Capmark Financial Group Inc.
Quarterly Report for the period ended June 30, 2009

FINANCIAL INFORMATION
AS WOULD BE REQUIRED IN A
QUARTERLY REPORT

Pursuant to Section 4.02(b)(i) of the Indentures each dated as of May 10, 2007 (as supplemented from time to time, the “Indentures”) among Capmark Financial Group Inc., the Guarantors (as defined therein) and Deutsche Bank Trust Company Americas, as trustee for the Floating Rate Senior Notes due 2010, 5.875% Senior Notes due 2012 and 6.300% Senior Notes due 2017.

CAPMARK FINANCIAL GROUP INC.

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CAPMARK FINANCIAL GROUP INC.
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2009	December 31, 2008
Assets		
Cash, cash equivalents and restricted cash	$ 4,187,988	$ 874,390
Accounts and other receivables	430,882	343,780
Investment securities:		
Trading	66,109	1,457,384
Available for sale	768,889	843,967
Loans held for sale	3,183,356	3,970,683
Loans held for investment, net of allowance for loan losses of $263.5 million and $108.2 million as of June 30, 2009 and December 31, 2008, respectively	7,552,939	8,207,980
Real estate investments	1,416,862	1,844,924
Equity investments	1,336,145	1,568,057
Mortgage servicing rights, net	405,048	817,189
Current taxes receivable	35,419	133,395
Intangible assets, net	8,453	99,348
Other assets	693,045	477,078
Total assets	$20,085,135	$20,638,175
Liabilities and Equity		
Liabilities:		
Short-term borrowings	$ 1,208	$ 3,310,758
Collateralized borrowings in securitization trusts	207,729	184,086
Other long-term borrowings	10,649,791	8,098,749
Deposit liabilities	8,389,978	5,690,930
Real estate syndication proceeds and related liabilities	1,136,588	1,258,743
Other liabilities	632,868	689,624
Total liabilities	21,018,162	19,232,890
Commitments and Contingent Liabilities	—	—
Mezzanine Equity	71,502	72,851
Equity:		
Preferred stock, $.001 par value; 100,000,000 shares authorized; none issued and outstanding as of June 30, 2009 and December 31, 2008	—	—
Common stock, $.001 par value; 650,000,000 shares authorized; 412,900,918 shares issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	413	413
Capital paid in excess of par value	2,065,293	2,063,280
Accumulated deficit	(3,276,713)	(941,398)
Accumulated other comprehensive income, net of tax:		
Net unrealized loss on investment securities and derivative instruments	(147)	(18,468)
Net foreign currency translation adjustment	71,815	42,207
Total accumulated other comprehensive income, net of tax	71,668	23,739
Total stockholders' (deficit) equity	(1,139,339)	1,146,034
Noncontrolling interests	134,810	186,400
Total (deficit) equity	(1,004,529)	1,332,434
Total liabilities and equity	$20,085,135	$20,638,175

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

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net Interest Income				
Interest income	$ 146,872	$ 236,837	$ 309,757	$ 513,815
Interest expense	166,283	184,260	317,055	400,135
Net interest income	(19,411)	52,577	(7,298)	113,680
Provision for loan losses	345,754	10,390	444,469	18,019
Net interest income after provision for loan losses	(365,165)	42,187	(451,767)	95,661
Noninterest Income				
Net (losses) gains:				
Net losses on loans	(354,478)	(42,217)	(583,678)	(399,384)
Net losses on investments and real estate	(360,965)	(17,258)	(608,326)	(28,996)
Other gains, net	29,753	47,566	20,692	66,817
Mortgage servicing fees	36,246	46,062	77,702	100,272
Trust fees	23,384	31,332	46,954	66,714
Asset management fees	17,548	20,452	34,735	39,215
Placement fees	10,447	17,842	17,771	35,472
Investment banking fees and syndication income	4,247	15,104	6,520	28,927
Other fees	1,257	2,472	3,755	5,473
Equity in loss of joint ventures and partnerships	(65,563)	(28,065)	(209,066)	(38,058)
Net real estate investment and other income	26,089	22,725	59,358	46,339
Total noninterest income	(632,035)	116,015	(1,133,583)	(77,209)
Net revenue	(997,200)	158,202	(1,585,350)	18,452
Noninterest Expense				
Compensation and benefits	66,050	76,424	133,144	166,061
Amortization and impairment of mortgage servicing rights	394,537	34,136	427,302	69,368
Professional fees	37,995	35,872	77,078	60,164
Occupancy and equipment	17,334	21,033	32,393	42,783
Other expenses	116,906	32,470	154,329	70,169
Total noninterest expense	632,822	199,935	824,246	408,545
Loss before income tax benefit	(1,630,022)	(41,733)	(2,409,596)	(390,093)
Income tax benefit	(7,556)	(29,045)	(5,187)	(149,048)
Net loss	(1,622,466)	(12,688)	(2,404,409)	(241,045)
Plus: Net loss attributable to noncontrolling interests	14,847	24,177	69,094	39,675
Net (loss) income attributable to Capmark Financial Group Inc.	$ (1,607,619)	$ 11,489	$(2,335,315)	$(201,370)
Basic net (loss) income per share attributable to Capmark Financial Group Inc.:				
Net (loss) income per share.	$ (3.77)	$ 0.03	$ (5.47)	$ (0.47)
Weighted average shares outstanding	426,914	432,263	427,022	432,602
Diluted net (loss) income per share attributable to Capmark Financial Group Inc.:				
Net (loss) income per share.	$ (3.77)	$ 0.03	$ (5.47)	$ (0.47)
Weighted average shares outstanding	426,914	434,494	427,022	432,602

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

CAPMARK FINANCIAL GROUP INC.
Condensed Consolidated Statement of Changes in Equity (unaudited)
(in thousands)

	Six months ended June 30, 2009	Six months ended June 30, 2008
Common Stock		
Balance at beginning of period	$ 413	$ 413
Balance at end of period	413	413
Capital Paid in Excess of Par Value		
Balance at beginning of period	2,063,280	2,050,361
Additional shares issued	—	6
Stock-based compensation expense	2,064	10,452
Other	(51)	(272)
Balance at end of period	2,065,293	2,060,547
(Accumulated Deficit) Retained Earnings		
Balance at beginning of period	(941,398)	418,876
Cumulative effect of adopting Statement of Financial Accounting Standards No. 159	—	(9,805)
Net loss attributable to Capmark Financial Group Inc.	(2,335,315)	(201,370)
Other	—	(848)
Balance at end of period	(3,276,713)	206,853
Accumulated Other Comprehensive Income, net of tax		
Balance at beginning of period	23,739	36,983
Net unrealized gain (loss) on investment securities and derivative instruments	18,321	(18,650)
Net foreign currency translation adjustment	29,608	761
Balance at end of period	71,668	19,094
Total Stockholders' (Deficit) Equity	(1,139,339)	2,286,907
Noncontrolling Interests		
Balance at beginning of period	186,400	330,196
Net loss attributable to noncontrolling interests	(69,094)	(39,675)
Noncontrolling interests proceeds received, net	15,361	24,528
Other	2,143	(14,789)
Balance at end of period	134,810	300,260
Total (Deficit) Equity	$(1,004,529)	$2,587,167
Comprehensive Loss		
Net loss	$(2,404,409)	$(241,045)
Other comprehensive income (loss)	47,929	(17,889)
Comprehensive loss	(2,356,480)	(258,934)
Plus: Comprehensive loss attributable to the noncontrolling interests	69,094	39,675
Comprehensive loss attributable to Capmark Financial Group Inc.	$(2,287,386)	$(219,259)

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

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

	Six months ended June 30, 2009	Six months ended June 30, 2008
Operating Activities		
Net cash provided by operating activities	$1,373,816	$ 1,373,296
Investing Activities		
Net (increase) decrease in restricted cash	(10,288)	32,442
Proceeds from sales of investment securities classified as available for sale	5,784	13,918
Repayments of investment securities classified as available for sale	47,190	52,903
Purchases of investment securities classified as available for sale	(94,595)	(65,057)
Repayments of loans held for investment	548,771	836,011
Origination/purchase of loans held for investment	(467,601)	(1,471,618)
Proceeds from sales of real estate investments	76,653	67,810
Purchases of real estate investments	(19,282)	(81,738)
Net purchases of property and equipment	(940)	(2,478)
Proceeds from sales of/capital distributions from equity investments	6,720	74,074
Purchases of equity investments	(94,970)	(125,841)
Purchases of mortgage servicing rights	(1,441)	(12,520)
Sales of mortgage servicing rights	1,732	—
Cash derecognized through deconsolidation of variable interest entities, net	(69,665)	(2,071)
Net cash used in investing activities	(71,932)	(684,165)
Financing Activities		
Net decrease in short-term borrowings	(664,771)	(152,291)
Repayments of collateralized borrowings in securitization trusts	(76)	(5,425)
Proceeds from issuance of other long-term borrowings	216,168	815,053
Repayments of other long-term borrowings	(313,057)	(793,751)
Net increase (decrease) in deposit liabilities	2,742,556	(1,098,507)
Real estate syndication proceeds received	1,438	33,197
Noncontrolling interests proceeds received, net	15,361	24,528
Repurchases of mezzanine equity net of additional common shares issued	(1,400)	(7,718)
Other financing activities, net	—	6,230
Net cash provided by (used in) financing activities	1,996,219	(1,178,684)
Effect of Foreign Exchange Rates on Cash	5,207	11,192
Net Increase (Decrease) in Cash and Cash Equivalents	3,303,310	(478,361)
Cash and Cash Equivalents, Beginning of Period(1)	724,770	1,204,477
Cash and Cash Equivalents, End of Period(1)	$4,028,080	$ 726,116
Supplemental Disclosures of Cash Flow Information:		
Income taxes refunded	$ (96,858)	$ (78,113)
Interest paid	301,496	432,851

Note:

(1) Cash and cash equivalents exclude restricted cash of $159.9 million as of June 30, 2009, $149.6 million as of December 31, 2008 and $199.8 million as of June 30, 2008.

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

1. Organization and Operations

Capmark Financial Group Inc. ("Capmark") is a commercial real estate finance company that operates three core business lines: lending and mortgage banking, investments and funds management, and servicing. As used herein, the term "the Company" refers to Capmark Financial Group Inc. and its consolidated subsidiaries, except where it is clear that the term means only Capmark Financial Group Inc. Through the Company's subsidiaries, it has historically operated its core businesses in North America, Europe and Asia. Due to market conditions and the Company's financial condition, the Company is focused on preserving its liquidity and managing and monetizing its remaining loan, investment and fee-for-service businesses and has substantially reduced proprietary loan originations and new investment activities.

Currently, the Company continues to operate its investments and funds management and servicing businesses in North America. The Company also continues to originate loans for third parties and pursuant to programs of the government-sponsored enterprises Fannie Mae and Freddie Mac ("GSEs") and fund U.S. Department of Housing and Urban Development ("HUD")-insured multifamily mortgage loans through the pre-sale of Ginnie Mae mortgage-backed securities issued by subsidiaries of the Company. Historically, the Company has also performed certain lending, real estate investment and servicing activities in Europe and Asia. In 2008, the Company sold a significant portion of its European loan portfolio and ceased proprietary lending and investing activities in Europe and Asia. In 2009, the Company sold its European servicing operations and surrendered the banking license for Capmark Bank Europe p.l.c., its Irish Bank.

Prior to March 23, 2006, the Company was an indirect wholly-owned subsidiary of GMAC LLC, formerly known as General Motors Acceptance Corporation ("GMAC"). On March 23, 2006, an investor entity owned by affiliates of Kohlberg Kravis Roberts & Co. L.P., Five Mile Capital Partners LLC, Goldman Sachs Capital Partners and Dune Capital Management LP (collectively, the "Sponsors") acquired a controlling equity stake in the Company from a subsidiary of GMAC. As of June 30, 2009, the Sponsors and one other investor owned approximately 75.4% of the Company's common stock; employees, former employees and non-employee directors (collectively, the "Management Stockholders") owned approximately 3.3% of the Company's common stock and a subsidiary of GMAC owned approximately 21.3% of the Company's common stock. The changes in ownership and the other related transactions that occurred on March 23, 2006 are referred to as the "Sponsor Transactions" in the notes to these condensed consolidated financial statements.

2. Risks and Uncertainties

Going Concern

Restructuring Efforts

Throughout 2008 and continuing in 2009, as a result of the adverse conditions in the financial and capital markets and general economic conditions, the Company incurred operating losses due principally to fair value adjustments on its loans held for sale, impairments on its real estate and investment portfolios, and an increase in the provision for loan losses on its portfolio of loans held for investment. The combination of pre-tax operating losses in 2008 and 2009 and valuation allowances on the Company's deferred tax assets in 2008 resulted in net losses that contributed to a stockholders' deficit as of June 30, 2009.

The Company has been in discussions with its lenders and the representatives of a number of senior noteholders regarding a restructuring of its primary debt obligations. The Company has engaged advisors and appointed a chief restructuring officer to assist with its efforts. The restructuring efforts have included entering into a $1.5 billion Term Facility Credit and Guaranty Agreement on May 29, 2009 (the "Term Facility") and entering into amendments to its existing senior credit facility and bridge loan agreement (collectively, the "Existing Credit Agreements"). The maturity date of the Term Facility is March 23, 2011, but the maturity date may be accelerated by the lenders under the Term Facility to April 2010 if 90% of the Company's senior notes due 2010 have not been repaid, redeemed, refinanced, exchanged or extended beyond June 30, 2011 and/or converted to equity interests prior to April 15, 2010. See Note 11 to these condensed consolidated financial statements for a discussion of the Term Facility and amendments to the Existing Credit Agreements. The Company's ability to repay, redeem, refinance, exchange or extend beyond June 30, 2011 90% of its senior notes due 2010 and/or convert such notes to equity interests prior to April 15, 2010 is uncertain due to the Company's operating results and adverse conditions in the debt markets. If the maturity date of the Term Facility is accelerated, and the Company is not able to negotiate an extension or obtain new financing, it may default on the Term Facility.

As part of its efforts for a longer-term restructuring, the Company has also been exploring strategic alternatives for all of its businesses and implementing expense reduction initiatives. Such restructuring may include reorganization under chapter 11 of the U.S. Bankruptcy Code, the sale of the Company's businesses (including, the sale of the Mortgage Business as discussed below) and/or a material contribution of cash and/or assets into Capmark Bank, the Company's wholly-owned industrial bank subsidiary chartered by the State of Utah.

The Company's management believes that, because of the impact of the potential future losses on the Company's financial condition and the uncertainty regarding the Company's ability to restructure its debt, substantial doubt exists about the Company's ability to continue as a going concern.

Further, the Company's management is focused on maintaining appropriate regulatory capital at Capmark Bank. In June 2009, the Company made a $302.8 million capital contribution to Capmark Bank and, in connection with its debt restructuring efforts, is likely to make additional material equity contributions to Capmark Bank. See Note 21 to these condensed consolidated financial statements for further discussion. The Federal Deposit Insurance Corporation ("FDIC") has notified Capmark Bank that it intends to issue an administrative order, which will impose certain requirements and restrictions on Capmark Bank, including requiring submission of capital and liquidity plans, restrictions on affiliated party transactions and other activities. Pending issuance of the administrative order, the FDIC has notified Capmark Bank that it should obtain the non-objection of the FDIC before engaging in any transaction that would materially change the balance sheet composition of Capmark Bank, including growth in total assets or significant changes in its primary funding sources.

The condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The condensed consolidated financial statements do not include any adjustments to reflect possible future effects as discussed above which could affect its ability to continue as a going concern.

Agreement for the Potential Sale of the North American Servicing and Mortgage Banking Businesses

In connection with the Company's restructuring efforts, the Company and its advisors reviewed strategic alternatives for its North American Servicing segment and its mortgage banking operations, which are included in its North American Lending and Mortgage Banking segment (collectively, the "Mortgage Business"). The process included contacting numerous third parties to participate and provide an indication of interest in the Mortgage Business. Based upon these responses, the Company held discussions with a short list of interested parties and ultimately proceeded with one such party.

On September 2, 2009, the Company and its wholly-owned subsidiaries, Capmark Finance Inc. and Capmark Capital Inc. (collectively, the "Sellers"), entered into an Asset Put Agreement (the "Agreement") with Berkadia III, LLC (the "Purchaser"). The Purchaser is a newly formed entity owned by Berkshire Hathaway Inc. and Leucadia National Corporation. The Agreement provides for a put option (the "Put Option") whereby the Sellers have the right to sell to the Purchaser the Sellers' Mortgage Business and all assets primarily used in, or primarily related to, the Mortgage Business (collectively, the "Acquired Assets"). The Sellers paid the Purchaser $40.0 million in cash for the Put Option.

If the Put Option is exercised by the Sellers, upon the terms and subject to the conditions provided for in the Agreement, the Sellers will transfer to the Purchaser the Acquired Assets for an aggregate purchase price of $490.0 million, subject to various closing adjustments. The closing adjustments include (i) a downward adjustment of $394,000 for each day beginning October 1, 2009 through the closing of the transaction; (ii) a downward adjustment for any servicing agreements which are cancelled during the period between the signing of the Agreement and the closing; (iii) a downward adjustment based on a post-closing audit of the Sellers' June 2009 mortgage servicing data tape; (iv) a downward adjustment for certain compensation accruals related to the Sellers' Mortgage Business; and (v) an upward adjustment for certain items including servicing advances, warehoused loans, accrued servicing fees, prepaid expenses and security deposits. If the Put Option is exercised but the transaction does not close due to an inability to obtain the required third party consents, the Purchaser will refund $20.0 million to the Sellers.

If the sale of the Mortgage Business occurs outside of a bankruptcy proceeding, the purchase price will consist of a $375.0 million payment in cash at the closing, a $40.0 million holdback (the "Holdback") retained by the Purchaser to cover indemnity claims, and a $75.0 million note payable from the Purchaser (the "Note Payable"). The Holdback will have a two-year term, with interest payable quarterly at 6% per year. The Note Payable will have a five-year term, with interest payable quarterly at 6% per year. The principal balance of the Note Payable will be reduced (i) by an amount equal to 90% of any realized losses incurred on the Sellers' Fannie Mae DUS™ loan portfolio, as such losses are realized; and (ii) an amount calculated at the Note Payable's maturity to cover probable losses based upon the condition of the loans in the Sellers' DUS™ portfolio.

If the sale of the Mortgage Business occurs in a bankruptcy proceeding under section 363 of the U.S. Bankruptcy Code, the purchase price will consist of a $415.0 million payment in cash at the closing and the Note Payable.

If the Company is in a chapter 11 proceeding, exercise of the Put Option would be incorporated into a Bankruptcy Code section 363 sale process in which the Company would seek court authorization to exercise the Put Option and close on the sale. In a section 363 sale process, the Agreement would serve as a baseline or floor bid price for the Mortgage Business. Under the terms of the Agreement, the Company has the option to pursue alternative transactions for the sale of the Mortgage Business. The Put Option expires if not exercised by the Sellers within sixty days of the execution of the Agreement, unless the Sellers file for bankruptcy prior to the sixtieth day, in which case Sellers have an additional sixty days from the date of any such filing to exercise the Put Option.

The Agreement also includes a three-year mutual covenant not to solicit each other's employees and a three-year covenant by the Sellers and their affiliates (with the exception of Capmark Bank) not to compete with the Mortgage Business, subject to certain exceptions. The exceptions include allowing the Sellers to special service loans on a contract basis, to service their own loans and to service loans for third parties as currently conducted, provided that no such servicing may include GSE loans or loans in commercial mortgage-backed securities ("CMBS"), but the subservicing of such loans is permitted.

The Agreement also contemplates the Sellers and the Purchaser entering into a mutual transition services agreement and the Sellers granting the Purchaser a perpetual, non-exclusive royalty-free license to use certain of the Sellers' Mortgage Business proprietary software. In addition, the Sellers and the Purchaser will enter into a seven-year, triple net lease for $1 for the majority of the Sellers' buildings located in Horsham, Pennsylvania.

The closing of the transaction contemplated by the Agreement is subject to the receipt of certain closing conditions, including (i) approval of the GSEs and Ginnie Mae/HUD, (ii) termination of the waiting period under the Hart-Scott-Rodino Act, (iii) confirmation by the applicable rating agencies that they will assign necessary ratings to the Purchaser and approve the Purchaser's proposed investment of escrow balances, (iv) that fee generating escrow balances are not less than $3.5 billion, (v) that consents have been obtained, except for those consents that if not obtained, individually or in the aggregate, would not materially adversely affect the operation of the business, (vi) that the representations and warranties are true and correct, except where that failure to be true and correct, individually or in the aggregate, would not have a material adverse effect, (vii) the purchase price adjustments shall not have resulted in a reduction in the purchase price of $125.0 million or more, (viii) no injunction or other governmental order shall have been issued prohibiting the consummation of the transactions, and (ix) if the Sellers are subject to a proceeding under the U.S. Bankruptcy Code, an order of the Bankruptcy Court shall have been issued approving the transaction under section 363 of the U.S. Bankruptcy Code. The Agreement will terminate if the closing does not occur within 120 days of the signing of the Agreement, unless extended (i) by the Sellers for up to fifteen days to obtain GSE licenses and/or consents or (ii) by the Purchaser for up to thirty days to obtain required state licenses to operate the Mortgage Business.

As of June 30, 2009, the carrying amounts of the major classes of assets related to the Mortgage Business included approximately $395 million of mortgage servicing rights (after the impairment charge discussed in Note 9 to these condensed consolidated financial statements), approximately $345 million of warehoused loans, and approximately $320 million of servicing advances, interest, and fees receivable, which are reported as a component of accounts and other receivables in the condensed consolidated balance sheet. The carrying amounts of these assets are subject to change prior to the date of the closing of the Agreement.

Other Risks and Uncertainties

In addition to the risks discussed above, the Company's primary business risks include: liquidity risk, credit risk, interest rate and other market risks, and operational risk. These risks are more fully described in Note 2 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K. Management of these risks affects both the level and stability of the Company's earnings.

3. Basis of Presentation and Recently Issued Accounting Standards

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting. Accordingly, these interim financial statements do not include all of the information and footnote disclosures required for annual financial reporting. Therefore, these interim financial statements should be read in conjunction with the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K. The preparation of 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 of revenue and expense. The Company's estimates and assumptions are affected by risks and uncertainties, including those associated with credit exposure and interest rate and market spread volatility. Management uses available information in developing estimates and assumptions. Future changes may occur, including changes in credit and market trends and conditions, which could cause actual results to differ materially from the estimates used in preparing the accompanying condensed consolidated financial statements.

The Company consolidates all wholly-owned and majority-owned subsidiaries that it controls. In certain cases, economic ownership interests and control do not strictly align, and there are other specific consolidation criteria that must be applied under GAAP. In those cases, the Company follows the accounting policies more fully described in Note 3 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the condensed 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, 2009 and the results of its operations and cash flows for the interim periods presented. The Company's results for any interim period are not necessarily indicative of results for a full year or any other interim period.

Certain items in the prior period financial statements have been reclassified to conform to the presentation in the current period financial statements.

The Company has entered into a number of related party arrangements as more fully described in Note 24 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K. Affiliates of Goldman Sachs Capital Partners and Dune Capital Management LP, members of the Sponsors, act as lenders under the Term Facility and the Existing Credit Agreements. See Note 11 to these condensed consolidated financial statements for a discussion of the Term Facility and amendments to the Existing Credit Agreements. The Company has not entered into any other material related party arrangements subsequent to December 31, 2008.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115," or "SFAS No. 159," on January 1, 2008. The Company elected fair value accounting for certain loan assets and deposit liabilities not previously carried at fair value. The after-tax cumulative effect from electing the fair value option for the selected financial instruments decreased retained earnings by $9.8 million on January 1, 2008.

As further discussed below, the Company adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51," or "SFAS No. 160," on January 1, 2009. The required disclosures and changes in financial statement presentation are reflected in these condensed consolidated financial statements.

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 (revised 2007), "Business Combinations," or "SFAS No. 141R," which is intended to improve reporting by creating greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable, and relevant information for investors and other users of financial statements. To achieve this goal, the new standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. Prior to the adoption of SFAS No. 141R, any adjustments to the FASB Interpretation No. ("FIN") 48 reserve were recorded as an increase to goodwill if an expense and, if a benefit, are applied (a) first to reduce to zero any goodwill related to the acquisition, (b) second to reduce to zero other noncurrent intangible assets related to the acquisition, and (c) third to reduce income tax expense. Subsequent to the adoption of SFAS No. 141R, the above rule will no longer apply and any expense or benefit associated with realizing (or re-measuring) unrecognized tax benefits will be recorded as part of income tax expense. SFAS No. 141R has been applied by the Company prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The adoption of SFAS 141R did not have a material impact on the Company's condensed consolidated financial statements. In connection with the adoption of SFAS No. 141R, all adjustments to tax liabilities associated with FIN 48, if any, will be recorded as a component of income tax expense.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51," or "SFAS No. 160," which is intended to improve the relevance, comparability and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries as equity (as opposed to as a liability or mezzanine equity) in the consolidated financial statements. In addition, SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS No. 160 was adopted by the Company on January 1, 2009, and the required disclosures and changes in financial statement presentation are reflected in these condensed consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133," or "SFAS No. 161." SFAS No. 161 changes disclosure requirements about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," or "SFAS No. 133," as amended and interpreted, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 was adopted by the Company on January 1, 2009, and the required disclosures are included in Note 16 to these condensed consolidated financial statements.

In September 2008, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 08-05, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement," or "EITF 08-05." EITF 08-05 requires issuers of liability instruments with a third-party guarantee or other credit enhancement to exclude the effect of the credit enhancement when measuring the liability's fair value. The effect of initially applying the guidance in EITF 08-05 shall be included in the change in fair value in the period of adoption. EITF 08-05 was adopted by the Company on January 1, 2009 and did not have a material impact on these condensed consolidated financial statements.

In November 2008, the FASB issued EITF Issue No. 08-06, "Equity Method Investment Accounting Considerations," or "EITF 08-06." EITF 08-06 addresses the potential effect of SFAS No. 141R and SFAS No. 160 on equity method accounting under Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," or "Opinion No. 18." EITF 08-06 will continue existing practices under Opinion No. 18 including the use of a cost accumulation approach to initial measurement of the investment. The EITF will not require the investor to perform a separate impairment test on the underlying assets of an equity method investment. However, an equity method investor is required to recognize its proportionate share of impairment charges recognized by the investee, adjusted for basis differences, if any, between the investee's carrying value for the impaired assets and the cost allocated to such assets by the investor. The investor is also required to perform an overall other-than-temporary impairment test of its investment in accordance with Opinion No. 18. EITF 08-06 was adopted by the Company on January 1, 2009 and did not have a material impact on these condensed consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," or "FSP FAS 157-4," to provide additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of market activity for the asset and liability have significantly decreased. FSP FAS 157-4 was adopted by the Company on April 1, 2009, and the guidance was considered in measuring the fair value of assets and liabilities for this quarterly report for the period ending June 30, 2009. The adoption of FSP FAS 157-4 did not have a material impact on these condensed consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," or "FSP FAS 115-2 and FAS 124-2." The FSP modified the requirement in existing accounting guidance to demonstrate the intent and ability to hold an investment security for a period of time sufficient to allow for any anticipated recovery in fair value. When the fair value of a debt security has declined below the amortized cost at the measurement date, an entity that intends to sell a security or is more-likely-than-not to sell the security before the recovery of the security's cost basis must recognize the other-than-temporary impairment in earnings. For a debt security with a fair value below the amortized cost at the measurement date where it is more-likely-than-not that an entity will not sell the security before the recovery of its cost basis, but an entity does not expect to recover the entire cost basis of the security, the security is considered other-than-temporarily impaired. The related other-than-temporary impairment loss on the debt security will be recognized in earnings to the extent of the credit losses with the remaining impairment loss recognized in accumulated other comprehensive income. FSP FAS 115-2 and FAS 124-2 was adopted by the Company on April 1, 2009 and did not have a material impact on these condensed consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," or "FSP FAS 107-1 and APB 28-1". The FSP amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," or "SFAS No. 107," to require an entity to provide disclosures about fair value of financial instruments in interim financial statements. FSP FAS 107-1 and APB 28-1 was adopted by the Company for this quarterly report for the period ending June 30, 2009, and the required disclosures are included in Note 15 to these condensed consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," or "SFAS No. 165," which is intended to establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS No. 165 requires an entity to disclose the date through which an entity has evaluated subsequent events and the basis for that date, this is, whether that date represents the date the financial statements were issued or were available to be issued. SFAS No. 165 was adopted by the Company for this quarterly report for the period ending June 30, 2009, and the required disclosures are included in Note 23 to these condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140," or "SFAS No. 166," which is intended to improve the relevance, representational faithfulness and comparability of the information provided in financial statements about the transfer of financial assets. SFAS No. 166 amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125," or "SFAS 140," and eliminates the concept of a qualifying special-purpose entity ("QSPE") and thereby the exception from applying FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities (Revised December 2003) – an interpretation of ARB No. 51," or "FIN 46R," to QSPEs. The standard also (i) modifies the requirements for derecognizing financial assets, (ii) removes the scope exception for retained interests classified as available for sale or trading securities in guaranteed mortgage securitizations that do not meet the conditions for sale accounting treatment, (iii) defines the term participating interest, (iv) removes the fair value practicability exception for the transferor in a transfer of financial assets which meet the conditions of sale accounting treatment, and (v) requires additional financial statement disclosures. SFAS No. 166 is effective for the Company on January 1, 2010. Management is currently evaluating the impact of SFAS No. 166 on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," or "SFAS No. 167," which is intended to improve financial reporting by enterprises involved with variable interest entities ("VIEs") and amends the related consolidation guidance. The scope of SFAS No. 167 is the same as FIN 46R with the addition of entities previously considered QSPEs. SFAS No. 167 requires the Company to determine if it is the primary beneficiary of a VIE using a qualitative approach instead of quantitative approach. SFAS No. 167 also requires the Company to make an ongoing reassessment of whether the Company is the primary beneficiary of a VIE instead of only when it becomes involved with a VIE and at the end of reporting periods when specific reconsiderations events have occurred. The Company will be required to present separately on the face of its balance sheet the assets of consolidated VIEs that can only be used to settle obligations of those VIEs and liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary. SFAS No. 167 is effective for the Company on January 1, 2010. Management is currently evaluating the impact of SFAS No. 167 on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162," or "SFAS No. 168," to establish the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Codification is not intended to change GAAP. All authoritative GAAP issued by the FASB after July 1, 2009 will be referred to as Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right and will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the changes in the Codification. SFAS No. 168 is effective for the Company's quarterly ending September 30, 2009.

4. Investment Securities

Investment securities classified as available for sale include: CMBS; asset-backed securities ("ABS"); collateralized debt obligations ("CDOs") which may be collateralized by CMBS, unsecured real estate investment trust debt and other real estate-related investments; tax-exempt securities; certain Japanese bonds ("TMK securities"); securities backed by Ginnie Mae, Fannie Mae and Freddie Mac ("GSE securities"); U.S. Treasury securities; and other investment securities.

The following table summarizes the Company's investment securities classified as available for sale, by security type (in thousands):

	June 30, 2009				December 31, 2008			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
CMBS, ABS and CDOs	$ 35,364	$ 1,909	$—	$ 37,273	$ 43,459	$ 917	$—	$ 44,376
Tax-exempt securities	267,299	731	—	268,030	242,568	57	—	242,625
TMK securities	182,076	3,349	—	185,425	325,343	—	—	325,343
GSE securities	255,588	7,677	—	263,265	219,264	7	—	219,271
U.S. Treasury and other securities	14,825	71	—	14,896	12,033	319	—	12,352
Total	$755,152	$13,737	$—	$768,889	$842,667	$1,300	$—	$843,967

The Company has pledged investment securities classified as available for sale with a carrying value of $528.5 million and $456.6 million as of June 30, 2009 and December 31, 2008, respectively, primarily to support LIHTC yield guarantees and debt obligations.

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Gains recognized	$ 6	$ 624	$ 6	$ 624
Losses recognized	—	(9)	—	(9)
Net gains	$ 6	$ 615	$ 6	$ 615
Proceeds received	$3,858	$13,918	$5,784	$13,918

Gross realized gains and losses are recognized as a component of net losses on investments and real estate in the condensed consolidated statement of operations.

The Company evaluates unrealized losses to identify those impairments that would be considered other-than-temporary. The Company's evaluation includes a credit analysis of its investment securities based on the preparation of cash flow projections reflecting its monitoring of the underlying assets and relevant market information. In the case of subordinate CMBS, ABS and CDOs, the Company also considers its projected loss position in the relevant securities. Impairments considered other-than-temporary typically result from a decline in the projected cash flows due to increased loss projections and the Company's determination that the impairments will not otherwise be recovered. As a result of the Company's evaluation, and its conclusion that the amount it expects to recover on some of its investment securities was less than the amortized cost of those securities, the Company recognized impairment charges for declines in value in certain investment securities classified as available for sale, primarily consisting of CMBS, ABS and CDOs, that were considered other-than-temporary and were primarily related to the performance of the underlying collateral. In addition, as of June 30, 2009, management determined that the Company was more-likely-than-not to sell certain securities for which the fair value had declined below amortized cost. As a result of this determination, an impairment charge on those investment securities was also recognized. Total impairment charges recognized were $14.3 million and $4.8 million for the three months ended June 30, 2009 and 2008, respectively, and $82.8 million and $8.6 million for the six months ended June 30, 2009 and 2008, respectively. The impairment charges were recorded as a component of net losses on investments and real estate in the consolidated statement of operations.

5. Loans Held for Sale

Loans held for sale carried at fair value and lower of cost or fair value, by loan type, consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Floating rate mortgage loans	$2,418,892	$3,178,369
Fixed rate mortgage loans	595,997	788,317
Acquired non-performing loans	148,287	—
Construction loans	20,180	3,997
Total	$3,183,356	$3,970,683

On June 30, 2009, the Company transferred $148.3 million of acquired non-performing loans from "held for investment" to "held for sale" because management concluded it no longer had the intent to hold these loans for the foreseeable future. The loans are now carried at the lower of cost or fair value. The amortized cost basis of such loans exceeded fair value at the time of the transfer by approximately $70.0 million. This amount is reported as a component of provision for loan losses in the condensed consolidated statement of operations. In addition, the Company transferred $139.2 million of loans held for sale to real estate acquired through foreclosure in connection with its analysis and evaluation of loans for impairment for the six months ended June 30, 2009.

Approximately $156.8 million and $21.8 million of loans held for sale as of June 30, 2009 and December 31, 2008, respectively, are accounted for at the lower of cost or fair value.

6. Loans Held for Investment

Loans held for investment, by loan type, consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Floating rate mortgage loans	$5,776,609	$5,895,031
Fixed rate mortgage loans	740,952	692,780
Construction loans	1,291,870	1,423,119
Acquired non-performing loans	7,013	305,261
Total	7,816,444	8,316,191
Allowance for loan losses	(263,505)	(108,211)
Net	$7,552,939	$8,207,980

The "Total" amounts set forth in the table above are equal to the unpaid principal balance of the loans less the amount of any fair value adjustments applied to any loans that were previously classified as held for sale and other discounts to carrying value. The aggregate amount of such adjustments/discounts for all loans held for investment was $41.7 million and $56.0 million as of June 30, 2009 and December 31, 2008, respectively. See Note 5 to these condensed consolidated financial statements for a discussion of acquired non-performing loans transferred from "held for investment" to "held for sale" on June 30, 2009.

The Company transferred $70.8 million of loans held for investment to real estate acquired through foreclosure in connection with its analysis and evaluation of loans for impairment for the six months ended June 30, 2009.

The Company's allowance for loan losses is established, monitored and maintained on the basis of past loan experience, the current composition of the loan portfolio, historical credit migration, property type diversification, default, loss severity, industry loss experience, economic conditions and trends and other relevant factors.

The following table summarizes activity related to the Company's allowance for loan losses (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Balance at beginning of period	$ 167,520	$ 32,088	$ 108,211	$ 28,752
Provision for loan losses	345,754	10,390	444,469	18,019
Loans charged off	(184,075)	(2,168)	(211,869)	(6,168)
Foreign currency translation adjustment	881	(35)	(782)	250
Transfers and other	(66,575)	(2,458)	(76,524)	(3,036)
Balance at end of period	$ 263,505	$ 37,817	$ 263,505	$ 37,817

The following table summarizes information about loans originated by the Company that are held for investment and have specifically been identified as being impaired (in thousands):

	June 30, 2009	December 31, 2008
Impaired loans with an allowance for loan losses	$1,192,391	$330,822
Impaired loans without an allowance for loan losses	180,674	54,473
Total impaired loans	1,373,065	385,295
Allowance for loan losses on impaired loans	(217,620)	(50,111)
Net impaired loans	$1,155,445	$335,184

The average balance of total impaired loans was $1.0 billion and $118.6 million for the three months ended June 30, 2009 and 2008, respectively, and $805.4 million and $112.8 million for the six months ended June 30, 2009 and 2008, respectively.

The allowance for loan losses on impaired loans is included in the Company's overall allowance for loan losses. In general, the Company does not recognize interest income on impaired loans. Impaired loans also include loans that have been modified in troubled debt restructurings where concessions to borrowers who experienced financial difficulties have been granted. The Company may recognize interest income on loans that have been modified in troubled debt restructurings when the loan is performing in accordance with its restructured terms.

There were no acquisitions of non-performing loans for the three and six months ended June 30, 2009. Acquisitions of non-performing loans were not material for the year ended December 31, 2008. Charges for impairments of acquired non-performing loans totaled $72.7 million and $2.2 million for the three months ended June 30, 2009 and 2008, respectively, and $79.6 million and $6.2 million for the six months ended June 30, 2009 and 2008, respectively. In connection with the transfer of acquired non-performing loans from "held for investment" to "held for sale" mentioned above, the amortized cost basis of such loans exceeded fair value at the time of the transfer by approximately $70.0 million. This amount was accounted for as an impairment and reported as a component of provision for loan losses in the condensed consolidated statement of operations.

7. Real Estate Investments

Real estate investments, by classification and geographic region, consisted of the following (in thousands):

	North America	Asia	Europe	Total
As of June 30, 2009				
Held for investment, net of depreciation	$328,608	$509,060	$ —	$ 837,668
Held for sale	34,243	203,193	—	237,436
Acquired through foreclosure	177,711	140,851	23,196	341,758
Total	$540,562	$853,104	$23,196	$1,416,862
As of December 31, 2008				
Held for investment, net of depreciation	$454,511	$925,444	$ —	$1,379,955
Held for sale	12,769	314,702	—	327,471
Acquired through foreclosure	99,266	38,232	—	137,498
Total	$566,546	$1,278,378	$ —	$1,844,924

In the second quarter of 2009, impairment charges on real estate investments in the Company's Asian Operations business segment totaled $291.3 million, of which $177.0 million was due to management's reduction in the holding period assumption for certain assets.

See Notes 5 and 6 to these condensed consolidated financial statements for a discussion of loans transferred to real estate acquired through foreclosure in connection with the Company's analysis and evaluation of loans for impairment for the six months ended June 30, 2009.

8. Equity Investments

Equity investments, by investment type, consisted of the following (in thousands):

	June 30, 2009		December 31, 2008	
	Amount	Percent of portfolio	Amount	Percent of portfolio
Investments in affordable housing partnerships in the United States	$ 694,637	52%	$ 786,512	50%
Investments in real estate equity investment funds in the United States	246,727	18	342,304	22
Investments in other real estate ventures in the United States	134,408	10	138,050	9
Investments in non-performing commercial loan and real estate joint ventures, principally in Asia	61,804	5	119,429	8
Investments in real estate projects, joint ventures and real estate equity investment funds in Europe	59,127	4	83,752	5
Investments in entities that hold foreclosed real estate assets in the United States	46,856	4	10,055	1
Investments in CMBS and debt investment funds, with collateral principally in the United States	30,526	2	34,386	2
Other(1)	62,060	5	53,569	3
Total	$1,336,145	100%	$1,568,057	100%

Note:

(1) Includes an investment in the capital stock of the Federal Home Loan Bank ("FHLB") of Seattle of $58.0 million and $48.9 million as of June 30, 2009 and December 31, 2008, respectively.

In the second quarter of 2009, impairment charges on equity investments in the Company's Asian Operations business segment totaled $43.4 million, of which $11.6 million was due to management's reduction in the holding period assumption for certain assets.

9. Mortgage Servicing Rights

The following table summarizes activity related to the Company's mortgage servicing rights (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Balance at beginning of period	$ 791,130	$861,433	$ 817,189	$890,550
Additions	10,379	22,801	17,327	29,023
Amortization	(30,912)	(34,136)	(63,677)	(69,368)
Impairment	(363,624)	—	(363,624)	—
Other	(1,925)	(42)	(2,167)	(149)
Balance at end of period	$ 405,048	$850,056	$ 405,048	$850,056

The estimated fair value of mortgage servicing rights was $405.0 million and $894.9 million as of June 30, 2009 and December 31, 2008, respectively. The Company generally estimates the fair value of mortgage servicing rights using discounted cash flow models that calculate the present value of estimated future net servicing income. These models consider and incorporate portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. However, in the second quarter of 2009, the Company recorded a $363.6 million impairment charge, through a valuation allowance, on its mortgage servicing rights as a result of the Agreement regarding the potential sale of substantially all of its North American Servicing segment and its mortgage banking operations discussed in Note 2 to these condensed consolidated financial statements. The estimate of fair value of the mortgage servicing rights as of June 30, 2009 decreased below carrying value when the fair value implied in the Agreement was considered.

10. Intangible Assets, Net

In the second quarter of 2009, the Company recorded an $84.3 million impairment charge on intangible assets representing the entire carrying value of its customer relationships and contracts. Management determined that the intangible assets related to customer relationships and contracts were fully impaired and recognized the related impairment. Intangible asset impairment is reported as a component of other expenses in the condensed consolidated statement of operations.

11. Short-term and Long-term Borrowings

Outstanding borrowings consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Short-term borrowings:		
Senior credit facility – revolving credit facility(1)	$ —	$ 2,692,409
Other short-term borrowings(2)	1,208	618,349
Total short-term borrowings	1,208	3,310,758
Long-term borrowings:		
Collateralized borrowings in securitization trusts	207,729	184,086
Other long-term borrowings:		
Senior notes	2,484,685	2,504,006
Senior credit facility – term loan facility	2,186,659	2,654,721
Senior credit facility – revolving credit facility(1)	2,174,319	—
Term Facility	1,500,000	—
Bridge loan	234,204	833,000
Other	2,069,924	2,107,022
Total other long-term borrowings	10,649,791	8,098,749
Total long-term borrowings	10,857,520	8,282,835
Total	$10,858,728	$11,593,593

Note:

(1) On May 29, 2009, the Company amended the senior credit facility. In connection with the amendment, all amounts outstanding under the revolving credit facility were converted to term loans and reclassified as long-term borrowings.

(2) The Company's short-term borrowings as of June 30, 2009 represent temporary loans that are payable on demand made by entities within the new markets tax credits business.

Other long-term borrowings

On May 29, 2009, the Company entered into the Term Facility. The Term Facility is guaranteed by each of the original guarantors under the Company's Existing Credit Agreements and certain additional material domestic wholly-owned subsidiaries of the Company. Amounts borrowed under the Term Facility bear interest at a rate equal to the Eurodollar Rate plus 2.50%. The Eurodollar Rate for an interest period is the higher of 1.5% or the British Bankers Association Libor Rate. The maturity date of the Term Facility is March 23, 2011, but the maturity date may be accelerated by the lenders under the Term Facility to April 2010 if 90% of the Company's floating rate senior notes due 2010 have not been repaid, redeemed, refinanced, exchanged or extended beyond June 30, 2011 and/or converted to equity interests prior to April 15, 2010. The Term Facility is secured by a pledge and grant of security interest on all of the Company's U.S. and Canadian mortgage loan assets and foreclosed real estate, excluding assets held by Capmark Bank, and the proceeds received from any such assets. Amounts borrowed under the Term Facility and repaid or prepaid may not be reborrowed. The Company is required to prepay loans under the Term Facility with the proceeds of any issuance of debt or equity securities and from any proceeds from the collateral securing the Term Facility. The Term Facility contains a number of financial and operating covenants. The covenants include a minimum liquidity covenant, a run rate operating expense covenant, restrictions on incurring debt and granting liens, restrictions on acquiring certain investments and restrictions on certain payments. Proceeds from the Term Facility, along with $75.0 million in readily available funds, were used to refinance a portion of the loans outstanding under the Company's Existing Credit Agreements.

In connection with the Sponsor Transactions on March 23, 2006, the Company entered into a senior credit facility with a syndicate of lenders. The senior credit facility is unsecured and included a $2.75 billion multi-currency revolving credit facility. The Company had no additional capacity under the revolving credit facility as of June 30, 2009 and December 31, 2008. As of May 29, 2009, in connection with the execution of the Term Facility, all outstanding amounts under the revolving credit facility were converted to term loans. The interest rates as of December 31, 2008 for such borrowings equaled short-term index rates appropriate for the currencies borrowed (such as LIBOR) plus a margin that is based on the credit ratings assigned to the Company's long-term senior unsecured indebtedness. As of May 29, 2009, the interest rates for such borrowings were amended to equal the higher of 1.5% or short-term index rate appropriate for the currencies borrowed (such as LIBOR) plus a margin that is based on the credit ratings assigned to the Company's long-term senior unsecured indebtedness. In addition, the Company pays a facility fee based on the outstanding amount of the facility and any outstanding letters of credit.

The senior credit facility also includes a $2.75 billion multi-currency term loan facility. Foreign currency fluctuations resulted in amounts available that were less than the contractual capacity as of June 30, 2009 and December 31, 2008. The Company had no additional capacity under the term loan facility as of June 30, 2009 and December 31, 2008.

On May 29, 2009, the Company amended the senior credit facility to conform the financial covenants in the senior credit facility to those in the Term Facility, discussed above, and to amend certain other provisions including amendments necessary to enter into the Term Facility. In addition, the new guarantors under the Term Facility were added as guarantors to the senior credit facility. The amendment also provides that upon the repayment in full of the Term Facility, certain covenants contained in the Term Facility will become operative under the senior credit facility, including restrictions on incurring debt, granting liens, making investments and restrictions on certain payments.

Concurrently, with executing the senior credit facility, the Company entered into a $5.25 billion bridge loan agreement which was also amended on May 29, 2009. The amendment extended the maturity date of the bridge loan agreement to the maturity date of the Term Facility, conformed the financial covenants in the bridge loan agreement to those in the Term Facility and amended certain other provisions including amendments necessary to enter into the Term Facility. In connection with the amendments, the new guarantors under the Term Facility were added as guarantors to the bridge loan agreement. In addition, upon the repayment in full of the Term Facility certain covenants contained in the Term Facility will become operative under the bridge loan agreement, including restrictions on incurring debt, granting liens, making investments and restrictions on certain payments.

On June 3, 2009, the Company supplemented the indentures to the senior notes to add the new guarantors under the Term Facility as guarantors to the senior notes.

Management believes that the Company was in compliance with its covenant requirements for all long-term borrowings as of June 30, 2009.

The following table summarizes the carrying value of the Company's assets that are pledged as collateral by the Company in connection with the Term Facility and other long-term borrowing arrangements (in thousands):

	June 30, 2009	December 31, 2008
Loans held for investment	$4,727,975	$4,488,466
Loans held for sale	1,693,654	1,244,189
Real estate investments	383,168	769,249
Investment securities classified as available for sale	229,671	209,503
Investment securities classified as trading	—	53,945
Equity investments(1)	104,839	48,858
Other	—	39,561
Total assets pledged as collateral	$7,139,307	$6,853,771
Related secured borrowings	$3,527,652	$2,417,987

Note:

(1) Includes an investment in the capital stock of the FHLB of Seattle and equity investments for which the Company does not consolidate the entity that holds a foreclosed real estate asset.

The following table bifurcates the assets pledged as collateral (substantially consisting of loans) for Capmark Bank and for the rest of the Company (in thousands):

	June 30, 2009	December 31, 2008
Capmark Bank:		
Total assets	$11,122,544	$8,469,619
Total assets pledged as collateral	4,643,397	5,390,891
Related secured borrowings	1,279,004	1,363,504
Remaining secured borrowing capacity	1,427,786	2,174,340
Non-Capmark Bank:		
Total assets	$8,962,591	$12,168,556
Total assets pledged as collateral	2,495,910	1,462,880
Related secured borrowings	2,248,648	1,054,483
Remaining secured borrowing capacity	12,812	12,683

Capmark Bank's remaining secured borrowing capacity consists of capacity with the FHLB of Seattle and the Federal Reserve Bank ("FRB") of San Francisco and is reported as of June 30, 2009 and December 31, 2008. Actual borrowing capacity on any business day is subject to change as individual qualifying loans are routinely pledged and de-pledged by Capmark Bank in the normal course of business. Additionally, changes in loan performance and other collateral-specific criteria may affect whether an individual loan continues to qualify as collateral.

The amounts shown above for Non-Capmark Bank include total assets pledged as collateral related to the consolidation of certain low-income housing tax credit ("LIHTC") partnerships and assets collateralized in securitization trusts, in the aggregate, of $394.2 million and $485.7 million as of June 30, 2009 and December 31, 2008, respectively, and related secured borrowings of $351.9 million and $364.5 million as of June 30, 2009 and December 31, 2008, respectively.

12. Deposit Liabilities

Deposit liabilities consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Brokered CDs carried at amortized cost	$4,884,948	$ 285,599
Brokered CDs carried at fair value	3,505,030	5,405,331
Total	$8,389,978	$5,690,930

The deposits of Capmark Bank are primarily interest-bearing and insured by the FDIC, subject to current insurance program limits. See Note 2 to these condensed consolidated financial statements for a discussion of the likely regulatory action by the FDIC and its potential impact on Capmark Bank's capital and liquidity plans.

13. Income Taxes

In the fourth quarter of 2008, 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 concluded that a valuation allowance was still required as of June 30, 2009.

The Company recognized approximately $1.7 million and $4.6 million of gross interest and penalties related to unrecognized tax benefits for the three months ended June 30, 2009 and 2008, respectively, and $3.4 million and $9.3 million for the six months ended June 30, 2009 and 2008, respectively. The Company accrued approximately $39.0 million and $35.6 million for the payment of interest and penalties as of June 30, 2009 and December 31, 2008, respectively. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The Company operates in multiple tax jurisdictions, both within and outside the United States. Accordingly, the Company is, from time to time, under examination in certain tax jurisdictions and remains subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, the Company may be subject to audit by various tax authorities, or subsidiaries operating within the country may be subject to different expiration dates regarding the statute of limitations. The following table summarizes the tax years that remain subject to examination in the Company's major tax jurisdictions as of June 30, 2009:

United States—Federal	2004 and forward
United States—Individual States	2001 and forward
Japan	2004 and forward
Ireland	2004 and forward
Canada	2005 and forward
Taiwan	2004 and forward

Based upon the expiration of statutes of limitations and/or conclusion of tax examinations in several jurisdictions, management believes it is reasonably possible that the total amount of previously unrecognized tax benefits as of June 30, 2009 may decrease by up to $25.8 million within the next 12 months.

14. 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 certain VIEs for which it is determined to be the primary beneficiary. The Company holds significant variable interests in VIEs that have not been consolidated because it is not considered the primary beneficiary. In addition, the Company is a sponsor and holds a variable interest in numerous VIEs of which it is not considered to be the primary beneficiary. The Company initially determines if it is the primary beneficiary of a VIE using a qualitative approach based on the estimated economics of the VIE. Otherwise, the Company uses a quantitative approach to determine if it is the primary beneficiary, allocating estimated cash flows to each variable interest holder based on seniority of each of the cash flow scenarios that are probability weighted and used to determine the VIE's expected losses and expected residual returns. The significant judgments and assumptions made by the Company in determining whether to consolidate a VIE, including a description of the Company's involvement in the VIE, are discussed in Note 13 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K.

The Company reviews and determines quarterly whether a reconsideration event has occurred which could change the status of a VIE or primary beneficiary of a VIE. There were no material reconsideration events in the second quarter of 2009.

The Company did not provide any financial support to VIEs that it was not contractually obligated to provide for the six months ended June 30, 2009. The Company provided $0.5 million of financial support for real estate investments that it was not contractually required to provide for the six months ended June 30, 2008. This support was provided to satisfy the real estate investment VIE's working capital requirements.

The following table sets forth the carrying amounts of the assets and liabilities and sources of maximum exposure of non-consolidated VIEs, 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)	Purchased and retained interests	Commitments, guarantees and collateral	Loans and investments	Other	Total
As of June 30, 2009								
Lower-tier operating partnerships	$ 6,129,096	$ 64,254	$ —	$ —	$280,795	$ —	$ —	$280,795
Non-guaranteed upper-tier tax credit funds	316,192	—	—	—	—	—	—	—
New markets tax credit funds	402,256	229,147	71,294	—	—	238,987	—	238,987
Collateralized debt obligations	3,838,435	24,360	—	24,360	—	—	—	24,360
Real estate investments	259,668	127,237	80,632	—	—	—	46,483	46,483
CMBS securitization trusts	2,824,191	228,225	207,729	20,312	—	—	—	20,312
Trust preferred securities	250,001	1	250,000	1	250,000	—	—	250,001
Total	$14,019,839	$673,224	$609,655	$44,673	$530,795	$238,987	$46,483	$860,938
As of December 31, 2008								
Lower-tier operating partnerships	$6,466,230	$112,502	$ —	$ —	$270,384	$ —	$ —	$270,384
Non-guaranteed upper-tier tax credit funds	352,972	—	—	—	—	—	—	—
New markets tax credit funds	376,706	238,418	144,370	—	—	248,258	—	248,258
Collateralized debt obligations	4,122,931	32,027	—	32,027	—	—	—	32,027
Real estate investments	241,471	118,321	71,380	—	—	—	46,483	46,483
CMBS securitization trusts	3,209,640	204,222	184,086	19,956	—	—	—	19,956
Trust preferred securities	250,001	1	250,000	1	250,000	—	—	250,001
Total	$15,019,951	$705,491	$649,836	$51,984	$520,384	$248,258	$46,483	$867,109

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 assets and liabilities included in the Company's condensed consolidated balance sheet that relate to the Company's variable interest in the VIE.

(3) Maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets included in the condensed consolidated balance sheet, but also potential losses associated with off-balance sheet commitments such as unfunded liquidity and/or lending commitments and other contractual arrangements.

The following table sets forth the carrying amounts of the assets and liabilities of consolidated VIEs for which the Company is the primary beneficiary (in thousands):

	Total assets(1)	Carrying amount of assets(2)	Carrying amount of liabilities(2)
As of June 30, 2009			
Guaranteed upper-tier tax credit funds	$1,050,371	$ 719,542	$ 850,787
Lower-tier operating partnerships	349,120	349,120	266,691
New markets tax credit funds	553,734	531,098	49,310
Real estate investments	12,714	12,714	36,062
Total	$1,965,939	$1,612,474	$1,202,850

	Total assets(1)	Carrying amount of assets(2)	Carrying amount of liabilities(2)
As of December 31, 2008			
Guaranteed upper-tier tax credit funds	$1,117,150	$ 808,371	$ 940,176
Lower-tier operating partnerships	445,383	445,383	336,962
New markets tax credit funds	696,828	547,702	40,972
Real estate investments	24,293	24,293	37,735
Total	$2,283,654	$1,825,749	$1,355,845

Notes:

(1) Total assets represent the amount of the underlying assets held by the VIEs before accounting for intercompany eliminations.

(2) Amounts represent the carrying amount of the VIEs' assets and liabilities included in the Company's condensed consolidated balance sheet after accounting for intercompany eliminations.

15. Fair Value of Financial Instruments

The accounting policies, methods, valuation techniques and significant assumptions used to estimate fair value are more fully described in Notes 3, 17 and 18 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K. There have been no significant changes in the methods, valuation techniques, inputs or assumptions used to estimate fair value for the six months ended June 30, 2009.

The following table presents the carrying amount and fair value of financial assets and liabilities, as required by SFAS No. 107 (in thousands):

	June 30, 2009		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets:				
Cash, cash equivalents and restricted cash	$ 4,187,988	$4,187,988	$ 874,390	$ 874,390
Accounts and other receivables	430,882	430,882	343,780	343,780
Investment securities:				
Trading	66,109	66,109	1,457,384	1,457,384
Available for sale	768,889	768,889	843,967	843,967
Loans held for sale	3,183,356	3,183,356	3,970,683	3,970,683
Loans held for investment, net	7,552,939	6,667,356	8,207,980	7,275,335
Derivative assets	174,629	174,629	103,405	103,405
Financial Liabilities:				
Short-term borrowings	1,208	1,208	3,310,758	3,310,758
Collateralized borrowings in securitization trusts	207,729	207,729	184,086	183,367
Other long-term borrowings	10,649,791	5,933,622	8,098,749	5,012,792
Deposit liabilities	8,389,978	8,460,786	5,690,930	5,689,967
Derivative liabilities	7,192	7,192	9,119	9,119

The following is a description of the financial instruments measured at fair value on a recurring basis in accordance with SFAS No. 159.

Loans Held for Sale

In connection with the adoption of SFAS No. 159, the Company elected to account for its loans held for sale at fair value. This election allows the offsetting of the changes in fair value of the loans and the derivative instruments used to economically hedge such loans without the administrative burden of complying with the requirements for hedge accounting under SFAS No. 133.

The following table summarizes the aggregate fair value and unpaid principal balance in excess of fair value of loans held for sale for which the fair value option has been elected (in thousands):

	June 30, 2009	December 31, 2008
Aggregate fair value of loans	$3,026,537	$3,948,852
Aggregate unpaid principal balance in excess of fair value of loans	1,248,093	849,894
Aggregate fair value of loans 90 days or more past due	282,139	70,676
Aggregate unpaid principal balance in excess of fair value of loans past due 90 days or more	171,645	14,427
Aggregate fair value of loans in nonaccrual status	690,079	262,596
Aggregate unpaid principal balance in excess of fair value of loans in nonaccrual status	577,711	93,748

Interest income on these loans continues to be recorded as a component of interest income in the condensed consolidated statement of operations, except with respect to loans in nonaccrual status. The following table summarizes net realized and unrealized losses resulting from the changes in fair value of loans held for sale for which the fair value option was elected and reported as a component of losses on loans in the condensed consolidated statement of operations (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net realized and unrealized losses resulting from the changes in fair value	$374,699	$73,726	$599,371	$401,226

Deposit Liabilities—Brokered CDs

In connection with the adoption of SFAS No. 159, the Company elected to account for all brokered certificates of deposit ("Brokered CDs") then outstanding at fair value. Beginning in October 2008, the Company elected to account for newly issued Brokered CDs with original maturities greater than one year at amortized cost. Beginning in January 2009, the Company elected to account for newly issued Brokered CDs with original maturities of one year or greater at amortized cost. The Company has not issued any Brokered CDs with original maturities of less than one year for the six months ended June 30, 2009. As of June 30, 2009, Brokered CDs for which the fair value option was elected had an aggregate fair value of $3.5 billion.

The fair value option for Brokered CDs allows the offsetting of the changes in fair value of the Brokered CDs and the derivative instruments used to economically hedge such deposits. Interest expense on these Brokered CDs continues to be recorded as a component of interest expense in the condensed consolidated statement of operations. The following table summarizes net gains resulting from the changes in fair value of deposits for which the fair value option was elected and reported as a component of other gains, net in the condensed consolidated statement of operations (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net gains resulting from the changes in fair value	$20,280	$22,521	$14,983	$11,302

For Brokered CDs accounted for at fair value under SFAS No. 159, the Company ceased deferring recognition of issuance costs because such deposits are carried at fair value. For Brokered CDs accounted for at amortized cost, issuance costs are deferred and recognized as a component of interest expense over the term of such deposits.

Fair Value of Financial Instruments (SFAS No. 157 Disclosure)

The Company accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The following tables summarize the financial assets and financial liabilities measured at fair value on a recurring basis, including financial instruments for which the Company has elected the fair value option as of June 30, 2009 and December 31, 2008 (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, 2009
Assets:					
Investment securities—trading	$ —	$ 38,285	$ 27,824	$ —	$ 66,109
Investment securities—available for sale:					
CMBS, ABS and CDOs	—	104	37,169	—	37,273
Tax-exempt securities	—	57,870	210,160	—	268,030
TMK securities	—	—	185,425	—	185,425
GSE securities	—	263,265	—	—	263,265
U.S. Treasury and other securities	5,279	—	9,617	—	14,896
Subtotal	5,279	321,239	442,371	—	768,889
Loans held for sale	—	346,918	2,679,618		3,026,536
Derivative assets	—	98,094	—	76,535	174,629
Total assets	$5,279	$ 804,536	$3,149,813	$76,535	$4,036,163
Liabilities:					
Deposit liabilities—Brokered CDs	$ —	$3,505,030	$ —	$ —	$3,505,030
Derivative liabilities	—	(43,469)	1,378	49,283	7,192
Total liabilities	$ —	$3,461,561	$ 1,378	$49,283	$3,512,222

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, 2008
Assets:					
Investment securities:					
Trading	$1,302,945	$ 58,578	$ 95,861	$ —	$1,457,384
Available for sale	7,053	262,571	574,343	—	843,967
Loans held for sale	—	208,400	3,740,452	—	3,948,852
Derivative assets	(19,440)	116,397	348	6,100	103,405
Total assets	$1,290,558	$ 645,946	$4,411,004	$ 6,100	$6,353,608
Liabilities:					
Deposit liabilities—Brokered CDs	$ —	$5,405,331	$ —	$ —	$5,405,331
Derivative liabilities	—	35,638	1,284	(27,803)	9,119
Total liabilities	$ —	$5,440,969	$ 1,284	$ (27,803)	$5,414,450

Loans held for sale in the tables above exclude $156.8 million and $21.8 million of loans held for sale as of June 30, 2009 and December 31, 2008, respectively, for which the Company did not elect the fair value option. Such loans include acquired non-performing loans transferred from "held for investment" to "held for sale" on June 30, 2009 and loans in the Philippines as of June 30, 2009 and December 31, 2008. In the tables above, deposit liabilities exclude $4.9 billion and $0.3 billion of Brokered CDs accounted for at amortized cost as of June 30, 2009 and December 31, 2008, respectively, for which the Company did not elect the fair value option.

Level 3 financial assets presented in the following tables include investment securities classified as trading and available for sale, loans held for sale, and net derivatives. These instruments were valued using pricing models and discounted cash flow models that incorporate assumptions, which, in management's judgment, reflect the assumptions a market participant would use including discount rates, spreads and collateral values as well as internal risk ratings and anticipated credit losses. Gains or losses for investment securities classified as trading or available for sale are reported as a component of net (losses) gains on investments and real estate in the condensed consolidated statement of operations. Gains or losses for derivatives are reported as a component of other gains, net in the condensed consolidated statement of operations. The following tables summarize the changes in fair value for all financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended June 30, 2009 and 2008 (in thousands):

	Investment Securities—Trading	Investment Securities—Available for Sale	Loans Held for Sale	Net Derivatives	Total
Beginning balance as of April 1, 2009	$33,072	$441,991	$3,314,880	$(1,284)	$3,788,659
Purchases, issuances, sales and settlements	(4,795)	6,123	(187,594)		(186,266)
Total net realized/unrealized losses:					
Included in earnings	(550)	(11,613)	(351,726)	(94)	(363,983)
Included in other comprehensive income	97	5,870	10,636	—	16,603
Net transfers out of Level 3	—	—	(106,578)	—	(106,578)
Ending balance as of June 30, 2009	$27,824	$442,371	$2,679,618	$(1,378)	$3,148,435
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of June 30, 2009	$ (506)	$(11,613)	$(284,323)	$ (348)	$(296,790)

	Investment Securities— Trading	Investment Securities— Available for Sale	Loans Held for Sale	Net Derivatives	Total
Beginning balance as of April 1, 2008	$110,979	$701,562	$7,272,175	$ 5,964	$8,090,680
Purchases, issuances, sales and settlements	(3092)	(14,533)	(2,148,682)	—	(2,166,307)
Total net realized/unrealized (losses) gains:					
Included in earnings	(5,313)	(3,167)	(73,857)	(5,044)	(87,381)
Included in other comprehensive income	(8)	(32,911)	(15,356)	—	(48,275)
Net transfers into Level 3	—	—	(19)	(623)	(642)
Ending balance as of June 30, 2008	$102,566	$650,951	$5,034,261	$297	$5,788,075
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of June 30, 2008	$ (5,313)	$ (3,164)	$(100,287)	$(5,044)	$(113,808)

The following tables summarize the changes in fair value for all financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2009 and 2008 (in thousands):

	Investment Securities— Trading	Investment Securities— Available for Sale	Loans Held for Sale	Net Derivatives	Total
Beginning balance as of January 1, 2009	$ 95,861	$574,343	$3,740,452	$ (936)	$4,409,720
Purchases, issuances, sales and settlements	(60,053)	11,309	(285,586)	—	(334,330)
Total net realized/unrealized losses:					
Included in earnings	(5,696)	(91,073)	(587,225)	(442)	(684,436)
Included in other comprehensive income	(70)	(5,772)	(21,450)	—	(27,292)
Net transfers out of Level 3	(2,218)	(46,436)	(166,573)	—	(215,227)
Ending balance as of June 30, 2009	$ 27,824	$442,371	$2,679,618	$(1,378)	$3,148,435
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of June 30, 2009	$ (5,356)	$(78,763)	$(466,030)	$ (696)	$(550,845)

	Investment Securities— Trading	Investment Securities— Available for Sale	Loans Held for Sale	Net Derivatives	Total
Ending balance as of December 31, 2007	$126,878	$675,254	$7,508,926	$ 3,567	$8,314,625
Transition adjustment	—	—	1,911	—	1,911
Beginning balance as of January 1, 2008	126,878	675,254	7,510,837	3,567	8,316,536
Purchases, issuances, sales and settlements	(1,695)	(11,557)	(2,335,673)	—	(2,348,925)
Total net realized/unrealized (losses) gains:					
Included in earnings	(23,149)	(8,058)	(392,369)	(3,089)	(426,665)
Included in other comprehensive income	532	(4,688)	197,098	—	192,942
Net transfers into Level 3	—	—	54,368	(181)	54,187
Ending balance as of June 30, 2008	$102,566	$650,951	$5,034,261	$ 297	$5,788,075
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of June 30, 2008	$(23,131)	$(8,055)	$(273,237)	$(3,090)	$(307,513)

Certain financial 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 financial liabilities measured at fair value on a nonrecurring basis as of June 30, 2009 and December 31, 2008. Loans held for sale accounted for at the lower of cost or fair value are measured at fair value on a nonrecurring basis. The carrying values of certain impaired loans held for investment are primarily based on the appraised values of the underlying collateral less estimated selling costs and are classified within Level 3 of the valuation hierarchy. Certain loans held for sale which experienced an adjustment to fair value based on the application of lower of cost or fair value accounting for the six months ended June 30, 2009 and still held as of June 30, 2009 had a carrying value of $8.5 million and $21.8 million as of June 30, 2009 and December 31, 2008, respectively. Certain impaired loans held for investment, which experienced impairment for the six months ended June 30, 2009 and still held as of June 30, 2009 had a carrying value of $350.0 million and $169.2 million as of June 30, 2009 and December 31, 2008, respectively.

Adjustments to fair value based on the application of lower of cost or fair value accounting are reported as a component of net losses on loans in the condensed consolidated statement of operations. Impairment charges for impaired loans held for investment are reported as a component of provision for loan losses in the condensed consolidated statement of operations. The following table presents any impairment recognized on certain loans measured at fair value on a nonrecurring basis during the period and still held as of June 30, 2009 and 2008 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Total change in unrealized losses recognized on certain impaired loans held for sale	$ (627)	$ —	$ (4,020)	$(1,469)
Total losses recognized on certain impaired loans held for investment	(192,205)	(5,298)	(242,078)	(9,139)

Certain non-financial 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 non-financial liabilities measured at fair value on a nonrecurring basis as of June 30, 2009. The fair values of real estate investments are primarily based on the discounted cash flows expected to result from the use and eventual disposition of the assets. The fair values of equity investments are evaluated using discounted cash flow analyses, observable competitive market data and qualitative and quantitative evaluation of the investees. See Note 9 to these condensed consolidated financial statements for a discussion of the fair value determination for mortgage servicing rights. Any impairment recognized on real estate held for investment, real estate held for sale, real estate acquired through foreclosure and equity investments is reported as a component of net losses on investments and real estate in the condensed consolidated statement of operations. Any impairment recognized on mortgage servicing rights is reported as a component of amortization and impairment of mortgage servicing rights in the condensed consolidated statement of operations. The following table presents the carrying values of certain impaired non-financial assets measured at fair value on a nonrecurring basis and still held as of June 30, 2009 and any impairments recognized for the three and six months ended June 30, 2009 (in thousands):

	Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2009	Total losses for the three months ended June 30, 2009	Total losses for the six months ended June 30, 2009
Real estate held for investment(1)	$—	$—	$480,340	$480,340	$(257,232)	$(319,527)
Real estate held for sale (1)			225,177	225,177	(24,306)	(82,541)
Real estate acquired through foreclosure	—	—	87,016	87,016	(16,456)	(45,330)
Equity investments	—	—	96,587	96,587	(61,905)	(86,124)
Mortgage servicing rights	—	—	405,048	405,048	(363,624)	(363,624)

Note:

(1) Impairments on real estate held for investment and real estate held for sale were primarily recognized in the Company's Asian Operations business segment.

Intangible assets are non-financial assets measured at fair value on a nonrecurring basis. In the second quarter of 2009, the Company recognized an $84.3 million impairment charge on intangible assets related to customer relationships and contracts representing the entire carrying value of those assets. See Note 10 to these condensed consolidated financial statements for further discussion.

16. Derivative Instruments

The Company primarily uses derivative instruments in connection with its risk management activities. The Company's primary objective in utilizing these derivative instruments is to minimize market risk volatility associated with interest rate and foreign currency risks related to the Company's assets and liabilities. Minimizing this volatility enables the Company to mitigate the impact of market risk on earnings. The derivative instruments that the Company uses include swaps, caps, forwards, options and swaptions, all of which may be exchange-traded or contracted in the over-the-counter market.

In accordance with SFAS No. 133, the Company records derivative instruments at estimated fair value in the condensed consolidated balance sheet. Gains and losses resulting from changes in the fair value of such instruments are accounted for depending on whether or not they qualify for hedge accounting.

Interest rate risk exposure – the Company's fair value hedges consist of interest rate swaps associated with Brokered CDs with original maturities of one year or greater. The hedging relationships are expected to be highly effective in achieving offsetting changes in fair value attributable to the designated hedge risk during the hedge period. The fair value change in the Brokered CDs is included as a basis adjustment of the Brokered CDs' carrying value, and the fair value change of the interest rate swaps is recorded in other assets or other liabilities, as appropriate. The difference between the change in fair value of the Brokered CDs and the change in fair value of the related interest rate swaps represents hedge ineffectiveness and is recognized in current period earnings as a component of other gains, net in the condensed consolidated statement of operations.

Foreign exchange rate exposure – the Company makes investments in foreign operations that have functional currencies other than the U.S. dollar, which is the functional currency of the Company. The change in the carrying value of these operations, translated at month-end exchange rates, is recorded in accumulated other comprehensive income, net of tax. The change in the carrying value of these operations over future periods exposes the Company to fluctuations in currency exchange rates. In order to manage this exposure, the Company entered into a portfolio of net investment derivative instruments to minimize the impact of foreign currency exchange movements on stockholders' deficit. In March 2009, substantially all of the derivative instruments used to manage the foreign exchange rate exposure matured and have not been replaced due to the substantial margin requirements of the Company's counterparties. Prior to March 2009, the portion of the change in estimated fair value of the related derivative instruments due to changes in month-end foreign exchange rates was recorded in other assets or other liabilities, as appropriate, in the condensed consolidated balance sheet with an offset to accumulated other comprehensive income, net of tax, to the extent the derivative instrument was effective. The remainder was recorded in current period earnings as a component of other gains, net in the condensed consolidated statement of operations.

The Company previously recognized hedge ineffectiveness in earnings if the notional amount of the derivatives exceeded the portion of the net investment that was designated as being hedged or if the derivatives' underlying exchange rate was not the exchange rate between the functional currency of the hedged net investment and the Company's functional currency.

Derivatives classified as trading – derivative instruments that do not qualify for hedge accounting are reported at their estimated fair value in either other assets or other liabilities, as appropriate. The resulting gains and losses are included in current period earnings as a component of net losses on investments and real estate in the condensed consolidated statement of operations. The net interest settlement periodically recognized for these derivative instruments is included as a component of other gains, net in the condensed consolidated statement of operations.

The Company enters into derivative instruments to mitigate the risk associated with changes in the estimated fair value of investment securities classified as trading, fixed-rate loans held for sale and fixed-rate Brokered CDs with original maturities of less than one year. The Company also enters into interest rate swaps to mitigate the volatility in cash flows of certain of its variable rate liabilities. In addition, the Company enters into forward currency contracts to mitigate the foreign exchange risk on its foreign denominated borrowings. Beginning in March 2009, the margin required by counterparties to enter into forward currency contracts was increased, and the Company elected not to replace the maturing derivative instruments which hedged the foreign exchange rate exposure. As a result, the Company's foreign exchange rate exposure has increased substantially as of June 30, 2009 compared to December 31, 2008.

The following table presents the notional amount and fair value for derivatives designated as hedging instruments, disaggregated by asset and liability amounts for the periods indicated (in thousands):

	Asset Derivatives				Liability Derivatives			
	As of June 30, 2009		As of December 31, 2008		As of June 30, 2009		As of December 31, 2008	
	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Interest rate contracts	$1,689,956	$20,191	$268,970	$18,978	$2,158,306	$15,639	$ —	$ —
Foreign exchange contracts	—	—	126,276	2,644	—	—	569,958	23,432
Total	$1,689,956	$20,191	$395,246	$21,622	$2,158,306	$15,639	$569,958	$23,432

Interest rate and foreign exchange contracts are included in other assets or other liabilities, as appropriate, in the condensed consolidated balance sheet.

The following table presents the notional amount and fair value for derivatives not designated as hedging instruments, disaggregated by asset and liability amounts for the periods indicated (in thousands):

	Asset Derivatives				Liability Derivatives			
	As of June 30, 2009		As of December 31, 2008		As of June 30, 2009		As of December 31, 2008	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Interest rate contracts	$5,276,822	$288,295	$7,929,987	$333,592	$2,167,307	$150,029	$2,440,984	$178,772
Credit default contracts	10,000	8,618	10,000	6,919	10,282	11,076	20,000	19,440
Foreign exchange contracts	38,013	1,298	838,821	53,543	1,366	95	2,380,070	131,984
Loan commitments	—	—	13,500	348	27,016	1,378	32,136	1,285
Total	$5,324,835	$298,211	$8,792,308	$394,402	$2,205,971	$162,578	$4,873,190	$331,481

The above derivative instruments are included in other assets or other liabilities, as appropriate, in the condensed consolidated balance sheet.

The Company is required to deposit cash in collateral and margin accounts maintained by counterparties related to certain derivative positions. Collateral in the amount of $146.4 million and $135.6 million was deposited by the Company related to these arrangements as of June 30, 2009 and December 31, 2008, respectively. These amounts are netted against unrealized losses on derivative positions. The Company held $119.1 million and $101.7 million in collateral and margin accounts on behalf of counterparties as of June 30, 2009 and December 31, 2008, respectively. These amounts are netted against unrealized gains on derivative positions. Net unrealized losses are reported as a component of other liabilities in the condensed consolidated balance sheet. Net unrealized gains are reported as a component of other assets in the condensed consolidated balance sheet.

Gains of $0.2 million and $0.9 million were recognized in other gains, net in the condensed consolidated statement of operations related to fair value hedging relationships for the three and six months ended June 30, 2009, respectively. There were no gains or losses related to fair value hedging relationships for the three and six months ended June 30, 2008.

The following tables present the effect of derivative instruments designated as net investment hedges recorded in accumulated other comprehensive income during the term of the hedging relationship for periods indicated (in thousands):

	Amount of gain/(loss) recognized in other comprehensive income on derivatives (effective portion)		Amount of gain(loss) reclassified from accumulated other comprehensive income into earnings (effective portion)		Amount of gain(loss) recognized in earnings on derivatives (ineffective portion and amount excluded from effectiveness testing)(1)	
	Three months ended June 30,		Three months ended June 30,		Three months ended June 30,	
	2009	2008	2009	2008	2009	2008
Foreign exchange contracts	$—	$16,237	$159	$—	$9	$317

	Amount of gain/(loss) recognized in other comprehensive income on derivatives (effective portion)		Amount of gain(loss) reclassified from accumulated other comprehensive income into earnings (effective portion)		Amount of gain(loss) recognized in earnings on derivatives (ineffective portion and amount excluded from effectiveness testing)(1)	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008	2009	2008
Foreign exchange contracts	$37,748	$(55,813)	$159	$—	$(1,572)	$2,265

Note:

(1) The ineffective portion was zero for the three and six months ended June 30, 2009 and 2008.

The gain (loss) reclassified from accumulated other comprehensive income into earnings on derivatives (effective portion) is classified in other gains, net in the condensed consolidated statement of operations. The gain (loss) recognized in earnings on derivatives (ineffective portion and amount excluded from effectiveness testing) is classified as interest expense in the condensed consolidated statement of operations. Losses of $30.0 million and $135.2 million were recognized in accumulated other comprehensive income from the inception of the net investment hedges as of June 30, 2009 and 2008, respectively.

The following table summarizes the amount of gain (loss) recognized in earnings on derivatives not designated as hedging instruments under SFAS No. 133 in the condensed consolidated statement of operations (in thousands):

	Amount of gain(loss) recognized in earnings on derivatives			
	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Interest rate contracts...	$ 14,434	$ 18,708	$ 31,822	$ 3,281
Credit default contracts...	(1,049)	6,943	302	27,594
Foreign exchange contracts.....................................	(13,141)	101,453	91,838	(128,020)
Treasury short repurchase contracts........................	—	(667)	—	(1,101)
Loan commitments..	(93)	(4,677)	(441)	(2,723)
Total..	$ 151	$121,760	$123,521	$(100,969)

Gains and losses on derivatives not designated as hedging instruments under SFAS No. 133 are recognized in other gains, net in the condensed consolidated statement of operations.

17. Securitization of Assets

The Company originates and purchases commercial mortgage loans and investment securities with the intent to earn interest income, origination fees and servicing income. In the past, those loans and investment securities which were considered held/available for sale were sold to third-party investors, when market conditions allowed, directly or through a variety of special purpose entities (“SPEs”), including QSPEs, and other structured facilities in order to provide funding for the continued origination and purchase of loans and investments. The beneficial interests in the underlying pools of loans and investments were typically sold to institutional investors. These securitization activities were severely limited throughout 2008 and did not occur at all in the first half of 2009 due to the unfavorable market conditions.

Prior to the current market disruptions, the Company also operated its own securitization programs. Under the Company’s term securitization programs, commercial mortgage loans and investment securities were sold to limited purpose bankruptcy-remote subsidiaries of the Company. In turn, these subsidiaries generally established separate trusts to which they transferred the assets in exchange for the proceeds from the sale of securities issued by the trusts. The activities of the trusts are generally limited to acquiring the assets, issuing securities, collecting payments on assets and making payments on the securities. Due to the nature of the assets held by the trusts and the limited nature of the activities of the trusts, they are typically classified as QSPEs under SFAS No. 140. In accordance with SFAS No. 140, assets and liabilities of the trusts that meet all of the conditions to qualify as QSPEs are not included in the Company’s condensed consolidated balance sheet. Assets and liabilities of the trusts that do not meet all of the conditions to qualify as QSPEs are analyzed for consolidation under FIN 46R. See Note 14 to these condensed consolidated financial statements for related disclosures. In either case, the investors in the debt securities issued by the trusts have no further recourse against the Company if cash flows generated by the securitized assets are inadequate to service the obligations of the trusts. The Company has not provided any financial support that it was not contractually obligated to provide for the six months ended June 30, 2009 and the year ended December 31, 2008.

The Company has periodically entered into transactions in which it would sell financial assets, principally commercial mortgage loans. When the Company securitized mortgage loans in transactions accounted for as a sale in accordance with SFAS No. 140, from time to time it retained an interest in the assets sold. These retained interests took the form of interest-only, investment grade, subordinate, or unrated securities and were reported as investment securities classified as available for sale in the condensed consolidated balance sheet. The subordinate interests that the Company retained provide a form of credit enhancement for the more highly-rated securities. In addition, the Company generally retained servicing rights for all mortgage loans sold or securitized for an annual fee averaging approximately 0.1% of the outstanding balance and may have earned other related ongoing income.

The accounting policies related to securitization of assets are discussed in Note 3 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K.

The Company's past securitization activities have also included the securitization of commercial mortgage securities, real estate investment trust debt, and commercial mortgage loans using SPEs that issue CDOs. With respect to such transactions, the Company and other unaffiliated parties each contributed a portion of the total collateral underlying the CDO investments. The Company holds subordinated interests, including first loss positions, and has acted as collateral manager for these SPEs. See Note 23 to these condensed consolidated financial statements for further discussion of the agreement to assign the management contracts of various Capmark-sponsored CDOs to Ventras Capital Advisors, LLC ("Ventras"). The assets in these CDOs totaled $4.8 billion and $5.1 billion as of June 30, 2009 and December 31, 2008, respectively, of which the Company's exposure to loss was $24.4 million and $32.0 million as of June 30, 2009 and December 31, 2008, respectively, representing the Company's retained interests in these entities and which are reported as a component of investment securities classified as available for sale in the condensed consolidated balance sheet.

The Company did not securitize financial assets during the six months ended June 30, 2009. The Company recognized a pre-tax loss of $2.7 million for the three and six months ended June 30, 2008 on the securitization of financial assets, inclusive of gains and losses related to hedging activities.

Cash flows received from (and paid to) securitization trusts consisted of the following (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Proceeds from new securitizations	$ —	$ 31,796	$ —	$ 31,796
Servicing and late fees received(1)	4,566	5,742	9,243	11,017
Other cash flows received on retained interests	3,828	7,403	7,172	14,093
Servicing advances	(71,342)	(36,410)	(127,423)	(76,861)
Repayments of servicing advances	52,002	37,452	97,276	77,278

Note:

(1) Servicing and late fees are reported as a component of mortgage servicing fees in the condensed consolidated statement of operations. Servicing fees totaled $4.2 million and $5.4 million for the three months ended June 30, 2009 and 2008, respectively, and $8.5 million and $10.6 million for the six months ended June 30, 2009 and 2008, respectively. Late fees totaled $0.3 million and $0.3 million for the three months ended June 30, 2009 and 2008, respectively, and $0.7 million and $0.4 million for the six months ended June 30, 2009 and 2008, respectively.

The key economic assumptions used in measuring the fair value of retained interests in securitizations including mortgage servicing rights as of June 30, 2009 and December 31, 2008, and the sensitivity of such retained interests to immediate 10% and 20% adverse changes in those assumptions, are summarized below (in thousands):

	Commercial Mortgage Loans			
	June 30, 2009		December 31, 2008	
Fair value of retained interests	$23,059		$26,810	
	Range	Weighted average	Range	Weighted average
Life (in years)	0.0-4.7	1.4	0.1-4.7	1.9
Annual prepayment rate	0.0-50.0%	6.1%	0.0-50.0%	10.3%
Impact on fair value of 10% adverse change	$ (966)		$ (955)	
Impact on fair value of 20% adverse change	$(1,796)		$(1,786)	
Expected credit losses	0.0-36.7%	5.8%	0.0-36.0%	6.8%
Impact on fair value of 10% adverse change	$ (685)		$ (491)	
Impact on fair value of 20% adverse change	$(1,045)		$ (663)	
Discount rate	9.0-35.0%	27.4%	6.3-40.0%	21.7%
Impact on fair value of 10% adverse change	$ (595)		$ (706)	
Impact on fair value of 20% adverse change	$(1,147)		$(1,380)	

	Taxable Investment Securities			
	June 30, 2009		December 31, 2008	
Fair value of retained interests	$24,360		$32,407	
	Range	Weighted average	Range	Weighted average
Life (in years)	0.9-6.7	3.6	0.3-12.5	3.8
Annual prepayment rate	0.0-20.0%	13.3%	0.0%	0.0%
Impact on fair value of 10% adverse change	$ (117)		N/A	
Impact on fair value of 20% adverse change	$ (235)		N/A	
Expected credit losses	0.1-1.2%	0.6%	0.0-1.0%	0.1%
Impact on fair value of 10% adverse change	$ (339)		$ (97)	
Impact on fair value of 20% adverse change	$ (677)		$ (194)	
Discount rate	30.0-40.0%	37.7%	20.0-40.0%	35.2%
Impact on fair value of 10% adverse change	$(2,370)		$(2,785)	
Impact on fair value of 20% adverse change	$(4,428)		$(5,234)	

N/A = not applicable

	Mortgage Servicing Rights			
	June 30, 2009		December 31, 2008	
Fair value of retained interests	$33,405		$81,683	
	Range	Weighted average	Range	Weighted average
Life (in years)	0.0-21.1	5.1	0.0-21.6	5.6
Annual prepayment rate	0.0-25.0%	**	0.0-25.0%	**
Impact on fair value of 10% adverse change	$ (89)		$ (404)	
Impact on fair value of 20% adverse change	$ (161)		$ (804)	
Discount rate	40.6%	40.6%	8.1%	8.1%
Impact on fair value of 10% adverse change	$(2,321)		$(2,081)	
Impact on fair value of 20% adverse change	$(4,364)		$(4,080)	

** The majority of the Company's mortgage loans are subject to prepayment penalties during a rate lockout period. Therefore, the assumed prepayment rates increase once the rate lockout period expires.

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% change in assumptions generally cannot be extrapolated, because the relationship of the changes in assumptions to the change in fair value may not be linear. Also, the effect of a change in one particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. The discount rate presented represents post-loss yields.

Managed assets include assets recognized in the Company's condensed consolidated balance sheet and assets that have been derecognized in a securitization. Performance of the managed loans and investment securities is relevant and useful because we retain interests in the securitized assets and, therefore we have a financial interest in and exposure to the performance of the securitized assets. Information pertaining to the Company's managed loans and investment securities as of June 30, 2009 and December 31, 2008 consisted of the following (in thousands):

	Loans		Investment Securities	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
Balance sheet loans/securities	$10,999,800	$12,286,874	$ 834,998	$2,301,351
Plus: Securitized loans/securities	13,138,219	14,594,550	4,599,822	4,571,706
Managed loans/securities	$24,138,019	$26,881,424	$5,434,820	$6,873,057
Loans 60 days or more delinquent:				
Owned	$2,435,929	$ 915,198		
Securitized	1,600,301	604,171		
Total managed	$4,036,230	$1,519,369		

	June 30, 2009	December 31, 2008
Net principal charge-offs for the year-to-date period ended June 30, 2009 and December 31, 2008:		
Owned	$211,869	$ 82,264
Securitized	328,026	308,215
Total managed	$539,895	$390,479

18. Guarantees

In the ordinary course of business, the Company issues various guarantees. The Company's outstanding guarantees as of June 30, 2009 and December 31, 2008 consisted of the following (in thousands):

	June 30, 2009		December 31, 2008	
	Maximum liability	Carrying value of liability	Maximum liability	Carrying value of liability
Agency loans sold with recourse	$ 690,368	$22,287	$ 693,935	$20,907
Agency/construction lending guarantees	158,785	7,163	269,025	675
Other third-party guarantees	268,200	—	268,825	—
Total	$1,117,353	$29,450	$1,231,785	$21,582

19. Commitments and Contingent Liabilities

The Company holds variable interests in syndicated affordable housing partnerships where the Company provides unaffiliated investors with a guaranteed yield on their investment. As of June 30, 2009, the Company's maximum exposure to loss under the yield guarantees was $1.5 billion. As of June 30, 2009, the Company's estimate of actual loss under these yield guarantees was $220.9 million and is reported as a component of real estate syndication proceeds and related liabilities in the condensed consolidated balance sheet.

On June 9, 2009, the United States Department of Justice filed a civil suit against Capmark Finance Inc. in the United States District Court for the Central District of California, Western Division. The suit claims that Capmark Finance Inc. violated Federal Law when it sought payments of insurance from HUD on two HUD-insured commercial multi-family mortgage loans originated by Capmark Finance Inc. in 2000 and 2002. The United States Department of Justice alleges that the Company misrepresented and failed to disclose certain facts during the origination of the two loans, and that such actions, together with the claim for HUD insurance payments, violate the False Claims Act. The United States Department of Justice claims that HUD was damaged by paying more than $25.0 million in insurance claims and seeks treble damages. The Company intends to vigorously defend the claims.

On August 12, 2009, the Company received a letter (the "Trustee Letter") from counsel to the trustee under the senior note indentures (the "Trustee"). The Trustee Letter forwarded to the Company an August 10, 2009 letter (the "Noteholders Letter") that the Trustee received from a law firm which claims to represent the holders of a significant amount of the senior notes (the "Noteholders Counsel"). The Noteholders Letter alleges that the first supplemental indentures are of no force and effect because the Trustee failed to obtain the consent of the requisite number of senior noteholders to approve the first supplemental indentures and to disclose the existence of such supplements. The Noteholders Letter requests that the Trustee to take all steps necessary to repeal the first supplemental indentures and advises the Trustee that the senior noteholders intend to hold the Trustee liable for all damages caused by its failure to abide by the terms of the indentures and protect the senior noteholders' rights. In a letter dated August 20, 2009, counsel to the Trustee responded to the Noteholders Letter by providing a copy of the notice of the first supplemental indentures that the Trustee sent to Depository Trust Company on May 20, 2009. Additionally, the Trustee's counsel stated that its actions were in accordance with the terms of the indentures and its duties and obligations thereunder. On August 26, 2009, the Noteholders Counsel sent a reply to the Trustee which insisted the Trustee resign given its alleged actions to date and its conflicts resulting from its participation in the Term Facility. The letter from the Noteholders Counsel states that the Trustee's response did not address: (1) the Trustee's violation of the Indentures, (2) the Trustee's conflict of interest arising from its ownership of the debt issued under Term Facility, and (iii) the Trustee's failure to address these failings.

On August 31, 2009, the Company received a letter from Noteholders Counsel. While the letter acknowledges that the Company has begun the process of providing the Noteholders Counsel with information, it expresses concerns with respect to the Company's dealings with the FDIC, potential intercompany asset transfers and the Company's approach to addressing a potential restructuring. The letter demands that the Company seek repayment from Capmark Bank with respect to the June 2009 capital contribution and cautions the board of directors of the Company and its subsidiaries from making asset transfers or taking any actions that will impact the Company's or its subsidiaries' balance sheets without an analysis of such impact to the Company, its subsidiaries and the stakeholders. The letter further requests that (i) the Company and its subsidiaries confer with Noteholders Counsel prior to any intercompany transfer of assets (including transfers to Capmark Bank), entering into any material contractual relationship or agreement with the FDIC, and taking any action that could materially impact the balance sheets of the Company and its subsidiaries (including, agreements in principle to any asset sales); and (ii) the Company and its subsidiaries undertake a comprehensive restructuring that includes Noteholders Counsel in any discussions with the Company, it subsidiaries and their stakeholders.

The Company is subject to potential liability under laws and government regulations, and various claims and legal actions that are pending or may be asserted against it. As of June 30, 2009, after consultation with counsel, it is the opinion of management that potential liability arising from pending litigation, including the matters discussed above, 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 in litigation 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.

20. Segment Information

The operating results for the Company's six business segments have been determined in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This standard is based on a management approach, which requires presentation of business segments based upon a company's organization and internal reporting of operating results to the company's chief operating decision maker. The Company's chief operating decision maker is its Chief Executive Officer. The accounting policies of the Company's business segments are the same as those described in Note 3 of the consolidated financial statements included in the Company's 2008 Annual Report on Form 10-K, except that disaggregated results have been prepared using a management approach, which is substantially consistent with the basis and manner in which management internally disaggregates financial information for the purpose of assisting in the operating-decision process. Material intersegment transactions have been eliminated in consolidation.

The Company's business segments are managed and organized based on geography and the type of business conducted. The Company has six business segments: North American Lending and Mortgage Banking, North American Investments and Funds Management, North American Servicing, Asian Operations, European Operations and North American Affordable Housing.

The following table summarizes the financial results for the Company's business segments for the three months ended June 30, 2009 (in thousands):

	Segments							
	North American Lending and Mortgage Banking	**North American Investments and Funds Management**	**North American Servicing**	**Asian Operations**	**European Operations**	**North American Affordable Housing**	**Corporate & other**	**Consolidated**
Net interest income	$ 77,462	$ 1,149	$ (2,835)	$ (4,676)	$ 3,620	$ 1,332	$ (95,463)	$ (19,411)
Noninterest income	(273,941)	(42,660)	62,155	(348,753)	(39,126)	(21,865)	32,155	(632,035)
Total revenue	(196,479)	(41,511)	59,320	(353,429)	(35,506)	(20,533)	(63,308)	(651,446)
Provision for loan losses	210,797	—	—	122,255	15,725	—	(3,023)	345,754
Net revenue	(407,276)	(41,511)	59,320	(475,684)	(51,231)	(20,533)	(60,285)	(997,200)
Noninterest expense	50,738	5,372	282,597	18,322	4,931	4,869	265,993	632,822
(Loss) income before income taxes	$ (458,014)	$(46,883)	$(223,277)	$(494,006)	$(56,162)	$(25,402)	$(326,278)	$(1,630,022)
Net loss attributable to noncontrolling interests	$ 6,075	$ 3,870	$ —	$ 190	$ —	$ —	$ 4,712	$ 14,847
Total assets at end of period	$13,658,968	$ 513,151	$707,342	$1,857,766	$374,456	$862,825	$2,110,627	$20,085,135

The following table summarizes the financial results for the Company's business segments for the three months ended June 30, 2008 (in thousands):

	Segments							
	North American Lending and Mortgage Banking	North American Investments and Funds Management	North American Servicing	Asian Operations	European Operations	North American Affordable Housing	Corporate & other	Consolidated
Net interest income	$ 84,829	$ 686	$ (3,695)	$ 2,132	$ 5,693	$ 3,095	$ (40,163)	$ 52,577
Noninterest income	44,863	(27,559)	76,008	13,570	(35,973)	(4,406)	49,512	116,015
Total revenue	129,692	(26,873)	72,313	15,702	(30,280)	(1,311)	9,349	168,592
Provision for loan losses	8,043	—	—	2,559	(591)	—	379	10,390
Net revenue	121,649	(26,873)	72,313	13,143	(29,689)	(1,311)	8,970	158,202
Noninterest expense	47,691	7,054	45,877	22,585	14,984	9,794	51,950	199,935
Income (loss) before income taxes	73,958	(33,927)	26,436	(9,442)	(44,673)	(11,105)	(42,980)	(41,733)
Net loss (income) attributable to noncontrolling interests	6,014	12,909	—	(3,621)	—	—	8,875	24,177
Total assets at end of period	$12,815,732	$1,041,167	$899,785	$2,852,320	$822,914	$951,009	$1,968,461	$21,351,388

The following table summarizes the financial results for the Company's business segments for the six months ended June 30, 2009 (in thousands):

	Segments							
	North American Lending and Mortgage Banking	North American Investments and Funds Management	North American Servicing	Asian Operations	European Operations	North American Affordable Housing	Corporate & other	Consolidated
Net interest income	$ 155,280	$ 2,559	$ (5,809)	$ (4,459)	$ 9,686	$ 2,625	$(167,180)	$ (7,298)
Noninterest income	(428,349)	(183,454)	123,298	(533,964)	(96,313)	(62,464)	47,663	(1,133,583)
Total revenue	(273,069)	(180,895)	117,489	(538,423)	(86,627)	(59,839)	(119,517)	(1,140,881)
Provision for loan losses	293,939	—	—	135,468	16,148	—	(1,086)	444,469
Net revenue	(567,008)	(180,895)	117,489	(673,891)	(102,775)	(59,839)	(118,431)	(1,585,350)
Noninterest expense	95,190	12,314	322,607	43,869	9,366	10,044	330,856	824,246
Income (loss) before income taxes	$(662,198)	$(193,209)	$(205,118)	$(717,760)	$(112,141)	$(69,883)	$(449,287)	$(2,409,596)
Net loss (income) attributable to noncontrolling interests	$ 23,130	$ 35,382	$ —	$ 270	$ —	$ —	$ 10,312	$ 69,094

The following table summarizes the financial results for the Company's business segments for the six months ended June 30, 2008 (in thousands):

	Segments							
	North American Lending and Mortgage Banking	North American Investments and Funds Management	North American Servicing	Asian Operations	European Operations	North American Affordable Housing	Corporate & other	Consolidated
Net interest income	$ 162,854	$ 1,305	$(7,782)	$ 9,496	$ 10,545	$ 802	$(63,540)	$ 113,680
Noninterest income	(29,874)	(10,070)	155,121	16,929	(279,555)	713	69,527	(77,209)
Total revenue	132,980	(8,765)	147,339	26,425	(269,010)	1,515	5,987	36,471
Provision for loan losses	13,011	—	—	5,384	(633)	—	257	18,019
Net revenue	119,969	(8,765)	147,339	21,041	(268,377)	1,515	5,730	18,452
Noninterest expense	95,561	20,423	97,650	49,676	22,898	18,415	103,922	408,545
Income (loss) before income taxes	$ 24,408	$(29,188)	$49,689	$(28,635)	$(291,275)	$(16,900)	$(98,192)	$(390,093)
Net loss (income) attributable to noncontrolling interests	$ 14,620	$ 8,674	$ —	$ (3,547)	$ —	$ —	$ 19,928	$ 39,675

21. Regulatory Matters

Certain subsidiaries of the Company are subject to minimum net worth and insurance requirements imposed by the GSEs, HUD and Ginnie Mae. Failure to meet these requirements can result in the initiation of certain actions by these entities that, if undertaken, could have a material adverse effect on the Company's ability to conduct mortgage banking and servicing activities related to GSE, HUD and Ginnie Mae programs and upon the Company's consolidated results of operations and financial condition.

Management believes the Company was in compliance with GSE, HUD and Ginnie Mae minimum net worth requirements as of June 30, 2009.

In the past, these subsidiaries have satisfied the minimum errors and omission insurance coverage and fidelity bond coverage requirements of the GSEs, HUD and Ginnie Mae pursuant to written waivers which, by their express terms, have expired. The insurance coverage required by such written waivers has been renewed for the current term and certificates of insurance evidencing the coverage in place have been provided to each of the GSEs, HUD and Ginnie Mae. As of the date of the issuance of this quarterly report, the Company has not received extensions of the waivers or notification that the insurance coverage of its subsidiaries is adequate. Failure to maintain the required insurance coverage can result in the initiation of certain actions by these entities that, if undertaken, could have a material adverse effect on the Company's results of operations and financial condition.

Fannie Mae has established certain eligibility requirements that Capmark Finance Inc. must comply with as a condition of being a Fannie Mae Delegated Underwriting and Servicing ("DUS™") seller/servicer. Capmark Finance received a waiver from complying with certain of these eligibility requirements for so long as the Company maintained an "Investment Grade Credit Rating," which means that its senior long-term unsecured debt rating is (i) BBB- or higher from Standard & Poor's Ratings Services ("S&P"); or (ii) Baa3 or above from Moody's Investors Service ("Moody's") or (iii) BBB- or above from Fitch Ratings ("Fitch") (with the lowest rating prevailing if there is a split among the rating agencies). The senior long-term unsecured debt ratings of the Company were reduced below investment grade by each of the rating agencies during the first quarter of 2009. As of the date of the issuance of this quarterly report, the Company has not received notification from Fannie Mae that the waiver has been terminated.

Capmark Bank must maintain minimum regulatory capital ratios to qualify as "well capitalized" under the capital rules of the FDIC. In addition, in connection with the Sponsor Transactions, the Company and Capmark Bank entered into a capital maintenance agreement with the FDIC pursuant to which Capmark Bank agreed to maintain a Tier 1 leverage ratio of not less than 8.0%. The following table summarizes the FDIC's regulatory capital ratio requirements for well-capitalized banks and the regulatory capital ratios as of June 30, 2009 and December 31, 2008 for Capmark Bank:

	Ratios to qualify as "Well-Capitalized"	June 30, 2009	December 31, 2008 (1)
Leverage	5.0%(2)	12.2%	12.5%
Tier 1 risk-based	6.0%	14.1%	13.3%
Total risk-based	10.0%	14.8%	15.9%

Notes:

(1) Consistent with its management's understanding of FDIC reporting requirements, through December 31, 2008, Capmark Bank applied a 50% risk-weighting to a portion of its multi-family loan portfolio that met certain criteria. After seeking clarification of risk-weighting guidelines with the FDIC, subsequent to December 31, 2008, all Capmark Bank's multi-family loans receive a 100% risk-weighting. If all Capmark Bank's multi-family loans had received a 100% risk-weighting as of December 31, 2008, its Tier 1 risk-based capital and Total risk-based capital ratios would have been 12.5% and 14.9%, respectively.

(2) The FDIC's minimum Tier 1 leverage ratio for a bank to remain well-capitalized is 5.0%. However, as noted above, the Company and Capmark Bank have agreed to maintain a Tier 1 leverage ratio of not less than 8.0%.

In June 2009, the Company made a $302.8 million capital contribution to Capmark Bank consisting of $55.0 million of cash and $247.8 million of servicing advances.

Capmark Bank Europe p.l.c. ("Capmark Bank Europe") was required to comply with various laws, rules and regulations in Ireland. These requirements, among others, required Capmark Bank Europe to maintain certain capital adequacy and liquidity ratios calculated in accordance with applicable laws and related accounting standards in Ireland. In July 2008, Capmark Bank Europe notified the Irish banking regulatory authority that, in connection with the Company's decision to end proprietary lending in Europe, Capmark Bank Europe would commence cessation of its banking operations. Capmark Bank Europe completed the wind-down of its banking activities and voluntarily surrendered its banking license in July 2009 and changed its name to Capmark Management p.l.c.

Capmark Securities Inc. is subject to the Securities and Exchange Commission's broker-dealer minimum net capital requirements. Capmark Securities Inc.'s net capital requirement was $250,000 as of June 30, 2009 and December 31, 2008. Capmark Securities Inc.'s net capital totaled $12.0 million and $11.4 million as of June 30, 2009 and December 31, 2008, respectively.

Escrow Bank USA was dissolved effective June 26, 2009 and its deposit insurance coverage was terminated June 30, 2009.

22. Earnings per Share

The table below demonstrates how the Company has computed basic and diluted earnings per share. The denominator in the calculation below includes shares of common stock issued and sold to employees and non-employee directors, for the three and six months ended June 30, 2009 and 2008, which are reported as mezzanine equity in the condensed consolidated balance sheet.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share amounts)			
Net (loss) income attributable to Capmark Financial Group Inc.	$(1,607,619)	$11,489	$(2,335,315)	$(201,370)
Basic (loss) income per share	$ (3.77)	$ 0.03	$ (5.47)	$ (0.47)
Diluted (loss) income per share	$ (3.77)	$ 0.03	$ (5.47)	$ (0.47)
Basic weighted average shares outstanding	426,914	432,263	427,022	432,602
Effect of dilutive shares	—	2,231	—	—
Diluted weighted average shares outstanding	426,914	434,494	427,022	432,602
Antidilutive shares				
Time-based stock options	22,420	2,232	23,431	32,512
Performance-based stock options	6,271	9,520	6,814	9,665
Total antidilutive shares	28,691	11,752	30,245	42,177

23. Subsequent Events

Management has evaluated subsequent events through September 2, 2009, the date these condensed consolidated financial statements were issued. See Note 2 to these condensed consolidated financial statements for a discussion of the likely regulatory action by the FDIC and its potential impact on Capmark Bank and for a discussion of the Agreement regarding the potential sale of substantially all of the Company's North American Servicing segment and its mortgage banking operations.

On July 7, 2009, Capmark Investments LP entered into a purchase and sale agreement with Ventras, an entity owned in part by former officers of Capmark Investments LP and Capmark Securities Inc., to assign the management contracts of various Capmark-sponsored CDOs to Ventras for an initial purchase price of $3.0 million. The purchase price may increase up to a maximum of $5.5 million based upon the terms of the agreement. Capmark Investments LP is currently seeking various consents regarding these assignments. Until such consents are obtained, Ventras will serve as a sub-adviser to Capmark Investments LP for these CDOs. Assuming that all consents to these assignments described above were obtained as of June 30, 2009, Capmark Investment LP's assets under management would have been reduced by approximately $3.7 billion.

On July 20, 2009, Capmark Bank withdrew its application to participate in the FDIC's Capital Purchase Program.

On July 23, 2009, the Company, GMAC and GMAC Mortgage Group LLC entered into an agreement to settle, and to discontinue with prejudice, the Company's breach of contract action against GMAC LLC and GMAC Mortgage Group LLC. The breach of contract action by the Company arose out of the Sponsor Transactions and sought enforcement of GMAC and GMAC Mortgage Group LLC's obligation to indemnify the Company for liabilities and losses in connection with certain employee benefit plans and covered legal proceedings.

On July 24, 2009, the Company entered into a letter agreement with the Company, the Sponsors and GMAC (the "Letter Agreement"). The Letter Agreement terminated the management agreement, dated as of March 23, 2006, with the Sponsors and GMAC (the "Management Agreement") pursuant to which the Sponsors and GMAC provided the Company with management and advisory services, effective as of December 31, 2008. Under the terms of the Management Agreement, the Sponsors and GMAC were entitled to receive an annual management fee and reimbursement for reasonable out-of-pocket expenses. The Letter Agreement provides that expenses accrued prior to December 31, 2008 shall survive indefinitely and indemnification shall survive for a period of three years from December 31, 2008.

On August 14, 2009, the Company voluntarily filed a Form 15 with the Securities and Exchange Commission ("SEC") to terminate its SEC reporting obligations. The Company was required to file periodic and current reports with the SEC when its registration statement on Form S-4 was declared effective in March 2008. The Company became eligible to terminate its SEC reporting obligations on January 1, 2009 because each class of its senior notes that were registered with the SEC had less than 300 holders of record on that date. Through August 14, 2009, the Company had continued to file periodic and current reports with the SEC on a voluntary basis. In order to allow the Company to voluntarily terminate its SEC reporting obligations, in August 2009, Goldman Sachs & Co., an affiliate of the Sponsors, granted the Company a waiver from the requirement in the Registration Rights Agreement that the Company keep a market-making registration statement continuously effective.

24. Supplemental Financial Information

Certain wholly-owned subsidiaries of the Company have guaranteed the Company's borrowings under its Term Facility, Existing Credit Agreements and senior note indentures. The guarantees are full and unconditional, joint and several. The following supplemental financial information presents the condensed consolidating balance sheet, statement of operations and statement of cash flows for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries. The prior period financial statements have been reclassified to conform to the presentation in the current period financial statements to reflect the additional guarantors which were added to the Term Facility, Existing Credit Agreements and senior note indentures.

Condensed Consolidating Balance Sheet
June 30, 2009
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash, cash equivalents and restricted cash	$1,142,753	$ 8,884	$ 2,944,647	$ 91,704	$4,187,988
Investment securities—trading	—	34,633	31,476	—	66,109
Investment securities—available for sale	—	343,137	507,574	(81,822)	768,889
Loans held for sale	—	1,097,907	2,069,366	16,083	3,183,356
Loans held for investment	—	1,040,983	7,166,389	(654,433)	7,552,939
Real estate investments	—	14,790	1,402,595	(523)	1,416,862
Equity investments	23,218	260,813	469,383	582,731	1,336,145
Other assets	5,527,107	864,695	1,076,019	(5,894,974)	1,572,847
Investment in subsidiaries	971,090	(719,630)	—	(251,460)	—
Total assets	$7,664,168	$2,946,212	$15,667,449	$(6,192,694)	$20,085,135
Liabilities and Equity					
Liabilities:					
Short-term borrowings	$ —	$ 23,594	$ —	$ (22,386)	$ 1,208
Long-term borrowings	8,398,946	278,049	2,543,648	(363,123)	10,857,520
Deposit liabilities	—	—	8,389,978	—	8,389,978
Real estate syndication proceeds and related liabilities	—	—	1,136,588	—	1,136,588
Other liabilities	333,059	3,160,941	2,703,197	(5,564,329)	632,868
Total liabilities	8,732,005	3,462,584	14,773,411	(5,949,838)	21,018,162
Commitments and Contingent Liabilities	—	—	—	—	—
Mezzanine Equity	71,502	—	—	—	71,502
Equity:					
Preferred stock	—	—	—	—	—
Common stock	413	786	189,708	(190,494)	413
Other stockholders' (deficit) equity	(1,139,752)	(568,715)	601,093	(32,378)	(1,139,752)
Total stockholders' (deficit) equity	(1,139,339)	(567,929)	790,801	(222,872)	(1,139,339)
Noncontrolling interests	—	51,557	103,237	(19,984)	134,810
Total (deficit) equity	(1,139,339)	(516,372)	894,038	(242,856)	(1,004,529)
Total liabilities and equity	$ 7,664,168	$2,946,212	$15,667,449	$(6,192,694)	$20,085,135

Condensed Consolidating Balance Sheet
December 31, 2008
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash, cash equivalents and restricted cash	$ 179,592	$ 2,718	$ 726,723	$ (34,643)	$ 874,390
Investment securities—trading	1,302,945	119,987	34,452	—	1,457,384
Investment securities—available for sale	—	336,943	599,792	(92,768)	843,967
Loans held for sale	—	1,390,789	2,567,695	12,199	3,970,683
Loans held for investment	—	1,081,978	7,569,807	(443,805)	8,207,980
Real estate investments	—	18,415	1,827,032	(523)	1,844,924
Equity investments	33,985	276,191	1,271,807	(13,926)	1,568,057
Other assets	5,814,640	1,547,936	965,632	(6,457,418)	1,870,790
Investment in subsidiaries	2,352,985	(172,823)	—	(2,180,162)	—
Total assets	$9,684,147	$4,602,134	$15,562,940	$(9,211,046)	$20,638,175
Liabilities and Equity					
Liabilities:					
Short-term borrowings	$2,273,125	$319,512	$ 849,518	$(131,397)	$3,310,758
Long-term borrowings	5,934,480	239,107	2,356,315	(247,067)	8,282,835
Deposit liabilities	—	—	5,690,930	—	5,690,930
Real estate syndication proceeds and related liabilities	—	—	1,258,743	—	1,258,743
Other liabilities	257,657	3,310,155	3,746,969	(6,625,157)	689,624
Total liabilities	8,465,262	3,868,774	13,902,475	(7,003,621)	19,232,890
Commitments and Contingent Liabilities	—	—	—	—	—
Mezzanine Equity	72,851	—	—	—	72,851
Equity:					
Preferred stock	—	—	—	—	—
Common stock	413	786	196,616	(197,402)	413
Other stockholders' equity	1,145,621	643,430	1,342,518	(1,985,948)	1,145,621
Total stockholders' equity	1,146,034	644,216	1,539,134	(2,183,350)	1,146,034
Noncontrolling interests	—	89,144	121,331	(24,075)	186,400
Total equity	1,146,034	733,360	1,660,465	(2,207,425)	1,332,434
Total liabilities and equity	$9,684,147	$4,602,134	$15,562,940	$(9,211,046)	$20,638,175

Condensed Consolidating Statement of Operations
Three months ended June 30, 2009
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Interest Income					
Interest income	$ 24,075	$ 43,028	$ 114,202	$(34,433)	$ 146,872
Interest expense	82,537	23,125	97,268	(36,647)	166,283
Net interest income	(58,462)	19,903	16,934	2,214	(19,411)
Provision for loan losses	—	51,201	294,905	(352)	345,754
Net interest income after provision for loan losses	(58,462)	(31,298)	(277,971)	2,566	(365,165)
Noninterest Income					
Net losses	(88,489)	(126,522)	(475,626)	4,947	(685,690)
Fee and investment income	(1,306)	32,839	42,542	(20,420)	53,655
Total noninterest income	(89,795)	(93,683)	(433,084)	(15,473)	(632,035)
Net revenue	(148,257)	(124,981)	(711,055)	(12,907)	(997,200)
Noninterest Expense					
Compensation and benefits	—	51,228	15,114	(292)	66,050
Other expenses	10,832	518,199	43,469	(5,728)	566,772
Total noninterest expense	10,832	569,427	58,583	(6,020)	632,822
Loss before income tax provision (benefit)	(159,089)	(694,408)	(769,638)	(6,887)	(1,630,022)
Income tax provision (benefit)	1,039	(11,460)	2,869	(4)	(7,556)
Equity in net loss of subsidiaries	(1,447,491)	(328,666)	—	1,776,157	—
Net loss	(1,607,619)	(1,011,614)	(772,507)	1,769,274	(1,622,466)
Plus: Net loss attributable to noncontrolling interests	—	6,150	10,143	(1,446)	14,847
Net loss attributable to Capmark Financial Group Inc.	$(1,607,619)	$(1,005,464)	$(762,364)	$1,767,828	$(1,607,619)

Condensed Consolidating Statement of Operations
Three months ended June 30, 2008
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Interest Income					
Interest income	$ 60,055	$84,005	$176,007	$(83,230)	$236,837
Interest expense	70,174	60,627	136,895	(83,436)	184,260
Net interest income	(10,119)	23,378	39,112	206	52,577
Provision for loan losses	—	(1,712)	14,645	(2,543)	10,390
Net interest income after provision for loan losses	(10,119)	25,090	24,467	2,749	42,187
Noninterest Income					
Net (losses) gains	(66,943)	44,099	10,543	392	(11,909)
Fee and investment income	39	71,466	47,127	9,292	127,924
Total noninterest income	(66,904)	115,565	57,670	9,684	116,015
Net revenue	(77,023)	140,655	82,137	12,433	158,202
Noninterest Expense					
Compensation and benefits	(40)	52,048	24,416	—	76,424
Other expenses	13,869	62,654	23,853	23,135	123,511
Total noninterest expense	13,829	114,702	48,269	23,135	199,935
(Loss) income before income tax (benefit) provision	(90,852)	25,953	33,868	(10,702)	(41,733)
Income tax (benefit) provision	(52,191)	10,004	14,500	(1,358)	(29,045)
Equity in net earnings (loss) of subsidiaries	50,150	(24,456)	—	(25,694)	—
Net income (loss)	11,489	(8,507)	19,368	(35,038)	(12,688)
Plus: Net loss attributable to noncontrolling interests	—	5,991	18,673	(487)	24,177
Net income (loss) attributable to Capmark Financial Group Inc.	$11,489	$(2,516)	$ 38,041	$(35,525)	$ 11,489

Condensed Consolidating Statement of Operations
Six months ended June 30, 2009
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Interest Income					
Interest income	$ 51,396	$ 91,858	$ 241,796	$ (75,293)	$ 309,757
Interest expense	151,772	50,785	193,409	(78,911)	317,055
Net interest income	(100,376)	41,073	48,387	3,618	(7,298)
Provision for loan losses	—	95,226	378,138	(28,895)	444,469
Net interest income after provision for loan losses	(100,376)	(54,153)	(329,751)	32,513	(451,767)
Noninterest Income					
Net losses	(150,001)	(263,846)	(754,285)	(3,180)	(1,171,312)
Fee and investment income	(3,214)	39,353	36,095	(34,505)	37,729
Total noninterest income	(153,215)	(224,493)	(718,190)	(37,685)	(1,133,583)
Net revenue	(253,591)	(278,646)	(1,047,941)	(5,172)	(1,585,350)
Noninterest Expense					
Compensation and benefits	—	101,226	32,210	(292)	133,144
Other expenses	21,213	592,172	120,390	(42,673)	691,102
Total noninterest expense	21,213	693,398	152,600	(42,965)	824,246
Loss before income tax provision (benefit)	(274,804)	(972,044)	(1,200,541)	37,793	(2,409,596)
Income tax provision (benefit)	2,233	(11,261)	3,845	(4)	(5,187)
Equity in net loss of subsidiaries	(2,058,278)	(482,927)	—	2,541,205	—
Net loss	(2,335,315)	(1,443,710)	(1,204,386)	2,579,002	(2,404,409)
Plus: Net loss attributable to noncontrolling interests	—	22,828	48,584	(2,318)	69,094
Net loss attributable to Capmark Financial Group Inc.	$(2,335,315)	$(1,420,882)	$(1,155,802)	$2,576,684	$(2,335,315)

Condensed Consolidating Statement of Operations
Six months ended June 30, 2008
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Interest Income					
Interest income	$ 137,681	$192,527	$ 379,784	$(196,177)	$ 513,815
Interest expense	173,537	127,550	295,162	(196,114)	400,135
Net interest income	(35,856)	64,977	84,622	(63)	113,680
Provision for loan losses	—	(6,253)	26,857	(2,585)	18,019
Net interest income after provision for loan losses	(35,856)	71,230	57,765	2,522	95,661
Noninterest Income					
Net losses	(295,025)	(19,697)	(46,694)	(147)	(361,563)
Fee and investment income	1,221	139,066	137,977	6,090	284,354
Total noninterest income	(293,804)	119,369	91,283	5,943	(77,209)
Net revenue	(329,660)	190,599	149,048	8,465	18,452
Noninterest Expense					
Compensation and benefits	(40)	116,047	50,054	—	166,061
Other expenses	21,426	138,021	68,250	14,787	242,484
Total noninterest expense	21,386	254,068	118,304	14,787	408,545
(Loss) income before income tax (benefit) provision	(351,046)	(63,469)	30,744	(6,322)	(390,093)
Income tax (benefit) provision	(149,317)	(19,828)	13,699	6,398	(149,048)
Equity in net earnings (loss) of subsidiaries	359	(45,847)	—	45,488	—
Net (loss) income	(201,370)	(89,488)	17,045	32,768	(241,045)
Plus: Net loss attributable to noncontrolling interests	—	14,793	25,326	(444)	39,675
Net (loss) income attributable to Capmark Financial Group Inc.	$(201,370)	$ (74,695)	$ 42,371	$ 32,324	$(201,370)

Condensed Consolidating Statement of Cash Flows
Six months ended June 30, 2009
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net cash provided by (used in) operating activities	$1,585,193	$ 166,619	$(429,383)	$ 51,387	$1,373,816
Investing Activities					
Net (increase) decrease in restricted cash	(39,981)	(7,082)	36,775	—	(10,288)
Net (increase) decrease in investment securities—available for sale	—	(8,182)	(34,408)	969	(41,621)
Net (increase) decrease in mortgage loans held for investment	—	(64,398)	(201,138)	346,706	81,170
Net (increase) decrease in real estate investments	—	75	57,179	117	57,371
Net (increase) decrease in equity investments	949	(74,023)	562,049	(577,225)	(88,250)
Other investing activities, net	—	(787)	(69,527)	—	(70,314)
Net cash (used in) provided by investing activities	(39,032)	(154,397)	350,930	(229,433)	(71,932)
Financing Activities					
Net increase (decrease) in short-term borrowings	136,489	(295,918)	(592,831)	87,489	(664,771)
Net increase (decrease) in long-term borrowings	(97,305)	29,862	(252,971)	223,449	(96,965)
Net increase (decrease) in deposit liabilities	—	—	2,742,556	—	2,742,556
Real estate syndication proceeds received	—	—	1,438	—	1,438
Other financing activities, net	(662,128)	252,291	430,343	(6,545)	13,961
Net cash provided by (used in) financing activities	(622,944)	(13,765)	2,328,535	304,393	1,996,219
Effect of Foreign Exchange Rates on Cash	(37)	627	4,617	—	5,207
Net Increase (Decrease) in Cash and Cash Equivalents	923,180	(916)	2,254,699	126,347	3,303,310
Cash and Cash Equivalents, Beginning of Period	179,592	2,718	577,103	(34,643)	724,770
Cash and Cash Equivalents, End of Period	$1,102,772	$ 1,802	$2,831,802	$ 91,704	$4,028,080

Condensed Consolidating Statement of Cash Flows
Six months ended June 30, 2008
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net cash provided by operating activities	$577,814	$ 49,343	$ 706,381	$ 39,758	$1,373,296
Investing Activities					
Net (increase) decrease in restricted cash	—	(429)	32,871	—	32,442
Net (increase) decrease in investment securities—available for sale	—	(22,245)	5,961	18,048	1,764
Net (increase) decrease in mortgage loans held for investment	—	29,321	(705,075)	40,147	(635,607)
Net (increase) decrease in real estate investments	—	(163)	(13,834)	69	(13,928)
Net (increase) decrease in equity investments	(195)	(96)	(15,934)	(35,542)	(51,767)
Other investing activities, net	—	(14,073)	(2,995)	(1)	(17,069)
Net cash used in investing activities	(195)	(7,685)	(699,006)	22,721	(684,165)
Financing Activities					
Net increase (decrease) in short-term borrowings	236,915	(260,322)	(70,710)	(58,174)	(152,291)
Net increase (decrease) in long-term borrowings	(700,599)	—	720,957	(4,481)	15,877
Net increase (decrease) in deposit liabilities	—	—	(1,100,507)	2,000	(1,098,507)
Real estate syndication proceeds received	—	—	33,197	—	33,197
Other financing activities, net	(32,360)	14,986	42,238	(1,824)	23,040
Net cash used in financing activities	(496,044)	(245,336)	(374,825)	(62,479)	(1,178,684)
Effect of Foreign Exchange Rates on Cash	9	(382)	11,565	—	11,192
Net Increase (Decrease) in Cash and Cash Equivalents	81,584	(204,060)	(355,885)	—	(478,361)
Cash and Cash Equivalents, Beginning of Period	7,421	205,802	991,254	—	1,204,477
Cash and Cash Equivalents, End of Period	$ 89,005	$ 1,742	$ 635,369	$ —	$ 726,116

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As used herein, the terms "the Company," "we," "us" and "our" refer to Capmark Financial Group Inc. and its consolidated subsidiaries, except where it is clear that the term means only Capmark Financial Group Inc.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. 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. In some cases, you can identify these statements by our 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 our plans, strategies, prospects and expectations regarding our business are forward-looking statements.

Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our 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 under Part II, Item 1A "Risk Factors" of this quarterly report and in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008.

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. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

General

We are a commercial real estate finance company that operates in three core business lines: lending and mortgage banking, investments and funds management, and servicing. Through our subsidiaries, we have historically operated our core businesses in North America, Europe and Asia. Due to market conditions and the Company's financial condition, we are focused on preserving our liquidity and managing and monetizing its remaining loan, investment and fee-for-service businesses and have substantially reduced proprietary loan originations and new investment activities due to market conditions.

Currently, we continue to operate our investments and funds management and servicing businesses in North America. We also continue to originate loans for third parties and pursuant to programs of GSEs and fund HUD-insured multifamily mortgage loans through the pre-sale of Ginnie Mae mortgage-backed securities issued by subsidiaries of our Company. Historically, we have also performed certain lending, real estate investment and servicing activities in Europe and Asia. In 2008, we sold a significant portion of our European loan portfolio and ceased proprietary lending and investing activities in Europe and Asia. In 2009, we sold our European servicing operations and surrendered the banking license for Capmark Bank Europe p.l.c., our Irish Bank. As of June 30, 2009, we had approximately 1,600 employees located in 37 offices worldwide.

We originated $1.9 billion and $5.5 billion in aggregate principal amount of financing during the six months ended June 30, 2009 and 2008, respectively. Our global primary, master and special servicing portfolios included approximately 45,000 loans with an aggregate unpaid principal balance of $288.6 billion as of June 30, 2009 compared to approximately 49,000 loans with an aggregate unpaid principal balance of $362.1 billion as of December 31, 2008. Real estate-related assets under management were approximately $7.6 billion as of June 30, 2009 compared to $9.0 billion as of December 31, 2008. On July 7, 2009, Capmark Investments LP entered into a purchase and sale agreement to assign the management contracts of various Company-sponsored CDOs to Ventras and is currently seeking various consents regarding these assignments. Assuming that all consents to these assignments described above were obtained as of June 30, 2009, Capmark Investment LP's assets under management would have been reduced by approximately $3.7 billion. As of June 30, 2009, our total assets were $20.1 billion and our stockholders' deficit was $1.1 billion compared to total assets of $20.6 billion and stockholders' equity of $1.1 billion as of December 31, 2008.

Restructuring Efforts

We are currently in discussions with our lenders and the representatives of a number of our senior noteholders regarding a restructuring of our primary debt obligations. In connection with the discussions regarding a debt restructuring, we are performing a review of all of our businesses, including exploring strategic alternatives for such businesses. We have engaged advisors to assist us in managing our expenses and evaluating our strategic alternatives and have also appointed a chief restructuring officer, in accordance with the provisions of the Term Facility, to assist in these efforts. The outcomes of such restructuring may include reorganization under chapter 11 of the U.S. Bankruptcy Code, the sale of businesses (including the sale of the Mortgage Business as described below), and/or a material contribution of cash and/or assets into Capmark Bank.

Agreement for the Potential Sale of the North American Servicing and Mortgage Banking Businesses

In connection with our restructuring efforts, the Company and our advisors reviewed strategic alternatives for our Mortgage Business. The process included contacting numerous third parties to participate and provide an indication of interest in the Mortgage Business. Based upon these responses, we held discussions with a short list of interested parties and ultimately proceeded with one such party.

On September 2, 2009, the Sellers entered into the Agreement with the Purchaser. The Purchaser is a newly formed entity owned by Berkshire Hathaway Inc. and Leucadia National Corporation. The Agreement provides for the Put Option whereby the Sellers have the right to sell to the Purchaser the Sellers' Mortgage Business and the Acquired Assets. The Put Option expires if not exercised by the Sellers within sixty days of the execution of the Agreement, unless the Sellers file for bankruptcy prior to the sixtieth day, in which case the Sellers have an additional sixty days from the date of any such filing to exercise the Put Option. The Sellers paid the Purchaser $40.0 million in cash for the Put Option.

If the Put Option is exercised by the Sellers, upon the terms and subject to the conditions provided for in the Agreement, the Sellers will transfer to the Purchaser the Acquired Assets for an aggregate purchase price of $490.0 million, subject to various closing adjustments. The closing adjustments include (i) a downward adjustment of $394,000 for each day beginning October 1, 2009 through the closing of the transaction; (ii) a downward adjustment for any servicing agreements which are cancelled during the period between the signing of the Agreement and the closing; (iii) a downward adjustment based on a post-closing audit of the Sellers' June 2009 mortgage servicing data tape; (iv) a downward adjustment for certain compensation accruals related to the Sellers' Mortgage Business; and (v) an upward adjustment for certain items including servicing advances, warehoused loans, accrued servicing fees, prepaid expenses and security deposits. If the Put Option is exercised but the transaction does not close due to an inability to obtain the required third party consents, the Purchaser will refund $20.0 million to the Sellers.

If the sale of the Mortgage Business occurs outside of a bankruptcy proceeding, the purchase price will consist of a $375.0 million payment in cash at the closing, the Holdback retained by the Purchaser to cover indemnity claims, and the Note Payable. The Holdback will have a two-year term, with interest payable quarterly at 6% per year. The Note Payable will have a five-year term, with interest payable quarterly at 6% per year. The principal balance of the Note Payable will be reduced (i) by an amount equal to 90% of any realized losses incurred on the Sellers' Fannie Mae DUS™ loan portfolio, as such losses are realized; and (ii) an amount calculated at the Note Payable's maturity to cover probable losses based upon the condition of the loans in the Sellers' DUS™ portfolio.

If the sale of the Mortgage Business occurs in a bankruptcy proceeding under section 363 of the U.S. Bankruptcy Code, the purchase price will consist of a $415.0 million payment in cash at the closing and the Note Payable.

If we are in a chapter 11 proceeding, exercise of the Put Option would be incorporated into a Bankruptcy Code section 363 sale process in which we would seek court authorization to exercise the Put Option and close on the sale. In a section 363 sale process, the Agreement would serve as a baseline or floor bid price for the Mortgage Business. Under the terms of the Agreement, we have the option to pursue alternative transactions for the sale of the Mortgage Business. The Put Option expires if not exercised by the Sellers within sixty days of the execution of the Agreement, unless the Sellers file for bankruptcy prior to the sixtieth day, in which case Sellers have an additional sixty days from the date of any such filing to exercise the Put Option.

The Agreement also includes a three-year mutual covenant not to solicit each other's employees and a three-year covenant by the Sellers and their affiliates (with the exception of Capmark Bank) not to compete with the Mortgage Business, subject to certain exceptions. The exceptions include allowing the Sellers to special service loans on a contract basis, to service their own loans and to service loans for third parties as currently conducted, provided that no such servicing may include GSE loans or loans in CMBS, but the subservicing of such loans is permitted.

The Agreement also contemplates the Sellers and the Purchaser entering into a mutual transition services agreement and the Sellers granting the Purchaser a perpetual, non-exclusive royalty-free license to use certain of the Sellers' Mortgage Business proprietary software. In addition, the Sellers and the Purchaser will enter into a seven-year, triple net lease for $1 for the majority of the Sellers' buildings located in Horsham, Pennsylvania.

The closing of the transaction contemplated by the Agreement is subject to the receipt of certain closing conditions, including (i) approval of the GSEs and Ginnie Mae/HUD, (ii) termination of the waiting period under the Hart-Scott-Rodino Act, (iii) confirmation by the applicable rating agencies that they will assign necessary ratings to the Purchaser and approve the Purchaser's proposed investment of escrow balances, (iv) that fee generating escrow balances are not less than $3.5 billion, (v) that consents have been obtained, except for those consents that if not obtained, individually or in the aggregate, would not materially adversely affect the operation of the business, (vi) that the representations and warranties are true and correct, except where that failure to be true and correct, individually or in the aggregate would not have a material adverse effect, (vii) the purchase price adjustments shall not have resulted in a reduction in the purchase price of $125.0 million or more, (viii) no injunction or other governmental order shall have been issued prohibiting the consummation of the transactions, and (ix) if the Sellers are subject to a proceeding under the U.S. Bankruptcy Code, an order of the Bankruptcy Court shall have been issued approving the transaction under section 363 of the U.S. Bankruptcy Code. The Agreement will terminate if the closing does not occur within 120 days of the signing of the Agreement, unless extended (i) by the Sellers for up to fifteen days to obtain GSE licenses and/or consents or (ii) by the Purchaser for up to thirty days to obtain required state licenses to operate the Mortgage Business.

Segments

For management reporting purposes, we conduct our lending and mortgage banking, investments and funds management, and servicing businesses through six business segments. These business segments, which are organized based on geography and the type of business conducted, are as follows:

1. North American Lending and Mortgage Banking;
2. North American Investments and Funds Management;
3. North American Servicing;
4. Asian Operations;
5. European Operations; and
6. North American Affordable Housing.

The following tables summarize financial information for each of our six business segments as of the dates and for the periods indicated. The tables also present reconciling amounts that are included in "Corporate and other" to reconcile management's reporting of our segment financial information to amounts included in our condensed consolidated financial statements:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net Revenue(1):				
North American Lending and Mortgage Banking	$ (407,276)	$ 121,649	$ (567,008)	$ 119,969
North American Investments and Funds Management	(41,511)	(26,873)	(180,895)	(8,765)
North American Servicing	59,320	72,313	117,489	147,339
Asian Operations	(475,684)	13,143	(673,891)	21,041
European Operations	(51,231)	(29,689)	(102,775)	(268,377)
North American Affordable Housing	(20,533)	(1,311)	(59,839)	1,515
Subtotal	(936,915)	149,232	(1,466,919)	12,722
Corporate and other:				
Corporate functions and immaterial businesses	(71,690)	5,524	(150,749)	7,582
Consolidated affordable housing partnerships	7,069	7,413	14,907	8,485
Push down accounting adjustments	9,526	4,901	25,919	6,937
Eliminations and other adjustments	(3,902)	(5,912)	(8,692)	(10,954)
Deferral of placement fees	(1,288)	(2,956)	184	(6,320)
Total Corporate and other	(60,285)	8,970	(118,431)	5,730
Consolidated amount	$ (997,200)	$ 158,202	$(1,585,350)	$ 18,452
(Loss) Income Before Income Taxes:				
North American Lending and Mortgage Banking	$ (458,014)	$ 73,958	$(662,198)	$ 24,408
North American Investments and Funds Management	(46,883)	(33,927)	(193,209)	(29,188)
North American Servicing	(223,277)	26,436	(205,118)	49,689
Asian Operations	(494,006)	(9,442)	(717,760)	(28,635)
European Operations	(56,162)	(44,673)	(112,141)	(291,275)
North American Affordable Housing	(25,402)	(11,105)	(69,883)	(16,900)
Subtotal	(1,303,744)	1,247	(1,960,309)	(291,901)
Corporate and other:				
Corporate functions and immaterial businesses	(112,681)	(29,886)	(235,065)	(70,208)
Consolidated affordable housing partnerships	(5,377)	(8,678)	(10,866)	(19,703)
Push down accounting adjustments	(208,220)	(4,416)	(203,356)	(8,281)
Total Corporate and other	(326,278)	(42,980)	(449,287)	(98,192)
Consolidated amount	(1,630,022)	(41,733)	(2,409,596)	(390,093)
Net loss attributable to noncontrolling interests:				
North American Lending and Mortgage Banking	6,075	6,014	23,130	14,620
North American Investments and Funds Management	3,870	12,909	35,382	8,674
North American Servicing	—	—	—	—
Asian Operations	190	(3,621)	270	(3,547)
European Operations	—	—	—	—
North American Affordable Housing	—	—	—	—
Subtotal	10,135	15,302	58,782	19,747
Corporate and other:				
Consolidated affordable housing partnerships	5,377	8,678	10,866	19,703
Eliminations and push down accounting adjustments	(665)	197	(554)	225
Total Corporate and other	4,712	8,875	10,312	19,928
Subtotal	14,847	24,177	69,094	39,675
Consolidated adjusted loss before income taxes(2)	$(1,615,175)	$(17,556)	$(2,340,502)	$(350,418)

Notes:

(1) Net revenue is calculated as net interest income plus noninterest income less provision for loan losses.

(2) Reconciliation of Non-GAAP Financial Measure:

We have provided a non-GAAP financial measure to adjust our consolidated loss before income taxes. We present (loss) income before income taxes for each of our six business segments because we do not allocate income taxes to our business segments. The net loss attributable to noncontrolling interests is an after-tax amount. The Company's management believes that performance on a consolidated basis reflecting the impact of the net loss attributable to noncontrolling interests is useful information to readers of our financial statements. A reconciliation of our non-GAAP adjusted loss before income taxes to our GAAP net (loss) income attributable to Capmark Financial Group Inc. is set forth below.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Consolidated adjusted loss before income taxes	$(1,615,175)	$(17,556)	$(2,340,502)	$(350,418)
Income taxes	(7,556)	(29,045)	(5,187)	(149,048)
Net (loss) income attributable to Capmark Financial Group Inc.	$(1,607,619)	$ 11,489	$(2,335,315)	$(201,370)

	June 30, 2009	December 31, 2008
	(in thousands)	
Total Assets:		
North American Lending and Mortgage Banking	$13,658,968	$11,597,285
North American Investments and Funds Management	513,151	772,285
North American Servicing	707,342	901,151
Asian Operations	1,857,766	2,886,256
European Operations	374,456	538,675
North American Affordable Housing	862,825	891,907
Subtotal	17,974,508	17,587,559
Corporate and other:		
Corporate functions and immaterial businesses	1,043,584	1,634,754
Consolidated affordable housing partnerships	1,022,399	1,144,794
Push down accounting adjustments	44,644	271,068
Total Corporate and other	2,110,627	3,050,616
Consolidated amount	$20,085,135	$20,638,175

Understanding Our Financial Results

As a commercial real estate finance company, our ability to generate income and cash flow is highly dependent on the volume of financing that we originate and the credit performance of that financing; our ability to securitize, sell, participate or otherwise finance our loans; the fair value of the loans on our balance sheet; and the spreads we generate on our interest-earning assets. In addition, our financial performance is driven by, among other things, our ability to increase the size of our servicing portfolio and the amount of real estate-related assets under our management. The level of our origination activities impacts our level of placement fees and net interest income and impacts the amount of loans that we have available for future sale and servicing opportunities, which in turn affects our levels of net gains or losses and fee-based income. Our ability to increase the size of our servicing portfolio, which is also driven by the level of our origination and distribution activities as well as the volume of mortgage servicing rights that we acquire, affects the level of servicing fees that we earn and income that we derive from escrow balances. Our financial results are also dependent on the amount of assets under our management as well as on changes in the values of our real estate-related assets, which impact the levels of fee-based income and net gains or losses that we recognize.

The amount of financing that we arrange, the number of servicing opportunities that are presented to us, the spreads we generate on our interest-earning assets and the gains or losses we realize on asset sales are subject to various factors.

These factors include availability of funding sources, cost of capital, changes in the interest rate environment, CMBS spreads, commercial real estate prices, levels of supply and demand for commercial real estate and real estate-related investments, competition in our industry and the condition of local, national and international economies. These factors also affect our estimates of loan losses and other items affecting expected cash flows from our assets and our related valuation of those assets. As a consequence of these factors, the activity of our business lines is cyclical.

Outlook and Recent Trends

Our financial results are highly dependent on the condition of the economies and financial markets in which we operate. Over the past two years, global market volatility, disruptions in the credit and capital markets and weakening economic conditions created an extremely challenging business environment and caused the U.S. economy to enter into an economic recession. In response to deteriorating economic conditions, the commercial real estate markets became significantly weaker in 2008. That weakness accelerated in the latter part of 2008, and the deterioration has continued into 2009, including significant declines in property values and higher delinquency and default rates. The U.S. structured credit markets have remained severely limited with respect to new issuances, including the CMBS and CDO markets which have effectively ceased. Delinquency and default rates on commercial mortgage loans have increased. These rates may continue to increase as a result of adverse economic conditions, including lack of available credit, higher vacancy rates and declining rents. The European and Asian economies have experienced similar turmoil in their financial markets and broader economies.

These difficult market conditions have continued to negatively affect our three core businesses and our primary sources of liquidity. The lack of credit available to potential purchasers of our assets and the current condition of the securitization markets has severely impaired our ability to sell assets in the normal course of business. We have historically utilized the proceeds from such asset sales as a source of liquidity for new originations and the repayment of debt. The capital markets dislocations, together with the deterioration of our operating results, further described below, have also impaired our ability to obtain alternative means of financing our origination and investment activities. In response to these conditions, we have effectively ceased proprietary loan originations and investment activity. We have shifted our origination activities to those activities where financing has been available, such as lending activities through programs established with the GSEs, funding of HUD-insured mortgage loans, the pre-sale of Ginnie Mae mortgage-backed securities that we issue, and third-party loan originations through our correspondent lending relationships. Our ability to continue our business relationships with GSEs and other third parties is based upon agreements that give such GSEs and third parties broad rights to terminate the agreements, including if there is a material adverse event with respect to our Company. If Fannie Mae, Freddie Mac or the Federal Housing Administration ("FHA") were to reduce or modify their lending programs, or were to suspend or alter their servicing relationship with us, we may be unable to continue to originate and sell loans to, or service loans for, these GSEs or under the programs sponsored by the FHA. The overall reduction in originations as well as the lack of new CMBS issuances has the corresponding effect of reducing our origination fees, the growth of our servicing portfolio and our servicing fee income and limiting our ability to increase our assets under management. In addition, our ability to earn incentive fees on current real estate investment funds has been and is expected to be severely constrained by the current real estate market conditions and the deterioration of the underlying assets. Market conditions and the performance of our funds have also constrained our ability to raise new investment funds.

Our inability to sell our assets has required us to hold a greater portion of our assets on our balance sheet for a longer duration, thereby increasing our credit risk from our lending and investment activities. The negative impact from this increased credit exposure has been exacerbated by the fact that the performance of our loans and real estate investments has sharply deteriorated. The current market conditions have made it difficult for our borrowers to find replacement financing or to sell their properties, which are the typical sources of repayment for commercial mortgage loans. The lack of available replacement financing has the effect of decreasing our cash flow, by increasing the average duration of our loan portfolio and decreasing our transaction-related servicing fees. Additionally, the lack of replacement financing and adverse market conditions have resulted in a deterioration of the credit characteristics of our loan and real estate investment portfolios, adverse risk-rating migration and a significant increase in non-performing assets. In the second quarter of 2009, we experienced net losses on loans of approximately $354.5 million, including downward changes in fair value on our portfolio of loans held for sale, and a provision for loan losses on our portfolio of loans held for investment of $345.8 million. The carrying value of our originated non-performing assets totaled $1.5 billion as of June 30, 2009. We expect further increases in non-performing loans in future periods, both at Capmark Bank and at our Company as a whole.

An additional increase in non-performing loans at Capmark Bank could adversely affect its capital ratios and regulatory ratings. In June 2009, we made a capital contribution of servicing advances and cash to Capmark Bank of $302.8 million to strengthen its capital position, and we are considering additional contributions in the future to maintain Capmark Bank's capital position. We can give no assurance whether such contributions would be sufficient to maintain Capmark Bank as a "well capitalized" institution. If Capmark Bank were to fail to maintain its well-capitalized status or fail to meet other regulatory requirements, the FDIC could impose restrictions on the activities of Capmark Bank including prohibiting

Capmark Bank from continuing to issue Brokered CDs, which are its main source of liquidity, and could require us to contribute cash or other assets to Capmark Bank under a capital maintenance agreement between us and the FDIC.

The FDIC has notified Capmark Bank that it intends to issue an administrative order, which will impose certain requirements and restrictions on Capmark Bank, including requiring submission of capital and liquidity plans, restrictions on affiliated party transactions and other activities. Pending issuance of the administrative order, the FDIC has notified Capmark Bank that it should obtain the non-objection of the FDIC before engaging in any transaction that would materially change the balance sheet composition of Capmark Bank, including growth in total assets or significant changes in its primary funding sources.

Our investments and real estate experienced net losses of $608.3 million in the first half of 2009, primarily due to impairment charges on real estate and equity investments in our Asian Operations business segment totaling $461.2 million, of which $188.6 million was due to management's reduction in the holding period assumption for certain assets in the second quarter of 2009, and $82.8 million of impairment charges on investment securities classified as available for sale.

Our expectation is that the commercial real estate markets in which we operate will continue to be stressed throughout the remainder of 2009 due to weaker economic conditions and reduced liquidity.

The combination of the foregoing factors has constrained our liquidity and caused us to incur significant losses. These factors have also negatively impacted our ability to execute our operating strategies as originally planned. In light of the obstacles presented in the current market environment, our current focus is on restructuring our indebtedness, preserving our liquidity position, allocating capital effectively and seeking to reduce our expenses.

In connection with this focus, in June 2009 we sold our European servicing operations, and in July 2009 we sold the management of our CDO advisory agreements. In addition, we have also reduced staff in North America in the first half of 2009 to reflect a further decline in business activities. We anticipate further staff reductions during the remainder of 2009.

As a result of our current financial condition, our unsecured corporate credit ratings were reduced to below investment grade by each of the major national credit rating agencies during the first quarter of 2009. These downgrades have had multiple negative effects on our business, including increasing borrowing costs under our bridge loan, senior credit facility and senior notes; requiring us to post collateral to third parties to secure our contractual obligations; and subjecting us to potential termination by Fannie Mae of Capmark Finance Inc.'s status as an approved DUS™ seller/servicer. These downgrades, coupled with our recent operating results, resulted in a downgrade of our servicer ratings from Fitch Ratings. Further declines in our servicer ratings may negatively impact the rating of securitizations for which we act as master servicer which may trigger contractual provisions that would permit our termination as servicer under certain of the securitizations for which we act as servicer and a corresponding loss of servicing fee income. In addition, some of our derivative counterparties have ceased trading with us, required changes to margin threshold amounts and/or required upfront margin amounts to reduce their exposure to us. Our inability to maintain derivatives to hedge our interest rate and currency risk could exacerbate our financial condition by adding volatility to our statement of operations. We are evaluating the possibility of reducing the use of derivatives instruments to manage interest rate risk as a result of ongoing collateral requirements and the nature of our current operations.

Results of Operations

Consolidated

The following table presents our consolidated results of operations for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net interest income	$ (19,411)	$ 52,577	$ (7,298)	$ 113,680
Noninterest income	(632,035)	116,015	(1,133,583)	(77,209)
Total revenue	(651,446)	168,592	(1,140,881)	36,471
Provision for loan losses	345,754	10,390	444,469	18,019
Net revenue	(997,200)	158,202	(1,585,350)	18,452
Noninterest expense	632,822	199,935	824,246	408,545
Loss before income taxes	(1,630,022)	(41,733)	(2,409,596)	(390,093)
Income taxes	(7,556)	(29,045)	(5,187)	(149,048)
Net loss	(1,622,466)	(12,688)	(2,404,409)	(241,045)
Plus: Net loss attributable to noncontrolling interests	14,847	24,177	69,094	39,675
Net (loss) income attributable to Capmark Financial Group Inc.	$(1,607,619)	$ 11,489	$(2,335,315)	$(201,370)

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $1.6 billion increase in net loss attributable to our Company was primarily due to lower noninterest income, a higher provision for loan losses, higher noninterest expense and the absence of a full income tax benefit on the losses incurred for the three months ended June 30, 2009. Noninterest income was impacted by continued adverse market conditions that resulted in increased net losses on our loans, investments and real estate of $656.0 million and declines in our fee and investment income of $74.3 million primarily due to equity in losses of joint ventures and partnerships resulting from declines in fair value of the assets held through such joint ventures and partnerships. Net losses on loans increased by $312.3 million due to continued downward pressure on fair values. Net losses on investments and real estate increased $343.7 million primarily due to an increase in impairment charges on real estate and equity investments in our Asian Operations business segment totaling $320.3 million, of which $188.6 million was due to management's reduction in the holding period assumption for certain assets in the second quarter of 2009. The increase in our provision for loan losses of $335.4 million reflects an increase in impaired loans for which a specific allowance is recorded, a $70.0 million provision for loan losses on our acquired non-performing loans that were transferred from "held for investment" to "held for sale" on June 30, 2009, and the impact of declining asset quality on the remaining loans held for investment due to challenging economic conditions. Noninterest expense increased $432.9 million primarily due to a $363.6 million impairment charge, through a valuation allowance, on mortgage servicing rights and an $84.3 million impairment charge on intangible assets in the second quarter of 2009. The impairment charge on mortgage servicing rights was the result of decreasing the carrying value to estimated fair value when the fair value implied in the Agreement for the potential sale of our North American Servicing segment and mortgage banking operations was considered. The intangible assets related to customer relationships and contracts were evaluated and fully impaired. Lastly, we established a valuation allowance on our deferred tax assets that resulted in the absence of a full income tax benefit on the losses incurred for the three months ended June 30, 2009.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $2.1 billion increase in net loss attributable to our Company was primarily due to lower noninterest income, a higher provision for loan losses, higher noninterest expense and the absence of a full income tax benefit on the losses incurred for the six months ended June 30, 2009. Noninterest income was impacted by continued adverse market conditions that resulted in increased net losses on our loans, investments and real estate of $763.6 million and declines in our fee and investment income of $246.6 million primarily due to equity in losses of joint ventures and partnerships resulting from declines in fair value of the assets held through such joint ventures and partnerships. Net losses on loans increased by $184.3 million due to continued downward pressure on fair values. Net losses on investments and real estate increased $579.3 million primarily due to an increase in impairment charges on real estate and equity investments in our Asian Operations business segment totaling $425.9 million, of which $188.6 million was due to management's reduction in the holding period assumption for certain assets in the second quarter of 2009, and $82.8 million of impairment charges on investment securities classified as available for sale. The increase in our provision for loan losses of $426.5 million reflects an increase in impaired loans for which a specific allowance is recorded, a $70.0 million provision for loan losses on our acquired non-performing loans that were transferred from “held for investment” to “held for sale” on June 30, 2009 and the impact of declining asset quality on the remaining loans held for investment due to challenging economic conditions. Noninterest expense increased $415.7 million primarily due to a $363.6 million impairment charge, through a valuation allowance, on mortgage servicing rights and an $84.3 million impairment charge on intangible assets in the second quarter of 2009. Lastly, we established a valuation allowance on our deferred tax assets that resulted in the absence of a full income tax benefit on the losses incurred for the six months ended June 30, 2009.

Net Interest Income

The following table presents our net interest income for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
Net Interest Income	**2009**	**2008**	**2009**	**2008**
	(in thousands)			
Interest income	$ 146,872	$236,837	$ 309,757	$513,815
Interest expense	166,283	184,260	317,055	400,135
Net interest income	$(19,411)	$ 52,577	$(7,298)	$113,680

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

The decline in net interest income for the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008 was primarily due to an increase in impaired loans for which interest income is not recognized, lower escrow balances held in a fiduciary capacity by Capmark Bank and lower rates earned thereon, the impact of an increase in our borrowing costs related to the downgrades of our credit ratings in 2009 and to a lesser extent, an increase in our borrowing costs in connection with entering the Term Facility and related amendments to the Existing Credit Agreements, and a lower level of interest-earning assets.

Interest Income

The following table presents our interest income for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
Interest Income	**2009**	**2008**	**2009**	**2008**
	(in thousands)			
Loans(1)	$118,400	$193,887	$251,739	$420,791
Investment securities	12,884	20,268	26,544	41,394
Assets collateralized in securitization trusts(2)	2,590	3,705	5,203	7,499
Acquired non-performing loans	1,679	6,066	4,564	14,402
Escrow balances	495	5,566	1,544	13,652
Other	10,824	7,345	20,163	16,077
Total	$146,872	$236,837	$309,757	$513,815

Notes:

(1) Excludes acquired non-performing loans.

(2) Represents assets related to certain securitizations that are not accounted for as sales. Such securitizations are accounted for as secured borrowings with the pledge of collateral. These transactions represent long-term, match-funded, asset-backed financings and are non-recourse to our Company.

Interest Expense

The following table presents our interest expense for the periods indicated:

Interest Expense	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Long-term borrowings	$ 92,744	$ 92,913	$163,132	$200,214
Deposit liabilities	60,113	56,840	114,738	120,498
Short-term borrowings	8,393	29,889	27,661	65,369
Collateralized borrowings in securitization trusts(1)	2,653	3,780	5,320	7,650
Other(2)	2,380	838	6,204	6,404
Total	$166,283	$184,260	$317,055	$400,135

Notes:

(1) Represents borrowings related to certain securitizations that are not accounted for as sales. Such securitizations are accounted for as secured borrowings with the pledge of collateral. These transactions represent long-term, match-funded, asset-backed financings that are non-recourse to our Company.

(2) Consists of interest that we are required to pay on a portion of our escrow balances in connection with our servicing business and interest expense relating to foreign currency and cash flow hedges, if any. Foreign currency hedges may generate either interest income or interest expense depending on interest rate differentials in various currencies.

Noninterest Income

Net (losses) gains

The following table presents our net (losses) gains for the periods indicated:

Net (Losses) Gains	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net losses on loans	$(354,478)	$(42,217)	$(583,678)	$(399,384)
Net losses on investments and real estate(1)	(360,965)	(17,258)	(608,326)	(28,996)
Other gains, net(2)	29,753	47,566	20,692	66,817
Total	$(685,690)	$(11,909)	$(1,171,312)	$(361,563)

Notes:

(1) Relates primarily to realized and unrealized gains and losses on investment securities, equity investments and real estate investments.

(2) Includes the changes in fair value on our Brokered CDs and related derivative instruments, gains and losses associated with the revaluation of foreign currencies and related derivative instruments, the net interest settlement recognized periodically on substantially all of our hedging instruments, and other miscellaneous gains and losses.

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

The increase in net losses for the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008 was primarily attributable to an increase in net losses on loans due to continued downward pressure on fair values and an increase in net losses on investments and real estate. Net losses on investments and real estate increased largely due to impairment charges on real estate and equity investments in our Asian Operations business segment, of which $188.6 million was due to management’s reduction in the holding period assumption for certain assets in the second quarter of 2009.

Fee and Investment Income

The following table presents our fee and investment income for the periods indicated:

Fee and Investment Income	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
	(in thousands)			
Mortgage servicing fees	$ 36,246	$ 46,062	$ 77,702	$100,272
Trust fees	23,384	31,332	46,954	66,714
Asset management fees	17,548	20,452	34,735	39,215
Placement fees	10,447	17,842	17,771	35,472
Investment banking fees(1)	442	4,409	516	10,956
Structuring fees and investment syndication income(1)	3,805	10,695	6,004	17,971
Other fees	1,257	2,472	3,755	5,473
Equity in loss of joint ventures and partnerships	(65,563)	(28,065)	(209,066)	(38,058)
Net real estate investment income(2)	16,858	17,494	37,254	36,838
Other income(2)	9,231	5,231	22,104	9,501
Total	$ 53,655	$127,924	$ 37,729	$284,354

Notes:

(1) Reported as a component of investment banking fees and syndication income in our condensed consolidated statement of operations.

(2) Reported as a component of net real estate investment and other income in our condensed consolidated statement of operations.

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

The decline in fee and investment income for the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008 was largely due to an increase in losses from equity investments in joint ventures and partnerships and declines in structuring fees and investment syndication income, mortgage servicing fees, trust fees, placement fees and investment banking fees. Our losses from equity investments in joint ventures and partnerships increased primarily due to downward changes in fair value of the assets held through such joint ventures and partnerships. Structuring fees and investment syndication income declined due to an increase in losses related to LIHTC yield guarantees. Mortgage servicing fees declined primarily due to a decrease in the size of our servicing portfolio and lower assumption fees. Trust fees decreased primarily due to the lower interest rate environment. Placement fees declined primarily due to a decrease in loan origination volume. Investment banking fees declined due to a decrease in new markets tax credit (“NMTC”) and military housing deal volume.

Provision for Loan Losses

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

Our provision for loan losses totaled $345.8 million for the three months ended June 30, 2009 compared to $10.4 million for the three months ended June 30, 2008 and $444.5 million for the six months ended June 30, 2009 compared to $18.0 million for the six months ended June 30, 2008. The increase in our provision for loan losses reflects a significant increase in impaired loans for which a specific allowance is recorded, a $70.0 million provision for loan losses on our acquired non-performing loans that were transferred from “held for investment” to “held for sale” on June 30, 2009, and the impact of declining asset quality on the remaining loans held for investment due to challenging economic conditions. Declining asset quality within our portfolio of loans held for investment led to an increase in impaired loans, delinquencies and defaults. Our loans held for investment included total impaired loans of $1.4 billion and $385.3 million as of June 30, 2009 and December 31, 2008, respectively. Our allowance for loan losses on impaired loans totaled $217.6 million and $50.1 million as of June 30, 2009 and December 31, 2008, respectively.

Noninterest Expense

The following table presents our noninterest expense for the periods indicated:

Noninterest Expense	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in thousands)			
Compensation and benefits	$ 66,050	$ 76,424	$133,144	$166,061
Amortization and impairment of mortgage servicing rights	394,537	34,136	427,302	69,368
Professional fees	37,995	35,872	77,078	60,164
Occupancy and equipment	17,334	21,033	32,393	42,783
Other expenses(1)	116,906	32,470	154,329	70,169
Total	$632,822	$199,935	$824,246	$408,545

Note:

(1) Includes expenses related to amortization and impairment of intangible assets, FDIC deposit insurance premiums, data processing and telecommunications, travel and entertainment, employee-related expenses, property inspection fees, advertising, office supplies, corporate insurance expense, loan processing fees and other miscellaneous expenses.

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

The increase in noninterest expense for the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008 was due to a $363.6 million impairment charge, through a valuation allowance, on mortgage servicing rights and an $84.3 million impairment charge on intangible assets related to customer relationships and contracts in the second quarter of 2009 and an increase in professional fees. The impairment charge on mortgage servicing rights was the result of decreasing the carrying value to estimated fair value when the fair value implied in the Agreement for the potential sale of substantially all of our North American Servicing segment and mortgage banking operations was considered. Our professional fees have been impacted by expenses incurred for financial advisory and legal services related to our restructuring efforts partially offset by the termination of the management agreement with the Sponsors and GMAC. These unfavorable variances were partially offset by a decrease in compensation and benefits due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results and a decrease in occupancy and equipment due to a reduction in the number of offices.

Income Taxes

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

We recorded an income tax benefit of $7.6 million for the three months ended June 30, 2009 compared to an income tax benefit of $29.0 million for the three months ended June 30, 2008. We recorded an income tax benefit of $5.2 million for the six months ended June 30, 2009 compared to an income tax benefit of $149.0 million for the six months ended June 30, 2008. We established a valuation allowance on substantially all of our deferred tax assets that resulted in the absence of a full income tax benefit on the losses incurred for the three and six months ended June 30, 2009.

Noncontrolling Interests

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The net loss attributable to noncontrolling interests totaled $14.8 million for the three months ended June 30, 2009 compared to $24.2 million for the three months ended June 30, 2008. The $9.4 million decrease was primarily due to lower losses incurred by consolidated joint ventures and other investments in which third parties held noncontrolling interests.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The net loss attributable to noncontrolling interests totaled $69.1 million for the six months ended June 30, 2009 compared to $39.7 million for the six months ended June 30, 2008. The $29.4 million increase was primarily due to higher losses incurred by consolidated joint ventures and other investments in which third parties held noncontrolling interests.

Corporate and Other

Three and six months ended June 30, 2009 compared to three and six months ended June 30, 2008

The loss before income taxes in our "Corporate and other" category totaled $326.3 million for the three months ended June 30, 2009 compared to $43.0 million for the three months ended June 30, 2008 and $449.3 million for the six months ended June 30, 2009 compared to $98.2 million for the six months ended June 30, 2008. These amounts include unallocated personnel-related expenses for corporate departments such as accounting, tax, treasury, risk management, legal, information technology, human resources, facilities and internal audit. In addition, as described in our 2008 Annual Report on Form 10-K, these amounts include the impact of push down accounting. The increases in loss before income taxes were primarily due to a higher level of interest expense, professional fees and the impairment charges recognized on mortgage servicing rights and intangible assets.

Segments

North American Lending and Mortgage Banking

For a description of the Agreement regarding the potential sale of our mortgage banking operations, see "—Overview – Agreement for the Potential Sale of North American Servicing and Mortgage Banking Businesses" above. The following table presents our North American Lending and Mortgage Banking segment results of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net interest income	$ 77,462	$ 84,829	$ 155,280	$ 162,854
Noninterest income	(273,941)	44,863	(428,349)	(29,874)
Total revenue	(196,479)	129,692	(273,069)	132,980
Provision for loan losses	210,797	8,043	293,939	13,011
Net revenue	(407,276)	121,649	(567,008)	119,969
Noninterest expense	50,738	47,691	95,190	95,561
(Loss) income before income taxes	$(458,014)	$ 73,958	$(662,198)	$ 24,408
Net loss attributable to noncontrolling interests	$ 6,075	$ 6,014	$ 23,130	$ 14,620

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $532.0 million increase in loss before income taxes was driven primarily by lower noninterest income and a higher provision for loan losses.

The $318.8 million decrease in noninterest income was driven by an increase in net losses, a reduction in placement fees and an increase in losses from equity investments in joint ventures and partnerships. Net losses totaled $289.5 million for the three months ended June 30, 2009 compared to net gains of $9.1 million for the three months ended June 30, 2008. The $298.6 million increase in net losses was driven by a $233.2 million increase in downward changes in fair value on loans held for sale, a $43.9 million increase in losses from discounted payoffs and sales of loans, an increase of $9.2 million in losses primarily due to impairments recognized on foreclosed real estate assets and a decrease in all other gains. All other gains decreased $12.3 million primarily as a result of a gain of $11.4 million in 2008 on the sale of interests in entities established to facilitate the defeasance of securitized loans. Placement fees declined $8.2 million due to a decrease in loan origination volume to $1.0 billion for the three months ended June 30, 2009 from $2.7 billion for the three months ended June 30, 2008. Losses from equity investments in joint ventures and partnerships, specifically those related to holding foreclosed real estate assets, increased $5.2 million.

The $202.8 million increase in provision for loan losses was primarily due to the impact of challenging economic conditions on the loan portfolio held for investment, resulting in deteriorating credit quality, and an increase in impaired loans for which a specific allowance is recorded.

The $3.0 million increase in noninterest expense was primarily due to a $7.6 million increase in FDIC deposit insurance premiums, partially offset by a reduction in compensation and benefits of $3.0 million due to lower fixed and variable compensation costs related to a reduction in headcount and the decline in operating results.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $686.6 million increase in loss before income taxes was driven primarily by lower noninterest income and a higher provision for loan losses.

The $398.5 million decrease in noninterest income was driven by an increase in net losses, a reduction in placement fees and investment banking fees and an increase in losses from equity investments in joint ventures and partnerships. Net losses totaled $464.3 million for the six months ended June 30, 2009 compared to net losses of $102.3 million for the six months ended June 30, 2008. The $362.0 million increase in net losses was driven by a $215.9 million increase in downward changes in fair value on loans held for sale, a $95.1 million increase in losses from discounted payoffs and sales of loans, an increase of $36.4 million in losses primarily due to impairments recognized on foreclosed real estate assets and a decrease in all other gains. All other gains decreased $14.6 million primarily as a result of a gain of $11.4 million in 2008 on the sale of interests in entities established to facilitate the defeasance of securitized loans. Placement fees declined $21.7 million due to a decrease in loan origination volume to $1.9 billion for the six months ended June 30, 2009 from $5.4 billion for the six months ended June 30, 2008. Investment banking fees associated with certain NMTC syndications and military housing placements declined $9.8 million. Losses from equity investments in joint ventures and partnerships, specifically those related to holding foreclosed real estate assets, increased $5.1 million.

The $280.9 million increase in provision for loan losses was primarily due to the impact of challenging economic conditions on the loan portfolio held for investment, resulting in deteriorating credit quality, and an increase in impaired loans for which a specific allowance is recorded.

The $0.4 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $7.5 million due to lower fixed and variable compensation costs related to a reduction in headcount and the decline in operating results substantially offset by a $10.0 million increase in FDIC deposit insurance premiums.

The $8.5 million increase in net loss attributable to noncontrolling interests was associated with certain NMTC partnerships that are consolidated under applicable accounting guidance. The majority of the increase was due to a provision for loan losses in our condensed consolidated statement of operations that is allocated to the noncontrolling interest holders of such NMTC partnerships.

North American Investments and Funds Management

The following table presents our North American Investments and Funds Management segment results of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
	(in thousands)			
Net interest income	$ 1,149	$ 686	$ 2,559	$ 1,305
Noninterest income	(42,660)	(27,559)	(183,454)	(10,070)
Total revenue	(41,511)	(26,873)	(180,895)	(8,765)
Provision for loan losses	—	—	—	—
Net revenue	(41,511)	(26,873)	(180,895)	(8,765)
Noninterest expense	5,372	7,054	12,314	20,423
Loss before income taxes	$(46,883)	$(33,927)	$(193,209)	$(29,188)
Net loss attributable to noncontrolling interests	$ 3,870	$ 12,909	$ 35,382	$ 8,674

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $13.0 million increase in loss before income taxes was primarily driven by lower noninterest income. In addition, the net loss attributable to noncontrolling interests declined $9.0 million.

The $15.1 million decrease in noninterest income was primarily the result of an increase of $29.3 million in losses from equity investments in joint ventures and partnerships and a decrease of $3.6 million in asset management fees. These unfavorable variances were partially offset by net gains of $1.3 million for the three months ended June 30, 2009 compared to $16.4 million of net losses for the three months ended June 30, 2008. Our income from equity investments in joint ventures and partnerships includes the results of certain commingled funds that we consolidate and is allocated to the noncontrolling interest holders of such funds. Income from equity investments in joint ventures and partnerships decreased primarily due to declines in the fair value of assets held through such joint ventures and partnerships. Asset management fees declined primarily due to fees earned in 2008 related to achieving certain performance criteria that were not achieved in 2009. The net gains for the three months ended June 30, 2009 included net gains on investment securities of $1.3 million compared to net losses on investment securities of $9.6 million for the three months ended June 30, 2008 primarily due to market conditions. The net losses for the three months ended June 30, 2008 also included $6.8 million in downward changes in fair value of loans, compared to none for the three months ended June 30, 2009. This segment's loan portfolio, which created the losses in 2008, was transferred in April 2009 to the North American Lending and Mortgage Banking segment.

The $9.0 million decrease in net loss attributable to noncontrolling interests was primarily due to lower downward changes in fair value recognized for the three months ended June 30, 2009 compared to the three months ended June 30, 2008 for certain commingled funds that we consolidate. The downward changes in fair value resulted in a net loss attributable to noncontrolling interests equal to the third-party investors' share of such losses.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $164.0 million increase in loss before income taxes was primarily driven by lower noninterest income, partially offset by lower noninterest expenses. In addition, the net loss attributable to noncontrolling interests increased $26.7 million.

The $173.4 million decrease in noninterest income was primarily the result of an increase of $167.7 million of losses from equity investments in joint ventures and partnerships and a decrease of $5.2 million in asset management fees. Income from equity investments in joint ventures and partnerships, excluding asset sales, decreased $160.9 million primarily due to declines in the fair value of assets held through such joint ventures and partnerships. Gains from asset sales executed through joint venture holdings decreased $6.8 million due to a reduction in sales activity. Asset management fees declined primarily due to fees earned in 2008 related to achieving certain performance criteria that were not achieved in 2009.

The $8.1 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $6.9 million due to lower fixed and variable compensation costs related to a reduction in headcount and the decline in operating results.

The $26.7 million increase in net loss attributable to noncontrolling interests was primarily due to higher downward changes in fair value recognized for the six months ended June 30, 2009 compared to the six months ended June 30, 2008 for certain commingled funds that we consolidate. The downward changes in fair value resulted in a net loss attributable to noncontrolling interests equal to the third-party investors' share of such losses.

North American Servicing

For a description of the Agreement regarding the potential sale of substantially all of our North American Servicing segment, see "—Overview – Agreement for the Potential Sale of North American Servicing and Mortgage Banking Businesses" above. The following table presents our North American Servicing segment results of operations for the periods indicated:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
	(in thousands)			
Net interest income	$(2,835)	$(3,695)	$ (5,809)	$ (7,782)
Noninterest income	62,155	76,008	123,298	155,121
Total revenue	59,320	72,313	117,489	147,339
Provision for loan losses	—	—	—	—
Net revenue	59,320	72,313	117,489	147,339
Noninterest expense	282,597	45,877	322,607	97,650
(Loss) income before income taxes	$(223,277)	$26,436	$(205,118)	$ 49,689
Net (loss) income attributable to noncontrolling interests	$ —	$ —	$ —	$ —

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $249.7 million increase in loss before income taxes was driven by an increase in noninterest expense and lower noninterest income.

The $13.9 million decrease in noninterest income was driven by lower trust fees and mortgage servicing fees. Trust fees are interest rate sensitive and decreased $7.6 million due to the lower interest rate environment and lower escrow balances. Mortgage servicing fees decreased $5.3 million primarily as a result of a decrease in the size of our servicing portfolio and lower assumption fees. Assumption fees are a component of mortgage servicing fees in our condensed consolidated statement of operations, and we earn an assumption fee when an existing borrower's mortgage is assumed by a new borrower. Assumption transactions and related fees have declined due to declining real estate transaction volumes resulting from the real estate market downturn, including a lack of transactions due to market inactivity.

Noninterest expense increased $236.7 million due to a $238.2 million impairment charge, through a valuation allowance, on mortgage servicing rights in the second quarter of 2009. The impairment charge on mortgage servicing rights was the result of decreasing the carrying value to estimated fair value when the fair value implied in the Agreement for the potential sale of substantially all of our North American Servicing segment and mortgage banking operations was considered.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $254.8 million increase in loss before income taxes was driven by an increase in noninterest expense and lower noninterest income.

The $31.8 million decrease in noninterest income was driven by lower trust fees and mortgage servicing fees. Trust fees decreased $18.2 million due to the lower interest rate environment and lower escrow balances. Mortgage servicing fees decreased $10.4 million primarily as a result of lower assumption fees due to declining real estate transaction volumes resulting from the real estate market downturn, including a lack of transactions due to market inactivity.

The $225.0 million increase in noninterest expense was due to a $238.2 million impairment charge, through a valuation allowance, on mortgage servicing rights in the second quarter of 2009, partially offset by a reduction in compensation and benefits of $7.8 million due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results.

Asian Operations

The following table presents our Asian Operations segment results of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
		(in thousands)		
Net interest income	$ (4,676)	$ 2,132	$ (4,459)	$ 9,496
Noninterest income	(348,753)	13,570	(533,964)	16,929
Total revenue	(353,429)	15,702	(538,423)	26,425
Provision for loan losses	122,255	2,559	135,468	5,384
Net revenue	(475,684)	13,143	(673,891)	21,041
Noninterest expense	18,322	22,585	43,869	49,676
Loss before income taxes	$(494,006)	$ (9,442)	$(717,760)	$(28,635)
Net loss (income) attributable to noncontrolling interests	$ 190	$ (3,621)	$ 270	$ (3,547)

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $484.6 million increase in loss before income taxes was driven by a reduction in net interest income and noninterest income and an increase in provision for loan losses, partially offset by a reduction in noninterest expense.

The $6.8 million decrease in net interest income was primarily attributable to the reversal of accrued but uncollected interest income on loans that became 90 days contractually delinquent in the three months ended June 30, 2009 and a reduction in the size of our portfolio of acquired non-performing loans, which resulted in real estate investments that are not interest-earning assets comprising a larger percentage of the Asian Operations segment balance sheet.

The $362.3 million decrease in noninterest income was driven primarily by increases in real estate and equity investment impairment charges of $320.3 million, of which $188.6 million was due to management's reduction in the holding period assumption for certain assets in the second quarter of 2009 and downward changes in fair value of loans held for sale of $24.9 million.

The $119.7 million increase in the provision for loan losses was primarily due to the impact of deteriorating credit quality on our portfolio of loans held for investment, including a $70.0 million provision for loan losses on our acquired non-performing loans that were transferred from "held for investment" to "held for sale" on June 30, 2009.

The $4.3 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $3.0 million due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results and a reduction in professional fees of $2.2 million due to legal fees related to new regulations in Japan and higher audit fees for the three months ended June 30, 2008.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $689.1 million increase in loss before income taxes was driven by a reduction in net interest income and noninterest income and an increase in provision for loan losses, offset by a reduction in noninterest expense.

The $14.0 million decrease in net interest income was primarily attributable to the reversal of accrued but uncollected interest income on loans that became 90 days contractually delinquent in the six months ended June 30, 2009 and a reduction in the size of our portfolio of acquired non-performing loans, which resulted in real estate investments that are not interest-earning assets comprising a larger percentage of the Asian Operations segment balance sheet.

The $550.9 million decrease in noninterest income was driven primarily by increases in real estate and equity investment impairment charges of $425.9 million, of which $188.6 million was due to management's reduction in the holding period assumption for certain assets in the second quarter of 2009, other-than-temporary impairments recognized on investment securities classified as available for sale of $61.4 million and downward changes in fair value of loans held for sale of $39.1 million.

The $130.1 million increase in the provision for loan losses was primarily due to the impact of deteriorating credit quality on our portfolio of loans held for investment, including a $70.0 million provision for loan losses on our acquired non-performing loans that were transferred from "held for investment" to "held for sale" on June 30, 2009.

The $5.8 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $7.0 million due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results.

European Operations

The following table presents our European Operations segment results of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
	(in thousands)			
Net interest income	$ 3,620	$ 5,693	$ 9,686	$ 10,545
Noninterest income	(39,126)	(35,973)	(96,313)	(279,555)
Total revenue	(35,506)	(30,280)	(86,627)	(269,010)
Provision for loan losses	15,725	(591)	16,148	(633)
Net revenue	(51,231)	(29,689)	(102,775)	(268,377)
Noninterest expense	4,931	14,984	9,366	22,898
Loss before income taxes	$(56,162)	$(44,673)	$(112,141)	$(291,275)
Net loss attributable to noncontrolling interests	$ —	$ —	$ —	$ —

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $11.5 million increase in loss before income taxes was primarily due to an increase in the provision for loan losses and a decrease in noninterest income, partially offset by a decrease in noninterest expense.

The $3.2 million decrease in noninterest income was primarily due to $6.9 million of downward changes in the fair value recognized on our portfolio of loans held for sale, a $3.8 million increase in losses from equity investments in joint ventures and partnerships, a $1.6 million decrease in servicing fees and a $1.0 million decrease in placement fees, partially offset by the sale of the European servicing business. The European servicing business was sold in June 2009 to a third-party for $20.5 million and resulted in a $10.4 million pre-tax gain on sale. As a result of the sale of the European servicing business, servicing fees also decreased $1.6 million. Placement fees decreased $1.0 million following the curtailment of European lending operations.

The $16.3 million increase in the provision for loan losses was primarily due to deteriorating credit quality on one specific loan held for investment.

The $10.1 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $4.6 million due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results and a $3.5 million decrease in professional fees. For the three months ended June 30, 2008, professional fees included transaction expenses incurred in connection with the European loan sale in April 2008 and consulting costs incurred in connection with matters related to Capmark Bank Europe.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $179.1 million decrease in loss before income taxes was primarily due to an increase in noninterest income and a decrease in noninterest expense, partially offset by an increase in the provision for loan losses.

The $183.2 million improvement in noninterest income was primarily due to a decrease in net losses. Net losses decreased $188.0 million primarily due to significant downward changes in fair value recognized on our portfolio of loans held for sale for the six months ended June 30, 2008. We completed the sale of significant interests in 39 loans in April 2008 to a third-party institutional buyer for a total aggregate sale price of approximately $1.8 billion. The decrease in net losses was also the result of a $10.4 million gain on the sale of the European servicing business in June 2009.

The $16.8 million increase in the provision for loan losses was primarily due to deteriorating credit quality on one specific loan held for investment.

The $13.5 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $6.6 million due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results and a $4.1 million decrease in professional fees. In the six months ended June 30, 2008, professional fees included transaction expenses incurred in connection with the European loan sale in April 2008 and consulting costs incurred in connection with matters related to Capmark Bank Europe.

North American Affordable Housing

The following table presents our North American Affordable Housing segment results of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net interest income	$ 1,332	$ 3,095	$ 2,625	$ 802
Noninterest income	(21,865)	(4,406)	(62,464)	713
Total revenue	(20,533)	(1,311)	(59,839)	1,515
Provision for loan losses	—	—	—	—
Net revenue	(20,533)	(1,311)	(59,839)	1,515
Noninterest expense	4,869	9,794	10,044	18,415
Loss before income taxes	$(25,402)	$(11,105)	$(69,883)	$(16,900)
Net income attributable to noncontrolling interests	$ —	$ —	$ —	$ —

Three months ended June 30, 2009 compared to three months ended June 30, 2008

The $14.3 million increase in loss before income taxes was primarily attributable to a decrease in noninterest income, partially offset by a reduction in noninterest expense.

The $17.5 million decrease in noninterest income was primarily due to a $9.1 million increase in net losses on investments and real estate and a $9.8 million decrease in structuring fees and investment syndication income due to an increase in losses related to LIHTC yield guarantees, partially offset by a $2.2 million decrease in losses from equity investments in joint ventures and partnerships. The increase in net losses on investments and real estate included impairment charges of $7.3 million on investment securities classified as available for sale that were in an unrealized loss position that we determined we are more-likely-than-not to sell, and impairments recognized on equity investments of $5.3 million, partially offset by $2.7 million of gains on asset dispositions during the three months ended June 30, 2009 compared to $0.8 million of losses on asset dispositions during the three months ended June 30, 2008.

The $4.9 million decrease in noninterest expense was primarily due to a reduction in professional fees due to higher legal costs associated with LIHTC fund and property disposition activity for the three months ended June 30, 2008.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The $53.0 million increase in loss before income taxes was primarily attributable to a decrease in noninterest income, partially offset by a reduction in noninterest expense.

The $63.2 million decrease in noninterest income was primarily due to $30.7 million of net losses on investments and real estate for the six months ended June 30, 2009 compared to $5.7 million of net gains for the six months ended June 30, 2008 and a $25.9 million decrease in structuring fees and investment syndication income due to an increase in losses related to LIHTC yield guarantees. The increase in net losses on investments and real estate included impairments recognized on real estate investments of $13.9 million, impairment charges of $8.6 million on investment securities classified as available for sale that were in an unrealized loss position that we determined we are more-likely-than-not to sell, and a decrease in gains on asset dispositions of $7.1 million.

The $8.4 million decrease in noninterest expense was primarily due to a reduction in compensation and benefits of $2.2 million due to lower fixed and variable compensation costs related to staff reductions and the decline in operating results and a $5.3 million decrease in professional fees. In the six months ended June 30, 2008, professional fees included higher legal costs associated with LIHTC fund and property disposition activity.

Critical Accounting Estimates

The preparation of our condensed consolidated financial statements in accordance with GAAP requires our management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of income and expense. Our management regularly evaluates these estimates, judgments and assumptions based on available information and experience. Because the use of estimates, judgments and assumptions is inherent in the financial reporting process, actual results may differ from these estimates under different assumptions or conditions. Certain of our accounting policies require higher degrees of judgment and are more complex than others in their application. Our significant accounting policies are disclosed in Note 3 of the consolidated financial statements included in our 2008 Annual Report on Form 10-K. There have been no significant changes to the Company's critical accounting estimates and significant accounting policies.

Determination of Fair Value

In accordance with SFAS No. 157, we categorize our financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. For assets and liabilities where there exists limited or no observable market data, fair value measurements are based primarily upon management's own estimates and are calculated based upon our pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other factors. The degree to which management's judgment is necessary in determining the fair value for assets and liabilities is directly dependent upon the availability of quoted prices in active markets. For financial instruments that have quoted market prices and actively trade, there is minimal subjectivity in determining fair value. Market conditions often affect the availability of observable fair value inputs. As observable market prices become unavailable or trading activity diminishes, there is a greater need for the use of valuation techniques requiring management judgment to estimate fair value.

Financial Assets

Commercial mortgage loans are highly individualized. Under normal market conditions, transactions occur directly between parties or through seller-sponsored securitization vehicles. GSEs such as Fannie Mae and Freddie Mac also facilitate a market for securitization of individual loans as well as groups of loans. We have historically used pricing for both direct sale transactions and securitizations (through both seller-sponsored and government-sponsored securitization vehicles) when making fair value determinations. Securitization market activity and direct sales activity have effectively ceased due to continued turmoil in the capital markets. GSEs continue to provide a market for the sale of loans although activity is limited.

As a result of the substantial reduction in sales, syndication and securitization activity since 2008, we observed limited activity and received limited bids for specific loans that could be used in the valuation of our portfolio of loans held for sale. However, we did incorporate market information related to new loan originations which reflects spreads at which our loan portfolio could be refinanced. Considering their importance to the value of loans, these spreads were used as the basis for creating a pricing matrix for a portion of our portfolio. The property appraisals obtained in the first half of 2009 were the basis for updating the loan-to-value ratios for the loan portfolio which were used to establish the appropriate discount spread used to price the loan portfolio. Consistent with prior quarters, any loan held for sale that was specifically identified as impaired was valued using the net realizable value of the collateral, as the evaluation of impaired loans by potential buyers would be based to a large extent on the underlying real estate. The majority of our loans held for sale are classified within Level 3 of the valuation hierarchy.

The availability of quoted prices for our U.S. Treasury investment securities was unaffected by the market turmoil due to their desirability as high-quality, highly liquid investments. As described above, market inputs for less liquid investment securities became increasingly unreliable throughout the second half of 2008 and into 2009 due to the market participants' desire for only the highest quality investments. Where we obtained inputs from third-party pricing providers to assist us in determining the fair value of investment securities, we evaluated these inputs and considered whether the resulting fair value estimates were appropriately placed in the fair value hierarchy. The majority of our investment securities are classified within Level 3 of the valuation hierarchy. For these securities, cash flows were analyzed and adjusted for anticipated credit losses. The resulting projected cash flows were then discounted at a rate we believe market participants would use given current market conditions.

As of June 30, 2009, approximately $4.0 billion of our total assets consisted of financial instruments measured at fair value on a recurring basis, including financial instruments for which we elected the fair value option. Approximately $886.4 million of these financial instruments, net of counterparty and cash collateral balances, were measured using valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 inputs. Approximately $3.1 billion of these financial instruments were measured using model-based techniques, or Level 3 inputs, and represented approximately 78% of our total assets measured at fair value and approximately 16% of our total consolidated assets.

Financial Liabilities—Brokered CDs

While increased market volatility and illiquidity continued to be evident in 2009, the fair value methodology related to our Brokered CDs remained unchanged. There is no impact on the value of our Brokered CDs due to credit risk because the deposits are insured by the FDIC. Also, while the dislocation of market liquidity is evident in the marketplace, the Brokered CD market has remained unaffected, therefore the yield curve used to discount the future cash flows related to the deposits reflects current market conditions. For these reasons, we continue to classify our Brokered CDs as Level 2 financial instruments because the yield curve is considered a reliable observable input.

Liquidity and Capital Resources

We require substantial amounts of capital to support our operations. Members of our senior management, in consultation with our board of directors, establish our overall liquidity and capital allocation strategies. A key objective of these strategies is to support the execution of our business strategy while maintaining sufficient ongoing liquidity to service our financial obligations as they become due.

When making funding and capital allocation determinations, members of our senior management consider business performance; the availability of, and the costs and benefits associated with, different funding sources; current and expected capital markets and general economic conditions; our balance sheet and capital structure; and our targeted liquidity profile and risks relating to our funding needs. In carrying out these activities, members of our senior management monitor, evaluate and seek to control the impact that our business activities have on our balance sheet, liquidity and capital structure, thereby helping to ensure that our operations are aligned with our liquidity and capital allocation strategies. Although we manage our liquidity on a consolidated basis, we also review our liquidity sources and uses at Capmark Bank and at non-Capmark Bank entities separately.

Our primary uses of liquidity are for (1) the repayment of short-term and long-term borrowings and related interest, (2) the origination and funding of loan commitments and real estate-related investments and (3) the funding of our operating expenses. We generally require short-term liquidity to fund loans that we originate and hold on our consolidated balance sheet pending sale, including through syndication, participation or securitization. We generally require longer-term funding to finance the loans and real estate-related investments that we hold for investment. Due to the lack of short-term and longer-term funding currently available outside of Capmark Bank and the significantly reduced opportunities for syndication, participation or securitization of loans, we have ceased originating new loans and acquiring real estate-related investments for our non-Capmark Bank balance sheet at this time. Also, Capmark Bank's originations are currently limited to loans targeted for sale to GSEs and funding of existing loan commitments.

Our primary sources of liquidity have been (1) proceeds from the issuance of short-term and long-term borrowings/deposits and (2) proceeds from the repayment and sale of loans and real estate investments. Our principal debt financing sources have been (1) secured funding facilities, including the Term Facility and borrowings by Capmark Bank from the FRB of San Francisco and the FHLB of Seattle; (2) committed unsecured funding provided by banks; and (3) other uncommitted funding sources, including Brokered CDs issued by Capmark Bank.

The non-Capmark Bank entities maintain their own liquidity and funding program focused on operating cash flow from their businesses. During 2008 and the first half of 2009, we were severely limited in our ability to access new capital from outside parties or issue new unsecured short-term and long-term debt. As a result, the non-Capmark Bank entities' current primary sources of liquidity are existing cash, asset sales and loan repayments. On May 29, 2009, we entered into the Term Facility which requires that the proceeds from loan sales and loan repayments from the collateral (i.e., substantially all of our U.S. and Canadian mortgage loans and foreclosed real estate, excluding assets held by Capmark Bank) be used to repay the Term Facility. In connection with the Term Facility, we also entered into amendments to our Existing Credit Agreements. See "—Term Facility and Senior Credit Facility and Bridge Loan Agreement" below.

Capmark Bank maintains its own funding program to provide for its liquidity needs. Capmark Bank may have access to borrowings from the FHLB of Seattle and the FRB of San Francisco for secured financing. Capmark Bank relies on the issuance of Brokered CDs for unsecured financing. Capmark Bank's ability to issue Brokered CDs is dependent upon Capmark Bank remaining properly capitalized and maintaining appropriate ratings by its regulators. The FDIC has notified Capmark Bank that it intends to issue an administrative order, which will impose certain requirements and restrictions on Capmark Bank, including requiring submission of capital and liquidity plans, restrictions on affiliated party transactions and other activities. Pending issuance of the administrative order, the FDIC has notified Capmark Bank that it should obtain the non-objection of the FDIC before engaging in any transaction that would materially change the balance sheet composition of Capmark Bank, including growth in total assets or significant changes in its primary funding sources. Regulatory action by the FDIC could have a material adverse effect on Capmark Bank.

Capmark Bank withdrew its application to participate in the U.S. Department of the Treasury's Capital Purchase program in July 2009.

In connection with the Sponsor Transactions, we and Capmark Bank entered into a capital maintenance agreement with the FDIC pursuant to which Capmark Bank agreed to maintain a minimum level of capital. The capital maintenance agreement requires that Capmark Bank's capital levels at all times exceed the levels required for it to be considered "well capitalized" under the capital rules of the FDIC. If any of the capital ratios fall below the applicable requirement, we must contribute sufficient capital to ensure the ratios are met. We have made cash and non-cash capital contributions to Capmark Bank since its inception, including a capital contribution of $302.8 million in June 2009, and additional capital contributions may be made in the future. We expect that any future non-cash capital contributions would require prior approval of the FDIC. We can give no assurance that we will be able to make additional capital contributions or whether such capital contributions would be sufficient to maintain Capmark Bank as a "well capitalized" institution. Capmark Bank's ability to dividend cash to us is limited to its cumulative earnings and is subject to maintaining compliance with regulatory capital requirements. Since the inception of Capmark Bank, this dividend activity has been limited and we do not expect Capmark Bank to be able to pay any dividends in the foreseeable future.

As of June 30, 2009, we had $4.2 billion in total cash, of which $159.9 million was restricted under current regulatory and other contractual arrangements, including $40.0 million of cash which was restricted under the terms of the Term Facility. This represented a net increase in total cash and certain U.S. Treasury securities of approximately $2.0 billion compared to December 31, 2008 due to an increase in cash at Capmark Bank. As of June 30, 2009, we had readily available cash (excluding cash held by Capmark Bank) of approximately $1.2 billion. Cash held at Capmark Bank totaled $2.7 billion as of June 30, 2009 compared to $290.8 million as of December 31, 2008.

For the six months ended June 30, 2009, net cash provided by operating activities totaled $1.4 billion primarily due to the sale of $1.3 billion of U.S. Treasury securities classified as trading.

We used net cash of $71.9 million in investing activities for the six months ended June 30, 2009 primarily for the origination of loans held for investment, the purchase of equity investments under existing commitments to our sponsored funds and partnership investments, and the purchase of investment securities for collateral in our LIHTC business partially offset by the repayment of loans held for investment.

For the six months ended June 30, 2009, net cash provided by financing activities totaled $2.0 billion primarily due to a net increase of $2.7 billion in deposit liabilities at Capmark Bank, partially offset by a net reduction in our short-term borrowings.

In the second quarter of 2009, we continued to take actions to maintain liquidity such as limiting our loan originations almost exclusively to loans originated for GSEs and third parties of $0.9 billion and $1.8 billion for the three and six months ended June 30, 2009, respectively. We have materially reduced our proprietary originations, and, other than funding of previously committed loans, substantially all of our originations for the three and six months ended June 30, 2009 were funded by Capmark Bank and were originated for GSEs or third parties and not for our balance sheet. The Company is also in discussions with our lenders and the representatives of a number of our senior noteholders regarding a restructuring of its primary debt obligations in order to ensure that it has sufficient liquidity to meet its debt obligations as they become due. In connection with the discussions regarding a debt restructuring, the Company is performing a review of all of its businesses, including exploring strategic alternatives for such businesses and implementing expense reduction initiatives in order to increase liquidity. The outcome of these restructuring discussions may include reorganization under chapter 11 of the U.S. Bankruptcy Code, the sale of certain businesses and/or a material contribution of cash and/or assets into Capmark Bank. In particular, we have entered into the Agreement regarding the potential sale of substantially all of our North American Servicing segment and mortgage banking operations.

Credit Ratings

Our reliance on debt financing to fund a portion of our operations makes access to short-term and long-term unsecured financing important. The cost and availability of unsecured debt financing generally are dependent on our short-term and long-term credit ratings. Factors that are significant to the determination of our credit ratings or that otherwise affect our ability to raise short-term and long-term financing include the level and volatility of our earnings, our relative competitive position, our risk management policies, our access to sources of liquidity, our capital adequacy, our level of leverage, the credit quality of our balance sheet, our ability to retain key personnel and legal, regulatory and tax developments. See Part 1, Item 1A "Risk Factors" in our 2008 Annual Report on Form 10-K for a discussion of the risks associated with a reduction in our credit ratings.

The following table presents the credit ratings and ratings outlook assigned to our senior unsecured indebtedness by S&P, Fitch and Moody's as of the date of the issuance of this quarterly report. On April 24, 2009, S&P downgraded the Company's long-term senior unsecured debt rating to B- from B+ and changed the outlook from negative to developing. On April 28, 2009, Moody's downgraded the Company's long-term senior unsecured debt rating to Caa1 from B2 and kept the rating under review for further possible downgrade. Credit ratings are opinions of a rated entity's ability to meet its ongoing obligations. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each agency's rating should be evaluated independently of any other agency's rating.

	Short-Term		Long-Term	
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**
S&P	—	—	B-	Developing
Moody's	—	—	Caa1	Negative
Fitch	B	Negative	B-	Negative

Based on the downgrades of our credit ratings through June 30, 2009, additional collateral was posted pursuant to agreements with certain counterparties of approximately $202.4 million, of which $109.6 million has been subsequently returned to the Company because the underlying construction loans requiring the collateral have been converted to permanent financing arrangements. In addition, our interest expense under our senior credit facility, bridge loan and senior notes increased $71.6 million, on an annualized basis, as a result of such downgrades.

The following table presents the ratings assigned to our servicing operations as of the date of the issuance of this quarterly report. The servicer ratings are an indication of a servicer's ability to effectively service CMBS and residential mortgage-backed securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each agency's rating should be evaluated independently of any other agency's rating.

	Rating Agency		
Type of Servicing	**S&P**	**Fitch**	**DBRS**
U.S. primary servicing	Strong	CPS2-	Superior
U.S. master servicing	Strong	CMS3-	Superior
U.S. special servicing	Strong	CSS2-	—
Japan primary servicing	Above average	—	—
Japan master servicing	Above average	—	—
Japan special servicing	—	CSS2	—

On June 17, 2009, Fitch withdrew the 'CAM2' CDO asset manager rating assigned to Capmark Investments LP citing insufficient information in order to maintain the rating.

Financing Arrangements and Other Funding Sources

Our ability to access the capital markets and other sources of secured and unsecured funding is subject to a number of factors, including our financial performance, our liquidity, the general availability of and rates applicable to financing transactions, lenders' and investors' resources, our credit ratings, and our industry and market trends. Our ability to access these funding sources, which is critical to our ability to do business, has been and is expected to continue to be adversely affected by events in the global markets and in the economy as well as our operating results. As described in "—Outlook and Recent Trends," global market and economic conditions have been, and continue to be, disrupted and volatile to an unprecedented extent. The availability of funding outside of Capmark Bank has been and is expected to be adversely affected by illiquid credit markets, wider credit spreads and our financial condition. Due to widespread concerns about the stability of the markets and the strength of counterparties, many lenders have reduced and, in some cases, ceased to provide funding to borrowers. The disruptions in the global markets and economy and their impact on our operating results have significantly adversely affected our liquidity and access to the secured and unsecured debt markets. For additional information on factors that may affect our liquidity and financial condition, see "Risk Factors" included in Part II, Item IA of this quarterly report and Part I, Item 1A of our 2008 Annual Report on Form 10-K.

Brokered CDs are a key liquidity source for Capmark Bank. Although market conditions adversely affected the availability of other funding sources throughout 2008 and the first half of 2009, Capmark Bank was able to issue Brokered CDs to support the repayment of maturing Brokered CDs as the Brokered CD market remained stable and provided consistently available funding. FDIC-insured Brokered CDs totaled $8.4 billion as of June 30, 2009 compared to $5.7 billion as of December 31, 2008. We increased our deposit funding through Brokered CDs during the first half of 2009 to generate additional liquidity in response to unfavorable economic conditions and to fund repayment of maturing Brokered CDs through the third quarter of 2010. The FDIC has notified Capmark Bank that it intends to issue an administrative order, which will impose certain requirements and restrictions on Capmark Bank, including requiring submission of capital and liquidity plans, restrictions on affiliated party transactions and other activities. Pending issuance of the administrative order, the FDIC has notified Capmark Bank that it should obtain the non-objection of the FDIC before engaging in any transaction that would materially change the balance sheet composition of Capmark Bank, including growth in total assets or significant changes in its primary funding sources. If Capmark Bank were unable to issue Brokered CDs, its liquidity would be materially adversely affected.

As of June 30, 2009 Capmark Bank was "well capitalized", however, a change in its capital category could limit its ability to access the Brokered CD market. The FDIC may reclassify a well capitalized bank as adequately capitalized and may require an adequately capitalized bank or an undercapitalized bank to comply with certain mandatory or discretionary supervisory actions as if the bank were in the next lower capital category. Institutions that are adequately capitalized but not well capitalized cannot accept, renew or roll over Brokered CDs except with a waiver from the FDIC and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll over Brokered CDs. We therefore face the risk that we may not be able to issue Brokered CDs.

Capmark Bank also has access to secured funding through the FHLB of Seattle and the FRB of San Francisco, which are subject to the terms of the specific programs. As June 30, 2009, Capmark Bank had no outstanding borrowings with the FRB of San Francisco. Due to deteriorating economic conditions, during the first half of 2009, Capmark Bank experienced a decline in the volume of qualifying collateral available to support our FHLB of Seattle and FRB of San Francisco secured borrowings. If a reduction in qualifying collateral pledged at either the FHLB of Seattle or FRB of San Francisco reduces Capmark Bank's total borrowing capacity to a level below that needed to support then-outstanding secured borrowings, Capmark Bank is required to take one or more of the following actions: (1) post additional loan collateral; (2) prepay a portion of the then-outstanding borrowings; and/or (3) post a cash deposit to adequately cover any remaining collateral shortfall. No material change in Capmark Bank's available borrowing capacity with the FHLB of Seattle or FRB of San Francisco has occurred subsequent to June 30, 2009. Access to such borrowings is also conditional upon the financial condition of the borrowing institution and the terms and conditions of such borrowings can be changed at the discretion of either the FHLB of Seattle or FRB of San Francisco in response to deterioration in Capmark Bank's financial condition. See "—Other Secured Uncommitted Funding Facilities – Capmark Bank and Other" below for a discussion of these facilities.

Capmark Bank's trust department, in its fiduciary capacity, serves as trustee for deposits of principal, interest, escrow and reserve balances that borrowers maintain in custodial accounts for the purpose of paying principal and interest on their loans and funding repairs, tenant improvements, taxes and insurance on the properties that are financed with their loans. Deposits held in a fiduciary capacity are not our assets or liabilities and, accordingly, are not included in our consolidated balance sheet. Capmark Bank's ability to serve as trustee for deposits held in escrow for certain accounts is dependent upon its ability to meet certain third-party rating requirements. If, in the future, these ratings would be negatively impacted and fall below the required rating criteria, Capmark Bank would be ineligible to serve as trustee for certain deposit accounts.

The following table presents information concerning the financing arrangements and other funding sources that we had in place as of June 30, 2009 (in thousands):

Financing Arrangements and Funding Sources	Carrying Value	Funding Limit(12)	Weighted Average Remaining Maturity
	(in thousands)		(months)
Unsecured funding:			
Senior notes(1)	$2,484,685	$2,484,685	42
Senior credit facility - term loan(2)(3)	2,186,659	2,186,659	21
Senior credit facility – revolving credit facility (2)(3)(4)	2,174,319	2,174,319	21
Bridge loan(3)	234,204	234,204	21
Other unsecured funding—uncommitted—Other	1,208	1,208	—
Total unsecured funding	7,081,075	7,081,075	28
Secured funding(5):			
Term facility (6)	1,500,000	1,500,000	21
Repurchase agreements(7)	—	12,812	—
Other secured funding facilities—Capmark Bank	1,279,004	2,706,790	27
Other secured funding facilities—Other(8)	185,258	185,258	13
Bank and third-party funding	211,515	211,515	52
Total secured funding	3,175,777	4,616,375	25
Subtotal	10,256,852	11,697,450	27
Brokered CDs(9)	8,389,978	8,389,978	24
Total funding and bank deposit liabilities	18,646,830	20,087,428	26
Consolidated debt agreements(10):			
Secured debt attributable to the consolidation of securitizations	207,729	207,729	N/A
Secured debt attributable to the consolidation of LIHTC partnerships	144,146	144,146	N/A
Total consolidated debt agreements	351,875	351,875	N/A
Junior subordinated debentures(11)	250,001	250,001	441
Total borrowings and deposit liabilities	$19,248,706	$20,689,304	32

Notes:

(1) The principal amount outstanding as of June 30, 2009 for our senior notes was $2.3 billion.

(2) Contractual capacity under our senior credit facility was amended on May 29, 2009 to an aggregate $4.4 billion in U.S. dollar equivalent terms. Foreign currency fluctuations may result in amounts greater than contractual capacity for those borrowings in foreign currency. The credit facility contains a provision that may require a reduction of the outstanding balance if a foreign currency fluctuation causes the outstanding balance of the credit facility to exceed 105% of the amount outstanding on May 29, 2009. As of June 30, 2009, foreign currency amounts outstanding did not result in a fluctuation greater than 105%.

(3) On May 29, 2009 we amended the senior credit facility to terminate the revolving nature of the facility and all remaining amounts outstanding were converted to term loans and we amended the bridge loan agreement to extend its maturity date until the maturity date of the Term Facility. For a discussion of the amendments see "—Term Facility and Senior Credit Facility and Bridge Loan Agreement" below.

(4) The senior credit facility contains a provision for the issuance of letters of credit. Any such issuance of a letter of credit would be considered an outstanding loan under the senior credit facility. As of June 30, 2009, $5.6 million of letters of credit were outstanding on the facility. In connection with the amendment to the senior credit facility, we no longer have any capacity to request any additional letters of credit.

(5) The funding limits for secured funding are subject to lien limitations under our senior notes, senior credit facility, bridge loan agreement and Term Facility. Additionally, the funding limits reflect the contractual capacity of such agreements but are not indications of actual amounts that may be borrowed at any time. Borrowing capacity for these agreements is dependent upon our ownership of eligible assets and the discretion of the lenders.

(6) On May 29, 2009 we entered into the Term Facility. For a discussion of the Term Facility see "—Term Facility and Senior Credit Facility and Bridge Loan Agreement" below.

(7) During the three and six months ended June 30, 2009, we did not experience any material margin calls as a result of declining collateral values.

(8) Included in funding limit amounts are term loans that have a stated maturity date for which lenders do not have any requirement to extend the borrowings.

(9) The principal amount outstanding as of June 30, 2009 for our Brokered CDs was $8.3 billion.

(10) Represents debt agreements that we consolidate under SFAS No. 140, SFAS No. 66 and FIN 46(R).

(11) As a result of consecutive fiscal quarters of negative adjusted earnings before taxes and our average four quarters fixed charge ratio of less than 1.20, we determined that a mandatory deferral event continued for the second quarter of 2009. Due to the fact that a mandatory deferral event has occurred and has been continuing for one year, the terms of the junior subordinated indentures require us to use commercially reasonable efforts to sell stock to generate sufficient proceeds to pay all accrued and unpaid and additional interest due on the junior subordinated indentures. However, in the event of a market disruption event, we are deemed to have used commercially reasonable efforts to sell stock even if no offers or sales have occurred. As a result of the current market conditions, we determined that a market disruption event has occurred and therefore we are not required to take any action at this time. For a discussion of the junior subordinated debentures, see our 2008 Annual Report on Form 10-K.

(12) For funding sources that do not, by their terms, have a limit on the amount that may be drawn, we have calculated the funding limit as the amount drawn as of June 30, 2009.

Term Facility and Senior Credit Facility and Bridge Loan Agreement

On May 29, 2009, we entered into the Term Facility. Proceeds from the Term Facility, along with $75.0 million in cash, were used to refinance a portion of our bridge loan agreement and senior credit facility. Amounts borrowed under the Term Facility bear interest at a rate equal to the Eurodollar Rate plus 2.50%. The Eurodollar Rate for an interest period is the higher of 1.5% or the British Bankers Association Libor Rate. Amounts borrowed under the Term Facility and repaid or prepaid may not be reborrowed. The maturity date of the Term Facility is March 23, 2011, provided that if 90% of our senior notes due 2010 have not been repaid, redeemed, refinanced, exchanged or extended beyond June 30, 2011 and/or converted to equity interests prior to April 15, 2010, the lenders may accelerate the maturity date of the Term Facility to a date between April 22, 2010 and April 26, 2010.

The Term Facility is guaranteed by each of the guarantors under the bridge loan agreement and senior credit facility and certain additional material domestic wholly-owned subsidiaries of our Company. The Term Facility is secured by a pledge and security interest on substantially all of our U.S. and Canadian mortgage loans and foreclosed real estate, excluding assets held by Capmark Bank. We are required to prepay loans under the Term Facility with the proceeds of any issuance of debt or equity securities and any proceeds from the collateral securing the Term Facility. The Term Facility contains a number of financial and affirmative and negative operating covenants, including limitations on incurring debt, granting liens, making certain restricted payments, investments and capital expenditures, merging, consolidating or engaging in certain asset sales, engaging in transactions with affiliates and changing the nature of the business conducted by us and our subsidiaries. In addition, the Term Facility requires us to maintain run rate operating expenses below a specified threshold and maintain liquidity availability on an average daily basis for any calendar week of not less than $300.0 million. We were in compliance with the covenants contained in the Term Facility during the quarter ended June 30, 2009.

The Term Facility contains certain customary events of default, including a failure to pay principal, interest, fees or other amounts when due, a failure of a representation or warranty to be true in all material respects when made or deemed made, a breach of a covenant, a cross-default, the entry of a material judgment against us, bankruptcy or insolvency events, certain Employee Retirement Income Security Act of 1974, as amended, violations or a “change of control” or “ownership” as defined in the Term Facility. Upon an event of default resulting from a breach of any of the negative covenants or non-compliance with the minimum liquidity covenant and run rate operating expense covenant, the Term Facility lenders owed at least a majority of the aggregate outstanding loans can declare all outstanding loans to be immediately due and payable. Other events of default may allow for certain grace periods and materiality limitations.

In connection with the Term Facility, we also entered into amendments to our Existing Credit Agreements. The amendment to the senior credit facility terminated the revolving nature of the facility and all remaining amounts outstanding under the senior credit facility were converted to term loans. The maturity date of the senior credit facility is March 23, 2011, but the amendment provides that if 90% of our senior notes due 2010 have not been repaid, redeemed, refinanced, exchanged or extended beyond June 30, 2011 and/or converted to equity interests prior to April 15, 2010, the senior credit facility lenders may accelerate the maturity date of the Term Facility to a date between April 22, 2010 and April 26, 2010. The amendment to the bridge loan agreement extends the maturity date under the bridge loan agreement to the maturity date of the Term Facility. In addition, the additional material domestic wholly-owned subsidiaries of our Company which guarantee the Term Facility now also guarantee the Existing Credit Agreements.

In connection with the Term Facility and the amendments to the Existing Credit Agreements, our borrowing costs will increase. This is expected to increase interest expense approximately $40.0 million for the year ended December 31, 2009.

Our senior credit facility contains affirmative and negative covenants that we believe are usual and customary for similar senior credit facilities. The covenants in the senior credit facility include limitations (each of which is subject to customary exceptions) on our ability and the ability of our current and future subsidiaries to incur additional indebtedness, grant liens, make investments, merge, consolidate or engage in certain asset sales, engage in transactions with affiliates and change the nature of the business conducted by us and our subsidiaries. Our bridge loan agreement contains affirmative and negative covenants that are substantially similar to those contained in our senior credit facility. The amendments to the Existing Credit Agreements conformed the financial covenants in the Existing Credit Agreements to the financial covenants in the Term Facility. In addition, upon the repayment in full of the Term Facility, certain covenants contained in the Term Facility will become operative under the Existing Credit Agreements, including restrictions on incurring debt, granting liens, making investments and restrictions on certain payments. Our Existing Credit Agreements contain certain customary events of default that are substantially similar to those contained in our Term Facility.

Senior Notes

On June 3, 2009, the Company supplemented the indentures to our senior notes to add the new guarantors under the Term Facility and Existing Credit Agreements as guarantors to the senior notes. The maturity date of the Term Facility may be accelerated by the lenders under the Term Facility if 90% of the Company's senior notes due 2010 have not been repaid, redeemed, refinanced, exchanged or extended beyond June 30, 2011 and/or converted to equity interests prior to April 15, 2010. There is uncertainty about the Company's ability to accomplish this due to adverse conditions in the debt markets and the Company's financial condition. If the Company does not repay, redeem, refinance, exchange or extend beyond June 30, 2011 90% of its senior notes due 2010 and/or convert such notes to equity interests prior to April 15, 2010, the maturity date of the Term Facility may be accelerated by the lenders and this could have a negative impact on the Company's liquidity.

The Company is currently in discussions with its lenders and the representatives of a number of our senior noteholders regarding a restructuring of its primary debt obligations. See "—Overview – Agreement for the Potential Sale of North American Servicing and Mortgage Banking Businesses" above and "Part II – Other Information – Item 1. Legal Proceedings" below for further discussion.

Other Secured Uncommitted Funding Facilities—Capmark Bank and Other

We have established other uncommitted secured funding facilities with financial institutions located in the United States. Issuance of secured indebtedness is subject to limitations under the various facilities. The lenders of these secured funding facilities require a specific amount of eligible assets as collateral for the amounts borrowed.

The following table presents information concerning our other secured funding facilities as of June 30, 2009:

Financing Arrangement	Facility Limit	Amount Drawn	Remaining Availability
		(in thousands)	
Capmark Bank:			
FHLB of Seattle(1)	$1,348,810	$1,279,004	$ 69,806
FRB of San Francisco(2)	1,357,980	—	1,357,980
Subtotal	2,706,790	1,279,004	1,427,786
Non-Capmark Bank:			
Merrill Lynch "Roaring Fork" facility	185,258	185,258	—
Subtotal	185,258	185,258	—
Total	$2,892,048	$1,464,262	$1,427,786

Notes:

(1) As a member of the FHLB of Seattle, Capmark Bank has access to a number of secured borrowing programs. The terms and pricing offered by the FHLB of Seattle are subject to change.

(2) The Board of Governors of the Federal Reserve System established a term auction facility in December 2007 to provide cash after interest rate cuts failed to alleviate banks' reluctance to lend amid concerns relating to deteriorating market conditions. The funding is available to Capmark Bank.

Capmark Bank's total borrowing capacity with both the FHLB of Seattle and the FRB of San Francisco is reported as of June 30, 2009. Actual borrowing capacity on any business day is subject to change as individual qualifying loans are routinely pledged and de-pledged by Capmark Bank in the normal course of business. Additionally, changes in loan performance and other collateral-specific criteria may affect whether an individual loan continues to qualify as collateral. See above for a discussion of borrowing capacity at the FHLB of Seattle and the FRB of San Francisco.

Commitments and Contractual Obligations

Commitments

In connection with our business activities, we enter into commitments that may give rise to future cash funding requirements. As of June 30, 2009, these commitments consisted of commitments to originate or purchase loans or investments, commitments to fund loans and commitments to provide equity to equity method investees. We also have commitments to sell loans. The future cash payments and receipts that were associated with these commitments as of June 30, 2009 are summarized in the table below. Because these commitments may expire unused and may require certain conditions to be met prior to funding, the amounts shown do not necessarily reflect our actual future cash funding requirements.

	Years to Maturity				
Type of Commitment	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
			(in thousands)		
Commitments to originate or purchase loans(1)	$ 52,955	$ —	$ —	$ —	$ 52,955
Commitments to fund construction loans(1)	79,153	210,660	75,407	270,852	636,072
Commitments to fund other loans(1)	85,828	469,942	27,318	36,536	619,624
Commitments to purchase investments	6,934	—	—	—	6,934
Commitments to provide equity to equity method investees	16,493	33,650	727	46,388	97,258
Total	$241,363	$714,252	$103,452	$353,776	$1,412,843
Commitments to sell loans	$391,245	$ —	$ —	$ —	$391,245

Note:

(1) Includes total commitments of $18.2 million to originate or purchase loans, $246.4 million to fund construction loans and $36.5 million to fund other loans for the GSEs.

As an approved multifamily seller/servicer under Fannie Mae's DUS™ program, we are responsible for assuming a portion of the losses that may result from a borrower's payment default on the loans that we have sold to Fannie Mae. Our loss sharing obligations are determined based on agreed loss sharing formulas. We generally are required to assume responsibility for the first 5% of the unpaid principal and a portion of any additional losses up to a maximum of 20% of the original principal balance of the loan. Any significant losses under this program would have an adverse effect on our results of operations and financial condition.

The table above reflects the future cash payments and receipts associated with commitments for our entire Company. The future cash payments and receipts solely associated with the commitments for Capmark Bank as of June 30, 2009 are summarized in the table below:

	Years to Maturity				
Type of Commitment	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
			(in thousands)		
Commitments to originate or purchase loans	$ 50,955	$ —	$ —	$ —	$ 50,955
Commitments to fund construction loans	11,076	149,175	75,407	26,748	262,406
Commitments to fund other loans	35,649	373,846	24,893	—	434,388
Total	$ 97,680	$ 523,021	$ 100,300	$ 26,748	$747,749
Commitments to sell loans	$333,264	$ —	$ —	$ —	$333,264

The future cash payments and receipts associated with the commitments for all non-Capmark Bank entities as of June 30, 2009 are summarized in the table below:

	Years to Maturity				
Type of Commitment	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
			(in thousands)		
Commitments to originate or purchase loans	$ 2,000	$ —	$ —	$ —	$ 2,000
Commitments to fund construction loans	68,077	61,485	—	244,104	373,666
Commitments to fund other loans	50,179	96,096	2,425	36,536	185,236
Commitments to purchase investments	6,934	—	—	—	6,934
Commitments to provide equity to equity method investees	16,493	33,650	727	46,388	97,258
Total	$143,683	$191,231	$3,152	$327,028	$665,094
Commitments to sell loans	$ 57,981	$ —	$ —	$ —	$ 57,981

Contractual Obligations

In the ordinary course of business, we enter into contractual arrangements that may require future cash payments. The future cash payments that were associated with these obligations as of June 30, 2009 are summarized in the table below.

	Payments due by Period				
Type of Obligation	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
			(in thousands)		
Borrowings and deposit liabilities(1)	$3,940,580	$13,245,544	$2,632,362	$1,903,035	$21,721,521
Derivative instruments(2)	267,671	609,466	225,525	120,872	1,223,534
FIN 48 obligations(3)	36,409	10,918	73,516	—	120,843
Operating leases(4)	14,742	19,351	8,221	6,455	48,769
Total	$4,259,402	$13,885,279	$2,939,624	$2,030,362	$23,114,667

Notes:

(1) Includes the scheduled maturity of long-term borrowings and deposit liabilities with an original maturity of one year or more, including interest. Interest was calculated for fixed-rate obligations using the contractual fixed interest rate, and for floating-rate obligations, using the appropriate forward-yield curve as of June 30, 2009. Excluded from this table are our short-term borrowings ($1.2 million), deposit liabilities with an original maturity of less than one year ($41.6 million), and interest thereon.

(2) Represents the contractual payments due on our derivative instruments based on rates in effect as of June 30, 2009 but excludes the anticipated amounts that would be contractually received on such instruments, totaling $318.1 million in less than one year, $556.0 million in one to three years, $186.1 million in three to five years, and $101.8 million in more than five years, aggregating $1.2 billion in total.

(3) Represents uncertain tax positions related to permanent and temporary tax differences, including interest and penalties. Includes $1.7 million of uncertain tax positions which may be settled through the reduction of our net operating loss deferred tax asset rather than through a cash payment. The years for which uncertain tax positions will be resolved have been estimated. Pursuant to the legal agreements entered into in connection with the Sponsor Transactions, GMAC has agreed to indemnify our company for any and all taxes with respect to our company and our subsidiaries relating to pre-closing tax periods to the extent the aggregate of such taxes exceed a specified amount. Under these agreements, we have agreed to indemnify GMAC for any and all tax liabilities of our company and our subsidiaries related to pre-closing tax periods in an amount not to exceed the specified amount, which specified amount has been accrued in our condensed consolidated financial statements.

(4) Includes the future minimum rental payments due under operating leases having initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009.

Guarantees and Off-Balance Sheet Transactions

Guarantees

We enter into guarantees in the ordinary course of business, including, among others, guarantees in support of some of our LIHTC sponsored funds, NMTC sponsored funds and guarantees of payment of some of the agency and construction loans that we originate and certain other transactions.

Off-balance Sheet Transactions

For the six months ended June 30, 2009, we did not enter into any loan securitization transactions.

Purchase and Indemnification Obligations

The instruments governing some of our securitization transactions and other off-balance sheet transactions contain customary provisions that require us to purchase specific assets from our securitization trusts and indemnify the issuer with respect to any material misstatement or omission with respect to information we provide for inclusion in the applicable offering documents. In connection with certain asset sales and securitization transactions, we typically make customary representations and warranties to the purchaser of our assets that relate to the characteristics of the assets transferred. These clauses are intended to ensure that the terms and conditions of the sales contracts are met upon transfer of the assets. Prior to any sale or securitization transaction, we perform due diligence with respect to the assets to be included in the sale to ensure that they meet the purchaser’s requirements, as described in the representations and warranties. Due to these procedures, we believe that the potential for loss under these arrangements is remote. Accordingly, we have not recorded a liability in our consolidated balance sheet relating to these potential obligations. The maximum potential amount of future payments that we could be required to make would be equal to the current balances of all assets subject to these securitization or sale activities. We do not monitor the total value of assets historically transferred to securitization vehicles or through other asset sales and, as a result, we are unable to develop an estimate of the maximum payout under these representations and warranties. As of June 30, 2009, we had not been required to repurchase any assets under these provisions.

Recourse Agreements with Government Agencies

We participate as a lender in Fannie Mae's DUS™ program and other similar programs. As a condition to Fannie Mae's delegation of responsibility for underwriting, originating and servicing of loans under the program, we assume a limited first-dollar loss position throughout the term of each loan we sell to Fannie Mae. As of June 30, 2009, we maintained a liability for such potential losses under these programs in the amount of $22.3 million. The maximum amount of loss we were exposed to under these programs was $690.4 million as of June 30, 2009.

Interests in NMTC Funds

We sponsor NMTC funds that make investments in qualifying community development entities that receive new markets tax credit allocations under a federal program that is designed to increase the availability of investment capital in low-income communities. We have determined that our NMTC funds are variable interest entities under FIN 46(R) and that we were the primary beneficiary of all but twenty-one of the NMTC funds that we had sponsored as of June 30, 2009. The NMTC funds of which we were not the primary beneficiary had total assets of $402.3 million as of June 30, 2009. Our exposure to loss relating to these NMTC funds was $182.3 million as of that date, representing the amount of financing we have provided to the funds.

Interests in Collateralized Debt Obligations

We have sponsored CDOs in which we may retain a subordinated or equity interest. When we sponsor a CDO, we establish a bankruptcy-remote special purpose entity that purchases a portfolio of assets that may consist of commercial mortgage loans and other real estate-related securities and issues debt and equity certificates, representing interests in the special purpose entity. Certain of the CDOs that we have sponsored were initially structured, or have been restructured, as QSPEs under SFAS No. 140 and, accordingly, are not currently consolidated in our financial statements.

The CDOs that we have sponsored that have not been structured as QSPEs are variable interest entities under FIN 46(R). We have determined that we were not the primary beneficiary of any of these entities as of June 30, 2009 and, accordingly, have not consolidated them in our financial statements. These CDOs had total assets of $3.8 billion as of June 30, 2009. Our exposure to loss relating to these CDOs was approximately $25.1 million as of that date, representing the value of our retained interests in these entities including our indirect interests in the CDOs held through our co-investment in a sponsored investment fund.

On July 7, 2009, Capmark Investments LP entered into a purchase and sale agreement with Ventras, an entity owned in part by former officers of Capmark Investments LP and Capmark Securities Inc., to assign the management contracts of various Capmark-sponsored CDOs to Ventras for an initial purchase price of $3.0 million. The purchase price may increase up to a maximum of $5.5 million based upon the terms of the agreement. Capmark Investments LP is currently seeking various consents regarding these assignments. Until such consents are obtained, Ventras will serve as a sub-adviser to Capmark Investments LP for these CDOs.

Credit Risk Management

Credit risk represents the risk that a financial loss will result from the failure of a borrower, obligor or counterparty to perform its obligations. We have developed and implemented formal, systematic credit risk management policies and procedures for our lending activities that are designed to preserve the independence and integrity of credit-related decisions and to ensure that credit risks are accurately assessed, are properly approved and are monitored and actively managed at both the transaction and portfolio levels. These policies and procedures employ specific limits on credit approval authorities, the use of a programmatic risk-rating methodology, certain concentration limitations and independent credit risk monitoring and asset management procedures. In order to meet our credit risk management objectives, we seek to maintain a risk profile that is diverse in terms of property type, geographical location and single asset exposure. Historically, we have managed this diversification through the use of asset sales, including syndications, participations and securitizations and other risk reduction techniques. Notwithstanding the design and intentions of the credit risk management infrastructure, recessionary economic conditions and severely constrained capital markets have adversely impacted borrowers crossing all commercial real estate sectors, reducing the benefits of diversification and inhibiting our ability to liquidate assets at par or otherwise reasonable economic terms. As a result of the reduction in our origination activities, our credit risk management activities are currently focused on supporting management of our existing assets, including risk rating loans, evaluating loan modification or extension proposals and for non-performing loans, analyzing recovery values.

Asset Quality

The aforementioned challenging economic conditions have resulted in declining asset quality in recent quarters, particularly during the fourth quarter of 2008 and the first half of 2009, resulting in adverse credit migration and unprecedented increases in non-performing loans. Factors contributing to the decline in asset quality continue to include weak economic conditions, market illiquidity, declining commercial real estate fundamentals, our concentration of transitional real estate, and declining real estate values.

The market continues to be characterized by a lack of available financing for commercial real estate and a corresponding scarcity of purchases and sales of real estate. Typically, the primary repayment source for a commercial real estate loan is refinancing or, in some cases, the sale of the property. The market illiquidity experienced in 2008 and the first half of 2009 resulted in a lack of viable repayment sources for maturing loans, which has contributed both to increased defaults, and to increased loan extension activity. We have granted, and may in the future continue to grant, extensions and modifications to loans. Terms and conditions of such modifications depend on the credit profile of a given loan, including, the current cash flow and debt service coverage generated by the collateral of the loan. If we and the borrower are unable to reach mutually acceptable extension terms and the borrower is unable to refinance or otherwise repay the loan, the loan will default and be classified as non-performing. Such circumstances have contributed to increases in defaults and non-performing loans.

Current recessionary economic conditions have reduced demand by users (tenants) of commercial real estate. Reductions in demand impact current property cash flows and the expectation for future cash flows. Our loan portfolio is significantly comprised of construction loans and interim, floating rate loans secured by “transitional” real estate. The repayment of such loans is dependent on the construction and renovation, and subsequent leasing of collateral. Debt service payments for such loans are dependent on capitalized reserves or subsidization by sponsors. Reductions in demand by users of commercial real estate have caused certain of these loans to fail to achieve underwritten expectations for leasing and cash flow, contributing to increases in defaults and non-performing loan classifications. Four significant loans secured by transitional real estate comprised over 40% of the approximately $1.0 billion of newly classified non-performing loans in the three months ended June 30, 2009.

We continue to periodically obtain appraisals for assets which secure substandard and non-performing loans. The scarcity of commercial real estate financing, declining fundamentals and generally weak economic conditions have contributed to reductions in property values. Declines in property values are causing borrowers to be reluctant to make incremental investments in our collateral. Often, loans on transitional real estate depend on sponsor subsidies to pay principal or interest. As sponsors perceive declines in property value, they do not wish to make incremental, potentially unrecoverable contributions to their assets, which is contributing to increases in our loan defaults and non-performing loans. In general, property value declines worsened in the three months ended June 30, 2009 relative to the three months ended March 31, 2009 and the three months ended December 31, 2008, resulting in higher initial loan loss provisions on new non-performing loans than those identified in prior quarters.

Property Type Diversification of Our Loan Portfolio

The following table sets forth our exposure to certain property types in our loan portfolio. We also maintain additional direct and indirect exposure to these property types through our interests in funds, securities, equity investments and other non-loan exposures. The following table summarizes the composition of our total loan portfolio by property type (in thousands):

	June 30, 2009		December 31, 2008	
Property Type	**Amount**	**Percentage**	**Amount**	**Percentage**
Hospitality	$ 2,284,649	21%	$ 2,148,095	17%
Office	2,081,698	19	2,535,343	21
Multifamily	2,067,334	19	2,367,555	19
Healthcare	1,542,121	14	1,699,960	14
Retail	1,141,155	10	1,306,862	11
Mixed-use and other(1)	1,882,843	17	2,229,059	18
Total	$10,999,800	100%	$12,286,874	100%

Note:

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

Single Risk Exposures in Our Loan Portfolio

As of June 30, 2009, we had 31 loan commitments that exceeded $50.0 million. Our aggregate commitments with respect to these 31 loans totaled $2.4 billion, of which $2.1 billion has been funded. Though we sought to minimize our exposure to losses on a single loan by using credit approval limits and by developing loan distribution strategies before we committed to provide financing, market illiquidity restrained our ability to economically reduce these remaining large exposures. These loans, as with our loan portfolio as a whole, have since been subject to adverse credit migration due to market conditions described above. Eleven of these loans are non-performing and maintained on non-accrual status. The gross commitment and funded amount related to these non-performing loans totaled $880.7 million and $824.0 million, respectively as of June 30, 2009. The remaining 20 loans are performing loans.

Originated Non-Performing Assets

Our originated non-performing assets consist of loans held for sale and held for investment that are on non-accrual status, real estate acquired through foreclosure upon default of a related loan, and non-performing equity investments for which the Company does not consolidate the entity that holds a foreclosed real estate asset. Loans on non-accrual status exclude any loans that were on non-accrual status at the time we acquired such loans for investment purposes ("acquired non-performing loans"). The following table presents information concerning our originated non-performing assets:

	June 30, 2009	December 31, 2008
	(in thousands)	
Gross asset value(1)	$2,334,471	$ 877,395
Basis adjustments before allowance for loan losses(2)	(638,746)	(112,005)
Subtotal	1,695,725	765,390
Specifically assigned allowance for loan losses	(147,587)	(50,111)
Carrying value	$1,548,138	$ 715,279
Carrying value as a percentage of total assets	7.6%	3.5%

Notes:

(1) Gross asset value represents the unpaid principal balance of non-accrual loans, the carrying value of foreclosed real estate at the time of foreclosure and the carrying value of non-performing equity investments.

(2) Basis adjustments include valuation allowances and other discounts to carrying value, before deducting the allowance for loan losses.

The gross asset value in the table above includes $46.9 million and $10.1 million as of June 30, 2009 and December 31, 2008, respectively, of non-performing equity investments for which the Company does not consolidate the entity that holds a foreclosed real estate asset.

The following table summarizes the composition of our originated non-performing assets by property type (in thousands):

	June 30, 2009		December 31, 2008	
Property Type	**Amount**	**Percentage**	**Amount**	**Percentage**
Office	$ 444,720	26%	$184,992	24%
Multifamily	282,026	17	196,984	26
Retail	243,732	14	73,465	10
Healthcare	112,820	7	59,131	8
Hospitality	78,944	5	23,882	3
Mixed-use and other(1)	533,483	31	226,936	29
Total	$1,695,725	100%	$765,390	100%

Note:

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

Acquired Non-Performing Loans

Historically, we have acquired non-performing loans for investment purposes at substantial discounts to par. At the time of acquisition, these non-performing loans evidenced credit quality deterioration and the probability that not all contractually required payments would be collected. The carrying value of these loans totaled $155.3 million and $301.7 million as of June 30, 2009 and December 31, 2008, respectively. On June 30, 2009, we transferred $148.3 million of acquired non-performing loans from “held for investment” to “held for sale” because management concluded we no longer had the intent to hold these loans for the foreseeable future. These loans are now carried at the lower of cost or fair value and we are no longer recognizing interest income on these loans using the accretable yield method. The remaining $7.0 million of acquired non-performing loans are classified as held for investment and accounted for using the cost recovery method.

We seek to maximize recovery on our acquired non-performing loans. However, the time and amount of our expected cash flows from such loans are based upon a number of assumptions that are subject to business and economic uncertainties, including the amount and timing of principal payments, collateral disposition activity and other factors. Charges for impairments of acquired non-performing loans totaled $72.7 million and $2.2 million for the three months ended June 30, 2009 and 2008, respectively, and $79.6 million and $6.2 million for the six months ended June 30, 2009 and 2008, respectively. In connection with the transfer mentioned above, the amortized cost basis of such loans exceeded fair value at the time of the transfer by approximately $70.0 million. This amount was accounted for as an impairment and reported as a component of provision for loan losses in the condensed consolidated statement of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk Management

Market risk represents the risk that a change in the level of one or more market prices, rates, indices, implied volatilities, correlations or other market factors will result in a financial loss. The primary market risks that we face are interest rate risk, credit spread risk and foreign currency risk. These risks include the risk that changes in prevailing interest rates, credit spreads or foreign currency exchange rates will impact the fair value of our assets and liabilities, decrease our revenue or increase our expenses. We seek to control these risks primarily through the use of interest rate and foreign currency swaps. From time to time, we may also sell U.S. Treasury securities or enter into various other derivative instruments, including total rate of return swaps, CMBS index swaps, interest rate caps and floors, and options to purchase the foregoing instruments. We seek to further control our exposure to fluctuations in foreign currency exchange rates by securing multi-currency funding sources that we may use when funding foreign currency denominated assets.

As a result of our financial condition, we have reduced the margin thresholds with certain counterparties from generally $5 million to a zero margin threshold. In addition, certain counterparties have discontinued trading with us or have required upfront, independent margin amounts in order to enter into derivative transactions with us. In addition, counterparties have and may continue to require higher fees and more collateral than we are willing or able to provide. As a result, we have not been able to fully hedge interest rate or currency risks associated with our businesses and therefore changes in interest rates or currency exchange rates could result in additional volatility in our results of operations, which may have a material adverse effect on our results of operations and financial condition.

We have implemented centralized risk management policies and processes that are intended to ensure that our market risk exposure is accurately measured, regularly monitored and appropriately managed on a company-wide basis and within individual market positions. Our market risk limits are established by our market risk management department. Our market risk exposure is measured using a variety of quantitative and qualitative risk measures and analyses, performed either daily or monthly, including value-at-risk ("VaR") measurements and sensitivity analyses. Price sensitivity metrics, portfolio valuations and correlation analyses are performed on a daily basis, while stress testing is performed on a monthly basis using the VaR methodology explained below. VaR measures the impact on the value of existing portfolios of specified changes in market factors for all of our interest rate sensitive assets and liabilities. We also conduct a net interest income sensitivity analysis, which estimates our net interest income sensitivity to immediate increases or decreases in interest rates.

Recent Market Conditions

Recent unprecedented events in the financial and capital markets (see "Management's Discussion and Analysis of Financial Condition and Results of Operations- Outlook and Recent Trends") are causing losses that are significantly outside the loss estimates forecast by VaR models and are more commonly measured by alternative risk measures such as stress tests and scenario analyses. Starting in 2008, we continued to enhance these alternative risk measures to better reflect exposures arising from certain products (e.g., securitized products). These actions, however, may not address the potential severity of possible losses as actual market movements may continue to be more dramatic than the estimates included in our VaR, stress tests and scenario analyses. For a further discussion on limitations to VaR models, see "—Value at Risk Analysis" below.

Interest Rate and Credit Spread Risk

The predominant type of interest rate risk that we face is the risk that the value of our assets and liabilities (including the value of our loans, debt obligations and investment portfolios) will change due to changes in interest rates, shape of the yield curve or interest rate spreads between two different financial instruments. We are also exposed to the risk that changes in interest rates will impact the levels of revenue that are generated by our lending, servicing and investments and funds management businesses, including trust fees that we earn on escrow balances, or give rise to mismatches between the values of our assets and the liabilities that we incur when funding those assets. Because we have floating rate debt outstanding, changes in interest rates have and may continue to impact our debt servicing costs, which has and may continue to lead to changes in the levels of net income and cash flows that we report from time to time.

Foreign Currency Risk

We are exposed to market risks associated with changes in foreign currency exchange rates because we generate a portion of our revenue and incur a portion of our expenses in currencies other than the U.S. dollar. We are also exposed to risks associated with foreign currency exchange rates because we have non-U.S. dollar assets funded by borrowings in U.S. dollars under our senior credit facility and other borrowing facilities, and because we have subsidiaries and investments in other entities with retained earnings that are denominated in foreign currencies. As of June 30, 2009, our foreign currency exposure consisted primarily of exposure to changes in exchange rates between the U.S. dollar and the Euro and between the U.S. dollar and Japanese yen. We were to a lesser extent subject to risks associated with movements in exchange rates between U.S. dollars and British pounds sterling, Taiwanese dollars, Chinese renminbi, Canadian dollars, Mexican pesos, Indian rupees and Filipino pesos.

To manage foreign currency exposure in our business, we have sought to finance assets that are denominated in foreign currencies with funding sources denominated in the same currency. When assets denominated in foreign currencies are not funded with liabilities denominated in the same currencies, we have used foreign exchange swaps and forward transactions that are designed to mitigate the risks associated with adverse movements in the applicable foreign currency exchange rates. We similarly have used foreign exchange forward contracts to manage our foreign currency exposure related to income streams and expenses that are denominated in foreign currencies when the amount and timing of the income streams and expenses are known. To manage the effect that fluctuations in exchange rates may have on the value of foreign currency denominated retained earnings in our subsidiaries and the entities in which we have made investments, we have developed and used an active hedging policy that manages and adjusts our exposure using one-month foreign exchange swaps and forward contracts. As discussed above, our foreign currency exposure has increased as certain of our foreign currency derivative transactions have terminated and have not been replaced as a result of either our inability or unwillingness to enter into new derivative contracts given the substantial margin required by our derivative counterparties.

Exposure associated with our assets and liabilities that are denominated in foreign currencies are primarily related to foreign denominated assets and liabilities residing in U.S. dollar entities. A 10% adverse change in the U.S. dollar relative to the foreign currencies associated with the aforementioned positions would result in a $209.6 million loss reflected in other gains, net in our consolidated statement of operations for the six months ended June 30, 2009. A 10% adverse change in the U.S. dollar relative to the foreign currencies associated with our net investment position in non-U.S. dollar entities globally would result in a $70.3 million loss reflected in accumulated other comprehensive income (loss), net of tax, a component of stockholders' deficit as of June 30, 2009.

Derivative Counterparty Exposure

The use of derivative instruments to manage and mitigate our exposure to market risks exposes us to the risk that counterparties to derivative transactions will fail to perform their obligations under the derivative instruments. Because obligations under our derivative instruments are determined by reference to interest rates, foreign currency exchange rates and credit spreads, our exposure to a risk of loss from defaults by counterparties to our derivative transactions is impacted by movements in interest rates, foreign currency exchange rates and, to a lesser extent, credit spreads. To manage our credit exposures to counterparties to our derivative transactions, before we enter into derivative transactions, we negotiate and execute industry standard agreements that govern the maximum credit exposure that we will assume with respect to counterparties in derivative transactions. As discussed above, margin thresholds for most counterparties have been reduced to zero given current market conditions and our financial performance. We measure our credit exposure to counterparties under our derivative instruments on a daily basis. If exposures with respect to counterparties exceed agreed-upon thresholds, we make margin calls under which the counterparties are required to post collateral in order to bring our credit exposure to them within the agreed-upon ranges. To date, we have not incurred a loss as a result of a default on performance by our derivative counterparties.

Our derivative counterparties were rated single A or better by the credit rating agencies as of June 30, 2009. Our exposure to derivative counterparties as of June 30, 2009 is summarized in the table below by counterparty credit rating and remaining contract maturity of the fair value of derivatives in a gain position, including interest rate swaps, caps, foreign exchange forwards, foreign exchange swaps and cross currency swaps. The table excludes fair values corresponding to other credit exposures, such as those arising from the Company's lending activities. Total exposure takes into account the risk reduction arising from master netting agreements, where applicable, and, in the final column, net of collateral received.

	Years to Maturity						
Credit Rating(1)	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total Exposure(2)**	**Margin Balance Posted/(Held)**	**Net Exposure Post Cash Collateral(3)**
				(in thousands)			
AA	$ —	$ —	$26,721	$ —	$ 26,721	$ (24,660)	$ 2,061
A	55,893	36,756	28,913	(6,509)	115,053	(94,470)	20,583
Total	$55,893	$36,756	$55,634	$(6,509)	$141,774	$(119,130)	$22,644

Notes:

(1) Credit ratings are as determined by external rating agencies. The assigned rating is the lowest of the available ratings.

(2) Amounts represent the netting of receivable balances with payable balances for the same counterparty across maturity categories.

(3) Represents total exposure less margin balances. Margin balances reflect collateral held by the Company for exposure above the agreed upon threshold amount.

Value-at-Risk Analysis

We use a statistical methodology known as value-at-risk, commonly referred to as “VaR,” as one of our tools for measuring, monitoring and reviewing our market risk exposure. VaR measures the dollar amount of potential losses in fair value from adverse movements in interest rates and credit spreads in an ordinary market. Our VaR model uses a distribution of historical changes in key market indices or other market factors to assess the potential for future losses. Our VaR model also takes into account correlations between risks and the potential for movements in one portfolio to offset movements in another. We measure VaR using a 95% confidence interval and an assumed one-month holding period, meaning that we would expect to incur changes in fair value greater than those predicted by our VaR model in only one out of every 20 months. We believe that our VaR analysis takes into account our material interest rate and credit spread sensitive positions. The following table represents the maximum, average and minimum potential VaR losses measured for the three and six months ended June 30, 2009 and 2008. This analysis has been presented for illustrative purposes only and does not represent our current views as to future movements in interest rates and credit spreads. The table below shows a greater variation in our potential VaR losses for the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008 as a result of adverse market conditions, specifically a significant increase in spread volatility across the credit curve as well as increased foreign exchange exposure resulting from the inability or unwillingness to enter into foreign exchange derivatives, experienced during the past several quarters.

	Three Months Ended June 30,		Six Months Ended June 30,	
Value-at-Risk (1)	**2009**	**2008**	**2009**	**2008**
	(in thousands)			
Maximum	$84,646	$55,264	$84,646	$60,868
Average	$83,403	$53,061	$77,770	$54,373
Minimum	$81,276	$50,661	$60,875	$45,844

Note:

(1) In the first quarter of 2009, we further refined our VaR methodology to capture foreign exchange risk. In addition, we changed to a historical simulation approach that will capture additional risk factors and will better measure the relationship between these factors. We also incorporated the ability to measure the spread risk of each portfolio to the appropriate points on the spread curve. Based upon the changes made to the methodology in the first quarter of 2009, the potential losses for the three and six months ended June 30, 2008 would have been: maximum $73.9 million and $87.8 million, average $71.1 million and $69.8 million and minimum $67.2 million and $57.0 million, respectively.

Net Interest Income Sensitivity Analysis

While VaR measures the risk of loss due to unlikely events in an ordinary market, a sensitivity analysis measures exposure to an isolated hypothetical movement in one or more specific market prices, rates or indices. To measure our exposure to volatility in net interest income, we perform a sensitivity analysis on a monthly basis that considers isolated hypothetical movements in specific market rates for each currency in which we transact business. The first table reflects our sensitivity to sudden shifts in short-term rates in all currencies in which we transact business, taking into consideration our asset and liability positions on our consolidated balance sheet and the derivative instruments that we use to mitigate market risk as of June 30, 2009. The second table reflects our sensitivity to similar movements in U.S. interest rates on the trust fee income earned on escrow balances as of June 30, 2009. Due to the current low interest rate environment, rates were decreased no more than 100 basis points and 40 basis points in the first and second tables, respectively. Both tables measure the impact on net interest income over the next 12 months. These analyses have been presented for illustrative purposes only and do not represent our current views as to future interest rate movements.

Additionally, given the current level of interest rates, the downward hypothetical movements were lowered to 15 and 25 basis points with the exception of Japanese yen LIBOR which was applied at 10 and 20 basis points. The upward hypothetical movements remained at 100 and 200 basis points with the exception of Japanese yen LIBOR which was applied at 50 and 100 basis points.

Currency	Annualized Impact on Net Interest Income 25 Basis Point Decrease	15 Basis Point Decrease	100 Basis Point Increase	200 Basis Point Increase
	(in thousands)			
U.S. dollars	$(1,455)	$ (873)	$ 5,822	$ 11,644
Japanese yen	2,703	1,351	(6,757)	(13,515)
Pounds sterling	(295)	(177)	1,180	2,360
Euro	(223)	(134)	893	1,786
Canadian dollars	(71)	(42)	282	565
Mexican pesos	34	20	(135)	(270)
Taiwanese dollars	69	42	(277)	(553)
Filipino pesos	(11)	(6)	43	85
Chinese renminbi	(18)	(11)	72	143
Indian rupees	(3)	(2)	14	27
All currencies	$ 730	$ 168	$ 1,137	$ 2,272

	Annualized Impact on Net Interest Income 25 Basis Point Decrease	15 Basis Point Decrease	100 Basis Point Increase	200 Basis Point Increase
	(in thousands)			
Escrow balances	$(6,602)	$(4,054)	$29,653	$59,306

Although we believe that the above sensitivity data measurements provide an estimate of interest rate sensitivity, there are limitations inherent in those measurements. For example, they do not take into account potential changes in credit quality, size or composition of our asset portfolios, potential changes in our funding mix or other possible business developments. They are also limited in that they are performed at a particular point in time and only contemplate certain movements in market rates or indices. Accordingly, we can give no assurance that our actual results would not differ materially from the estimated outcomes of the above simulations. We are aware of the foregoing limitations on the use of sensitivity analyses for measuring and monitoring risks and, accordingly, employ our sensitivity analysis as only one tool for identifying, measuring, monitoring, managing and reporting our exposure market risks.

Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. We are exposed to operational risk across all of our income-generating activities and support functions.

Primary responsibility for the management of operational risk lies with our business segments and support functions, which are required to maintain controls designed to identify, assess and mitigate operational risks for their existing activities. These controls include systems and processes that relate to theft and fraud, our general business practices, our technology, the safeguarding of our assets and data security, our personnel, our customers, our financial reporting and our external service providers. In addition, we have developed and continue to enhance specific policies and procedures that are designed to ensure that transactions are properly approved, processed, recorded, reported, monitored/updated and reconciled on a timely basis and that we have adequate business continuity and disaster recovery plans for critical facilities and resources. The operational risk management activities of our business segments are overseen by our Senior Vice President, Internal Audit and Risk & Controls with the assistance of our human resources, legal, information technology, treasury, accounting and risk management departments.

We seek to limit our exposure to legal risks through the use of policies, procedures and requirements that are designed to foster compliance with applicable statutory and regulatory regimes. These policies and procedures address matters relating to regulatory capital requirements, sales and trading practices, new products, potential conflicts of interest, structured transactions, the use and safekeeping of customer funds and securities, the extension of credit, debt collection activities, money-laundering, privacy, recordkeeping and reporting. The increased legal and regulatory focus that has been applied to the financial services industry in recent periods has increased the importance of our legal and regulatory compliance procedures for our operational risk management activities.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On June 9, 2009, the United States Department of Justice filed a civil suit against Capmark Finance Inc. in the United States District Court for the Central District of California, Western Division. The suit claims that Capmark Finance Inc. violated Federal Law when it sought payments of insurance from HUD on two HUD-insured commercial multi-family mortgage loans originated by Capmark Finance Inc. (then known as GMAC Commercial Mortgage Corporation) in 2000 and 2002. The United States Department of Justice alleges that Capmark Finance Inc. misrepresented and failed to disclose certain facts during the origination of the two loans, and that such actions, together with the claim for HUD insurance payments, violate the False Claims Act (31 U.S.C. Sections 3729-3733). The United States Department of Justice claims that HUD was damaged by paying more than $25.0 million in insurance claims and seeks treble damages. We intend to vigorously defend the claims.

On July 23, 2009, the Company, GMAC and GMAC Mortgage Group LLC entered into an agreement to settle, and to discontinue with prejudice, our breach of contract action against GMAC LLC and GMAC Mortgage Group LLC. The breach of contract action arose out of the Sponsor Transactions and sought enforcement of GMAC and GMAC Mortgage Group LLC's obligation to indemnify us for liabilities and losses in connection with certain employee benefit plans and covered legal proceedings.

On August 12, 2009, we received the Trustee Letter from the Trustee. The Trustee Letter forwarded to the Company the Noteholder Letter that the Trustee received from Noteholders Counsel. The Noteholders Letter alleges that the first supplemental indentures are of no force and effect because the Trustee failed to obtain the consent of the requisite number of senior noteholders to approve the first supplemental indentures and to disclose the existence of such supplements. The Noteholders Letter requests that the Trustee take all steps necessary to repeal the first supplemental indentures and advises the Trustee that the senior noteholders intend to hold the Trustee liable for all damages caused by its failure to abide by the terms of the indentures and protect the senior noteholders' rights. In a letter dated August 20, 2009, counsel to the Trustee responded to the Noteholders Letter by providing a copy of the notice of the first supplemental indentures that the Trustee sent to Depository Trust Company on May 20, 2009. Additionally, the Trustee's counsel stated that its actions were in accordance with the terms of the indentures and its duties and obligations thereunder.

On August 31, 2009, we received a letter from Noteholders Counsel. While the letter acknowledges that we have begun the process of providing the Noteholders Counsel with information, it expresses concerns with respect to our dealings with the FDIC, potential intercompany asset transfers and our approach to addressing a potential restructuring. The letter demands that the Company seek repayment from Capmark Bank with respect to the June 2009 capital contribution and cautions the board of directors of the Company and its subsidiaries from making asset transfers or taking any actions that will impact the Company's or its subsidiaries' balance sheets without an analysis of such impact to the Company, its subsidiaries and the stakeholders. The letter further requests that (i) the Company and its Subsidiaries confer with Noteholders Counsel prior to any intercompany transfer of assets (including transfers to Capmark Bank), entering into any material contractual relationship or agreement with the FDIC, and taking any action that could materially impact the balance sheets of the Company and its subsidiaries (including, agreements in principle to any asset sales); and (ii) the Company and its subsidiaries undertake a comprehensive restructuring that includes Noteholders Counsel in any discussions with the Company, it subsidiaries and their stakeholders.

We may be subject to potential liability under various legal actions that are pending or that may be asserted against us in the ordinary course of business or in connection with our restructuring efforts. While the outcomes of the various pending legal actions are not certain, based on present assessments, management does not believe that they will have a material adverse effect on our business.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 24, 2009. Certain additional risks are described below.

We expect Capmark Bank to be subject to a formal enforcement action with regulatory authorities, and, when it occurs, we expect such action to place significant restrictions on its operations.

Under applicable laws, the FDIC, as Capmark Bank's deposit insurer, has the ability to impose substantial sanctions, restrictions and requirements on Capmark Bank if it determines, upon examination or otherwise, violations of laws with which Capmark Bank must comply, or weaknesses or failures with respect to general standards of safety and soundness. Applicable law prohibits disclosure of specific examination findings by the institution although formal enforcement actions are routinely disclosed by the regulatory authorities. Capmark Bank could be subject to the issuance of a formal enforcement action and our regulatory authorities could issue a cease and desist order, primarily due to the high level of non-performing assets of Capmark Bank and the resulting impact on its financial condition. These actions generally require certain corrective steps, impose limits on activities, prescribe lending parameters and require additional capital to be raised. In many cases, policies must be revised by the institution and submitted to the regulatory authority for approval within time frames prescribed by the regulatory authorities. Failure to adhere to the requirements of the actions, once issued, can result in more severe restrictions. Generally, these enforcement actions can be lifted only after subsequent examinations substantiate complete correction of the underlying issues.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

On August 20, 2009, we amended the Company’s bylaws to change the definition of a quorum for purposes of a meeting of the board of directors from 75% of the directors in office to a simple majority of the directors in office, which majority must include at least one representative from each of the Sponsors.

The Company previously announced that the board of directors appointed Frederick Arnold as Chief Financial Officer and Executive Vice President of the Company effective September 1, 2009. The Company and Mr. Arnold have subsequently agreed to make such appointment effective September 4, 2009.

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