

ISTAR FINANCIAL INC
Form 10-Q
May 07, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____
Commission File No. 1-15371**

iSTAR FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

95-6881527
(I.R.S. Employer Identification Number)

1114 Avenue of the Americas, 39th Floor
New York, NY

(Address of principal executive offices)

10036
(Zip code)

Registrant's telephone number, including area code: **(212) 930-9400**

Indicate by check mark whether the registrant: (i) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports); and (ii) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period

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that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of April 30, 2010, there were 93,381,912 shares of common stock, \$0.001 par value per share of iStar Financial Inc., ("Common Stock") outstanding.

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iStar Financial Inc.

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Table of Contents**PART 1. CONSOLIDATED FINANCIAL INFORMATION****Item I. Financial Statements****iStar Financial Inc.****Consolidated Balance Sheets****(In thousands, except per share data)****(unaudited)**

	As of March 31, 2010	As of December 31, 2009
ASSETS		
Loans and other lending investments, net	\$ 6,731,546	\$ 7,661,562
Corporate tenant lease assets, net	1,823,854	2,885,896
Other investments	411,003	433,130
Real estate held for investment, net	538,786	422,664
Other real estate owned	829,851	839,141
Assets held for sale	1,158,595	17,282
Cash and cash equivalents	640,858	224,632
Restricted cash	20,518	39,654
Accrued interest and operating lease income receivable, net	51,571	54,780
Deferred operating lease income receivable	60,808	122,628
Deferred expenses and other assets, net	88,165	109,206
Total assets	\$ 12,355,555	\$ 12,810,575
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 254,747	\$ 252,110
Debt obligations, net	10,469,573	10,894,903
Total liabilities	10,724,320	11,147,013
Commitments and contingencies		
Redeemable noncontrolling interests	7,442	7,444
Equity:		
iStar Financial Inc. shareholders' equity:		
Preferred Stock Series D, E, F, G and I, liquidation preference \$25.00 per share (see Note 11)	22	22
High Performance Units	9,800	9,800
Common Stock, \$0.001 par value, 200,000 shares authorized, 138,123 issued and 93,382 outstanding at March 31, 2010 and 137,868 issued and 94,216 outstanding at December 31, 2009	138	138
Additional paid-in capital	3,795,797	3,791,972
Retained earnings (deficit)	(2,077,552)	(2,051,376)
Accumulated other comprehensive income (see Note 14)	1,130	6,145
Treasury stock, at cost, \$0.001 par value, 44,741 shares at March 31, 2010 and 43,652 shares at December 31, 2009	(154,932)	(151,016)

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Total iStar Financial Inc. shareholders' equity	1,574,403	1,605,685
Noncontrolling interests	49,390	50,433
Total equity	1,623,793	1,656,118
Total liabilities and equity	\$ 12,355,555	\$ 12,810,575

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

Table of Contents**iStar Financial Inc.****Consolidated Statements of Operations****(In thousands, except per share data)****(unaudited)**

	For the Three Months Ended March 31,	
	2010	2009
Revenue:		
Interest income	\$ 116,616	\$ 177,227
Operating lease income	43,735	45,943
Other income	13,198	2,506
Total revenue	173,549	225,676
Costs and expenses:		
Interest expense	87,216	114,630
Operating costs - corporate tenant lease assets	4,070	4,490
Depreciation and amortization	15,826	14,392
General and administrative	27,216	35,590
Provision for loan losses	89,469	258,096
Impairment of other assets	5,921	25,331
Other expense	17,683	10,357
Total costs and expenses	247,401	462,886
Income (loss) before earnings (loss) from equity method investments and gain on early extinguishment of debt	(73,852)	(237,210)
Gain on early extinguishment of debt	38,728	154,377
Earnings (loss) from equity method investments	11,430	(20,500)
Income (loss) from continuing operations	(23,694)	(103,333)
Income from discontinued operations	7,552	4,644
Gain from discontinued operations		11,617
Net income (loss)	(16,142)	(87,072)
Net loss attributable to noncontrolling interests	546	1,243
Net income (loss) attributable to iStar Financial Inc.	(15,596)	(85,829)
Preferred dividends	(10,580)	(10,580)
Net income (loss) attributable to iStar Financial Inc. and allocable to common shareholders, HPU holders and Participating Security	\$ (26,176)	\$ (96,409)

holders(1)(2)(3)

Per common share data(3):

Income (loss) attributable to iStar
Financial Inc. from continuing
operations:

Basic and diluted	\$	(0.35)	\$	(1.04)
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Net income (loss) attributable to
iStar Financial Inc.:

Basic and diluted	\$	(0.27)	\$	(0.89)
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Weighted average number of common shares basic and diluted		93,923		105,606
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Per HPU share data(1)(3):

Income (loss) attributable to iStar
Financial Inc. from continuing
operations:

Basic and diluted	\$	(66.00)	\$	(196.60)
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Net income (loss) attributable to
iStar Financial Inc.:

Basic and diluted	\$	(51.20)	\$	(168.20)
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Weighted average number of HPU shares basic and diluted		15		15
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Explanatory Notes:

- (1) HPU holders are current and former Company employees who purchased high performance common stock units under the Company's High Performance Unit Program.
- (2) Participating Security holders are Company employees and directors who hold unvested restricted stock units and common stock equivalents granted under the Company's Long Term Incentive Plans.
- (3) See Note 13 for amounts attributable to iStar Financial Inc. for income (loss) from continuing operations and further details on the calculation of earnings per share.

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

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iStar Financial Inc.
Consolidated Statement of Changes in Equity
For the Three Months Ended March 31, 2010
(In thousands)
(unaudited)

	iStar Financial Inc. Shareholders' Equity								
	Preferred Stock(1)	HPU's	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock at cost	Noncontrolling Interests	Total Equity
Balance at December 31, 2009	\$ 22	\$ 9,800	\$ 138	\$ 3,791,972	\$ (2,051,376)	\$ 6,145	\$ (151,016)	\$ 50,433	\$ 1,656,118
Dividends declared preferred					(10,580)				(10,580)
Repurchase of stock							(3,916)		(3,916)
Restricted stock unit amortization, net				3,825					3,825
Net loss for the period(2)					(15,596)			(545)	(16,141)
Contributions from noncontrolling interests								10	10
Distributions to noncontrolling interests								(508)	(508)
Change in accumulated other comprehensive income						(5,015)			(5,015)
Balance at March 31, 2010	\$ 22	\$ 9,800	\$ 138	\$ 3,795,797	\$ (2,077,552)	\$ 1,130	\$ (154,932)	\$ 49,390	\$ 1,623,793

Explanatory Notes:

- (1) See Note 11 for details on the Company's Cumulative Redeemable Preferred Stock.
- (2) For the three months ended March 31, 2010, net loss for the period included \$1 of net loss attributable to redeemable noncontrolling interests.

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

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iStar Financial Inc.

Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

**For the
Three Months Ended
March 31,
2010 2009**

**Cash flows from
operating activities:**