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## Property Lender Files for Chapter 11

By MIKE SPECTOR, LINGLING WEI AND PETER LATTMAN

One of the nation's largest commercial-real-estate lenders filed for bankruptcy protection in Delaware, the latest sign that problems in that market are far from over.

Capmark Financial Group Inc. has been one of the biggest lenders to U.S. investors and developers of office towers, strip malls, hotels and other commercial properties. An independent company that used to be the commercial lending unit of GMAC LLC, a financing affiliate of [General Motors Co.](#), it has been in financial straits for months and warned in September that it might have to file for Chapter 11 reorganization.

In its bankruptcy filing, Capmark listed assets of \$20.1 billion and liabilities of \$21 billion as of June 30. Citigroup Inc. is the agent on much of Capmark's secured debt. Other holders of Capmark's secured debt include hedge funds Paulson & Co., Anchorage Advisors and Silverpoint Capital, a person familiar with the mattersaid.

Some of Capmark's debt that can't be repaid might be converted to stock, the person said. Current plans call for all Capmark businesses to be preserved as part of a reorganized company or "sold as going concerns for full value," the same person said.

The filing comes amid similar troubles in the commercial-property arena. Mall-giant General Growth Properties and hotel-chain Extended Stay Inc. filed for bankruptcy in the past year, and more commercial-company real-estate ventures could fail amid an inability to refinance debts and reduced customer traffic as consumers continue to pull back.

The difficulties are a blow to Capmark's private-equity owners. In 2006, a group led by Kohlberg Kravis Roberts & Co., Goldman Sachs Capital Partners and Five Mile Capital Partners paid \$1.5 billion in cash to acquire lender GMAC's commercial real-estate business, which they renamed Capmark.

At the time, Capmark proclaimed it was poised to tap capital markets and realize the full potential of all its businesses, which include lending to commercial-property developers and investors; managing investment funds that bought commercial-real-estate debt; and collecting payments on loans, or "servicing." GMAC, meanwhile, boasted the deal would free up \$9 billion in capital it could redeploy.

But the deal didn't work out for any of the parties. GMAC suffered heavy losses on its real-estate loans and faced further pressures on its car-financing operations when the auto market collapsed. It eventually had to tap federal bailout money.

KKR, which has written its Capmark investment down to zero, declined to comment. A Capmark spokeswoman didn't respond to requests for comment.

Capmark, based in Horsham, Pa., recently reported a \$1.6 billion second-quarter loss. The company deteriorated along with the deep problems plaguing the commercial-property market. Capmark has originated more than \$10 billion in commercial-real-estate loans, according to Moody's Investors Service.

One of Capmark's deals was the landmark Equitable Building that rises 33 stories above downtown Atlanta. In 2007, San Diego real-estate firm Equastone LLC paid \$57 million for the office tower and took out a \$51.9 million mortgage from Capmark Bank. Equastone planned to expand the tower and attract a tenant with pockets deep enough to rename the building.

In April, Capmark Bank foreclosed on the building after Equastone defaulted on the debt.

Adding to Capmark's pressures, the Federal Deposit Insurance Corp. had notified the company it must raise capital and boost liquidity at its Utah bank, which has roughly \$10 billion in assets. The bank makes and holds commercial mortgages.

The bank isn't part of Capmark's bankruptcy filing. Capmark Bank got a \$600 million capital infusion from its parent company in late September.

Capmark has retained law firm Dewey & LeBoeuf LLP and financial advisers Lazard Frères & Co. LLC, Loughlin Meghji + Co. and Beekman Advisors Inc.

The company has about 1,800 employees located in 47 offices world-wide. It recently reached an agreement to sell its North American servicing and mortgage-banking operations to a new company owned by Warren Buffet's [Berkshire Hathaway Inc.](#) and [Leucadia National Corp.](#) for as much as \$490 million.

Under the deal's terms, the sale could occur while Capmark is in bankruptcy but would require a bigger cash payment.

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