was primarily due to $5.0 million of gains on equity investments in real estate funds resulting primarily from increases in the fair value of assets held by real estate investment funds and joint ventures and $2.0 million of gains on other equity investments. Net gains on loans of $1.4 million for the three months ended September 30, 2014 were primarily attributable to $1.3 million of recapture of losses that were recorded at the initial application of fresh start accounting 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.

Net gains on investments and real estate of $13.8 million for the nine months ended September 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. Equity in income of joint ventures and partnerships of $6.8 million for the nine months ended September 30, 2014 was primarily due to $4.8 million of gains on equity investments in real estate funds resulting primarily from increases in the fair value of assets held by real estate investment funds and joint ventures and $2.0 million of gains on other equity investments. Net gains on loans of $2.9 million for the nine months ended September 30, 2014 were primarily attributed to $1.6 million of realized gains on the disposition of loans held for sale and $1.3 million of recapture of losses that were recorded at the initial application of fresh start accounting 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. 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 partially offset by $0.5 million of net losses associated with foreign currency remeasurement adjustments.

Noninterest Expense

Professional fees of $3.4 million in the three months ended September 30, 2014 included $1.1 million of costs associated with the acquisition of Bluestem and $1.1 million of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of $0.1 million for the three months ended September 30, 2014.

Professional fees of $13.1 million in the nine months ended September 30, 2014 included $5.7 million of costs associated with the Investment Agreement, $1.1 million of costs associated with the acquisition of Bluestem and $2.6 million of costs associated with litigation and bankruptcy related matters. In addition, professional fees included transaction and NMTC related fees of $1.0 million for the nine months ended September 30, 2014.

Compensation and benefit costs of $2.8 million for the three months ended September 30, 2014 included $1.6 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.

Compensation and benefit costs of $8.6 million for the nine months ended September 30, 2014 included $4.7 million of salary expense, $0.8 million of benefits expense and $3.1 million of expense associated with various incentive compensation programs. The $3.1 million of incentive compensation expense included $1.4 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 September 30, 2014.

Discontinued Operations

The gain from discontinued operations of $30.7 million and $25.0 million for the three and nine months ended September 30, 2014, respectively, is primarily due to the gain on the sale of discontinued operations assets of $35.5 million from the closing of the Ambac RSA and the related subsequent asset sale related to the Ambac Funds partially offset by approximately $4.4 million of fees and expenses related to the Ambac RSA and related subsequent asset sale and a net loss associated with the LIHTC business. Activity in the LIHTC business included $0.4 million and $6.8 million of noninterest losses associated with the equity investments for the three and nine months ended September 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 $0.7 million and $7.1 million for the three and nine months ended September 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 September 30, 2014, the Company's continuing operations had $326.9 million in total cash and cash equivalents, including $11.8 million of restricted cash.

The Company's primary sources of liquidity from the assets held as of September 30, 2014 are expected to be (1) cash on hand, (2) distributions received from equity investments and (3) collections on and sales of other assets in its portfolio. The Company expects to generate sufficient liquidity from existing assets to meet its needs for cash over the next 12 months, including paying its operating expenses.

As discussed in "Management's Commentary on Financial Condition and Results of Operations—Overview and Basis of Presentation" in this Quarterly Report, on September 29, 2014, the Company announced that it has entered into a series of agreements pursuant to which it will acquire Bluestem. Under the terms of the transaction, Capmark will acquire Bluestem for approximately $565 million in cash, subject to various pre-and post-closing adjustments.

When the Bluestem acquisition closes, the Company expects to fund the purchase price and associated transactional expenses with approximately $136 million of cash on hand, approximately $136 million of cash invested in the Company by Centerbridge through the exercise of warrants, $8 million of cash invested in the Company's common shares by certain members of Bluestem's management team and a $300 million term debt facility to be issued by Bluestem. Bluestem generated sufficient cash flows in 2014 to meet its needs for cash. Subsequent to the closing of the acquisition transaction, the Company expects that the Bluestem operations will continue to generate sufficient operating cash flow to meet its cash needs over the next 12 months.

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 during the two to three year period in which Centerbridge will assist the Company in identifying potential acquisition candidates that fit the Company's strategic objectives.

Financing Arrangements

As of September 30, 2014, the Company recognized $87.8 million of secured borrowings on the consolidated balance sheet under ASC 860. Recourse is limited to the assets related to these contractual arrangements.

As contemplated by the Investment Agreement, on May 8, 2014, following receipt of stockholder approval, the Company entered into a note purchase agreement ("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 September 30, 2014 and as of the date of this Quarterly Report, none of the Notes had been issued. When the Bluestem acquisition closes, the terms of the proposed $300 million term debt facility to be issued by Bluestem will contain provisions that will effectively prohibit the issuance of the Notes without amendment of the Note Purchase Agreement.

FINANCIAL STATEMENTS

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

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 315,162	$ 126,535
Restricted cash	11,757	11,861
Accounts and other receivables	41,184	61,019
Investment securities available for sale	414	4,974
Loans held for sale	84,223	156,870
Equity investments	121,533	177,534
Other assets	1,301	7,172
Assets of discontinued operations (1)	3,569	135,177
Total assets	$ 579,143	$ 681,142
Liabilities and Equity		
Liabilities:		
Secured borrowings	87,837	130,449
Other liabilities	61,080	65,922
Liabilities of discontinued operations (1)	5,975	77,438
Total liabilities	154,892	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 September 30, 2014 and 0 at December 31, 2013; shares issued and outstanding — 1,000 at September 30, 2014 and 0 at December 31, 2013	4,818	—
Common stock, $0.01 par value, shares authorized — 350,000,000 at September 30, 2014; $0.001 par value, shares authorized — 110,000,000 at December 31, 2013; shares issued and outstanding — 100,182,419 at September 30, 2014 and December 31, 2013	1,002	100
Capital paid in excess of par value	190,497	189,820
Retained earnings	224,337	182,015
Accumulated other comprehensive income (loss), net of tax	408	1,627
Total Capmark Financial Group Inc. stockholders' equity	421,062	373,562
Noncontrolling interests	3,189	33,771
Total equity	424,251	407,333
Total liabilities and equity	$ 579,143	$ 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.

	September 30, 2014	December 31, 2013
Assets		
Assets of discontinued operations	$ 3,189	$ 41,685
Total assets	$ 3,189	$ 41,685

	September 30, 2014	December 31, 2013
Liabilities		
Liabilities of discontinued operations	$ —	$ 7,929
Total liabilities	$ —	$ 7,929

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net Interest Income				
Interest income	$ 1,997	$ 5,348	$ 6,832	$ 23,811
Interest expense	454	576	1,354	4,302
Net interest income	1,543	4,772	5,478	19,509
Noninterest Income				
Net gains on investments and real estate	12	12,364	13,784	60,749
Net gains on loans	1,378	157	2,852	19,353
Other (losses) gains, net	(511)	197	913	(1,810)
Equity in income of joint ventures and partnerships	6,997	1,641	6,762	5,804
Net real estate investment and other income	5,393	(11)	6,326	988
Total noninterest income	13,269	14,348	30,637	85,084
Net revenue	14,812	19,120	36,115	104,593
Noninterest Expense				
Professional fees	3,412	4,432	13,110	15,990
Compensation and benefits	2,826	5,850	8,621	21,208
Occupancy and equipment	275	503	1,071	1,701
Other expenses	1,084	(1,205)	2,837	3,104
Total noninterest expense	7,597	9,580	25,639	42,003
Income from continuing operations before income tax (benefit) provision	7,215	9,540	10,476	62,590
Income tax (benefit) provision	(300)	115	199	365
Income from continuing operations after income tax (benefit) provision	7,515	9,425	10,277	62,225
Gain (loss) from discontinued operations, net of tax	30,656	(4,585)	24,995	(17,988)
Net income	38,171	4,840	35,272	44,237
Plus: Net loss attributable to noncontrolling interests	664	3,975	7,096	9,779
Net income attributable to Capmark Financial Group Inc.	$ 38,835	$ 8,815	$ 42,368	$ 54,016
Other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities	(803)	2,442	(1,219)	10,552
Net foreign currency translation	—	476	—	(615)
Other comprehensive income (loss)	(803)	2,918	(1,219)	9,937
Comprehensive income attributable to Capmark Financial Group Inc.	$ 38,032	$ 11,733	$ 41,149	$ 63,953
Basic and diluted net income per share - continuing operations	$ 0.08	$ 0.13	$ 0.17	$ 0.72
Basic net income per share	$ 0.39	$ 0.09	$0.42	$ 0.54
Diluted net income per share	$ 0.38	$ 0.09	$0.42	$ 0.54
Basic weighted average shares outstanding	99,803	99,728	99,803	99,728
Diluted weighted average shares outstanding	101,211	99,809	100,553	99,766

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)

	Nine months ended September 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 at issuance	(228)	—
Deemed dividend from beneficial conversion feature associated with Preferred Stock	46	—
Balance at end of period	4,818	—
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 at issuance	228	—
Stockholder distributions	—	(1,052,548)
Treasury shares retired.	—	(267)
Stock-based compensation	1,351	1,801
Balance at end of period	190,497	189,820
Retained Earnings		
Balance at beginning of period	182,015	90,313
Deemed dividend from beneficial conversion feature associated with Preferred Stock	(46)	—
Net income attributable to Capmark Financial Group Inc.	42,368	91,702
Balance at end of period	224,337	182,015
Accumulated Other Comprehensive Income (Loss), net of tax		
Balance at beginning of period	1,627	(4,885)
Other comprehensive income (loss)	(1,219)	6,512
Balance at end of period	408	1,627
Total Capmark Financial Group Inc. Stockholders' Equity	421,062	373,562
Noncontrolling Interests		
Balance at beginning of period	33,771	61,849
Net loss attributable to noncontrolling interests	(7,096)	(14,432)
Other	(23,486)	(13,646)
Balance at end of period	3,189	33,771
Total Equity	$ 424,251	$ 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)

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net Cash Provided By Operating Activities of Continuing Operations	$ 82,535	$ 207,051
Investing Activities of Continuing Operations		
Net decrease in restricted cash	104	21,376
Repayments of investment securities classified as available for sale	17,191	14,189
Proceeds from sales of investment securities classified as available for sale	—	12,954
Proceeds from sales of/capital distributions from equity investments	61,393	69,604
Proceeds from sales of real estate investments	—	172,477
Sale of property and equipment	4,664	1,665
Net cash provided by investing activities of continuing operations	83,352	292,265
Financing Activities of Continuing Operations		
Repayments of secured borrowings	(42,612)	(46,647)
Proceeds from the issuance of preferred stock	5,000	—
Repayment of deposit liabilities	—	(1,001,206)
Distributions to stockholders	—	(867,100)
Other financing activities, net	(3)	(9,682)
Net cash used in financing activities of continuing operations	(37,615)	(1,924,635)
Effect of Foreign Exchange Rates on Cash	(88)	(956)
Discontinued Operations		
Net cash used in operating activities of discontinued operations	(3,986)	(7,993)
Net cash provided by (used in) investing activities of discontinued operations	63,900	(5,756)
Net cash used in financing activities of discontinued operations	—	(22,340)
Net cash provided by (used in) discontinued operations	59,914	(36,089)
Net Increase (Decrease) in Cash and Cash Equivalents	188,098	(1,462,364)
Cash and Cash Equivalents, Beginning of Period(1)(2)	127,066	1,568,920
Cash and Cash Equivalents, End of Period(3)(4)	315,164	$ 106,556

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 $13.6 million from continuing and discontinued operations and include non-restricted cash of discontinued operations as of September 30, 2014.

(4) Cash and cash equivalents exclude restricted cash of $134.2 million from continuing and discontinued operations and include non-restricted cash of discontinued operations of $7.7 million, respectively as of September 30, 2013.

CAPMARK FINANCIAL GROUP INC.
Notes to Consolidated Financial Statements

1. Organization and Operations

Capmark Financial Group Inc., together with its consolidated subsidiaries, is a 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. Certain other Debtors cases have been dismissed by the Bankruptcy Court. There were also four Debtors which remained in bankruptcy as of September 30, 2014. The remaining Debtors are managing member entities associated with the Company's low-income housing tax credit ("LIHTC") business. See Note 15 for further information on the events impacting the remaining Debtors after September 30, 2014.

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.

On September 29, 2014, the Company announced that it has entered into a series of agreements pursuant to which it will acquire Bluestem Brands, Inc. ("Bluestem"), a multi-brand, online retailer of name-brand and private label general merchandise serving low-to-middle income consumers on a nationwide basis. Under the terms of the transaction, the Company will acquire Bluestem for approximately $565 million in cash, subject to various pre-and post-closing adjustments. The Company expects to fund the purchase price and associated transactional expenses with cash on hand, an equal amount of cash invested in the Company by Centerbridge through the exercise of warrants pursuant to the terms of the Investment Agreement, and a $300 million term debt facility to be issued by Bluestem and led by Credit Suisse, Jefferies Finance LLC and KeyBank National Association. Certain members of Bluestem's management team are also providing capital for the transaction. The closing of the acquisition, which is expected to occur in the fourth quarter of 2014, is subject to customary conditions, including compliance with the filing and waiting period requirements under the Hart-Scott-Rodino Act.

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 September 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.

In April, 2014, the FASB issued ASU 2014-08 *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08). This update was issued to reduce the number of dispositions resulting in discontinued operations presentation. The amendments in ASU 2014-08 include a component of an entity or a group of components of an entity or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable or operating segment, a reporting unit, a subsidiary or an asset group. The FASB also eliminated the requirement to evaluate continuing involvement with the disposed component to conclude on discontinued operations presentation. ASU 2014-08 also expands the disclosures about discontinued operations and disposals of individually insignificant components that do not qualify as discontinued operations. This update is effective prospectively for disposals occurring within annual periods beginning on or after December 15, 2014, and interim periods within those annual periods. Early application is permitted, but only for those disposals (or classifications as held-for-sale) that have not been reported in financial statements previously issued or available for issuance. The adoption of the guidance in ASU 2014-8 is not expected to have a material effect on the Company's consolidated financial statements.

In August, 2014, the FASB issued ASU 2014-14 *Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure* ("ASU 2014-14). This update was issued to reduce the diversity of the classification of certain foreclosed mortgage loans held by creditors that are either fully or partially guaranteed under government programs. The FASB recently issued new guidance requiring creditors to classify certain foreclosed, government-guaranteed, mortgage loans as receivables. The receivable is measured at the amount expected to be recovered under the guarantee, which is not treated as a separate unit of account. This update is effective for public business entities for annual periods and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted, including in an interim period, if the company has adopted the related standard on residential real estate loan classification. The adoption of the guidance in ASU 2014-14 is not expected to have a material effect on the Company's consolidated financial statements.

3. Investment Securities Available For Sale

Investment securities classified as available for sale included: residual interests in collateralized debt obligations ("CDOs"), 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
September 30, 2014	$ 6	$ 408	$ —	$ 414
December 31, 2013	$ 3,455	$ 1,519	$ —	$ 4,974

4. Loans Held for Sale

As of September 30, 2014 and December 31, 2013, the Company had $80.7 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):

	September 30, 2014		December 31, 2013	
Collateral type	**Carrying amount**	**Percent of portfolio**	**Carrying amount**	**Percent of portfolio**
Office	47,637	57 %	$ 48,337	31%
Retail	2,327	3	5,795	4
Hospitality	—	—	532	—
Condominium	—	—	18,144	12
Healthcare	—	—	2,474	1
Mixed-use and other(1)	34,259	40	81,588	52
Total	$ 84,223	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):

	September 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	$ 68,550	56%	$ 100,809	57%
Investment in the capital stock of FHLB	43,558	36	54,885	31
Investments in entities that hold foreclosed real estate assets	9,292	8	21,585	12
Other	133	—	255	—
Total	$ 121,533	100%	$ 177,534	100%

6. Secured Borrowings and Other Financing Arrangements

Secured Borrowings

Secured borrowings of $87.8 million and $130.4 million as of September 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):

	September 30, 2014	December 31, 2013
Accounts and other receivables	$ 4,231	$ 16,320
Loans held for sale	80,704	115,095
Total assets pledged as collateral	$ 84,935	$ 131,415
Related secured borrowings	$ 87,837	$ 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 September 30, 2014 and as of the date of the Company's report as of and for the three and nine months ended September 30, 2014 and 2013, none of the Notes had been issued. When the Bluestem acquisition closes, the terms of the proposed $300 million term debt facility to be issued by Bluestem will contain provisions that will effectively prohibit the issuance of the Notes without amendment of the Note Purchase Agreement.

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 nine months ended September 30, 2014. In the three and nine months ended September 30, 2014, there were changes in the facts and circumstances for 8 of the consolidated VIEs that changed the Company's determination to consolidate such VIEs and for 46 of the VIEs that the Company was involved with, all related to the discontinued operations. See Note 8 for further discussion of the transactions related to discontinued operations.

Continuing Operations

As of September 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 September 30, 2014							
Loans held for sale	$ 8,243	$ 3,519	$ —	$ —	$ 3,519	$ —	$ 3,519
NMTC funds	146,336	116,040	—	—	80,704	35,336	116,040
Collateralized debt obligations	13,348	—	—	—	—	—	—
CMBS securitization trusts	182,127	369	—	—	369	—	369
Total	$ 350,054	$ 119,928	$ —	$ —	$ 84,592	$ 35,336	$ 119,928
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 on the Company's consolidated balance sheet as of September 30, 2014 include $3.2 million of assets for 3 upper-tier tax credit funds 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 September 30, 2014 and December 31, 2013 related to the Company's variable interest in 24 and 70 non-consolidated VIEs for lower-tier operating partnerships was $1.4 million and $25.8 million, respectively. At September 30, 2014 and December 31, 2013, the lower-tier operating partnerships included in discontinued operations had underlying assets of $216.6 million and $841.2 million, respectively. The Company's discontinued operations had a maximum exposure to loss of $13.9 million and $147.2 million as of September 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):

	September 30, 2014	December 31, 2013
Cash and cash equivalents	$ 2	$ 531
Restricted cash	1,833	82,054
Accounts and other receivables	430	1,893
Investment securities	—	16,269
Loans held for sale	—	322
Real estate investments	—	8,884
Equity investments	1,304	24,658
Other assets	—	566
Total assets of discontinued operations	$ 3,569	$ 135,177
Secured and other borrowings	217	6,174
Other liabilities	5,758	71,264
Total liabilities of discontinued operations	$ 5,975	$ 77,438

As of September 30, 2014 and December 31, 2013, $3.2 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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net revenue	$ 35,496	$ (2,984)	$ 30,289	$ (8,656)
Noninterest expense	4,840	1,274	5,276	9,000
Income tax provision	—	327	18	332
Gain (loss) from discontinued operations	$ 30,656	$ (4,585)	$ 24,995	$ (17,988)
Net loss attributable to noncontrolling interests associated with discontinued operations	$ 663	$ 3,990	$ 7,082	$ 13,209
Gain (loss) on sale included in gain (loss) from discontinued operations	$ 35,548	$ —	$ 35,548	$ —

On September 30, 2014, the Company closed the transactions contemplated by the Restructuring and Settlement Agreement ("Ambac RSA") among the Company and Ambac Assurance Corporation ("Ambac") relating to certain low-income housing tax credit funds for which Ambac issued surety bonds to investors ("Ambac Funds"). At the closing of the Ambac RSA, $30 million of cash of the approximately $90 million of cash and investment securities previously pledged to Ambac was released to the Company and the Company was released from all previous obligations related to the Ambac Funds.

In connection with the closing of the Ambac RSA, the Company formed a subsidiary ("Ambac NewCo"), which was capitalized with the remaining Ambac collateral after payment of certain expenses in connection with the Ambac RSA and with certain other assets related to the Ambac Funds. Ambac NewCo also issued a new guarantee to Ambac for reimbursement of any payments it is required to make under the surety bonds.

Also, on September 30, 2014, the Company sold its interests in Ambac NewCo to an affiliate of HCP Pacific Holdings, LLC, an affiliate of Hunt Capital Partners, LLC and Hunt Companies Inc. ("Pacific") pursuant to the terms of an agreement ("Sale Agreement") between the Company and Pacific for a purchase price of $31 million. Following the closing of the Ambac RSA and the Sale Agreement, the Company has no remaining interest in the Ambac Funds or Ambac NewCo.

On September 22, 2014, the Company entered into an agreement ("Pacific RSA") with Pacific to restructure the guaranteed LIHTC funds for which JP Morgan Chase Bank, N.A. and certain of its affiliates ("JPM") were the investors ("JPM Funds") and settle the claims related to the JPM Funds in the Company's bankruptcy. Pacific concurrently entered into an agreement with JPM pursuant to which one of its affiliates acquired JPM's interests in the JPM Funds and JPM's claims in the bankruptcy cases of the Company. In connection with the Pacific RSA, the Company formed a subsidiary ("JPM NewCo"), which was capitalized with substantially all of the Company's assets related to the JPM Funds.

See Note 15 for further information on the events impacting discontinued operations after September 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. The per share Adjusted Book Value is $3.64 as of September 30, 2014.

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 value 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.

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. The beneficial conversion feature is recognized over the period up to the earliest date that the Preferred Stock can be converted. As the beneficial conversion feature is amortized, a deemed distribution will be recorded for Preferred Stock as an increase to Preferred Stock and a reduction of retained earnings.

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 30,000,000 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 $1.65 and $8.65 per share to holders of the Company's common stock in the three and nine months ended September 30, 2013, respectively. No distributions were paid in the three and nine months ended September 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 September 30, 2014
Accounts receivable	$ —	$ —	$ 4,168	$ —	$ 4,168
Investment securities available for sale	—	—	414	—	414
Derivative assets - interest rate contracts	—	—	—	—	—
Total assets measured at fair value on a recurring basis	$ —	$ —	$ 4,582	$ —	$ 4,582

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 nine months ended September 30, 2014 and 2013, respectively. There were no transfers of assets into Level 3 or out of Level 3 in the three and nine months ended September 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 September 30, 2014			Three months ended September 30, 2013		
	Accounts Receivable	Investment Securities Available for Sale	Total	Accounts Receivable	Investment Securities Available for Sale	Total
Beginning balance	$ 4,156	$ 1,064	$ 5,220	$ 3,685	$ 12,371	$ 16,056
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	—	—	—	(12,714)	(12,714)
Settlements	—	(12)	(12)	—	—	—
Total net realized/unrealized losses:						
Included in earnings	12	12	24	—	11,895	11,895
Included in other comprehensive income (loss)	—	(650)	(650)	—	2,481	2,481
Ending balance as of September 30	$ 4,168	$ 414	$ 4,582	$ 3,685	$ 14,033	$ 17,718
Change in unrealized (losses) gains for the period included in earnings for assets still held as of September 30	$ 12	$ —	$ 12	$ —	$ —	$ —

	Nine months ended September 30, 2014			Nine months ended September 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	—	—	—	—	(26,903)	(26,903)
Settlements	—	(17,191)	(17,191)	—	—	—
Total net realized/unrealized losses:						
Included in earnings	227	13,743	13,970	—	25,943	25,943
Included in other comprehensive income (loss)	—	(1,112)	(1,112)	—	10,622	10,622
Ending balance as of September 30	$ 4,168	$ 414	$ 4,582	$ 3,685	$ 14,033	$ 17,718
Change in unrealized (losses) gains for the period included in earnings for assets still held as of September 30	$ 227	$ —	$ 227	$ —	$ —	$ —

Certain assets are measured at fair value on a nonrecurring basis, including adjustments to fair value based on the application of lower of cost or fair value accounting and asset impairments. There were no liabilities measured at fair value on a nonrecurring basis as of September 30, 2014 and December 31, 2013. There were no Level 1 or Level 2 assets measured at fair value on a nonrecurring basis as of September 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 September 30, 2014 and December 31, 2013 were $2.3 million and $4.3 million, respectively.

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

		September 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	$ 315,162	$ 315,162	$ 126,535	$ 126,535
Restricted cash	Level 1	11,757	11,757	11,861	11,861
Accounts and other receivables	(1)	41,184	41,184	61,019	61,019
Investment securities available for sale	Level 3	414	414	4,974	4,974
Loans held for sale	Level 3	84,223	88,946	156,870	161,746
Derivative assets	Level 2	—	—	740	740
Financial Liabilities:					
Secured borrowings	Level 2	87,837	87,837	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. The Bluestem acquisition will trigger such requirement to exercise warrants. 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. The per share Adjusted Book Value is $3.64 as of September 30, 2014.

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 September 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

The Company began computing earnings per share under the two-class method 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		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Income from continuing operations after income taxes	$ 7,515	$ 9,425	$ 10,277	$ 62,225
Plus: Net loss attributable to noncontrolling interests	664	3,975	7,096	9,779
Income from continuing operations	8,179	13,400	17,373	72,004
Gain (loss) from discontinued operations, net	30,656	(4,585)	24,995	(17,988)
Net income attributable to Capmark Financial Group Inc.	38,835	$ 8,815	$ 42,368	$ 54,016
Less: Income allocated to participating securities	111	—	244	—
Less: Deemed dividends on participating securities	46	—	46	—
Net income allocated to common shareholders	$ 38,678	$ 8,815	$ 42,078	$ 54,016
Basic and diluted income per share from continuing operations allocated to common shareholders	$ 0.08	$ 0.13	$ 0.17	$ 0.72
Basic gain (loss) per share from discontinued operations	$ 0.31	$ (0.05)	$ 0.25	$ (0.18)
Diluted gain (loss) per share from discontinued operations	$ 0.30	$ (0.05)	$ 0.25	$ (0.18)
Basic net income per share allocated to common stockholders	$0.39	$ 0.09	$ 0.42	$ 0.54
Diluted net income per share allocated to common stockholders	$0.38	$ 0.09	$ 0.42	$ 0.54
Basic weighted average shares outstanding	99,803	99,728	99,803	99,728
Effect of dilutive shares for preferred stock	1,374	—	738	—
Effect of dilutive shares for nonvested shares	34	81	12	38
Diluted weighted average shares outstanding	101,211	99,809	100,553	99,766
Antidilutive nonvested shares	135	379	297	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):

	September 30, 2014			September 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	14,226	—	14,226	36,596	—	36,596
Less: reclassification adjustment for net gains (losses) included in net income	15,445	—	15,445	26,044	—	26,044
Net unrealized gain (loss) on investment securities as of September 30	408	—	408	14,102	—	14,102
Net foreign currency translation adjustment	—	—	—	(9,050)	—	(9,050)
Balance as of September 30	$ 408	$ —	$ 408	$ 5,052	$ —	$ 5,052

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 September 30, 2014			Three months ended September 30, 2013		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance as of July 1	$ 1,211	$ —	$ 1,211	$ 11,660	$ (9,526)	$ 2,134
Net unrealized gains (losses) arising during the period	80	—	80	14,322	476	14,798
Less: reclassification adjustment for net gains (losses) included in net income	883	—	883	11,880	—	11,880
Net change during the period	(803)	—	(803)	2,442	476	2,918
Balance as of September 30	$ 408	$ —	$ 408	$ 14,102	$ (9,050)	$ 5,052

	Nine months ended September 30, 2014			Nine months ended September 30, 2013		
	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total	Unrealized gains (losses) on investment securities	Net foreign currency translation	Total
Beginning balance as of January 1	$ 1,627	$ —	$ 1,627	$ 3,550	$ (8,435)	$ (4,885)
Net unrealized gains (losses) arising during the period	14,226	—	14,226	36,596	(615)	35,981
Less: reclassification adjustment for net gains (losses) included in net income	15,445	—	15,445	26,044	—	26,044
Net change during the period	(1,219)	—	(1,219)	10,552	(615)	9,937
Balance as of September 30	$ 408	$ —	$ 408	$ 14,102	$ (9,050)	$ 5,052

15. Subsequent Events

On October 14, 2014, the Company closed the Pacific RSA, as discussed in Note 8, with Pacific's affiliate and sold the JPM NewCo to Pacific for $2.0 million. Following the closing of the sale of JPM NewCo, the Company has no further interest in the JPM Funds or the JPM NewCo. In addition the Company no longer has any material LIHTC-related assets or liabilities. The Company also closed the cases of the four Debtors which remained in bankruptcy as of September 30, 2014.

Subsequent events were evaluated through October 23, 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.