Annual Report 2016

2016 was a year of tangible progress for iStar. The company set out to grow its earnings, capture unrecognized value and build a foundation for improved shareholder returns. As you will see in the following report, earnings grew substantially, significant gains were generated on asset sales and a sizable percentage of outstanding shares were retired or repurchased. Now we must continue this progress and see it reflected in an increased share price.

iStar also continued to work on finding attractive gaps in the market where its combination of real estate, capital markets and corporate finance expertise can set it apart from other capital providers and help drive attractive risk-adjusted returns. We look to make tangible progress on this front in 2017.

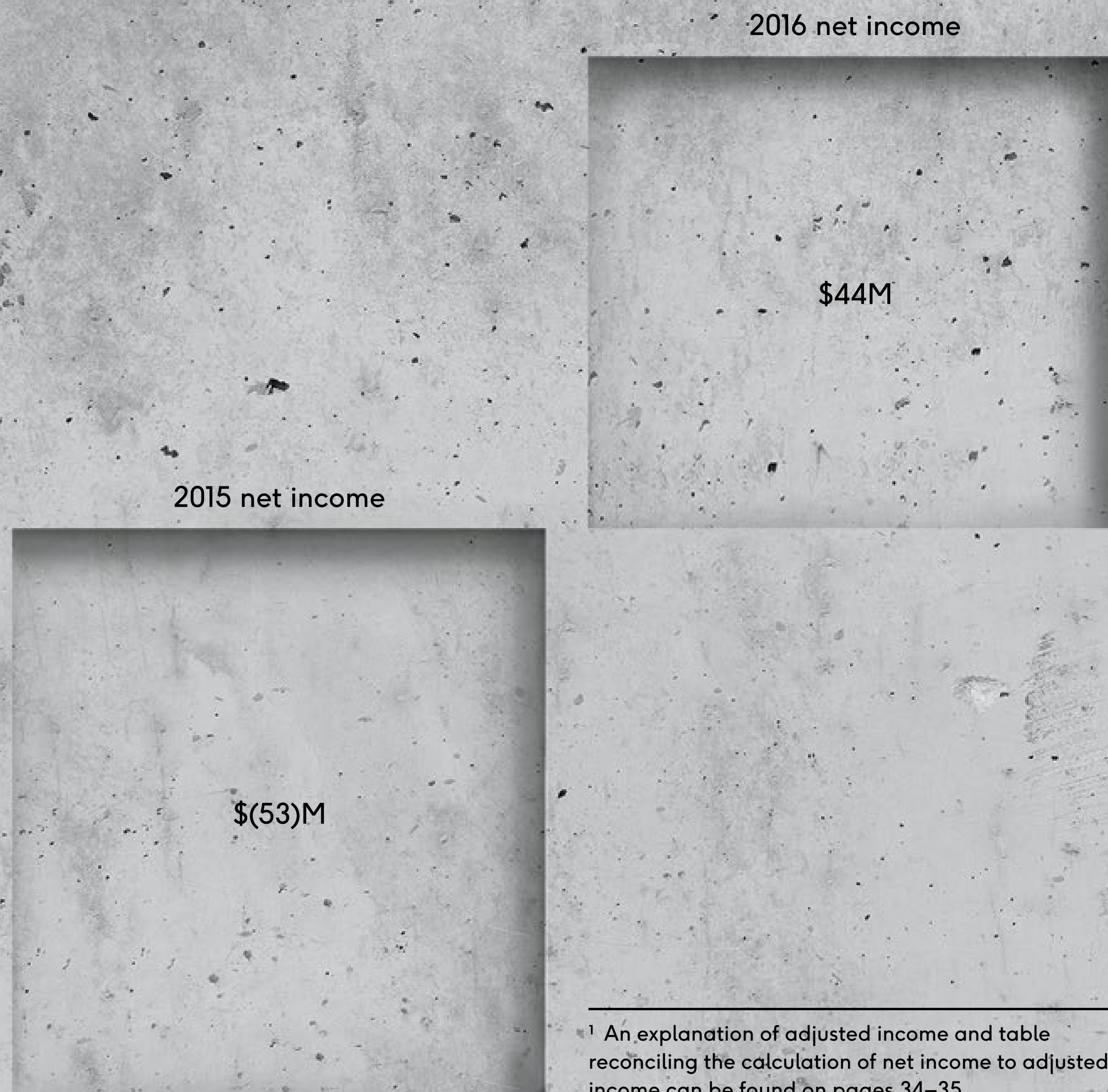
Lastly, we began re-engineering the company to become more efficient, more focused and more accessible to investors. With a unique platform, decades of experience and a reputation for finding off market investments and excess return opportunities, we believe the potential for iStar going forward is exceptional.

We appreciate your interest and support.

Strong earnings growth

iStar's earnings grew substantially in 2016, with net income reaching $44 million, or $0.55 per diluted common share, and adjusted income climbing to $113 million, or $1.15 per share.[1]

01



[1] An explanation of adjusted income and table reconciling the calculation of net income to adjusted income can be found on pages 34–35.

2016 adjusted income
$113M

2015 adjusted income
$30M

Growing investment pipeline

02

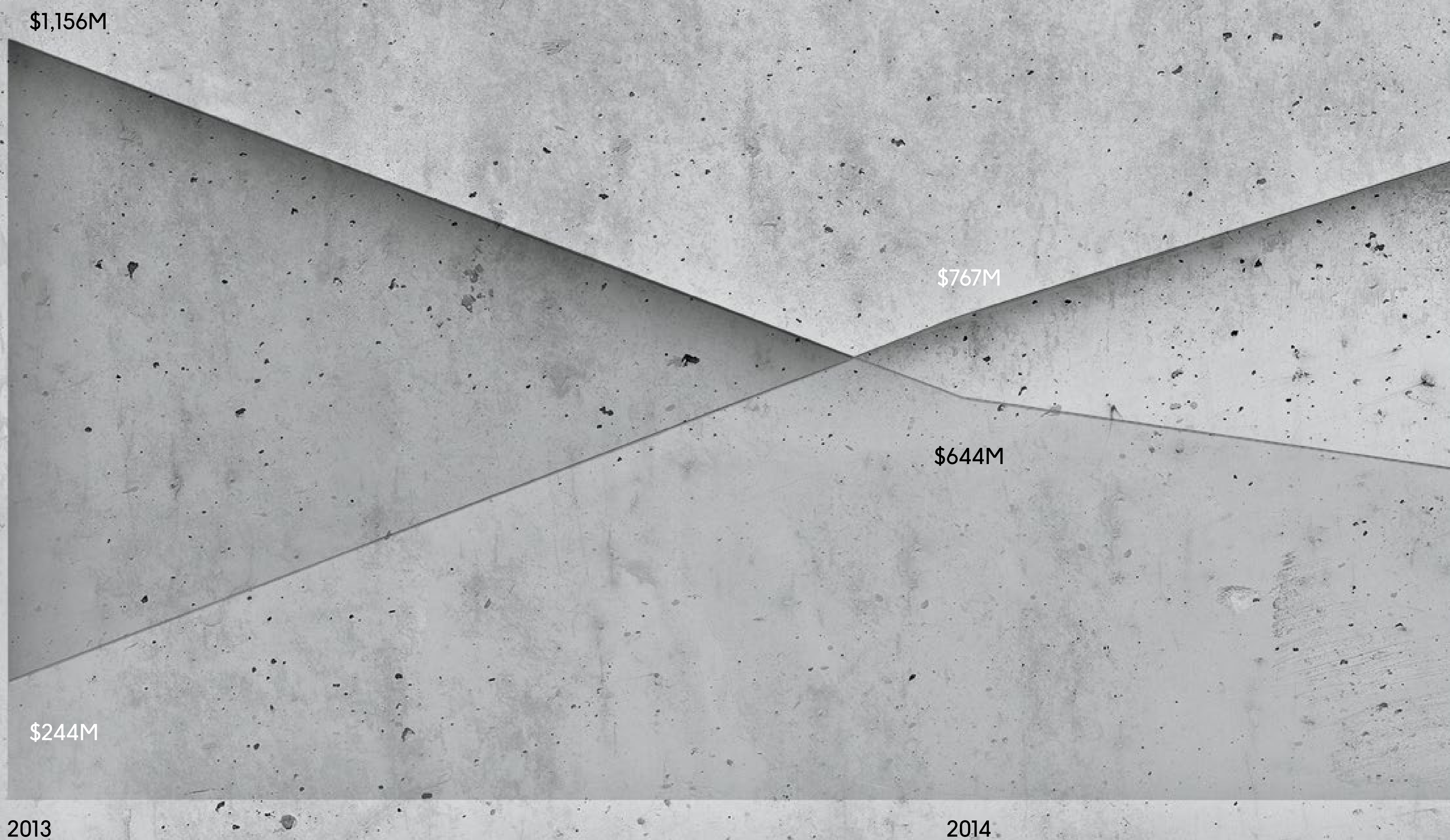
iStar's platform combines real estate capabilities that extend from entitlement, design and construction to asset management, leasing and operating through finance, structuring and marketing. As part of its new iStar 3.0 strategy, the company is using the power of this fully-integrated platform to identify attractive risk-adjusted investment opportunities and to build value within its development projects. Since the beginning of 2013, 77% of iStar's investment fundings are within its core businesses of Real Estate Finance and Net Lease.

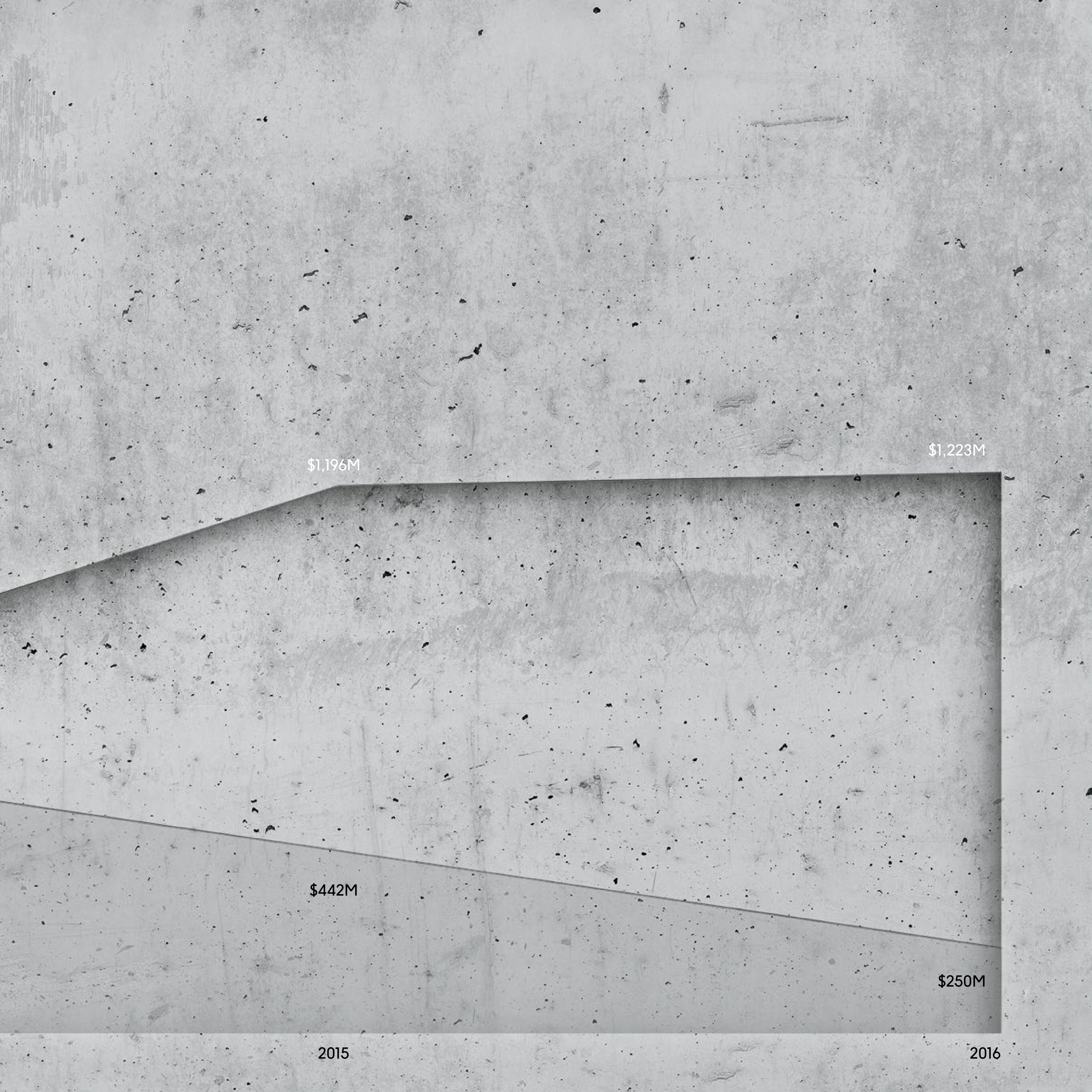
Real estate finance and net lease
Operating and land

Transformed finance portfolio

03

Over the past three years, iStar has transformed its real estate finance portfolio from primarily legacy loans that were made prior to the credit crisis to a portfolio comprised primarily of new loan originations. These post crisis, iStar 3.0 loans have demonstrated strong credit performance with no specific reserves and no losses through 2016.




$1,196M
$1,223M
$442M
$250M
2015
2016

Residential gains realized

Over the past several years, iStar has successfully implemented its strategy to complete and reposition a significant residential/condominium portfolio. Using its in-house capabilities in construction, design and development, and identifying best practices across its portfolio, iStar has been able to extract substantial profits. The bottom line: iStar has monetized approximately 95% of these assets with a book value of $1.6 billion, generating nearly $300 million in profits.

04

$1,858M total proceeds

$296M profits

$1,562M basis sold

Gross book value[1] at 12/31/16

$83M basis remaining

[1] Represents the company's book value, gross of accumulated depreciation and general loan loss reserves.

Commercial gains realized

05

iStar repositioned and stabilized its commercial operating properties utilizing largely the same successful strategy the company employed for its residential projects. iStar took $1.7 billion of transitional commercial properties and used intensive asset management and investment efforts to lease up and stabilize them, leaving only $189 million of assets still in transition. The bottom line: iStar has recognized $130 million of profits from commercial property sales and its stabilized projects generated an attractive weighted average yield of 8.5% in 2016.

$1,767M of total sales and assets stabilized

$130M profit

$1,300M basis sold

$337M stabilized

Transitional at 12/31/16[1]

$189M basis remaining

[1] Represents the company's book value, gross of accumulated depreciation and general loan loss reserves.

1101 Ocean
Asbury Park, NJ
Under construction

1000 South Clark
Chicago, IL
Completed construction

Improved land position

iStar has invested significantly in its land portfolio, bringing assets closer to monetization. Since 2013, iStar has sold or transferred into stabilized operating properties land with a book value of $351 million and realized $134 million of profits. However, the balance of land has also grown 16% since 2013 as the company has invested nearly $250 million in development as it works toward capturing the highest economic return. Through this effort and its 30-person land team, iStar has secured entitlements on 90% of its portfolio and converted three quarters of the portfolio into projects with either sales or development underway.

Entitled for best use / legal resolution
Not entitled for best use / legal issues
Sales underway / proceeds exceed CapEx
Development or stabilization underway

Sales 1/1/13–12/31/16

$134M profits

$38M add’l capex

$313M same store book value

Land book value $965M at 1/1/13

$965M same store book value

Land portfolio $1,036M at 12/31/16

$243M add’l capex

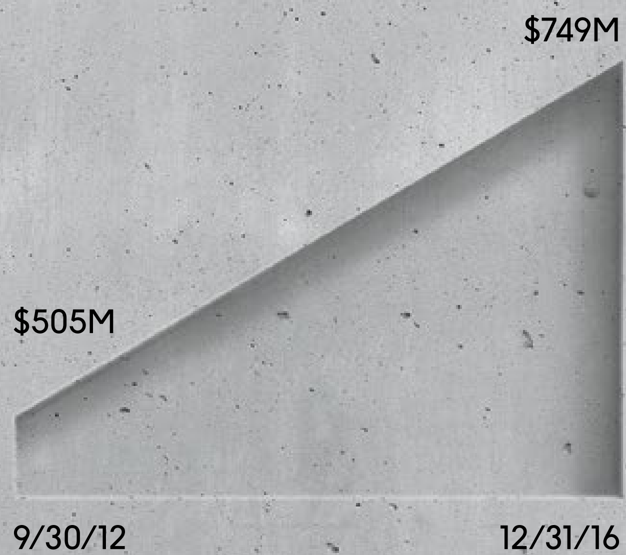
$91M assets transferred-in

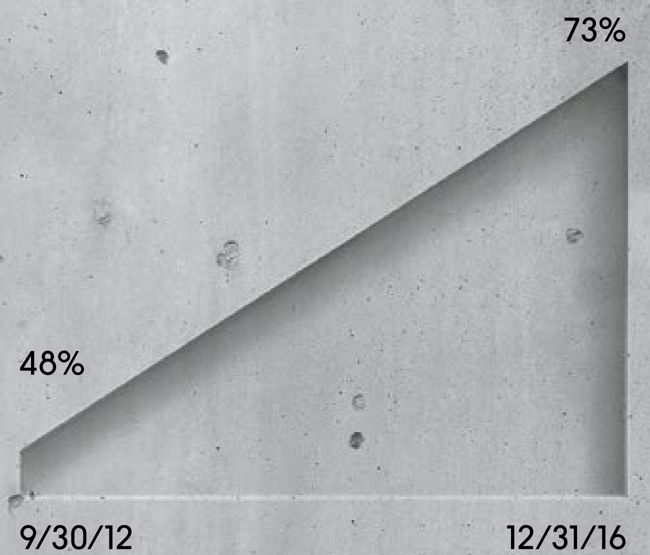
$652M same store book value

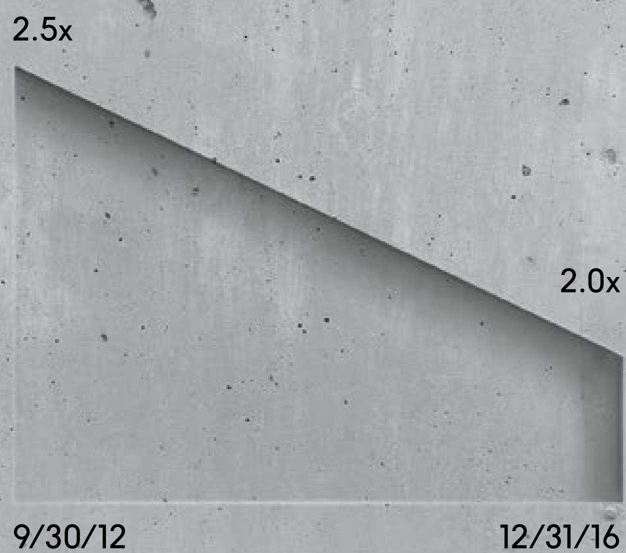
Enhanced capital structure

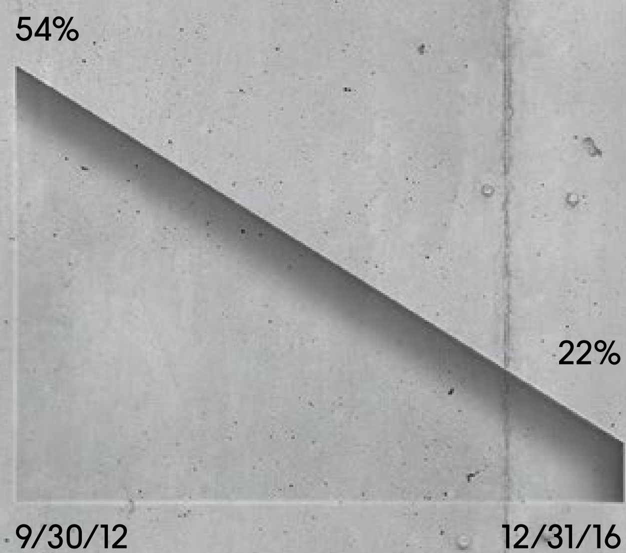
07

Since the company's last rating agency upgrade in October of 2012, iStar has significantly reduced its total debt outstanding and leverage. At the same time, iStar has extended its debt maturity profile while unencumbering the majority of its balance sheet. The company also arranged a revolving credit facility which provides iStar additional liquidity, cash efficiency and flexibility.









[1] Pro forma for the company's March 2017 senior unsecured bond issuance and the use of the net proceeds to repay and redeem outstanding debt.

[2] Leverage is calculated as total net debt divided by total common equity and preferred equity, gross of accumulated depreciation and general loan loss reserves.

Amplified potential

Over the past 18 months, iStar has repurchased 17 million shares of common stock and common stock equivalents for $178 million, representing a reduction of 20% in basic shares outstanding. The company has also retired a significant portion of its outstanding convertible securities, resulting in a 34% reduction in fully diluted shares outstanding.

132.6M at 6/30/15

44.2M dilutive shares

88.4M basic shares

34%
reduction

88.1M fully diluted shares at 12/31/16

16.1M convertible shares

72.0M basic shares

Building a solid foundation for the future

Results

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SELECTED FINANCIAL DATA

The following table sets forth selected financial data on a consolidated historical basis for the Company. This information should be read in conjunction with the discussions set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

For the Years Ended December 31,	2016	2015	2014	2013	2012
(In thousands, except per share data and ratios)					
Operating Data:					
Operating lease income	**$213,018**	$ 229,720	$ 243,100	$ 234,567	$ 216,291
Interest income	**129,153**	134,687	122,704	108,015	133,410
Other income	**46,515**	49,931	81,033	48,208	47,838
Land development revenue	**88,340**	100,216	15,191	–	–
Total revenue	**477,026**	514,554	462,028	390,790	397,539
Interest expense	**221,398**	224,639	224,483	266,225	355,097
Real estate expense	**138,422**	146,750	163,389	157,441	151,458
Land development cost of sales	**62,007**	67,382	12,840	–	–
Depreciation and amortization	**54,329**	65,247	73,571	71,266	68,770
General and administrative	**84,027**	81,277	88,287	92,114	80,856
Provision for (recovery of) loan losses	**(12,514)**	36,567	(1,714)	5,489	81,740
Impairment of assets	**14,484**	10,524	34,634	12,589	13,778
Other expense	**5,883**	6,374	6,340	8,050	17,266
Total costs and expenses	**568,036**	638,760	601,830	613,174	768,965
Income (loss) before earnings from equity method investments and other items	**(91,010)**	(124,206)	(139,802)	(222,384)	(371,426)
Loss on early extinguishment of debt, net	**(1,619)**	(281)	(25,369)	(33,190)	(37,816)
Earnings from equity method investments	**77,349**	32,153	94,905	41,520	103,009
Loss on transfer of interest to unconsolidated subsidiary	**–**	–	–	(7,373)	–
Income (loss) from continuing operations before income taxes	**(15,280)**	(92,334)	(70,266)	(221,427)	(306,233)
Income tax benefit (expense)	**10,166**	(7,639)	(3,912)	659	(8,445)
Income (loss) from continuing operations	**(5,114)**	(99,973)	(74,178)	(220,768)	(314,678)
Income (loss) from discontinued operations	**–**	–	–	644	(17,481)
Gain from discontinued operations	**–**	–	–	22,233	27,257
Income from sales of real estate	**105,296**	93,816	89,943	86,658	63,472
Net income (loss)	**100,182**	(6,157)	15,765	(111,233)	(241,430)
Net (income) loss attributable to noncontrolling interests	**(4,876)**	3,722	704	(718)	1,500
Net income (loss) attributable to iStar Inc.	**95,306**	(2,435)	16,469	(111,951)	(239,930)
Preferred dividends	**(51,320)**	(51,320)	(51,320)	(49,020)	(42,320)
Net (income) loss allocable to HPU holders and Participating Security holders[1]	**(14)**	1,080	1,129	5,202	9,253
Net income (loss) allocable to common shareholders	**$ 43,972**	$ (52,675)	$ (33,722)	$(155,769)	$(272,997)
Per common share data[2]:					
Income (loss) attributable to iStar Inc. from continuing operations:					
Basic	**$ 0.60**	$ (0.62)	$ (0.40)	$ (2.09)	$ (3.37)
Diluted	**$ 0.55**	$ (0.62)	$ (0.40)	$ (2.09)	$ (3.37)
Net income (loss) attributable to iStar Inc.:					
Basic	**$ 0.60**	$ (0.62)	$ (0.40)	$ (1.83)	$ (3.26)
Diluted	**$ 0.55**	$ (0.62)	$ (0.40)	$ (1.83)	$ (3.26)
Dividends declared per common share	**$ –**	$ –	$ –	$ –	$ –

For the Years Ended December 31,	2016	2015	2014	2013	2012
(In thousands, except per share data and ratios)					
Supplemental Data:					
Ratio of earnings to fixed charges[3]	**–**	–	–	–	–
Ratio of earnings to fixed charges and preferred dividends[3]	**–**	–	–	–	–
Weighted average common shares outstanding – basic	**73,453**	84,987	85,031	84,990	83,742
Weighted average common shares outstanding – diluted	**98,467**	84,987	85,031	84,990	83,742
Cash flows (used in) from:					
Operating activities	**$ 20,004**	$ (59,947)	$ (10,342)	$(180,465)	$ (191,932)
Investing activities	**466,543**	184,028	159,793	893,447	1,267,047
Financing activities	**(868,911)**	114,481	(190,958)	(455,758)	(1,175,597)

As of December 31,	2016	2015	2014	2013	2012
(In thousands)					
Balance Sheet Data:					
Total real estate[4]	**$1,575,516**	$1,731,257	$1,983,734	$2,224,664	$2,409,864
Land and development, net[4]	**945,565**	1,001,963	978,962	932,034	965,100
Loans receivable and other lending investments, net	**1,450,439**	1,601,985	1,377,843	1,370,109	1,829,985
Total assets	**4,825,514**	5,597,792	5,426,483	5,608,604	6,133,687
Debt obligations, net	**3,389,908**	4,118,823	3,986,034	4,124,718	4,665,182
Total equity	**1,059,684**	1,101,330	1,248,348	1,301,465	1,313,154

Explanatory Notes:

(1) All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (see "Financial Statements and Supplemental Data – Note 13). Participating Security holders are non-employee directors who hold unvested common stock equivalents and restricted stock awards granted under the Company's Long Term Incentive Plans that are eligible to participate in dividends (see "Financial Statements and Supplemental Data – Note 14 and 15).

(2) See "Financial Statements and Supplemental Data – Note 15."

(3) This ratio of earnings to fixed charges is calculated in accordance with SEC Regulation S-K Item 503. For the years ended December 31, 2016, 2015, 2014, 2013 and 2012, earnings were not sufficient to cover fixed charges by $49,706, $99,825, $89,948, $240,912 and $305,450, respectively, and earnings were not sufficient to cover fixed charges and preferred dividends by $101,026, $151,145, $141,268, $289,932 and $347,770, respectively. The Company's unsecured debt securities have a fixed charge coverage covenant which is calculated differently in accordance with the terms of the agreements governing such securities.

(4) Prior to December 31, 2015, land and development assets were recorded in total real estate. Prior year amounts have been reclassified to conform to the current period presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting our consolidated operating results, financial condition and liquidity during the three-year period ended December 31, 2016. This discussion should be read in conjunction with our consolidated financial statements and related notes for the three-year period ended December 31, 2016 included elsewhere in this Annual Report on Form 10-K. These historical financial statements may not be indicative of our future performance. Certain prior year amounts have been reclassified in the Company's consolidated financial statements and the related notes to conform to the current period presentation.

Introduction

We finance, invest in and develop real estate and real estate related projects as part of our fully-integrated investment platform. We have invested more than $35 billion over the past two decades and are structured as a REIT with a diversified portfolio focused on larger assets located in major metropolitan markets. Our primary business segments are real estate finance, net lease, operating properties and land and development.

Our real estate finance portfolio is comprised of senior and mezzanine real estate loans that may be either fixed-rate or variable-rate and are structured to meet the specific financing needs of borrowers. Our portfolio also includes preferred equity investments and senior and subordinated loans to business entities, particularly entities engaged in real estate or real estate related businesses, and may be either secured or unsecured. Our real estate finance portfolio includes whole loans, loan participations and debt securities.

Our net lease portfolio is primarily comprised of properties owned by us and leased to single creditworthy tenants where the properties are subject to long-term leases. Most of the leases provide for expenses at the facilities to be paid by the tenants on a triple net lease basis. The properties in this portfolio are diversified by property type and geographic location. In addition to net lease properties owned by us, we partnered with a sovereign wealth fund in 2014 to form a venture in which the partners would contribute equity to acquire and develop net lease assets.

Our operating properties portfolio is comprised of commercial and residential properties which represent a diverse pool of assets across a broad range of geographies and property types. We generally seek to reposition or redevelop our transitional properties with the objective of maximizing their value through the infusion of capital and/or intensive asset management efforts. The commercial properties within this portfolio include office, retail, hotel and other property types. The residential properties within this portfolio are generally luxury condominium projects located in major U.S. cities where our strategy is to sell individual units through retail distribution channels.

Our land and development portfolio is primarily comprised of land entitled for master planned communities as well as waterfront and urban infill land parcels located throughout the United States. Master planned communities represent large-scale residential projects that we will entitle, plan and/or develop and may sell through retail channels to home builders or in bulk. Waterfront parcels are generally entitled for residential projects and urban infill parcels are generally entitled for mixed-use projects. We may develop these properties ourself or sell to or partner with commercial real estate developers.

Executive Overview

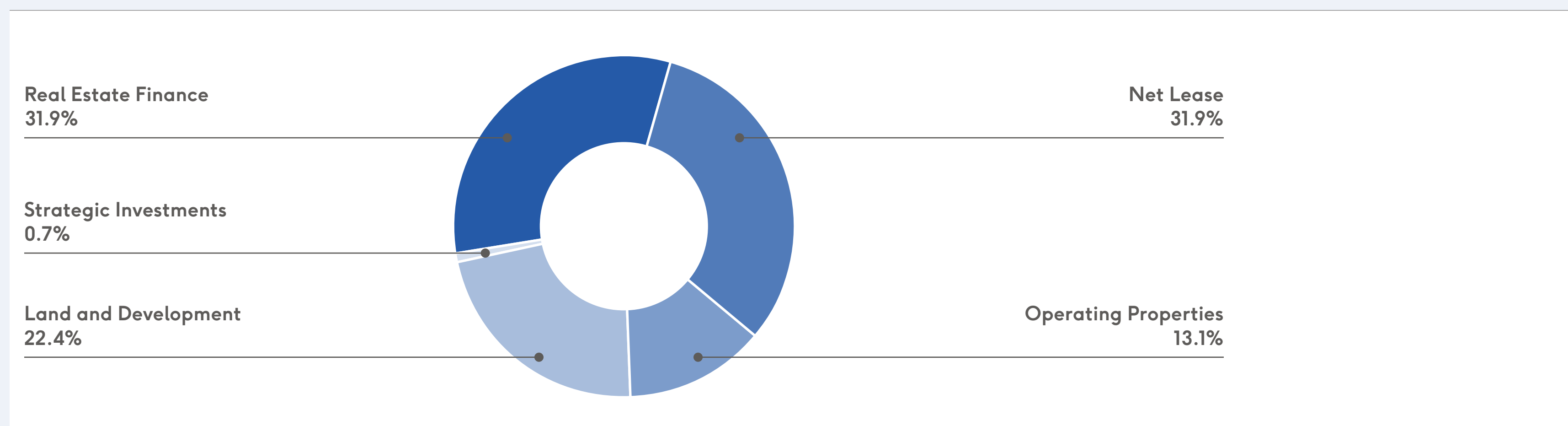
2016 was a year of solid progress for iStar. We continued to invest in attractive investment opportunities in our real estate finance and net lease businesses while making significant progress in stabilizing and/or monetizing our commercial and residential operating properties. Our land portfolio continues to make significant progress with almost all of our land projects being re-entitled and sales and leasing efforts gaining momentum. Our investment activity has focused on new originations within our core business segments of real estate finance and net lease. In addition, we continue to make significant investments within our operating property and land and development portfolios in order to better position assets for sale and maximize value for our shareholders. Through strategic ventures, we have partnered with other providers of capital within our net lease segment and with developers with residential building expertise within our land and development segment. These partnerships have had a positive impact on our business, particularly in our land and development segment.

We have continued to strengthen our balance sheet through our financing activities. Access to the capital markets has allowed us to extend our debt maturity profile and remain primarily an unsecured borrower. In 2016, we repaid $926.4 million of maturing unsecured notes and issued $275.0 million of unsecured notes. In addition, we entered into a $500.0 million senior secured credit facility and used the proceeds to repay other secured debt. As of December 31, 2016, we had $328.7 million of cash, which we expect to use primarily to fund future investment activities, pay down debt and for general corporate purposes. In addition, we have additional borrowing capacity of $420.0 million bringing total available liquidity to $748.7 million at year end.

During the year ended December 31, 2016, three of our four business segments, including real estate finance, net lease and operating properties, contributed positively to our earnings. We continue to work on repositioning or redeveloping our transitional operating properties and progressing on the entitlement and development of our land and development assets in order to maximize their value. We intend to continue these efforts, with the objective of increasing the contribution of these assets to our earnings in the future. For the year ended December 31, 2016, we recorded net income allocable to common shareholders of $44.0 million, compared to a net loss of $52.7 million during the prior year. Adjusted income allocable to common shareholders for the year ended December 31, 2016 was $112.6 million, compared to $29.7 million during the prior year (see "Adjusted Income" for a reconciliation of adjusted income to net income).

Portfolio Overview

As of December 31, 2016, based on gross carrying values, our total investment portfolio has the following characteristics:



As of December 31, 2016, based on gross carrying values, our total investment portfolio has the following property/collateral type and geographic characteristics ($ in thousands)[1]:

Property Type

Property/Collateral Types	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Land and Development	$ –	$ –	$ –	$1,036,855	$1,036,855	22.4%
Office / Industrial	168,213	771,541	122,484	–	1,062,238	22.9%
Hotel	333,114	136,080	107,534	–	576,728	12.5%
Entertainment / Leisure	–	490,200	–	–	490,200	10.6%
Condominium	380,851	–	82,487	–	463,338	10.0%
Mixed Use / Mixed Collateral	291,526	–	171,045	–	462,571	10.0%
Other Property Types	236,862	23,039	–	–	259,901	5.6%
Retail	63,173	57,348	124,850	–	245,371	5.3%
Strategic Investments	–	–	–	–	33,350	0.7%
Total	$1,473,739	$1,478,208	$ 608,400	$1,036,855	$4,630,552	100.0%

Geography

Geographic Region	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Northeast	$ 790,113	$ 379,731	$ 47,322	$ 233,672	$1,450,838	31.3%
West	87,037	304,854	37,518	362,578	791,987	17.1%
Southeast	126,814	235,490	150,066	156,326	668,696	14.4%
Mid-Atlantic	168,213	153,084	53,774	218,982	594,053	12.8%
Southwest	77,378	183,920	239,297	28,393	528,988	11.4%
Central	150,829	79,411	65,869	31,500	327,609	7.1%
Various[2]	73,355	141,718	14,554	5,404	235,031	5.2%
Strategic Investments[2]	–	–	–	–	33,350	0.7%
Total	$1,473,739	$1,478,208	$608,400	$1,036,855	$4,630,552	100.0%

Explanatory Notes:

(1) Based on the carrying value of our total investment portfolio gross of accumulated depreciation and general loan loss reserves.
(2) Combined, strategic investments and the various category include $18.3 million of international assets.

Real Estate Finance

Our real estate finance business targets sophisticated and innovative owner/operators of real estate and real estate related projects by providing one-stop capabilities that encompass financing alternatives ranging from full envelope senior loans to mezzanine and preferred equity capital positions. As of December 31, 2016, our real estate finance portfolio totaled $1.5 billion, gross of general loan loss reserves. The portfolio included $1.2 billion of performing loans with a weighted average maturity of 2.1 years.

The tables below summarize our loans and the reserves for loan losses associated with our loans ($ in thousands):

	December 31, 2016					
	Number	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	**35**	**$1,202,127**	**$(23,300)**	**$1,178,827**	**86.0%**	**1.9%**
Non-performing loans	**6**	**253,941**	**(62,245)**	**191,696**	**14.0%**	**24.5%**
Total	**41**	**$1,456,068**	**$(85,545)**	**$1,370,523**	**100.0%**	**5.9%**

	December 31, 2015					
	Number	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	40	$1,515,369	$ (36,000)	$1,479,369	96.1%	2.4%
Non-performing loans	6	132,492	(72,165)	60,327	3.9%	54.5%
Total	46	$1,647,861	$(108,165)	$1,539,696	100.0%	6.6%

Performing Loans – The table below summarizes our performing loans gross of reserves ($ in thousands):

	December 31, 2016	December 31, 2015
Senior mortgages	**$ 854,805**	$ 849,161
Corporate/Partnership loans	**333,244**	637,532
Subordinate mortgages	**14,078**	28,676
Total	**$1,202,127**	$1,515,369
Weighted average LTV	**64%**	67%
Yield	**8.9%**	8.8%

Non-Performing Loans – We designate loans as non-performing at such time as: (1) the loan becomes 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt. During the year ended December 31, 2016, the Company transferred a loan with a gross carrying value of $157.2 million to non-performing status. As of December 31, 2016, we had non-performing loans with an aggregate carrying value of $191.7 million compared to non-performing loans with an aggregate carrying value of $60.3 million as of December 31, 2015. We expect that our level of non-performing loans will fluctuate from period to period.

Reserve for Loan Losses – The reserve for loan losses was $85.5 million as of December 31, 2016, or 5.9% of total loans, compared to $108.2 million or 6.6% as of December 31, 2015. For the year ended December 31, 2016, the recovery of loan losses included recoveries of specific reserves of $13.7 million and a reduction in the general reserve of $12.7 million, partially offset by provisions on two non-performing loans of $13.9 million. We expect that our level of reserve for loan losses will fluctuate from period to period. Due to the volatility of the commercial real estate market, the process of estimating collateral values and reserves requires the use of significant judgment. We currently believe there is adequate collateral and reserves to support the carrying values of the loans.

The reserve for loan losses includes an asset-specific component and a formula-based component. An asset-specific reserve is established for an impaired loan when the estimated fair value of the loan's collateral less costs to sell is lower than the carrying value of the loan. As of December 31, 2016, asset-specific reserves decreased to $62.2 million compared to $72.2 million as of December 31, 2015, due primarily to the recovery of reserves on three previously impaired non-performing loans, the charge-off of a reserve when we acquired, via deed-in-lieu, title to a land asset that served as collateral for one of our loans, partially offset by provisions on new and existing non-performing loans.

The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of performing loans based upon risk ratings assigned to loans with similar risk characteristics during our quarterly loan portfolio assessment. During this

assessment, we perform a comprehensive analysis of our loan portfolio and assign risk ratings to loans that incorporate management's current judgments and future expectations about their credit quality based on all known and relevant factors that may affect collectability. We consider, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. We estimate loss rates based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience.

The general reserve decreased to $23.3 million or 1.9% of performing loans as of December 31, 2016, compared to $36.0 million or 2.4% of performing loans as of December 31, 2015. The decrease was primarily attributable to a loan being evaluated for asset-specific reserves as a result of being classified to non-performing status during 2016.

Net Lease

Our net lease business seeks to create stable cash flows through long-term net leases primarily to single tenants on our properties. We target mission-critical facilities leased on a long-term basis to tenants, offering structured solutions that combine our capabilities in underwriting, lease structuring, asset management and build-to-suit construction. We invest in new net lease investments primarily through our Net Lease Venture, in which we hold a 51.9% interest. The Net Lease Venture has a right of first offer on any new net lease investments that we source (refer to Note 7 in our consolidated financial statements for more information on our Net Lease Venture).

As of December 31, 2016, our net lease portfolio, including equity method investments, totaled $1.5 billion, gross of $368.7 million of accumulated depreciation. The table below provides certain statistics for our net lease portfolio.

	Net Lease Statistics	
	December 31, 2016	**December 31, 2015**
Square feet (mm)[1]	**17,214**	17,807
Leased %[2]	**98%**	96%
Weighted average lease term (years)[3]	**14.7**	14.9
Yield[4]	**8.3%**	7.8%

Explanatory Notes:

(1) As of December 31, 2016 and 2015, includes 3,081 and 2,873 square feet at one of our equity method investments of which we own 51.9%.
(2) Excluding equity method investments, our net lease portfolio was 98% and 96% leased, respectively, as of December 31, 2016 and 2015.
(3) Excluding equity method investments, our weighted average lease term was 14.8 years and 14.7 years, respectively, as of December 31, 2016 and 2015.
(4) Excludes equity method investments.

Operating Properties

As of December 31, 2016, our operating property portfolio, including equity method investments, totaled $608.4 million, gross of $46.2 million of accumulated depreciation, and was comprised of $525.9 million of commercial and $82.5 million of residential real estate properties.

Commercial Operating Properties

Our commercial operating properties represent a diverse pool of assets across a broad range of geographies and collateral types including office, retail and hotel properties. We generally seek to reposition our transitional properties with the objective of maximizing their values through the infusion of capital and/or intensive asset management efforts resulting in value realization upon sale.

The table below provides certain statistics for our commercial operating property portfolio.

	Commercial Operating Property Statistics					
	Stabilized Operating[1]		Transitional Operating[1]		Total	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
($ in millions)						
Gross carrying value ($mm)[2]	**$337**	$124	**$189**	$448	**$526**	$572
Occupancy[3]	**86%**	89%	**54%**	65%	**74%**	74%
Yield	**8.5%**	8.8%	**1.5%**	2.8%	**5.5%**	4.4%

Explanatory Notes:

(1) Stabilized commercial properties generally have occupancy levels above 80% and/or generate yields resulting in a sufficient return based upon the properties' risk profiles. Transitional commercial properties are generally those properties that do not meet these criteria.
(2) Gross carrying value represents carrying value gross of accumulated depreciation.
(3) Occupancy is as of December 31, 2016 and 2015.

Residential Operating Properties

As of December 31, 2016, our residential operating portfolio was comprised of 48 condominium units generally located within luxury projects in major U.S. cities. The table below provides certain statistics for our residential operating property portfolio (excluding fractional units).

	Residential Operating Property Statistics	
For the Years Ended	December 31, 2016	December 31, 2015
($ in millions)		
Condominium units sold	**91**	150
Proceeds	**$96.2**	$126.2
Income from sales of real estate	**$26.1**	$ 40.1

Land and Development

As of December 31, 2016, our land and development portfolio, including equity method investments, totaled $1.0 billion, with eight projects in production, nine in development and 14 in the pre-development phase. These projects are collectively entitled for approximately 15,000 lots and units. The following tables presents certain statistics for our land and development portfolio.

	Land and Development Portfolio Rollforward	
Years Ended	December 31, 2016	December 31, 2015
(in millions)		
Beginning balance	**$1,002.0**	$ 979.0
Asset sales[1]	**(68.9)**	(65.2)
Asset transfers in (out)[2]	**(90.7)**	1.4
Capital expenditures	**109.5**	95.0
Other	**(6.3)**	(8.2)
Ending balance[3]	**$ 945.6**	$1,002.0

Explanatory Notes:

(1) Represents gross carrying value of the assets sold, rather than proceeds received.
(2) Assets transferred into land and development segment or out to another segment.
(3) Excludes $84.8 million and $100.4 million, respectively, of equity method investments as of December 31, 2016 and 2015.

	Land and Development Statistics	
Years Ended	December 31, 2016	December 31, 2015
(in millions)		
Land development revenue	**$88.3**	$100.2
Land development cost of sales	**62.0**	67.4
Land development revenue less cost of sales	**$26.3**	$ 32.8
Earnings from land development equity method investments	**30.0**	16.7
Income from sales of real estate[1]	**8.8**	–
Total	**$65.1**	$ 49.5

Explanatory Note:

(1) During the year ended December 31, 2016, we sold a land and development asset to a newly formed unconsolidated entity in which we own a 50.0% equity interest and recognized a gain of $8.8 million, reflecting our share of the interest sold to a third party, which was recorded as "Income from sales of real estate" in our consolidated statement of operations.

Results of Operations for the Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

For the Years Ended December 31,	2016	2015	$ Change	% Change
(in thousands)				
Operating lease income	**$213,018**	$229,720	$ (16,702)	(7)%
Interest income	**129,153**	134,687	(5,534)	(4)%
Other income	**46,515**	49,931	(3,416)	(7)%
Land development revenue	**88,340**	100,216	(11,876)	(12)%
Total revenue	**477,026**	514,554	(37,528)	(7)%
Interest expense	**221,398**	224,639	(3,241)	(1)%
Real estate expenses	**138,422**	146,750	(8,328)	(6)%
Land development cost of sales	**62,007**	67,382	(5,375)	(8)%
Depreciation and amortization	**54,329**	65,247	(10,918)	(17)%
General and administrative	**84,027**	81,277	2,750	3%
(Recovery of) provision for loan losses	**(12,514)**	36,567	(49,081)	<(100%)
Impairment of assets	**14,484**	10,524	3,960	38%
Other expense	**5,883**	6,374	(491)	(8)%
Total costs and expenses	**568,036**	638,760	(70,724)	(11)%
Loss on early extinguishment of debt, net	**(1,619)**	(281)	(1,338)	>100%
Earnings from equity method investments	**77,349**	32,153	45,196	>100%
Income tax benefit (expense)	**10,166**	(7,639)	17,805	>100%
Income from sales of real estate	**105,296**	93,816	11,480	12%
Net income (loss)	**$100,182**	$ (6,157)	$106,339	<(100%)

Revenue – Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to $213.0 million in 2016 from $229.7 million in 2015.

Operating lease income from net lease assets decreased slightly to $148.0 million in 2016 from $151.5 million in 2015. The decrease was primarily due to the sale of net lease assets in 2015 and 2016 partially offset by the execution of new leases. Operating lease income for same store net lease assets, defined as net lease assets we owned on or prior to January 1, 2015 and were in service through December 31, 2016, increased to $137.0 million in 2016 from $132.7 million in 2015 due primarily to an increase in rent per occupied square foot, which was $10.07 for 2016 and $9.72 for 2015, partially offset by a slight decrease in the occupancy rate, which was 98.0% as of December 31, 2016 and 98.2% as of December 31, 2015.

Operating lease income from operating properties decreased to $64.6 million in 2016 from $77.5 million in 2015. The decrease was primarily due to commercial operating property sales in 2015 and 2016, partially offset by the execution of new leases. Operating lease income from same store commercial operating properties, defined as commercial operating properties, excluding hotels, we owned on or prior to January 1, 2015 and were in service through December 31, 2016, increased to $45.2 million in 2016 from $42.1 million in 2015 due primarily to an increase in rent per occupied square foot for same store commercial operating properties, which increased to $24.62 in 2016 from $22.92 in 2015. The increase in rent per occupied square foot was partially offset by a decrease in occupancy rates, which decreased to 70.2% as of December 31, 2016 from 71.5% as of December 31, 2015. Ancillary operating lease income from land and development assets decreased to $0.4 million in 2016 from $0.8 million in 2015.

Interest income decreased to $129.2 million in 2016 from $134.7 million in 2015. The decrease in interest income was due primarily to a decrease in the average balance of our performing loans to $1.40 billion for 2016 from $1.52 billion for 2015. The weighted average yield of our performing loans increased to 8.9% for 2016 from 8.8% for 2015.

Other income decreased to $46.5 million in 2016 from $49.9 million in 2015. The decrease in 2016 was primarily due to a financing commitment termination fee, lease termination fees and a guarantor settlement on an operating property recognized in 2015, partially offset by an increase in hotel income in 2016.

Land development revenue and cost of sales – In 2016, we sold residential lots, units and parcels for proceeds of $88.3 million which had associated cost of sales of $62.0 million. In 2015, we sold residential lots and units for proceeds of $100.2 million which had associated cost of sales of $67.4 million. The decrease in 2016 from 2015 was primarily due to the bulk sale of two land parcels in 2015.

Costs and expenses – Interest expense decreased to $221.4 million in 2016 from $224.6 million in 2015. The decrease in interest expense was due to a lower average outstanding debt balance, partially offset by a higher weighted average cost of debt. The average outstanding balance of our debt decreased to $4.00 billion for 2016 from $4.18 billion for 2015. Our weighted average cost of debt increased to 5.6% for 2016 from 5.4% for 2015.

Real estate expenses decreased to $138.4 million in 2016 from $146.8 million in 2015. The decrease was due primarily to a decline in expenses for commercial operating properties to $73.6 million in 2016 from $81.7 million in 2015 due primarily to the sale of operating properties in

2016 and 2015. Expenses associated with residential units decreased to $8.8 million in 2016 from $14.2 million in 2015 due to unit sales. Expenses for same store commercial operating properties, excluding hotels, increased slightly to $30.2 million in 2016 from $29.6 million in 2015. Expenses for net lease assets decreased to $19.1 million in 2016 from $21.9 million in 2015. This decrease was primarily due to asset sales during 2015 and 2016. Expenses for same store net lease assets increased slightly to $17.1 million in 2016 from $17.0 million for 2015. Carry costs and other expenses on our land and development assets increased to $37.0 million in 2016 from $29.0 million in 2015, primarily related to an increase in costs incurred on certain land and development projects prior to development and an increase in marketing costs.

Depreciation and amortization decreased to $54.3 million in 2016 from $65.2 million for the same period in 2015. The decrease was primarily due to the sale of net lease assets and commercial operating properties in 2015 and 2016.

General and administrative expenses increased to $84.0 million in 2016 from $81.3 million in 2015. The increase was primarily due to an increase in payroll related costs.

Net recovery of loan losses was $12.5 million in 2016 as compared to a net provision for loan losses of $36.6 million in 2015. Included in the net recovery for 2016 were recoveries of specific reserves of $13.7 million and a decrease in the general reserve of $12.7 million, partially offset by new specific reserves of $13.9 million. Included in the net provision for 2015 were provisions for specific reserves of $34.1 million due primarily to one new nonperforming loan and an increase in the general reserve of $2.5 million due primarily to new investment originations.

In 2016, we recorded impairments of $14.5 million comprised of $3.8 million on a land asset resulting from a change in business strategy, $5.8 million on residential operating properties resulting from unfavorable local market conditions and $4.9 million on the sale of net lease assets. In 2015, we recorded impairments on real estate assets totaling $10.5 million resulting from a change in business strategy on one land and development asset and two commercial operating properties and unfavorable local market conditions for one residential property.

Other expense decreased to $5.9 million in 2016 from $6.4 million in 2015. The decrease was primarily the result of costs recognized in 2015 due to a decrease in the fair value of an interest rate cap that was not designated as a cash flow hedge, partially offset by third party expenses incurred in 2016 in connection with the refinancing of our 2012 Secured Tranche A-2 Facility with our 2016 Senior Secured Credit Facility (see "Liquidity and Capital Resources").

Loss on early extinguishment of debt, net – In 2016 and 2015, we incurred losses on early extinguishment of debt of $1.6 million and $0.3 million, respectively. In 2016, we incurred losses on early extinguishment of debt resulting from repayments of our 2012 Secured Tranche A-2 Facility and unsecured notes prior to maturity. In 2015, net losses on the early extinguishment of debt related to accelerated amortization of discounts and fees in connection with amortization payments of our 2012 Secured Tranche A-2 Facility.

Earnings from equity method investments – Earnings from equity method investments increased to $77.3 million in 2016 from $32.2 million in 2015. In 2016, we recognized $33.2 million primarily from the sale of an equity method investment in a commercial operating property, we recognized $11.6 million of earnings primarily from the non-callable distribution of non-recourse financing proceeds in excess of our carrying value at one of our land equity method investments, $22.1 million related to sales activity on a land development venture, $3.6 million related to leasing operations at our Net Lease Venture and $6.8 million was aggregate income from our remaining equity method investments. In 2015, we recognized $23.6 million related to sales activity on a land development venture, $5.2 million related to leasing operations at our Net Lease Venture and an aggregate $3.4 million in earnings from our remaining equity method investments.

Income tax (expense) benefit – Income taxes are primarily generated by assets held in our TRS. An income tax benefit of $10.2 million was recorded in 2016 and a $7.6 million income tax expense was recorded in 2015. The income tax benefit for 2016 primarily related to taxable losses generated from sales of certain TRS properties. The income tax expense for 2015 primarily related to taxable income generated from the sales of certain TRS properties. In each period, different TRS properties were sold, each with a unique tax basis and sales value. The benefit, therefore, recognized in the current period differs from the expense incurred during the same period in the previous year.

Income from sales of real estate – Income from sales of real estate increased to $105.3 million in 2016 from $93.8 million in 2015. In 2016, we sold commercial operating properties resulting in gains of $49.3 million. In 2015, we sold a commercial operating property for $68.5 million to a newly formed unconsolidated entity in which we own a 50% equity interest and recognized a gain on sale of $13.6 million, reflecting our share of the interest sold. In 2016 and 2015, we sold residential condominiums that resulted in income of $26.1 million and $40.1 million, respectively. The decrease was due primarily to our decreasing inventory of residential condominiums. In 2016 and 2015, we sold net lease assets resulting in gains of $21.1 million and $40.1 million, respectively. In 2016, we sold a land and development asset to a newly formed unconsolidated entity in which we own a 50.0% equity interest and recognized a gain on sale of $8.8 million, reflecting our share of the interest sold.

Results of Operations for the Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

For the Years Ended December 31,	2015	2014	$ Change	% Change
(in thousands)				
Operating lease income	$229,720	$243,100	$(13,380)	(6)%
Interest income	134,687	122,704	11,983	10%
Other income	49,931	81,033	(31,102)	(38)%
Land development revenue	100,216	15,191	85,025	>100%
Total revenue	514,554	462,028	52,526	11%
Interest expense	224,639	224,483	156	–%
Real estate expenses	146,750	163,389	(16,639)	(10)%
Land development cost of sales	67,382	12,840	54,542	>100%
Depreciation and amortization	65,247	73,571	(8,324)	(11)%
General and administrative	81,277	88,287	(7,010)	(8)%
Provision for (recovery of) loan losses	36,567	(1,714)	38,281	<(100%)
Impairment of assets	10,524	34,634	(24,110)	(70)%
Other expense	6,374	6,340	34	1%
Total costs and expenses	638,760	601,830	36,930	6%
Loss on early extinguishment of debt, net	(281)	(25,369)	25,088	(99)%
Earnings from equity method investments	32,153	94,905	(62,752)	(66)%
Income tax expense	(7,639)	(3,912)	(3,727)	95%
Income from sales of real estate	93,816	89,943	3,873	4%
Net income (loss)	$ (6,157)	$ 15,765	$(21,922)	<(100%)

Revenue – Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to $229.7 million in 2015 from $243.1 million in 2014.

Operating lease income from net lease assets decreased slightly to $151.5 million in 2015 from $151.9 million in 2014. The decrease in operating lease income was driven primarily by a decrease related to asset sales offset by an increase in operating lease income from same store net lease assets. Operating lease income for same store net lease assets, defined as net lease assets we owned on or prior to January 1, 2014 and were in service through December 31, 2015, increased to $140.3 million in 2015 from $137.3 million in 2014 due primarily to an increase in rent per occupied square foot, which was $9.84 for 2015 and $9.56 for 2014, and an increase in the occupancy rate, which was 95.7% as of December 31, 2015 and 95.0% as of December 31, 2014.

Operating lease income from operating properties decreased to $77.5 million in 2015 from $90.3 million in 2014. This decrease was primarily due to the sale of a leasehold interest in an operating property and other asset sales, partially offset by additional income in 2015 for three commercial operating properties acquired in 2014 and an increase in leasing activity at other properties. Operating lease income for same store commercial operating properties, defined as commercial operating properties, excluding hotels, we owned on or prior to January 1, 2014 and were in service through December 31, 2015, increased to $60.7 million in 2015 from $56.8 million in 2014 due primarily to an increase in occupancy rates, which increased to 74.7% as of December 31, 2015 from 68.2% as of December 31, 2014. The increase was partially offset by a decline in rent per occupied square foot for same store commercial operating properties, which was $21.64 for 2015 and $23.01 for 2014. Ancillary operating lease income from land and development assets was $0.8 million in 2015 and 2014.

Interest income increased to $134.7 million in 2015 from $122.7 million in 2014 due primarily to an increase in the size of the loan portfolio, partially offset by $6.3 million of income recognized in 2014 from the acquisition and repayment of a loan. New investment originations and additional fundings on existing loans raised our average balance of performing loans to $1.52 billion for 2015 from $1.27 billion for 2014. The weighted average yield of our performing loans decreased to 8.8% for 2015 from 9.1% for 2014, excluding $6.3 million of income recognized from the acquisition and repayment of a loan, due primarily to lower interest rates on loan originations in 2015 and payoffs of loans with higher interest rates.

Other income decreased to $49.9 million in 2015 from $81.0 million in 2014. The decrease in 2015 was due to gains on sales of non-performing loans of $19.1 million, income related to a lease modification fee of $5.3 million and income related to an early termination fee of $3.4 million all recognized in 2014. The decrease was partially offset by a $5.5 million financing commitment termination fee recognized in 2015.

Land development revenue and cost of sales – In 2015, we sold residential lots, units and parcels for proceeds of $100.2 million which had associated cost of sales of $67.4 million. In 2014, we sold residential lots and units for proceeds of $15.2 million which had associated cost of sales of $12.8 million. The increase in 2015 from 2014 was primarily due to the progression of our land and development projects in 2015, including the sale of two land parcels for land development revenue of $62.8 million resulting in a gross margin of $24.2 million.

Costs and expenses – Interest expense remained constant at $224.6 million in 2015 from $224.5 million in 2014. This was due to a higher average outstanding debt balance offset by a lower weighted average cost of debt. The average outstanding balance of our debt increased to

$4.18 billion for 2015 from $4.08 billion for 2014. Our weighted average cost of debt decreased to 5.4% for 2015 from 5.5% for 2014.

Real estate expenses decreased to $146.8 million in 2015 from $163.4 million in 2014. The decrease was primarily related to expenses associated with residential units, which decreased to $14.2 million in 2015 from $25.6 million in 2014 due to unit sales. The decrease was also related to a decline in expenses for commercial operating properties to $81.7 million in 2015 from $87.9 million in 2014 which was primarily due to the sale of operating properties in 2015 and late 2014. Expenses for same store commercial operating properties, excluding hotels, increased slightly to $39.7 million from $39.2 million in 2015. Expenses for net lease assets decreased to $21.9 million in 2015 from $23.0 million in 2014. This decrease was primarily due to asset sales during 2014. Expenses for same store net lease assets increased to $20.2 million in 2015 from $19.9 million for 2014. Carry costs and other expenses on our land and development assets increased to $29.0 million in 2015 from $26.9 million in 2014, primarily related to an increase in costs incurred on certain land and development projects prior to development and an increase in marketing costs.

Depreciation and amortization decreased to $65.2 million during the year ended December 31, 2015 from $73.6 million for the same period in 2014. The decrease was primarily due to the sale of a leasehold interest in an operating property and other asset sales in 2015 and accelerated depreciation related to terminated leases during 2014.

General and administrative expenses decreased to $81.3 million in 2015 from $88.3 million in 2015, primarily due to a decrease in compensation related costs pertaining to annual performance based bonuses.

Net provision for loan losses was $36.6 million in 2015 as compared to a net recovery of loan losses of $1.7 million in 2014. Included in the net provision for 2015 were provisions for specific reserves of $34.1 million due primarily to one new non-performing loan and an increase in the general reserve of $2.5 million due primarily to new investment originations. Included in the net recovery for 2014 were recoveries of previously recorded loan loss reserves of $10.1 million, provisions for specific reserves of $4.1 million and an increase of $4.3 million in the general reserve due primarily to new investment originations.

In 2015, we recorded impairments on real estate assets totaling $10.5 million resulting from a change in business strategy on one land and development asset and two commercial operating properties and unfavorable local market conditions for one residential property. In 2014, we recorded impairments on real estate assets totaling $34.6 million resulting from changes in business strategies for one residential property and one land and development asset, continued unfavorable local market conditions at two real estate properties and the sale of net lease assets.

Loss on early extinguishment of debt, net – In 2015 and 2014, we incurred losses on early extinguishment of debt of $0.3 million and $25.4 million, respectively. In 2015, net losses on the early extinguishment of debt related to accelerated amortization of discounts and fees in connection with amortization payments of our 2012 Secured Credit Facilities. In 2014, together with cash on hand, net proceeds from the 2014 issuances of our 4.00% senior unsecured notes due November 2017 and our 5.00% senior unsecured notes due July 2019 were used to fully repay and terminate our secured credit facility entered into in February 2013. As a result, in 2014, we expensed $22.8 million relating to accelerated amortization of discount and fees associated with the payoff of that secured credit facility. We also recorded $2.6 million of losses in 2014 related to the accelerated amortization of discounts and fees in connection with amortization payments that we made on our secured credit facilities.

Earnings from equity method investments – Earnings from equity method investments decreased to $32.2 million in 2015 from $94.9 million in 2014. In 2015, we recognized $23.6 million related to sales activity on a land development venture, $5.2 million related to leasing operations at our Net Lease Venture and an aggregate $3.4 million in earnings from our remaining equity method investments. In 2014, we recognized $56.8 million of income resulting from asset sales by two of our equity method investees and a legal settlement received by one of the investees. We also recognized $14.7 million of earnings related to sales activity on a land and development venture, $9.0 million of income related to carried interest from a previously held strategic investment and an aggregate $14.4 million related to earnings from our remaining equity method investments.

Income tax (expense) benefit – Income taxes are primarily generated by assets held in our TRS. Income tax expense increased to $7.6 million in 2015 from $3.9 million in 2014. The increase in current income tax expense relates primarily to taxable income generated by the sales of TRS properties.

Income from sales of real estate – Income from sales of real estate increased to $93.8 million in 2015 from $89.9 million in 2014. In 2015, we sold 12 net lease assets resulting in gains of $40.1 million. We also sold a commercial operating property for $68.5 million to a newly formed unconsolidated entity in which we own a 50% equity interest and recognized a gain on sale of $13.6 million, reflecting our share of the interest sold. In 2015 and 2014, we sold residential condominiums that resulted in income of $40.1 million and $79.1 million, respectively. In 2014, we sold net lease assets with a carrying value of $8.0 million resulting in a gain of $6.2 million and a commercial operating property with a carrying value of $29.4 million resulting in a gain of $4.6 million.

Adjusted Income

In addition to net income (loss) prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we use adjusted income, a non-GAAP financial measure, to measure our operating performance. Adjusted income is used internally as a supplemental performance measure adjusting for certain non-cash GAAP measures to give management a view of income more directly derived from current period activity. Until the second quarter 2016, adjusted income was calculated as net income (loss) allocable to common shareholders, prior to the effect of depreciation and amortization, provision for (recovery of) loan losses, impairment of assets, stock-based compensation expense, and the non-cash portion of gain (loss) on early extinguishment of debt. Effective in the second quarter 2016, we modified our presentation of adjusted income to reflect the effect of gains or losses on charge-offs and dispositions on carrying value gross of loan loss reserves and impairments ("Adjusted Income").

Adjusted Income should be examined in conjunction with net income (loss) as shown in our consolidated statements of operations. Adjusted Income should not be considered as an alternative to net income (loss) (determined in accordance with GAAP), or to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity, nor is Adjusted Income indicative of funds available to fund our cash needs or available for distribution to shareholders. Rather, Adjusted Income is an additional measure we use to analyze our business performance because it excludes the effects of certain non-cash charges that we believe are not necessarily indicative of our operating performance while including the effect of gains or losses on investments when realized. It should be noted that our manner of calculating Adjusted Income may differ from the calculations of similarly-titled measures by other companies.

For the Years Ended December 31,	2016	2015
Adjusted Income		
Net income (loss) allocable to common shareholders	**$ 43,972**	$(52,675)
Add: Depreciation and amortization[1]	**64,447**	72,132
Add/Less: (Recovery of) provision for loan losses	**(12,514)**	36,567
Add: Impairment of assets[2]	**18,999**	18,509
Add: Stock-based compensation expense	**10,889**	12,013
Add: Loss on early extinguishment of debt, net	**1,619**	281
Less: Losses on charge-offs and dispositions[3]	**(14,827)**	(55,437)
Less: HPU/Participating Security allocation	**(23)**	(1,706)
Adjusted income allocable to common shareholders[4]	**$112,562**	$ 29,684

Explanatory Notes:

(1) Depreciation and amortization also includes our proportionate share of depreciation and amortization expense for equity method investments and excludes the portion of depreciation and amortization expense allocable to noncontrolling interests.

(2) For the year ended December 31, 2016, impairment of assets includes impairments on equity method investments recorded in "Earnings from equity method investments" in our consolidated statements of operations. For the year ended December 31, 2015, impairment of assets includes impairments on cost and equity method investments recorded in "Other income" and "Earnings from equity method investments," respectively, in our consolidated statements of operations.

(3) Represents the impact of charge-offs and dispositions realized during the period. These charge-offs and dispositions were on assets that were previously impaired for GAAP and reflected in net income but not in Adjusted Income.

(4) For the year ended December 31, 2015, Adjusted Income under the previous presentation was $84.0 million.

Liquidity and Capital Resources

As of December 31, 2016, we had unrestricted cash of $328.7 million. During the year ended December 31, 2016, we committed to new investments totaling $691.8 million and invested $767.3 million in new investments, prior financing commitments and ongoing development. Total investments included $474.0 million in real estate finance, $135.9 million to develop our land and development assets, $69.9 million of capital to reposition or redevelop our operating properties, $86.9 million to invest in net lease assets and $0.6 million in other investments. Also during the year ended December 31, 2016, we generated $1.3 billion from loan repayments and asset sales within our portfolio, comprised of $614.2 million from real estate finance, $377.2 million from operating properties, $123.4 million from net lease assets, $134.8 million from land and development assets and $32.1 million from other investments. These amounts are inclusive of fundings and proceeds from both consolidated investments and our pro rata share from equity method investments.

The following table outlines our capital expenditures on real estate and land and development assets as reflected in our consolidated statements of cash flows for the years ended December 31, 2016 and 2015, by segment ($ in thousands):

For the Years Ended December 31,	2016	2015
Operating Properties	**$ 65,934**	$74,540
Net Lease	**3,876**	6,985
Total capital expenditures on real estate assets	**$ 69,810**	$81,525
Land and Development	**$103,806**	$88,219
Total capital expenditures on land and development assets	**$103,806**	$88,219

Our primary cash uses over the next 12 months are expected to be repayments of debt, funding of investments, capital expenditures and funding ongoing business operations. Over the next 12 months, we currently expect to fund in the range of approximately $150 million to $200 million of capital expenditures within our portfolio. The majority of these amounts relate to our land and development and operating properties business segments and include multifamily and residential development activities which are expected to include approximately $80 million in vertical construction. The amount spent will depend on the pace of our development activities as well as the extent to which we strategically partner with others to complete these projects. As of December 31, 2016, we also had approximately $452 million of maximum unfunded commitments associated with our investments of which we expect to fund the majority of over the next two years, assuming borrowers and tenants meet all milestones and performance hurdles and all other conditions to fundings are met. See "Unfunded Commitments" below. Our capital sources to meet cash uses through the next 12 months and beyond will primarily be expected to include capital raised through debt and/or equity capital raising transactions, cash on hand, income from our portfolio, loan repayments from borrowers, proceeds from asset sales and sales of interests in business lines.

We cannot predict with certainty the specific transactions we will undertake to generate sufficient liquidity to meet our obligations as they come due. We will adjust our plans as appropriate in response to changes in our expectations and changes in market conditions. While economic trends have stabilized, it is not possible for us to predict whether these trends will continue or to quantify the impact of these or other trends on our financial results.

During the year ended December 31, 2016, we repaid in full the $339.7 million 2012 Secured Tranche A-2 Facility, the $265.0 million principal amount of senior unsecured notes due July 2016, the $261.4 million principal amount of senior unsecured notes due March 2016, the $200.0 million principal amount of 1.5% senior unsecured convertible notes due November 2016 and the $200.0 million principal amount of 3.0% senior unsecured convertible notes due November 2016 by repaying $190.4 million principal amount with available cash and issuing 0.8 million shares of common stock on the conversion of $9.6 million principal amount of the notes. We have other debt maturities of $924.7 million due before December 31, 2017.

Contractual Obligations – The following table outlines the contractual obligations related to our long-term debt obligations, loan participations payable and operating lease obligations as of December 31, 2016 (see "Financial Statements and Supplemental Data – Note 10").

		Amounts Due By Period				
	Total	Less Than 1 Year	1–3 Years	3–5 Years	5–10 Years	After 10 Years
(in thousands)						
Long-Term Debt Obligations:						
Unsecured notes	$2,569,722	$ 924,722	$1,370,000	$275,000	$ –	$ –
Secured credit facilities	498,648	4,968	9,788	483,892	–	–
Mortgages	249,987	10,378	50,574	118,012	59,276	11,747
Trust preferred securities	100,000	–	–	–	–	100,000
Total principal maturities	3,418,357	940,068	1,430,362	876,904	59,276	111,747
Interest Payable[1]	509,676	178,555	220,389	70,104	17,626	23,002
Loan Participations Payable[2]	160,251	–	157,424	2,827	–	–
Operating Lease Obligations	22,594	5,463	8,244	5,135	3,752	–
Total	$4,110,878	$1,124,086	$1,816,419	$954,970	$80,654	$134,749

Explanatory Notes:

(1) Variable-rate debt assumes 1-month LIBOR of 0.77% and 3-month LIBOR of 0.89% that were in effect as of December 31, 2016.

(2) Refer to Note 9 to the consolidated financial statements.

2016 Senior Secured Credit Facility – In June 2016, we entered into a senior secured credit facility of $450.0 million (the "2016 Senior Secured Credit Facility"). In August 2016, we upsized the facility to $500.0 million. The initial $450.0 million of the 2016 Senior Secured Credit Facility was issued at 99% of par and the upsize was issued at par. The 2016 Senior Secured Credit Facility bears interest at a floating rate of LIBOR plus 4.50% with a 1.00% LIBOR floor. Subsequent to December 31, 2016, we repriced the 2016 Senior Secured Credit Facility to LIBOR plus 3.75% with a 1.00% LIBOR floor. The 2016 Senior Secured Credit Facility is collateralized 1.25x by a first lien on a fixed pool of assets. Proceeds from principal repayments and sales of collateral are applied to amortize the 2016 Senior Secured Credit Facility. Proceeds received for interest, rent, lease payments and fee income are retained by us. We may also make optional prepayments, subject to prepayment fees, and are required to repay 0.25% of the principal amount outstanding on the first business day of each quarter beginning on October 3, 2016. Proceeds from the 2016 Senior Secured Credit Facility, together with cash on hand, were primarily used to repay in full the remaining $323.2 million 2012 Secured Tranche A-2 Facility and repay the $245.0 million balance outstanding on the 2015 Secured Revolving Credit Facility (as defined below).

2016 Secured Term Loan – In December 2016, we arranged a $170.0 million delayed draw secured term loan (the "2016 Secured Term Loan"). The 2016 Secured Term Loan bears interest at a rate of LIBOR + 1.50%. As of December 31, 2016, we had not yet drawn on the 2016 Secured Term Loan.

2015 Secured Revolving Credit Facility – On March 27, 2015, we entered into our 2015 Secured Revolving Credit Facility. Borrowings under this credit facility bear interest at a floating rate indexed to one of several base rates plus a margin which adjusts upward or downward based upon our corporate credit rating. An undrawn credit facility commitment fee ranges from 0.375% to 0.50%, based on average utilization each quarter. During the year ended December 31, 2016, the weighted average cost of the credit facility was 3.19%. Commitments under the revolving facility mature in March 2018. At maturity, we may convert outstanding borrowings to a one year term loan which matures in quarterly installments through March 2019. As of December 31, 2016, we had $250.0 million of borrowing capacity available under the 2015 Secured Revolving Credit Facility.

Unsecured Notes – In March 2016, we repaid our $261.4 million principal amount of 5.875% senior unsecured notes at maturity using available cash. In addition, we issued $275.0 million principal amount of 6.50% senior unsecured notes due July 2021. Proceeds from the offering were primarily used to repay in full the $265.0 million principal amount of senior unsecured notes due July 2016 and repay $5.0 million of the 2015 Secured Revolving Credit Facility. In addition, we retired our $200.0 million principal amount of 3.0% senior unsecured convertible notes due November 2016 with available cash after the conversion of $9.6 million principal amount into 0.8 million shares of our common stock. We also retired our $200.0 million principal amount of 1.50% senior unsecured convertible notes due November 2016 using available cash. During the year ended December 31, 2016, repayments of unsecured notes prior to maturity resulted in losses on early extinguishment of debt of $0.4 million. This amount is included in "Loss on early extinguishment of debt, net" in our consolidated statements of operations.

Encumbered/Unencumbered Assets – As of December 31, 2016 and 2015, the carrying value of our encumbered and unencumbered assets by asset type are as follows ($ in thousands):

	As of December 31,			
	2016		2015	
	Encumbered Assets	Unencumbered Assets	Encumbered Assets	Unencumbered Assets
Real estate, net	$ 881,212	$ 610,540	$ 816,721	$ 777,262
Real estate available and held for sale	–	83,764	10,593	126,681
Land and development, net	35,165	910,400	17,714	984,249
Loans receivable and other lending investments, net[1][2]	172,581	1,142,050	170,162	1,314,823
Other investments	–	214,406	22,352	231,820
Cash and other assets	–	639,588	–	1,008,415
Total	$1,088,958	$3,600,748	$1,037,542	$4,443,250

Explanatory Notes:

(1) As of December 31, 2016 and 2015, the amounts presented exclude general reserves for loan losses of $23.3 million and $36.0 million, respectively.
(2) As of December 31, 2016 and 2015, the amounts presented exclude loan participations of $159.1 million and $153.0 million, respectively.

Debt Covenants

Our outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness of at least 1.2x and a covenant not to incur additional indebtedness (except for incurrences of permitted debt), if on a pro forma basis, our consolidated fixed charge coverage ratio, determined in accordance with the indentures governing our debt securities, is 1.5x or lower. If any of our covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of our debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. If our ability to incur additional indebtedness under the fixed charge coverage ratio is limited, we are permitted to incur indebtedness for the purpose of refinancing existing indebtedness and for other permitted purposes under the indentures.

The 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, dividend payments, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. In particular, the 2016 Senior Secured Credit Facility requires us to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The 2015 Secured Revolving Credit Facility is secured by a borrowing base of assets and requires us to maintain both collateral coverage of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The 2015 Secured Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the collateral coverage remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, we have the option to pay down outstanding borrowings or substitute assets in the borrowing base. In addition, for so long as we maintain our qualification as a REIT, the 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility permit us to distribute 100% of our REIT taxable income on an annual basis (prior to deducting certain cumulative NOL carryforwards).

Derivatives – Our use of derivative financial instruments is primarily limited to the utilization of interest rate swaps, interest rate caps or other instruments to manage interest rate risk exposure and foreign exchange contracts to manage our risk to changes in foreign currencies. See "Financial Statements and Supplemental Data – Note 12" for further details.

Off-Balance Sheet Arrangements – We are not dependent on the use of any off-balance sheet financing arrangements for liquidity. We have made investments in various unconsolidated ventures. See "Financial Statements and Supplemental Data – Note 7" for further details of our unconsolidated investments. Our maximum exposure to loss from these investments is limited to the carrying value of our investments and any unfunded commitments (see below).

Unfunded Commitments – We generally fund construction and development loans and build-outs of space in net lease assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. We refer to these arrangements as Performance-Based Commitments. In addition, we sometimes establish a maximum amount of additional funding which we will make available to a borrower or tenant for an expansion or addition to a project if we approve of the expansion or addition in our sole discretion. We refer to these arrangements as Discretionary Fundings. Finally, we have committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments. As of December 31, 2016, the maximum amounts of the fundings we may make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments, that we approve all Discretionary Fundings and that 100% of our capital committed to Strategic Investments is drawn down, are as follows (in thousands):

	Loans and Other Lending Investments[1]	Real Estate	Other Investments	Total
Performance-Based Commitments	$366,287	$14,616	$25,574	$406,477
Strategic Investments	–	–	45,540	45,540
Total[2]	$366,287	$14,616	$71,114	$452,017

Explanatory Notes:

(1) Excludes $158.7 million of commitments on loan participations sold that are not our obligation.

(2) We did not have any Discretionary Fundings as of December 31, 2016.

Stock Repurchase Program – In February 2016, after having substantially utilized the remaining availability previously authorized, our Board of Directors authorized a new $50.0 million stock repurchase program. After having substantially utilized the availability authorized in February 2016, our Board of Directors authorized an increase to the stock repurchase program to $50.0 million, effective August 4, 2016. The program authorizes the repurchase of common stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. During the year ended December 31, 2016, we repurchased 10.2 million shares of our common stock for $98.4 million, at an average cost of $9.67 per share. During the year ended December 31, 2015, we repurchased 5.7 million shares of our common stock for $70.4 million, at an average cost of $12.25 per share. As of December 31, 2016, we had remaining authorization to repurchase up to $50.0 million of common stock under our stock repurchase program.

HPU Repurchase – In August 2015, we repurchased and retired all of our outstanding 14,888 HPUs, representing 2.8 million common stock equivalents. We repurchased these HPUs at fair value from current and former employees through an arms-length exchange offer. HPU holders could have elected to receive $9.30 in cash or 0.7 shares of iStar common stock, or a combination thereof, per common stock equivalent underlying the HPUs. Approximately 37% of the outstanding HPUs were exchanged for $9.8 million in cash and approximately 63% of the outstanding HPUs were exchanged for 1.2 million shares of our common stock with a fair value of $15.2 million, representing the number of shares issued at the closing price of our common stock on August 13, 2015. The transaction value in excess of the HPUs carrying value of $9.8 million was recorded as a reduction to retained earnings (deficit) in our consolidated statements of changes in equity.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments in certain circumstances that affect amounts reported as assets, liabilities, revenues and expenses. We have established detailed policies and control procedures intended to ensure that valuation methods, including any judgments made as part of such methods, are well controlled, reviewed and applied consistently from period to period. We base our estimates on historical corporate and industry experience and various other assumptions that we believe to be appropriate under the circumstances. For all of these estimates, we caution that future events rarely develop exactly as forecasted, and, therefore, routinely require adjustment.

During 2016, management reviewed and evaluated these critical accounting estimates and believes they are appropriate. Our significant accounting policies are described in "Financial Statements and Supplemental Data – Note 3." The following is a summary of accounting policies that require more significant management estimates and judgments:

Reserve for loan losses – The reserve for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date. If we determine that the collateral fair value less costs to sell is less than the carrying value of a collateral-dependent loan, we will record a reserve. The reserve is increased (decreased) through "Provision for (recovery of) loan losses" in our consolidated statements of operations and is decreased by charge-offs. During delinquency and the foreclosure process, there are typically numerous points of negotiation with the borrower as we work toward a settlement or other alternative resolution, which can impact the potential for loan repayment or receipt of collateral. Our policy is to charge off a loan when we determine, based on a variety of factors, that all commercially reasonable means of recovering the loan balance have been exhausted. This may occur at different times, including when we receive cash or other assets in a pre-foreclosure sale or take control of the

underlying collateral in full satisfaction of the loan upon foreclosure or deed-in-lieu, or when we have otherwise ceased significant collection efforts. We consider circumstances such as the foregoing to be indicators that the final steps in the loan collection process have occurred and that a loan is uncollectible. At this point, a loss is confirmed and the loan and related reserve will be charged off. We have one portfolio segment, represented by commercial real estate lending, whereby we utilize a uniform process for determining our reserves for loan losses. The reserve for loan losses includes a general, formula-based component and an asset-specific component.

The general reserve component covers performing loans and reserves for loan losses are recorded when (i) available information as of each balance sheet date indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated. The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of loans based upon risk ratings assigned to loans with similar risk characteristics during our quarterly loan portfolio assessment. During this assessment, we perform a comprehensive analysis of our loan portfolio and assign risk ratings to loans that incorporate management's current judgments about their credit quality based on all known and relevant internal and external factors that may affect collectability. We consider, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. Ratings range from "1" to "5" with "1" representing the lowest risk of loss and "5" representing the highest risk of loss. We estimate loss rates based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience.

The asset-specific reserve component relates to reserves for losses on impaired loans. We consider a loan to be impaired when, based upon current information and events, we believe that it is probable that we will be unable to collect all amounts due under the contractual terms of the loan agreement. This assessment is made on a loan-by-loan basis each quarter based on such factors as payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. A reserve is established for an impaired loan when the present value of payments expected to be received, observable market prices, or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) is lower than the carrying value of that loan.

Substantially all of our impaired loans are collateral dependent and impairment is measured using the estimated fair value of collateral, less costs to sell. We generally use the income approach through internally developed valuation models to estimate the fair value of the collateral for such loans. In more limited cases, we obtain external "as is" appraisals for loan collateral, generally when third party participations exist. Valuations are performed or obtained at the time a loan is determined to be impaired and designated non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. In limited cases, appraised values may be discounted when real estate markets rapidly deteriorate.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring ("TDR"). A TDR occurs when we grant a concession to a debtor that is experiencing financial difficulties. Impairments on TDR loans are generally measured based on the present value of expected future cash flows discounted at the effective interest rate of the original loan.

The (recovery of) provision for loan losses for the years ended December 31, 2016, 2015 and 2014 were $(12.5) million, $36.6 million and $(1.7) million, respectively. The total reserve for loan losses as of December 31, 2016 and 2015, included asset specific reserves of $62.2 million and $72.2 million, respectively, and general reserves of $23.3 million and $36.0 million, respectively.

Acquisition of real estate – We generally acquire real estate assets or land and development assets through purchases or through foreclosure or deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans. When we acquire assets these properties are classified as "Real estate, net" or "Land and development, net" on our consolidated balance sheets. When we intend to hold, operate or develop the property for a period of at least 12 months, assets are classified as "Real estate, net," and when we intend to market these properties for sale in the near term, assets are classified as "Real estate available and held for sale." When we purchase assets the properties are recorded at cost. Foreclosed assets classified as real estate and land and development are initially recorded at their estimated fair value and assets classified as assets held for sale are recorded at their estimated fair value less costs to sell. The excess of the carrying value of the loan over these amounts is charged-off against the reserve for loan losses. In both cases, upon acquisition, tangible and intangible assets and liabilities acquired are recorded at their estimated fair values.

During the years ended December 31, 2016, 2015 and 2014, we received title to properties in satisfaction of mortgage loans with fair values of $40.6 million, $13.4 million and $77.9 million, respectively, for which those properties had served as collateral.

Impairment or disposal of long-lived assets – Real estate assets to be disposed of are reported at the lower of their carrying amount or estimated fair value less costs to sell and are included in "Real estate available and held for sale" on our consolidated balance sheets. The difference between the estimated fair value less costs to sell and the carrying value will be recorded as an impairment charge. Impairment for real estate assets are included in "Impairment of assets" in our consolidated statements of operations. Once the asset is classified as held for sale, depreciation expense is no longer recorded.

We periodically review real estate to be held and used and land and development assets for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The asset's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Such

estimate of cash flows considers factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the asset and reflected as an adjustment to the basis of the asset. Impairments of real estate and land and development assets are recorded in "Impairment of assets" in our consolidated statements of operations.

During the year ended December 31, 2016, we recorded impairments on real estate and land and development assets totaling $14.5 million resulting from a change in business strategy, unfavorable local market conditions for certain assets and sales of net lease assets. During the years ended December 31, 2015 and 2014, we recorded impairments on real estate and land and development assets totaling $10.5 million and $34.6 million, respectively, resulting from unfavorable local market conditions and changes in business strategy for certain assets.

Identified intangible assets and liabilities – We record intangible assets and liabilities acquired at their estimated fair values, and determine whether such intangible assets and liabilities have finite or indefinite lives. As of December 31, 2016, all such acquired intangible assets and liabilities have finite lives. We amortize finite lived intangible assets and liabilities over the period which the assets and liabilities are expected to contribute directly or indirectly to the future cash flows of the business acquired. We review finite lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If we determine the carrying value of an intangible asset is not recoverable we will record an impairment charge to the extent its carrying value exceeds its estimated fair value. Impairments of intangibles are recorded in "Impairment of assets" in our consolidated statements of operations.

Valuation of deferred tax assets – Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as operating loss and tax credit carryforwards. We evaluate the realizability of our deferred tax assets and recognize a valuation allowance if, based on the available evidence, both positive and negative, it is more likely than not that some portion or all of our deferred tax assets will not be realized. When evaluating the realizability of our deferred tax assets, we consider, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires us to forecast our business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any are included in "Income tax (expense) benefit" in the consolidated statements of operations.

While certain entities with NOLs may generate profits in the future, which may allow us to utilize the NOLs, we continue to record a full valuation allowance on the net deferred tax asset due to the history of losses and the uncertainty of the entities' ability to generate such profits. We recorded a full valuation allowance of $66.5 million and $53.9 million as of December 31, 2016 and 2015, respectively.

Variable interest entities – We evaluate our investments and other contractual arrangements to determine if our interests constitute variable interests in a variable interest entity ("VIE") and if we are the primary beneficiary. There is a significant amount of judgment required to determine if an entity is considered a VIE and if we are the primary beneficiary. We first perform a qualitative analysis, which requires certain subjective decisions regarding our assessment, including, but not limited to, which interests create or absorb variability, the contractual terms, the key decision making powers, impact on the VIE's economic performance and related party relationships. An iterative quantitative analysis is required if our qualitative analysis proves inconclusive as to whether the entity is a VIE or we are the primary beneficiary and consolidation is required.

Fair value of assets and liabilities – The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial and nonfinancial assets and liabilities that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

See Note 16 for a complete discussion on how we determine fair value of financial and non-financial assets and financial liabilities and the related measurement techniques and estimates involved.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. In pursuing our business plan, the primary market risk to which we are exposed is interest rate risk. Our operating results will depend in part on the difference between the interest and related income earned on our assets and the interest expense incurred in connection with our interest-bearing liabilities. Changes in the general level of interest rates prevailing in the financial markets will affect the spread between our floating rate assets and liabilities subject to the net amount of floating rate assets/liabilities and the impact of interest rate floors and caps. Any significant compression of the spreads between interest-earning assets and interest-bearing liabilities could have a material adverse effect on us.

In the event of a significant rising interest rate environment or economic downturn, defaults could increase and cause us to incur additional credit losses which would adversely affect our liquidity and operating results. Such delinquencies or defaults would likely have a material adverse effect on the spreads between interest-earning assets and interest-bearing liabilities. In addition, an increase in interest rates could, among other things, reduce the value of our fixed-rate interest-bearing assets and our ability to realize gains from the sale of such assets.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. We monitor the spreads between our interest-earning assets and interest-bearing liabilities and may implement hedging strategies to limit the effects of changes in interest rates on our operations, including engaging in interest rate swaps, interest rate caps and other interest rate-related derivative contracts. Such strategies are designed to reduce our exposure, on specific transactions or on a portfolio basis, to changes in cash flows as a result of interest rate movements in the market. We do not enter into derivative contracts for speculative purposes or as a hedge against changes in our credit risk or the credit risk of our borrowers.

While a REIT may utilize derivative instruments to hedge interest rate risk on its liabilities incurred to acquire or carry real estate assets without generating non-qualifying income, use of derivatives for other purposes will generate non-qualified income for REIT income test purposes. This includes hedging asset related risks such as credit, foreign exchange and interest rate exposure on our loan assets. As a result our ability to hedge these types of risks is limited. There can be no assurance that our profitability will not be materially adversely affected during any period as a result of changing interest rates.

The following table quantifies the potential changes in annual net income should interest rates increase by 10, 50 or 100 basis points and decrease by 10 basis points, assuming no change in our interest earning assets, interest bearing liabilities or the shape of the yield curve (i.e., relative interest rates). The base interest rate scenario assumes the one-month LIBOR rate of 0.77% as of December 31, 2016. Actual results could differ significantly from those estimated in the table.

Estimated Change In Net Income

($ in thousands)

Change in Interest Rates	Net Income[(1)]
-10 Basis Points	$ (998)
Base Interest Rate	–
+10 Basis Points	1,096
+50 Basis Points	5,485
+100 Basis Points	10,974

Explanatory Note:

(1) We have an overall net variable-rate asset position, which results in an increase in net income when rates increase and a decrease in net income when rates decrease. As of December 31, 2016, $657.9 million of our floating rate loans have a cumulative weighted average interest rate floor of 0.2% and $658.9 million of our floating rate debt has a cumulative weighted average interest rate floor of 0.8%.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the disclosure committee and other members of management, including the Chief Executive Officer and Chief Financial Officer, management carried out its evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on management's assessment under the framework in *Internal Control – Integrated Framework*, management has concluded that its internal control over financial reporting was effective as of December 31, 2016.

The Company's internal control over financial reporting as of December 31, 2016, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page 42.

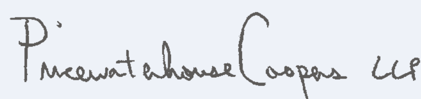
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of iStar Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows present fairly, in all material respects, the financial position of iStar Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework* 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York
February 24, 2017

CONSOLIDATED BALANCE SHEETS

As of December 31,	2016	2015
(In thousands, except per share data)		
Assets		
Real estate		
Real estate, at cost	**$ 1,906,592**	$ 2,050,541
Less: accumulated depreciation	**(414,840)**	(456,558)
Real estate, net	**1,491,752**	1,593,983
Real estate available and held for sale	**83,764**	137,274
Total real estate	**1,575,516**	1,731,257
Land and development, net	**945,565**	1,001,963
Loans receivable and other lending investments, net	**1,450,439**	1,601,985
Other investments	**214,406**	254,172
Cash and cash equivalents	**328,744**	711,101
Accrued interest and operating lease income receivable, net	**14,775**	18,436
Deferred operating lease income receivable, net	**96,420**	97,421
Deferred expenses and other assets, net	**199,649**	181,457
Total assets	**$ 4,825,514**	$ 5,597,792
Liabilities And Equity		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	**$ 211,570**	$ 214,835
Loan participations payable, net	**159,321**	152,086
Debt obligations, net	**3,389,908**	4,118,823
Total liabilities	**3,760,799**	4,485,744
Commitments and contingencies (refer to Note 11)	**–**	–
Redeemable noncontrolling interests (refer to Note 5)	**5,031**	10,718
Equity:		
iStar Inc. shareholders' equity:		
Preferred Stock Series D, E, F, G and I, liquidation preference $25.00 per share (refer to Note 13)	**22**	22
Convertible Preferred Stock Series J, liquidation preference $50.00 per share (refer to Note 13)	**4**	4
Common Stock, $0.001 par value, 200,000 shares authorized, 72,042 and 81,109 shares issued and outstanding as of December 31, 2016 and 2015, respectively	**72**	81
Additional paid-in capital	**3,602,172**	3,689,330
Retained earnings (deficit)	**(2,581,488)**	(2,625,474)
Accumulated other comprehensive income (loss) (refer to Note 13)	**(4,218)**	(4,851)
Total iStar Inc. shareholders' equity	**1,016,564**	1,059,112
Noncontrolling interests	**43,120**	42,218
Total equity	**1,059,684**	1,101,330
Total liabilities and equity	**$ 4,825,514**	$ 5,597,792

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

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31,	2016	2015	2014
(In thousands, except per share data)			
Revenues:			
Operating lease income	**$213,018**	$ 229,720	$ 243,100
Interest income	**129,153**	134,687	122,704
Other income	**46,515**	49,931	81,033
Land development revenue	**88,340**	100,216	15,191
Total revenues	**477,026**	514,554	462,028
Costs and expenses:			
Interest expense	**221,398**	224,639	224,483
Real estate expense	**138,422**	146,750	163,389
Land development cost of sales	**62,007**	67,382	12,840
Depreciation and amortization	**54,329**	65,247	73,571
General and administrative	**84,027**	81,277	88,287
(Recovery of) provision for loan losses	**(12,514)**	36,567	(1,714)
Impairment of assets	**14,484**	10,524	34,634
Other expense	**5,883**	6,374	6,340
Total costs and expenses	**568,036**	638,760	601,830
Income (loss) before earnings from equity method investments and other items	**(91,010)**	(124,206)	(139,802)
Loss on early extinguishment of debt, net	**(1,619)**	(281)	(25,369)
Earnings from equity method investments	**77,349**	32,153	94,905
Income (loss) from operations before income taxes	**(15,280)**	(92,334)	(70,266)
Income tax benefit (expense)	**10,166**	(7,639)	(3,912)
Income (loss) from operations	**(5,114)**	(99,973)	(74,178)
Income from sales of real estate	**105,296**	93,816	89,943
Net income (loss)	**100,182**	(6,157)	15,765
Net (income) loss attributable to noncontrolling interests	**(4,876)**	3,722	704
Net income (loss) attributable to iStar Inc.	**95,306**	(2,435)	16,469
Preferred dividends	**(51,320)**	(51,320)	(51,320)
Net (income) loss allocable to HPU holders and Participating Security holders(1)(2)	**(14)**	1,080	1,129
Net income (loss) allocable to common shareholders	**$ 43,972**	$ (52,675)	$ (33,722)
Per common share data:			
Income (loss) attributable to iStar Inc. from operations:			
Basic	**$ 0.60**	$ (0.62)	$ (0.40)
Diluted	**$ 0.55**	$ (0.62)	$ (0.40)
Net income (loss) attributable to iStar Inc.:			
Basic	**$ 0.60**	$ (0.62)	$ (0.40)
Diluted	**$ 0.55**	$ (0.62)	$ (0.40)
Weighted average number of common shares:			
Basic	**73,453**	84,987	85,031
Diluted	**98,467**	84,987	85,031
Per HPU share data(1):			
Income (loss) attributable to iStar Inc. from operations – Basic and diluted	**$ –**	$ (120.00)	$ (75.27)
Net income (loss) attributable to iStar Inc. – Basic and diluted	**$ –**	$ (120.00)	$ (75.27)
Weighted average number of HPU share – Basic and diluted	**–**	9	15

Explanatory Notes:

(1) All of the Company's outstanding High Performance Units ("HPUs") were repurchased and retired on August 13, 2015 (refer to Note 13).

(2) Participating Security holders are non-employee directors who hold common stock equivalents ("CSEs") and restricted stock awards granted under the Company's Long Term Incentive Plans that are eligible to participate in dividends (refer to Note 14 and Note 15).

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the Years Ended December 31,	2016	2015	2014
(In thousands)			
Net income (loss)	**$100,182**	$ (6,157)	$15,765
Other comprehensive income (loss):			
Reclassification of (gains)/losses on available-for-sale securities into earnings upon realization[1]	**–**	(2,576)	(90)
Reclassification of (gains)/losses on cash flow hedges into earnings upon realization[2]	**598**	921	4,116
Realization of (gains)/losses on cumulative translation adjustment into earnings upon realization[3]	**–**	–	968
Unrealized gains/(losses) on available-for-sale securities	**274**	(532)	3,367
Unrealized gains/(losses) on cash flow hedges	**(85)**	(1,202)	(5,187)
Unrealized gains/(losses) on cumulative translation adjustment	**(154)**	(491)	131
Other comprehensive income (loss)	**633**	(3,880)	3,305
Comprehensive income (loss)	**100,815**	(10,037)	19,070
Comprehensive (income) loss attributable to noncontrolling interests	**(4,876)**	3,722	710
Comprehensive income (loss) attributable to iStar Inc.	**$ 95,939**	$ (6,315)	$19,780

Explanatory Notes:

(1) Reclassified to "Other income" in the Company's consolidated statements of operations.

(2) Reclassified to "Interest expense" in the Company's consolidated statements of operations are $217, $456 and $62 for the years ended December 31, 2016, 2015 and 2014, respectively. Reclassified to "Other Expense" in the Company's consolidated statements of operations is $3,634 for the year ended December 31, 2014 (refer to Note 12). Reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations are $381, $465 and $420, respectively, for the years ended December 31, 2016, 2015 and 2014.

(3) Reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	iStar Inc. Shareholders' Equity								
For the Years Ended December 31, 2016, 2015 and 2014	Preferred Stock[1]	Preferred Stock Series J[1]	HPU's[2]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance as of December 31, 2013	$22	$4	$ 9,800	$ 83	$3,759,245	$(2,521,618)	$(4,276)	$ 58,205	$1,301,465
Dividends declared – preferred	–	–	–	–	–	(51,320)	–	–	(51,320)
Issuance of stock/restricted stock unit amortization, net	–	–	–	2	(13,091)	–	–	–	(13,089)
Net income (loss) for the period[3]	–	–	–	–	–	16,469	–	1,221	17,690
Change in accumulated other comprehensive income (loss)	–	–	–	–	–	–	3,305	–	3,305
Change in additional paid in capital attributable to redeemable noncontrolling interest	–	–	–	–	(1,533)	–	–	–	(1,533)
Contributions from noncontrolling interests	–	–	–	–	–	–	–	565	565
Distributions to noncontrolling interests	–	–	–	–	–	–	–	(4,820)	(4,820)
Change in noncontrolling interest[4]	–	–	–	–	–	–	–	(3,915)	(3,915)
Balance as of December 31, 2014	$22	$4	$ 9,800	$ 85	$3,744,621	$(2,556,469)	$ (971)	$ 51,256	$1,248,348
Dividends declared – preferred	–	–	–	–	–	(51,320)	–	–	(51,320)
Issuance of stock/restricted stock unit amortization, net	–	–	–	–	4,961	–	–	–	4,961
Net income (loss) for the period[3]	–	–	–	–	–	(2,435)	–	(266)	(2,701)
Change in accumulated other comprehensive income (loss)	–	–	–	–	–	–	(3,880)	–	(3,880)
Repurchase of stock	–	–	–	(5)	(70,411)	–	–	–	(70,416)
Redemption of HPUs	–	–	(9,800)	1	15,238	(15,250)	–	–	(9,811)
Change in additional paid in capital attributable to noncontrolling interests[5]	–	–	–	–	(5,079)	–	–	–	(5,079)
Contributions from noncontrolling interests	–	–	–	–	–	–	–	205	205
Distributions to noncontrolling interests[5]	–	–	–	–	–	–	–	(8,977)	(8,977)
Balance as of December 31, 2015	$22	$4	$ –	$ 81	$3,689,330	$(2,625,474)	$(4,851)	$ 42,218	$1,101,330
Dividends declared – preferred	**–**	**–**	**–**	**–**	**–**	**(51,320)**	**–**	**–**	**(51,320)**
Issuance of stock/restricted stock unit amortization, net	**–**	**–**	**–**	**–**	**2,031**	**–**	**–**	**–**	**2,031**
Issuance of common stock for conversion of senior unsecured convertible notes	**–**	**–**	**–**	**1**	**9,595**	**–**	**–**	**–**	**9,596**
Net income (loss) for the period[3]	**–**	**–**	**–**	**–**	**–**	**95,306**	**–**	**10,927**	**106,233**
Change in accumulated other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**633**	**–**	**633**
Repurchase of stock	**–**	**–**	**–**	**(10)**	**(98,419)**	**–**	**–**	**–**	**(98,429)**
Change in additional paid in capital attributable to redeemable noncontrolling interests	**–**	**–**	**–**	**–**	**(365)**	**–**	**–**	**–**	**(365)**
Contributions from noncontrolling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**790**	**790**
Distributions to noncontrolling interests[6]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,815)**	**(10,815)**
Balance as of December 31, 2016	**$22**	**$4**	**$ –**	**$ 72**	**$3,602,172**	**$(2,581,488)**	**$(4,218)**	**$ 43,120**	**$1,059,684**

Explanatory Notes:

(1) Refer to Note 13 for details on the Company's Preferred Stock.
(2) All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (refer to Note 13).
(3) For the years ended December 31, 2016, 2015 and 2014 net income (loss) shown above excludes $(6,051), $(3,456) and $(1,925) of net loss attributable to redeemable noncontrolling interests.
(4) During the year ended December 31, 2014, the Company sold its 72% interest in a previously consolidated entity to one of its unconsolidated ventures (refer to Note 4 and Note 7).
(5) Includes a $6.4 million payment to acquire a noncontrolling interest (refer to Note 4).
(6) Includes payments of $10.8 million to acquire a noncontrolling interest (refer to Note 5).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2016	2015	2014
(In thousands)			
Cash flows from operating activities:			
Net income (loss)	**$ 100,182**	$ (6,157)	$ 15,765
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
(Recovery of) provision for loan losses	**(12,514)**	36,567	(1,714)
Impairment of assets	**14,484**	10,524	34,634
Depreciation and amortization	**54,329**	65,247	73,571
Payments for withholding taxes upon vesting of stock-based compensation	**(1,451)**	(1,718)	(21,250)
Non-cash expense for stock-based compensation	**10,889**	12,013	13,314
Amortization of discounts/premiums and deferred financing costs on debt obligations, net	**16,810**	17,352	16,891
Amortization of discounts/premiums on loans, net	**(14,873)**	(11,606)	(12,367)
Deferred interest on loans, net	**22,396**	(34,458)	(22,196)
Gain from sales of loans	**–**	–	(19,067)
Earnings from equity method investments	**(77,349)**	(32,153)	(94,905)
Distributions from operations of other investments	**48,732**	29,999	80,116
Deferred operating lease income	**(9,921)**	(7,950)	(8,492)
Income from sales of real estate	**(105,296)**	(93,816)	(89,943)
Land development revenue in excess of cost of sales	**(26,333)**	(32,834)	(2,351)
Loss on early extinguishment of debt, net	**1,619**	281	25,369
Debt discount on repayments and repurchases of debt obligations	**(5,381)**	(578)	(14,888)
Other operating activities, net	**6,897**	5,889	6,751
Changes in assets and liabilities:			
Changes in accrued interest and operating lease income receivable, net	**3,634**	(2,068)	(1,426)
Changes in deferred expenses and other assets, net	**(6,397)**	2,631	4,601
Changes in accounts payable, accrued expenses and other liabilities, net	**(453)**	(17,112)	7,245
Cash flows provided by (used in) operating activities	**20,004**	(59,947)	(10,342)
Cash flows from investing activities:			
Originations and fundings of loans receivable, net	**(410,975)**	(478,822)	(622,428)
Capital expenditures on real estate assets	**(69,810)**	(81,525)	(68,464)
Capital expenditures on land and development assets	**(103,806)**	(88,219)	(74,323)
Acquisitions of real estate assets	**(38,433)**	–	(4,666)
Repayments of and principal collections on loans receivable and other lending investments, net	**504,844**	273,454	512,528
Net proceeds from sales of loans receivable	**–**	6,655	65,438
Net proceeds from sales of real estate	**435,560**	362,530	404,336
Net proceeds from sales of land and development assets	**94,424**	81,601	15,191
Net proceeds from sale of other investments	**43,936**	–	–
Distributions from other investments	**92,482**	119,854	61,031
Contributions to other investments	**(58,197)**	(11,531)	(159,424)
Changes in restricted cash held in connection with investing activities	**1,515**	(7,550)	29,283
Other investing activities, net	**(24,997)**	7,581	1,291
Cash flows provided by investing activities	**466,543**	184,028	159,793
Cash flows from financing activities:			
Borrowings from debt obligations	**716,001**	549,000	1,349,822
Repayments and repurchases of debt obligations	**(1,437,557)**	(432,383)	(1,471,174)
Proceeds from loan participations payable	**22,844**	138,075	–
Preferred dividends paid	**(51,320)**	(51,320)	(51,320)
Repurchase of stock	**(99,335)**	(69,511)	–
Redemption of HPUs	**–**	(9,811)	–
Payments for deferred financing costs	**(9,980)**	(2,255)	(19,595)
Other financing activities, net	**(9,564)**	(7,314)	1,309
Cash flows provided by (used in) financing activities	**(868,911)**	114,481	(190,958)
Effect of exchange rate changes on cash	**7**	478	–
Changes in cash and cash equivalents	**(382,357)**	239,040	(41,507)
Cash and cash equivalents at beginning of period	**711,101**	472,061	513,568
Cash and cash equivalents at end of period	**$ 328,744**	$ 711,101	$ 472,061
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest, net of amount capitalized	**$ 199,667**	$ 207,972	194,605
Supplemental disclosure of non-cash investing and financing activity:			
Fundings and repayments of loan receivables and loan participations, net	**$ (15,594)**	$ 14,075	$ –
Developer fee payable	**9,478**	7,435	6,791
Acquisitions of real estate and land and development assets through deed-in-lieu	**40,583**	13,424	77,867
Acquisitions of equity method investment assets through deed-in-lieu	**–**	–	23,500
Contributions of real estate and land and development assets to equity method investments, net	**8,828**	21,096	63,254
Accounts payable for capital expenditures on land and development assets	**3,674**	7,143	7,580
Accounts payable for capital expenditures on real estate assets	**–**	8,107	–
Conversion of senior unsecured convertible notes into common stock	**9,596**	–	–
Redemption of HPUs in exchange for common stock	**–**	15,240	–
Receivable from sales of real estate and land parcels	**7,509**	22,695	–

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

Note 1 – Business and Organization

Business – iStar Inc. (the "Company"), doing business as "iStar," finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. The Company has invested more than $35 billion over the past two decades and is structured as a real estate investment trust ("REIT") with a diversified portfolio focused on larger assets located in major metropolitan markets. The Company's primary business segments are real estate finance, land and development, net lease and operating properties (refer to Note 17).

Organization – The Company began its business in 1993 through the management of private investment funds and became publicly traded in 1998. Since that time, the Company has grown through the origination of new investments, as well as through corporate acquisitions.

Note 2 – Basis of Presentation and Principles of Consolidation

Basis of Presentation – The accompanying audited consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain prior year amounts have been reclassified in the Company's consolidated financial statements and the related notes to conform to the current period presentation.

Principles of Consolidation – The consolidated financial statements include the financial statements of the Company, it's wholly owned subsidiaries, controlled partnerships and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's involvement with VIEs affects its financial performance and cash flows primarily through amounts recorded in "Operating lease income," "Interest income," "Earnings from equity method investments," "Real estate expense" and "Interest expense" in the Company's consolidated statements of operations. The Company has not provided financial support to those VIEs that it was not previously contractually required to provide.

Consolidated VIEs – As of December 31, 2016, the Company consolidates VIEs for which it is considered the primary beneficiary. As of December 31, 2016, the total assets of these consolidated VIEs were $450.3 million and total liabilities were $82.1 million. The classifications of these assets are primarily within "Land and development, net" and "Real estate, net" on the Company's consolidated balance sheets. The classifications of liabilities are primarily within "Accounts payable, accrued expenses and other liabilities" and "debt obligations, net" on the Company's consolidated balance sheets. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE's respective assets. The Company did not have any unfunded commitments related to consolidated VIEs as of December 31, 2016.

Unconsolidated VIEs – As of December 31, 2016, the Company has investments in VIEs where it is not the primary beneficiary, and accordingly, the VIEs have not been consolidated in the Company's consolidated financial statements. As of December 31, 2016, the Company's maximum exposure to loss from these investments does not exceed the sum of the $47.2 million carrying value of the investments, which are classified in "Other investments" and "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets, and $57.5 million of related unfunded commitments.

Note 3 – Summary of Significant Accounting Policies

Real estate and land and development – Real estate and land and development assets are recorded at cost less accumulated depreciation and amortization, as follows:

Capitalization and depreciation – Certain improvements and replacements are capitalized when they extend the useful life of the asset. For real estate projects, the Company begins to capitalize qualified development and construction costs, including interest, real estate taxes, compensation and certain other carrying costs incurred which are specifically identifiable to a development project once activities necessary to get the asset ready for its intended use have commenced. If specific allocation of costs is not practicable, the Company will allocate costs based on relative fair value prior to construction or relative sales value, relative size or other methods as appropriate during construction. The Company's policy for interest capitalization on qualifying real estate assets is to use the average amount of accumulated expenditures during the period the asset is being prepared for its intended use, which is typically when physical construction commences, and a capitalization rate which is derived from specific borrowings on the qualifying asset or the Company's corporate borrowing rate in the absence of specific borrowings. The Company ceases capitalization on the portions substantially completed and ready for their intended use. Repairs and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method of cost recovery over the estimated useful life, which is generally 40 years for facilities, five years for furniture and equipment, the shorter of the remaining lease term or expected life for tenant improvements and the remaining useful life of the facility for facility improvements.

Purchase price allocation – Upon acquisition of real estate, the Company determines whether the transaction is a business combination, which is accounted for under the acquisition method, or an acquisition of assets. For both types of transactions, the Company recognizes and measures identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree based on their relative fair values. For business combinations, the Company recognizes and measures goodwill or gain from a bargain purchase, if applicable, and expenses acquisition-related costs in the periods in which the costs are incurred and the services are received. For acquisitions of assets, acquisition-related costs are capitalized and recorded in "Real estate, net" on the Company's consolidated balance sheets.

The Company accounts for its acquisition of properties by recording the purchase price of tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of the tangible assets, consisting of land, buildings, building improvements and tenant

improvements is determined as if these assets are vacant. Intangible assets may include the value of lease incentive assets, above-market leases and in-place leases which are each recorded at their estimated fair values and included in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets. Intangible liabilities may include the value of below-market leases, which are recorded at their estimated fair values and included in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets. In-place leases are amortized over the remaining non-cancelable term and the amortization expense is included in "Depreciation and amortization" in the Company's consolidated statements of operations. Lease incentive assets and above-market (or below-market) lease value is amortized as a reduction of (or, increase to) operating lease income over the remaining non-cancelable term of each lease plus any renewal periods with fixed rental terms that are considered to be below-market. The Company may also engage in sale/leaseback transactions and execute leases with the occupant simultaneously with the purchase of the asset. These transactions are accounted for as asset acquisitions.

Impairments – The Company reviews real estate assets to be held and used and land and development assets, for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The value of a long-lived asset held for use and land and development assets are impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Such estimate of cash flows considers factors such as expected future operating income trends, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the estimated fair value of the asset and reflected as an adjustment to the basis of the asset. Impairments of real estate assets and land and development assets are recorded in "Impairment of assets" in the Company's consolidated statements of operations.

Real estate available and held for sale – The Company reports real estate assets to be sold at the lower of their carrying amount or estimated fair value less costs to sell and classifies them as "Real estate available and held for sale" on the Company's consolidated balance sheets. If the estimated fair value less costs to sell is less than the carrying value, the difference will be recorded as an impairment charge. Impairment for real estate assets disposed of or classified as held for sale are included in "Impairment of assets" in the Company's consolidated statements of operations. Once a real estate asset is classified as held for sale, depreciation expense is no longer recorded.

If circumstances arise that were previously considered unlikely and, as a result the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used and included in "Real estate, net" on the Company's consolidated balance sheets. The Company measures and records a property that is reclassified as held and used at the lower of (i) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held and used, or (ii) the estimated fair value at the date of the subsequent decision not to sell.

Dispositions – Revenue from sales of land and development assets and gains or losses on the sale of real estate assets, including residential property, are recognized in accordance with Accounting Standards Codification ("ASC") 360-20, Real Estate Sales. Sales of land and the associated gains on sales of residential property are recognized for full profit recognition upon closing of the sale transactions, when the profit is determinable, the earnings process is virtually complete, the parties are bound by the terms of the contract, all consideration has been exchanged, any permanent financing for which the seller is responsible has been arranged and all conditions for closing have been performed. The Company primarily uses specific identification and the relative sales value method to allocate costs. Gains on sales of real estate are included in "Income from sales of real estate" in the Company's consolidated statements of operations.

Loans receivable and other lending investments, net – Loans receivable and other lending investments, net includes the following investments: senior mortgages, corporate/partnership loans, subordinate mortgages, preferred equity investments and debt securities. Management considers nearly all of its loans to be held-for-investment, although certain investments may be classified as held-for-sale or available-for-sale.

Loans receivable classified as held-for-investment and debt securities classified as held-to-maturity are reported at their outstanding unpaid principal balance, and include unamortized acquisition premiums or discounts and unamortized deferred loan costs or fees. These loans and debt securities also include accrued and paid-in-kind interest and accrued exit fees that the Company determines are probable of being collected. Debt securities classified as available-for-sale are reported at fair value with unrealized gains and losses included in "Accumulated other comprehensive income (loss)" on the Company's consolidated balance sheets.

Loans receivable and other lending investments designated for sale are classified as held-for-sale and are carried at lower of amortized historical cost or estimated fair value. The amount by which carrying value exceeds fair value is recorded as a valuation allowance. Subsequent changes in the valuation allowance are included in the determination of net income (loss) in the period in which the change occurs.

For held-to-maturity and available-for-sale debt securities held in "Loans receivable and other lending investments, net," management evaluates whether the asset is other-than-temporarily impaired when the fair market value is below carrying value. The Company considers debt securities other-than-temporarily impaired if (1) the Company has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery, or (3) it does not expect to recover the entire amortized cost basis of the security. If it is determined that an other-than-temporary impairment exists, the portion related to credit losses, where the Company does not expect to recover its entire amortized cost basis, will be recognized as an "Impairment of assets" in the Company's consolidated statements of operations. If the Company does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security, but the security has suffered a credit loss, the impairment charge will be separated. The credit loss component of the impairment will be recorded as an "Impairment of assets" in the Company's consolidated statements of operations, and the remainder will be recorded in "Accumulated other comprehensive income (loss)" on the Company's consolidated balance sheets.

The Company acquires properties through foreclosure or by deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans. Based on the Company's strategic plan to realize the maximum value from the collateral received, property is classified as "Land and development, net," "Real estate, net" or "Real estate available and held for sale" at its estimated fair value when title to the property is obtained. Any excess of the carrying value of the loan over the estimated fair value of the property (less costs to sell for assets held for sale) is charged-off against the reserve for loan losses as of the date of foreclosure.

Equity and cost method investments – Equity interests are accounted for pursuant to the equity method of accounting if the Company can significantly influence the operating and financial policies of an investee. This is generally presumed to exist when ownership interest is between 20% and 50% of a corporation, or greater than 5% of a limited partnership or certain limited liability companies. The Company's periodic share of earnings and losses in equity method investees is included in "Earnings from equity method investments" in the consolidated statements of operations. When the Company's ownership position is too small to provide such influence, the cost method is used to account for the equity interest. Equity and cost method investments are included in "Other investments" on the Company's consolidated balance sheets.

To the extent that the Company contributes assets to an unconsolidated subsidiary, the Company's investment in the subsidiary is recorded at the Company's cost basis in the assets that were contributed to the unconsolidated subsidiary. To the extent that the Company's cost basis is different from the basis reflected at the subsidiary level, when required, the basis difference is amortized over the life of the related assets and included in the Company's share of equity in net income (loss) of the unconsolidated subsidiary, as appropriate. The Company recognizes gains on the contribution of real estate to unconsolidated subsidiaries, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale. The Company recognizes a loss when it contributes property to an unconsolidated subsidiary and receives a disproportionately smaller interest in the subsidiary based on a comparison of the carrying amount of the property with the cash and other consideration contributed by the other investors.

The Company periodically reviews equity method investments for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such investments may not be recoverable. The Company will record an impairment charge to the extent that the estimated fair value of an investment is less than its carrying value and the Company determines the impairment is other-than-temporary. Impairment charges are recorded in "Earnings from equity method investments" in the Company's consolidated statements of operations.

Cash and cash equivalents – Cash and cash equivalents include cash held in banks or invested in money market funds with original maturity terms of less than 90 days.

Restricted cash – Restricted cash represents amounts required to be maintained under certain of the Company's debt obligations, loans, leasing, land development, sale and derivative transactions. Restricted cash is included in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets.

Variable interest entities – The Company evaluates its investments and other contractual arrangements to determine if they constitute variable interests in a VIE. A VIE is an entity where a controlling financial interest is achieved through means other than voting rights. A VIE is consolidated by the primary beneficiary, which is the party that has the power to direct matters that most significantly impact the activities of the VIE and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This overall consolidation assessment includes a review of, among other factors, which interests create or absorb variability, contractual terms, the key decision making powers, their impact on the VIE's economic performance, and related party relationships. Where qualitative assessment is not conclusive, the Company performs a quantitative analysis. The Company reassesses its evaluation of the primary beneficiary of a VIE on an ongoing basis and assesses its evaluation of an entity as a VIE upon certain reconsideration events.

Deferred expenses and other assets – Deferred expenses and other assets include certain non-tenant receivables, leasing costs, lease incentives and financing fees associated with revolving-debt arrangements. Financing fees associated with other debt obligations are recorded as a reduction of the carrying value of "Debt obligations, net" and "Loan participations payable, net" on the Company's consolidated balance sheets. Leasing costs include brokerage, legal and other costs which are amortized over the life of the respective leases and presented as an operating activity in the Company's consolidated statements of cash flows. External fees and costs incurred to obtain long-term debt financing have been deferred and are amortized over the term of the respective borrowing using the effective interest method. Amortization of leasing costs is included in "Depreciation and amortization" and amortization of deferred financing fees is included in "Interest expense" in the Company's consolidated statements of operations.

Identified intangible assets and liabilities – Upon the acquisition of a business, the Company records intangible assets or liabilities acquired at their estimated fair values and determines whether such intangible assets or liabilities have finite or indefinite lives. As of December 31, 2016, all such intangible assets and liabilities acquired by the Company have finite lives. Intangible assets are included in "Deferred expenses and other assets, net" and intangible liabilities are included in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets. The Company amortizes finite lived intangible assets and liabilities based on the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the business acquired. The Company reviews finite lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the Company determines the carrying value of an intangible asset is not recoverable it will record an impairment charge to the extent its carrying value exceeds its estimated fair value. Impairments of intangible assets are recorded in "Impairment of assets" in the Company's consolidated statements of operations.

Loan participations payable, net – The Company accounts for transfers of financial assets under ASC Topic 860, "Transfers and Servicing," as either sales or secured borrowings. Transfers of financial assets that result in sales accounting are those in which (1) the transfer legally isolates the transferred assets from the transferor, (2) the transferee has the right to

pledge or exchange the transferred assets and no condition both constrains the transferee's right to pledge or exchange the assets and provides more than a trivial benefit to the transferor, and (3) the transferor does not maintain effective control over the transferred assets. If the transfer does not meet these criteria, the transfer is presented on the balance sheet as "Loan participations payable, net". Financial asset activities that are accounted for as sales are removed from the balance sheet with any realized gain (loss) reflected in earnings during the period of sale.

Revenue recognition – The Company's revenue recognition policies are as follows:

Operating lease income: The Company's leases have all been determined to be operating leases based on analyses performed in accordance with ASC 840. Operating lease income is recognized on the straight-line method of accounting, generally from the later of the date the lessee takes possession of the space and it is ready for its intended use or the date of acquisition of the facility subject to existing leases. Accordingly, contractual lease payment increases are recognized evenly over the term of the lease. The periodic difference between lease revenue recognized under this method and contractual lease payment terms is recorded as "Deferred operating lease income receivable, net" on the Company's consolidated balance sheets.

The Company also recognizes revenue from certain tenant leases for reimbursements of all or a portion of operating expenses, including common area costs, insurance, utilities and real estate taxes of the respective property. This revenue is accrued in the same periods as the expense is incurred and is recorded as "Operating lease income" in the Company's consolidated statements of operations. Revenue is also recorded from certain tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the defined threshold has been met for the period.

Management estimates losses within its operating lease income receivable and deferred operating lease income receivable balances as of the balance sheet date and incorporates an asset-specific component, as well as a general, formula-based reserve based on management's evaluation of the credit risks associated with these receivables. As of December 31, 2016 and 2015, the allowance for doubtful accounts related to real estate tenant receivables was $1.3 million and $1.9 million, respectively, and the allowance for doubtful accounts related to deferred operating lease income was $1.3 million and $1.5 million, respectively.

Interest Income: Interest income on loans receivable is recognized on an accrual basis using the interest method.

On occasion, the Company may acquire loans at premiums or discounts. These discounts and premiums in addition to any deferred costs or fees, are typically amortized over the contractual term of the loan using the interest method. Exit fees are also recognized over the lives of the related loans as a yield adjustment, if management believes it is probable that such amounts will be received. If loans with premiums, discounts, loan origination or exit fees are prepaid, the Company immediately recognizes the unamortized portion, which is included in "Other income" or "Other expense" in the Company's consolidated statements of operations.

The Company considers a loan to be non-performing and places loans on non-accrual status at such time as: (1) the loan becomes 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. While on non-accrual status, based on the Company's judgment as to collectability of principal, loans are either accounted for on a cash basis, where interest income is recognized only upon actual receipt of cash, or on a cost-recovery basis, where all cash receipts reduce a loan's carrying value. Non-accrual loans are returned to accrual status when a loan has become contractually current and management believes all amounts contractually owed will be received.

Certain of the Company's loans contractually provide for accrual of interest at specified rates that differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the borrower.

Prepayment penalties or yield maintenance payments from borrowers are recognized as other income when received. Certain of the Company's loan investments provide for additional interest based on the borrower's operating cash flow or appreciation of the underlying collateral. Such amounts are considered contingent interest and are reflected as interest income only upon receipt of cash.

Other income: Other income includes revenues from hotel operations, which are recognized when rooms are occupied and the related services are provided. Revenues include room sales, food and beverage sales, parking, telephone, spa services and gift shop sales. Other income also includes gains from sales of loans, loan prepayment fees, yield maintenance payments, lease termination fees and other ancillary income.

Land development revenue and cost of sales: Land development revenue includes lot and parcel sales from wholly-owned properties and is recognized for full profit recognition upon closing of the sale transactions, when the profit is determinable, the earnings process is virtually complete, the parties are bound by the terms of the contract, all consideration has been exchanged, any permanent financing for which the seller is responsible has been arranged and all conditions for closing have been performed. The Company primarily uses specific identification and the relative sales value method to allocate costs.

Reserve for loan losses – The reserve for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date. If the Company determines that the collateral fair value less costs to sell is less than the carrying value of a collateral-dependent loan, the Company will record a reserve. The reserve is increased (decreased) through "Provision for (recovery of) loan losses" in the Company's consolidated statements of operations and is decreased by charge-offs. During delinquency and the foreclosure process, there are typically numerous points of negotiation with the borrower as the Company works toward a settlement or other alternative resolution, which can impact the potential for loan repayment or receipt of collateral. The Company's policy is to charge off a loan when it determines, based on a variety of factors, that all commercially reasonable means of recovering the loan balance have been exhausted.

This may occur at different times, including when the Company receives cash or other assets in a pre-foreclosure sale or takes control of the underlying collateral in full satisfaction of the loan upon foreclosure or deed-in-lieu, or when the Company has otherwise ceased significant collection efforts. The Company considers circumstances such as the foregoing to be indicators that the final steps in the loan collection process have occurred and that a loan is uncollectible. At this point, a loss is confirmed and the loan and related reserve will be charged off. The Company has one portfolio segment, represented by commercial real estate lending, whereby it utilizes a uniform process for determining its reserve for loan losses. The reserve for loan losses includes a general, formula-based component and an asset-specific component.

The general reserve component covers performing loans and reserves for loan losses are recorded when (i) available information as of each balance sheet date indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated. The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of loans based upon risk ratings assigned to loans with similar risk characteristics during the Company's quarterly loan portfolio assessment. During this assessment, the Company performs a comprehensive analysis of its loan portfolio and assigns risk ratings to loans that incorporate management's current judgments about their credit quality based on all known and relevant internal and external factors that may affect collectability. The Company considers, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. Ratings range from "1" to "5" with "1" representing the lowest risk of loss and "5" representing the highest risk of loss. The Company estimates loss rates based on historical realized losses experienced within its portfolio and takes into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience.

The asset-specific reserve component relates to reserves for losses on impaired loans. The Company considers a loan to be impaired when, based upon current information and events, it believes that it is probable that the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. This assessment is made on a loan-by-loan basis each quarter based on such factors as payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. A reserve is established for an impaired loan when the present value of payments expected to be received, observable market prices, or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) is lower than the carrying value of that loan.

Substantially all of the Company's impaired loans are collateral dependent and impairment is measured using the estimated fair value of collateral, less costs to sell. The Company generally uses the income approach through internally developed valuation models to estimate the fair value of the collateral for such loans. In more limited cases, the Company obtains external "as is" appraisals for loan collateral, generally when third party participations exist. Valuations are performed or obtained at the time a loan is determined to be impaired and designated non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. In limited cases, appraised values may be discounted when real estate markets rapidly deteriorate.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring ("TDR"). A TDR occurs when the Company has granted a concession and the debtor is experiencing financial difficulties. Impairments on TDR loans are generally measured based on the present value of expected future cash flows discounted at the effective interest rate of the original loan.

Loss on debt extinguishments – The Company recognizes the difference between the reacquisition price of debt and the net carrying amount of extinguished debt currently in earnings. Such amounts may include prepayment penalties or the write-off of unamortized debt issuance costs, and are recorded in "Loss on early extinguishment of debt, net" in the Company's consolidated statements of operations.

Derivative instruments and hedging activity – The Company's use of derivative financial instruments is primarily limited to the utilization of interest rate swaps, interest rate caps or other instruments to manage interest rate risk exposure and foreign exchange contracts to manage our risk to changes in foreign currencies.

The Company recognizes derivatives as either assets or liabilities on the Company's consolidated balance sheets at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability, a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability.

For derivatives designated as net investment hedges, the effective portion of changes in the fair value of the derivatives are reported in Accumulated Other Comprehensive Income as part of the cumulative translation adjustment. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts are reclassified out of Accumulated Other Comprehensive Income into earnings when the hedged net investment is either sold or substantially liquidated.

Derivatives that are not designated hedges are considered economic hedges, with changes in fair value reported in current earnings in "Other expense" in the Company's consolidated statements of operations. The Company does not enter into derivatives for trading purposes.

Stock-based compensation – Compensation cost for stock-based awards is measured on the grant date and adjusted over the period of the employees' services to reflect (i) actual forfeitures and (ii) the outcome of awards with performance or service conditions through the requisite service period. Compensation cost for market-based awards is determined using a Monte Carlo model to simulate a range of possible future stock prices for the Company's common stock, which is reflected in the grant date fair value. All compensation cost for market-based awards in which the service

conditions are met is recognized regardless of whether the market-condition is satisfied. Compensation costs are recognized ratably over the applicable vesting/service period and recorded in "General and administrative" in the Company's consolidated statements of operations.

Income taxes – The Company has elected to be qualified and taxed as a REIT under section 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company is subject to federal income taxation at corporate rates on its REIT taxable income; the Company, however, is allowed a deduction for the amount of dividends paid to its shareholders, thereby subjecting the distributed net income of the Company to taxation at the shareholder level only. While the Company must distribute at least 90% of its taxable income to maintain its REIT status, the Company typically distributes all of its taxable income, if any, to eliminate any tax on undistributed taxable income. In addition, the Company is allowed several other deductions in computing its REIT taxable income, including non-cash items such as depreciation expense and certain specific reserve amounts that the Company deems to be uncollectable. These deductions allow the Company to reduce its dividend payout requirement under federal tax laws. The Company intends to operate in a manner consistent with, and its election to be treated as, a REIT for tax purposes. The Company made foreclosure elections for certain properties acquired through foreclosure, or an equivalent legal process, which allows the Company to operate these properties within the REIT, but subjects net income from these assets to corporate level tax. The carrying value of assets with foreclosure elections as of December 31, 2016 is $578.1 million.

As of December 31, 2015, the Company had $902.9 million of REIT net operating loss ("NOL") carryforwards at the corporate REIT level, which can generally be used to offset both ordinary taxable income and capital gain net income in future years. The NOL carryforwards will expire beginning in 2029 and through 2035 if unused. The amount of NOL carryforwards as of December 31, 2016 will be subject to finalization of the Company's 2016 tax return. The Company's tax years from 2012 through 2016 remain subject to examination by major tax jurisdictions. During the year ended December 31, 2016, the Company is expected to have REIT taxable income before the NOL deduction. The Company recognizes interest expense and penalties related to uncertain tax positions, if any, as "Income tax (expense) benefit" in the Company's consolidated statements of operations.

The Company may participate in certain activities from which it would be otherwise precluded and maintain its qualification as a REIT. These activities are conducted in entities that elect to be treated as taxable subsidiaries under the Code, subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries ("TRS"), is engaged in various real estate related opportunities, primarily related to managing activities related to certain foreclosed assets, as well as managing various investments in equity affiliates. As of December 31, 2016, $603.9 million of the Company's assets were owned by TRS entities. The Company's TRS entities are not consolidated for federal income tax purposes and are taxed as corporations. For financial reporting purposes, current and deferred taxes are provided for on the portion of earnings recognized by the Company with respect to its interest in TRS entities.

The following represents the Company's TRS income tax benefit (expense) ($ in thousands):

For the Years Ended December 31,	2016[1]	2015	2014
Current tax benefit (expense)	**$9,751**	$(7,639)	$(3,912)
Deferred tax benefit (expense)	**–**	–	–
Total income tax (expense) benefit	**$9,751**	$(7,639)	$(3,912)

Explanatory Note:

(1) For the year ended December 31, 2016, excludes a REIT income tax benefit of $0.4 million.

During the year ended December 31, 2016, the Company's TRS entities generated a taxable loss of $49.4 million, resulting in a current tax benefit of $9.8 million, including a benefit for a return to provision adjustment in the amount of $2.8 million. The current benefit was limited to the amount the Company's TRS expects to receive after it files an NOL carryback claim. The remaining balance of its NOL will be carried forward and the Company's TRS recorded a full valuation allowance against the related deferred tax asset. During the year ended December 31, 2015, the Company's TRS entities generated taxable income of $17.0 million, which was partially offset by the utilization of NOL carryforwards, resulting in current tax expense of $7.6 million. During the year ended December 31, 2014, the Company's TRS entities generated taxable income of $19.3 million, resulting in current tax expense of $3.9 million.

Total cash paid for taxes for the years ended December 31, 2016, 2015 and 2014 was $0.2 million, $8.4 million and $1.3 million, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes, as well as operating loss and tax credit carryforwards. The Company evaluates the realizability of its deferred tax assets and recognizes a valuation allowance if, based on the available evidence, both positive and negative, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Based on an assessment of all factors, including historical losses and continued volatility of the activities within the TRS entities, it was determined that full valuation allowances were required on the net deferred tax assets as of December 31, 2016 and 2015, respectively. Changes in estimates of deferred tax asset realizability, if any, are included in "Income tax (expense) benefit" in the consolidated statements of operations.

Deferred tax assets and liabilities of the Company's TRS entities were as follows ($ in thousands):

As of December 31,	2016	2015
Deferred tax assets[1]	**$ 66,498**	$ 53,910
Valuation allowance	**(66,498)**	(53,910)
Net deferred tax assets (liabilities)	**$ –**	$ –

Explanatory Note:

(1) Deferred tax assets as of December 31, 2016 include timing differences related primarily to asset basis of $29.7 million, deferred expenses and other items of $17.9 million, NOL carryforwards of $15.6 million and other credits of $3.3 million. Deferred tax assets as of December 31, 2015 include timing differences related primarily to asset basis of $40.0 million, deferred expenses and other items of $10.7 million and NOL carryforwards of $3.2 million.

Earnings per share – The Company uses the two-class method in calculating earnings per share ("EPS") when it issues securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the Company when, and if, the Company declares dividends on its common stock. Vested HPU shares were entitled to dividends of the Company when dividends were declared. Basic earnings per share ("Basic EPS") for the Company's common stock and HPU shares are computed by dividing net income allocable to common shareholders and HPU holders by the weighted average number of shares of common stock and HPU shares outstanding for the period, respectively. Diluted earnings per share ("Diluted EPS") is calculated similarly, however, it reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower earnings per share amount.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are deemed a "Participating Security" and are included in the computation of earnings per share pursuant to the two-class method. The Company's unvested common stock equivalents and restricted stock awards granted under its Long-Term Incentive Plans that are eligible to participate in dividends are considered Participating Securities and have been included in the two-class method when calculating EPS.

New accounting pronouncements – In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, *Business Combinations: Clarifying the Definition of a Business* ("ASU 2017-01") to provide a more robust framework to use in determining when a set of assets and activities is a business. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. ASU 2017-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted under certain conditions. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* ("ASU 2016-18") which requires that restricted cash be included with cash and cash equivalents when reconciling beginning and ending cash and cash equivalents on the statement of cash flows. In addition, ASU 2016-18 requires disclosure of what is included in restricted cash. ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15") which was issued to reduce diversity in practice in how certain cash receipts and cash payments, including debt prepayment or debt extinguishment costs, distributions from equity method investees, and other separately identifiable cash flows, are presented and classified in the statement of cash flows. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") which was issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments held by a reporting entity. This amendment replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") which was issued to simplify several aspects of the accounting for share-based payment transactions, including income tax, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"), which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. For operating leases, a lessee will be required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position; (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis and (iii) classify all cash payments within operating activities in the statement of cash flows. For operating lease arrangements for which the Company is the lessee, primarily the lease of office space, the Company expects the impact of ASU 2016-02 to be the recognition of a right-of-use asset and lease liability on its consolidated balance sheets. The accounting applied by the Company as a lessor will be largely unchanged from that applied under previous GAAP. However,

in certain instances, a new long-term lease of land subsequent to adoption could be classified as a sales-type lease, which could result in the Company derecognizing the underlying asset from its books and recording a profit or loss on sale and the net investment in the lease. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15") which requires management to evaluate whether there is substantial doubt that the Company is able to continue operating as a going concern within one year after the date the financial statements are issued or available to be issued. If there is substantial doubt, additional disclosure is required, including the principal condition or event that raised the substantial doubt, the Company's evaluation of the condition or event in relation to its ability to meet its obligations and the Company's plan to alleviate (or, which is intended to alleviate) the substantial doubt. ASU 2014-15 was effective for interim and annual reporting periods beginning after December 15, 2016. The adoption of ASU 2014-15 did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") which supersedes existing industry-specific guidance, including ASC 360-20, *Real Estate Sales*. The new standard is principles-based and requires more estimates and judgment than current guidance. Certain contracts with customers, including lease contracts and financial instruments and other contractual rights, are not within the scope of the new guidance. Although most of the Company's revenue is operating lease income generated from lease contracts and interest income generated from financial instruments, certain other of the Company's revenue streams will be impacted by the new guidance. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, to defer the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted beginning January 1, 2017. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

Note 4 – Real Estate

The Company's real estate assets were comprised of the following ($ in thousands):

	Net Lease[1]	Operating Properties	Total
As of December 31, 2016			
Land, at cost	$ 272,666	$211,054	$ 483,720
Buildings and improvements, at cost	1,111,589	311,283	1,422,872
Less: accumulated depreciation	(368,665)	(46,175)	(414,840)
Real estate, net	1,015,590	476,162	1,491,752
Real estate available and held for sale[2]	1,284	82,480	83,764
Total real estate	$1,016,874	$558,642	$1,575,516
As of December 31, 2015			
Land, at cost	$ 306,172	$133,275	$ 439,447
Buildings and improvements, at cost	1,183,723	427,371	1,611,094
Less: accumulated depreciation	(377,416)	(79,142)	(456,558)
Real estate, net	1,112,479	481,504	1,593,983
Real estate available and held for sale[2]	–	137,274	137,274
Total real estate	$1,112,479	$618,778	$1,731,257

Explanatory Notes:

(1) In 2014, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets (the "Net Lease Venture") and gave a right of first refusal to the Net Lease Venture on all new net lease investments (refer to Note 7 for more information on the Net Lease Venture). The Company is responsible for sourcing new opportunities and managing the Net Lease Venture and its assets in exchange for a promote and management fee.

(2) As of December 31, 2016 and 2015 the Company had $82.5 million and $137.3 million, respectively, of residential properties available for sale in its operating properties portfolio.

Real Estate Available and Held for Sale – During the year ended December 31, 2016, the Company transferred net lease assets with a carrying value of $1.8 million and a commercial operating property with a carrying value of $16.1 million to held for sale due to executed contracts with third parties. The Company also acquired two residential condominium units for $1.8 million that are held for sale and had no operations as of December 31, 2016.

During the year ended December 31, 2015, the Company transferred net lease assets with a carrying value of $8.2 million to held for sale due to executed contracts with third parties and transferred a commercial operating property with a carrying value of $2.9 million to held for investment due to a change in business strategy.

During the year ended December 31, 2014, the Company transferred units with a carrying value of $56.7 million to held for sale due to the conversion of hotel rooms to residential units to be sold. The Company also transferred net lease assets with a carrying value of $4.0 million to held for sale due to executed contracts with third parties.

Acquisitions – During the year ended December 31, 2016, the Company acquired one net lease asset for $32.7 million. During the same period, the Company also acquired land for $3.9 million and simultaneously entered into a 99 year ground net lease with the seller of the land. The land acquired is included in our net lease business segment.

During the year ended December 31, 2015, the Company acquired, via deed-in-lieu, title to a residential operating property, which had a total fair value of $13.4 million and previously served as collateral for loans receivable held by the Company. No gain or loss was recorded in connection with this transaction.

During the year ended December 31, 2014, the Company acquired, via deed-in-lieu, title to three commercial operating properties which had a total fair value of $72.4 million and previously served as collateral for loans receivable held by the Company. No gain or loss was recorded in connection with these transactions. The following unaudited table summarizes the Company's pro forma revenues and net income for the year ended December 31, 2014 as if the acquisition of the properties acquired during the year ended December 31, 2014 was completed on January 1, 2013 (unaudited and $ in thousands):

Pro forma total revenues	$466,327
Pro forma net income	15,351

From the date of acquisition in May 2014 through December 31, 2014, $8.3 million in total revenues and $2.9 million in net loss of the acquiree are included in the Company's consolidated statements of operations. The pro forma revenues and net income are presented for informational purposes only and may not be indicative of what the actual results of operations of the Company would have been assuming the transaction occurred on January 1, 2013, nor do they purport to represent the Company's results of operations for future periods.

Dispositions – During the years ended December 31, 2016, 2015 and 2014, the Company sold residential condominiums for total net proceeds of $97.8 million, $127.9 million and $236.2 million, respectively, and recorded income from sales of real estate totaling $26.1 million, $40.1 million and $79.1 million, respectively.

During the years ended December 31, 2016, 2015 and 2014, the Company sold net lease assets for total net proceeds of $117.2 million, $100.8 million and $127.2 million, respectively, and recorded income from sales of real estate of $21.1 million, $40.1 million and $6.2 million, respectively.

During the year ended December 31, 2016, the Company sold commercial operating properties for total net proceeds of $229.1 million and recorded income from sales of real estate totaling $49.3 million.

During the year ended December 31, 2015, the Company sold a commercial operating property for $68.5 million to a newly formed unconsolidated entity in which the Company owns a 50.0% equity interest (refer to Note 7). The Company recognized a gain on sale of $13.6 million, reflecting the Company's share of the interest sold to a third party, which was recorded as "Income from sales of real estate" in the Company's consolidated statements of operations.

During the year ended December 31, 2015, the Company, through a consolidated entity, sold a leasehold interest in a commercial operating property with a carrying value of $126.3 million for net proceeds of $93.5 million and simultaneously entered into a ground lease with the buyer with an initial term of 99 years. The Company sold the leasehold interest at below fair value to incentivize the buyer to enter into an above market ground lease. As a result, the Company recorded no gain or loss on the sale and recorded a lease incentive asset of $32.8 million, which is included in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets. In December 2015, the Company acquired the noncontrolling interest in the entity for $6.4 million.

During the year ended December 31, 2015, the Company also sold three commercial operating properties for net proceeds of $5.0 million which approximated carrying value.

During the year ended December 31, 2014, the Company sold its 72% interest in a previously consolidated entity, which owned a net lease asset subject to a non-recourse mortgage of $26.0 million at the time of sale, to the Net Lease Venture for net proceeds of $10.1 million that approximated carrying value (refer to Note 7). During the year ended December 31, 2014, the Company also sold a net lease asset for net proceeds of $93.7 million, which approximated carrying value, to the Net Lease Venture (refer to Note 7).

During the year ended December 31, 2014, the Company sold commercial operating properties for total net proceeds of $34.2 million and recorded income from sales of real estate of $4.6 million.

Impairments – During the years ended December 31, 2016, 2015 and 2014, the Company recorded impairments on real estate assets totaling $10.7 million, $5.9 million and $11.8 million, respectively. The impairments recorded in 2016 resulted from unfavorable local market conditions on residential operating properties and impairments upon the execution of sales contracts on net lease assets. The impairments recorded in 2015 resulted from a change in business strategy for two commercial operating properties and unfavorable local market conditions for one residential property. The impairments recorded in 2014 resulted from changes in business strategy for a residential property, unfavorable local market conditions for two real estate properties and from the sale of net lease assets.

Tenant Reimbursements – The Company receives reimbursements from tenants for certain facility operating expenses including common area costs, insurance, utilities and real estate taxes. Tenant expense reimbursements were $24.3 million, $26.8 million and $30.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. These amounts are included in "Operating lease income" in the Company's consolidated statements of operations.

Allowance for Doubtful Accounts – As of December 31, 2016 and 2015, the allowance for doubtful accounts related to real estate tenant receivables was $1.3 million and $1.9 million, respectively, and the allowance for doubtful accounts related to deferred operating lease income was $1.3 million and $1.5 million, respectively. These amounts are included in "Accrued interest and operating lease income receivable, net" and "Deferred operating lease income receivable, net," respectively, on the Company's consolidated balance sheets.

Future Minimum Operating Lease Payments – Future minimum operating lease payments to be collected under non-cancelable leases, excluding customer reimbursements of expenses, in effect as of December 31, 2016, are as follows ($ in thousands):

Year	Net Lease Assets	Operating Properties
2017	$120,055	$36,580
2018	123,005	34,535
2019	123,567	30,805
2020	123,059	28,225
2021	123,063	26,794

Note 5 – Land and Development

The Company's land and development assets were comprised of the following ($ in thousands):

As of December 31,	2016	2015
Land and land development, at cost	**$952,051**	$1,007,995
Less: accumulated depreciation	**(6,486)**	(6,032)
Total land and development, net	**$945,565**	$1,001,963

Acquisitions – During the year ended December 31, 2016, the Company acquired an additional 10.7% interest in a consolidated entity for $10.8 million. The Company owns 95.7% of the entity as of December 31, 2016.

During the year ended December 31, 2016, the Company acquired, via deed-in-lieu, title to two land assets which had a total fair value of $40.6 million and previously served as collateral for loans receivable held by the Company. No gain or loss was recorded in connection with these transactions.

During the year ended December 31, 2014, the Company acquired, via deed-in-lieu, title to a land asset that previously served as collateral for loans receivable. The fair value of the land asset was $5.5 million.

Dispositions – During the years ended December 31, 2016, 2015 and 2014, the Company sold residential lots and parcels and recognized land development revenue of $88.3 million, $100.2 million and $15.2 million, respectively, from its land and development portfolio. During the years ended December 31, 2016, 2015 and 2014, the Company recognized land development cost of sales of $62.0 million, $67.4 million and $12.8 million, respectively, from its land and development portfolio.

During the year ended December 31, 2016, the Company sold a land and development asset to a newly formed unconsolidated entity in which the Company owns a 50.0% equity interest (refer to Note 7). The Company recognized a gain of $8.8 million, reflecting the Company's share of the interest sold to a third party, which was recorded as "Income from sales of real estate" in the Company's consolidated statement of operations.

In April 2015, the Company transferred a land asset to a purchaser at a stated price of $16.1 million, as part of an agreement to construct an amphitheater, for which the Company received immediate payment of $5.3 million, with the remainder to be received upon completion of the development project. Due to the Company's continuing involvement in the project, no sale was recognized and the proceeds were recorded as unearned revenue in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets (refer to Note 8).

During the year ended December 31, 2014, the Company contributed land with a carrying value of $9.5 million to a newly formed unconsolidated entity (refer to Note 7). During the same period, the Company also sold properties with a carrying value of $6.8 million for proceeds that approximated carrying value.

Impairments – During the years ended December 31, 2016, 2015 and 2014, the Company recorded impairments on land and development assets of $3.8 million, $4.6 million and $22.8 million, respectively.

Redeemable Noncontrolling Interest – The Company has a majority interest in a strategic venture that provides the third party minority partner an option to redeem its interest at fair value. The Company has reflected the partner's noncontrolling interest in this venture as a component of redeemable noncontrolling interest within its consolidated balance sheets. Changes in fair value are being accreted over the term from the date of issuance of the redemption option to the earliest redemption date using the interest method. As of December 31, 2016 and December 31, 2015, this interest had a carrying value of $1.3 million and $7.2 million, respectively. As of December 31, 2016 and 2015, this interest had a redemption value of zero and $9.2 million, respectively.

Note 6 – Loans Receivable and Other Lending Investments, net

The following is a summary of the Company's loans receivable and other lending investments by class ($ in thousands):

As of December 31,	2016	2015
Type of Investment		
Senior mortgages	**$ 940,738**	$ 975,915
Corporate/Partnership loans	**490,389**	643,270
Subordinate mortgages	**24,941**	28,676
Total gross carrying value of loans	**1,456,068**	1,647,861
Reserves for loan losses	**(85,545)**	(108,165)
Total loans receivable, net	**1,370,523**	1,539,696
Other lending investments – securities	**79,916**	62,289
Total loans receivable and other lending investments, net	**$1,450,439**	$1,601,985

In June 2015, the Company received a loan with a fair value of $146.7 million as a non-cash paydown on a $196.6 million loan and reduced the principal balance by the fair value to $49.9 million. The loan received has been recorded as a loan receivable and is included in "Loans receivable and other lending investments, net" on the Company's consolidated

balance sheet. In connection with the transaction, the Company recorded a provision for loan losses of $25.9 million on the original loan resulting in a remaining balance of $24.0 million. In October 2015, the Company received full payment of the $24.0 million remaining balance of the original $196.6 million loan.

During the year ended December 31, 2015, the Company sold a loan with a carrying value of $5.5 million. No gain or loss was recorded on the sale. During the year ended December 31, 2014, the Company sold loans with an aggregate carrying value of $30.8 million and recorded gains of $19.1 million. Gains on sales of loans are recorded in "Other income" in the Company's consolidated statements of operations.

Reserve for Loan Losses – Changes in the Company's reserve for loan losses were as follows ($ in thousands):

For the Years Ended December 31,	2016	2015	2014
Reserve for loan losses at beginning of period	**$108,165**	$ 98,490	$ 377,204
(Recovery of) provision for loan losses[1]	**(12,514)**	36,567	(1,714)
Charge-offs	**(10,106)**	(26,892)	(277,000)
Reserve for loan losses at end of period	**$ 85,545**	$108,165	$ 98,490

Explanatory Note:

(1) For the years ended December 31, 2016, 2015 and 2014, the provision for loan losses includes recoveries of previously recorded asset-specific loan loss reserves of $13.7 million, $0.6 million and $10.1 million, respectively.

The Company's recorded investment in loans (comprised of a loan's carrying value plus accrued interest) and the associated reserve for loan losses were as follows ($ in thousands):

	Individually Evaluated for Impairment[1]	Collectively Evaluated for Impairment[2]	Total
As of December 31, 2016			
Loans	$253,941	$1,209,062	$1,463,003
Less: Reserve for loan losses	(62,245)	(23,300)	(85,545)
Total[3]	$191,696	$1,185,762	$1,377,458
As of December 31, 2015			
Loans	$132,492	$1,524,347	$1,656,839
Less: Reserve for loan losses	(72,165)	(36,000)	(108,165)
Total[3]	$ 60,327	$1,488,347	$1,548,674

Explanatory Notes:

(1) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net discounts of $0.4 million and $0.2 million as of December 31, 2016 and 2015, respectively. The Company's loans individually evaluated for impairment primarily represent loans on non-accrual status and therefore, the unamortized amounts associated with these loans are not currently being amortized into income. During the year ended December 31, 2016, the Company transferred a loan with a gross carrying value of $157.2 million to non-performing status due to the initiation of bankruptcy proceedings related to the collateral, which resulted in the release of $11.6 million of the general reserve. The Company performed a valuation and recorded a specific reserve of $12.5 million.

(2) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net discounts of $1.9 million and $8.2 million as of December 31, 2016 and 2015, respectively.

(3) The Company's recorded investment in loans as of December 31, 2016 and 2015 includes accrued interest of $6.9 million and $9.0 million, respectively, which are included in "Accrued interest and operating lease income receivable, net" on the Company's consolidated balance sheets. As of December 31, 2016 and 2015, excludes $79.9 million and $62.3 million, respectively, of securities that are evaluated for impairment under ASC 320.

Credit Characteristics – As part of the Company's process for monitoring the credit quality of its loans, it performs a quarterly loan portfolio assessment and assigns risk ratings to each of its performing loans. Risk ratings, which range from 1 (lower risk) to 5 (higher risk), are based on judgments which are inherently uncertain and there can be no assurance that actual performance will be similar to current expectation.

The Company's recorded investment in performing loans, presented by class and by credit quality, as indicated by risk rating, was as follows ($ in thousands):

	As of December 31,			
	2016		2015	
	Performing Loans	Weighted Average Risk Ratings	Performing Loans	Weighted Average Risk Ratings
Senior mortgages	**$ 859,250**	**3.12**	$ 853,595	2.96
Corporate/Partnership loans	**335,677**	**3.09**	641,713	3.37
Subordinate mortgages	**14,135**	**3.00**	29,039	3.64
Total	**$1,209,062**	**3.11**	$1,524,347	3.15

The Company's recorded investment in loans, aged by payment status and presented by class, were as follows ($ in thousands):

	Current	Less Than and Equal to 90 Days	Greater Than 90 Days[(1)]	Total Past Due	Total
As of December 31, 2016					
Senior mortgages	**$ 868,505**	**$ –**	**$ 76,677**	**$ 76,677**	**$ 945,182**
Corporate/Partnership loans	**335,677**	**–**	**157,146**	**157,146**	**492,823**
Subordinate mortgages	**24,998**	**–**	**–**	**–**	**24,998**
Total	**$1,229,180**	**$ –**	**$ 233,823**	**$ 233,823**	**$1,463,003**
As of December 31, 2015					
Senior mortgages	$ 864,099	$ –	$ 116,250	$ 116,250	$ 980,349
Corporate/Partnership loans	647,451	–	–	–	647,451
Subordinate mortgages	29,039	–	–	–	29,039
Total	$ 1,540,589	$ –	$ 116,250	$ 116,250	$ 1,656,839

Explanatory Note:

(1) As of December 31, 2016, the Company had four loans which were greater than 90 days delinquent and were in various stages of resolution, including legal proceedings, environmental concerns and foreclosure-related proceedings, and ranged from 1.0 to 8.0 years outstanding. As of December 31, 2015, the Company had four loans which were greater than 90 days delinquent and were in various stages of resolution, including legal proceedings, environmental concerns and foreclosure-related proceedings, and ranged from 1.0 to 7.0 years outstanding.

Impaired Loans – The Company's recorded investment in impaired loans, presented by class, were as follows ($ in thousands)[(1)]:

	As of December 31, 2016			As of December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Subordinate mortgages	**$ 10,862**	**$ 10,846**	**$ –**	$ –	$ –	$ –
Subtotal	**$ 10,862**	**$ 10,846**	**$ –**	$ –	$ –	$ –
With an allowance recorded:						
Senior mortgages	**$ 85,933**	**$ 85,780**	**$ (49,774)**	$126,754	$125,776	$ (69,627)
Corporate/Partnership loans	**157,146**	**146,783**	**(12,471)**	5,738	5,738	(2,538)
Subtotal	**$ 243,079**	**$ 232,563**	**$ (62,245)**	$132,492	$131,514	$ (72,165)
Total:						
Senior mortgages	**$ 85,933**	**$ 85,780**	**$ (49,774)**	$126,754	$125,776	$ (69,627)
Corporate/Partnership loans	**157,146**	**146,783**	**(12,471)**	5,738	5,738	(2,538)
Subordinate mortgages	**10,862**	**10,846**	**–**	–	–	–
Total	**$ 253,941**	**$ 243,409**	**$ (62,245)**	$132,492	$131,514	$ (72,165)

Explanatory Note:

(1) All of the Company's non-accrual loans are considered impaired and included in the table above.

The Company's average recorded investment in impaired loans and interest income recognized, presented by class, were as follows ($ in thousands):

	For the Years Ended December 31,					
	2016		2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:						
Senior mortgages	**$ 3,661**	**$226**	$ –	$ –	$ 35,659	$1,922
Subordinate mortgages	**6,799**	**–**	–	–	–	–
Subtotal	**10,460**	**226**	–	–	35,659	1,922
With an allowance recorded:						
Senior mortgages	**118,921**	**–**	129,135	38	334,351	158
Corporate/Partnership loans	**66,101**	**–**	24,252	12	52,963	181
Subtotal	**185,022**	**–**	153,387	50	387,314	339
Total:						
Senior mortgages	**122,582**	**226**	129,135	38	370,010	2,080
Corporate/Partnership loans	**66,101**	**–**	24,252	12	52,963	181
Subordinate mortgages	**6,799**	**–**	–	–	–	–
Total	**$195,482**	**$226**	$153,387	$50	$422,973	$2,261

There was no interest income related to the resolution of non-performing loans recorded during the years ended December 31, 2016, 2015 and 2014.

Troubled Debt Restructurings – During the year ended December 31, 2015, the Company modified two senior loans that were determined to be troubled debt restructurings. The Company restructured one non-performing loan with a recorded investment of $5.8 million to grant a maturity extension of one year. The Company also modified one non-performing loan with a recorded investment of $11.6 million to grant a discounted payoff option and a maturity extension of one year. The Company's recorded investment in these loans was not impacted by the modifications.

During the year ended December 31, 2014, the Company restructured one non-performing senior loan that was determined to be a troubled debt restructuring with a recorded investment of $7.0 million to grant a maturity extension of one year and included conditional extension options. The Company's recorded investment in this loan was not impacted by the modification.

Generally when granting concessions, the Company will seek to protect its position by requiring incremental pay downs, additional collateral or guarantees and in some cases lookback features or equity kickers to offset concessions granted should conditions impacting the loan improve. The Company's determination of credit losses is impacted by troubled debt restructurings whereby loans that have gone through troubled debt restructurings are considered impaired, assessed for specific reserves, and are not included in the Company's assessment of general loan loss reserves. Loans previously restructured under troubled debt restructurings that subsequently default are reassessed to incorporate the Company's current assumptions on expected cash flows and additional provision expense is recorded to the extent necessary. As of December 31, 2016, there were no unfunded commitments associated with modified loans considered troubled debt restructurings.

Securities – Other lending investments – securities includes the following ($ in thousands):

	Face Value	Amortized Cost Basis	Net Unrealized Gain (Loss)	Estimated Fair Value	Net Carrying Value
As of December 31, 2016					
Available-for-Sale Securities					
Municipal debt securities	**$21,240**	**$21,240**	**$ 426**	**$21,666**	**$21,666**
Held-to-Maturity Securities					
Debt securities	**58,454**	**58,250**	**2,753**	**61,003**	**58,250**
Total	**$79,694**	**$79,490**	**$3,179**	**$82,669**	**$79,916**
As of December 31, 2015					
Available-for-Sale Securities					
Municipal debt securities	$ 1,010	$ 1,010	$ 151	$ 1,161	$ 1,161
Held-to-Maturity Securities					
Debt securities	54,549	61,128	71	61,199	61,128
Total	$55,559	$62,138	$ 222	$62,360	$62,289

As of December 31, 2016, the contractual maturities of the Company's securities were as follows ($ in thousands):

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Amortized Cost Basis	Estimated Fair Value	Amortized Cost Basis	Estimated Fair Value
Maturities				
Within one year	$ –	$ –	$ –	$ –
After one year through 5 years	58,250	61,003	–	–
After 5 years through 10 years	–	–	–	–
After 10 years	–	–	21,240	21,666
Total	$58,250	$61,003	$21,240	$21,666

Note 7 – Other Investments

The Company's other investments and its proportionate share of earnings (losses) from equity method investments were as follows ($ in thousands):

	Carrying Value As of December 31,		Equity in Earnings (Losses) For the Years Ended December 31,		
	2016	2015	2016	2015	2014
Real estate equity investments					
iStar Net Lease I LLC ("Net Lease Venture")	**$ 92,669**	$ 69,096	**$ 3,567**	$ 5,221	$ 1,915
Marina Palms, LLC ("Marina Palms")	**35,185**	30,099	**22,053**	23,626	14,671
Other real estate equity investments [1]	**53,202**	81,452	**41,822**	(5,280)	36,842
Subtotal	**181,056**	180,647	**67,442**	23,567	53,428
Other strategic investments [2][3]	**33,350**	73,525	**9,907**	8,586	41,477
Total	**$214,406**	$254,172	**$77,349**	$32,153	$94,905

Explanatory Notes:

(1) During the year ended December 31, 2016, a majority-owned consolidated subsidiary of the Company sold its interest in a real estate equity method investment for net proceeds of $39.8 million and recognized equity in earnings of $31.5 million, of which $10.1 million was attributable to the noncontrolling interest. In addition, the Company received a distribution from one of its real estate equity method investments and recognized equity in earnings during the year ended December 31, 2016 of $11.6 million. During the year ended December 31, 2014, the Company recognized $32.9 million of earnings from equity method investments resulting from asset sales by one of its equity method investees.

(2) During the year ended December 31, 2014, the Company recognized $23.4 million of earnings from equity method investments resulting from asset sales and a legal settlement by one of its equity method investees.

(3) In conjunction with the sale of the Company's interests in Oak Hill Advisors, L.P. in 2011, the Company retained a share of the carried interest related to various funds. During the years ended December 31, 2016, 2015 and 2014, the Company recognized $4.3 million, $2.2 million and $9.0 million, respectively, of carried interest income.

Net Lease Venture – In February 2014, the Company partnered with a sovereign wealth fund to form a new unconsolidated entity in which the Company has an equity interest of approximately 51.9%. This entity is not a VIE and the Company does not have controlling interest due to the substantive participating rights of its partner. The partners plan to contribute up to an aggregate $500 million of equity to acquire and develop net lease assets over time. The Company is responsible for sourcing new opportunities and managing the venture and its assets in exchange for a promote and management fee. Several of the Company's senior executives whose time is substantially devoted to the Net Lease Venture own a total of 0.6% equity ownership in the venture via co-investment. These senior executives are also entitled to an amount equal to 50% of any promote payment received based on the 47.5% partner's interest. During the year ended December 31, 2016, the Net Lease Venture acquired two office properties and the Company made contributions to the Net Lease Venture of $37.7 million. During the year ended December 31, 2014, the Company sold a net lease asset for net proceeds of $93.7 million, which approximated carrying value, to the Net Lease Venture. The Company also sold its 72% interest in a previously consolidated entity, which owns a net lease asset subject to a mortgage of $26.0 million, to the Net Lease Venture for net proceeds of $10.1 million, which approximated carrying value. During the same period, the Net Lease Venture purchased a portfolio of 58 net lease assets for a purchase price of $200.0 million from a third party. As of December 31, 2016 and 2015, the venture's carrying value of total assets was $511.3 million and $400.2 million, respectively. During the years ended December 31, 2016, 2015 and 2014, the Company recorded $1.6 million, $1.5 million and $1.3 million, respectively, of management fees from the Net Lease Venture. The management fees are included in "Other income" in the Company's consolidated statements of operations. In November 2016, the Net Lease Venture placed five year non-recourse financing of $29.0 million on one of its net lease assets. Net proceeds from the financing were distributed to the members of which the Company received $13.2 million. In June 2015, the Net Lease Venture placed ten year non-recourse financing of $120.0 million on one of its net lease assets. Net proceeds from the financing were distributed to its members of which the Company received approximately $61.2 million.

Marina Palms – As of December 31, 2016, the Company owned a 47.5% equity interest in Marina Palms, a 468 unit, two tower residential condominium development in North Miami Beach, Florida. The 234 unit north tower has one unit remaining for sale as of December 31, 2016. The 234 unit south tower is 83% pre-sold (based on unit count) as of December 31, 2016. This entity is not a VIE and the Company does not have controlling interest due to shared control of the entity with its partner. As of December 31, 2016 and 2015, the venture's carrying value of total assets was $201.8 million and $278.5 million, respectively.

Other real estate equity investments – As of December 31, 2016, the Company's other real estate equity investments included equity interests in real estate ventures ranging from 20% to 85%, comprised of investments of $3.6 million in operating properties and $49.6 million in land assets. As of December 31, 2015, the Company's other real estate equity investments included $11.1 million in operating properties and $70.4 million in land assets.

In December 2016, the Company sold a land and development asset for $36.0 million to a newly formed unconsolidated entity in which the Company owns a 50.0% equity interest (refer to Note 5). The Company recognized a gain of $8.8 million, reflecting the Company's share of the interest sold to a third party, which was recorded as "Income from sales of real estate" in the Company's consolidated statements of operations. The Company and its partner both made $7.0 million contributions to the venture and the Company provided financing to the entity in the form of a $27.0 million senior loan, of which $23.0 million was funded as of December 31, 2016. The Company received $17.6 million of net proceeds from the sale of the asset. This entity is a VIE and the Company does not have a controlling interest due to shared control of the entity with its partner.

During the year ended December 31, 2015, the Company sold a commercial operating property for $68.5 million to a newly formed unconsolidated entity in which the Company owns a 50.0% equity interest (refer to Note 4). The Company recognized a gain on sale of $13.6 million, reflecting the Company's share of the interest sold to a third party, which was recorded as "Income from sales of real estate" in the Company's consolidated statements of operations. The venture placed financing on the property and proceeds from the financing were distributed to its members. Net proceeds received by the Company were $55.4 million, which was net of the Company's $13.6 million non-cash equity contribution to the venture and inclusive of a $21.0 million distribution from the financing proceeds. This entity is not a VIE and the Company does not have a controlling interest due to shared control of the entity with its partner.

During the year ended December 31, 2014, the Company contributed land to a newly formed unconsolidated entity in which the Company received an initial equity interest of 85.7%. As of December 31, 2016, this entity is not a VIE and the Company does not have a controlling interest due to shared control of the entity with the partner. Additionally, the Company committed to provide $45.7 million of mezzanine financing to the entity. As of December 31, 2015, the loan balance was $33.7 million and is included in "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets. In September 2016, the entity secured non-recourse financing from a third-party lender, paid off in full the mezzanine loan from the Company and distributed the excess proceeds from the financing to the partners. The Company received a distribution in excess of its carrying value and recorded equity in earnings of $11.6 million. The Company has no further obligation nor intention to fund the venture in the future. Subsequent to the distribution of the financing proceeds, the operating agreement of the entity was amended and the Company retained a 50% interest in the entity. During the years ended December 31, 2016, 2015 and 2014, the Company recorded $3.6 million, $3.9 million and $0.6 million of interest income, respectively. As of December 31, 2016 and 2015, the Company had a recorded equity interest of zero and $6.3 million, respectively.

During the year ended December 31, 2014, the Company and a consortium of co-lenders formed a new unconsolidated entity, in which the Company received an initial 15.7% equity interest, which acquired, via foreclosure sale, title to a land asset which previously served as collateral for a loan receivable held by the consortium. This entity is not a VIE and the Company does not have controlling interest in the entity as the Company's voting rights are based on its ownership percentage in the entity. During the year ended December 31, 2014, as a result of the transaction, the Company recorded an additional provision of $2.8 million in "Provision for (recovery of) loan losses" in its consolidated statements of operations. In 2016, the Company purchased the units of another member in the entity for $1.9 million that increased its equity interest to 20.1%. Also during 2016, the Company recorded a $3.6 million impairment in equity in earnings due to a reduction in the estimated fair value of the underlying property. As of December 31, 2016 and 2015, the Company had a recorded equity interest of $26.4 million and $24.0 million, respectively.

Other strategic investments – As of December 31, 2016, the Company also had smaller investments in real estate related funds and other strategic investments in several other entities that were accounted for under the equity method or cost method. As of December 31, 2016 and 2015, the carrying value of the Company's cost method investments was $1.4 million and $1.5 million, respectively. During the year ended December 31, 2015, the Company sold available-for-sale securities for proceeds of $7.4 million for gains of $2.6 million, which are included in "Other income" in the Company's consolidated statements of operations. The amount reclassified out of accumulated other comprehensive income into earnings was determined based on the specific identification method.

Summarized investee financial information – The following tables present the investee level summarized financial information of the Company's equity method investments ($ in thousands):

As of December 31,	2016	2015
Balance Sheets		
Total assets	**$2,803,411**	$3,597,587
Total liabilities	**683,079**	768,622
Noncontrolling interests	**23,544**	19,208
Total equity	**2,096,788**	2,809,757

For the Years Ended December 31,	2016	2015	2014
Income Statements			
Revenues	**$ 272,281**	$ 481,224	$ 626,039
Expenses	**(227,720)**	(245,968)	(185,603)
Net income attributable to parent entities	**42,209**	234,529	440,210

Note 8 – Other Assets and Other Liabilities

Deferred expenses and other assets, net, consist of the following items ($ in thousands):

As of December 31,	2016	2015
Intangible assets, net[1]	**$ 63,098**	$ 71,446
Other receivables[2]	**52,820**	22,557
Other assets	**39,591**	36,999
Restricted cash	**25,883**	26,657
Leasing costs, net[3]	**12,566**	19,393
Corporate furniture, fixtures and equipment, net[4]	**5,691**	4,405
Deferred expenses and other assets, net	**$199,649**	$181,457

Explanatory Notes:

(1) Intangible assets, net includes above market and in-place lease assets related to the acquisition of real estate assets. This balance also includes a lease incentive asset of $32.8 million (refer to Note 4). Accumulated amortization on intangible assets, net was $32.6 million and $37.3 million as of December 31, 2016 and 2015, respectively. The amortization of above market leases and lease incentive assets decreased operating lease income in the Company's consolidated statements of operations by $4.1 million, $6.7 million and $8.6 million for the years ended December 31, 2016, 2015, and 2014, respectively. These intangible lease assets are amortized over the term of the lease. The amortization expense for in-place leases was $1.9 million, $3.6 million and $6.7 million for the years ended December 31, 2016, 2015, and 2014, respectively. These amounts are included in "Depreciation and amortization" in the Company's consolidated statements of operations.

(2) As of December 31, 2016 and 2015, includes $26.0 million and $11.3 million, respectively, of receivables related to the construction and development of an amphitheater (refer to Note 5).

(3) Accumulated amortization of leasing costs was $6.7 million and $9.8 million as of December 31, 2016 and 2015, respectively.

(4) Accumulated depreciation on corporate furniture, fixtures and equipment was $9.0 million and $8.1 million as of December 31, 2016 and 2015, respectively.

Accounts payable, accrued expenses and other liabilities consist of the following items ($ in thousands):

As of December 31,	2016	2015
Other liabilities[1]	**$ 75,993**	$ 80,332
Accrued expenses[2]	**72,693**	68,937
Accrued interest payable	**54,033**	55,081
Intangible liabilities, net[3]	**8,851**	10,485
Accounts payable, accrued expenses and other liabilities	**$211,570**	$214,835

Explanatory Notes:

(1) As of December 31, 2016 and 2015, "Other liabilities" includes $24.0 million and $14.5 million, respectively, related to profit sharing arrangements with developers for certain properties sold. As of December 31, 2016 and 2015, includes $1.2 million and $4.4 million, respectively, associated with "Real estate available and held for sale" on the Company's consolidated balance sheets. As of December 31, 2016 and 2015, "Other liabilities" also includes $8.5 million and $6.6 million, respectively related to tax increment financing bonds which were issued by government entities to fund development within two of the Company's land projects. The amount represents tax assessments associated with each project, which will decrease as the Company sells units.

(2) As of December 31, 2016 and 2015, accrued expenses includes $1.7 million and $5.3 million, respectively, associated with "Real estate available and held for sale" on the Company's consolidated balance sheets.

(3) Intangible liabilities, net includes below market lease liabilities related to the acquisition of real estate assets. Accumulated amortization on below market leases was $6.4 million and $6.6 million as of December 31, 2016 and 2015, respectively. The amortization of below market leases increased operating lease income in the Company's consolidated statements of operations by $1.1 million, $1.5 million and $2.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Intangible assets – The estimated expense from the amortization of lease incentives and in-place leases for each of the five succeeding fiscal years is as follows ($ in thousands):

Year	Amount
2017	$2,484
2018	2,135
2019	2,097
2020	2,068
2021	2,022

Note 9 – Loan Participations Payable, net

The Company's loan participations payable, net were as follows ($ in thousands):

	Carrying Value as of	
	December 31, 2016	December 31, 2015
Loan participations payable[1]	**$160,251**	$153,000
Debt discounts and deferred financing costs, net	**(930)**	(914)
Total loan participations payable, net	**$159,321**	$152,086

Explanatory Note:

(1) As of December 31, 2016, the Company had three loan participations payable with a weighted average interest rate of 4.8%. As of December 31, 2015, the Company had two loan participations payable with a weighted average interest rate of 4.6%.

Loan participations represent transfers of financial assets that did not meet the sales criteria established under ASC Topic 860 and are accounted for as loan participations payable, net as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, the corresponding loan receivable balances were $159.1 million and $153.0 million, respectively, and are included in "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets. The principal and interest due on these loan participations payable are paid from cash flows of the corresponding loans receivable, which serve as collateral for the participations.

Note 10 – Debt Obligations, net

As of December 31, 2016 and 2015, the Company's debt obligations were as follows ($ in thousands):

	Carrying Value as of December 31,			
	2016	2015	Stated Interest Rates	Scheduled Maturity Date
Secured credit facilities and mortgages:				
2015 $250 Million Secured Revolving Credit Facility	**$ –**	$ 250,000	LIBOR + 2.75%(1)	March 2018
2016 Senior Secured Credit Facility	**498,648**	–	LIBOR + 4.50%(2)	July 2020
Mortgages collateralized by net lease assets	**249,987**	239,547	3.875%–7.26%(3)	Various through 2032
2012 Tranche A-2 Facility	**–**	339,717	LIBOR + 5.75%(4)	–
Total secured credit facilities and mortgages	**748,635**	829,264		
Unsecured notes:				
5.875% senior notes	**–**	261,403	5.875%	–
3.875% senior notes	**–**	265,000	3.875%	–
3.00% senior convertible notes(5)	**–**	200,000	3.00%	–
1.50% senior convertible notes(6)	**–**	200,000	1.50%	–
5.85% senior notes	**99,722**	99,722	5.85%	March 2017
9.00% senior notes	**275,000**	275,000	9.00%	June 2017
4.00% senior notes(7)	**550,000**	550,000	4.00%	November 2017
7.125% senior notes	**300,000**	300,000	7.125%	February 2018
4.875% senior notes(8)	**300,000**	300,000	4.875%	July 2018
5.00% senior notes(9)	**770,000**	770,000	5.00%	July 2019
6.50% senior notes(10)	**275,000**	–	6.50%	July 2021
Total unsecured notes	**2,569,722**	3,221,125		
Other debt obligations:				
Trust preferred securities	**100,000**	100,000	LIBOR + 1.50%	October 2035
Total debt obligations	**3,418,357**	4,150,389		
Debt discounts and deferred financing costs, net	**(28,449)**	(31,566)		
Total debt obligations, net(11)	**$3,389,908**	$4,118,823		

Explanatory Notes:

(1) The loan bears interest at the Company's election of either (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.5% or (c) LIBOR plus 1.0% and subject to a margin ranging from 1.25% to 1.75%, or (ii) LIBOR subject to a margin ranging from 2.25% to 2.75%. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through March 2019.

(2) The loan bears interest at the Company's election of either (i) a base rate, which is the greater of (a) prime, (b) federal funds plus 0.5% or (c) LIBOR plus 1.0% and subject to a margin of 3.5% or (ii) LIBOR subject to a margin of 4.5% with a minimum LIBOR rate of 1.0%.

(3) As of December 31, 2016 and 2015, includes a loan with a floating rate of LIBOR plus 2.00%. As of December 31, 2016, the weighted average interest rate of these loans is 5.1%.

(4) The loan had a LIBOR floor of 1.25%.

(5) The Company's 3.00% senior convertible fixed rate notes due November 2016 ("3.00% Convertible Notes") were convertible at the option of the holders, into 85.0 shares per $1,000 principal amount of 3.00% Convertible Notes, at $11.77 per share at any time prior to the close of business on November 14, 2016. $9.6 million principal amount of the 3.00% Convertible Notes were converted into 0.8 million shares of common stock.

(6) The Company's 1.50% senior convertible fixed rate notes due November 2016 ("1.50% Convertible Notes") were convertible at the option of the holders, into 57.8 shares per $1,000 principal amount of 1.50% Convertible Notes, at $17.29 per share at any time prior to the close of business on November 14, 2016. None of the 1.50% Convertible Notes were converted into shares of common stock.

(7) The Company can prepay these senior notes without penalty beginning August 1, 2017.

(8) The Company can prepay these senior notes without penalty beginning January 1, 2018.

(9) The Company can prepay these senior notes without penalty beginning July 1, 2018.

(10) The Company can prepay these senior notes without penalty beginning July 1, 2020.

(11) The Company capitalized interest relating to development activities of $5.8 million, $5.3 million and $4.9 million for the years ended December 31, 2016 2015 and 2014, respectively.

Future Scheduled Maturities – As of December 31, 2016, future scheduled maturities of outstanding debt obligations are as follows ($ in thousands):

	Unsecured Debt	Secured Debt	Total
2017[1]	$ 924,722	$ –	$ 924,722
2018	600,000	11,196	611,196
2019	770,000	29,191	799,191
2020	–	498,648	498,648
2021	275,000	119,860	394,860
Thereafter	100,000	89,740	189,740
Total principal maturities	2,669,722	748,635	3,418,357
Unamortized discounts and deferred financing costs, net	(18,426)	(10,023)	(28,449)
Total debt obligations, net	$2,651,296	$738,612	$3,389,908

Explanatory Note:

(1) The Company has $924.7 million of debt obligations maturing in three separate tranches during 2017, and $311.2 million of other debt obligations maturing before the end of February 2018, as listed in the debt obligations table above. The Company's plans to satisfy these obligations primarily consist of accessing the debt and/or equity markets to obtain capital to satisfy the maturing obligations. In addition, management intends to execute on its business strategy of disposing of assets and selling interests in business lines as well as collecting loan repayments from borrowers to further generate available liquidity. Should these sources of capital not be sufficiently available, the Company will slow its pace of making new investments and will need to identify alternative sources of capital. As of February 23, 2017, the Company had approximately $710.7 million of cash and available capacity under existing borrowing arrangements.

2016 Senior Secured Credit Facility – In June 2016, the Company entered into a senior secured credit facility of $450.0 million (the "2016 Senior Secured Credit Facility"). In August 2016, the Company upsized the facility to $500.0 million. The initial $450.0 million of the 2016 Senior Secured Credit Facility was issued at 99% of par and the upsize was issued at par. The 2016 Senior Secured Credit Facility bears interest at a floating rate of LIBOR plus 4.50% with a 1.00% LIBOR floor. Subsequent to December 31, 2016, the Company repriced the 2016 Senior Secured Credit Facility to LIBOR plus 3.75% with a 1.00% LIBOR floor. The 2016 Senior Secured Credit Facility is collateralized 1.25x by a first lien on a fixed pool of assets. Proceeds from principal repayments and sales of collateral are applied to amortize the 2016 Senior Secured Credit Facility. Proceeds received for interest, rent, lease payments and fee income are retained by the Company. The Company may also make optional prepayments, subject to prepayment fees, and is required to repay 0.25% of the principal amount outstanding on the first business day of each quarter beginning on October 3, 2016. Proceeds from the 2016 Senior Secured Credit Facility, together with cash on hand, were primarily used to repay in full the remaining $323.2 million 2012 Secured Tranche A-2 Facility and repay the $245.0 million balance outstanding on the 2015 Secured Revolving Credit Facility (as defined below).

In connection with the 2016 Senior Secured Credit Facility, the Company incurred $4.5 million of lender fees, substantially all of which was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets. The Company also incurred $6.2 million in third party fees, of which $4.3 million was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets, as it related to new lenders, and $1.9 million was recognized in "Other expense" in the Company's consolidated statements of operations as it related primarily to those lenders from the original facility that modified their debt under the new facility.

2016 Secured Term Loan – In December 2016, the Company arranged a $170.0 million delayed draw secured term loan (the "2016 Secured Term Loan"). The 2016 Secured Term Loan bears interest at a rate of LIBOR + 1.50%. As of December 31, 2016, the Company had not yet drawn on the 2016 Secured Term Loan.

2015 Secured Revolving Credit Facility – In March 2015, the Company entered into a secured revolving credit facility with a maximum capacity of $250.0 million (the "2015 Secured Revolving Credit Facility"). Borrowings under this credit facility bear interest at a floating rate indexed to one of several base rates plus a margin which adjusts upward or downward based upon the Company's corporate credit rating. An undrawn credit facility commitment fee ranges from 0.375% to 0.5%, based on average utilization each quarter. During the year ended December 31, 2016, the weighted average cost of the credit facility was 3.19%. Commitments under the revolving facility mature in March 2018. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through March 2019. As of December 31, 2016, the Company had $250.0 million of borrowing capacity available under the 2015 Secured Revolving Credit Facility.

2012 Secured Credit Facilities – In March 2012, the Company entered into an $880.0 million senior secured credit agreement providing for two tranches of term loans: a $410.0 million 2012 A-1 tranche due March 2016, which accrued interest at a rate of LIBOR + 4.00% (the "2012 Secured Tranche A-1 Facility"), and a $470.0 million 2012 A-2 tranche due March 2017, which accrued interest at a rate of LIBOR + 5.75% (the "2012 Secured Tranche A-2 Facility," together the "2012 Secured Credit Facilities"). The 2012 A-1 and A-2 tranches were issued at 98.0% of par and 98.5% of par, respectively, and both tranches included a LIBOR floor of 1.25%.

The 2012 Secured Tranche A-1 Facility was fully repaid in August 2013. In June 2016, proceeds from the 2016 Senior Secured Credit Facility were used to repay in full the remaining 2012 Secured Tranche A-2 Facility. During the years ended December 31, 2016, 2015 and 2014, repayments of the 2012 Secured Tranche A-2 Facility prior to maturity resulted in losses on early extinguishment of debt of $1.2 million, $0.3 million and $1.5 million, respectively, related to the accelerated amortization of discounts and unamortized deferred financing fees on the portion of the facility that was repaid. These amounts are included in "Loss on early extinguishment of debt, net" in the Company's consolidated statements of operations.

Unsecured Notes – In March 2016, the Company repaid its $261.4 million principal amount of 5.875% senior unsecured notes at maturity using available cash. In addition, the Company issued $275.0 million principal amount of 6.50% senior unsecured notes due July 2021. Proceeds from the offering were primarily used to repay in full the $265.0 million principal amount of senior unsecured notes due July 2016 and repay $5.0 million of the 2015 Secured Revolving Credit Facility. In addition, the Company retired its $200.0 million principal amount of 3.0% senior unsecured convertible notes due November 2016 with available cash after the conversion of $9.6 million principal amount into 0.8 million shares of the Company's common stock. The Company also repurchased and retired its $200.0 million principal amount of 1.50% senior unsecured convertible notes due November 2016 using available cash. During the year ended December 31, 2016, repayments of unsecured notes prior to maturity resulted in losses on early extinguishment of debt of $0.4 million. This amount is included in "Loss on early extinguishment of debt, net" in the Company's consolidated statements of operations.

Encumbered/Unencumbered Assets – As of December 31, 2016 and 2015, the carrying value of the Company's encumbered and unencumbered assets by asset type are as follows ($ in thousands):

	As of December 31,			
	2016		2015	
	Encumbered Assets	Unencumbered Assets	Encumbered Assets	Unencumbered Assets
Real estate, net	**$ 881,212**	**$ 610,540**	$ 816,721	$ 777,262
Real estate available and held for sale	**–**	**83,764**	10,593	126,681
Land and development, net	**35,165**	**910,400**	17,714	984,249
Loans receivable and other lending investments, net(1)(2)	**172,581**	**1,142,050**	170,162	1,314,823
Other investments	**–**	**214,406**	22,352	231,820
Cash and other assets	**–**	**639,588**	–	1,008,415
Total	**$1,088,958**	**$3,600,748**	$1,037,542	$4,443,250

Explanatory Notes:

(1) As of December 31, 2016 and 2015, the amounts presented exclude general reserves for loan losses of $23.3 million and $36.0 million, respectively.

(2) As of December 31, 2016 and 2015, the amounts presented exclude loan participations of $159.1 million and $153.0 million, respectively.

Debt Covenants

The Company's outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness of at least 1.2x and a covenant not to incur additional indebtedness (except for incurrences of permitted debt), if on a pro forma basis, the Company's consolidated fixed charge coverage ratio, determined in accordance with the indentures governing the Company's debt securities, is 1.5x or lower. If any of the Company's covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of its debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. If the Company's ability to incur additional indebtedness under the fixed charge coverage ratio is limited, the Company is permitted to incur indebtedness for the purpose of refinancing existing indebtedness and for other permitted purposes under the indentures.

The Company's 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, dividend payments, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. In particular, the 2016 Senior Secured Credit Facility requires the Company to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The 2015 Secured Revolving Credit Facility is secured by a borrowing base of assets and requires the Company to maintain both collateral coverage of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The 2015 Secured Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the collateral coverage remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, the Company has the option to pay down outstanding borrowings or substitute assets in the borrowing base. In addition, for so long as the Company maintains its qualification as a REIT, the 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility permit the Company to distribute 100% of its REIT taxable income on an annual basis (prior to deducting certain cumulative net operating loss ("NOL") carryforwards). The Company may not pay common dividends if it ceases to qualify as a REIT.

The Company's 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility contain cross default provisions that would allow the lenders to declare an event of default and accelerate the Company's indebtedness to them if the Company fails to pay amounts due in respect of its other recourse indebtedness in excess of specified thresholds or if the lenders under such other indebtedness are otherwise permitted to accelerate such indebtedness for any reason. The indentures governing the Company's unsecured public debt securities permit the bondholders to declare an event of default and accelerate the Company's indebtedness to them if the Company's other recourse indebtedness in excess of specified thresholds is not paid at final maturity or if such indebtedness is accelerated.

Note 11 – Commitments and Contingencies

Unfunded Commitments – The Company generally funds construction and development loans and build-outs of space in real estate assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. The Company refers to these arrangements as Performance-Based Commitments. In addition, the Company sometimes establishes a maximum amount of additional funding which it will make available to a borrower or tenant for an expansion or addition to a project if it approves of the expansion or addition in its sole discretion. The Company refers to these arrangements as Discretionary Fundings. Finally, the Company has committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

As of December 31, 2016, the maximum amount of fundings the Company may be required to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments, that it approves all Discretionary Fundings and that 100% of its capital committed to Strategic Investments is drawn down, are as follows ($ in thousands):

	Loans and Other Lending Investments[1]	Real Estate	Other Investments	Total
Performance-Based Commitments	$366,287	$14,616	$25,574	$406,477
Strategic Investments	–	–	45,540	45,540
Total[2]	$366,287	$14,616	$71,114	$452,017

Explanatory Notes:

(1) Excludes $158.7 million of commitments on loan participations sold that are not the obligation of the Company.

(2) The Company did not have any Discretionary Fundings as of December 31, 2016.

Other Commitments – Total operating lease expense for the years ended December 31, 2016, 2015 and 2014 was $5.9 million, $6.0 million and $5.8 million, respectively. Future minimum lease obligations under non-cancelable operating leases are as follows ($ in thousands):

2017	$5,463
2018	4,552
2019	3,692
2020	3,696
2021	1,439
Thereafter	3,752

Legal Proceedings – The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company's business as a finance and investment company focused on the commercial real estate industry, including loan foreclosure and foreclosure-related proceedings. In addition to such matters, the Company is a party to the following legal proceedings:

Shareholder Action

On March 7, 2014, a shareholder action purporting to assert derivative, class and individual claims was filed in the Circuit Court for Baltimore City, Maryland naming the Company, a number of our current and former senior executives (including our chief executive officer) and current and former directors as defendants. The complaint sought unspecified damages and other relief and alleged breach of fiduciary duty, breach of contract and other causes of action arising out of shares of our common stock issued by the Company to our senior executives pursuant to restricted stock unit awards granted in December 2008 and modified in July 2011. On October 30, 2014, the Circuit Court granted the Company's motion to dismiss all of plaintiffs' claims in this action. Plaintiffs appealed the dismissal of their claims and, on January 28, 2016, the Maryland Court of Special Appeals affirmed the order of the Circuit Court. Plaintiffs filed a petition for certiorari with the Maryland Court of Appeals, which agreed to hear the appeal. On January 20, 2017, the Maryland Court of Appeals (Maryland's highest court) issued its opinion affirming the dismissal of all of plaintiffs' claims against the Company and the other defendants.

U.S. Home Corporation ("Lennar") v. Settlers Crossing, LLC, et al. (Civil Action No. DKC 08-1863)

On January 22, 2015, the United States District Court for the District of Maryland (the "Court") entered a judgment in favor of the Company in the matter of Lennar v. Settlers Crossing, LLC, et al. (Civil Action No. DKC 08-1863). The litigation involved a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George's County, Maryland. The Court found that the Company is entitled to specific performance and awarded damages to it in the aggregate amount of: (i) the remaining purchase price to be paid by Lennar of $114.0 million; plus (ii) interest on the unpaid amount at a rate of 12% per annum, calculated on a per diem basis, from May 27, 2008, until Lennar proceeds to settlement on the land; plus (iii) real estate taxes paid by the Company; plus (iv) actual and reasonable attorneys' fees and costs incurred by the Company in connection with the litigation. Lennar appealed the Court's judgment and has posted an appeal bond. The Court granted Lennar's motion to stay the judgment pending appeal and also clarified the judgment that the unpaid amount will accrue simple interest at a rate of 12% annually, including while the appeal is pending. In the pending appeal before the United States Court of Appeals for the Fourth Circuit, oral argument is scheduled to be held on March 23, 2017. There can be no assurance as to the timing or actual receipt by the Company of amounts awarded by the Court or the outcome of the appeal. A third party purchased a participation interest in the Company's original loan and as of December 31, 2016 holds a 4.3% participation interest in all proceeds.

On a quarterly basis, the Company evaluates developments in legal proceedings that could require a liability to be accrued and/or disclosed. Based on its current knowledge, and after consultation with legal counsel, the Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material adverse effect on the Company's consolidated financial statements.

Note 12 – Risk Management and Derivatives

Risk management

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different points in time and potentially at different bases, than its interest-earning assets. Credit risk is the risk of default on the Company's lending investments or leases that result from a borrower's or tenant's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of loans and other lending investments due to changes in interest rates or other market factors, including the rate of prepayments of principal and the value of the collateral underlying loans, the valuation of real estate assets by the Company as well as changes in foreign currency exchange rates.

Risk concentrations – Concentrations of credit risks arise when a number of borrowers or tenants related to the Company's investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions.

Substantially all of the Company's real estate as well as assets collateralizing its loans receivable are located in the United States. As of December 31, 2016, the only states with a concentration greater than 10.0% were New York with 19.0% and California with 13.0%. As of December 31, 2016, the Company's portfolio contains concentrations in the following asset types: land 22.4%, office/industrial 22.9%, hotel 12.5%, entertainment/leisure 10.6%, condominium 10.0% and mixed use/mixed collateral 10.0%.

The Company underwrites the credit of prospective borrowers and tenants and often requires them to provide some form of credit support such as corporate guarantees, letters of credit and/or cash security deposits. Although the Company's loans and real estate assets are geographically diverse and the borrowers and tenants operate in a variety of industries, to the extent the Company has a significant concentration of interest or operating lease revenues from any single borrower or tenant, the inability of that borrower or tenant to make its payment could have a material adverse effect on the Company. As of December 31, 2016, the Company's five largest borrowers or tenants collectively accounted for approximately 18.4% of the Company's 2016 revenues, of which no single customer accounts for more than 5.9%.

Derivatives

The Company's use of derivative financial instruments is primarily limited to the utilization of interest rate swaps, interest rate caps and foreign exchange contracts. The principal objective of such financial instruments is to minimize the risks and/or costs associated with the Company's operating and financial structure and to manage its exposure to interest rates and foreign exchange rates. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements, foreign exchange rate movements, and other identified risks, but may not meet the strict hedge accounting requirements.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2016 and 2015 ($ in thousands):

	Derivative Assets as of December 31,				Derivative Liabilities as of December 31,			
	2016		2015		2016		2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated in Hedging Relationships								
Foreign exchange contracts	**Other Assets**	**$ –**	Other Assets	$ 39	**Other Liabilities**	**$ 8**	N/A	$ –
Interest rate swaps	**N/A**	**–**	N/A	–	**Other Liabilities**	**39**	Other Liabilities	131
Total		**$ –**		$ 39		**$47**		$131
Derivatives not Designated in Hedging Relationships								
Foreign exchange contracts	**Other Assets**	**$702**	Other Assets	$ 378	**N/A**	**$ –**	N/A	$ –
Interest rate cap	**Other Assets**	**25**	Other Assets	1,105	**N/A**	**–**	N/A	–
Total		**$727**		$1,483		**$ –**		$ –

The tables below present the effect of the Company's derivative financial instruments in the consolidated statements of operations and the consolidated statements of comprehensive income (loss) for the years ended December 31, 2016, 2015 and 2014 ($ in thousands):

Derivatives Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings (Ineffective Portion)
For the Year Ended December 31, 2016				
Interest rate cap	Interest Expense	**$ –**	**$ (185)**	**N/A**
Interest rate cap	Earnings from equity investments	**(4)**	**(3)**	**N/A**
Interest rate swaps	Interest Expense	**(175)**	**(32)**	**N/A**
Interest rate swaps	Earnings from equity investments	**94**	**(378)**	**N/A**
Foreign exchange contracts	Earnings from equity investments	**(167)**	**–**	**N/A**
For the Year Ended December 31, 2015				
Interest rate cap	Interest Expense	–	(626)	N/A
Interest rate cap	Earnings from equity investments	(13)	(1)	N/A
Interest rate swaps	Interest Expense	(537)	170	N/A
Interest rate swap	Earnings from equity method investments	(528)	(464)	N/A
Foreign exchange contracts	Earnings from equity method investments	(124)	–	N/A
For the Year Ended December 31, 2014				
Interest rate cap	Interest Expense	–	(56)	N/A
Interest rate cap	Other Expense	(2,984)	–	(3,634)
Interest rate cap	Earnings from equity method investments	(9)	–	N/A
Interest rate swaps	Interest Expense	(970)	(6)	N/A
Interest rate swap	Earnings from equity method investments	(753)	(420)	N/A
Foreign exchange contracts	Earnings from equity method investments	(471)	–	N/A

Derivatives not Designated in Hedging Relationships	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income For the Years Ended December 31,		
		2016	2015	2014
Interest rate cap	Other Expense	**$(1,080)**	$(3,671)	$(1,347)
Foreign exchange contracts	Other Expense	**1,115**	2,403	7,257

Foreign Exchange Contracts – The Company is exposed to fluctuations in foreign exchange rates on investments it holds in foreign entities. The Company uses foreign exchange contracts to hedge its exposure to changes in foreign exchange rates on its foreign investments. Foreign exchange contracts involve fixing the U.S. dollar ("USD") to the respective foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The foreign exchange contracts are typically cash settled in USD for their fair value at or close to their settlement date.

For derivatives designated as net investment hedges, the effective portion of changes in the fair value of the derivatives are reported in Accumulated Other Comprehensive Income as part of the cumulative translation adjustment. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts are reclassified out of Accumulated Other Comprehensive Income into earnings when the hedged foreign entity is either sold or substantially liquidated. As of December 31, 2016, the Company had the following outstanding foreign currency derivatives that were used to hedge its net investments in foreign operations that were designated (Rs and $ in thousands):

Derivative Type	Notional Amount	Notional (USD Equivalent)	Maturity
Sells Indian rupee ("INR")/Buys USD Forward	Rs350,000	$5,089	April 2017

For derivatives not designated as net investment hedges, the changes in the fair value of the derivatives are reported in the Company's consolidated statements of operations within "Other Expense." As of December 31, 2016, the Company had the following outstanding foreign currency derivatives that were used to hedge its net investments in foreign operations that were not designated ($, €, and £ in thousands):

Derivative Type	Notional Amount	Notional (USD Equivalent)	Maturity
Sells euro ("EUR")/Buys USD Forward	€6,300	$7,095	January 2017
Sells pound sterling ("GBP")/Buys USD Forward	£3,400	$4,427	January 2017

The Company marks its foreign investments each quarter based on current exchange rates and records the gain or loss through "Other expense" in its consolidated statements of operations for loan investments or "Accumulated other comprehensive income (loss)," on its consolidated balance sheets for net investments in foreign subsidiaries. The Company recorded net gains (losses) related to foreign investments of $0.1 million, $(0.1) million and $0.1 million during the years ended December 31, 2016, 2015 and 2014, respectively, in its consolidated statements of operations.

Interest Rate Hedges – For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivatives are reported in Accumulated Other Comprehensive Income (Loss). The ineffective portion of the change in fair value of the derivatives is recognized directly in the Company's consolidated statements of operations. The Company entered into an interest rate swap to convert its variable rate debt to fixed rate on a $28.0 million secured term loan maturing in 2019. As of December 31, 2016, the Company had the following outstanding interest rate swap that was used to hedge its variable rate debt that was designated as a cash flow hedge ($ in thousands):

Derivative Type	Notional Amount	Variable Rate	Fixed Rate	Effective Date	Maturity
Interest rate swap	$26,396	LIBOR + 2.00%	3.47%	October 2012	November 2019

For derivatives not designated as cash flow hedges, the changes in the fair value of the derivatives are reported in the Company's consolidated statements of operations within "Other Expense." In August 2013, the Company entered into an interest rate cap agreement to reduce exposure to expected increases in future interest rates and the resulting payments associated with variable interest rate debt. In 2014, in connection with the full repayment and termination of one of the Company's credit facilities, the Company realized amounts in earnings from other comprehensive income (loss) as a portion of a hedge related to the Company's variable rate debt was no longer expected to be highly effective. The amount realized was a loss of $3.6 million recorded as a component of "Other expense" in the Company's consolidated statements of operations for the year ended December 31, 2014. As of December 31, 2016, the Company had the following outstanding interest rate cap that was used to hedge its variable rate debt that was not designated as a cash flow hedge ($ in thousands):

Derivative Type	Notional Amount	Variable Rate	Fixed Rate	Effective Date	Maturity
Interest rate cap	$500,000	LIBOR	1.00%	July 2014	July 2017

Over the next 12 months, the Company expects that $0.5 million relating to other cash flow hedges will be reclassified from "Accumulated other comprehensive income (loss)" into earnings.

Credit Risk-Related Contingent Features – The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

The Company reports derivative instruments on a gross basis in the consolidated financial statements. In connection with its foreign currency derivatives which were in a liability position as of December 31, 2016 and 2015, the Company has posted collateral of $0.4 million and $1.0 million, respectively, and is included in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets. The Company's net exposure under these contracts was zero as of December 31, 2016.

Note 13 – Equity

Preferred Stock – The Company had the following series of Cumulative Redeemable and Convertible Perpetual Preferred Stock outstanding as of December 31, 2016 and 2015:

			Cumulative Preferential Cash Dividends[1][2]		
Series	Shares Issued and Outstanding (in thousands)	Par Value	Liquidation Preference[3][4]	Rate per Annum	Equivalent to Fixed Annual Rate (per share)
D	4,000	$0.001	$25.00	8.00%	$2.00
E	5,600	0.001	25.00	7.875%	1.97
F	4,000	0.001	25.00	7.80%	1.95
G	3,200	0.001	25.00	7.65%	1.91
I	5,000	0.001	25.00	7.50%	1.88
J (convertible)	4,000	0.001	50.00	4.50%	2.25
	25,800				

Explanatory Notes:

(1) Holders of shares of the Series D, E, F, G, I and J preferred stock are entitled to receive dividends, when and as declared by the Company's Board of Directors, out of funds legally available for the payment of dividends. Dividends are cumulative from the date of original issue and are payable quarterly in arrears on or before the 15th day of each March, June, September and December or, if not a business day, the next succeeding business day. Any dividend payable on the preferred stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as of the close of business on the first day of the calendar month in which the applicable dividend payment date falls or on another date designated by the Company's Board of Directors for the payment of dividends that is not more than 30 nor less than 10 days prior to the dividend payment date.

(2) The Company declared and paid dividends of $8.0 million, $11.0 million, $7.8 million, $6.1 million and $9.4 million on its Series D, E, F, G and I Cumulative Redeemable Preferred Stock during the years ended December 31, 2016 and 2015. The Company declared and paid dividends of $9.0 million on its Series J Convertible Perpetual Preferred Stock during the years ended December 31, 2016 and 2015, respectively. The character of the 2016 dividends are as follows: 47.30% is a capital gain distribution, of which 76.15% represents unrecaptured section 1250 gain and 23.85% long term capital gain, and 52.70% is ordinary income. All 2015 dividends qualified as a return of capital for tax reporting purposes. There are no dividend arrearages on any of the preferred shares currently outstanding.

(3) The Company may, at its option, redeem the Series D, E, F, G, and I Preferred Stock, in whole or in part, at any time and from time to time, for cash at a redemption price equal to 100% of the liquidation preference of $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

(4) Each share of the Series J Preferred Stock is convertible at the holder's option at any time, initially into 3.9087 shares of the Company's common stock (equal to an initial conversion price of approximately $12.79 per share), subject to specified adjustments. The Company may not redeem the Series J Preferred Stock prior to March 15, 2018. On or after March 15, 2018, the Company may, at its option, redeem the Series J Preferred Stock, in whole or in part, at any time and from time to time, for cash at a redemption price equal to 100% of the liquidation preference of $50.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

High Performance Unit Program

In May 2002, the Company's shareholders approved the iStar HPU Program. The program entitled employee participants ("HPU Holders") to receive distributions if the total rate of return on the Company's common stock (share price appreciation plus dividends) exceeded certain performance thresholds over a specified valuation period. The Company established seven HPU plans that had valuation periods ending between 2002 and 2008 and the Company has not established any new HPU plans since 2005. HPU Holders purchased interests in the High Performance common stock for an aggregate initial purchase price of $9.8 million. The remaining four plans that had valuation periods which ended in 2005, 2006, 2007 and 2008, did not meet their required performance thresholds, none of the plans were funded and the Company redeemed the participants' units.

The 2002, 2003 and 2004 plans all exceeded their performance thresholds and were entitled to receive distributions equivalent to the amount of dividends payable on 819,254 shares, 987,149 shares and 1,031,875 shares, respectively, of the Company's common stock as and when such dividends were paid on the Company's common stock. Each of these three plans had 5,000 shares of High Performance common stock associated with it, which was recorded as a separate class of stock within shareholders' equity on the Company's consolidated balance sheets. High Performance common stock carried 0.25 votes per share. Net income allocable to common shareholders is reduced by the HPU holders' share of earnings.

In August 2015, the Company repurchased and retired all of its outstanding 14,888 HPUs, representing approximately 2.8 million common stock equivalents. The Company repurchased these HPUs at fair value from current and former employees through an arms-length exchange offer. HPU holders could have elected to receive $9.30 in cash or 0.7 shares of iStar common stock, or a combination thereof, per common stock equivalent underlying the HPUs. Approximately 37% of the outstanding HPUs were exchanged for $9.8 million in cash and approximately 63% of the outstanding HPUs were exchanged for 1.2 million shares of iStar common stock with a fair value of $15.2 million, representing the number of shares issued at the closing price of the Company's common stock on August 13, 2015. The transaction value in excess of the HPUs carrying value of $9.8 million was recorded as a reduction to retained earnings (deficit) in the Company's consolidated statements of changes in equity.

Dividends – To maintain its qualification as a REIT, the Company must annually distribute, at a minimum, an amount equal to 90% of its taxable income, excluding net capital gains, and must distribute 100% of its taxable income (including net capital gains) to eliminate corporate federal income taxes payable by the REIT. The Company has recorded NOLs and may record NOLs in the future, which may reduce its taxable income in future periods and lower or eliminate entirely the Company's obligation to pay dividends for such periods in order to maintain its REIT qualification. As of December 31, 2015, the Company had $902.9 million of NOL

carryforwards at the corporate REIT level that can generally be used to offset both ordinary taxable income and capital gain net income in future years. The NOL carryforwards will expire beginning in 2029 and through 2035 if unused. The amount of NOL carryforwards as of December 31, 2016 will be determined upon finalization of the Company's 2016 tax return. Because taxable income differs from cash flow from operations due to non-cash revenues and expenses (such as depreciation and certain asset impairments), in certain circumstances, the Company may generate operating cash flow in excess of its dividends, or alternatively, may need to make dividend payments in excess of operating cash flows. The 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility permit the Company to distribute 100% of its REIT taxable income on an annual basis (prior to deducting certain cumulative NOL carryforwards), as long as the Company maintains its REIT qualification. The 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility restrict the Company from paying any common dividends if it ceases to qualify as a REIT. The Company did not declare or pay any common stock dividends for the years ended December 31, 2016 and 2015.

Stock Repurchase Program – In February 2016, after having substantially utilized the remaining availability previously authorized, the Company's Board of Directors authorized a new $50.0 million stock repurchase program. After having substantially utilized the availability authorized in February 2016, the Company's Board of Directors authorized an increase to the stock repurchase program to $50.0 million, effective August 4, 2016. The program authorizes the repurchase of common stock from time to time in open market and privately negotiated purchases, including pursuant to one or more trading plans. During the year ended December 31, 2016, the Company repurchased 10.2 million shares of its outstanding common stock for $98.4 million, at an average cost of $9.67 per share. During the year ended December 31, 2015, the Company repurchased 5.7 million shares of its outstanding common stock for $70.4 million, at an average cost of $12.25 per share. As of December 31, 2016, the Company had remaining authorization to repurchase up to $50.0 million of common stock available to repurchase under its stock repurchase program.

Accumulated Other Comprehensive Income (Loss) – "Accumulated other comprehensive income (loss)" reflected in the Company's shareholders' equity is comprised of the following ($ in thousands):

As of December 31,	2016	2015
Unrealized gains (losses) on available-for-sale securities	**$ 149**	$ (125)
Unrealized gains (losses) on cash flow hedges	**27**	(690)
Unrealized losses on cumulative translation adjustment	**(4,394)**	(4,036)
Accumulated other comprehensive income (loss)	**$(4,218)**	$(4,851)

Note 14 – Stock-Based Compensation Plans and Employee Benefits

Stock-Based Compensation – The Company recorded stock-based compensation expense, including the effect of performance incentive plans (see below), of $10.9 million, $12.0 million and $13.3 million, respectively, for the years ended December 31, 2016, 2015 and 2014 in "General and administrative" in the Company's consolidated statements of operations. As of December 31, 2016, there was $1.9 million of total unrecognized compensation cost related to all unvested restricted stock units that is expected to be recognized over a weighted average remaining vesting/service period of 2.07 years.

Performance Incentive Plans – The Company's Performance Incentive Plan ("iPIP") is designed to provide, primarily to senior executives and select professionals engaged in the Company's investment activities, long-term compensation which has a direct relationship to the realized returns on investments included in the plan. The following is a summary of granted iPIP points.

- In May 2014, the Company granted 73 iPIP points for the initial 2013–2014 investment pool.
- In January 2015, the Company granted an additional 10 points for the 2013–2014 investment pool and 34 iPIP points for the 2015–2016 investment pool.
- In January 2016, the Company granted an additional 10 iPIP points in the 2013–2014 investment pool and an additional 40 iPIP points in the 2015–2016 investment pool.
- In June 2016, the Company granted an additional 2.5 points in the 2015–2016 investment pool.

All decisions regarding the granting of points under iPIP are made at the discretion of the Company's Board of Directors or a committee of the Board of Directors. The fair value of points is determined using a model that forecasts the Company's projected investment performance. The payout of iPIP is based on the amount of invested capital, investment performance and the Company's total shareholder return ("TSR") as compared to the average TSR of the NAREIT All REIT Index and the Russell 2000 Index during the relevant performance period for the investments in each pool. The Company, as well as any companies not included in each index at the beginning and end of the performance period, are excluded from calculation of the performance of such index. Point holders will not receive a distribution until the Company has received a full return of its capital plus a preferred return distribution, which is based on a preferred return hurdle rate of 9% per annum. Subject to certain vesting and employment requirements, point holders will be paid a combination of cash and stock. iPIP is a liability-classified award which will be remeasured each reporting period at fair value until the awards are settled. Compensation costs relating to iPIP are included in "General and administrative" in the Company's consolidated statements of operations. As of December 31, 2016 and 2015, the Company had accrued compensation costs relating to iPIP of $22.4 million and $16.6 million, respectively, which are included in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets.

Long-Term Incentive Plan – The Company's shareholders approved the Company's 2009 Long-Term Incentive Plan (the "2009 LTIP") which is designed to provide incentive compensation for officers, key employees, directors and advisors of the Company. Shareholders approved amendments to the 2009 LTIP and the performance-based provisions of the 2009 LTIP in 2014. The 2009 LTIP provides for awards of stock options, shares of restricted stock, phantom shares, restricted stock units, dividend equivalent rights and other share-based performance awards. A maximum of 8,000,000 shares of common stock may be awarded under the 2009 LTIP. All awards under the 2009 LTIP are made at the discretion of the Company's Board of Directors or a committee of the Board of Directors.

As of December 31, 2016, an aggregate of 3.6 million shares remain available for issuance pursuant to future awards under the Company's 2009 Long-Term Incentive Plans.

Restricted Share Issuances – During the year ended December 31, 2016, the Company granted 92,057 shares of common stock to certain employees under the 2009 LTIP as part of annual incentive awards that included a mix of cash and equity awards. The weighted average grant date fair value per share of these share awards was $8.46 and the total fair value was $0.7 million. The shares are fully-vested and 58,667 shares were issued net of statutory minimum required tax withholdings. The employees are restricted from selling these shares for up to 18 months from the date of grant.

Restricted Stock Units

Changes in non-vested restricted stock units ("Units") during the year ended December 31, 2016 were as follows (number of shares and $ in thousands, except per share amounts):

	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Non-vested as of December 31, 2015	426	$12.90	$4,991
Granted	223	$10.11	
Vested	(277)	$10.91	
Forfeited	(82)	$17.49	
Non-vested as of December 31, 2016	290	$11.33	$3,578

The total fair value of Units vested during the years ended December 31, 2016, 2015 and 2014 was $2.9 million, $0.1 million and $39.2 million, respectively. The weighted-average grant date fair value per share of Units granted during the years ended December 31, 2016, 2015 and 2014 was $10.11, $13.65 and $15.31, respectively.

As of December 31, 2016, 38,070 market-based Units did not meet the criteria to vest. The market-condition was based on the Company's TSR measured over a performance period ending on the vesting date of December 31, 2016. Under the terms of these Units, vesting ranged from 0% to 200% of the target amount of the awards, depending on the Company's TSR performance relative to the NAREIT All REITs Index (one-half of the target amount of the award) and the Russell 2000 Index (one-half of the target amount of the award) during the performance period. The Company and any companies not included in the index at the beginning and end of the performance period were excluded from calculation of the performance of such index. Based on the Company's TSR performance, the Units were below the minimum threshold payout level, resulting in no payout of awards.

2016 Restricted Stock Unit Activity – During the year ended December 31, 2016, the Company granted new stock-based compensation awards to certain employees in the form of long-term incentive awards, comprised of the following:

- 20,000 fully-vested shares of the Company's common stock granted on June 15, 2016. Under this award, 12,030 shares were issued as of that date, after deducting shares for minimum required statutory withholdings. In addition, 80,000 service-based Units were granted on June 15, 2016, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units will vest in equal annual installments over four years on each anniversary of the grant date, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Upon vesting of these Units, the holder will receive shares of the Company's common stock in the amount of the vested Units, net of statutory minimum required tax withholdings. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled. As of December 31, 2016, 80,000 of such service-based Units were outstanding.

- 122,817 service-based Units granted on January 29, 2016, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units will cliff vest in one installment on December 31, 2018, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled. As of December 31, 2016, 109,417 of such service-based Units were outstanding.

As of December 31, 2016, the Company had the following additional stock-based compensation awards outstanding:

- 39,071 target amount of market-based Units granted on January 30, 2015, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The performance is based on the Company's TSR, measured over a performance period ending on December 31, 2017, which is the date the awards cliff vest. Vesting will range from 0% to 200% of the target amount of the awards, depending on the Company's TSR performance relative to the NAREIT All REITs Index (one-half of the target amount of the award) and the Russell 2000 Index (one-half of the target amount of the award) during the performance period. The Company, as well as any companies not included in each index at the beginning and end of the performance period, are excluded from calculation of the performance of such index. To the extent Units vest based on the Company's TSR performance, holders will receive an equivalent number of shares of common stock (after deducting shares for minimum required statutory withholdings), if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled. The fair values of the market-based Units were determined by utilizing a Monte Carlo model to simulate a range of possible future stock prices for the Company's common stock. The assumptions used to estimate the fair value of these market-based awards were 0.75% for risk-free interest rate and 28.14% for expected stock price volatility.

- 56,020 service-based Units granted on January 30, 2015, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units will cliff vest in one installment on December 31, 2017, if the employee remains employed by the Company on the vesting date, subject to certain accelerated vesting rights. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled.

- 4,751 service-based Units granted on various dates, representing the right to receive an equivalent number of shares of the Company's common stock (after deducting shares for minimum required statutory withholdings) if and when the Units vest. The Units have an original vesting term of three years. Upon vesting of these Units, holders will receive shares of the Company's common stock in the amount of the vested Units, net of statutory minimum required tax withholdings. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the Units vest and are settled.

Directors' Awards – Non-employee directors are awarded CSEs or restricted share awards at the time of the annual shareholders' meeting in consideration for their services on the Company's Board of Directors. During the year ended December 31, 2016, the Company awarded to non-employee Directors 12,953 CSEs and 72,537 restricted shares of common stock at a fair value per share of $9.65 at the time of grant. These CSEs and restricted shares have a vesting term of 7.5 months and one year, respectively. Dividends will accrue as and when dividends are declared by the Company on shares of its common stock, but will not be paid unless and until the CSEs and restricted shares of common stock vest and are settled. As of December 31, 2016, a combined total of 333,384 CSEs and restricted shares of common stock granted to members of the Company's Board of Directors remained outstanding under the Company's Non-Employee Directors Deferral Plan, with an aggregate intrinsic value of $4.1 million.

401(k) Plan – The Company has a savings and retirement plan (the "401(k) Plan"), which is a voluntary, defined contribution plan. All employees are eligible to participate in the 401(k) Plan following completion of three months of continuous service with the Company. Each participant may contribute on a pretax basis up to the maximum percentage of compensation and dollar amount permissible under Section 402(g) of the Internal Revenue Code not to exceed the limits of Code Sections 401(k), 404 and 415. At the discretion of the Company's Board of Directors, the Company may make matching contributions on the participant's behalf of up to 50% of the first 10% of the participant's annual compensation. The Company made gross contributions of $1.0 million, $1.0 million and $0.9 million, respectively, for the years ended December 31, 2016, 2015 and 2014.

Note 15 – Earnings Per Share

Earnings per share ("EPS") is calculated using the two-class method, which allocates earnings among common stock and participating securities to calculate EPS when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. HPU holders were current and former Company employees who purchased high performance common stock units under the Company's High Performance Unit Program. These HPU units were treated as a separate class of common stock. All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (refer to Note 13).

The following table presents a reconciliation of income (loss) from operations used in the basic and diluted EPS calculations ($ in thousands, except for per share data):

For the Years Ended December 31,	2016	2015	2014
Income (loss) from operations	**$ (5,114)**	$(99,973)	$(74,178)
Income from sales of real estate	**105,296**	93,816	89,943
Net (income) loss attributable to noncontrolling interests	**(4,876)**	3,722	704
Preferred dividends	**(51,320)**	(51,320)	(51,320)
Income (loss) from operations attributable to iStar Inc. and allocable to common shareholders, HPU holders and Participating Security Holders for basic earnings per common share[1]	**$ 43,986**	$(53,755)	$(34,851)
Add: Effect of joint venture shares	**7**	–	–
Add: Effect of 1.50% senior convertible unsecured notes	**3,907**	–	–
Add: Effect of 3.00% senior convertible unsecured notes	**6,239**	–	–
Income (loss) from operations attributable to iStar Inc. and allocable to common shareholders, HPU holders and Participating Security Holders for diluted earnings per common share[1]	**$ 54,139**	$(53,755)	$(34,851)

Explanatory Note:

(1) For the year ended December 31, 2016, includes income from operations allocable to Participating Security Holders of $14 and $13 on a basic and dilutive basis.

For the Years Ended December 31,	2016	2015	2014
Earnings allocable to common shares:			
Numerator for basic earnings per share:			
Income (loss) from operations attributable to iStar Inc. and allocable to common shareholders	**$43,972**	$(52,675)	$(33,722)
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	**$43,972**	$(52,675)	$(33,722)
Numerator for diluted earnings per share:			
Income (loss) from operations attributable to iStar Inc. and allocable to common shareholders	**$54,126**	$(52,675)	$(33,722)
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	**$54,126**	$(52,675)	$(33,722)
Denominator for basic and diluted earnings per share:			
Weighted average common shares outstanding for basic earnings per common share	**73,453**	84,987	85,031
Add: Effect of assumed shares issued under treasury stock method or restricted stock units	**84**	–	–
Add: Effect of joint venture shares	**298**	–	–
Add: Effect of 1.50% senior convertible unsecured notes	**9,868**	–	–
Add: Effect of 3.00% senior convertible unsecured notes	**14,764**	–	–
Weighted average common shares outstanding for diluted earnings per common share	**98,467**	84,987	85,031
Basic earnings per common share:			
Income (loss) from operations attributable to iStar Inc. and allocable to common shareholders	**$ 0.60**	$ (0.62)	$ (0.40)
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	**$ 0.60**	$ (0.62)	$ (0.40)
Diluted earnings per common share:			
Income (loss) from operations attributable to iStar Inc. and allocable to common shareholders	**$ 0.55**	$ (0.62)	$ (0.40)
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	**$ 0.55**	$ (0.62)	$ (0.40)

For the Years Ended December 31,	2016	2015	2014
Earnings allocable to HPUs[1]:			
Numerator for basic and diluted earnings per HPU share:			
Net income (loss) attributable to iStar Inc. and allocable to HPU holders	**$–**	$ (1,080)	$(1,129)
Denominator for basic and diluted earnings per HPU share:			
Weighted average HPUs outstanding for basic and diluted earnings per share	**–**	9	15
Basic and diluted earnings per HPU share:			
Net income (loss) attributable to iStar Inc. and allocable to HPU holders	**$–**	$(120.00)	$(75.27)

Explanatory Note:

(1) All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (refer to Note 13).

For the years ended December 31, 2016, 2015 and 2014, the following shares were not included in the diluted EPS calculation because they were anti-dilutive (in thousands):

For the Years Ended December 31,	2016[1]	2015[1]	2014[1]
Joint venture shares	–	298	298
3.00% convertible senior unsecured notes	–	16,992	16,992
Series J convertible perpetual preferred stock	**15,635**	15,635	15,635
1.50% convertible senior unsecured notes	–	11,567	11,567

Explanatory Notes:

(1) For the years ended December 31, 2015 and 2014, the effect of the Company's unvested Units, market-based Units and CSEs were anti-dilutive.
(2) For the year ended December 31, 2016, the effect of 16 and 125 unvested time and market-based Units, respectively, were anti-dilutive.

Note 16 – Fair Values

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes the inputs to be used in valuation techniques to measure fair value:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Certain of the Company's assets and liabilities are recorded at fair value either on a recurring or non-recurring basis. Assets required to be marked-to-market and reported at fair value every reporting period are classified as being valued on a recurring basis. Assets not required to be recorded at fair value every period may be recorded at fair value if a specific provision or other impairment is recorded within the period to mark the carrying value of the asset to market as of the reporting date. Such assets are classified as being valued on a non-recurring basis.

The following fair value hierarchy table summarizes the Company's assets and liabilities recorded at fair value on a recurring and non-recurring basis by the above categories ($ in thousands):

		Fair Value Using		
	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2016				
Recurring basis:				
Derivative assets[1]	**$ 727**	**$–**	**$ 727**	**$ –**
Derivative liabilities[1]	**47**	**–**	**47**	**–**
Available-for-sale securities[1]	**21,666**	**–**	**–**	**21,666**
Non-recurring basis:				
Impaired loans[2]	**7,200**	**–**	**–**	**7,200**
Impaired real estate[3]	**3,063**	**–**	**–**	**3,063**
As of December 31, 2015				
Recurring basis:				
Derivative assets[1]	$ 1,522	$–	$1,522	$ –
Derivative liabilities[1]	131	–	131	–
Available-for-sale securities[1]	1,161	–	–	1,161
Non-recurring basis:				
Impaired loans[4]	3,200	–	–	3,200

Explanatory Notes:

(1) The fair value of the Company's derivatives are based upon widely accepted valuation techniques utilized by a third-party specialist using observable inputs such as interest rates and contractual cash flow and are classified as Level 2. The fair value of the Company's available-for-sale securities are based upon unadjusted third-party broker quotes and are classified as Level 3.
(2) The Company recorded a provision for loan losses on one loan with a fair value of $5.2 million using an appraisal based on market comparable sales. In addition, the Company recorded a recovery of loan losses on one loan with a fair value of $2.0 million based on proceeds to be received.
(3) The Company recorded an impairment on one real estate asset with a fair value of $3.1 million based on a discount rate of 11% using discounted cash flows over a two year sellout period.
(4) The Company recorded a provision for loan losses on one loan with a fair value of $3.2 million based on a discounted cash flow analysis using a discount rate of 14%.

The following table summarizes changes in Level 3 available-for-sale securities reported at fair value on the Company's consolidated balance sheets for the years ended December 31, 2016 and 2015 ($ in thousands):

	2016	2015
Beginning balance	**$ 1,161**	$1,167
Purchases	**20,240**	–
Repayments	**(10)**	(10)
Unrealized gains recorded in other comprehensive income	**275**	4
Ending balance	**$21,666**	$1,161

Fair values of financial instruments – The Company's estimated fair values of its loans receivable and other lending investments and outstanding debt was $1.5 billion and $3.6 billion, respectively, as of December 31, 2016 and $1.6 billion and $4.3 billion, respectively, as of December 31, 2015. The Company determined that the significant inputs used to value its loans receivable and other lending investments and debt obligations fall within Level 3 of the fair value hierarchy. The carrying value of other financial instruments including cash and cash equivalents, restricted cash, accrued interest receivable and accounts payable, approximate the fair values of the instruments. Cash and cash equivalents and restricted cash values are considered Level 1 on the fair value hierarchy. The fair value of other financial instruments, including derivative assets and liabilities, are included in the fair value hierarchy table above.

Given the nature of certain assets and liabilities, clearly determinable market based valuation inputs are often not available, therefore, these assets and liabilities are valued using internal valuation techniques. Subjectivity exists with respect to these internal valuation techniques, therefore, the fair values disclosed may not ultimately be realized by the Company if the assets were sold or the liabilities were settled with third parties. The methods the Company used to estimate the fair values presented in the table above are described more fully below for each type of asset and liability.

Derivatives – The Company uses interest rate swaps, interest rate caps and foreign exchange contracts to manage its interest rate and foreign currency risk. The valuation of these instruments is determined using discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. The Company has determined that the significant inputs used to value its derivatives fall within Level 2 of the fair value hierarchy.

Impaired loans – The Company's loans identified as being impaired are nearly all collateral dependent loans and are evaluated for impairment by comparing the estimated fair value of the underlying collateral, less costs to sell, to the carrying value of each loan. Due to the nature of the individual properties collateralizing the Company's loans, the Company generally uses a discounted cash flow methodology through internally developed valuation models to estimate the fair value of the collateral. This approach requires the Company to make judgments in respect to significant unobservable inputs, which may include discount rates, capitalization rates and the timing and amounts of estimated future cash flows. For income producing properties, cash flows generally include property revenues, operating costs and capital expenditures that are based on current observable market rates and estimates for market rate growth and occupancy levels. For other real estate, cash flows may include lot and unit sales that are based on current observable market rates and estimates for annual revenue growth, operating costs, costs of completion and the inventory sell out pricing and timing. The Company will also consider market comparables if available. In more limited cases, the Company obtains external "as is" appraisals for loan collateral, generally when third party participations exist, and appraised values may be discounted when real estate markets rapidly deteriorate. The Company has determined that significant inputs used in its internal valuation models and appraisals fall within Level 3 of the fair value hierarchy.

Impaired real estate – If the Company determines a real estate asset available and held for sale is impaired, it records an impairment charge to adjust the asset to its estimated fair market value less costs to sell. Due to the nature of individual real estate properties, the Company generally uses a discounted cash flow methodology through internally developed valuation models to estimate the fair value of the assets. This approach requires the Company to make judgments with respect to significant unobservable inputs, which may include discount rates, capitalization rates and the timing and amounts of estimated future cash flows. For income producing properties, cash flows generally include property revenues, operating costs and capital expenditures that are based on current observable market rates and estimates for market rate growth and occupancy levels. For other real estate, cash flows may include lot and unit sales that are based on current observable market rates and estimates for annual market rate growth, operating costs, costs of completion and the inventory sell out pricing and timing. The Company will also consider market comparables if available. In more limited cases, the Company obtains external "as is" appraisals for real estate assets and appraised values may be discounted when real estate markets rapidly deteriorate. The Company has determined that significant inputs used in its internal valuation models and appraisals fall within Level 3 of the fair value hierarchy. Additionally, in certain cases, if the Company is under contract to sell an asset, it will mark the asset to the contracted sales price less costs to sell. The Company considers this to be a Level 3 input under the fair value hierarchy.

Loans receivable and other lending investments – The Company estimates the fair value of its performing loans and other lending investments using a discounted cash flow methodology. This method discounts estimated future cash flows using rates management determines best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality. The Company determined that the significant inputs used to value its loans and other lending investments fall within Level 3 of the fair value hierarchy. For certain lending investments, the Company uses market quotes, to the extent they are available, that fall within Level 2 of the fair value hierarchy or broker quotes that fall within Level 3 of the fair value hierarchy.

Debt obligations, net – For debt obligations traded in secondary markets, the Company uses market quotes, to the extent they are available, to determine fair value and are considered Level 2 on the fair value hierarchy. For debt obligations not traded in secondary markets, the Company determines fair value using a discounted cash flow methodology, whereby contractual cash flows are discounted at rates that management determines best reflect current market interest rates that would be charged for debt with similar characteristics and credit quality. The Company has determined that the inputs used to value its debt obligations under the discounted cash flow methodology fall within Level 3 of the fair value hierarchy.

Note 17 – Segment Reporting

The Company has determined that it has four reportable segments based on how management reviews and manages its business. These reportable segments include: Real Estate Finance, Net Lease, Operating Properties and Land and Development. The Real Estate Finance segment includes all of the Company's activities related to senior and mezzanine real estate loans and real estate related securities. The Net Lease segment includes the Company's activities and operations related to the ownership of properties generally leased to single corporate tenants. The Operating Properties segment includes the Company's activities and operations related to its commercial and residential properties. The Land and Development segment includes the Company's activities related to its developable land portfolio.

The Company evaluates performance based on the following financial measures for each segment. The Company's segment information is as follows ($ in thousands):

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/ Other[1]	Company Total
Year Ended December 31, 2016						
Operating lease income	$ –	$ 148,002	$ 64,593	$ 423	$ –	$ 213,018
Interest income	129,153	–	–	–	–	129,153
Other income	4,658	1,633	33,216	3,170	3,838	46,515
Land development revenue	–	–	–	88,340	–	88,340
Earnings (loss) from equity method investments	–	3,567	33,863	30,012	9,907	77,349
Income from sales of real estate	–	21,138	75,357	8,801	–	105,296
Total revenue and other earnings	133,811	174,340	207,029	130,746	13,745	659,671
Real estate expense	–	(19,058)	(82,401)	(36,963)	–	(138,422)
Land development cost of sales	–	–	–	(62,007)	–	(62,007)
Other expense	(2,719)	–	–	–	(3,164)	(5,883)
Allocated interest expense	(57,787)	(65,880)	(23,156)	(34,888)	(39,687)	(221,398)
Allocated general and administrative[2]	(15,311)	(17,585)	(6,574)	(13,693)	(19,975)	(73,138)
Segment profit (loss)[3]	$ 57,994	$ 71,817	$ 94,898	$ (16,805)	$(49,081)	$ 158,823
Other significant non-cash items:						
Recovery of loan losses	$ (12,514)	$ –	$ –	$ –	$ –	$ (12,514)
Impairment of assets	–	4,829	5,855	3,800	–	14,484
Depreciation and amortization	–	34,049	17,887	1,296	1,097	54,329
Capitalized expenditures	–	3,667	56,784	109,548	–	169,999
Year Ended December 31, 2015						
Operating lease income	$ –	$ 151,481	$ 77,454	$ 785	$ –	$ 229,720
Interest income	134,687	–	–	–	–	134,687
Other income	9,737	357	34,637	1,219	3,981	49,931
Land development revenue	–	–	–	100,216	–	100,216
Earnings (loss) from equity method investments	–	5,221	1,663	16,683	8,586	32,153
Income from sales of real estate	–	40,082	53,734	–	–	93,816
Total revenue and other earnings	144,424	197,141	167,488	118,903	12,567	640,523
Real estate expense	–	(21,855)	(95,888)	(29,007)	–	(146,750)
Land development cost of sales	–	–	–	(67,382)	–	(67,382)
Other expense	(2,291)	–	–	–	(4,083)	(6,374)
Allocated interest expense	(57,109)	(66,504)	(28,014)	(32,087)	(40,925)	(224,639)
Allocated general and administrative[2]	(13,128)	(15,569)	(6,988)	(11,488)	(22,091)	(69,264)
Segment profit (loss)[3]	$ 71,896	$ 93,213	$ 36,598	$ (21,061)	$(54,532)	$ 126,114
Other significant non-cash items:						
Provision for loan losses	$ 36,567	$ –	$ –	$ –	$ –	$ 36,567
Impairment of assets	–	–	5,935	4,589	–	10,524
Depreciation and amortization	–	38,138	24,548	1,422	1,139	65,247
Capitalized expenditures	–	4,195	84,103	94,971	–	183,269

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/ Other[1]	Company Total
Year Ended December 31, 2014						
Operating lease income	$ –	$ 151,934	$ 90,331	$ 835	$ –	$ 243,100
Interest income	122,704	–	–	–	–	122,704
Other income	21,217	4,437	42,000	3,327	10,052	81,033
Land development revenue	–	–	–	15,191	–	15,191
Earnings (loss) from equity method investments	–	3,260	1,669	14,966	75,010	94,905
Income from sales of real estate	–	6,206	83,737	–	–	89,943
Total revenue and other earnings	143,921	165,837	217,737	34,319	85,062	646,876
Real estate expense	–	(22,967)	(113,504)	(26,918)	–	(163,389)
Land development cost of sales	–	–	–	(12,840)	–	(12,840)
Other expense	(243)	–	–	–	(6,097)	(6,340)
Allocated interest expense[5]	(58,043)	(72,089)	(39,535)	(29,432)	(25,384)	(224,483)
Allocated general and administrative[2]	(13,211)	(16,603)	(9,608)	(13,062)	(22,489)	(74,973)
Segment profit (loss)[3]	$ 72,424	$ 54,178	$ 55,090	$ (47,933)	$ 31,092	$ 164,851
Other significant non-cash items:						
Recovery of loan losses	$ (1,714)	$ –	$ –	$ –	$ –	$ (1,714)
Impairment of assets[5]	–	3,689	8,131	22,814	–	34,634
Depreciation and amortization[5]	–	38,841	32,142	1,440	1,148	73,571
Capitalized expenditures	–	3,933	61,186	80,119	–	145,238
As of December 31, 2016						
Real estate						
Real estate, net	**$ –**	**$1,015,590**	**$ 476,162**	**$ –**	**$ –**	**$1,491,752**
Real estate available and held for sale	**–**	**1,284**	**82,480**	**–**	**–**	**83,764**
Total real estate	**–**	**1,016,874**	**558,642**	**–**	**–**	**1,575,516**
Land and development, net	**–**	**–**	**–**	**945,565**	**–**	**945,565**
Loans receivable and other lending investments, net	**1,450,439**	**–**	**–**	**–**	**–**	**1,450,439**
Other investments	**–**	**92,669**	**3,583**	**84,804**	**33,350**	**214,406**
Total portfolio assets	**$1,450,439**	**$1,109,543**	**$ 562,225**	**$1,030,369**	**$ 33,350**	**4,185,926**
Cash and other assets						**639,588**
Total assets						**$4,825,514**
As of December 31, 2015						
Real estate						
Real estate, net	$ –	$1,112,479	$ 481,504	$ –	$ –	$1,593,983
Real estate available and held for sale	–	–	137,274	–	–	137,274
Total real estate	–	1,112,479	618,778	–	–	1,731,257
Land and development, net	–	–	–	1,001,963	–	1,001,963
Loans receivable and other lending investments, net	1,601,985	–	–	–	–	1,601,985
Other investments	–	69,096	11,124	100,419	73,533	254,172
Total portfolio assets	$1,601,985	$1,181,575	$ 629,902	$1,102,382	$ 73,533	4,589,377
Cash and other assets						1,008,415
Total assets						$5,597,792

Explanatory Notes:

(1) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's joint venture investments and strategic investments that are not included in the other reportable segments above.
(2) General and administrative excludes stock-based compensation expense of $10.9 million, $12.0 million and $13.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.
(3) The following is a reconciliation of segment profit to net income (loss) ($ in thousands):

For the Years Ended December 31,	2016	2015	2014
Segment profit	**$158,823**	$126,114	$164,851
Less: Recovery of (provision for) loan losses	**12,514**	(36,567)	1,714
Less: Impairment of assets	**(14,484)**	(10,524)	(34,634)
Less: Depreciation and amortization	**(54,329)**	(65,247)	(73,571)
Less: Stock-based compensation expense	**(10,889)**	(12,013)	(13,314)
Less: Income tax benefit (expense)	**10,166**	(7,639)	(3,912)
Less: Loss on early extinguishment of debt, net	**(1,619)**	(281)	(25,369)
Net income (loss)	**$100,182**	$ (6,157)	$ 15,765

Note 18 – Quarterly Financial Information (Unaudited)

The following table sets forth the selected quarterly financial data for the Company ($ in thousands, except per share amounts).

For the Quarters Ended	December 31,	September 30,	June 30,	March 31,
2016:				
Revenue	**$106,811**	**$128,668**	**$126,903**	**$114,644**
Net income (loss)	**$ (8,461)**	**$ 58,155**	**$ 59,787**	**$ (9,299)**
Earnings per common share data[1]:				
Net income (loss) attributable to iStar Inc.				
Basic[2]	**$ (19,252)**	**$ 46,292**	**$ 38,112**	**$ (21,187)**
Diluted[2]	**$ (19,252)**	**$ 51,453**	**$ 43,293**	**$ (21,187)**
Earnings per share				
Basic	**$ (0.27)**	**$ 0.65**	**$ 0.52**	**$ (0.27)**
Diluted	**$ (0.27)**	**$ 0.44**	**$ 0.37**	**$ (0.27)**
Weighted average number of common shares				
Basic	**71,603**	**71,210**	**73,984**	**77,060**
Diluted	**71,603**	**115,666**	**118,510**	**77,060**
2015:				
Revenue	$172,025	$120,487	$109,185	$112,857
Net income (loss)	$ 19,974	$ 5,958	$ (19,776)	$ (12,313)
Earnings per common share data[1]:				
Net income (loss) attributable to iStar Inc.				
Basic[3]	$ 7,685	$ (6,072)	$ (30,950)	$ (22,553)
Diluted[3]	$ 7,684	$ (6,072)	$ (30,950)	$ (22,553)
Earnings per share				
Basic	$ 0.09	$ (0.07)	$ (0.36)	$ (0.26)
Diluted	$ 0.09	$ (0.07)	$ (0.36)	$ (0.26)
Weighted average number of common shares				
Basic	83,162	85,766	85,541	85,497
Diluted	83,581	85,766	85,541	85,497
Earnings per HPU share data[1][4]:				
Net income (loss) attributable to iStar Inc.				
Basic and diluted	$ –	$ (94)	$ (1,027)	$ (749)
Earnings per share				
Basic and diluted	$ –	$ (13.41)	$ (68.47)	$ (49.93)
Weighted average number of HPU shares – basic and diluted	–	7	15	15

Explanatory Notes:

(1) Basic and diluted EPS are computed independently based on the weighted-average shares of common stock and stock equivalents outstanding for each period. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

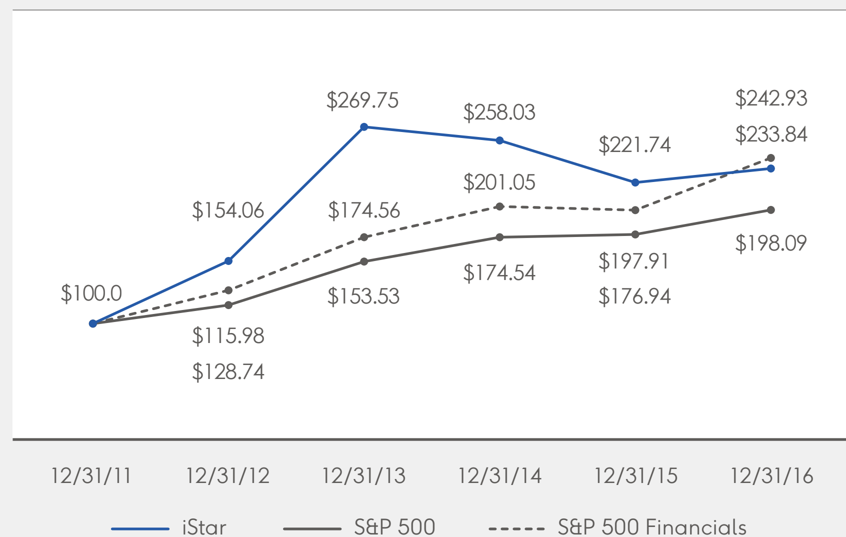
(2) For the quarter ended June 30, 2016 includes net income attributable to iStar Inc. and allocable to Participating Security Holders of $20 and $14 on a basic and dilutive basis, respectively.

(3) For the quarter ended December 31, 2015 includes net income attributable to iStar Inc. and allocable to Participating Security Holders of $5 and $5 on a basic and dilutive basis, respectively.

(4) All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (refer to Note 13).

Performance Graph

The following graph compares the total cumulative shareholder returns on our Common Stock from December 31, 2011 to December 31, 2016 to that of: (1) the Standard & Poor's 500 Index (the "S&P 500"); and (2) the Standard & Poor's 500 Financials Index (the "S&P 500 Financials").



Source: Bloomberg

COMMON STOCK PRICE AND DIVIDENDS (UNAUDITED)

The Company's common stock trades on the New York Stock Exchange ("NYSE") under the symbol "STAR." The high and low sales prices per share of common stock are set forth below for the periods indicated.

	2016		2015	
Quarter Ended	**High**	**Low**	**High**	**Low**
December 31	$12.83	$10.45	$13.34	$11.55
September 30	$11.21	$ 9.10	$13.85	$11.54
June 30	$10.68	$ 8.74	$14.77	$12.89
March 31	$11.64	$ 7.59	$14.17	$12.40

On February 16, 2017, the closing sale price of the common stock as reported by the NYSE was $11.75. The Company had 1,842 holders of record of common stock as of February 16, 2017.

Dividends

The Company's Board of Directors has not established any minimum distribution level. In order to maintain its qualification as a REIT, the Company intends to pay dividends to its shareholders that, on an annual basis, will represent at least 90% of its taxable income (which may not necessarily equal net income as calculated in accordance with accounting principles generally accepted in the United States ("GAAP")), determined without regard to the deduction for dividends paid and excluding any net capital gains. The Company has recorded net operating losses ("NOLs") and may record NOLs in the future, which may reduce its taxable income in future periods and lower or eliminate entirely the Company's obligation to pay dividends for such periods in order to maintain its REIT qualification.

Holders of common stock, certain unvested restricted stock awards and common share equivalents will be entitled to receive distributions if, as and when the Company's Board of Directors authorizes and declares distributions. However, rights to distributions may be subordinated to the rights of holders of preferred stock, when preferred stock is issued and outstanding. In addition, the 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility (see "Financial Statements and Supplemental Data – Note 10") permit the Company to distribute 100% of its REIT taxable income on an annual basis for so long as the Company maintains its qualification as a REIT. The 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility generally restrict the Company from paying any common dividends if it ceases to qualify as a REIT. In any liquidation, dissolution or winding up of the Company, each outstanding share of common stock will entitle its holder to a proportionate share of the assets that remain after the Company pays its liabilities and any preferential distributions owed to preferred shareholders.

The Company did not declare or pay dividends on its common stock for the years ended December 31, 2016 and 2015. The Company declared and paid dividends of $8.0 million, $11.0 million, $7.8 million, $6.1 million, $9.4 million, and $9.0 million on its Series D, E, F, G, I, and J preferred stock, respectively, during each of the years ended December 31, 2016 and 2015. The character of the 2016 dividends are as follows: 47.30% is a capital gain distribution, of which 76.15% represents unrecaptured section 1250 gain and 23.85% long term capital gain, and 52.70% is ordinary income. All 2015 dividends qualified as return of capital for tax reporting purposes. There are no dividend arrearages on any of the preferred shares currently outstanding.

Distributions to shareholders will generally be taxable as ordinary income, although all or a portion of such distributions may be designated by the Company as capital gain or may constitute a tax-free return of capital. The Company annually furnishes to each of its shareholders a statement setting forth the distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital.

No assurance can be given as to the amounts or timing of future distributions, as such distributions are subject to the Company's taxable income after giving effect to its NOL carryforwards, financial condition, capital requirements, debt covenants, any change in the Company's intention to maintain its REIT qualification and such other factors as the Company's Board of Directors deems relevant. The Company may elect to satisfy some of its REIT distribution requirements, if any, through qualifying stock dividends.

directors and officers

Directors

Jay Sugarman
Chairman & Chief Executive Officer, iStar Inc.

Clifford De Souza [1] [3]
Director, iStar Inc.

Robert W. Holman, Jr. [2] [3]
Chairman & Chief Executive Officer, National Warehouse Investment Company

Robin Josephs [2] [3]
Lead Director, iStar Inc.

Dale Anne Reiss [1] [3]
Global & Americas
Director of Real Estate,
Ernst & Young, LLP (Retired)

Barry W. Ridings [1] [2]
Senior Advisor
Lazard Freres & Co. LLC

[1] Audit Committee
[2] Compensation Committee
[3] Nominating & Governance Committee

Executive Officers

Jay Sugarman
Chairman & Chief Executive Officer

Nina B. Matis
Chief Investment Officer &
Chief Legal Officer

Geoffrey G. Jervis
Chief Operating Officer &
Chief Financial Officer

Executive Vice Presidents

Elisha J. Blechner
Head of Portfolio Management

Chase S. Curtis, Jr.
Credit

Timothy Doherty
Investments

Karl Frey
Land & Development

Barclay G. Jones III
Investments

Michelle M. MacKay
Investments

Steven Magee
Land & Development

David M. Sotolov
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Employees

As of March 8, 2017, the Company had 194 employees.

Independent Auditors

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New York, NY

Registrar & Transfer Agent

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Providence, RI 02940-3078
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www.computershare.com

Annual Meeting of Shareholders

May 16, 2017, 9:00 a.m. ET
Harvard Club of New York City
35 West 44th Street
New York, NY 10036

Investor Information Services

iStar Inc. is a listed company on the New York Stock Exchange and is traded under the ticker “STAR.” The Company has filed all required Annual Chief Executive Officer Certifications with the NYSE. In addition, the Company has filed with the SEC the certifications of the Chief Executive Officer and Chief Financial Officer required under Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 as exhibits to our most recently filed Annual Report on Form 10-K. For help with questions about the Company, or to receive additional corporate information, please contact:

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