

ISTAR FINANCIAL INC
Form 10-Q
August 04, 2015
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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 June 30, 2015

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 95-6881527
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
1114 Avenue of the Americas, 39th Floor
New York, NY 10036
(Address of principal executive offices) (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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period 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 Accelerated filer Non-accelerated filer
(Do not check if a Smaller reporting company
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
As of July 31, 2015, there were 85,568,024 shares of common stock, \$0.001 par value per share, of iStar Financial Inc. ("Common Stock") outstanding.

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PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Financial Statements

iStar Financial Inc.

Consolidated Balance Sheets

(In thousands, except per share data)

(unaudited)

	As of June 30, 2015	December 31, 2014
ASSETS		
Real estate		
Real estate, at cost	\$3,011,978	\$3,145,563
Less: accumulated depreciation	(473,162) (468,849
Real estate, net	2,538,816	2,676,714
Real estate available and held for sale	288,021	285,982
Total real estate	2,826,837	2,962,696
Loans receivable and other lending investments, net	1,567,296	1,377,843
Other investments	289,500	354,119
Cash and cash equivalents	637,136	472,061
Accrued interest and operating lease income receivable, net	16,016	16,367
Deferred operating lease income receivable, net	98,091	98,262
Deferred expenses and other assets, net	238,487	181,785
Total assets	\$5,673,363	\$5,463,133
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$183,606	\$180,902
Loan participations payable, net	141,452	—
Debt obligations, net	4,151,653	4,022,684
Total liabilities	4,476,711	4,203,586
Commitments and contingencies	—	—
Redeemable noncontrolling interests	12,687	11,199
Equity:		
iStar Financial Inc. shareholders' equity:		
Preferred Stock Series D, E, F, G and I, liquidation preference \$25.00 per share (see Note 12)	22	22
Convertible Preferred Stock Series J, liquidation preference \$50.00 per share (see Note 12)	4	4
High Performance Units	9,800	9,800
Common Stock, \$0.001 par value, 200,000 shares authorized, 146,229 issued and 85,568 outstanding at June 30, 2015 and 145,807 issued and 85,191 outstanding at December 31, 2014	146	146
Additional paid-in capital	4,007,937	4,007,514
Retained earnings (deficit)	(2,611,747) (2,556,469
Accumulated other comprehensive income (loss) (see Note 12)	(4,706) (971
Treasury stock, at cost, \$0.001 par value, 60,661 shares at June 30, 2015 and 60,617 shares at December 31, 2014	(263,515) (262,954
Total iStar Financial Inc. shareholders' equity	1,137,941	1,197,092
Noncontrolling interests	46,024	51,256
Total equity	1,183,965	1,248,348

Total liabilities and equity	\$5,673,363	\$5,463,133
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The accompanying notes are an integral part of the consolidated financial statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Operating lease income	\$56,152	\$60,967	\$115,291	\$123,075
Interest income	33,729	35,127	68,625	63,041
Other income	12,761	29,262	23,325	43,846
Land development revenue	6,543	4,487	14,801	8,630
Total revenues	109,185	129,843	222,042	238,592
Costs and expenses:				
Interest expense	55,824	56,530	110,456	113,986
Real estate expense	36,355	40,554	75,989	83,167
Land development cost of sales	5,252	3,611	12,142	7,265
Depreciation and amortization	15,516	18,822	34,017	37,435
General and administrative	20,586	26,623	41,340	46,411
Provision for (recovery of) loan losses	19,151	(2,792)	23,444	(6,192)
Impairment of assets	1,674	3,300	1,674	6,279
Other expense	888	4,690	3,011	4,911
Total costs and expenses	155,246	151,338	302,073	293,262
Income (loss) before earnings from equity method investments and other items	(46,061)	(21,495)	(80,031)	(54,670)
Loss on early extinguishment of debt, net	(44)	(23,587)	(212)	(24,767)
Earnings from equity method investments	8,785	24,093	15,332	27,270
Income (loss) from continuing operations before income taxes	(37,320)	(20,989)	(64,911)	(52,167)
Income tax (expense) benefit	(811)	215	(6,688)	722
Income (loss) from continuing operations(1)	(38,131)	(20,774)	(71,599)	(51,445)
Income from sales of real estate	18,355	17,180	39,511	33,674
Net income (loss)	(19,776)	(3,594)	(32,088)	(17,771)
Net (income) loss attributable to noncontrolling interests	629	(325)	2,470	(779)
Net income (loss) attributable to iStar Financial Inc.	(19,147)	(3,919)	(29,618)	(18,550)
Preferred dividends	(12,830)	(12,830)	(25,660)	(25,660)
Net (income) loss allocable to HPU holders and Participating Security holders(2)(3)	1,027	542	1,776	1,431
Net income (loss) allocable to common shareholders	\$(30,950)	\$(16,207)	\$(53,502)	\$(42,779)
Per common share data(1):				
Income (loss) attributable to iStar Financial Inc. from continuing operations—Basic and diluted	\$(0.36)	\$(0.19)	\$(0.63)	\$(0.50)
Net income (loss) attributable to iStar Financial Inc.—Basic and diluted	\$(0.36)	\$(0.19)	\$(0.63)	\$(0.50)
Weighted average number of common shares—Basic and diluted	85,541	84,916	85,519	84,868
Per HPU share data(1)(2):				
Income (loss) attributable to iStar Financial Inc. from continuing operations—Basic and diluted	\$(68.47)	\$(36.13)	\$(118.40)	\$