

ISTAR INC.
Form 10-K
February 26, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2017

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 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 10036
New York, NY (Zip code)
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of Exchange on which registered:
Common Stock, \$0.001 par value	New York Stock Exchange
8.00% Series D Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.65% Series G Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.50% Series I Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class:	Name of Exchange on which registered:
4.50% Series J Convertible Perpetual Preferred Stock, \$0.001 par value	N/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
		(Do not check if a 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
 If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of June 30, 2017 the aggregate market value of iStar Inc. common stock, \$0.001 par value per share, held by non-affiliates (1) of the registrant was approximately \$833 million, based upon the closing price of \$12.04 on the New York Stock Exchange composite tape on such date.

As of February 22, 2018, there were 67,539,717 shares of common stock outstanding.

(1) For purposes of this Annual Report only, includes all outstanding common stock other than common stock held directly by the registrant's directors and executive officers.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the registrant's 2018 Annual Meeting, to be filed within 1.120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1. Business

Explanatory Note for Purposes of the "Safe Harbor Provisions" of Section 21E of the Securities Exchange Act of 1934, as amended

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are included with respect to, among other things, iStar Inc.'s current business plan, business strategy, portfolio management, prospects and liquidity. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results or outcomes to differ materially from those contained in the forward-looking statements. Important factors that iStar Inc. believes might cause such differences are discussed in the section entitled, "Risk Factors" in Part I, Item 1a of this Form 10-K or otherwise accompany the forward-looking statements contained in this Form 10-K. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In assessing all forward-looking statements, readers are urged to read carefully all cautionary statements contained in this Form 10-K.

Overview

iStar Inc. (references to the "Company," "we," "us" or "our" refer to iStar Inc.) finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. The Company also provides management services for its ground lease and net lease equity method investments. 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 four primary business segments are real estate finance, net lease, operating properties and land and development.

Real Estate Finance: The 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. The Company's 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. The Company's loan portfolio includes whole loans and loan participations.

Net Lease: The net lease portfolio is primarily comprised of properties owned by the Company 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 the Company, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets (the "Net Lease Venture"). The Company invests in new net lease investments primarily through the Net Lease Venture, in which it holds a non-controlling 51.9% interest. In 2017, the Company also conceived and ultimately launched a new, publicly traded REIT focused exclusively on the ground lease ("Ground Lease") asset class called Safety, Income & Growth Inc. ("SAFE"). We believe that SAFE is the first publicly-traded company formed primarily to acquire, own, manage, finance and capitalize Ground Leases. Ground Leases generally represent ownership of the land underlying commercial real estate projects that is triple net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date. We also serve as SAFE's external manager pursuant to a management agreement.

Operating Properties: The 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. The Company generally

seeks to reposition or redevelop its transitional properties with the objective of maximizing their value through the infusion of capital and/or concentrated 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 the Company's strategy is to sell individual condominium units through retail distribution channels.

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Land & Development: The 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 the Company will entitle, plan and/or develop and may sell through retail channels to homebuilders or in bulk. Waterfront parcels are generally entitled for residential projects and urban infill parcels are generally entitled for mixed-use projects. The Company may develop these properties itself, or in partnership with commercial real estate developers, or may sell the properties.

The Company's primary sources of revenues are operating lease income, which is comprised of the rent and reimbursements that tenants pay to lease the Company's properties, interest income, which is the interest that borrowers pay on loans, and land development revenue from lot and parcel sales. The Company primarily generates income through a "spread" or "margin," which is the difference between the revenues net of property related expenses generated from leases and loans and interest expense. In addition, the Company generates income from sales of its real estate and income from equity in earnings of its unconsolidated ventures.

Company History and Recent Developments

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 lending and leasing transactions, as well as through corporate acquisitions. During the economic downturn, the composition of the Company's portfolio changed as loans were repaid and the Company acquired title to assets of defaulting borrowers. The composition of the Company's real estate portfolio expanded to include operating properties and land and development assets. The Company has been originating new lending and net lease investments, repositioning or redeveloping its transitional operating properties and progressing on the entitlement, development and sales of its land and development assets. The Company intends to continue these efforts, with the objective of having these assets contribute positively to earnings in the future. The Company's business segments are discussed further in "Industry Segments."

Financing Strategy

The Company uses leverage to enhance its return on assets. In the third and fourth quarters of 2017, we completed a comprehensive set of capital markets transactions that addressed all parts of our capital structure, resulting in our having:

- repaid or refinanced all of our 2017 and 2018 corporate debt maturities, leaving no corporate debt maturities until July 2019;
- extended our weighted average debt maturity by 1.5 years to 4.0 years;
- reduced annual expenses;
- lowered our cost of capital;
- established new banking relationships;
- increased liquidity to pursue new investment opportunities; and
- received upgrades in our corporate credit ratings from all three major ratings agencies, which we expect will positively impact the marginal cost of our future borrowings and broaden our set of investment opportunities.

Going forward, the Company will seek to raise capital through a variety of means, which may include unsecured and secured debt financing, debt refinancings, asset sales, sales of interests in business lines, issuances of equity, joint ventures and other third party capital arrangements. A more detailed discussion of the Company's current liquidity and capital resources is provided in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

Investment Strategy

Our strategy is to continue to focus on our net lease and real estate finance businesses to find selective investment opportunities in these core businesses. In addition, we will continue to monetize our commercial and residential operating properties as well as our land portfolio.

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In originating new investments, the Company's strategy is to focus on the following:

- Targeting the origination of custom-tailored mortgage, corporate and lease financings where customers require flexible financial solutions and "one-call" responsiveness;
- Avoiding commodity businesses where there is significant direct competition from other providers of capital;
- Developing direct relationships with borrowers and corporate customers in addition to sourcing transactions through intermediaries;
- Adding value beyond simply providing capital by offering borrowers and corporate customers specific lending expertise, flexibility, certainty of closing and continuing relationships beyond the closing of a particular financing transaction;
- Taking advantage of market anomalies in the real estate financing markets when, in the Company's view, credit is mispriced by other providers of capital; and
- Evaluating relative risk adjusted returns across multiple investment markets.

Underwriting Process

The Company reviews investment opportunities with its investment professionals, as well as representatives from its legal, credit, risk management and capital markets departments. The Company has developed a process for screening potential investments called the Six Point Methodologysm. Through this proprietary process, the Company internally evaluates an investment opportunity by: (1) evaluating the source of the opportunity; (2) evaluating the quality of the collateral, corporate credit or lessee, as well as the market and industry dynamics; (3) evaluating the borrower equity, corporate sponsorship and/or guarantors; (4) determining the optimal legal and financial structure for the transaction given its risk profile; (5) performing an alternative investment test; and (6) evaluating the liquidity of the investment. Professionals from all disciplines throughout the entire origination process evaluate investments, from the initial consideration of the opportunity, utilizing the Six Point Methodology,sm through the preparation and distribution of an approval memorandum for the Company's internal investment committee and/or Board of Directors and into the documentation and closing process.

Any commitment to make an investment of \$25 million or less in any transaction or series of related transactions requires the approval of the Chief Executive Officer and Chief Investment Officer. Any commitment in excess of \$25 million but less than or equal to \$60 million requires the further approval of the Company's internal investment committee, consisting of senior management representatives from all of the Company's key disciplines. Any commitment in excess of \$60 million, and any strategic investment such as a corporate merger, acquisition or material transaction involving the Company's entry into a new line of business, requires the approval of the Board of Directors.

Hedging Strategy

The Company finances its business with a combination of fixed-rate and variable-rate debt and its asset base consists of fixed-rate and variable-rate investments. Its variable-rate assets and liabilities are intended to be matched against changes in variable interest rates. This means that as interest rates increase, the Company earns more on its variable-rate lending assets and pays more on its variable-rate debt obligations and, conversely, as interest rates decrease, the Company earns less on its variable-rate lending assets and pays less on its variable-rate debt obligations. When the Company's variable-rate debt obligations differ from its variable-rate lending assets, the Company may utilize derivative instruments to limit the impact of changing interest rates on its net income. The Company also uses derivative instruments to limit its exposure to changes in currency rates in respect of certain investments denominated in foreign currencies. The derivative instruments the Company uses are typically in the form of interest rate swaps, interest rate caps and foreign exchange contracts.

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Portfolio Overview

As of December 31, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following characteristics:

Asset Type

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As of December 31, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following property/collateral type and geographic characteristics (\$ in thousands):

Property/Collateral Types	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Total	% of Total
Land and Development	\$—	\$—	\$—	\$ 932,547	\$932,547	22.1 %
Office / Industrial	48,900	673,424	128,368	—	850,692	20.1 %
Mixed Use / Mixed Collateral	306,625	—	196,667	—	503,292	11.9 %
Entertainment / Leisure	—	489,497	—	—	489,497	11.5 %
Condominium	421,787	—	48,519	—	470,306	11.1 %
Hotel	291,929	—	104,415	—	396,344	9.3 %
Other Property Types	223,458	—	11,837	—	235,295	5.5 %
Retail	25,456	57,348	138,928	—	221,732	5.2 %
Ground Leases ⁽¹⁾	—	129,154	—	—	129,154	3.0 %
Strategic Investments	—	—	—	—	13,618	0.3 %
Total	\$1,318,155	\$1,349,423	\$ 628,734	\$ 932,547	\$4,242,477	100.0%

Geographic Region	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Total	% of Total
Northeast	\$798,357	\$414,373	\$47,557	\$ 268,953	\$1,529,240	36.0 %
West	38,137	286,222	66,398	366,672	757,429	17.9 %
Southeast	181,074	253,960	140,635	114,266	689,935	16.3 %
Southwest	93,509	162,684	256,248	22,292	534,733	12.6 %
Central	181,621	79,701	82,161	31,500	374,983	8.8 %
Mid-Atlantic	—	149,618	35,735	128,864	314,217	7.4 %
Various ⁽²⁾	25,457	2,865	—	—	28,322	0.7 %
Strategic Investments ⁽²⁾	—	—	—	—	13,618	0.3 %
Total	\$1,318,155	\$1,349,423	\$ 628,734	\$ 932,547	\$4,242,477	100.0%

(1) Primarily represents the market value of our equity method investment in SAFE.

(2) Strategic investments and the various category include \$9.2 million of international assets.

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Industry Segments

The Company has four business segments: Real Estate Finance, Net Lease, Operating Properties and Land and Development. The following describes the Company's reportable segments as of December 31, 2017 (\$ in thousands):

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate / Other ⁽¹⁾	Total
Real estate, at cost	\$—	\$1,108,051	\$521,385	\$—	\$—	\$1,629,436
Less: accumulated depreciation	—	(292,268)	(55,137)	—	—	(347,405)
Real estate, net	—	815,783	466,248	—	—	1,282,031
Real estate available and held for sale	—	—	68,588	—	—	68,588
Total real estate	—	815,783	534,836	—	—	1,350,619
Land and development, net	—	—	—	860,311	—	860,311
Loans receivable and other lending investments, net	1,300,655	—	—	—	—	1,300,655
Other investments	—	205,007	38,761	63,855	13,618	321,241
Total portfolio assets	\$1,300,655	\$1,020,790	\$573,597	\$ 924,166	\$ 13,618	\$3,832,826

Corporate/Other includes certain joint venture and strategic investments that are not included in the other (1) reportable segments. See Item 8—"Financial Statements and Supplemental Data—Note 7" for further detail on these investments.

Additional information regarding segment revenue and profit information as well as prior period information is presented in Item 8—"Financial Statements and Supplemental Data—Note 17" and a discussion of operating results is presented in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

Real Estate Finance

The Company's real estate finance business targets large, sophisticated investors by providing one-stop capabilities that encompass financing alternatives ranging from full envelope senior loans to mezzanine and preferred equity capital positions. The Company's real estate finance portfolio consists of senior mortgage loans that are secured by commercial and residential real estate assets where the Company is the first lien holder, subordinated mortgage loans that are secured by second lien or junior interests in commercial and residential real estate assets, and corporate/partnership loans, which represent mezzanine or subordinated loans to entities for which the Company does not have a lien on the underlying asset, but may have a pledge of underlying equity ownership of such assets. The Company's real estate finance portfolio includes loans on stabilized and transitional properties and ground-up construction projects. In addition, the Company has preferred equity investments and debt securities classified as other lending investments.

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The Company's real estate finance portfolio included the following (\$ in thousands):

	As of December 31,			
	2017		2016	
	Total	% of Total	Total	% of Total
Performing loans:				
Senior mortgages	\$709,809	53.9 %	\$854,805	58.0 %
Corporate/partnership loans	332,387	25.2 %	333,244	22.6 %
Subordinate mortgages	9,495	0.7 %	14,078	1.0 %
Subtotal	1,051,691	79.8 %	1,202,127	81.6 %
Non-performing loans ⁽¹⁾ :				
Senior mortgages	32,825	2.5 %	36,159	2.5 %
Corporate/partnership loans	144,063	10.9 %	144,674	9.8 %
Subordinate mortgages	—	— %	10,863	0.7 %
Subtotal	176,888	13.4 %	191,696	13.0 %
Total carrying value of loans	1,228,579	93.2 %	1,393,823	94.6 %
Other lending investments—securities	89,576	6.8 %	79,916	5.4 %
Total carrying value	1,318,155	100.0 %	1,473,739	100.0 %
General reserve for loan losses	(17,500)		(23,300)	
Total loans receivable and other lending investments, net	\$1,300,655		\$1,450,439	

(1) Non-performing loans are presented net of asset-specific loan loss reserves of \$61.0 million and \$62.2 million, respectively, as of December 31, 2017 and 2016.

Summary of Portfolio Characteristics—As of December 31, 2017, the Company's performing loans and other lending investments had a weighted average loan to value ratio of 67%. Additionally, the Company's performing loans were comprised of 22% fixed-rate loans and 78% variable-rate loans that had a weighted average yield of 9.8% and a weighted average remaining term of 2.0 years.

Portfolio Activity—During the year ended December 31, 2017, the Company invested \$618.5 million (including capitalized deferred interest) in its real estate finance portfolio and received repayments of \$722.0 million (including the receipt of previously capitalized deferred interest).

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Summary of Interest Rate Characteristics—The Company's loans receivable and other lending investments had the following interest rate characteristics (\$ in thousands):

	As of December 31, 2017		2016	
	Carrying Value	% of Total	Weighted Average Accrual Rate	Weighted Average Accrual Rate
Fixed-rate loans and other lending investments	\$251,185	19.1 %	9.4 %	\$282,810
Variable-rate loans ⁽¹⁾	890,082	67.5 %	8.2 %	999,233
Non-performing loans ⁽²⁾	176,888	13.4 %	N/A	191,696
Total carrying value	1,318,155	100.0 %		1,473,739
General reserve for loan losses	(17,500)			(23,300)
Total loans receivable and other lending investments, net	\$1,300,655			\$1,450,439

(1) As of December 31, 2017 and 2016, includes \$416.6 million and \$657.9 million, respectively, of loans with a weighted average LIBOR floor of 0.3% and 0.2%, respectively.

(2) Non-performing loans are presented net of asset-specific loan loss reserves of \$61.0 million and \$62.2 million, respectively, as of December 31, 2017 and 2016.

Summary of Maturities—As of December 31, 2017 the Company's loans receivable and other lending investments had the following maturities (\$ in thousands):

Year of Maturity	Number of Loans Maturing	Carrying Value	% of Total
2018	17	\$583,623	44.2 %
2019	10	463,541	35.2 %
2020	3	16,907	1.3 %
2021	4	7,597	0.6 %
2022	—	—	— %
2023 and thereafter	5	69,599	5.3 %
Total performing loans and other lending investments	39	\$1,141,267	86.6 %
Non-performing loans ⁽¹⁾	5	176,888	13.4 %
Total carrying value	44	\$1,318,155	100.0 %
General reserve for loan losses		(17,500)	
Total loans receivable and other lending investments, net		\$1,300,655	

(1) Non-performing loans are presented net of asset-specific loan loss reserves of \$61.0 million.

Net Lease

The Company's net lease business seeks to create stable cash flows through long-term net leases primarily to single tenants on its properties. The Company targets mission-critical facilities leased on a long-term basis to tenants, offering structured solutions that combine its capabilities in underwriting, lease structuring, asset management and build-to-suit construction. Leases typically provide for expenses at the facility to be paid by the tenant on a triple net lease basis. Under a typical net lease agreement, the tenant agrees to pay a base monthly operating lease payment and most or all of the facility operating expenses (including taxes, utilities, maintenance and insurance). The Company generally intends to hold its net lease assets for long-term investment. However, the Company may dispose of assets if it deems the disposition to be in the Company's best interests.

In 2014, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets and gave a right of first refusal to the venture on all new net lease investments that meet specified investment criteria (refer to Note 7 in our consolidated financial statements for more information on our Net Lease Venture). The Net Lease Venture's investment period expires on March 31, 2018. The term of the Net Lease Venture extends through February 13, 2022, subject to two, one-year extension options at the discretion of the Company and its partner.

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In April 2017, institutional investors acquired from us a controlling interest in SAFE's predecessor, which held our Ground Lease business (the "Acquisition Transactions"). Our Ground Lease business was a component of our net lease segment and consisted of 12 properties subject to long-term net leases including seven Ground Leases and one master lease (covering five properties). As a result of the Acquisition Transactions, we deconsolidated the 12 properties and the associated financing. We account for our investment in SAFE as an equity method investment (refer to Note 7). We have an exclusivity agreement with SAFE pursuant to which we agreed, subject to certain exceptions, that we will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless we have first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

In June 2017, SAFE completed its initial public offering raising \$205.0 million in gross proceeds and concurrently completed a \$45.0 million private placement to us, its largest shareholder. Subsequent to the initial public offering and through December 31, 2017, we purchased 1.8 million shares of SAFE's common stock for \$34.1 million in open market transactions, at an average cost of \$18.85 per share. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date. As of December 31, 2017, our consolidated net lease portfolio totaled \$1.1 billion gross of \$292.3 million of accumulated depreciation. Our net lease portfolio, including the carrying value of our equity method investments in SAFE and the Net Lease Venture, totaled \$1.3 billion. The table below provides certain statistics for our net lease portfolio and net lease equity method investments.

	Consolidated Real Estate	SAFE	Net Lease Venture
Ownership %	100.0 %	37.6 %	51.9 %
Net book value (millions)	\$ 816	\$490 ⁽¹⁾	\$ 597 ⁽¹⁾
Accumulated depreciation (millions)	292	7	48
Gross carrying value (millions)	\$ 1,108	\$497	\$ 645
Occupancy	97.9 %	100.0%	100.0%
Square footage (thousands)	11,322	3,849	4,238
Weighted average lease term (years)	14.0	60.6	19.0
Weighted average yield	8.9 %	5.0 % ⁽²⁾	8.5 %

(1)Net book value represents the net book value of real estate and real estate-related intangibles.

(2)Represents the annualized asset yield.

Portfolio Activity—During the year ended December 31, 2017, the Company acquired one net lease asset for \$6.6 million and invested an aggregate \$4.9 million of tenant improvements and capital expenditures on its existing net lease assets. In addition, during the year ended December 31, 2017, the Company made contributions of \$49.2 million to the Net Lease Venture and received distributions of \$26.0 million from the Net Lease Venture. During the year ended December 31, 2017, the Company recognized \$87.5 million in income from sales of real estate and received proceeds of \$175.4 million from its net lease portfolio (refer to Note 4 in the Company's consolidated financial statements for further details on consolidated net lease asset activities).

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Summary of Lease Expirations—As of December 31, 2017, lease expirations on the Company's net lease assets, excluding our equity method investments in SAFE and the Net Lease Venture, are as follows (\$ in thousands):

Year of Lease Expiration	Number of Leases Expiring	Annualized In-Place Operating Lease Income	% of In-Place Operating Lease Income	% of Total Revenue ⁽¹⁾	Square Feet of Leases Expiring (in thousands)
2018	2	\$ 2,323	2.1	% 0.6	% 119
2019	2	582	0.5	% 0.1	% 61
2020	1	1,489	1.4	% 0.4	% 115
2021	2	3,076	2.8	% 0.7	% 144
2022	3	9,709	9.0	% 2.4	% 584
2023	2	4,573	4.2	% 1.1	% 67
2024	1	5,272	4.9	% 1.3	% 200
2025	—	—	—	% —	% —
2026	4	10,020	9.3	% 2.4	% 638
2027	2	2,796	2.6	% 0.7	% 892
2028 and thereafter	10	68,339	63.2	% 16.6	% 8,260
Total	29	\$ 108,179	100.0	% 26.3	% 11,080
Weighted average remaining lease term (in years)	14.0				

(1) Reflects the percentage of annualized operating lease income for leases in-place as a percentage of annualized total revenue.

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Operating Properties

The 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. The Company generally seeks to reposition or redevelop its transitional properties with the objective of maximizing their value through the infusion of capital and/or intensive asset management efforts. Upon stabilization, the Company will generally look to monetize these assets if favorable conditions exist for maximizing value. 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 the Company's strategy is to sell individual condominium units through retail distribution channels.

The Company's operating properties portfolio, including equity method investments, included the following (\$ in thousands):

	Commercial		Residential	
	As of December 31,		As of December 31,	
	2017	2016	2017	2016
Real estate, at cost	\$521,385	\$522,337	\$—	\$—
Less: accumulated depreciation	(55,137)	(46,175)	—	—
Real estate, net	\$466,248	\$476,162	\$—	\$—
Real estate available and held for sale	20,069	—	48,519	82,480
Other investments	38,761	3,577	—	6
Total portfolio assets	\$525,078	\$479,739	\$48,519	\$82,486

Commercial Properties

The Company classifies commercial properties as either stabilized or transitional. In determining whether a commercial property is stabilized or transitional, the Company analyzes certain performance metrics, primarily occupancy and yield. 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. The table below provides certain statistics for our commercial operating property portfolio.

Commercial Operating Property Statistics

	Stabilized Operating		Transitional Operating		Total	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Gross book value (\$mm) ⁽¹⁾	\$427	\$337	\$153	\$189	\$580	\$526
Occupancy ⁽²⁾	85 %	86 %	61 %	54 %	78 %	74 %
Yield	6.0 %	8.5 %	3.7 %	1.5 %	5.5 %	5.5 %

(1)Gross carrying value represents carrying value gross of accumulated depreciation.

(2)Occupancy is as of December 31, 2017 and 2016.

Summary of Portfolio Characteristics—As of December 31, 2017, commercial properties within the operating properties portfolio, including equity method investments, included 26 facilities, encompassing 4.1 million square feet located in 10 states. Commercial properties include office, industrial and retail buildings along with hotels and marinas. The Company's commercial properties were primarily acquired through foreclosure or deed in lieu of foreclosure in connection with the resolution of loans.

Portfolio Activity—During the year ended December 31, 2017, the Company received \$2.5 million of distributions from its commercial operating property equity method investments. The Company also invested \$27.7 million in its

commercial operating properties and made contributions of \$36.3 million to its commercial operating property equity method investments.

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As of December 31, 2017, lease expirations on commercial properties within the operating properties portfolio, excluding hotels, marinas and other investments, were as follows (\$ in thousands):

Year of Lease Expiration	Number of Leases Expiring	Annualized In-Place Operating Lease Income	% of In-Place Operating Lease Income	% of Total Revenue ⁽¹⁾	Square Feet of Leases Expiring (in thousands)
2018 ⁽²⁾	121	\$ 5,568	13.8	% 1.3	328
2019	52	2,028	5.0	% 0.5	129
2020	41	2,617	6.5	% 0.6	132
2021	27	9,410	23.3	% 2.3	71
2022	45	3,888	9.6	% 0.9	308
2023	8	1,180	2.9	% 0.3	64
2024	9	1,497	3.7	% 0.4	144
2025	8	1,683	4.2	% 0.4	48
2026	14	2,372	5.9	% 0.6	416
2027	38	6,364	15.8	% 1.5	130
2028 and thereafter	15	3,758	9.3	% 0.9	155
Total	378	\$ 40,365	100.0	% 9.7	1,925
Weighted average remaining lease term (in years)	5.4				

(1) Reflects the percentage of annualized operating lease income for leases in-place as a percentage of annualized total revenue.

(2) Includes office leases expiring in commercial properties as well as month-to-month and short term license agreements within our retail properties.

Residential Properties

Summary of Portfolio Characteristics—As of December 31, 2017, residential properties within the operating properties portfolio included 6 residential projects with 34 units located within luxury condominium projects in major cities throughout the United States.

Portfolio Activity—During the year ended December 31, 2017, the Company sold 23 residential condominiums (excluding fractional units) for net proceeds of \$35.3 million resulting in income from sales of real estate of \$4.5 million. During the same period, the Company invested \$7.4 million of capital expenditures in its residential properties.

Land and Development

The Company's land and development portfolio included the following (\$ in thousands):

	As of December 31,	
	2017	2016
Land and development, net	\$860,311	\$945,565
Other investments	63,855	84,804
Total	\$924,166	\$1,030,369

Summary of Portfolio Characteristics—As of December 31, 2017, the Company's land and development portfolio, including equity method investments, included 28 properties, comprised of eight master planned community ("MPC") projects, 14 infill land parcels and six waterfront land parcels located throughout the United States. MPCs represent large-scale residential projects that the Company has and/or will entitle, plan and/or develop and may sell through retail channels to home builders or in bulk. The remainder of the Company's land includes infill and waterfront parcels located in and around major cities that the Company will develop, sell to or partner with commercial real estate developers. Waterfront parcels are generally entitled for residential projects and urban infill parcels are generally entitled for mixed-use projects.

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Portfolio Activity—The following tables present a land and development portfolio rollforward and certain land and development statistics.

Land and Development Portfolio

Rollforward

(in millions)

	Years Ended	
	December 31,	
	2017	2016
Beginning balance ⁽¹⁾	\$945.6	\$1,002.0
Asset sales ⁽²⁾	(175.3)	(68.9)
Asset transfers in (out) ⁽³⁾	(8.9)	(90.7)
Capital expenditures	127.0	109.5
Other ⁽⁴⁾	(28.1)	(6.3)
Ending balance ⁽¹⁾	\$860.3	\$945.6

(1)As of December 31, 2017 and 2016, excludes \$63.9 million and \$84.8 million, respectively, of equity method investments.

(2)Represents gross book value of the assets sold, rather than proceeds received.

(3)Assets transferred into land and development segment or out to another segment.

(4)For the years ended December 31, 2017 and 2016, includes \$20.5 million and \$3.8 million, respectively, of impairments.

Land and Development Statistics

(in millions)

	Years Ended	
	December 31,	
	2017	2016
Land development revenue	\$196.9	\$88.3
Land development cost of sales	180.9	62.0
Land development revenue less cost of sales	\$16.0	\$26.3
Earnings from land and development equity method investments	7.3	30.0
Income from sales of real estate ⁽¹⁾	—	8.8
Total	\$23.3	\$65.1

During the year ended December 31, 2016, we sold a land and development asset to a newly formed

(1)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.

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As of December 31, 2017, the Company had seven land and development projects in production, eight in development and 13 in the pre-development phase. The Company's land and development projects that contributed to revenues during the year ended December 31, 2017 are listed below (\$ in thousands):

Project	Property Type	Location	Anticipated Sales Completion Date ⁽¹⁾	2017 Revenue	Units Sold in 2017 ⁽²⁾	Cumulative Units Sold	Estimated Remaining Units ⁽²⁾
Land and development							
Bevard ⁽³⁾	MPC	Prince George's County, MD	2017	\$ 114,000	N/A	N/A	N/A
Naples Reserve	MPC	Naples, FL	2022	22,055	204	364	745
Monroe	Waterfront	Asbury Park, NJ	2018	17,025	29	29	5
Magnolia Green	MPC	Richmond, VA	2026	16,598	196	985	2,061
Sage Scottsdale	Infill/Mixed Use	Scottsdale, AZ	2017	12,534	23	72	—
Spring Mountain Ranch Phase 2 & 3	MPC	Riverside, CA	2020	8,203	96	96	878
Heath at Tetherow	MPC	Bend, OR	2017	6,464	34	159	—
Total land and development				196,879	582	1,705	3,689
Land and development equity method investments ⁽⁴⁾							
				Equity in Earnings	Units Sold in 2017 ⁽²⁾	Cumulative Units Sold	Estimated Remaining Units ⁽²⁾
Marina Palms ⁽⁵⁾	Waterfront	N. Miami Beach, FL	2018	2,621	200	433	35
Spring Mountain Ranch Phase 1	MPC	Riverside, CA	2017	4,734	52	435	—
Other land and development equity method investments	Various	Various	Various	(63)	N/A	N/A	N/A
Total land and development equity method investments				7,292	252	868	35
Total Land and Development Projects Contributing to Earnings				\$ 204,171	834	2,573	3,724

Anticipated completion dates are subject to change as a result of factors that may be outside of the Company's (1) control, such as economic conditions, uncertainty with rezoning, obtaining governmental permits and approvals, concerns of community associations and reliance on third party contractors.

Units sold in 2017 excludes land bulk parcel sales. Estimated remaining units may include single-family lots, (2) condos, multifamily rental units and hotel keys, as applicable, for the respective properties and are subject to change.

(3) Refer to Note 11.

(4) These land and development projects are accounted for under the equity method of accounting.

(5) Sales activity is the result of percentage of completion accounting at the joint venture during the year ended December 31, 2017.

Bevard

In connection with the resolution of litigation involving a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George's County, Maryland ("Bevard"), during the year ended December 31, 2017, we recognized \$114.0 million of land development revenue (refer to Note 11).

Naples Reserve

Naples Reserve is a water-themed master planned community in Naples, FL built on 688 acres. The project comprises 1,100 lakefront residences across 22 interconnected lakes, including a 125-acre navigable recreation lake and adjacent resort-style amenity center as its centerpiece. The community also includes a neighborhood, Parrot Cay, designated for custom homes constructed by local builders in the Naples Market.

Naples Reserve sold 204 residential lots for \$22.1 million of land development revenue during the year ended December 31, 2017.

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Monroe

Monroe is a 34 unit residential condominium development in Asbury Park, NJ. Monroe sold 29 condominium units for \$17.0 million of land development revenue during the year ended December 31, 2017.

Magnolia Green

Magnolia Green is a 3,500 unit multi-generational master planned community just outside of Richmond, Virginia with distinct phases designed for people in different life stages, from first home buyers to empty nesters. Built on nearly 1,900 acres, Magnolia Green is a community with home designs from the area's top builders. The community's amenity package features an 18-hole Jack Nicklaus designed golf course and a full-service golf clubhouse and aquatic center. There is also a tennis facility which is currently under construction.

Magnolia Green sold 196 residential lots for \$16.6 million of land development revenue during the year ended December 31, 2017.

Sage Scottsdale

Sage Scottsdale is an infill development project in Scottsdale, AZ comprised of 72 two- and three-bedroom condominiums. The community is located next to the waterfront canal and Old Town Scottsdale and provides residents with a wide array of luxury amenities such as a resort pool, clubhouse, fitness room and wine cellar / tasting room.

Sales at Sage Scottsdale commenced in 2015 and the project sold its remaining 23 condominiums for \$12.5 million of land development revenue during the year ended December 31, 2017.

Spring Mountain Ranch - Phase 1, 2 & 3

Spring Mountain Ranch is a 785-acre master planned community located four miles from Riverside, CA. Spring Mountain Ranch offers convenient freeway access and proximity to local job centers. The community plan includes a total of 1,400 home sites across several neighborhoods, designed with an emphasis on outdoor recreation with homes marketed towards first time, move up and empty nester purchasers. In late 2013, the Company contributed a portion of its land and entered into a joint venture with a national homebuilder to jointly develop residential lots in Phase 1 of the project, which was comprised of 435 homes. The Company owned a noncontrolling 75.6% interest in Phase 1 of Spring Mountain Ranch, which was completed in 2017 and sold its remaining 52 lots and generated the Company \$4.7 million of earnings from equity method investments for the year ended December 31, 2017. Phase 2A is wholly-owned by the Company and includes 315 lots within the Spring Mountain Ranch master planned community and is fully covered under a lot takedown agreement with a national homebuilder. The lot take down agreement requires the homebuilder to close on 32 lots per quarter for a fixed price. The Company sold 96 lots in Phase 2A for \$8.2 million of land and development revenue during the year ending December 31, 2017.

Heath at Tetherow

Tetherow is a 700-acre master planned community located in Bend, OR entitled for 378 residential lots, of which the Company originally acquired 159 lots within the Heath neighborhood. Bend has access to a wide array of recreational activities such as Mount Bachelor and the Cascade Mountains for skiing and hiking, as well as the Deschutes River for kayaking and fishing. In addition, the community's lodge was named "World's #1 Resort" on Booking.com and its golf course was ranked among Golf Digest's "Top 100 Greatest Public Courses."

Heath at Tetherow sold its remaining 34 residential lots for \$6.5 million of land development revenue during the year ended December 31, 2017.

Marina Palms

Marina Palms is a waterfront development in North Miami Beach, FL consisting of 468 residential condominium units within two towers and a 110-slip full-service marina. It is the first luxury condominium and yacht club project in Miami in two decades. Situated on 14 acres and over 750 feet of waterfront, Marina Palms offers views over the Intracoastal Waterway and beyond to the Atlantic Ocean. The Company has partnered with local developers for the development of Marina Palms and contributed its land in return for a 47.5% interest in the venture.

As of December 31, 2017, the 234 unit north tower has one unit remaining for sale and the 234 unit south tower has 34 units remaining for sale.

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Policies with Respect to Other Activities

The Company's investment, financing and corporate governance policies (including conflicts of interests policies) are managed under the ultimate supervision of the Company's Board of Directors. The Company can amend, revise or eliminate these policies at any time without a vote of its shareholders. The Company intends to originate and manage investments in a manner consistent with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") for the Company to qualify as a REIT.

Investment Restrictions or Limitations

The Company does not have any prescribed allocation among investments or product lines. Instead, the Company focuses on corporate and real estate credit underwriting to develop an analysis of the risk/reward trade-offs in determining the pricing and advisability of each particular transaction.

The Company believes that it is not, and intends to conduct its operations so as not to become, regulated as an investment company under the Investment Company Act. The Investment Company Act generally exempts entities that are "primarily engaged in purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" (collectively, "Qualifying Interests"). The Company intends to rely on current interpretations of the Securities and Exchange Commission in an effort to qualify for this exemption. Based on these interpretations, the Company, among other things, must maintain at least 55% of its assets in Qualifying Interests and at least 80% of its assets in Qualifying Interests and other "real estate-related assets" (such as mezzanine loans and unsecured investments in real estate entities) combined. The Company's senior mortgages, real estate assets and certain of its subordinated mortgages generally constitute Qualifying Interests. Subject to the limitations on ownership of certain types of assets and the gross income tests imposed by the Code, the Company also may invest in the securities of other REITs, other entities engaged in real estate activities or other issuers, including for the purpose of exercising control over such entities.

Competition

The Company operates in a competitive market. See Item 1a—Risk factors—"We compete with a variety of financing and leasing sources for our customers," for a discussion of how we may be affected by competition.

Regulation

The operations of the Company are subject, in certain instances, to supervision and regulation by state and federal governmental authorities and may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things: (1) regulate credit granting activities; (2) establish maximum interest rates, finance charges and other charges; (3) require disclosures to customers; (4) govern secured transactions; (5) set collection, foreclosure, repossession and claims-handling procedures and other trade practices; (6) govern privacy of customer information; and (7) regulate anti-terror and anti-money laundering activities. Although most states do not regulate commercial finance, certain states impose limitations on interest rates and other charges and on certain collection practices and creditor remedies, and require licensing of lenders and financiers and adequate disclosure of certain contract terms. The Company is also required to comply with certain provisions of the Equal Credit Opportunity Act that are applicable to commercial loans.

In the judgment of management, existing statutes and regulations have not had a material adverse effect on the business conducted by the Company. It is not possible at this time to forecast the exact nature of any future legislation, regulations, judicial decisions, orders or interpretations, nor their impact upon the future business, financial condition or results of operations or prospects of the Company.

The Company has elected and expects to continue to qualify to be taxed as a REIT under Section 856 through 860 of the Code. As a REIT, the Company must generally distribute at least 90% of its net taxable income, excluding capital gains, to its shareholders each year. In addition, the Company must distribute 100% of its net taxable income (including net capital gains) each year to eliminate U.S. corporate federal income taxes payable by it. REITs are also subject to a number of organizational and operational requirements in order to elect and maintain REIT qualification. These requirements include specific share ownership tests and asset and gross income tests. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal income tax (including, for taxable years prior to 2018, any applicable alternative minimum tax) on its net taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to state and local taxes and to U.S.

federal income tax and excise tax on its undistributed income.

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Code of Conduct

The Company has adopted a code of conduct that sets forth the principles of conduct and ethics to be followed by our directors, officers and employees (the "Code of Conduct"). The purpose of the Code of Conduct is to promote honest and ethical conduct, compliance with applicable governmental rules and regulations, full, fair, accurate, timely and understandable disclosure in periodic reports, prompt internal reporting of violations of the Code of Conduct and a culture of honesty and accountability. A copy of the Code of Conduct has been provided to each of our directors, officers and employees, who are required to acknowledge that they have received and will comply with the Code of Conduct. A copy of the Company's Code of Conduct has been previously filed with the SEC and is incorporated by reference in this Annual Report on Form 10-K as Exhibit 14.0. The Code of Conduct is also available on the Company's website at www.istar.com. The Company will disclose to shareholders material changes to its Code of Conduct, or any waivers for directors or executive officers, if any, within four business days of any such event. As of December 31, 2017, there have been no amendments to the Code of Conduct and the Company has not granted any waivers from any provision of the Code of Conduct to any directors or executive officers.

Employees

As of February 22, 2018, the Company had 186 employees and believes it has good relationships with its employees. The Company's employees are not represented by any collective bargaining agreements.

Other

In addition to this Annual Report on Form 10-K, the Company files quarterly and special reports, proxy statements and other information with the SEC. Through the Company's corporate website, www.istar.com, the Company makes available free of charge its annual proxy statement, annual reports to stockholders, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. You may also read and copy any document filed at the public reference facilities at 100 F Street, N.E., Washington, D.C. 25049. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's electronic data gathering, analysis and retrieval system via electronic means, including on the SEC's homepage, which can be found at www.sec.gov.

Item 1a. Risk Factors

In addition to the other information in this report, you should consider carefully the following risk factors in evaluating an investment in the Company's securities. Any of these risks or the occurrence of any one or more of the uncertainties described below could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and market price of the Company's common stock. The risks set forth below speak only as of the date of this report and the Company disclaims any duty to update them except as required by law. For purposes of these risk factors, the terms "our Company," "we," "our" and "us" refer to iStar Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

Risks Related to Our Business

Changes in general economic conditions may adversely affect our business.

Our success is generally dependent upon economic conditions in the United States, and in particular, the geographic areas in which our investments are located. Substantially all businesses, including ours, were negatively affected by the previous economic recession and resulting illiquidity and volatility in the credit and commercial real estate markets. The commercial real estate and credit markets remain volatile and it is not possible for us to predict whether these trends will continue in the future or quantify the impact of these or other trends on our financial results.

Deterioration in economic trends could have a material adverse effect on our financial performance, liquidity and our ability to meet our debt obligations.

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Our credit ratings will impact our borrowing costs.

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Our unsecured corporate credit ratings from major national credit rating agencies are currently below investment grade. Having below investment grade credit ratings increases our borrowing costs and caused restrictive covenants in our public debt instruments to become operative. These restrictive covenants are described below in "Covenants in our indebtedness could limit our flexibility and adversely affect our financial condition." These factors have adversely impacted our financial performance and will continue to do so unless our credit ratings improve.

Covenants in our indebtedness could limit our flexibility and adversely affect our financial condition.

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 restriction on debt incurrence based upon the effect of the debt incurrence on our fixed charge coverage ratio. 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. Limitations on our ability to incur new indebtedness under the fixed charge coverage ratio may limit the amount of new investments we make.

In March 2015, we entered into a secured revolving credit facility with a maximum capacity of \$250.0 million (our "2015 Secured Revolving Credit Facility") and we upsized the facility to \$325.0 million in September 2017 and added additional lenders to the syndicate. In June 2016, we entered into a senior secured credit facility with a maximum capacity of \$450.0 million and in August 2016 we upsized the facility to \$500.0 million (our "2016 Senior Secured Credit Facility"). In September 2017, we reduced the 2016 Senior Secured Credit Facility to \$400.0 million. Our 2015 Secured Revolving Credit Facility and our 2016 Senior Secured 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, our 2016 Senior Secured Credit Facility requires the Company to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility and our 2015 Secured Revolving Credit Facility 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. In addition, for so long as we maintain our qualification as a REIT, our 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility permit us to distribute 100% of our REIT taxable income on an annual basis (prior to deducting certain cumulative net operating loss carryforwards). We may not pay common dividends if the Company ceases to qualify as a REIT.

Our 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility contain cross default provisions that would allow the lenders to declare an event of default and accelerate our indebtedness to them if we fail to pay amounts due in respect of our 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 our unsecured public debt securities permit the bondholders to declare an event of default and accelerate our indebtedness to them if our other recourse indebtedness in excess of specified thresholds is not paid at final maturity or if such indebtedness is accelerated. A default by us on our indebtedness would have a material adverse effect on our business, liquidity and the market price of our common stock.

We have significant indebtedness and funding commitments and limitations on our liquidity and ability to raise capital may adversely affect us.

Sufficient liquidity is critical to our ability to grow and to meet our scheduled debt payments and our funding commitments to borrowers. We have relied on proceeds from the issuance of unsecured debt, secured borrowings, repayments from our loan assets and proceeds from asset sales to fund our operations and meet our debt maturities, and we expect to continue to rely primarily on these sources of liquidity for the foreseeable future. While we had access to various sources of capital in 2017, our ability to access capital in 2018 and beyond will be subject to a number of factors, many of which are outside of our control, such as general economic conditions, changes in interest rates and conditions prevailing in the credit and real estate markets. There can be no assurance that we will have access to liquidity when needed or on terms that are acceptable to us. We may also encounter difficulty in selling assets or executing capital raising strategies on acceptable terms in a timely manner, which could impact our ability to make scheduled repayments on our outstanding debt. Failure to repay or refinance our borrowings as they come due

would be an event of default under the relevant debt instruments, which could result in a cross default and acceleration of our other outstanding debt obligations. Failure to meet funding commitments could cause us to be in default of our financing commitments to borrowers. Any of the foregoing could have a material adverse effect on our business, liquidity and the market price of our common stock.

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We may utilize derivative instruments to hedge risk, which may adversely affect our borrowing cost and expose us to other risks.

The derivative instruments we may use are typically in the form of interest rate swaps, interest rate caps and foreign exchange contracts. Interest rate swaps effectively change variable-rate debt obligations to fixed-rate debt obligations or fixed-rate debt obligations to variable-rate debt obligations. Interest rate caps limit our exposure to rising interest rates. Foreign exchange contracts limit or offset our exposure to changes in currency rates in respect of certain investments denominated in foreign currencies.

Our use of derivative instruments also involves the risk that a counterparty to a hedging arrangement could default on its obligation and the risk that we may have to pay certain costs, such as transaction fees or breakage costs, if a hedging arrangement is terminated by us. As a matter of policy, we enter into hedging arrangements with counterparties that are large, creditworthy financial institutions typically rated at least "A/A2" by S&P and Moody's, respectively.

Developing an effective strategy for dealing with movements in interest rates and foreign currencies is complex and no strategy can completely insulate us from risks associated with such fluctuations. There can be no assurance that any hedging activities will have the desired beneficial impact on our results of operations or financial condition.

Significant increases in interest rates could have an adverse effect on our operating results.

Our operating results 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 interest earning assets and interest bearing liabilities subject to the impact of interest rate floors and caps, as well as the amounts of floating rate assets and liabilities. Any significant compression of the spreads between interest earning assets and interest bearing liabilities could have a material adverse effect on us. While interest rates remain low by historical standards, rates have recently risen and are generally expected to rise in the coming years, although there is no certainty as to the amount by which they may rise. In the event of a significant rising interest rate environment, rates could exceed the interest rate floors that exist on certain of our floating rate debt and create a mismatch between our floating rate loans and our floating rate debt that could have a significant adverse effect on our operating results. An increase in interest rates could also, 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. In addition, rising interest rates tend to negatively impact the residential mortgage market, which in turn may adversely affect the value of and demand for our land assets, including our residential development projects. 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 are required to make a number of judgments in applying accounting policies, and different estimates and assumptions could result in changes to our financial condition and results of operations. The carrying values of our assets held for investment are not determined based upon the prices at which they could be sold currently.

Material estimates that are particularly susceptible to significant change underlie our determination of the reserve for loan losses, which is based primarily on the estimated fair value of loan collateral, as well as the valuation of real estate assets and deferred tax assets. While we have identified those accounting policies that are considered critical and have procedures in place to facilitate the associated judgments, different assumptions in the application of these policies could have a material adverse effect on our financial performance and results of operations and actual results may differ materially from our estimates.

In addition, as discussed further in the notes to our consolidated financial statements, we record our real estate and land and development assets at cost less accumulated depreciation and amortization. If we hold a property for use or investment, we will only review it for impairment in value if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable, based on management's determination that the aggregate future cash flows to be generated by the asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Management's estimates of cash flows considers factors such as expected future operating income trends, as well as the effects of demand, competition and other economic factors. The carrying values of our real estate and land and development assets are not indicative of the prices at which we would be able to sell the properties, if we had to do so before the end of their intended holding period. If we changed our investment intent and

decided to sell a property that was being held for investment, including in distressed circumstances as a means of raising liquidity, there can be no assurance that we would not realize losses on such sales, which losses could have a material adverse effect on our business, financial results, liquidity and the market price of our common stock.

Changes in accounting rules will affect our financial reporting.

The Financial Accounting Standards Board ("FASB") has issued new accounting standards that will affect our financial reporting.

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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 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 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 was permitted beginning January 1, 2017. We will adopt ASU 2014-09 using the modified retrospective approach (refer to Note 3 for more information regarding the impact of ASU 2014-09).

Changes in accounting standards could affect the comparability of our reported results with prior periods and our ability to comply with financial covenants under our debt instruments. We may also need to change our accounting systems and processes to enable us to comply with the new standards, which may be costly.

For additional information regarding new accounting standards, refer to Note 3 to our consolidated financial statements under the heading "New accounting pronouncements."

Our reserves for loan losses may prove inadequate, which could have a material adverse effect on our financial results. We maintain loan loss reserves to offset potential future losses. Our general loan loss reserve reflects management's then-current estimation of the probability and severity of losses within our portfolio. In addition, our determination of asset-specific loan loss reserves relies on material estimates regarding the fair value of loan collateral. Estimation of ultimate loan losses, provision expenses and loss reserves is a complex and subjective process. As such, there can be no assurance that management's judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses. Such losses could be caused by factors including, but not limited to, unanticipated adverse changes in the economy or events adversely affecting specific assets, borrowers, industries in which our borrowers operate or markets in which our borrowers or their properties are located. In particular, during the previous financial crisis, the weak economy and disruption of the credit markets adversely impacted the ability and

willingness of many of our borrowers to service their debt and refinance our loans to them at maturity. If our reserves for credit losses prove inadequate we may suffer additional losses which would have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

We have suffered losses when a borrower defaults on a loan and the underlying collateral value is not sufficient, and we may suffer additional losses in the future.

We have suffered losses arising from borrower defaults on our loan assets and we may suffer additional losses in the future. In the event of a default by a borrower on a non-recourse loan, we will only have recourse to the real estate-related assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. Conversely, we

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sometimes make loans that are unsecured or are secured only by equity interests in the borrowing entities. These loans are subject to the risk that other lenders may be directly secured by the real estate assets of the borrower. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying real estate. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the borrower prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

We sometimes obtain individual or corporate guarantees from borrowers or their affiliates. In cases where guarantees are not fully or partially secured, we typically rely on financial covenants from borrowers and guarantors which are designed to require the borrower or guarantor to maintain certain levels of creditworthiness. Where we do not have recourse to specific collateral pledged to satisfy such guarantees or recourse loans, or where the value of the collateral proves insufficient, we will only have recourse as an unsecured creditor to the general assets of the borrower or guarantor, some or all of which may be pledged to satisfy other lenders. There can be no assurance that a borrower or guarantor will comply with its financial covenants, or that sufficient assets will be available to pay amounts owed to us under our loans and guarantees. As a result of these factors, we may suffer additional losses which could have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

In the event of a borrower bankruptcy, we may not have full recourse to the assets of the borrower in order to satisfy our loan. In addition, certain of our loans are subordinate to other debts of the borrower. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill" periods) and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy and borrower litigation can significantly increase collection costs and losses and the time necessary to acquire title to the underlying collateral, during which time the collateral may decline in value, causing us to suffer additional losses. If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a borrower may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a borrower's ability to refinance our loan because the underlying property cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer additional loss which may adversely impact our financial performance.

We are subject to additional risks associated with loan participations.

Some of our loans are participation interests or co-lender arrangements in which we share the rights, obligations and benefits of the loan with other lenders. We may need the consent of these parties to exercise our rights under such loans, including rights with respect to amendment of loan documentation, enforcement proceedings in the event of default and the institution of, and control over, foreclosure proceedings. Similarly, a majority of the participants may be able to take actions to which we object but to which we will be bound if our participation interest represents a minority interest. We may be adversely affected by this lack of full control.

We are subject to additional risk associated with owning and developing real estate.

We own a number of assets that previously served as collateral on defaulted loans. These assets are predominantly land and development assets and operating properties. These assets expose us to additional risks, including, without limitation:

We must incur costs to carry these assets and in some cases make repairs to defects in construction, make improvements to, or complete the assets, which requires additional liquidity and results in additional expenses that could exceed our original estimates and impact our operating results.

Real estate projects are not liquid and, to the extent we need to raise liquidity through asset sales, we may be limited in our ability to sell these assets in a short-time frame.

Uncertainty associated with economic conditions, rezoning, obtaining governmental permits and approvals, concerns of community associations, reliance on third party contractors, increasing commodity costs and threatened or pending litigation may materially delay our completion of rehabilitation and development activities and materially increase their cost to us.

The values of our real estate investments are subject to a number of factors outside of our control, including changes in the general economic climate, changes in interest rates and the availability of attractive financing, over-building or decreasing demand in the markets where we own assets, and changes in law and governmental regulations.

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The residential market has experienced significant downturns that could recur and adversely affect us. As of December 31, 2017, we owned land and residential condominiums with a net carrying value of \$908.8 million. The housing market in the United States has previously been affected by weakness in the economy, high unemployment levels and low consumer confidence. It is possible another downturn could occur again in the near future and adversely impact our portfolio, and accordingly our financial performance. In addition, rising interest rates tend to negatively impact the residential mortgage market, which in turn may adversely affect the value of and demand for our land assets including our residential development projects.

We may experience losses if the creditworthiness of our tenants deteriorates and they are unable to meet their lease obligations.

We own properties leased to tenants of our real estate assets and receive rents from tenants during the contracted term of such leases. A tenant's ability to pay rent is determined by its creditworthiness, among other factors. If a tenant's credit deteriorates, the tenant may default on its obligations under our lease and may also become bankrupt. The bankruptcy or insolvency of our tenants or other failure to pay is likely to adversely affect the income produced by our real estate assets. If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy, we may not be able to evict the tenant solely because of such bankruptcy or failure to pay. A court, however, may authorize a tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. In addition, certain amounts paid to us within 90 days prior to the tenant's bankruptcy filing could be required to be returned to the tenant's bankruptcy estate. In any event, it is highly unlikely that a bankrupt or insolvent tenant would pay in full amounts it owes us under a lease that it intends to reject. In other circumstances, where a tenant's financial condition has become impaired, we may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is likely less than the total contractual rental amount. Without regard to the manner in which the lease termination occurs, we are likely to incur additional costs in the form of tenant improvements and leasing commissions in our efforts to lease the space to a new tenant. In any of the foregoing circumstances, our financial performance could be materially adversely affected.

We are subject to risks relating to our asset concentration.

Our portfolio consists primarily of real estate and commercial real estate loans which are generally diversified by asset type, obligor, property type and geographic location. As of December 31, 2017, approximately 22% of the gross carrying value of our assets related to land and development properties, 20% related to office properties, 12% related to mixed collateral properties, 12% related to entertainment/leisure collateral properties and 11% related to condominium properties. All of these property types were adversely affected by the previous economic recession. In addition, as of December 31, 2017, approximately 36% of the carrying value of our assets related to properties located in the northeastern United States (including 22% in New York), 18% related to properties located in the western United States (including 12% in California), 16% related to properties located in the southeastern United States and 13% related to properties located in the southwestern United States. These regions include areas that were particularly hard hit by the prior downturn in the residential real estate markets. In addition, we have \$9.2 million of international assets, which are subject to increased risks due to the economic uncertainty abroad. We may suffer additional losses on our assets due to these concentrations.

We underwrite the credit of prospective borrowers and tenants and often require them to provide some form of credit support such as corporate guarantees, letters of credit and/or cash security deposits. Although our loans and real estate assets are geographically diverse and the borrowers and tenants operate in a variety of industries, to the extent we have a significant concentration of interest or operating lease revenues from any single borrower or customer, the inability of that borrower or tenant to make its payment could have a material adverse effect on us. As of December 31, 2017, our five largest borrowers or tenants of net lease assets collectively accounted for approximately 15.0% of our 2017 revenues, of which no single customer accounts for more than 5.7%.

Lease expirations, lease defaults and lease terminations may adversely affect our revenue.

Lease expirations and lease terminations may result in reduced revenues if the lease payments received from replacement tenants are less than the lease payments received from the expiring or terminating corporate tenants. In

addition, lease defaults or lease terminations by one or more significant tenants or the failure of tenants under expiring leases to elect to renew their leases could cause us to experience long periods of vacancy with no revenue from a facility and to incur substantial capital expenditures and/or lease concessions in order to obtain replacement tenants. Leases representing approximately 27.4% of our in-place operating lease income are scheduled to expire during the next five years.

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We compete with a variety of financing and leasing sources for our customers.

The financial services industry and commercial real estate markets are highly competitive and have become more competitive in recent years. Our competitors include finance companies, other REITs, commercial banks and thrift institutions, investment banks and hedge funds, among others. Our competitors may seek to compete aggressively on a number of factors including transaction pricing, terms and structure. We may have difficulty competing to the extent we are unwilling to match our competitors' deal terms in order to maintain our interest margins and/or credit standards. To the extent that we match competitors' pricing, terms or structure, we may experience decreased interest margins and/or increased risk of credit losses, which could have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

We face significant competition within our net leasing business from other owners, operators and developers of properties, many of which own properties similar to ours in markets where we operate. Such competition may affect our ability to attract and retain tenants and reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners offering lower rental rates than we would or providing greater tenant improvement allowances or other leasing concessions. This combination of circumstances could adversely affect our revenues and financial performance.

We are subject to certain risks associated with investing in real estate, including potential liabilities under environmental laws and risks of loss from weather conditions, man-made or natural disasters, climate change and terrorism.

Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos-containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos-containing materials. While a secured lender is not likely to be subject to these forms of environmental liability, when we foreclose on real property, we become an owner and are subject to the risks of environmental liability. Additionally, our net lease assets require our tenants to undertake the obligation for environmental compliance and indemnify us from liability with respect thereto. There can be no assurance that our tenants will have sufficient resources to satisfy their obligations to us.

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods, droughts, fires and other environmental conditions can damage properties we own. As of December 31, 2017, approximately 18% of the carrying value of our assets was located in the western and northwestern United States, geographic areas at higher risk for earthquakes. Additionally, we own properties located near the coastline and the value of our properties will potentially be subject to the risks associated with long-term effects of climate change. A significant number of our properties are located in major urban areas which, in recent years, have been high risk geographical areas for terrorism and threats of terrorism. Certain forms of terrorism including, but not limited to, nuclear, biological and chemical terrorism, political risks, environmental hazards and/or Acts of God may be deemed to fall completely outside the general coverage limits of our insurance policies or may be uninsurable or cost prohibitive to justify insuring against. Furthermore, if the U.S. Terrorism Risk Insurance Program Reauthorization Act is repealed or not extended or renewed upon its expiration, the cost for terrorism insurance coverage may increase and/or the terms, conditions, exclusions, retentions, limits and sublimits of such insurance may be materially amended, and may effectively decrease the scope and availability of such insurance to the point where it is effectively unavailable. Future weather conditions, man-made or natural disasters, effects of climate change or acts of terrorism could adversely impact the demand for, and value of, our assets and could also directly impact the value of our assets through damage, destruction or loss, and could thereafter materially impact the availability or cost of insurance to protect against these events. Although we believe our owned real estate and the properties collateralizing our loan assets are adequately

covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance to our tenants. Any weather conditions, man-made or natural disasters, terrorist attack or effect of climate change, whether or not insured, could have a material adverse effect on our financial performance, liquidity and the market price of our common stock. In addition, there is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to a deterioration in its financial condition.

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From time to time we make investments in companies over which we do not have sole control. Some of these companies operate in industries that differ from our current operations, with different risks than investing in real estate.

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. Although these businesses generally have a significant real estate component, some of them may operate in businesses that are different from our primary business segments. Consequently, investments in these businesses, among other risks, subject us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses.

From time to time we may make additional investments in or acquire other entities that may subject us to similar risks. Investments in entities over which we do not have sole control, including joint ventures, present additional risks such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

Declines in the market values of our equity investments may adversely affect periodic reported results.

Most of our equity investments are in funds or companies that are not publicly traded and their fair value may not be readily determinable. We may periodically estimate the fair value of these investments, based upon available information and management's judgment. Because such valuations are inherently uncertain, they may fluctuate over short periods of time. In addition, our determinations regarding the fair value of these investments may be materially higher than the values that we ultimately realize upon their disposal, which could result in losses that have a material adverse effect on our financial performance, the market price of our common stock and our ability to pay dividends. Quarterly results may fluctuate and may not be indicative of future quarterly performance.

Our quarterly operating results could fluctuate; therefore, reliance should not be placed on past quarterly results as indicative of our performance in future quarters. Factors that could cause quarterly operating results to fluctuate include, among others, variations in loan and real estate portfolio performance, levels of non-performing assets and related provisions, market values of investments, costs associated with debt, general economic conditions, the state of the real estate and financial markets and the degree to which we encounter competition in our markets.

Our ability to retain and attract key personnel is critical to our success.

Our success depends on our ability to retain our senior management and the other key members of our management team and recruit additional qualified personnel. We rely in part on equity compensation to retain and incentivize our personnel. In addition, if members of our management join competitors or form competing companies, the competition could have a material adverse effect on our business. Efforts to retain or attract professionals may result in additional compensation expense, which could affect our financial performance.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations and the services we provide to customers, and damage our reputation, which could have a material adverse effect on our business.

We may change certain of our policies without stockholder approval.

Our charter does not set forth specific percentages of the types of investments we may make. We can amend, revise or eliminate our investment financing and conflict of interest policies at any time at our discretion without a vote of our shareholders. A change in these policies could have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

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Certain provisions in our charter may inhibit a change in control.

Generally, to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of our taxable year. The Code defines "individuals" for purposes of the requirement described in the preceding sentence to include some types of entities. Under our charter, no person may own more than 9.8% of our outstanding shares of stock, with some exceptions. The restrictions on transferability and ownership may delay, deter or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interest of the security holders.

We would be subject to adverse consequences if we fail to qualify as a REIT.

We believe that we have been organized and operated in a manner so as to qualify for taxation as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 1998. Our qualification as a REIT, however, has depended and will continue to depend on our ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income and the amount of our distributions to our shareholders. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Our ability to satisfy these asset tests depends upon our analysis of the characterization of our assets for U.S. federal income tax purposes and fair market values of our assets. The fair market values of certain of our assets are not susceptible to a precise determination.

If we were to fail to qualify as a REIT for any taxable year, we would not be allowed a deduction for distributions to our shareholders in computing our net taxable income and would be subject to U.S. federal income tax, including, for taxable years prior to 2018, any applicable alternative minimum tax on our net taxable income at regular corporate rates and applicable state and local taxes. We would also be disqualified from treatment as a REIT for the four subsequent taxable years following the year during which our REIT qualification was lost unless we were entitled to relief under certain Code provisions and obtained a ruling from the IRS. If disqualified and unable to obtain relief, we may need to borrow money or sell assets to pay taxes. As a result, cash available for distribution would be reduced for each of the years involved. Furthermore, it is possible that future economic, market, legal, tax or other considerations may cause our REIT qualification to be revoked. This could have a material adverse effect on our business and the market price of our common stock.

Our 2016 Senior Secured Credit Facility and 2015 Secured Revolving Credit Facility (see Item 8—"Financial Statements and Supplemental Data—Note 10") prohibit us from paying dividends on our common stock if we no longer qualify as a REIT.

To qualify as a REIT, we may be forced to borrow funds, sell assets or take other actions during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our shareholders at least 90% of our net taxable income, excluding net capital gains each year, and we will be subject to U.S. federal income tax, as well as applicable state and local taxes, to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

In the event that principal, premium or interest payments with respect to a particular debt instrument that we hold are not made when due, we may nonetheless be required to continue to recognize the unpaid amounts as taxable income. In addition, we may be allocated taxable income in excess of cash flow received from some of our partnership investments. For taxable years beginning after December 31, 2017, we will generally be required to take certain amounts into income no later than the time such amounts are reflected on our financial statements (this rule will apply to debt instruments issued with original issue discount for taxable years beginning after December 31, 2018). Also, in certain circumstances our ability to deduct interest expenses for U.S. federal income tax purposes may be limited. From these and other potential timing differences between income recognition or expense deduction and cash receipts or disbursements, there is a significant risk that we may have substantial taxable income in excess of cash available for distribution. In order to qualify as a REIT and avoid the payment of income and excise taxes, we may need to

borrow funds or take other actions to meet our REIT distribution requirements for the taxable year in which the phantom income is recognized.

Complying with the REIT requirements may cause us to forego and/or liquidate otherwise attractive investments. In order to meet the income, asset and distribution tests under the REIT rules, we may be required to take or forego certain actions. For instance, we may not be able to make certain investments and we may have to liquidate other investments. In addition, we may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

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Certain of our business activities may potentially be subject to the prohibited transaction tax, which could reduce the return on your investment.

For so long as we qualify as a REIT, our ability to dispose of certain properties may be restricted under the REIT rules, which generally impose a 100% penalty tax on any gain recognized on "prohibited transactions," which refers to the disposition of property that is deemed to be inventory or held primarily for sale to customers in the ordinary course of our business, subject to certain exceptions. Whether property is inventory or otherwise held primarily for sale depends on the particular facts and circumstances. The Code provides a safe harbor that, if met, allows a REIT to avoid being treated as engaged in a prohibited transaction. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with the safe harbor. The 100% tax does not apply to gains from the sale of foreclosure property or to property that is held through a taxable REIT subsidiary ("TRS") or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to avoid prohibited transaction characterization.

Certain of our activities, including our use of TRSs, are subject to taxes that could reduce our cash flows. Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay some U.S. federal, state, local and non-U.S. taxes on our income and property, including taxes on any undistributed income, taxes on income from certain activities conducted as a result of foreclosures, and property and transfer taxes. We would be required to pay taxes on net taxable income that we fail to distribute to our shareholders. In addition, we may be required to limit certain activities that generate non-qualifying REIT income, such as land development and sales of condominiums, and/or we may be required to conduct such activities through TRS. We hold a significant amount of assets in our TRS, including assets that we have acquired through foreclosure, assets that may be treated as dealer property and other assets that could adversely affect our ability to qualify as a REIT if held at the REIT level. As a result, we will be required to pay income taxes on the taxable income generated by these assets. Furthermore, we will be subject to a 100% penalty tax to the extent our economic arrangements with our TRS are not comparable to similar arrangements among unrelated parties. We will also be subject to a 100% tax to the extent we derive income from the sale of assets to customers in the ordinary course of business other than through our TRS. To the extent we or our TRS are required to pay U.S. federal, state, local or non-U.S. taxes, we will have less cash available for distribution to our shareholders.

We have substantial net operating loss carry forwards which we use to offset our tax and distribution requirements. We fully utilized our net capital loss carry forward during the year ended December 31, 2017. Net operating losses arising in taxable years beginning after December 31, 2017 will only be able to offset 80% of our net taxable income (prior to the application of the dividends paid deduction) and may not be carried back. In the event that we experience an "ownership change" for purposes of Section 382 of the Code, our ability to use these losses will be limited. An "ownership change" is determined through a set of complex rules which track the changes in ownership that occur in our common stock for a trailing three year period. We have experienced volatility and significant trading in our common stock in recent years. The occurrence of an ownership change is generally beyond our control and, if triggered, may increase our tax and distribution obligations for which we may not have sufficient cash flow.

A failure to comply with the limits on our ownership of and relationship with our TRS would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

No more than 20% (25% for taxable years beginning after July 30, 2008 and before December 31, 2017) of the value of a REIT's total assets may consist of stock or securities of one or more TRS. This requirement limits the extent to which we can conduct activities through TRS or expand the activities that we conduct through TRS. The values of some of our assets, including assets that we hold through TRSs may not be subject to precise determination, and values are subject to change in the future. In addition, we hold certain mortgage and mezzanine loans within one or more of our TRS that are secured by real property. We treat these loans as qualifying assets for purposes of the REIT asset tests to the extent that such mortgage loans are secured by real property and such mezzanine loans are secured by an interest in a limited liability company that holds real property. We received from the IRS a private letter ruling which holds that we may exclude such loans from the limitation that securities from TRS must constitute no more than 20% (25% for taxable years beginning after July 30, 2008 and before December 31, 2017) of our total assets. We are

entitled to rely upon this private letter ruling only to the extent that we did not misstate or omit a material fact in the ruling request and that we continue to operate in accordance with the material facts described in such request, and no assurance can be given that we will always be able to do so. To the extent that any loan is recharacterized as equity, it would increase the amount of non-real estate securities that we have in our TRS and could adversely affect our ability to meet the limitation described above. If we were not able to exclude such loans to our TRS from the limitation described above, our ability to meet the REIT asset tests and other REIT requirements could be adversely affected. Accordingly, there can be no assurance that we have met or will be able to continue to comply with the TRS limitation.

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In addition, we may from time to time need to make distributions from a TRS in order to keep the value of our TRS below the TRS limitation. TRS dividends, however, generally will not constitute qualifying income for purposes of the 75% REIT gross income test. While we will monitor our compliance with both this income test and the limitation on the percentage of our total assets represented by TRS securities, and intend to conduct our affairs so as to comply with both, the two may at times be in conflict with one another. For example, it is possible that we may wish to distribute a dividend from a TRS in order to reduce the value of our TRS to comply with limitation, but we may be unable to do so without simultaneously violating the 75% REIT gross income test.

Although there are other measures we can take in such circumstances to remain in compliance with the requirements for REIT qualification, there can be no assurance that we will be able to comply with both of these tests in all market conditions.

Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from C corporations, which could adversely affect the value of our common stock.

The maximum U.S. federal income tax rate for certain qualified dividends payable by C corporations to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced qualified dividend rate. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, under the recently enacted Tax Cuts and Jobs Act, noncorporate taxpayers may deduct up to 20% of certain qualified business income, including "qualified REIT dividends" (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although the reduced U.S. federal income tax rate applicable to qualified dividends from C corporations does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends, together with the recently reduced corporate tax rate (21%), could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

Legislative or regulatory tax changes related to REITs could materially and adversely affect us.

The U.S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, are constantly under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our common stock.

The Tax Cuts and Jobs Act, which was signed into law on December 22, 2017, made significant changes to the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders. Certain key provisions of the Tax Cuts and Jobs Act could impact the Company and its stockholders, beginning in 2018, including the following:

Reduced Tax Rates. The highest individual U.S. federal income tax rate on ordinary income is reduced from 39.6% to 37% (through taxable years ending in 2025), and the maximum corporate income tax rate is reduced from 35% to 21%. In addition, individuals, trust, and estates that own the Company's stock are permitted to deduct up to 20% of dividends received from the Company (other than dividends that are designated as capital gain dividends or qualified dividend income), generally resulting in an effective maximum U.S. federal income tax rate of 29.6% on such dividends (through taxable years ending in 2025). Further, the amount that the Company is required to withhold on distributions to non-U.S. stockholders that are treated as attributable to gains from the Company's sale or exchange of U.S. real property interests is reduced from 35% to 21%.

Net Operating Losses. The Company may not use net operating losses generated beginning in 2018 to offset more than 80% of the Company's taxable income (prior to the application of the dividends paid deduction). Net operating losses generated beginning in 2018 can be carried forward indefinitely but can no longer be carried back.

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Limitation on Interest Deductions. The amount of net interest expense that each of the Company and its TRSs may deduct for a taxable year is limited to the sum of (i) the taxpayer's business interest income for the taxable year, and (ii) 30% of the taxpayer's "adjusted taxable income" for the taxable year. For taxable years beginning before January 1, 2022, adjusted taxable income means earnings before interest, taxes, depreciation, and amortization ("EBITDA"); for taxable years beginning on or after January 1, 2022, adjusted taxable income is limited to earnings before interest and taxes ("EBIT"). Certain electing businesses, including electing real estate businesses, may elect out of the foregoing limitation.

Alternative Minimum Tax. The corporate alternative minimum tax is eliminated.

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Income Accrual. The Company is required to recognize certain items of income for U.S. federal income tax purposes no later than the Company would report such items on its financial statements. As discussed in Item 1a-Risk factors-"To qualify as a REIT, we may be forced to borrow funds, sell assets or take other actions during unfavorable market conditions", earlier recognition of income for U.S. federal income tax purposes could impact the Company's ability to satisfy the REIT distribution requirements. This provision generally applies to taxable years beginning after December 31, 2017, but will apply with respect to income from a debt instrument having "original issue discount" for U.S. federal income tax purposes only for taxable years beginning after December 31, 2018.

Prospective investors are urged to consult with their tax advisors regarding the effects of the Tax Cuts and Jobs Act or other legislative, regulatory or administrative developments on an investment in the Company's common stock. Our Investment Company Act exemption limits our investment discretion and loss of the exemption would adversely affect us.

We believe that we currently are not, and we intend to operate our company so that we will not be, regulated as an investment company under the Investment Company Act because we are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." Specifically, we are required to invest at least 55% of our assets in "qualifying real estate assets" (that is, real estate, mortgage loans and other qualifying interests in real estate), and at least 80% of our assets in "qualifying real estate assets" and other "real estate-related assets" (such as mezzanine loans and unsecured investments in real estate entities) combined.

We will need to monitor our assets to ensure that we continue to satisfy the percentage tests. Maintaining our exemption from regulation as an investment company under the Investment Company Act limits our ability to invest in assets that otherwise would meet our investment strategies. If we fail to qualify for this exemption, we could not operate our business efficiently under the regulatory scheme imposed on investment companies under the Investment Company Act, and we could be required to restructure our activities. This would have a material adverse effect on our financial performance and the market price of our securities.

Actions of the U.S. government, including the U.S. Congress, Federal Reserve, U.S. Treasury and other governmental and regulatory bodies, to stabilize or reform the financial markets, or market responses to those actions, may not achieve the intended effect and may adversely affect our business.

The U.S. government, including the U.S. Congress, the Federal Reserve, the U.S. Treasury and other governmental and regulatory bodies have increased their focus on the regulation of the financial industry in recent years. A changing presidential administration is likely to effect its own regulatory changes. New or modified regulations and related regulatory guidance may have unforeseen or unintended adverse effects on the financial industry. Laws, regulations or policies, including tax laws and accounting standards and interpretations, currently affecting us may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, our business may also be adversely affected by future changes in laws, regulations, policies or interpretations or regulatory approaches to compliance and enforcement.

Various legislative bodies have also considered altering the existing framework governing creditors' rights and mortgage products including legislation that would result in or allow loan modifications of various sorts. Such legislation may change the operating environment in substantial and unpredictable ways. We cannot predict whether new legislation will be enacted, and if enacted, the effect that it or any regulations would have on our activities, financial condition, or results of operations.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

The Company's principal executive and administrative offices are located at 1114 Avenue of the Americas, New York, NY 10036. Its telephone number and web address are (212) 930-9400 and www.istar.com, respectively. The lease for the Company's principal executive and administrative offices expires in February 2021. The Company's principal regional offices are located in the Atlanta, Georgia; Dallas, Texas; Hartford, Connecticut; San Francisco, California and Los Angeles, California metropolitan areas.

See Item 1—"Net Lease," and "Operating Properties" for a discussion of properties held by the Company for investment purposes and Item 8—"Financial Statements and Supplemental Data—Schedule III," for a detailed listing of such properties.

Item 3. 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 its real estate and real estate related business activities, including loan foreclosure and foreclosure-related proceedings. In addition to such matters, the Company is a party to the following legal proceedings:

U.S. Home Corporation ("Lennar") v. Settlers Crossing, LLC, et al. (United States District Court for the District of Maryland, Civil Action No. DKC 08-1863)

On December 4, 2017, the U.S. Supreme Court issued an order denying Lennar's petition for a writ of certiorari in this matter. The amount of attorneys' fees and costs to be recovered by the Company will be determined through further proceedings before the District Court. The Company has applied for attorney's fees in excess of \$17.0 million. A hearing on the Company's application for attorney's fees has not yet been scheduled.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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Item 5. Market for Registrant's Equity and Related Share Matters

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.

Quarter Ended	2017		2016	
	High	Low	High	Low
December 31	\$12.22	\$11.13	\$12.83	\$10.45
September 30	\$12.26	\$11.16	\$11.21	\$9.10
June 30	\$12.68	\$11.27	\$10.68	\$8.74
March 31	\$12.74	\$10.95	\$11.64	\$7.59

On February 22, 2018, the closing sale price of the common stock as reported by the NYSE was \$10.33. The Company had 1,720 holders of record of common stock as of February 22, 2018.

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 and certain unvested restricted stock awards 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 Item 8—"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, 2017 and 2016. The Company declared and paid dividends of \$8.0 million, \$8.3 million, \$5.9 million, \$6.1 million and \$9.4 million on its Series D, E, F, G and I Cumulative Redeemable Preferred Stock during the year ended December 31, 2017. In addition, in October 2017, the Company redeemed its Series E and Series F Preferred Stock and paid dividends through the redemption date of \$1.1 million and \$0.8 million, respectively. 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 year ended December 31, 2016. The Company declared and paid dividends of \$9.0 million on its Series J Convertible Perpetual Preferred Stock during the years ended December 31, 2017 and 2016. The character of the 2017 dividends was 100% capital gain distribution, of which 27.90% represented unrecaptured section 1250 gain and 72.10% long term capital gain. The character of the 2016 dividends was as follows: 47.30% was a capital gain distribution, of which 76.15% represented unrecaptured section 1250 gain and 23.85% long term capital gain, and 52.70% was ordinary income. 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.

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Issuer Purchases of Equity Securities

The following table sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the three months ended December 31, 2017.

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased Publicly Announced Under the Plan	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans ⁽¹⁾
October 1 to October 31, 2017	—	\$ —	—	\$—
November 1 to November 30, 2017	—	\$ —	—	\$—
December 1 to December 31, 2017	—	\$ —	—	\$50,000,000

The Company is authorized to repurchase up to \$50.0 million of common stock from time to time in the open market and privately negotiated purchases, including pursuant to one or more trading plans. In December 2017, the Company entered into a 10b5-1 plan (the "10b5-1 Plan") in accordance with Rule 10b5-1 under the Securities and Exchange Act of 1934, as amended, to facilitate repurchases. Whether and how many shares will be repurchased is uncertain and dependent on prevailing market prices and trading volumes, which we cannot predict.

Disclosure of Equity Compensation Plan Information

Plans Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders-restricted stock awards ⁽¹⁾⁽²⁾	599,342	N/A	3,300,642

(1) Restricted Stock—The amount shown in column (a) includes 281,678 unvested restricted stock units which may vest in the future based on the employees' continued service to the Company (see Item 8—"Financial Statements and Supplemental Data—Note 14" for a more detailed description of the Company's restricted stock grants). Substantially all of the restricted stock units included in column (a) are required to be settled on a net, after-tax basis (after deducting shares for minimum required statutory withholdings); therefore, the actual number of shares issued will be less than the gross amount of the awards. The amount shown in column (a) also includes 317,664 of common stock equivalents and restricted stock awarded to our non-employee directors in consideration of their service to the Company as directors. Common stock equivalents represent rights to receive shares of common stock at the date the common stock equivalents are settled. Common stock equivalents have dividend equivalent rights beginning on the date of grant. The amount in column (c) represents the aggregate amount of stock options, shares

of restricted stock units or other performance awards that could be granted under compensation plans approved by the Company's security holders after giving effect to previously issued awards of stock options, shares of restricted stock units and other performance awards (see Item 8—"Financial Statements and Supplemental Data—Note 14" for a more detailed description of the Company's Long-Term Incentive Plans).

The amount shown in column (a) does not include a currently indeterminable number of shares that may be issued upon the satisfaction of performance and vesting conditions of awards made under the Company's Performance (2) Incentive Plan ("iPIP") approved by shareholders. In no event may the number of shares issued exceed the amount available in column (c) unless shareholders authorize additional shares (see Item 8—"Financial Statements and Supplemental Data—Note 14" for a more detailed description of iPIP.)

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Item 6. 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 Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share data and ratios)				
OPERATING DATA:					
Operating lease income	\$ 187,684	\$ 191,180	\$ 211,207	\$ 229,672	\$ 221,434
Interest income	106,548	129,153	134,687	122,704	108,015
Other income	188,091	46,514	49,924	77,583	48,208
Land development revenue	196,879	88,340	100,216	15,191	—
Total revenue	679,202	455,187	496,034	445,150	377,657
Interest expense	194,686	221,398	224,639	224,483	266,225
Real estate expense	147,617	137,522	146,509	162,829	156,574
Land development cost of sales	180,916	62,007	67,382	12,840	—
Depreciation and amortization	49,033	51,660	62,045	70,375	68,070
General and administrative	98,882	84,027	81,277	88,287	92,114
Provision for (recovery of) loan losses	(5,828)	(12,514)	36,567	(1,714)	5,489
Impairment of assets	32,379	14,484	10,524	34,634	12,589
Other expense	20,954	5,883	6,374	6,340	8,050
Total costs and expenses	718,639	564,467	635,317	598,074	609,111
Income (loss) before earnings from equity method investments and other items	(39,437)	(109,280)	(139,283)	(152,924)	(231,454)
Loss on early extinguishment of debt, net	(14,724)	(1,619)	(281)	(25,369)	(33,190)
Earnings from equity method investments	13,015	77,349	32,153	94,905	41,520
Loss on transfer of interest to unconsolidated subsidiary	—	—	—	—	(7,373)
Income (loss) from continuing operations before income taxes	(41,146)	(33,550)	(107,411)	(83,388)	(230,497)
Income tax benefit (expense)	948	10,166	(7,639)	(3,912)	659
Income (loss) from continuing operations	(40,198)	(23,384)	(115,050)	(87,300)	(229,838)
Income (loss) from discontinued operations	4,939	18,270	15,077	13,122	9,714
Gain from discontinued operations	123,418	—	—	—	22,233
Income from sales of real estate	92,049	105,296	93,816	89,943	86,658
Net income (loss)	180,208	100,182	(6,157)	15,765	(111,233)
Net (income) loss attributable to noncontrolling interests	(4,526)	(4,876)	3,722	704	(718)
Net income (loss) attributable to iStar Inc.	175,682	95,306	(2,435)	16,469	(111,951)
Preferred dividends	(64,758)	(51,320)	(51,320)	(51,320)	(49,020)
Net (income) loss allocable to HPU holders and Participating Security holders ⁽¹⁾	—	(14)	1,080	1,129	5,202
Net income (loss) allocable to common shareholders	\$ 110,924	\$ 43,972	\$ (52,675)	\$ (33,722)	\$ (155,769)
Per common share data ⁽²⁾ :					
Income (loss) attributable to iStar Inc. from continuing operations:					
Basic	\$(0.25)	\$0.35	\$(0.79)	\$(0.55)	\$(2.20)
Diluted	\$(0.25)	\$0.35	\$(0.79)	\$(0.55)	\$(2.20)
Net income (loss) attributable to iStar Inc.:					
Basic	\$ 1.56	\$ 0.60	\$(0.62)	\$(0.40)	\$(1.83)
Diluted	\$ 1.56	\$ 0.60	\$(0.62)	\$(0.40)	\$(1.83)

Dividends declared per common share	\$—	\$—	\$—	\$—	\$—
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	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(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	71,021	73,453	84,987	85,031	84,990
Weighted average common shares outstanding—diluted	71,021	73,835	84,987	85,031	84,990
Cash flows from (used in):					
Operating activities	\$80,212	\$21,455	\$(58,229)	\$10,908	\$(166,367)
Investing activities	269,485	466,543	184,028	159,793	893,447
Financing activities	(20,725)	(870,362)	112,763	(212,208)	(469,856)

	As of December 31,				
	2017	2016	2015	2014	2013
	(In thousands)				
BALANCE SHEET DATA:					
Total real estate ⁽⁴⁾	\$1,350,619	\$1,624,805	\$1,776,890	\$1,987,843	\$2,227,711
Land and development, net ⁽⁴⁾	860,311	945,565	1,001,963	978,962	932,034
Loans receivable and other lending investments, net	1,300,655	1,450,439	1,601,985	1,377,843	1,370,109
Total assets	4,731,078	4,825,514	5,597,792	5,426,483	5,608,604
Debt obligations, net	3,476,400	3,389,908	4,118,823	3,986,034	4,124,718
Total equity	914,249	1,059,684	1,101,330	1,248,348	1,301,465

All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (see Item 8—"Financial Statements and Supplemental Data—Note 13). Participating Security holders are non-employee directors who hold (1) 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 Item 8—"Financial Statements and Supplemental Data—Note 14 and 15).

(2) See Item 8—"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, 2017, 2016, 2015, 2014 and 2013, earnings were not sufficient to cover fixed charges by \$20,579, \$67,976, \$114,902, \$103,070 and \$249,982, respectively, and earnings were not sufficient to cover fixed charges and preferred dividends by \$85,337, \$119,296, \$166,222, \$154,390 and \$299,002, 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.

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Item 7. 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, 2017. This discussion should be read in conjunction with our consolidated financial statements and related notes for the three-year period ended December 31, 2017 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 also provide management services for our ground lease and net lease equity method investments. 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.

Real Estate Finance: 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 loan portfolio includes whole loans and loan participations.

Net Lease: The 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 to form a venture to acquire and develop net lease assets (the "Net Lease Venture"). We invest in new net lease investments primarily through the Net Lease Venture, in which we hold a non-controlling 51.9% interest. In 2017, we also conceived and ultimately launched a new, publicly traded REIT focused exclusively on the ground lease ("Ground Lease") asset class called Safety, Income & Growth Inc. ("SAFE"). We believe that SAFE is the first publicly-traded company formed primarily to acquire, own, manage, finance and capitalize Ground Leases. Ground Leases generally represent ownership of the land underlying commercial real estate projects that is triple net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date.

Operating Properties: The 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 concentrated 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 condominium units through retail distribution channels.

Land & Development: The 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 homebuilders 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 ourselves, or in partnership with commercial real estate developers, or may sell the properties.

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Executive Overview

In 2017, our real estate finance, net lease and land and development segments performed well and all contributed positively to earnings. In our continuing effort to find untapped investment opportunities in real estate, we conceived and ultimately launched a new, publicly traded REIT focused exclusively on the Ground Lease asset class. We also received upgrades to our corporate credit ratings from all three major ratings agencies when we completed a comprehensive set of capital markets transactions designed to enhance our capital structure and improve our earnings profile.

Operating Results

During the year ended December 31, 2017, three of our four business segments, including real estate finance, net lease and land and development, contributed positively to our earnings. Our continued strategy to find selective investment opportunities in our core net lease and real estate finance businesses contributed to an increase in our earnings as compared to 2016. We also received a favorable judgment in a matter concerning a land transaction that had a material positive impact on our 2017 earnings (see "Bevard" below). 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 with the objective of increasing the contribution of these assets to our earnings in the future. For the year ended December 31, 2017, we recorded net income allocable to common shareholders of \$110.9 million, compared to net income of \$44.0 million during the prior year. Adjusted income allocable to common shareholders for the year ended December 31, 2017 was \$214.6 million, compared to \$112.6 million during the prior year (see "Adjusted Income" for a reconciliation of adjusted income to net income).

Capital Markets Activity

In the third and fourth quarters of 2017, we completed a comprehensive set of capital markets transactions that addressed all parts of our capital structure, resulting in our having:

- repaid or refinanced all of our 2017 and 2018 corporate debt maturities, leaving no corporate debt maturities until July 2019;
- extended our weighted average debt maturity by 1.5 years to 4.0 years;
- reduced annual expenses underlying earnings by approximately \$37 million, or \$0.43 per diluted share;
- lowered our cost of capital by approximately 35 basis points;
- established new banking relationships;
- increased liquidity to pursue new investment opportunities; and
- received upgrades in our corporate credit ratings from all three major ratings agencies, which we expect will positively impact the marginal cost of our future borrowings and broaden our set of investment opportunities.

The table below summarizes the components, sources and uses of the capital markets transactions (in millions) (refer also to Liquidity and Capital Resources):

Uses	Amount	Sources	Amount
Repay 2016 Senior Secured Credit Facility	\$ 473	Amended 2016 Senior Secured Credit Facility	\$ 400
Repay 4.0% senior unsecured notes due November 2017	550	Issue 4.625% senior unsecured notes due September 2020	400
Repay 7.125% senior unsecured notes due February 2018	300	Issue 5.25% senior unsecured notes due September 2022	400
Repay 4.875% senior unsecured notes due July 2018	300	Issue 3.125% senior unsecured convertible notes due September 2022	250
Redeem 7.875% series E preferred stock	140	Cash on hand	510
Redeem 7.8% series F preferred stock	100		
Repurchase common stock	46		
Fees, expenses, interest and dividends	51		
Total uses	\$ 1,960	Total sources	\$ 1,960

As of December 31, 2017, we had \$657.7 million of cash which we expect to use primarily to repay debt and fund future investment activities.

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Safety, Income & Growth Inc.

In 2017, we conceived and ultimately launched a new, publicly traded REIT focused exclusively on the Ground Lease asset class. SAFE is the first publicly-traded company formed primarily to acquire, own, manage, finance and capitalize Ground Leases. Ground Leases generally represent ownership of the land underlying commercial real estate projects that is net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon. Ground Leases afford investors the opportunity for safe, growing income derived from (i) a Ground Lease's senior position in the commercial real estate capital structure; (ii) long-term leases with periodic contractual increases in rent; and (iii) growth in the value of the ground over time. Capital appreciation is realized when, at the end of the life of the lease, the commercial real estate property reverts back to the lessor, as landlord, and it is able to realize the value of the leasehold, which may be substantial. Ground Leases share similarities with triple net leases in that typically the lessor is not responsible for any operating or capital expenses over the life of the lease, making the management of a Ground Lease portfolio relatively simple, with limited working capital needs.

In April 2017, institutional investors acquired from us a controlling interest in SAFE's predecessor which held our Ground Lease business. Our Ground Lease business was a component of our net lease segment and consisted of 12 properties subject to long-term net leases including seven Ground Leases and one master lease (covering five properties). The acquiring entity was a newly formed unconsolidated entity named Safety, Income & Growth Inc. The carrying value of our Ground Lease assets was approximately \$161.1 million. Shortly before the Acquisition Transactions, we completed the \$227.0 million 2017 Secured Financing on our Ground Lease assets (refer to Note 10). We received all of the proceeds of the 2017 Secured Financing. We received an additional \$113.0 million of proceeds in the Acquisition Transactions, including \$55.5 million that we contributed to SAFE in its initial capitalization. As a result of the Acquisition Transactions, we deconsolidated the 12 properties and the associated 2017 Secured Financing. We account for our investment in SAFE as an equity method investment (refer to Note 7). We accounted for this transaction as an in substance sale of real estate and recognized a gain of \$123.4 million, reflecting the aggregate gain less the fair value of our retained interest in SAFE.

In June 2017, SAFE completed its initial public offering raising \$205.0 million in gross proceeds and concurrently completed a \$45.0 million private placement to us, its largest shareholder. We paid organization and offering costs in connection with these transactions, including commissions payable to the underwriters and other offering expenses. Subsequent to the initial public offering and through December 31, 2017, we purchased 1.8 million shares of SAFE's common stock for \$34.1 million, at an average cost of \$18.85 per share, pursuant to two 10b5-1 plans (the "10b5-1 Plans") in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, under which we could buy in the open market up to 39.9% of SAFE's common stock. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date.

In addition, one of our wholly-owned subsidiaries is the external manager of SAFE, our Chairman and Chief Executive Officer is a director and the Chairman and Chief Executive Officer of SAFE and our other executive officers hold similarly titled positions with SAFE.

Bevard

In April 2017, we received a favorable judgment from the U.S. Court of Appeals for the Fourth Circuit, affirming a prior district court judgment relating to a dispute with Lennar over the purchase and sale of Bevard, a master planned community located in Maryland. On April 21, 2017, we conveyed the property to Lennar and received \$234.3 million of net proceeds after payment of \$3.3 million in documentary transfer taxes, comprised of the remaining purchase price of \$114.0 million and \$123.4 million of interest and real estate taxes, net of costs. A portion of the net proceeds received by us has been paid to the third party which holds a 4.3% participation interest in all proceeds received by us. Lennar filed a petition for a writ of certiorari with the U.S. Supreme Court seeking review of two specific issues decided in our favor by the lower courts. We filed a brief in opposition to the petition. On December 4, 2017, the U.S. Supreme Court issued an order denying Lennar's petition for a writ of certiorari.

The amount of attorneys' fees and costs to be recovered by us will be determined through further proceedings before the District Court. We have applied for attorney's fees in excess of \$17.0 million. A hearing on our application for attorney's fees has not yet been scheduled.

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Portfolio Overview

As of December 31, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following characteristics:

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As of December 31, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following property/collateral type and geographic characteristics (\$ in thousands):

Property/Collateral Types	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Land and Development	\$—	\$—	\$—	\$ 932,547	\$932,547	22.1 %
Office / Industrial	48,900	673,424	128,368	—	850,692	20.1 %
Mixed Use / Mixed Collateral	306,625	—	196,667	—	503,292	11.9 %
Entertainment / Leisure	—	489,497	—	—	489,497	11.5 %
Condominium	421,787	—	48,519	—	470,306	11.1 %
Hotel	291,929	—	104,415	—	396,344	9.3 %
Other Property Types	223,458	—	11,837	—	235,295	5.5 %
Retail	25,456	57,348	138,928	—	221,732	5.2 %
Ground Leases ⁽¹⁾	—	129,154	—	—	129,154	3.0 %
Strategic Investments	—	—	—	—	13,618	0.3 %
Total	\$1,318,155	\$1,349,423	\$628,734	\$ 932,547	\$4,242,477	100.0%

Geographic Region	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Northeast	\$798,357	\$414,373	\$47,557	\$ 268,953	\$1,529,240	36.0 %
West	38,137	286,222	66,398	366,672	757,429	17.9 %
Southeast	181,074	253,960	140,635	114,266	689,935	16.3 %
Southwest	93,509	162,684	256,248	22,292	534,733	12.6 %
Central	181,621	79,701	82,161	31,500	374,983	8.8 %
Mid-Atlantic	—	149,618	35,735	128,864	314,217	7.4 %
Various ⁽²⁾	25,457	2,865	—	—	28,322	0.7 %
Strategic Investments ⁽²⁾	—	—	—	—	13,618	0.3 %
Total	\$1,318,155	\$1,349,423	\$628,734	\$ 932,547	\$4,242,477	100.0%

(1)Primarily represents the market value of our equity method investment in SAFE.

(2)Strategic investments and the various category include \$9.2 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, 2017, our real estate finance portfolio totaled \$1.3 billion, gross of general loan loss reserves. The portfolio included \$1.1 billion of performing loans with a weighted average maturity of 2.0 years.

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

	December 31, 2017					
	Number	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	36	\$1,051,691	\$(17,500)	\$1,034,191	85.4%	1.7%
Non-performing loans	5	237,877	(60,989)	176,888	14.6%	25.6%
Total	41	\$1,289,568	\$(78,489)	\$1,211,079	100.0%	6.1%

	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%

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

	December 31, December 31,	
	2017	2016
Senior mortgages	\$709,809	\$854,805
Corporate/Partnership loans	332,387	333,244
Subordinate mortgages	9,495	14,078
Total	\$1,051,691	\$1,202,127
Weighted average LTV	67	% 64
Yield	9.8	% 8.9

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. As of December 31, 2017, we had non-performing loans with an aggregate carrying value of \$176.9 million compared to non-performing loans with an aggregate carrying value of \$191.7 million as of December 31, 2016. 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 \$78.5 million as of December 31, 2017, or 6.1% of total loans, compared to \$85.5 million or 5.9% as of December 31, 2016. For the year ended December 31, 2017, the recovery of loan losses included a reduction in the general reserve of \$5.8 million due to an overall improvement in the risk ratings and a decrease in size of our loan portfolio. 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, 2017, asset-specific reserves decreased to \$61.0 million compared to \$62.2 million as of December 31, 2016.

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

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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 \$17.5 million or 1.7% of performing loans as of December 31, 2017, compared to \$23.3 million or 1.9% of performing loans as of December 31, 2016. The decrease was primarily attributable to an overall improvement in the risk ratings and a decrease in size of our loan portfolio.

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). The Net Lease Venture's investment period expires on March 31, 2018. The term of the Net Lease Venture extends through February 13, 2022, subject to two, one-year extension options at the discretion of us and our partner.

In April 2017, institutional investors acquired a controlling interest in our Ground Lease business through the merger of one of our subsidiaries and related transactions. Our Ground Lease business was a component of our net lease segment and consisted of 12 properties subject to long-term net leases including seven Ground Leases and one master lease (covering five properties). As a result, we deconsolidated the 12 properties and associated liabilities and we began to record our investment in SAFE as an equity method investment. We have an exclusivity agreement with SAFE pursuant to which we agreed, subject to certain exceptions, that we will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless we have first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

In June 2017, SAFE completed its initial public offering raising \$205.0 million in gross proceeds and concurrently completed a \$45.0 million private placement to us. Subsequent to the initial public offering and through December 31, 2017, we purchased 1.8 million shares of SAFE's common stock for \$34.1 million, at an average cost of \$18.85 per share, pursuant to two 10b5-1 plans (the "10b5-1 Plans") in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, under which we could buy in the open market up to 39.9% of SAFE's common stock. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date.

As of December 31, 2017, our consolidated net lease portfolio totaled \$1.1 billion gross of \$292.3 million of accumulated depreciation. Our net lease portfolio, including the carrying value of our equity method investments in SAFE and the Net Lease Venture, totaled \$1.3 billion. The table below provides certain statistics for our net lease portfolio.

	Consolidated Real Estate	SAFE	Net Lease Venture
Ownership %	100.0 %	37.6 %	51.9 %
Net book value (millions)	\$ 816	\$490 ⁽¹⁾	\$ 597 ⁽¹⁾
Accumulated depreciation (millions)	292	7	48
Gross carrying value (millions)	\$ 1,108	\$497	\$ 645
Occupancy	97.9 %	100.0%	100.0%
Square footage (thousands)	11,322	3,849	4,238

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Weighted average lease term (years)	14.0		60.6		19.0	
Weighted average yield	8.9	%	5.0	% ⁽²⁾	8.5	%

(1)Net book value represents the net book value of real estate and real estate-related intangibles.

(2)Represents the annualized asset yield.

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Operating Properties

As of December 31, 2017, our operating property portfolio, including equity method investments, totaled \$628.7 million gross of \$55.1 million of accumulated depreciation, and was comprised of \$580.2 million of commercial and \$48.5 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								
	(\$ in millions)								
	Stabilized Operating ⁽¹⁾			Transitional Operating ⁽¹⁾			Total		
	December 31, 2017		December 31, 2016	December 31, 2017		December 31, 2016	December 31, 2017		December 31, 2016
Gross carrying value (\$mm) ⁽²⁾	\$427	\$337		\$153	\$189		\$580	\$526	
Occupancy ⁽³⁾	85 %	86 %	%	61 %	54 %	%	78 %	74 %	%
Yield	6.0 %	8.5 %	%	3.7 %	1.5 %	%	5.5 %	5.5 %	%

Stabilized commercial properties generally have occupancy levels above 80% and/or generate yields resulting in a (1) 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, 2017 and 2016.

Residential Operating Properties

As of December 31, 2017, our residential operating portfolio was comprised of 25 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

(\$ in millions)

	For the Years Ended	
	December 31, 2017	December 31, 2016
Condominium units sold	23	91
Proceeds	\$35.3	\$96.2
Income from sales of real estate	\$4.5	\$26.1

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Land and Development

As of December 31, 2017, our land and development portfolio, including equity method investments, totaled \$932.5 million with seven projects in production, eight in development and 13 in the pre-development phase. These projects are collectively entitled for approximately 12,500 lots and units. The following tables presents certain statistics for our land and development portfolio.

Land and Development Portfolio Rollforward

(in millions)

	Years Ended	
	December 31, 2017	December 31, 2016
Beginning balance	\$945.6	\$ 1,002.0
Asset sales ⁽¹⁾	(175.3)	(68.9)
Asset transfers in (out) ⁽²⁾	(8.9)	(90.7)
Capital expenditures	127.0	109.5
Other ⁽³⁾	(28.1)	(6.3)
Ending balance ⁽⁴⁾	\$860.3	\$ 945.6

(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)For the years ended December 31, 2017 and 2016, includes \$20.5 million and \$3.8 million, respectively, of impairments.

(4)Excludes \$63.9 million and \$84.8 million, respectively, of equity method investments as of December 31, 2017 and 2016.

Land and Development Statistics

(in millions)

	Years Ended	
	December 31, 2017	December 31, 2016
Land development revenue	\$196.9	\$ 88.3
Land development cost of sales	180.9	62.0
Land development revenue less cost of sales	\$16.0	\$ 26.3
Earnings from land development equity method investments	7.3	30.0
Income from sales of real estate ⁽¹⁾	—	8.8
Total	\$23.3	\$ 65.1

(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.

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Results of Operations for the Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	For the Years Ended		\$ Change	% Change
	2017	2016		
	(in thousands)			
Operating lease income	\$187,684	\$191,180	\$(3,496)	(2)%
Interest income	106,548	129,153	(22,605)	(18)%
Other income	188,091	46,514	141,577	>100%
Land development revenue	196,879	88,340	108,539	>100%
Total revenue	679,202	455,187	224,015	49%
Interest expense	194,686	221,398	(26,712)	(12)%
Real estate expenses	147,617	137,522	10,095	7%
Land development cost of sales	180,916	62,007	118,909	>100%
Depreciation and amortization	49,033	51,660	(2,627)	(5)%
General and administrative	98,882	84,027	14,855	18%
(Recovery of) provision for loan losses	(5,828)	(12,514)	6,686	(53)%
Impairment of assets	32,379	14,484	17,895	>100%
Other expense	20,954	5,883	15,071	>100%
Total costs and expenses	718,639	564,467	154,172	27%
Loss on early extinguishment of debt, net	(14,724)	(1,619)	(13,105)	>100%
Earnings from equity method investments	13,015	77,349	(64,334)	(83)%
Income tax benefit (expense)	948	10,166	(9,218)	(91)%
Income from discontinued operations	4,939	18,270	(13,331)	(73)%
Gain from discontinued operations	123,418	—	123,418	100%
Income from sales of real estate	92,049	105,296	(13,247)	(13)%
Net income (loss)	\$180,208	\$100,182	\$80,026	80%

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to \$187.7 million in 2017 from \$191.2 million in 2016. The following tables summarizes our operating lease income by segment (\$ in millions).

	2017	2016	Change	Reason for Change
Net Lease	\$123.7	\$126.2	\$(2.5)	Primarily due to the sale of net lease assets.
Operating Properties	63.2	64.6	(1.4)	Primarily due to the sale of operating properties partially offset by the execution of new leases.
Land and Development	0.8	0.4	0.4	
Total	\$187.7	\$191.2	\$(3.5)	

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The following table shows certain same store statistics for our Net Lease and Operating Properties segments. Same store assets are defined as assets we owned on or prior to January 1, 2016 and were in service through December 31, 2017 (Operating lease income in millions).

	2017	2016		
Operating lease income				
Net Lease	\$ 113.7	\$ 111.4		
Operating Properties	\$ 46.4	\$ 45.2		
Rent per square foot				
Net Lease	\$ 10.26	\$ 10.08		
Operating Properties	\$ 24.25	\$ 24.50		
Occupancy ⁽¹⁾				
Net Lease	97.9	% 97.6	%	
Operating Properties	75.4	% 72.7	%	

(1)Occupancy is as of December 31, 2017 and 2016.

Interest income decreased to \$106.5 million in 2017 from \$129.2 million in 2016. The decrease in interest income was due primarily to a decrease in the average balance of our performing loans to \$1.07 billion for 2017 from \$1.40 billion for 2016. The weighted average yield of our performing loans increased to 9.8% for 2017 from 8.9% for 2016.

Other income increased to \$188.1 million in 2017 from \$46.5 million in 2016. Other income in 2017 primarily consisted of interest income and real estate tax reimbursements resulting from the settlement of the Bevard litigation (refer to Note 11), income from our hotel properties and other ancillary income from our operating properties. Other income in 2016 consisted of income from our hotel properties, loan prepayment fees and property tax refunds.

Land development revenue and cost of sales—In 2017, we sold residential lots and units and one land parcel totaling 1,250 acres and recognized land development revenue of \$196.9 million which had associated cost of sales of \$180.9 million. In 2016, we sold residential lots and units and recognized land development revenue of \$88.3 million which had associated cost of sales of \$62.0 million. The increase in 2017 from 2016 was primarily due to the resolution of the Bevard litigation, which resulted in us recognizing \$114.0 million of land development revenue and \$106.3 million of land development cost of sales (refer to Note 11).

Costs and expenses—Interest expense decreased to \$194.7 million in 2017 from \$221.4 million in 2016. The decrease in interest expense was due to a decrease in the balance of our average outstanding debt, which decreased to \$3.58 billion for 2017 from \$4.00 billion for 2016. Our weighted average cost of debt was 5.6% for 2017 and 5.6% for 2016.

Real estate expenses increased to \$147.6 million in 2017 from \$137.5 million in 2016. The increase was due to expenses for commercial operating properties, which increased to \$83.4 million in 2017 from \$73.6 million in 2016. This increase was primarily due to an increase in expenses at our hotel properties and expenses incurred at properties impacted by the hurricanes that hit the United States. These increases were partially offset by property sales in 2017 and 2016. Expenses associated with residential units decreased to \$6.3 million in 2017 from \$8.8 million in 2016 due to unit sales. Expenses for same store commercial operating properties, excluding hotels, increased to \$30.9 million in 2017 from \$30.2 million in 2016. Expenses for net lease assets decreased to \$16.7 million in 2017 from \$18.2 million in 2016 primarily due to asset sales. Expenses for same store net lease assets increased to \$14.9 million in 2017 from \$13.5 million in 2016. Carry costs and other expenses on our land and development assets increased to \$41.2 million in 2017 from \$37.0 million in 2016.

Depreciation and amortization decreased to \$49.0 million in 2017 from \$51.7 million for the same period in 2016. The decrease was primarily due to the sale of net lease assets and commercial operating properties in 2017 and 2016.

General and administrative expenses increased to \$98.9 million in 2017 from \$84.0 million in 2016. The increase was primarily due to an increase in compensation expense related to performance incentive plans.

Recovery of loan losses was \$5.8 million in 2017 as compared to a net recovery of loan losses of \$12.5 million in 2016. The recovery of loan losses in 2017 resulted from a reduction in the general reserve due to an overall improvement in the risk ratings

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of our loan portfolio. The net recovery of loan losses in 2016 included 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. In 2017, we recorded impairments of \$32.4 million on land and development and real estate assets. The impairments recorded in 2017 were primarily the result of impairments on land and development assets of \$20.5 million resulting from a decrease in expected cash flows on one asset and a change in exit strategy on another asset. We also recorded impairments of \$11.9 million on real estate assets due to shifting demand in the local condominium markets and changes in our exit strategy on other real estate assets. In 2016, we recorded impairments on real estate assets totaling \$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.

Other expense increased to \$21.0 million in 2017 from \$5.9 million in 2016. The increase was primarily the result of paying organization and offering costs associated with the initial public offering of SAFE (refer to Note 7) and costs incurred in connection with the repricing of our 2016 Senior Secured Credit Facility (refer to Note 10) recorded in 2017.

Loss on early extinguishment of debt, net—In 2017 and 2016, we incurred losses on early extinguishment of debt of \$14.7 million and \$1.6 million, respectively. In 2017, we incurred losses on early extinguishment of debt primarily resulting from repayments of unsecured notes prior to maturity and the repricing of our 2016 Senior Secured Credit Facility. In 2016, we incurred losses on the early extinguishment of debt primarily related to repayments of secured facilities and unsecured notes prior to maturity.

Earnings from equity method investments—Earnings from equity method investments decreased to \$13.0 million in 2017 from \$77.3 million in 2016. In 2017, we recognized \$4.7 million primarily from profit participations on a land development venture, \$4.5 million related to operations at our Net Lease Venture, \$2.6 million related to sales activity on a land development venture and \$1.2 million was aggregate income from our remaining equity method investments. 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.

Income tax (expense) benefit—Income taxes are primarily generated by assets held in our TRS. An income tax benefit of \$0.9 million was recorded in 2017 and a \$10.2 million income tax benefit was recorded in 2016. The Tax Cuts and Jobs Act eliminated the corporate alternative minimum tax and grants corporations a refundable credit for prior years' minimum taxes paid. The income tax benefit for 2017 primarily relates to the credit for prior year's minimum taxes generated in 2015 and 2014 for which we expect to receive refunds from changes made by the Tax Cuts and Jobs Act to the corporate alternative minimum tax. The income tax benefit for 2016 primarily related to taxable losses generated from sales of certain TRS properties.

We also incurred a tax liability in 2017 for \$6.1 million of alternative minimum tax imposed at the REIT level. The Tax Cuts and Jobs Act, however, permits us to claim a refundable credit for prior year's minimum taxes over the next four years. Therefore, we have no net income tax expense or benefit in our consolidated statement of operations at the REIT level for our 2017 tax liability.

Income from discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. Income from discontinued operations represents the operating results from the properties comprising our ground lease business.

Gain from discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. We accounted for this transaction as an in substance sale of real estate and recognized a gain of \$123.4 million, reflecting the aggregate gain

less the fair value of our retained interest in SAFE.

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Income from sales of real estate—Income from sales of real estate decreased to \$92.0 million in 2017 from \$105.3 million in 2016. The following table presents our income from sales of real estate by segment (\$ in millions).

	2017	2016
Net Lease	\$87.5	\$21.1
Operating Properties	4.5	75.4
Land and Development ⁽¹⁾	—	8.8
Total income from sales of real estate	\$92.0	\$105.3

During the year ended December 31, 2016, we sold a land and development asset to a newly formed (1)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 to a third party.

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

	For the Years Ended			
	December 31,		\$ Change	% Change
	2016	2015		
	(in thousands)			
Operating lease income	\$191,180	\$211,207	\$(20,027)	(9)%
Interest income	129,153	134,687	(5,534)	(4)%
Other income	46,514	49,924	(3,410)	(7)%
Land development revenue	88,340	100,216	(11,876)	(12)%
Total revenue	455,187	496,034	(40,847)	(8)%
Interest expense	221,398	224,639	(3,241)	(1)%
Real estate expenses	137,522	146,509	(8,987)	(6)%
Land development cost of sales	62,007	67,382	(5,375)	(8)%
Depreciation and amortization	51,660	62,045	(10,385)	(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	564,467	635,317	(70,850)	(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 discontinued operations	18,270	15,077	3,193	21 %
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 \$191.2 million in 2016 from \$211.2 million in 2015. The following tables summarizes our operating lease income by segment (\$ in millions).

	2016	2015	Change	Reason for Change
Net Lease	\$126.2	\$133.0	\$(6.8)	Primarily due to the sale of net lease assets, partially offset by leasing activity.
Operating Properties	64.6	77.5	(12.9)	Primarily due to the sale of commercial operating properties, partially offset by the execution of new leases.
Land and Development	0.4	0.7	(0.3)	
Total	\$191.2	\$211.2	\$(20.0)	

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The following table shows certain same store statistics for our Net Lease and Operating Properties segments. Same store assets are defined as assets we owned on or prior to January 1, 2015 and were in service through December 31, 2016 (Operating lease income in millions).

	2016	2015		
Operating lease income				
Net Lease	\$ 120.9	\$ 118.1		
Operating Properties	\$ 45.2	\$ 42.1		
Rent per square foot				
Net Lease	\$ 10.25	\$ 9.99		
Operating Properties	\$ 24.62	\$ 22.92		
Occupancy ⁽¹⁾				
Net Lease	97.7	% 97.9	%	
Operating Properties	70.2	% 71.5	%	

(1)Occupancy is as of December 31, 2016 and 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 \$137.5 million in 2016 from \$146.5 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 \$18.2 million in 2016 from \$21.6 million in 2015. This decrease was primarily due to asset sales during 2015 and 2016. Expenses for same store net lease assets decreased to \$16.3 million in 2016 from \$16.8 million in 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 \$51.7 million in 2016 from \$62.0 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.

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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 discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. Income from discontinued operations represents the operating results from the properties comprising our ground lease business.

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. The following table presents our income from sales of real estate by segment (\$ in millions).

	2016	2015
Operating Properties ⁽¹⁾	\$75.4	\$53.7
Net Lease	21.1	40.1
Land and Development ⁽²⁾	8.8	—
Total income from sales of real estate	\$105.3	\$93.8

During the year ended December 31, 2015, we sold a commercial operating property for \$68.5 million to a newly (1)formed unconsolidated entity in which we own a 50.0% equity interest (refer to Note 7). We recognized a gain on sale of \$13.6 million, reflecting our share of the interest sold to a third party.

(2)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 on sale of \$8.8 million,

reflecting our share of the interest sold to a third party.

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

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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"). In the third quarter 2017, we modified our presentation of Adjusted Income to exclude the effect of the amount of the liquidation preference that was recorded as a premium above book value on the redemption of preferred stock (refer to Note 13) and the imputed non-cash interest expense recognized for the conversion feature of our senior convertible notes (refer to Note 10).

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,	
	2017	2016
Adjusted Income		
Net income (loss) allocable to common shareholders	\$110,924	\$43,972
Add: Depreciation and amortization ⁽¹⁾	60,828	64,447
Add/Less: (Recovery of) provision for loan losses	(5,828)	(12,514)
Add: Impairment of assets ⁽²⁾	32,379	18,999
Add: Stock-based compensation expense	18,812	10,889
Add: Loss on early extinguishment of debt, net	3,065	1,619
Add: Non-cash interest expense on senior convertible notes	1,255	—
Add: Premium on redemption of preferred stock	16,314	—
Less: Losses on charge-offs and dispositions ⁽³⁾	(23,130)	(14,827)
Less: Participating Security allocation	—	(23)
Adjusted income allocable to common shareholders	\$214,619	\$112,562

Depreciation and amortization also includes our proportionate share of depreciation and amortization expense for (1) 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.

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

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Liquidity and Capital Resources

During the year ended December 31, 2017, we committed to new investments totaling \$806.0 million and invested \$956.9 million in new investments, prior financing commitments and ongoing development. Total investments included \$618.5 million in real estate finance, \$133.2 million to develop our land and development assets, \$73.4 million of capital to reposition or redevelop our operating properties, \$131.7 million to invest in net lease assets and \$0.1 million in other investments. Also during the year ended December 31, 2017, we generated \$1,268.8 million from loan repayments and asset sales within our portfolio, comprised of \$722.0 million from real estate finance, \$42.8 million from operating properties, \$248.7 million from net lease assets, \$234.7 million from land and development assets and \$20.6 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, 2017 and 2016, by segment (\$ in thousands):

	For the Years Ended December 31,	
	2017	2016
Operating Properties	\$33,774	\$65,934
Net Lease	3,293	3,876
Total capital expenditures on real estate assets	\$37,067	\$69,810
Land and Development	\$121,400	\$103,806
Total capital expenditures on land and development assets	\$121,400	\$103,806

As of December 31, 2017, we had unrestricted cash of \$657.7 million. Our primary cash uses over the next 12 months are expected to be 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 \$175 million to \$225 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 \$100 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, 2017, we also had approximately \$389 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 cash on hand, income from our portfolio, loan repayments from borrowers and proceeds from asset sales.

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.

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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, 2017 (see Item 8—"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	\$2,507,500	\$—	\$1,170,000	\$1,337,500	\$—	\$—
Secured credit facilities	399,000	4,000	8,000	387,000	—	—
Revolving credit facility	325,000	—	325,000	—	—	—
Mortgages	208,491	9,481	18,219	164,697	16,094	—
Trust preferred securities	100,000	—	—	—	—	100,000
Total principal maturities	3,539,991	13,481	1,521,219	1,889,197	16,094	100,000
Interest Payable ⁽¹⁾	661,364	173,751	302,973	140,745	17,974	25,921
Loan Participations Payable ⁽²⁾	102,737	93,782	8,955	—	—	—
Operating Lease Obligations	17,891	4,971	7,731	2,275	2,914	—
Total	\$4,321,983	\$285,985	\$1,840,878	\$2,032,217	\$36,982	\$125,921

(1) Variable-rate debt assumes 1-month LIBOR of 1.56% and 3-month LIBOR of 1.69% that were in effect as of December 31, 2017.

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

2017 Secured Financing—In March 2017, the predecessor of SAFE (which at the time was comprised of our wholly-owned subsidiaries conducting our Ground Lease business) entered into a \$227.0 million secured financing transaction (the "2017 Secured Financing") that accrued interest at 3.795% and matures in April 2027. The 2017 Secured Financing was collateralized by the 12 properties comprising SAFE's initial portfolio. In connection with the 2017 Secured Financing, we incurred \$7.3 million of lender and third-party fees, substantially all of which was capitalized in "Debt obligations, net" on our consolidated balance sheets. In April 2017, we derecognized the 2017 Secured Financing when third parties acquired a controlling interest in SAFE's predecessor, prior to SAFE's initial public offering (refer to Note 4).

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. In January 2017, we repriced the 2016 Senior Secured Credit Facility to LIBOR plus 3.75% with a 1.00% LIBOR floor from LIBOR plus 4.50% with a 1.00% LIBOR floor. In September 2017, we downsized, repriced and extended the 2016 Senior Secured Credit Facility to \$400.0 million priced at LIBOR plus 3.00% with a 0.75% LIBOR floor and maturing in October 2021. These transactions resulted in an aggregate 1.50% reduction in price.

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.

2015 Secured Revolving Credit Facility—In March 2015, we entered into our 2015 Secured Revolving Credit Facility. In September 2017, we upsized the 2015 Secured Revolving Credit Facility to \$325.0 million, added additional

lenders to the syndicate, extended the maturity date to September 2020 and made certain other changes. 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 0.30% to 0.50% based on corporate credit ratings. At maturity, we may convert outstanding borrowings to a one year term loan which matures in quarterly installments through September 2021.

Unsecured Notes—In September 2017, we issued \$400.0 million principal amount of 4.625% senior unsecured notes due September 2020, \$400.0 million principal amount of 5.25% senior unsecured notes due September 2022 and \$250.0 million of 3.125% Convertible Notes due September 2022. Proceeds from these offerings, together with cash on hand, were used to repay in full the \$550.0 million principal amount outstanding of the 4.0% senior unsecured notes due November 2017, the \$300.0 million principal amount outstanding of the 7.125% senior unsecured notes due February 2018 and the \$300.0 million principal amount outstanding of the 4.875% senior unsecured notes due July 2018. In addition, the initial purchasers of the 3.125% Convertible Notes exercised their option to purchase an additional \$37.5 million aggregate principal amount of the 3.125% Convertible Notes.

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In March 2017, we issued \$375.0 million principal amount of 6.00% senior unsecured notes due April 2022. Proceeds from the offering were primarily used to repay in full the \$99.7 million principal amount outstanding of the 5.85% senior unsecured notes due March 2017 and repay in full the \$275.0 million principal amount outstanding of the 9.00% senior unsecured notes due June 2017 prior to maturity. In March 2016, we repaid the \$261.4 million principal amount outstanding of the 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 outstanding of the senior unsecured notes due July 2016 and repay \$5.0 million of the 2015 Secured Revolving Credit Facility.

Collateral Assets—As of December 31, 2017 and 2016, the carrying value of assets that are directly pledged or are held by subsidiaries whose equity is pledged as collateral to secure our obligations under our secured debt facilities are as follows, by asset type (\$ in thousands):

	As of December 31,			
	2017		2016	
	Collateral Assets ⁽¹⁾	Non-Collateral Assets	Collateral Assets ⁽¹⁾	Non-Collateral Assets
Real estate, net	\$795,321	\$486,710	\$881,212	\$506,062
Real estate available and held for sale	20,069	48,519	—	237,531
Land and development, net	25,100	835,211	35,165	910,400
Loans receivable and other lending investments, net ⁽²⁾⁽³⁾	194,529	1,021,340	172,581	1,142,050
Other investments	—	321,241	—	214,406
Cash and other assets	—	898,252	—	590,299
Total	\$1,035,019	\$3,611,273	\$1,088,958	\$3,600,748

The 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility are secured only by (1) pledges of equity of certain of our subsidiaries and not by pledges of the assets held by such subsidiaries. Such subsidiaries are subject to contractual restrictions under the terms of such credit facilities, including restrictions on incurring new debt (subject to certain exceptions).

(2) As of December 31, 2017 and 2016, the amounts presented exclude general reserves for loan losses of \$17.5 million and \$23.3 million, respectively.

(3) As of December 31, 2017 and 2016, the amounts presented exclude loan participations of \$102.3 million and \$159.1 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, as such terms are defined in the indentures governing the debt securities, 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 Item 8—"Financial Statements and Supplemental Data—Note 12" for further details.

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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 Item 8—"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 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, 2017, 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 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	\$ 338,290	\$ 10,934	\$ 28,585	\$ 377,809
Strategic Investments	—	—	10,743	10,743
Total	\$ 338,290	\$ 10,934	\$ 39,328	\$ 388,552

(1) Excludes \$102.1 million of commitments on loan participations sold that are not our obligation.

Stock Repurchase Program—As of December 31, 2017, we had authorization to repurchase up to \$50.0 million of common stock from time to time in open market or privately negotiated transactions, including pursuant to one or more trading plans. In December 2017, the Company entered into a 10b5-1 plan (the "10b5-1 Plan") in accordance with Rule 10b5-1 under the Securities and Exchange Act of 1934, as amended, to facilitate repurchases. Whether and how many shares will be repurchased is uncertain and dependent on prevailing market prices and trading volumes, which we cannot predict. 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. In addition, in connection with the sale of the 3.125% Convertible Notes in September 2017 (refer to Note 10), we repurchased 4.0 million shares of our common stock for \$45.9 million at an average cost of \$11.51 per share in privately negotiated transactions with purchasers of the 3.125% Convertible Notes.

Preferred Equity—In October 2017, we redeemed our Series E and Series F preferred stock at par for the aggregate liquidation preference of \$240.0 million plus accrued dividends to the redemption date (refer to Note 13).

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 2017, management reviewed and evaluated these critical accounting estimates and believes they are appropriate. Our significant accounting policies are described in Item 8—"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

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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, 2017, 2016 and 2015 were \$(5.8) million, \$(12.5) million and \$36.6 million, respectively. The total reserve for loan losses as of December 31, 2017 and 2016, included asset specific reserves of \$61.0 million and \$62.2 million, respectively, and general reserves of \$17.5 million and \$23.3 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 and 2015, we received title to properties in satisfaction of mortgage loans with fair values of \$40.6 million and \$13.4 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

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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, 2017, we recorded impairments on real estate and land and development assets totaling \$32.4 million. The impairments recorded in 2017 were primarily the result of impairments on land and development assets of \$20.5 million resulting from a decrease in expected cash flows on one asset and a change in exit strategy on another asset, and impairments of \$11.9 million on real estate assets due to shifting demand in the local condominium markets and changes in our exit strategy on other real estate assets. During the years ended December 31, 2016 and 2015, we recorded impairments on real estate and land and development assets totaling \$14.5 million and \$10.5 million, respectively, resulting from unfavorable local market conditions, sales of net lease assets 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, 2017, 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 our ability to realize 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 our ability to realize 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 analysis is inherently subjective, as it requires us to forecast our business and general economic environment in future periods. Changes in estimate of our ability to realize our deferred tax asset, 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 \$63.3 million and \$66.5 million as of December 31, 2017 and 2016, 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.

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See Item 8—"Financial Statements and Supplemental Data—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.

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Item 7a. 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 or 50 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 1.56% as of December 31, 2017. 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⁾
-100 Basis Points	\$ (7,166)
-50 Basis Points	(3,214)
-10 Basis Points	(643)
Base Interest Rate	—
+10 Basis Points	643
+50 Basis Points	3,214
+100 Basis Points	6,429

(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, 2017, \$416.6 million of our floating rate loans have a cumulative weighted average LIBOR floor of 0.3% and \$501.7 million of our floating rate debt has a

cumulative weighted average interest rate floor of 0.7%.

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of iStar Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of iStar Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 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, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated 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 appearing under item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

PricewaterhouseCoopers LLP
New York, New York
February 26, 2018

We have served as the Company's auditor since at least 1997. We have not determined the specific year we began serving as auditor of the Company.

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iStar Inc.

Consolidated Balance Sheets

(In thousands, except per share data)

	As of December 31,	
	2017	2016
ASSETS		
Real estate		
Real estate, at cost	\$1,629,436	\$1,740,893
Less: accumulated depreciation	(347,405)	(353,619)
Real estate, net	1,282,031	1,387,274
Real estate available and held for sale	68,588	237,531
Total real estate	1,350,619	1,624,805
Land and development, net	860,311	945,565
Loans receivable and other lending investments, net	1,300,655	1,450,439
Other investments	321,241	214,406
Cash and cash equivalents	657,688	328,744
Accrued interest and operating lease income receivable, net	11,957	11,254
Deferred operating lease income receivable, net	86,877	88,189
Deferred expenses and other assets, net	141,730	162,112
Total assets	\$4,731,078	\$4,825,514
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$238,004	\$211,570
Loan participations payable, net	102,425	159,321
Debt obligations, net	3,476,400	3,389,908
Total liabilities	3,816,829	3,760,799
Commitments and contingencies (refer to Note 11)	—	—
Redeemable noncontrolling interests	—	5,031
Equity:		
iStar Inc. shareholders' equity:		
Preferred Stock Series D, E, F, G and I, liquidation preference \$25.00 per share (refer to Note 13)	12	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, 68,236 and 72,042 shares issued and outstanding as of December 31, 2017 and 2016, respectively	68	72
Additional paid-in capital	3,352,665	3,602,172
Retained earnings (deficit)	(2,470,564)	(2,581,488)
Accumulated other comprehensive income (loss) (refer to Note 13)	(2,482)	(4,218)
Total iStar Inc. shareholders' equity	879,703	1,016,564
Noncontrolling interests	34,546	43,120
Total equity	914,249	1,059,684
Total liabilities and equity	\$4,731,078	\$4,825,514

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

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iStar Inc.

Consolidated Statements of Operations

(In thousands, except per share data)

	For the Years Ended December		
	31,		
	2017	2016	2015
Revenues:			
Operating lease income	\$ 187,684	\$ 191,180	\$ 211,207
Interest income	106,548	129,153	134,687
Other income	188,091	46,514	49,924
Land development revenue	196,879	88,340	100,216
Total revenues	679,202	455,187	496,034
Costs and expenses:			
Interest expense	194,686	221,398	224,639
Real estate expense	147,617	137,522	146,509
Land development cost of sales	180,916	62,007	67,382
Depreciation and amortization	49,033	51,660	62,045
General and administrative	98,882	84,027	81,277
(Recovery of) provision for loan losses	(5,828)	(12,514)	36,567
Impairment of assets	32,379	14,484	10,524
Other expense	20,954	5,883	6,374
Total costs and expenses	718,639	564,467	635,317
Income (loss) before earnings from equity method investments and other items	(39,437)	(109,280)	(139,283)
Loss on early extinguishment of debt, net	(14,724)	(1,619)	(281)
Earnings from equity method investments	13,015	77,349	32,153
Income (loss) from continuing operations before income taxes	(41,146)	(33,550)	(107,411)
Income tax benefit (expense)	948	10,166	(7,639)
Income (loss) from continuing operations	(40,198)	(23,384)	(115,050)
Income from discontinued operations	4,939	18,270	15,077
Gain from discontinued operations	123,418	—	—
Income from sales of real estate	92,049	105,296	93,816
Net income (loss)	180,208	100,182	(6,157)
Net (income) loss attributable to noncontrolling interests	(4,526)	(4,876)	3,722
Net income (loss) attributable to iStar Inc.	175,682	95,306	(2,435)
Preferred dividends	(64,758)	(51,320)	(51,320)
Net (income) loss allocable to HPU holders and Participating Security holders ⁽¹⁾⁽²⁾	—	(14)	1,080
Net income (loss) allocable to common shareholders	\$ 110,924	\$ 43,972	\$ (52,675)
Per common share data:			
Income (loss) attributable to iStar Inc. from continuing operations:			
Basic	\$ (0.25)	\$ 0.35	\$ (0.79)
Diluted	\$ (0.25)	\$ 0.35	\$ (0.79)
Net income (loss) attributable to iStar Inc.:			
Basic	\$ 1.56	\$ 0.60	\$ (0.62)
Diluted	\$ 1.56	\$ 0.60	\$ (0.62)
Weighted average number of common shares:			
Basic	71,021	73,453	84,987
Diluted	71,021	73,835	84,987
Per HPU share data ⁽¹⁾ :			
Income (loss) attributable to iStar Inc. from operations—Basic and diluted	\$ —	\$ —	\$ (153.67)

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Net income (loss) attributable to iStar Inc.—Basic and diluted	\$—	\$—	\$(120.00)
Weighted average number of HPU share—Basic and diluted	—	—	9

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

Participating Security holders are non-employee directors who hold common stock equivalents ("CSEs") and (2) 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.

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iStar Inc.

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

	For the Years Ended December 31,		
	2017	2016	2015
Net income (loss)	\$180,208	\$100,182	\$(6,157)
Other comprehensive income (loss):			
Reclassification of (gains)/losses on available-for-sale securities into earnings upon realization ⁽¹⁾	—	—	(2,576)
Reclassification of (gains)/losses on cash flow hedges into earnings upon realization ⁽²⁾	(168)	598	921
Unrealized gains/(losses) on available-for-sale securities	1,186	274	(532)
Unrealized gains/(losses) on cash flow hedges	847	(85)	(1,202)
Unrealized gains/(losses) on cumulative translation adjustment	(129)	(154)	(491)
Other comprehensive income (loss)	1,736	633	(3,880)
Comprehensive income (loss)	181,944	100,815	(10,037)
Comprehensive (income) loss attributable to noncontrolling interests	(4,526)	(4,876)	3,722
Comprehensive income (loss) attributable to iStar Inc.	\$177,418	\$95,939	\$(6,315)

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

Reclassified to "Interest expense" in the Company's consolidated statements of operations are \$64, \$217 and \$456 for the years ended December 31, 2017, 2016 and 2015, respectively. Reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations are \$304, \$381 and \$465, respectively, for the years ended December 31, December 31, 2017, 2016 and 2015.

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

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iStar Inc.

Consolidated Statements of Changes in Equity

For the Year Ended December 31, 2017

(In thousands)

	iStar Inc. Shareholders' Equity							Noncontrolling Interests	Total Equity
	Preferred Stock Series J ⁽¹⁾	Preferred Stock Series K ⁽¹⁾	HPUs ⁽²⁾	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)		
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 ⁽⁴⁾	—	—	—	—	(5,079)	—	—	—	(5,079)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	205	205
Distributions to noncontrolling interests ⁽⁴⁾	—	—	—	—	—	—	—	(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	—	—	—	—	—	—	633	—	633

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income (loss)									
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 ⁽⁵⁾	—	—	—	—	—	—	—	(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

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iStar Inc.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2016 and 2015

(In thousands)

	iStar Inc. Shareholders' Equity								
	Preferred Stock Series J ⁽¹⁾	Preferred Stock Series K ⁽¹⁾	HPUs ⁽²⁾ at Par	Common Stock ⁽²⁾ at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of December 31, 2016	\$22	\$ 4	\$ —	\$ 72	\$3,602,172	\$(2,581,488)	\$(4,218)	\$ 43,120	\$1,059,684
Dividends declared—preferred	—	—	—	—	—	(46,614)	—	—	(46,614)
Issuance of stock/restricted stock unit amortization, net	—	—	—	—	2,522	—	—	—	2,522
Net income for the period ⁽³⁾	—	—	—	—	—	175,682	—	5,853	181,535
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	1,736	—	1,736
Repurchase of stock	—	—	—	(4)	(45,924)	—	—	—	(45,928)
Issuance of senior unsecured convertible notes (refer to Note 10)	—	—	—	—	25,869	—	—	—	25,869
Dividends declared and payable — Series E and Series F Preferred Stock	—	—	—	—	—	(1,830)	—	—	(1,830)
Redemption of Series E and F Preferred Stock	(10)	—	—	—	(223,676)	(16,314)	—	—	(240,000)
Change in additional paid in capital attributable to redeemable noncontrolling interest ⁽⁶⁾	—	—	—	—	(8,298)	—	—	—	(8,298)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	12	12
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(14,439)	(14,439)
Balance as of December 31, 2017	\$12	\$ 4	\$ —	\$ 68	\$3,352,665	\$(2,470,564)	\$(2,482)	\$ 34,546	\$914,249

(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, 2017, 2016 and 2015 net income (loss) shown above excludes \$(1,327), \$(6,051) and \$(3,456) of net loss attributable to redeemable noncontrolling interests.

(4) Includes a \$6.4 million payment to acquire a noncontrolling interest (refer to Note 4).

(5) Includes payments of \$10.8 million to acquire a noncontrolling interest (refer to Note 5).

(6) Represents the amount paid in excess of its carrying value to acquire a redeemable noncontrolling interest (refer to Note 4).

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

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iStar Inc.

Consolidated Statements of Cash Flows

(In thousands)

	For the Years Ended December		
	31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$ 180,208	\$ 100,182	\$ (6,157)
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
(Recovery of) provision for loan losses	(5,828)	(12,514)	36,567
Impairment of assets	32,379	14,484	10,524
Depreciation and amortization	49,934	54,329	65,247
Non-cash expense for stock-based compensation	18,812	10,889	12,013
Amortization of discounts/premiums and deferred financing costs on debt obligations, net	13,857	16,810	17,352
Amortization of discounts/premiums on loans, net	(13,323)	(14,873)	(11,606)
Deferred interest on loans, net	10,133	22,396	(34,458)
Gain from discontinued operations	(123,418)	—	—
Earnings from equity method investments	(13,015)	(77,349)	(32,153)
Distributions from operations of other investments	42,059	48,732	29,999
Deferred operating lease income	(6,830)	(9,921)	(7,950)
Income from sales of real estate	(92,557)	(105,296)	(93,816)
Land development revenue in excess of cost of sales	(15,963)	(26,333)	(32,834)
Loss on early extinguishment of debt, net	3,065	1,619	281
Debt discount on repayments and repurchases of debt obligations	(6,647)	(5,381)	(578)
Other operating activities, net	14,429	6,897	5,889
Changes in assets and liabilities:			
Changes in accrued interest and operating lease income receivable, net	1,424	3,634	(2,068)
Changes in deferred expenses and other assets, net	(15,806)	(6,397)	2,631
Changes in accounts payable, accrued expenses and other liabilities, net	7,299	(453)	(17,112)
Cash flows provided by (used in) operating activities	80,212	21,455	(58,229)
Cash flows from investing activities:			
Originations and fundings of loans receivable, net	(522,269)	(410,975)	(478,822)
Capital expenditures on real estate assets	(37,067)	(69,810)	(81,525)
Capital expenditures on land and development assets	(121,400)	(103,806)	(88,219)
Acquisitions of real estate assets	(6,600)	(38,433)	—
Repayments of and principal collections on loans receivable and other lending investments, net	615,620	504,844	273,454
Net proceeds from sales of loans receivable	—	—	6,655
Net proceeds from sales of real estate	314,013	435,560	362,530
Net proceeds from sales of land and development assets	194,090	94,424	81,601
Net proceeds from sale of other investments	—	43,936	—
Distributions from other investments	49,672	92,482	119,854
Contributions to and acquisition of interest in other investments	(224,219)	(58,197)	(11,531)
Changes in restricted cash held in connection with investing activities	6,414	1,515	(7,550)
Other investing activities, net	1,231	(24,997)	7,581
Cash flows provided by investing activities	269,485	466,543	184,028
Cash flows from financing activities:			
Borrowings from debt obligations and convertible notes	2,288,654	716,001	549,000

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Repayments and repurchases of debt obligations	(1,915,052)	(1,437,557)	(432,383)
Proceeds from loan participations payable	—	22,844	138,075
Preferred dividends paid	(48,444)	(51,320)	(51,320)
Repurchase of stock	(45,928)	(99,335)	(69,511)
Redemption of HPUs	—	—	(9,811)
Redemption of Series E and F preferred stock	(240,000)	—	—
Payments for deferred financing costs	(32,419)	(9,980)	(2,255)
Payments for withholding taxes upon vesting of stock-based compensation	(724)	(1,451)	(1,718)
Distributions to and redemption of noncontrolling interests	(26,213)	(10,771)	(8,977)
Other financing activities, net	(599)	1,207	1,663
Cash flows provided by (used in) financing activities	(20,725)	(870,362)	112,763
Effect of exchange rate changes on cash	(28)	7	478
Changes in cash and cash equivalents	328,944	(382,357)	239,040
Cash and cash equivalents at beginning of period	328,744	711,101	472,061
Cash and cash equivalents at end of period	\$657,688	\$328,744	\$711,101
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest, net of amount capitalized	\$179,208	\$199,667	207,972
Supplemental disclosure of non-cash investing and financing activity:			
Fundings and repayments of loan receivables and loan participations, net	\$(57,514)	\$(15,594)	\$14,075
Developer fee payable	—	9,478	7,435
Acquisitions of real estate and land and development assets through deed-in-lieu	—	40,583	13,424
Contributions of real estate and land and development assets to equity method investments, net	—	8,828	21,096
Accounts payable for capital expenditures on land and development assets	3,775	3,674	7,143
Accounts payable for capital expenditures on real estate assets	2,709	—	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	4,853	7,509	22,695

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

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iStar Inc.

Notes to 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 also provides management services for its ground

lease and net lease equity method investments (refer to Note 7). 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, its 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, 2017, the Company consolidates VIEs for which it is considered the primary beneficiary. As of December 31, 2017, the total assets of these consolidated VIEs were \$297.6 million and total liabilities were \$38.6 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" 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, 2017.

Unconsolidated VIEs—As of December 31, 2017, 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, 2017, the Company's maximum exposure to loss from these investments does not exceed the sum of the \$82.5 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 \$34.9 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

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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. Lease incentives and leasing costs that include brokerage, legal and other costs 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, 2017, 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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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, 2017 and 2016, the allowance for doubtful accounts related to real estate tenant receivables was \$1.3 million and the allowance for doubtful accounts related to deferred operating lease income was \$1.3 million.

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. During the year ended December 31, 2017, the Company recorded \$123.4 million of interest income and real estate tax reimbursements resulting from the

settlement of litigation involving a dispute over the purchase and sale of land (refer to Note 11).

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.

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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.

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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.

On January 1, 2017, the Company adopted Accounting Standards Update ("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. The adoption of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

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 and subjects net income from these assets to corporate level tax. The carrying value of assets with foreclosure elections as of December 31, 2017 is \$139.7 million. The Tax Cuts and Jobs Act reduced the corporate tax rate to 21% from 35% beginning in 2018 and net income from foreclosure property is subject to the 21% tax rate beginning in 2018.

As of December 31, 2016, the Company had \$948.8 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 2036 if unused. The amount of NOL carryforwards as of December 31, 2017 will be subject to finalization of the Company's 2017 tax return. The Tax Cuts and Jobs Act reduced the deduction for net operating losses to 80% of the Company's taxable income for losses incurred after December 31, 2017. Our net operating loss carryforward for losses incurred in taxable years prior

to 2018 remain fully deductible. The Company's tax years from 2014 through 2016 remain subject to examination by major tax jurisdictions. During the year ended December 31, 2017, 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

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in equity affiliates. As of December 31, 2017, \$759.6 million of the Company's assets were owned by TRS entities. The Company's TRS entities are not consolidated with the REIT 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,		
	2017	2016	2015
Current tax benefit (expense) ⁽¹⁾⁽²⁾	\$531	\$9,751	\$(7,639)
Total income tax (expense) benefit	\$531	\$9,751	\$(7,639)

For the year ended December 31, 2017, the Company recognized a tax benefit for alternative minimum tax credits (1) generated from a carryback of NOLs to 2014 and 2015. For the year ended December 31, 2016, excludes a REIT income tax benefit of \$0.4 million.

(2) Under the Tax Cuts and Jobs Act, the alternative minimum tax credit carryforward is a refundable tax credit over a four year period beginning in 2018 and ending in 2021 upon which the full amount of the credit will be allowed. During the year ended December 31, 2017, the Company's TRS entities generated a taxable loss of \$33.1 million for which the Company recognized no current tax benefit. The Company's TRS 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, 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 2016 benefit was limited to the amount the Company's TRS expected to receive after it filed an NOL carryback claim. The remaining balance of its NOL was 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.

Total cash paid for taxes for the years ended December 31, 2017, 2016 and 2015 was \$6.0 million, \$0.2 million and \$8.4 million, respectively. The taxes paid in 2017 were primarily alternative minimum taxes at the REIT which the Company expects to be refunded over the next four years.

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 applied the corporate tax rate enacted December 22, 2017 under the Tax Cuts and Jobs Act effective for years beginning after 2017 to value its deferred tax assets and liabilities and is in the process of determining whether any of deferred tax assets or liabilities would not be realized because of the change in tax law as such information becomes available. The Company evaluates whether its deferred tax assets are realizable 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 whether its deferred tax assets are realizable, 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 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, 2017 and 2016, respectively. Changes in estimates of our valuation allowance, if any, are included in "Income tax (expense) benefit" in the consolidated statements of operations. The valuation allowance was reduced to reflect the change in value of our net deferred tax assets that reflects a reduced rate of tax under the Tax Cuts and Jobs Act.

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

	As of December	
	31,	
	2017	2016
Deferred tax assets ⁽¹⁾⁽²⁾	\$63,258	\$66,498
Valuation allowance	(63,258)	(66,498)
Net deferred tax assets (liabilities)	\$—	\$—

Deferred tax assets as of December 31, 2017 include timing differences related primarily to asset basis of \$26.1 million, deferred expenses and other items of \$13.6 million, NOL carryforwards of \$21.3 million and other credits of \$2.3 million. 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 \$21.2 million and NOL carryforwards of \$15.6 (1) million. The Company has not yet finalized whether any of its gross deferred tax assets are no longer realizable because of a change in tax law and will adjust its provisional gross deferred tax balances once sufficient information becomes available to make such a determination. Because the Company records a full valuation allowance, the Company does not expect to record a net change in estimate in "Income tax (expense) benefit" in its consolidated statement of operations during the period in which such determination becomes final.

Gross deferred tax assets as of December 31, 2017 were valued at the enacted corporate tax rate during the period (2) in which such deferred tax assets are expected to be realized. The Tax Cuts and Jobs Act reduced the federal corporate tax rate to 21% from 35% for taxable years beginning after December 31, 2017. The Company's TRS's applied its reduced effective tax rate to compute its gross deferred tax assets before valuation allowance.

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 August 2017, the FASB issued Accounting Standards Update ("ASU") 2017-12, Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"), to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. ASU 2017-12 expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets ("ASU 2017-05"), to clarify the scope of Subtopic 610-20, Other Income—Gains and Losses from

the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. The amendments in ASU 2017-05 simplify GAAP by eliminating several accounting differences between transactions involving assets and transactions involving businesses. The amendments in ASU 2017-05 require an entity to initially measure a retained noncontrolling interest in a nonfinancial asset at fair value consistent with how a retained noncontrolling interest in a business is measured. Also, if an entity transfers ownership interests in a consolidated subsidiary that is within the scope of ASC 610-20 and continues to have a controlling financial interest in that subsidiary, ASU 2017-05 requires the entity to account for the transaction as an equity transaction, which is consistent with how changes in ownership interests in a consolidated subsidiary that is a business are recorded when a parent retains a controlling financial interest in the business. ASU 2017-05 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted beginning January 1, 2017. The Company will adopt ASU 2017-05 using the modified retrospective approach, which will require the Company to record a cumulative adjustment to retained earnings as of the beginning of the period in the year of adoption of the new standard. The Company concluded that transactions in assets and businesses in which the Company retains an ownership interest, such as the sale of a controlling interest in its Ground Lease business (refer to Note 4), and other transactions in which it sold or contributed real estate to a venture in which it retained a noncontrolling interest

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and recognized a partial gain, will be impacted by this guidance. As a result, under the modified retrospective approach, the Company expects to record incremental gains to beginning retained earnings as of January 1, 2018 in its consolidated statements of changes in equity, including an incremental gain of \$55.5 million from the sale of its Ground Lease business, bringing the Company's full gain on the sale of its Ground Lease business to approximately \$178.9 million.

In January 2017, the FASB issued 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. The Company's real estate acquisitions have historically been accounted for as a business combination or an asset acquisition. Under ASU 2017-01, certain transactions previously accounted for as business combinations under the existing guidance would be accounted for as asset acquisitions under the new guidance. As a result, the Company expects more transaction costs to be capitalized under real estate acquisitions and less transaction costs to be expensed under business combinations as a result of the new guidance. ASU 2017-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted. 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 has determined the guidance will not 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 has determined the guidance will not 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 determine 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 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

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Notes to Consolidated Financial Statements (Continued)

15, 2017. Early adoption is not permitted. Management has concluded that ASU 2016-01 will not have a material impact on 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 was permitted beginning January 1, 2017. The Company will adopt ASU 2014-09 using the modified retrospective approach on January 1, 2018. Based on the Company's assessment of the impact of the adoption of ASU 2014-09, it does not expect the adoption to have a material impact on its consolidated financial statements.

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Notes to Consolidated Financial Statements (Continued)

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, 2017			
Land, at cost	\$219,092	\$203,278	\$422,370
Buildings and improvements, at cost	888,959	318,107	1,207,066
Less: accumulated depreciation	(292,268)	(55,137)	(347,405)
Real estate, net	815,783	466,248	1,282,031
Real estate available and held for sale ⁽²⁾	—	68,588	68,588
Total real estate	\$815,783	\$534,836	\$1,350,619
As of December 31, 2016			
Land, at cost	\$231,506	\$211,054	\$442,560
Buildings and improvements, at cost	987,050	311,283	1,298,333
Less: accumulated depreciation	(307,444)	(46,175)	(353,619)
Real estate, net	911,112	476,162	1,387,274
Real estate available and held for sale ⁽²⁾	155,051	82,480	237,531
Total real estate	\$1,066,163	\$558,642	\$1,624,805

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 (1) 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.

As of December 31, 2017 and 2016 the Company had \$48.5 million and \$82.5 million, respectively, of residential properties available for sale in its operating properties portfolio. As of December 31, 2016, net lease includes the Company's ground lease ("Ground Lease") assets that were reclassified to "Real estate available and held for sale" (2) (refer to "Disposition of Ground Lease Business" below). As of December 31, 2016, the carrying value of the Company's Ground Lease assets were previously classified as \$104.5 million in "Real estate, net," \$37.5 million in "Deferred expenses and other assets, net," \$8.2 million in "Deferred operating lease income receivable, net" and \$3.5 million in "Accrued interest and operating lease income receivable, net" on the Company's consolidated balance sheet.

Real Estate Available and Held for Sale—The following table presents the carrying value of properties transferred to held for sale, by segment (\$ in millions)⁽¹⁾:

Property Type	Year Ended		
	December 31,		
	2017	2016	2015
Operating Properties ⁽²⁾	\$20.1	\$16.1	\$2.9
Net Lease	0.9	1.8	8.2
Total	\$21.0	\$17.9	\$11.1

(1) Properties were transferred to held for sale due to executed contracts with third parties or changes in business strategy.

(2) During the year ended December 31, 2015, the Company 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, 2016, the Company also acquired two residential condominium units for \$1.8 million that were held for sale and were sold as of December 31, 2017.

Acquisitions—During the year ended December 31, 2017, the Company acquired one net lease asset for \$6.6 million. In addition, in the third quarter 2017, in conjunction with the modification of two master leases, the Company exchanged real property with the tenant. The fair value of the property exchanged exceeded the Company's cost basis by approximately \$1.5 million which will be deferred and amortized to "Operating lease income" in the Company's consolidated statements of operations over the remaining master lease terms.

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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 Lease with the seller. This asset was one of the 12 properties comprising the Company's Ground Lease business that was disposed of in April 2017 (see "Disposition of Ground Lease Business" below).

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.

Disposition of Ground Lease Business—In April 2017, institutional investors acquired a controlling interest in the Company's Ground Lease business through the merger of a Company subsidiary and related transactions (the "Acquisition Transactions"). The Company's Ground Lease business was a component of the Company's net lease segment and consisted of 12 properties subject to long term net leases including seven Ground Leases and one master lease (covering five properties). The acquiring entity was a newly formed unconsolidated entity named Safety, Income & Growth Inc. ("SAFE"). The carrying value of the Company's Ground Lease assets was approximately \$161.1 million. Shortly before the Acquisition Transactions, the Company completed the \$227.0 million 2017 Secured Financing on its Ground Lease assets (refer to Note 10). The Company received all of the proceeds of the 2017 Secured Financing. The Company received an additional \$113.0 million of proceeds in the Acquisition Transactions, including \$55.5 million that the Company contributed to SAFE in its initial capitalization. As a result of the Acquisition Transactions, the Company deconsolidated the 12 properties and the associated 2017 Secured Financing. The Company accounts for its investment in SAFE as an equity method investment (refer to Note 7). The Company accounted for this transaction as an in substance sale of real estate and recognized a gain of \$123.4 million, reflecting the aggregate gain less the fair value of the Company's retained interest in SAFE (refer to Note 2 - Summary of Significant Accounting Policies). The carrying value of the 12 properties is classified in "Real estate available and held for sale" on the Company's consolidated balance sheet as of December 31, 2016 and the gain was recorded in "Gain from discontinued operations" in the Company's consolidated statements of operations.

Discontinued Operations—The transactions described above involving the Company's Ground Lease business qualified for discontinued operations and the following table summarizes income from discontinued operations for the years ended December 31, 2017, 2016 and 2015 (\$ in thousands)⁽¹⁾:

	Year Ended December 31,		
	2017	2016	2015
Revenues	\$6,430	\$21,839	\$18,520
Expenses	(1,491)	(3,569)	(3,443)
Income from discontinued operations	\$4,939	\$18,270	\$15,077

Revenues primarily consisted of operating lease income and expenses primarily consisted of depreciation and (1) amortization and real estate expense. For the year ended December 31, 2017, revenues also includes income from sales of real estate.

The following table presents cash flows provided by operating activities and cash flows used in investing activities from discontinued operations for the years ended December 31, 2017, 2016 and 2015 (\$ in thousands).

	Year Ended December 31,		
	2017	2016	2015
Cash flows provided by operating activities	\$5,702	\$16,662	\$14,446
Cash flows used in investing activities	(534)	(7,972)	—

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

Other Dispositions—The following table presents the proceeds and income recognized for properties sold, by property type (\$ in millions)⁽¹⁾:

	Year Ended December 31,		
	2017 ⁽¹⁾	2016	2015 ⁽²⁾
Operating Properties			
Proceeds	\$41.3	\$326.9	\$294.9
Income from sales of real estate	4.5	75.4	53.7
Net Lease			
Proceeds	\$175.4	\$117.2	\$100.8
Income from sales of real estate	87.5	21.1	40.1
Total			
Proceeds	\$216.7	\$444.1	\$395.7
Income from sales of real estate	92.0	96.5	93.8

During the year ended December 31, 2017, the Company sold a net lease property and recognized a gain on sale of (1) \$62.5 million. Prior to the sale, the Company acquired the noncontrolling interest with a carrying value of \$3.5 million for \$12.0 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 (2) 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 "Real estate available and held for sale" on the Company's consolidated balance sheets. In December 2015, the Company acquired the noncontrolling interest in the entity for \$6.4 million.

Impairments—During the years ended December 31, 2017, 2016 and 2015, the Company recorded impairments on real estate assets totaling \$11.9 million, \$10.7 million and \$5.9 million, respectively. The impairments recorded in 2017 were primarily the result of shifting demand in the local condominium markets, changes in our exit strategy on other real estate assets and an impairment recorded in connection with the sale of an outparcel located at a commercial operating property. 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.

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 \$21.9 million, \$23.6 million and \$26.6 million for the years ended December 31, 2017, 2016 and 2015, 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, 2017 and 2016, the allowance for doubtful accounts related to real estate tenant receivables was \$1.3 million and the allowance for doubtful accounts related to deferred operating

lease income was \$1.3 million. 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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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, 2017, are as follows (\$ in thousands):

Year	Net Lease Assets	Operating Properties
2018	\$101,135	\$ 37,009
2019	101,448	33,748
2020	100,894	31,952
2021	101,288	30,075
2022	100,040	20,187

Note 5—Land and Development

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

	As of December 31,	
	2017	2016
Land and land development, at cost	\$868,692	\$952,051
Less: accumulated depreciation	(8,381)	(6,486)
Total land and development, net	\$860,311	\$945,565

Acquisitions—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.

Dispositions—During the years ended December 31, 2017, 2016 and 2015, the Company sold residential lots and parcels and recognized land development revenue of \$196.9 million, \$88.3 million and \$100.2 million, respectively, from its land and development portfolio. During the years ended December 31, 2017, 2016 and 2015, the Company recognized land development cost of sales of \$180.9 million, \$62.0 million and \$67.4 million, respectively, from its land and development portfolio.

In connection with the resolution of litigation involving a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George's County, Maryland ("Bevard"), during the year ended December 31, 2017, the Company recognized \$114.0 million of land development revenue and \$106.3 million of land development cost of sales (refer to Note 11). In 2016, the Company acquired an additional 10.7% interest in Bevard for \$10.8 million and owned 95.7% of Bevard at the time of resolution.

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).

Impairments—During the year ended December 31, 2017, the Company recorded impairments on land and development assets of \$20.5 million resulting from a decrease in expected cash flows on one asset and a change in exit strategy on another asset.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

During the years ended December 31, 2016 and 2015, the Company recorded impairments on land and development assets of \$3.8 million and \$4.6 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 their 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, 2017 and 2016, this interest had a carrying value of zero and \$1.3 million, respectively. As of December 31, 2017 and 2016, this interest did not have a redemption value.

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):

Type of Investment	As of December 31,	
	2017	2016
Senior mortgages	\$791,152	\$940,738
Corporate/Partnership loans	488,921	490,389
Subordinate mortgages	9,495	24,941
Total gross carrying value of loans	1,289,568	1,456,068
Reserves for loan losses	(78,489)	(85,545)
Total loans receivable, net	1,211,079	1,370,523
Other lending investments—securities	89,576	79,916
Total loans receivable and other lending investments, net	\$1,300,655	\$1,450,439

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

	For the Years Ended December 31,		
	2017	2016	2015
Reserve for loan losses at beginning of period	\$85,545	\$108,165	\$98,490
(Recovery of) provision for loan losses ⁽¹⁾	(5,828)	(12,514)	36,567
Charge-offs	(1,228)	(10,106)	(26,892)
Reserve for loan losses at end of period	\$78,489	\$85,545	\$108,165

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

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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, 2017			
Loans	\$ 237,877	\$ 1,056,944	\$ 1,294,821
Less: Reserve for loan losses	(60,989)	(17,500)	(78,489)
Total ⁽³⁾	\$ 176,888	\$ 1,039,444	\$ 1,216,332
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

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- (1) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net discounts of \$0.7 million and \$0.4 million as of December 31, 2017 and 2016, 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 premiums of \$6.2 million and \$1.9 million as of December 31, 2017 and 2016, respectively. The Company's recorded investment in loans as of December 31, 2017 and 2016 includes accrued interest of \$5.3 million and \$6.9 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, 2017 and 2016, excludes \$89.6 million and \$79.9 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.

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Notes to Consolidated Financial Statements (Continued)

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,			
	2017		2016	
	Performing Loans	Weighted Average Risk Ratings	Performing Loans	Weighted Average Risk Ratings
Senior mortgages	\$713,057	2.72	\$859,250	3.12
Corporate/Partnership loans	334,364	2.85	335,677	3.09
Subordinate mortgages	9,523	3.00	14,135	3.00
Total	\$1,056,944	2.77	\$1,209,062	3.11

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

As of December 31, 2017	Current	Less Than and Greater Than		Total Past Due	Total
		Equal to 90 Days	90 Days ⁽¹⁾		
Senior mortgages	\$719,057	\$ —	—\$75,343	\$75,343	\$794,400
Corporate/Partnership loans	334,364	—	156,534	156,534	490,898
Subordinate mortgages	9,523	—	—	—	9,523
Total	\$1,062,944	\$ —	—\$231,877	\$231,877	\$1,294,821
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, 2017, 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 (1) proceedings, and ranged from 1.0 to 9.0 years outstanding. 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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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

	As of December 31, 2017			As of December 31, 2016		
	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	\$81,343	\$81,431	\$(48,518)	\$85,933	\$85,780	\$(49,774)
Corporate/Partnership loans	156,534	145,849	(12,471)	157,146	146,783	(12,471)
Subtotal	\$237,877	\$227,280	\$(60,989)	\$243,079	\$232,563	\$(62,245)
Total:						
Senior mortgages	\$81,343	\$81,431	\$(48,518)	\$85,933	\$85,780	\$(49,774)
Corporate/Partnership loans	156,534	145,849	(12,471)	157,146	146,783	(12,471)
Subordinate mortgages	—	—	—	10,862	10,846	—
Total	\$237,877	\$227,280	\$(60,989)	\$253,941	\$243,409	\$(62,245)

(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,					
	2017		2016		2015	
	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized
With no related allowance recorded:						
Senior mortgages	\$—	\$—	\$3,661	\$ 226	\$—	\$—
Subordinate mortgages	6,582	1,127	6,799	—	—	—
Subtotal	6,582	1,127	10,460	226	—	—
With an allowance recorded:						
Senior mortgages	82,749	—	118,921	—	129,135	38
Corporate/Partnership loans	156,756	—	66,101	—	24,252	12
Subtotal	239,505	—	185,022	—	153,387	50
Total:						
Senior mortgages	82,749	—	122,582	226	129,135	38
Corporate/Partnership loans	156,756	—	66,101	—	24,252	12
Subordinate mortgages	6,582	1,127	6,799	—	—	—
Total	\$246,087	\$ 1,127	\$195,482	\$ 226	\$153,387	\$ 50

There was no interest income related to the resolution of non-performing loans recorded during the years ended December 31, 2017, 2016 and 2015.

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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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, 2017, 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	Estimated Fair Value	Net Carrying Value
As of December 31, 2017					
Available-for-Sale Securities					
Municipal debt securities	\$21,230	\$21,230	\$1,612	\$22,842	\$22,842
Held-to-Maturity Securities					
Debt securities	66,618	66,734	1,581	68,315	66,734
Total	\$87,848	\$87,964	\$3,193	\$91,157	\$89,576
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, 2017, 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	\$48,468	\$49,451	\$—	\$—
After one year through 5 years	18,266	18,864	—	—
After 5 years through 10 years	—	—	—	—
After 10 years	—	—	21,230	22,842
Total	\$66,734	\$68,315	\$21,230	\$22,842

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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		Equity in Earnings (Losses)		
	As of December 31,		For the Years Ended		
	2017	2016	2017	2016	2015
Real estate equity investments					
iStar Net Lease I LLC ("Net Lease Venture")	\$ 121,139	\$ 92,669	\$ 4,534	\$ 3,567	\$ 5,221
Safety, Income & Growth Inc. ("SAFE") ⁽¹⁾	83,868	—	551	—	—
Marina Palms, LLC ("Marina Palms")	2,555	35,185	2,621	22,053	23,626
Other real estate equity investments ⁽²⁾	100,061	53,202	3,899	41,822	(5,280)
Subtotal	307,623	181,056	11,605	67,442	23,567
Other strategic investments ⁽³⁾	13,618	33,350	1,410	9,907	8,586
Total	\$ 321,241	\$ 214,406	\$ 13,015	\$ 77,349	\$ 32,153

(1) Equity in earnings is for the period from April 14, 2017 to December 31, 2017.

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

(2) 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.

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

Net Lease Venture—In February 2014, the Company partnered with a sovereign wealth fund to form the Net Lease Venture to acquire and develop net lease assets and gave a right of first refusal to the Net Lease Venture on all new net lease investments. The Company has an equity interest in the Net Lease Venture 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, 2017, the Net Lease Venture acquired industrial properties for \$59.0 million. During the year ended December 31, 2017, the Company sold a net lease asset for proceeds of \$6.2 million, which approximated its carrying value net of financing, to the Net Lease Venture and derecognized the associated \$18.9 million financing. During the year ended December 31, 2017, the Company made contributions of \$49.2 million to the Net Lease Venture and received distributions of \$26.0 million from the Net Lease Venture.

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. 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.

As of December 31, 2017 and 2016, the venture's carrying value of total assets was \$658.3 million and \$511.3 million, respectively. During the years ended December 31, 2017, 2016 and 2015, the Company recorded \$2.1 million, \$1.6 million and \$1.5 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.

Safety, Income & Growth Inc.—The Company along with two institutional investors capitalized SIGI Acquisition, Inc. ("SIGI") on April 14, 2017 to acquire, manage and capitalize Ground Leases. The Company contributed \$55.5 million for an initial 49% noncontrolling interest in SIGI and the two institutional investors contributed an aggregate \$57.5 million for an initial 51%

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

controlling interest in SIGI. A wholly-owned subsidiary of the Company that held the Company's Ground Lease business and assets merged with and into SIGI on April 14, 2017 with SIGI surviving the merger and being renamed Safety, Income & Growth Inc. ("SAFE"). Through this merger and related transactions, the institutional investors acquired a controlling interest in the Company's Ground Lease business. The Company's carrying value of the Ground Lease assets was approximately \$161.1 million. Shortly before the Acquisition Transactions, the Company completed the \$227.0 million 2017 Secured Financing on its Ground Lease assets (refer to Note 10). The Company received all of the proceeds of the 2017 Secured Financing. The Company received an additional \$113.0 million of proceeds in the Acquisition Transactions, including \$55.5 million that the Company contributed to SAFE in its initial capitalization. As a result of the Acquisition Transactions, the Company deconsolidated the 12 properties and the associated 2017 Secured Financing. The Company accounted for this transaction as an in substance sale of real estate and recognized a gain of \$123.4 million, reflecting the aggregate gain less the fair value of the Company's retained interest in SAFE. The carrying value of the 12 properties were classified in "Real estate available and held for sale" on the Company's consolidated balance sheet as of December 31, 2016 and the gain was recorded in "Gain from discontinued operations" in the Company's consolidated statements of operations.

On June 27, 2017, SAFE completed its initial public offering (the "Offering") raising \$205.0 million in gross proceeds and concurrently completed a \$45.0 million private placement to the Company. In addition, the Company paid \$18.9 million in organization and offering costs of the up to \$25.0 million in organization and offering costs it agreed to pay in connection with the Offering and concurrent private placement through December 31, 2017, including commissions payable to the underwriters and other offering expenses. The Company expensed the portion of offering costs that was attributable to other investors in "Other expense" in the Company's consolidated statements of operations and capitalized the portion of offering costs attributable to the Company's ownership interest in "Other investments" on the Company's consolidated balance sheets. Subsequent to the initial public offering and through December 31, 2017, the Company purchased 1.8 million shares of SAFE's common stock for \$34.1 million, at an average cost of \$18.85 per share, pursuant to two 10b5-1 plans in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, under which the Company could buy shares of SAFE's common stock in the open market up to an ownership limit of 39.9%. As of December 31, 2017, the Company owned approximately 37.6% of SAFE's common stock outstanding.

In addition, subsequent to SAFE's initial public offering, trusts established by Jay Sugarman, the Company's Chairman and Chief Executive Officer, and Geoffrey Jervis, the Company's Chief Operating Officer and Chief Financial Officer, purchased 26 thousand shares in the aggregate of SAFE's common stock for an aggregate \$0.5 million, at an average cost of \$19.20 per share, pursuant to a 10b5-1 plan in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended. As of December 31, 2017, the trusts established by Jay Sugarman, the Company's Chairman and Chief Executive Officer, and Geoffrey Jervis, the Company's Chief Operating Officer and Chief Financial Officer, had utilized all of the availability authorized in the 10b5-1 Plan.

A wholly-owned subsidiary of the Company is the external manager of SAFE and is entitled to a management fee, payable solely in shares of SAFE's common stock, equal to the sum of 1.0% of SAFE's total equity up to \$2.5 billion and 0.75% of SAFE's total equity in excess of \$2.5 billion. The Company is not entitled to receive any performance or incentive compensation. The Company is also entitled to receive expense reimbursements, payable in cash or in shares of SAFE's common stock, for its personnel that perform certain legal, accounting, due diligence tasks and other services that third-party professionals or outside consultants otherwise would perform. The Company has agreed to waive both the management fee and certain of the expense reimbursements through June 30, 2018. The Company has an exclusivity agreement with SAFE pursuant to which it agreed, subject to certain exceptions, that it will not acquire, originate, invest in, or provide financing for a third party's acquisition of, a Ground Lease unless it has first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity.

In August 2017, the Company committed to provide a \$24.0 million loan to the ground lessee of a Ground Lease originated at SAFE. The loan has an initial term of one year and will be used for the renovation of a medical office building in Atlanta, GA. \$5.2 million of the loan was funded as of December 31, 2017. The transaction was approved by the Company's and SAFE's independent directors.

In October 2017, the Company closed on a 99-year Ground Lease and a \$80.5 million construction financing commitment to support the ground-up development of Great Oaks Multifamily, a to-be-built 301-unit community within the Great Oaks Master Plan of San Jose, CA. The transaction includes a combination of (i) a newly created Ground Lease and up to a \$7.2 million leasehold improvement allowance and (ii) a \$80.5 million leasehold first mortgage. The Company entered into a forward purchase contract with SAFE under which SAFE would acquire the Ground Lease in November 2020 for approximately \$34.0 million. The forward purchase contract was approved by the Company's and SAFE's independent directors.

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Notes to Consolidated Financial Statements (Continued)

Marina Palms—As of December 31, 2017, 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, 2017. The 234 unit south tower is 85% sold (based on unit count) as of December 31, 2017. 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, 2017 and 2016, the venture's carrying value of total assets was \$32.4 million and \$201.8 million, respectively.

Other real estate equity investments—As of December 31, 2017, the Company's other real estate equity investments included equity interests in real estate ventures ranging from 20% to 95%, comprised of investments of \$38.8 million in operating properties and \$61.3 million in land assets. As of December 31, 2016, the Company's other real estate equity investments included \$3.6 million in operating properties and \$49.6 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 \$25.4 million was funded as of December 31, 2017. 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.

In 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, 2017, 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. 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 had 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 and 2015, the Company recorded \$3.6 million and \$3.9 million of interest income, respectively. As of December 31, 2017 and 2016, the Company had a recorded equity interest of zero.

Other strategic investments—As of December 31, 2017, the Company also had 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, 2017 and 2016, the carrying value of the Company's cost method investments was \$0.8 million and \$1.4 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.

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Notes to Consolidated Financial Statements (Continued)

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,			For the Years Ended December 31,		
	2017	2016		2017	2016	2015
Balance Sheets			Income Statements			
Total assets	\$2,493,798	\$2,803,411	Revenues	\$261,867	\$272,281	\$481,224
Total liabilities	1,169,125	683,079	Expenses	(167,999)	(227,720)	(245,968)
Noncontrolling interests	13,258	23,544	Net income attributable to parent entities	91,633	42,209	234,529
Total equity	1,311,415	2,096,788				
Note 8—Other Assets and Other Liabilities						

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

	As of December 31,	
	2017	2016
Other receivables ⁽¹⁾	\$56,369	\$52,820
Intangible assets, net ⁽²⁾	27,124	30,727
Other assets	24,490	35,189
Restricted cash	20,045	25,883
Leasing costs, net ⁽³⁾	9,050	11,802
Corporate furniture, fixtures and equipment, net ⁽⁴⁾	4,652	5,691
Deferred expenses and other assets, net	\$141,730	\$162,112

(1) As of December 31, 2017 and 2016, includes \$26.0 million of receivables related to the construction and development of an amphitheater (refer to Note 5).

(2) Intangible assets, net includes above market, in-place and lease incentive assets related to the acquisition of real estate assets. Accumulated amortization on intangible assets, net was \$34.9 million and \$31.9 million as of December 31, 2017 and 2016, respectively. The amortization of above market leases and lease incentive assets decreased operating lease income in the Company's consolidated statements of operations by \$2.5 million, \$3.9 million and \$6.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. These intangible lease assets are amortized over the term of the lease. The amortization expense for in-place leases was \$1.9 million, \$1.9 million and \$3.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts are included in "Depreciation and amortization" in the Company's consolidated statements of operations. As of December 31, 2017, the weighted average amortization period for the Company's intangible assets was approximately 19.2 years.

(3) Accumulated amortization of leasing costs was \$4.7 million and \$6.7 million as of December 31, 2017 and 2016, respectively.

(4) Accumulated depreciation on corporate furniture, fixtures and equipment was \$10.5 million and \$9.0 million as of December 31, 2017 and 2016, respectively.

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Notes to Consolidated Financial Statements (Continued)

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

	As of December 31,	
	2017	2016
Accrued expenses ⁽¹⁾	\$ 101,035	\$ 72,693
Other liabilities ⁽²⁾	79,015	75,993
Accrued interest payable	49,933	54,033
Intangible liabilities, net ⁽³⁾	8,021	8,851
Accounts payable, accrued expenses and other liabilities	\$ 238,004	\$ 211,570

- (1) As of December 31, 2017 and 2016, accrued expenses includes \$2.5 million and \$1.8 million, respectively, associated with "Real estate available and held for sale" on the Company's consolidated balance sheets. As of December 31, 2017 and 2016, "Other liabilities" includes \$29.2 million and \$24.0 million, respectively, related to profit sharing arrangements with developers for certain properties sold. As of December 31, 2017 and 2016, includes \$1.6 million and \$1.7 million, respectively, associated with "Real estate available and held for sale" on the Company's consolidated balance sheets. As of December 31, 2017 and 2016, "Other liabilities" also includes \$6.2 million and \$8.5 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. Intangible liabilities, net includes below market lease liabilities related to the acquisition of real estate assets. Accumulated amortization on below market leases was \$7.8 million and \$6.4 million as of December 31, 2017 and 2016, respectively. The amortization of below market leases increased operating lease income in the Company's consolidated statements of operations by \$1.3 million, \$1.1 million and \$1.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017, the weighted average amortization period for the Company's intangible liabilities was approximately 19.2 years.

Intangible assets—The estimated expense from the amortization of intangible assets for each of the five succeeding fiscal years is as follows (\$ in thousands):

2018	\$2,151
2019	2,112
2020	2,084
2021	2,053
2022	2,049

Note 9—Loan Participations Payable, net

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

	Carrying Value as of	
	December 31, 2017	December 31, 2016
Loan participations payable ⁽¹⁾	\$ 102,737	\$ 160,251
Debt discounts and deferred financing costs, net	(312)	(930)
Total loan participations payable, net	\$ 102,425	\$ 159,321

- (1) As of December 31, 2017, the Company had two loan participations payable with a weighted average interest rate of 6.5%. As of December 31, 2016, the Company had three loan participations payable with a weighted average

interest rate of 4.8%.

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, 2017 and 2016. As of December 31, 2017 and 2016, the corresponding loan receivable balances were \$102.3 million and \$159.1 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.

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Notes to Consolidated Financial Statements (Continued)

Note 10—Debt Obligations, net

In the third and fourth quarters of 2017, the Company completed a comprehensive set of capital markets transactions that addressed all parts of its capital structure, resulting in the Company having:

- repaid or refinanced all of the Company's 2017 and 2018 corporate debt maturities, leaving no corporate debt maturities until July 2019;

- extended its weighted average debt maturity by 1.5 years to 4.0 years;

- reduced annual expenses;

- lowered its cost of capital;

- established new banking relationships; and

- received upgrades to its corporate credit ratings from all three major ratings agencies.

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Notes to Consolidated Financial Statements (Continued)

As of December 31, 2017 and 2016, the Company's debt obligations were as follows (\$ in thousands):

	Carrying Value as of		Stated Interest Rates	Scheduled Maturity Date
	December 31, 2017	2016		
Secured credit facilities and mortgages:				
2015 \$325 Million Secured Revolving Credit Facility	\$325,000	\$—	LIBOR + 2.50%	(1) September 2020
2016 Senior Secured Credit Facility	399,000	498,648	LIBOR + 3.00%	(2) October 2021
Mortgages collateralized by net lease assets	208,491	249,987	4.102% - 7.26%	(3) Various through 2026
Total secured credit facilities and mortgages	932,491	748,635		
Unsecured notes:				
5.85% senior notes	—	99,722	5.85	% March 2017
9.00% senior notes	—	275,000	9.00	% June 2017
4.00% senior notes ⁽⁴⁾	—	550,000	4.00	% November 2017
7.125% senior notes ⁽⁵⁾	—	300,000	7.125	% February 2018
4.875% senior notes ⁽⁶⁾	—	300,000	4.875	% July 2018
5.00% senior notes ⁽⁷⁾	770,000	770,000	5.00	% July 2019
4.625% senior notes ⁽⁸⁾	400,000	—	4.625	% September 2020
6.50% senior notes ⁽⁹⁾	275,000	275,000	6.50	% July 2021
6.00% senior notes ⁽¹⁰⁾	375,000	—	6.00	% April 2022
5.25% senior notes ⁽¹¹⁾	400,000	—	5.25	% September 2022
3.125% senior convertible notes ⁽¹²⁾	287,500	—	3.125	% September 2022
Total unsecured notes	2,507,500	2,569,722		
Other debt obligations:				
Trust preferred securities	100,000	100,000	LIBOR + 1.50%	October 2035
Total debt obligations	3,539,991	3,418,357		
Debt discounts and deferred financing costs, net (63,591) (28,449)				
Total debt obligations, net ⁽¹³⁾	\$3,476,400	\$3,389,908		

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 September 2021.

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 2.0% or (ii) LIBOR subject to a margin of 3.0% with a minimum LIBOR rate of 0.75%.

(3) As of December 31, 2017, the weighted average interest rate of these loans is 5.2%.

(4) The Company prepaid these senior notes in October 2017 without penalty.

(5) The Company prepaid these senior notes in October 2017 and incurred a make whole premium of \$5.25 million.

(6) The Company prepaid these senior notes in October 2017 and incurred a make whole premium of \$3.66 million.

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

(8) The Company can prepay these senior notes without penalty beginning June 15, 2020.

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

(10) The Company can prepay these senior notes without penalty beginning April 1, 2021.

(11) The Company can prepay these senior notes without penalty beginning September 15, 2021.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

- The Company's 3.125% senior convertible fixed rate notes due September 2022 ("3.125% Convertible Notes") are convertible at the option of the holders at a conversion rate of 64.36 shares per \$1,000 principal amount of 3.125% Convertible Notes, which equals a conversion price of \$15.54 per share, at any time prior to the close of business on the business day immediately preceding September 15, 2022. Upon conversion, the Company will pay or deliver, as the case may be, a combination of cash and shares of its common stock. As such, at issuance in September 2017, the Company valued the liability component at \$221.8 million, net of fees, and the equity component of the conversion feature at \$22.5 million, net of fees, and recorded the equity component in "Additional paid-in capital" on the Company's consolidated balance sheet. In October 2017, the initial purchasers of the 3.125% Convertible Notes exercised their option to purchase an additional \$37.5 million aggregate principal amount of the 3.125% Convertible Notes. At issuance, the Company valued the liability component at \$34.0 million, net of fees, and the equity component of the conversion feature at \$3.4 million, net of fees, and recorded the equity component in "Additional paid-in capital" on the Company's consolidated balance sheet. As of December 31, 2017, the carrying value of the 3.125% Convertible Notes was \$256.7 million, net of fees, and the unamortized discount of the 3.125% Convertible Notes was \$25.2 million, net of fees. During the year ended December 31, 2017, the Company recognized \$2.5 million of contractual interest and \$1.3 million of discount amortization on the 3.125% Convertible Notes. The effective interest rate was 5.2%.
- (12) The Company capitalized interest relating to development activities of \$8.5 million, \$5.8 million and \$5.3 million for the years ended December 31, 2017 2016 and 2015, respectively.

Future Scheduled Maturities—As of December 31, 2017, future scheduled maturities of outstanding debt obligations are as follows (\$ in thousands):

	Unsecured Debt	Secured Debt	Total
2018	\$—	\$—	\$—
2019	770,000	1,654	771,654
2020	400,000	325,000	725,000
2021	275,000	515,715	790,715
2022	1,062,500	59,052	1,121,552
Thereafter	100,000	31,070	131,070
Total principal maturities	2,607,500	932,491	3,539,991
Unamortized discounts and deferred financing costs, net	(55,390)	(8,201)	(63,591)
Total debt obligations, net	\$2,552,110	\$924,290	\$3,476,400

2017 Secured Financing—In March 2017, the predecessor of SAFE (which at the time was comprised of the Company's wholly-owned subsidiaries conducting its Ground Lease business) entered into a \$227.0 million secured financing transaction (the "2017 Secured Financing") that accrued interest at 3.795% and matures in April 2027. The 2017 Secured Financing was collateralized by the 12 properties comprising SAFE's initial portfolio. In connection with the 2017 Secured Financing, the Company incurred \$7.3 million of lender and third-party fees, substantially all of which was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets. In April 2017, the Company derecognized the 2017 Secured Financing when third parties acquired a controlling interest in SAFE's predecessor, prior to SAFE's initial public offering (refer to Note 4).

The Company is providing a limited recourse guaranty and environmental indemnity under the 2017 Secured Financing that will remain in effect until SAFE has achieved either an equity market capitalization of at least \$500.0 million (inclusive of the initial portfolio that the Company contributed to SAFE) or a net worth of at least \$250.0 million (exclusive of the initial portfolio that the Company contributed to SAFE), and SAFE or another replacement guarantor provides similar guaranties and indemnities to the lenders. The management agreement with SAFE provides

that SAFE may not terminate the management agreement unless a successor guarantor reasonably acceptable to the Company has agreed to replace the Company as guarantor and indemnitor or has provided the Company with a reasonably acceptable indemnity for any losses suffered by the Company as guarantor and indemnitor. SAFE has generally agreed to indemnify the Company for any amounts the Company is required to pay, or other losses the Company may suffer, under the limited recourse guaranty and environmental indemnity.

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. In January 2017, the Company repriced the 2016 Senior Secured Credit Facility to LIBOR plus 3.75% with a 1.00% LIBOR floor from LIBOR plus 4.50% with a 1.00% LIBOR floor. In September 2017, the Company reduced, repriced and extended the 2016 Senior Secured Credit Facility to \$400.0 million priced at LIBOR plus 3.00% with a 0.75% LIBOR floor and maturing in October 2021. These transactions resulted in an aggregate 1.50% reduction in price.

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

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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 on the first business day of each quarter.

Proceeds from the 2016 Senior Secured Credit Facility, together with cash on hand, were primarily used to repay other secured debt. 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 and \$1.9 million was recognized in "Other expense" in the Company's consolidated statements of operations. In connection with the repricing of the 2016 Senior Secured Credit Facility in January 2017, the Company incurred an additional \$0.8 million in fees, substantially all of which was recognized in "Other expense" in the Company's consolidated statements of operations. In connection with the repricing of the 2016 Senior Secured Credit Facility in September 2017, the Company incurred an additional \$2.6 million in fees, of which \$1.5 million was recognized in "Other expense" in the Company's consolidated statements of operations and \$1.1 million was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets.

During the year ended December 31, 2017, repayments of the 2016 Senior Secured Credit Facility resulted in losses on early extinguishment of debt of \$0.8 million.

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"). In September 2017, the Company upsized the 2015 Secured Revolving Credit Facility to \$325.0 million, added additional lenders to the syndicate, extended the maturity date to September 2020 and made certain other changes. 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 0.30% to 0.50% based on corporate credit ratings. At maturity, the Company may convert outstanding borrowings to a one year term loan which matures in quarterly installments through September 2021.

Unsecured Notes—In September 2017, the Company issued \$400.0 million principal amount of 4.625% senior unsecured notes due September 2020, \$400.0 million principal amount of 5.25% senior unsecured notes due September 2022 and \$250.0 million of 3.125% Convertible Notes due September 2022. The Company incurred approximately \$18.6 million dollars in fees related to these offerings, all of which was capitalized in "Debt obligations, net" on the Company's consolidated balance sheets. Proceeds from these offerings, together with cash on hand, were used to repay in full the \$550.0 million principal amount outstanding of the 4.0% senior unsecured notes due November 2017, the \$300.0 million principal amount outstanding of the 7.125% senior unsecured notes due February 2018 and the \$300.0 million principal amount outstanding of the 4.875% senior unsecured notes due July 2018. In addition, the initial purchasers of the 3.125% Convertible Notes exercised their option to purchase an additional \$37.5 million aggregate principal amount of the 3.125% Convertible Notes.

In March 2017, the Company issued \$375.0 million principal amount of 6.00% senior unsecured notes due April 2022. Proceeds from the offering were primarily used to repay in full the \$99.7 million principal amount outstanding of the 5.85% senior unsecured notes due March 2017 and repay in full the \$275.0 million principal amount outstanding of the 9.00% senior unsecured notes due June 2017 prior to maturity. In March 2016, the Company repaid its \$261.4 million principal amount outstanding of the 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 outstanding of the senior unsecured notes due July 2016 and repay \$5.0 million of the 2015 Secured Revolving Credit Facility.

During the years ended December 31, 2017 and 2016, repayments of senior unsecured notes prior to maturity resulted in losses on early extinguishment of debt of \$13.6 million and \$0.4 million, respectively. These amounts are included in "Loss on early extinguishment of debt, net" in the Company's consolidated statements of operations.

In November 2016, in connection with the retirement of the Company's \$200.0 million principal amount of 3.0% senior unsecured convertible notes due November 2016, the Company converted \$9.6 million principal amount into 0.8 million shares of our common stock.

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Notes to Consolidated Financial Statements (Continued)

Collateral Assets—As of December 31, 2017 and 2016, the carrying value of assets of the Company that are directly pledged or are held by subsidiaries whose equity is pledged as collateral to secure the Company's obligations under its secured debt facilities are as follows, by asset type (\$ in thousands):

	As of December 31,		2016	
	2017	2016	Collateral Assets ⁽¹⁾	Non-Collateral Assets
Real estate, net	\$795,321	\$ 486,710	\$881,212	\$ 506,062
Real estate available and held for sale	20,069	48,519	—	237,531
Land and development, net	25,100	835,211	35,165	910,400
Loans receivable and other lending investments, net ⁽²⁾⁽³⁾	194,529	1,021,340	172,581	1,142,050
Other investments	—	321,241	—	214,406
Cash and other assets	—	898,252	—	590,299
Total	\$1,035,019	\$ 3,611,273	\$1,088,958	\$ 3,600,748

(1) The 2016 Senior Secured Credit Facility and the 2015 Secured Revolving Credit Facility are secured only by pledges of equity of certain of the Company's subsidiaries and not by pledges of the assets held by such subsidiaries. Such subsidiaries are subject to contractual restrictions under the terms of such credit facilities, including restrictions on incurring new debt (subject to certain exceptions).

(2) As of December 31, 2017 and 2016, the amounts presented exclude general reserves for loan losses of \$17.5 million and \$23.3 million, respectively.

(3) As of December 31, 2017 and 2016, the amounts presented exclude loan participations of \$102.3 million and \$159.1 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, as such terms are defined in the indentures governing the debt securities, 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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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 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, 2017, 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 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	\$ 338,290	\$ 10,934	\$ 28,585	\$ 377,809
Strategic Investments	—	—	10,743	10,743
Total	\$ 338,290	\$ 10,934	\$ 39,328	\$ 388,552

(1) Excludes \$102.1 million of commitments on loan participations sold that are not the obligation of the Company.

Other Commitments—Total operating lease expense for the years ended December 31, 2017, 2016 and 2015 was \$5.2 million, \$5.9 million and \$6.0 million, respectively. Future minimum lease obligations under non-cancelable operating leases are as follows (\$ in thousands):

2018	\$4,970
2019	3,919
2020	3,812
2021	1,439
2022	837
Thereafter	2,914

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:

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

This litigation involved a dispute over the purchase and sale of approximately 1,250 acres of land in Prince George's County, Maryland. Following a trial, in January 2015, the United States District Court for the District of Maryland (the District Court) entered judgment in favor of the Company, finding that the Company was entitled to specific performance of the purchase and sale agreement and awarding the Company the aggregate amount of: (i) the remaining unpaid purchase price; plus (ii) simple interest on the unpaid amount at a rate of 12% annually from 2008; 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 District Court's judgment. On April 12, 2017, the United States Court of Appeals for the Fourth Circuit affirmed the judgment of the District Court in its entirety. Lennar's petition for rehearing en banc was summarily denied.

On April 21, 2017, the Company and Lennar completed the transfer of the land, pursuant to which the Company conveyed the land to Lennar and received net proceeds of \$234.1 million after payment of \$3.3 million in documentary transfer taxes, consisting of \$114.0 million of sales proceeds, \$121.8 million of interest and \$1.6 million of real estate tax reimbursements. The interest and real estate tax reimbursements are recorded in "Other income" in the Company's consolidated statements of operations. A portion of the net proceeds received by the Company was paid to the third party that holds a 4.3% participation interest in all proceeds received by the Company.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

Lennar filed a petition for a writ of certiorari with the U.S. Supreme Court seeking review of two specific issues decided in the Company's favor by the lower courts. The Company filed a brief in opposition to the petition. On December 4, 2017, the U.S. Supreme Court issued an order denying Lennar's petition for a writ of certiorari. The Company has applied for the recovery of attorneys' fees and costs it incurred in connection with the litigation. The amount of attorneys' fees and costs to be recovered by the Company will be determined through further proceedings before the District Court. A hearing on the Company's application for attorney's fees has not yet been scheduled.

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, 2017, the only states with a concentration greater than 10.0% were New York with 21.7% and California with 12.1%. As of December 31, 2017, the Company's portfolio contains concentrations in the following asset types: land 22.1%, office/industrial 20.1%, entertainment/leisure 11.5%, condominium 11.1% and mixed use/mixed collateral 11.9%.

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, 2017, the Company's five largest borrowers or tenants collectively accounted for approximately 15.0% of the Company's 2017 revenues, of which no single customer accounts for more than 5.7%.

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.

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Notes to Consolidated Financial Statements (Continued)

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, 2017 and 2016 (\$ in thousands):

	Derivative Assets as of December 31,				Derivative Liabilities as of December 31,			
	2017		2016		2017		2016	
	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	N/A	\$ —	N/A	\$ —	N/A	\$ —	Other Liabilities	\$ 8
Interest rate swaps	N/A	—	N/A	—	N/A	—	Other Liabilities	39
Total		\$ —		\$ —		\$ —		\$ 47
Derivatives not Designated in Hedging Relationships								
Foreign exchange contracts	N/A	\$ —	Other Assets	\$ 702	N/A	\$ —	N/A	\$ —
Interest rate cap	N/A	—	Other Assets	25	N/A	—	N/A	—
Total		\$ —		\$ 727		\$ —		\$ —

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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, 2017, 2016 and 2015 (\$ 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, 2017				
Interest rate swaps	Interest Expense	\$ 495	\$ 339	\$ 132
Interest rate cap	Earnings from equity method investments	(16)	(16)	N/A
Interest rate swap	Earnings from equity method investments	368	(285)	N/A
Foreign exchange contracts	Earnings from equity method investments	(352)	—	N/A
For the Year Ended December 31, 2016				
Interest rate cap	Interest Expense	—	(185)	N/A
Interest rate cap	Earnings from equity method investments	(4)	(3)	N/A
Interest rate swaps	Interest Expense	(175)	(32)	N/A
Interest rate swaps	Earnings from equity method investments	94	(378)	N/A
Foreign exchange contracts	Earnings from equity method 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 method 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
		Amount of Gain or (Loss) Recognized in Income		
Derivatives not Designated in Hedging Relationships	Location of Gain or (Loss) Recognized in Income	For the Years Ended December 31, 2017 2016 2015		

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Interest rate cap	Other Expense	\$6	\$(1,080)	\$(3,671)
Foreign exchange contracts	Other Expense	(97)	1,115	2,403

Foreign Exchange Contracts—The Company is exposed to fluctuations in foreign exchange rates on investments it holds in foreign entities. The Company used 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.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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. 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."

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 \$0.2 million, \$0.1 million and \$(0.1) million during the years ended December 31, 2017, 2016 and 2015, 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. 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."

During the year ended December 31, 2017, the Company entered into and settled a rate lock swap in connection with the 2017 Secured Financing and a simultaneous rate lock swap with SAFE. As a result of the settlements, the Company initially recorded a \$0.4 million unrealized gain in "Accumulated other comprehensive income" on the Company's consolidated balance sheets and subsequently derecognized the gain when third parties acquired a controlling interest in the Company's Ground Lease business (refer to Note 4).

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, the Company posted collateral of \$0.4 million 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, 2017.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

Note 13—Equity

Preferred Stock—On October 20, 2017, the Company redeemed all of its issued and outstanding Series E and Series F preferred stock. Each holder of Series E and Series F preferred stock received cash in the amount of the liquidation preference of \$25.00 per share, or \$240.0 million in the aggregate, plus accrued dividends of \$1.1 million and \$0.8 million, respectively, on its Series E and Series F Preferred stock. The total carrying value of the Series E and Series F preferred stock was \$223.7 million, net of discounts and fees, and was recorded in "Additional paid-in-capital" and "Preferred Stock Series D, E, F, G and I, liquidation preference \$25.00 per share" on the Company's consolidated balance sheet as of December 31, 2016. The remaining liquidation premium of \$16.3 million represents a return similar to a dividend to the holders of the Series E and Series F preferred stock and, as such, has been recorded in "Retained earnings (deficit)" on the Company's consolidated balance sheet as of December 31, 2017.

The Company had the following series of Cumulative Redeemable and Convertible Perpetual Preferred Stock outstanding as of December 31, 2017:

Series	Shares Issued and Outstanding (in thousands)	Par Value	Cumulative Preferential Cash Dividends ⁽¹⁾⁽²⁾			Equivalent to Fixed Annual Rate (per share)	Carrying Value (in thousands)
			Liquidation Preference	Rate per Annum ⁽³⁾⁽⁴⁾			
D	4,000	\$0.001	\$25.00	8.00 %	\$ 2.00	\$ 89,041	
G	3,200	0.001	25.00	7.65 %	1.91	72,664	
I	5,000	0.001	25.00	7.50 %	1.88	120,785	
J (convertible) ⁽⁴⁾	4,000	0.001	50.00	4.50 %	2.25	193,510	
Total	16,200					\$ 476,000	

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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

Series	Shares Issued and Outstanding (in thousands)	Par Value	Cumulative Preferential Cash Dividends ⁽¹⁾⁽²⁾			Equivalent to Fixed Annual Rate (per share)	Carrying Value (in thousands)
			Liquidation Preference	Rate per Annum ⁽³⁾⁽⁴⁾			
D	4,000	\$0.001	\$25.00	8.00 %	\$ 2.00	\$ 89,041	
E	5,600	0.001	25.00	7.875 %	1.97	127,136	
F	4,000	0.001	25.00	7.80 %	1.95	96,550	
G	3,200	0.001	25.00	7.65 %	1.91	72,664	
I	5,000	0.001	25.00	7.50 %	1.88	120,785	
J (convertible) ⁽⁴⁾	4,000	0.001	50.00	4.50 %	2.25	193,510	
Total	25,800					\$ 699,686	

Holder of shares of the Series D, 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 (1) 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.

The Company declared and paid dividends of \$8.0 million, \$8.3 million, \$5.9 million, \$6.1 million and \$9.4 million on its Series D, E, F, G and I Cumulative Redeemable Preferred Stock during the year ended December 31, 2017. In addition, in October 2017, the Company redeemed its Series E and Series F Preferred Stock and paid dividends through the redemption date of \$1.1 million and \$0.8 million, respectively, on its Series E and Series F Preferred Stock and paid a liquidation premium of \$16.3 million representing a return similar to a dividend to the holders of the Series E and Series F Preferred Stock. 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 (2) Preferred Stock during the year ended December 31, 2016. The Company declared and paid dividends of \$9.0 million on its Series J Convertible Perpetual Preferred Stock during the years ended December 31, 2017 and 2016. The character of the 2017 dividends was 100% capital gain distribution, of which 27.90% represented unrecaptured section 1250 gain and 72.10% long term capital gain. The character of the 2016 dividends was as follows: 47.30% was a capital gain distribution, of which 76.15% represented unrecaptured section 1250 gain and 23.85% long term capital gain, and 52.70% was ordinary income. There are no dividend arrearages on any of the preferred shares currently outstanding.

The Company may, at its option, redeem the Series G and I Preferred Stock, in whole or in part, at any time and (3) 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

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

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, 2016, the Company had \$948.8 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 2036 if unused. The amount of NOL carryforwards as of December 31, 2017 will be determined upon finalization of the Company's 2017 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, 2017 and 2016.

Stock Repurchase Program—As of December 31, 2017, the Company had authorization to repurchase up to \$50.0 million of common stock from time to time in open market or privately negotiated transactions, including pursuant to one or more trading plans. In December 2017, the Company entered into a 10b5-1 plan (the "10b5-1 Plan") in accordance with Rule 10b5-1 under the Securities and Exchange Act of 1934, as amended, to facilitate repurchases. Whether and how many shares will be repurchased is uncertain and dependent on prevailing market prices and trading volumes, which we cannot predict. 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.

In addition, in connection with the sale of the 3.125% Convertible Notes in September 2017 (refer to Note 10), the Company repurchased 4.0 million shares of its common stock for \$45.9 million at an average cost of \$11.51 per share in privately negotiated transactions with purchasers of the 3.125% Convertible Notes.

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,
	2017 2016

Unrealized gains (losses) on available-for-sale securities	\$1,335	\$149
Unrealized gains (losses) on cash flow hedges	707	27
Unrealized losses on cumulative translation adjustment	(4,524)	(4,394)
Accumulated other comprehensive income (loss)	\$(2,482)	\$(4,218)

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 \$18.8 million, \$10.9 million and \$12.0 million, respectively, for the years ended December 31, 2017, 2016 and 2015 in "General and administrative" in the Company's consolidated statements of operations. As of December 31, 2017, there was \$1.8 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 1.70 years.

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Notes to Consolidated Financial Statements (Continued)

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 73.0 iPIP points for the initial 2013-2014 investment pool.

- In January 2015, the Company granted an additional 10.0 points for the 2013-2014 investment pool and 34.0 iPIP points for the 2015-2016 investment pool.

- In January 2016, the Company granted an additional 10.0 iPIP points in the 2013-2014 investment pool and an additional 40.0 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.

- In February 2017, the Company granted an additional 5.0 iPIP points in the 2013-2014 investment pool, an additional 18.0 iPIP points in the 2015-2016 investment pool and 44.0 iPIP points in the 2017-2018 investment pool.

As of December 31, 2017, 11.6 iPIP points from the 2013-2014 investment pool, 10.0 iPIP points from the 2015-2016 investment pool and 4.3 iPIP points from the 2017-2018 investment pool were forfeited.

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, 2017 and 2016, the Company had accrued compensation costs relating to iPIP of \$38.1 million and \$22.4 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 8.0 million 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, 2017, an aggregate of 3.3 million shares remain available for issuance pursuant to future awards under the Company's 2009 LTIP.

Restricted Share Issuances—During the year ended December 31, 2017, the Company granted 97,697 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 \$12.04 and the total fair value was \$1.2 million. The shares are fully-vested and 62,704 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.

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Notes to Consolidated Financial Statements (Continued)

Restricted Stock Units

Changes in non-vested restricted stock units ("Units") during the year ended December 31, 2017 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, 2016	290	\$ 11.33	\$ 3,578
Granted	116	\$ 12.09	
Vested	(75)	\$ 12.15	
Forfeited	(49)	\$ 13.95	
Non-vested as of December 31, 2017	282	\$ 10.98	\$ 3,183

The total fair value of Units vested during the years ended December 31, 2017, 2016 and 2015 was \$0.9 million, \$2.9 million and \$0.1 million, respectively. The weighted-average grant date fair value per share of Units granted during the years ended December 31, 2017, 2016 and 2015 was \$12.09, \$10.11 and \$13.65, respectively.

As of December 31, 2017, 37,513 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, 2017. 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.

2017 Restricted Stock Unit Activity—During the year ended December 31, 2017, the Company granted new stock-based compensation awards to certain employees in the form of long-term incentive awards, comprised of the following: 115,571 service-based Units granted on February 22, 2017, 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, 2019, if the employee remains employed by the Company on the vesting date, subject to certain provisions relating to termination of employment. 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, 2017, 111,642 of such service-based Units were outstanding.

As of December 31, 2017, the Company had the following additional stock-based compensation awards outstanding:

60,000 service-based Units 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 provisions relating to termination of employment. 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.

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105,285 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 provisions relating to termination of employment. 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 will vest in equal annual installments over three years on each anniversary of the grant date, if the

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

employee remains employed by the Company on the vesting date, subject to certain conditions relating to termination of employment. 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, 2017, the Company awarded to non-employee Directors 56,817 restricted shares of common stock at a fair value per share of \$11.86 at the time of grant. These restricted shares have a vesting term of one year. 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, 2017, a combined total of 317,664 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 \$3.6 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 participant's contributions, up to a maximum of 10% of the participants compensation. The Company made gross contributions of \$1.1 million, \$1.0 million and \$1.0 million, respectively, for the years ended December 31, 2017, 2016 and 2015.

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).

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

	For the Years Ended December		
	2017	2016	2015
Income (loss) from continuing operations	\$(40,198)	\$(23,384)	\$(115,050)
Income from sales of real estate	92,049	105,296	93,816
Net (income) loss attributable to noncontrolling interests	(4,526)	(4,876)	3,722
Preferred dividends	(48,444)	(51,320)	(51,320)
Premium above book value on redemption of preferred stock	(16,314)	—	—
Income (loss) from continuing operations attributable to iStar Inc. and allocable to common shareholders, HPU holders and Participating Security Holders for basic earnings per common share ⁽¹⁾	\$(17,433)	\$25,716	\$(68,832)
Add: Effect of joint venture shares	—	7	—
Income (loss) from continuing operations attributable to iStar Inc. and allocable to common shareholders, HPU holders and Participating Security Holders for diluted earnings per common share ⁽¹⁾	\$(17,433)	\$25,723	\$(68,832)

(1) For the year ended December 31, 2016, includes income from continuing operations allocable to Participating Security Holders of \$8 and \$8 on a basic and dilutive basis, respectively.

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

	For the Years Ended December		
	31,	2016	2015
	2017		
Earnings allocable to common shares:			
Numerator for basic earnings per share:			
Income (loss) from continuing operations attributable to iStar Inc. and allocable to common shareholders	\$(17,433)	\$25,708	\$(67,449)
Income from discontinued operations	4,939	18,264	14,774
Gain from discontinued operations	123,418	—	—
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	\$110,924	\$43,972	\$(52,675)
Numerator for diluted earnings per share:			
Income (loss) from continuing operations attributable to iStar Inc. and allocable to common shareholders	\$(17,433)	\$25,715	\$(67,449)
Income from discontinued operations	4,939	18,264	14,774
Gain from discontinued operations	123,418	—	—
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	\$110,924	\$43,979	\$(52,675)
Denominator for basic and diluted earnings per share:			
Weighted average common shares outstanding for basic earnings per common share	71,021	73,453	84,987
Add: Effect of assumed shares issued under treasury stock method or restricted stock units	—	84	—
Add: Effect of joint venture shares	—	298	—
Weighted average common shares outstanding for diluted earnings per common share	71,021	73,835	84,987
Basic earnings per common share:			
Income (loss) from continuing operations attributable to iStar Inc. and allocable to common shareholders	\$(0.25)	\$0.35	\$(0.79)
Income from discontinued operations	0.07	0.25	0.17
Gain from discontinued operations	1.74	—	—
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	\$1.56	\$0.60	\$(0.62)
Diluted earnings per common share:			
Income (loss) from continuing operations attributable to iStar Inc. and allocable to common shareholders	\$(0.25)	\$0.35	\$(0.79)
Income from discontinued operations	0.07	0.25	0.17
Gain from discontinued operations	1.74	—	—
Net income (loss) attributable to iStar Inc. and allocable to common shareholders	\$1.56	\$0.60	\$(0.62)

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

	For the Years Ended December 31, 2016 2015	
Earnings allocable to HPUs ⁽¹⁾ :		
Numerator for basic and diluted earnings per HPU share:		
Income (loss) from continuing operations attributable to iStar Inc. and allocable to HPU holders	\$—	—\$(1,383)
Income from discontinued operations	—	303
Net income (loss) attributable to iStar Inc. and allocable to HPU holders	\$—	—\$(1,080)
Denominator for basic and diluted earnings per HPU share:		
Weighted average HPUs outstanding for basic and diluted earnings per share	—	9
Basic and diluted earnings per HPU share:		
Income (loss) from continuing operations attributable to iStar Inc. and allocable to HPU holders	\$—	—\$(153.67)
Income from discontinued operations	—	33.67
Net income (loss) attributable to iStar Inc. and allocable to HPU holders	\$—	—\$(120.00)

(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, 2017, 2016 and 2015, the following shares were not included in the diluted EPS calculation because they were anti-dilutive (in thousands)⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾:

	For the Years Ended December 31,		
	2017	2016	2015
Joint venture shares	255	—	298
3.00% convertible senior unsecured notes	—	14,764	16,992
Series J convertible perpetual preferred stock	15,635	15,635	15,635
1.50% convertible senior unsecured notes	—	9,868	11,567

(1) For the year ended December 31, 2015, 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.

(3) For the year ended December 31, 2017, the effect of 6 and 17 unvested time and market-based Units, respectively, were anti-dilutive.

(4) The Company will settle conversions of the 3.125% Convertible Notes by paying the conversion value in cash up to the original principal amount of the notes being converted and shares of common stock to the extent of any conversion premium. The amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value calculated for each trading day in a 40 consecutive day observation period. Based upon the conversion price of the 3.125% Convertible Notes, no shares of common stock would have been issuable upon conversion of the 3.125% Convertible Notes for the year ended December 31, 2017 and therefore the 3.125% Convertible Notes had no effect on diluted EPS for such periods.

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).

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Notes to Consolidated Financial Statements (Continued)

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):

	Total	Fair Value Using Quoted market prices for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2017				
Recurring basis:				
Available-for-sale securities ⁽¹⁾	\$22,842	\$—	\$—	\$ 22,842
Non-recurring basis:				
Impaired real estate ⁽²⁾	12,400	—	—	12,400
Impaired real estate available and held for sale ⁽³⁾	800	—	—	800
Impaired land and development ⁽⁴⁾	21,400	—	—	21,400
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 ⁽⁵⁾	7,200	—	—	7,200
Impaired real estate ⁽⁶⁾	3,063	—	—	3,063

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 an impairment on a real estate asset with a fair value of \$12.4 million based on market comparable sales.

(3) The Company recorded an impairment on a residential real estate asset available and held for sale based on market comparable sales.

(4) The Company recorded an impairment on a land and development asset with a fair value of \$21.4 million based on a discount rate of 6% and a 10 year holding period.

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.

(6) The Company recorded an impairment on a 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.

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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, 2017 and 2016 (\$ in thousands):

	2017	2016
Beginning balance	\$21,666	\$1,161
Purchases	—	20,240
Repayments	(10)	(10)
Unrealized gains recorded in other comprehensive income	1,186	275
Ending balance	\$22,842	\$21,666

Fair values of financial instruments—The Company's estimated fair values of its loans receivable and other lending investments and outstanding debt was \$1.3 billion and \$3.7 billion, respectively, as of December 31, 2017 and \$1.5 billion and

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iStar Inc.

Notes to Consolidated Financial Statements (Continued)

\$3.6 billion, respectively, as of December 31, 2016. 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

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Notes to Consolidated Financial Statements (Continued)

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, 2017						
Operating lease income	\$—	\$123,685	\$63,159	\$840	\$—	\$187,684
Interest income	106,548	—	—	—	—	106,548
Other income	2,633	2,603	49,641	126,259	6,955	188,091
Land development revenue	—	—	—	196,879	—	196,879
Earnings (loss) from equity method investments	—	5,086	(772)	7,292	1,409	13,015
Income from discontinued operations	—	4,939	—	—	—	4,939
Gain from discontinued operations	—	123,418	—	—	—	123,418
Income from sales of real estate	—	87,512	4,537	—	—	92,049
Total revenue and other earnings	109,181	347,243	116,565	331,270	8,364	912,623
Real estate expense	—	(16,742)	(89,725)	(41,150)	—	(147,617)
Land development cost of sales	—	—	—	(180,916)	—	(180,916)
Other expense	(1,413)	—	—	—	(19,541)	(20,954)
Allocated interest expense	(40,359)	(53,710)	(20,171)	(28,033)	(52,413)	(194,686)
Allocated general and administrative ⁽²⁾	(15,223)	(19,563)	(8,075)	(16,483)	(20,726)	(80,070)
Segment profit (loss) ⁽³⁾	\$52,186	\$257,228	\$(1,406)	\$64,688	\$(84,316)	\$288,380
Other significant non-cash items:						
Recovery of loan losses	\$(5,828)	\$—	\$—	\$—	\$—	\$(5,828)
Impairment of assets	—	5,486	6,358	20,535	—	32,379
Depreciation and amortization	—	28,132	17,684	1,896	1,321	49,033

Capitalized expenditures	—	4,838	35,754	125,744	—	166,336
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Notes to Consolidated Financial Statements (Continued)

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/Other ⁽¹⁾	Company Total
Year Ended December 31, 2016						
Operating lease income	\$—	\$126,164	\$64,593	\$423	\$—	\$191,180
Interest income	129,153	—	—	—	—	129,153
Other income	4,658	1,632	33,216	3,170	3,838	46,514
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 discontinued operations	—	18,270	—	—	—	18,270
Income from sales of real estate	—	21,138	75,357	8,801	—	105,296
Total revenue and other earnings	133,811	170,771	207,029	130,746	13,745	656,102
Real estate expense	—	(18,158)	(82,401)	(36,963)	—	(137,522)
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	\$69,148	\$94,898	\$ (16,805)	\$ (49,081)	\$156,154
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	—	31,380	17,887	1,296	1,097	51,660
Capitalized expenditures	—	3,667	56,784	109,548	—	169,999

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Notes to Consolidated Financial Statements (Continued)

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate/Other ⁽¹⁾	Company Total
Year Ended December 31, 2015						
Operating lease income	\$—	\$132,968	\$77,454	\$785	\$ —	\$211,207
Interest income	134,687	—	—	—	—	134,687
Other income	9,737	350	34,637	1,219	3,981	49,924
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 discontinued operations	—	15,077	—	—	—	15,077
Income from sales of real estate	—	40,082	53,734	—	—	93,816
Total revenue and other earnings	144,424	193,698	167,488	118,903	12,567	637,080
Real estate expense	—	(21,614)	(95,888)	(29,007)	—	(146,509)
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	\$90,011	\$36,598	\$(21,061)	\$(54,532)	\$122,912
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	—	34,936	24,548	1,422	1,139	62,045
Capitalized expenditures	—	4,195	84,103	94,971	—	183,269
As of December 31, 2017						
Real estate						
Real estate, net	\$—	\$815,783	\$466,248	\$—	\$ —	\$1,282,031
Real estate available and held for sale	—	—	68,588	—	—	68,588
Total real estate	—	815,783	534,836	—	—	1,350,619
Land and development, net	—	—	—	860,311	—	860,311
Loans receivable and other lending investments, net	1,300,655	—	—	—	—	1,300,655
Other investments	—	205,007	38,761	63,855	13,618	321,241
Total portfolio assets	\$1,300,655	\$1,020,790	\$573,597	\$924,166	\$ 13,618	3,832,826
Cash and other assets	—	—	—	—	—	898,252
Total assets	—	—	—	—	—	\$4,731,078
As of December 31, 2016						
Real estate						
Real estate, net	\$—	\$911,112	\$476,162	\$—	\$ —	\$1,387,274
Real estate available and held for sale	—	155,051	82,480	—	—	237,531

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Total real estate	—	1,066,163	558,642	—	—	1,624,805
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	\$1,158,832	\$562,225	\$1,030,369	\$33,350	4,235,215
Cash and other assets						590,299
Total assets						\$4,825,514

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Notes to Consolidated Financial Statements (Continued)

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- (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 \$18.8 million, \$10.9 million and \$12.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.
- (3) The following is a reconciliation of segment profit to net income (loss) (\$ in thousands):

	For the Years Ended December		
	31,		
	2017	2016	2015
Segment profit	\$288,380	\$156,154	\$122,912
Less: Recovery of (provision for) loan losses	5,828	12,514	(36,567)
Less: Impairment of assets	(32,379)	(14,484)	(10,524)
Less: Depreciation and amortization	(49,033)	(51,660)	(62,045)
Less: Stock-based compensation expense	(18,812)	(10,889)	(12,013)
Less: Income tax benefit (expense)	948	10,166	(7,639)
Less: Loss on early extinguishment of debt, net	(14,724)	(1,619)	(281)
Net income (loss)	\$180,208	\$100,182	\$(6,157)

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Notes to Consolidated Financial Statements (Continued)

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,
2017:				
Revenue	\$103,144	\$119,872	\$347,867	\$108,319
Net income (loss)	\$3,290	\$(3,716)	\$196,007	\$(15,372)
Income from discontinued operations	\$—	\$—	\$(173)	\$(4,766)
Earnings per common share data ⁽¹⁾ :				
Net income (loss) attributable to iStar Inc.				
Basic	\$(4,910)	\$(34,530)	\$177,467	\$(27,102)
Diluted	\$(4,910)	\$(34,530)	\$179,722	\$(27,102)
Earnings per share				
Basic	\$(0.07)	\$(0.48)	\$2.46	\$(0.38)
Diluted	\$(0.07)	\$(0.48)	\$2.04	\$(0.38)
Weighted average number of common shares				
Basic	68,200	71,713	72,142	72,065
Diluted	68,200	71,713	88,195	72,065
2016:				
Revenue	\$98,571	\$124,054	\$122,360	\$110,202
Net income (loss)	\$(8,461)	\$58,155	\$59,787	\$(9,299)
Income from discontinued operations	\$7,336	\$3,721	\$3,633	\$3,580
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

(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.

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iStar Inc.

Schedule II—Valuation and Qualifying Accounts and Reserves

(\$ in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Adjustments to Valuation Accounts	Deductions	Balance at End of Period
For the Year Ended December 31, 2015					
Reserve for loan losses ⁽¹⁾⁽²⁾	\$ 98,490	\$ 36,567	\$ —	\$ (26,892)	\$ 108,165
Allowance for doubtful accounts ⁽²⁾	3,646	1,359	—	(1,621)	3,384
Allowance for deferred tax assets ⁽²⁾	54,318	(310)	(98)	—	53,910
	\$ 156,454	\$ 37,616	\$ (98)	\$ (28,513)	\$ 165,459
For the Year Ended December 31, 2016					
Reserve for loan losses ⁽¹⁾⁽²⁾	\$ 108,165	\$ (12,514)	\$ —	\$ (10,106)	\$ 85,545
Allowance for doubtful accounts ⁽²⁾	3,384	985	—	(1,781)	2,588
Allowance for deferred tax assets ⁽²⁾	53,910	3,233	15,838	(6,483)	66,498
	\$ 165,459	\$ (8,296)	\$ 15,838	\$ (18,370)	\$ 154,631
For the Year Ended December 31, 2017					
Reserve for loan losses ⁽¹⁾⁽²⁾	\$ 85,545	\$ (5,828)	\$ —	\$ (1,228)	\$ 78,489
Allowance for doubtful accounts ⁽²⁾	2,588	473	—	(451)	2,610
Allowance for deferred tax assets ⁽²⁾	66,498	7,108	(9,318)	(1,030)	63,258
	\$ 154,631	\$ 1,753	\$ (9,318)	\$ (2,709)	\$ 144,357

(1) Refer to Note 6 to the Company's consolidated financial statements.

(2) Refer to Note 3 to the Company's consolidated financial statements.

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company		Building and Improvements	Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period			Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Building and Improvements			Land	Building and Improvements	Total			
OFFICE FACILITIES:											
Tempe, Arizona	OAZ002	\$—	(1) \$1,033	\$6,652	\$2,942	\$1,033	\$9,594	\$10,627	\$4,006	1999	40.0
Tempe, Arizona	OAZ003	—	(1) 1,033	6,652	287	1,033	6,939	7,972	3,142	1999	40.0
Tempe, Arizona	OAZ004	—	(1) 1,033	6,652	583	1,033	7,235	8,268	3,128	1999	40.0
Tempe, Arizona	OAZ005	—	(1) 701	4,339	2,180	701	6,519	7,220	1,992	1999	40.0
Ft. Collins, Colorado	OCO002	1,654	(1) —	16,752	48	—	16,800	16,800	6,616	2002	40.0
Largo, Maryland	OMD001	9,068	(1) 1,800	18,706	741	1,800	19,447	21,247	7,579	2002	40.0
Chelmsford, Massachusetts	OMA001	9,187	(1) 1,600	21,947	285	1,600	22,232	23,832	8,852	2002	40.0
Mt. Laurel, New Jersey	ONJ001	49,984	7,726	74,429	10	7,724	74,441	82,165	28,032	2002	40.0
Riverview, New Jersey	ONJ002	8,491	(1) 1,008	13,763	206	1,008	13,969	14,977	4,780	2004	40.0
Riverview, New Jersey	ONJ003	22,579	(1) 2,456	28,955	814	2,456	29,769	32,225	10,237	2004	40.0
Harrisburg, Pennsylvania	OPA001	—	(1) 690	26,098	(4,578)	690	21,520	22,210	10,609	2001	40.0
Irving, Texas	OTX001	—	(1) 1,364	10,628	5,780	2,373	15,399	17,772	7,279	1999	40.0
Richardson, Texas	OTX004	—	1,230	5,660	1,046	1,230	6,706	7,936	2,801	1999	40.0
Subtotal		\$100,963	\$21,674	\$241,233	\$10,344	\$22,681	\$250,570	\$273,251	\$99,053		
INDUSTRIAL FACILITIES:											
Avondale, Arizona	IAZ001	—	(1) 2,519	7,481	2,242	2,519	9,723	12,243	2,639	2009	40.0
Avondale, Arizona	IAZ002	—	(1) 3,279	5,221	5,274	3,279	10,495	13,773	3,308	2009	40.0
Los Angeles, California	ICA001	16,756	(1) 11,635	19,515	5,943	11,635	25,458	37,093	6,405	2007	40.0
Fremont, California	ICA006	—	(1) 1,086	7,964	3,921	1,086	11,885	12,971	5,739	1999	40.0
Golden, Colorado	ICO001	—	(1) 832	1,379	—	832	1,379	2,211	399	2006	40.0
	IFL002	14,516	(1) 3,510	20,846	8,279	3,510	29,125	32,635	6,979	2007	40.0

Jacksonville,
Florida

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company			Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period			Accumulated Depreciation	Date Acquired	Depreciation Life (Years)
		Land	Building and Improvements	Land		Building and Improvements	Total				
Miami, Florida	IFL004	—	(1) 3,048	8,676	—	3,048	8,676	11,724	3,940	1999	40.0
Miami, Florida	IFL005	—	(1) 1,612	4,586	(1,408)	1,241	3,549	4,790	1,106	1999	40.0
Atlanta, Georgia	IGA001	12,635	(1) 2,791	24,637	349	2,791	24,986	27,777	6,361	2007	40.0
Bristol, Indiana	IIN001	—	(1) 462	9,224	—	462	9,224	9,686	3,180	2007	40.0
Everett, Massachusetts	IMA001	17,384	(1) 7,439	21,774	10,979	7,439	32,753	40,192	7,847	2007	40.0
Montague, Michigan	IMI001	—	(1) 598	9,814	1	598	9,815	10,413	3,419	2007	40.0
Little Falls, Minnesota	IMN002	—	(1) 6,705	17,690	—	6,225	18,170	24,395	5,865	2005	40.0
Elizabeth, New Jersey	INJ001	20,161	(1) 8,368	15,376	21,141	8,368	36,517	44,885	8,824	2007	40.0
La Porte, Texas	ITX004	12,545	(1) 1,631	27,858	(416)	1,631	27,442	29,073	6,929	2007	40.0
Chesapeake, Virginia	IVA001	13,531	(1) 2,619	28,481	142	2,619	28,623	31,242	7,285	2007	40.0
Subtotal		\$ 107,528	\$ 58,134	\$ 230,522	\$ 56,447	\$ 57,283	\$ 287,820	\$ 345,103	\$ 80,225		
LAND:											
Scottsdale, Arizona	LAZ003	—	1,400	—	—	1,400	—	1,400	—	2011	0
Whittmann, Arizona	LAZ001	—	96,700	—	—	96,700	—	96,700	—	2010	0
Mammoth Lakes, California	LCA002	—	(1) 28,464	2,836	(21,064)	7,400	2,836	10,236	2,836	2010	0
Mammoth, California	LCA007	—	2,382	—	—	2,382	—	2,382	—	2007	0
Riverside, California	LCA003	—	87,300	—	(9,963)	77,337	—	77,337	—	2009	0
San Jose, California	LCA004	—	68,155	—	(25,797)	42,358	—	42,358	—	2000	0
San Jose, California	LCA009	—	8,921	—	—	8,921	—	8,921	—	2017	0
San Pedro, California	LCA005	—	84,100	—	44,251	128,351	—	128,351	—	2010	0
Santa Clarita Valley,	LCA006	—	59,100	—	—	59,100	—	59,100	—	2010	0

California

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company		Building and Improvements	Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period		Total	Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Buildings			Land	Building and Improvements				
Fort Myers, Florida	LFA001	—	(1) 7,600	—	—	7,600	—	7,600	—	2009	0
Fort Myers, Florida	LFA007	—	5,883	—	178	5,883	178	6,061	—	2014	0
Indiantown, Florida	LFA002	—	8,100	—	—	8,100	—	8,100	—	2009	0
Miami, Florida	LFA006	—	9,300	—	(252)	9,080	(32)	9,048	—	2012	0
Naples, Florida	LFA003	—	26,600	—	33,162	26,600	33,162	59,762	—	2010	0
St. Lucie, Florida	LFA004	—	3,540	—	—	3,540	—	3,540	—	2013	0
St. Lucie, Florida	LFA008	—	6,900	—	—	6,900	—	6,900	—	2017	0
Stuart, Florida	LFA005	—	9,300	—	—	9,300	—	9,300	—	2010	0
Savannah, Georgia	LGA002	—	1,400	—	—	1,400	—	1,400	—	2013	0
Chicago, Illinois	LIL001	—	31,500	—	—	31,500	—	31,500	—	2016	0
Asbury Park, New Jersey	LNJ001	—	43,300	—	39,032	82,332	—	82,332	747	2009	0
Asbury Park, New Jersey	LNJ002	—	3,992	—	54,894	58,886	—	58,886	—	2009	0
Brooklyn, New York	LVNY002	—	58,900	—	(13,460)	45,440	—	45,440	—	2011	0
Brooklyn, New York	LVNY003	—	3,277	—	24,033	3,277	24,033	27,310	814	2013	0
Long Beach, New York	LVNY001	—	52,461	—	2,525	52,461	2,525	54,986	—	2009	0
Warrington, Pennsylvania	LPA001	—	1,460	—	704	1,460	704	2,164	—	2011	0
Chesterfield County, Virginia	LVA001	—	72,138	—	42,187	114,325	—	114,325	3,534	2009	0
Chesterfield County, Virginia	LVA002	—	3,291	—	—	3,291	—	3,291	—	2009	0
	LWV001	—	9,083	—	—	9,083	—	9,083	—	2016	0

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Ranson, West
Virginia

Subtotal \$— \$794,547 \$2,836 \$170,430 \$904,407 \$63,406 \$967,813 \$7,931

ENTERTAINMENT:

Decatur, Alabama EAL001 — 277 359 (6) 277 353 630 118 2004 40.0

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrance	Initial Cost to Company		Cost Capitalized	Gross Amount Carried at Close of Period		Accumulated Depreciation	Date Acquired	Depreciable Life (Years)	
		Land	Building Improvements		Land	Building Improvements				
Huntsville, Alabama	EAL002—	319	414	025	319	89	708	124	2004	40.0
Chandler, Arizona	EAZ001—	793	1,027	062	793	965	1,753	307	2004	40.0
Chandler, Arizona	EAZ002—	521	673	010	521	663	1,184	222	2004	40.0
Mesa, Arizona	EAZ004—	630	815	049	630	766	1,392	44	2004	40.0
Peoria, Arizona	EAZ005—	590	764	046	590	718	1,302	29	2004	40.0
Phoenix, Arizona	EAZ006—	476	616	010	476	606	1,082	203	2004	40.0
Phoenix, Arizona	EAZ007—	654	845	014	654	831	1,482	79	2004	40.0
Phoenix, Arizona	EAZ008—	666	862	014	666	848	1,514	84	2004	40.0
Tempe, Arizona	EAZ009—	460	596	036	460	560	1,021	78	2004	40.0
Alameda, California	ECA001—	1,097	1,421	086	1,097	1,335	2,434	225	2004	40.0
Bakersfield, California	ECA002—	434	560	033	434	527	961	168	2004	40.0
Bakersfield, California	ECA003—	332	429	026	332	403	735	129	2004	40.0
Milpitas, California	ECA005—	676	876	053	676	823	1,492	262	2004	40.0
Riverside, California	ECA006—	720	932	056	720	876	1,592	79	2004	40.0
Rocklin, California	ECA007—	574	743	012	574	731	1,302	45	2004	40.0
Sacramento, California	ECA008—	392	508	008	392	500	892	167	2004	40.0
San Bernardino, California	ECA009—	358	464	007	358	457	815	153	2004	40.0
San Diego, California	ECA010—	(1)	—	18,000	—	18,000	18,000	0032	2003	40.0
San Marcos, California	ECA011—	852	1,101	018	852	1,083	1,933	363	2004	40.0
Thousand Oaks, California	ECA013—	(1)	—	1,953	25,772	—	27,725	25,725	2008	40.0
Torrance, California	ECA014—	659	852	014	659	838	1,497	281	2004	40.0

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrance	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount Carried at Close of Period		Total Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Building and Improvements		Land	Building and Improvements			
Visalia, California	ECA015—	562	729	044	562	785	1,242	2004	40.0
W. Los Angeles, California	ECA004—	1,642	2,124	035	1,642	2,089	3,737	2004	40.0
Aurora, Colorado	ECO002—	640	827	049	640	778	1,412	2004	40.0
Denver, Colorado	ECO003—	729	944	057	729	887	1,612	2004	40.0
Englewood, Colorado	ECO004—	536	694	011	536	683	1,212	2004	40.0
Littleton, Colorado	ECO006—	901	1,165	019	901	1,146	2,047	2004	40.0
Milford, Connecticut	ECT001 —	1,097	1,420	023	1,097	1,397	2,494	2004	40.0
Wilmington, Delaware	EDE001 —	1,076	1,390	080	1,076	1,310	2,384	2004	40.0
Boca Raton, Florida	EFL001 —	(1) —	41,809	—	—	41,809	41,809	2005	27.0
Boynton Beach, Florida	EFL002 —	412	531	07	412	524	936	2004	40.0
Boynton Beach, Florida	EFL003 —	(1) 6,550	—	17,118	6,550	17,135	23,663	2006	40.0
Bradenton, Florida	EFL004 —	1,067	1,382	083	1,067	1,299	2,364	2004	40.0
Davie, Florida	EFL006 —	401	520	031	401	489	890	2004	40.0
Lakeland, Florida	EFL008 —	282	364	06	282	358	640	2004	40.0
Leesburg, Florida	EFL009 —	352	455	028	352	427	779	2004	40.0
Ocala, Florida	EFL011 —	437	567	034	437	533	970	2004	40.0
Ocala, Florida	EFL012 —	532	689	042	532	647	1,172	2004	40.0
Orange City, Florida	EFL014 —	486	629	038	486	591	1,077	2004	40.0
Pembroke Pines, Florida	EFL016 —	497	643	010	497	633	1,132	2004	40.0
Sarasota, Florida	EFL018 —	643	833	014	643	819	1,462	2004	40.0

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company	Building Subsequent		Gross Amount Carried		Total	Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
			Cost	Improvements	Cost	Improvements				
St. Petersburg, Florida	EFL019 —	(1) 4,200	18,272	—	4,200	18,272	22,472	2868	2005	40.0
Tampa, Florida	EFL020 —	551	714	0	551	702	1,252	335	2004	40.0
Venice, Florida	EFL022 —	507	656	0	507	616	1,123	196	2004	40.0
W. Palm Beach, Florida	EFL023 —	(1) —	19,337	—	—	19,337	19,337	7209	2005	40.0
Atlanta, Georgia	EGA001 —	510	660	0	510	649	1,152	217	2004	40.0
Conyers, Georgia	EGA003 —	474	613	0	474	576	1,051	183	2004	40.0
Marietta, Georgia	EGA004 —	581	752	0	581	706	1,282	225	2004	40.0
Savannah, Georgia	EGA005 —	718	930	0	718	915	1,633	306	2004	40.0
Woodstock, Georgia	EGA007 —	502	651	0	502	540	1,142	214	2004	40.0
Chicago, Illinois	EIL003 —	(1) 8,803	57	30,479	8,803	30,536	39,339	9875	2006	40.0
Lyons, Illinois	EIL004 —	433	560	0	433	550	983	184	2004	40.0
Naperville, Illinois	EIL006 —	1,798	2,894	530	1,798	2,824	5,222	979	2017	40.0
Springfield, Illinois	EIL005 —	431	557	0	431	548	979	184	2004	40.0
Evansville, Indiana	EIN001 —	542	701	0	542	590	1,232	231	2004	40.0
Baltimore, Maryland	EMD001 —	428	554	0	428	520	948	166	2004	40.0
Baltimore, Maryland	EMD002 —	575	745	0	575	700	1,275	223	2004	40.0
Baltimore, Maryland	EMD003 —	362	468	0	362	461	823	154	2004	40.0
Gaithersburg, Maryland	EMD004 —	884	1,145	0	884	1,126	2,013	377	2004	40.0
Hyattsville, Maryland	EMD006 —	399	518	0	399	509	908	170	2004	40.0
Laurel, Maryland	EMD007 —	649	839	0	649	825	1,474	276	2004	40.0
Linthicum, Maryland	EMD008 —	366	473	0	366	466	832	156	2004	40.0

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company		Building and Improvements	Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period		Total	Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Improvements			Land	Improvements				
Pikesville, Maryland	EMD009—	398	516	08	398	508	906	170	2004	40.0	
Timonium, Maryland	EMD011—	1,126	1,458	088	1,126	1,670	2,494	436	2004	40.0	
Towson, Maryland	EMD012—	642	788	454	642	1,242	1,884	429	2017	40.0	
Auburn, Massachusetts	EMA001—	523	678	012	523	666	1,189	223	2004	40.0	
Chicopee, Massachusetts	EMA002—	548	711	043	548	668	1,216	013	2004	40.0	
Somerset, Massachusetts	EMA003—	519	672	011	519	661	1,180	221	2004	40.0	
Grand Rapids, Michigan	EMI003 —	554	718	043	554	675	1,229	215	2004	40.0	
Grand Rapids, Michigan	EMI006 —	860	543	670	860	1,213	2,073	362	2017	40.0	
Roseville, Michigan	EMI005 —	533	691	012	533	679	1,212	227	2004	40.0	
Burnsville, Minnesota	EMN002—	(1) 2,962	—	17,164	2,962	17,164	20,136	639	2006	40.0	
Rochester, Minnesota	EMN004—	(1) 2,437	8,715	2,098	2,437	10,813	13,250	569	2006	40.0	
Columbia, Missouri	EMO001—	334	432	026	334	406	740	129	2004	40.0	
North Kansas City, Missouri	EMO004—	878	1,139	069	878	1,070	1,948	841	2004	40.0	
Aberdeen, New Jersey	ENJ001 —	1,560	2,019	033	1,560	986	3,546	665	2004	40.0	
Wallington, New Jersey	ENJ002 —	830	1,075	065	830	1,010	1,840	322	2004	40.0	
Centereach, New York	ENY002 —	442	571	034	442	337	979	171	2004	40.0	
Cheektowaga, New York	ENY004 —	385	499	008	385	491	876	164	2004	40.0	
Dewpew, New York	ENY005 —	350	453	028	350	425	775	136	2004	40.0	
Melville, New York	ENY007 —	494	640	039	494	601	1,095	591	2004	40.0	

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrance	Initial Cost to Company		Subsequent Acquisition	Gross Amount Carried at Close of Period		Accumulated Depreciation	Date Acquired	Depreciable Life (Years)	
		Land	Building and Improvements		Land	Building Improvements				
Rochester, New York	ENY006—	326	421	Ø25	326	96	722	126	2004	40.0
Rochester, New York	ENY008—	320	414	Ø7	320	107	727	136	2004	40.0
Rochester, New York	ENY009—	399	516	Ø8	399	108	907	170	2004	40.0
Sayville, New York	ENY010—	959	1,240	Ø20	959	1,220	2,179	109	2004	40.0
Shirley, New York	ENY011—	587	761	Ø46	587	715	1,302	228	2004	40.0
Smithtown, New York	ENY012—	521	675	Ø11	521	164	1,183	22	2004	40.0
Syosset, New York	ENY013—	711	920	Ø56	711	186	1,573	75	2004	40.0
Syracuse, New York	ENY014—	558	723	Ø12	558	711	1,269	38	2004	40.0
Wantagh, New York	ENY015—	747	967	Ø58	747	909	1,658	89	2004	40.0
Webster, New York	ENY016—	683	885	Ø15	683	170	1,553	91	2004	40.0
West Babylon, New York	ENY017—	1,492	1,933	Ø117	1,492	1,16	3,308	78	2004	40.0
White Plains, New York	ENY018—	1,471	1,904	Ø31	1,471	1,873	3,344	27	2004	40.0
Asheville, North Carolina	ENC001—	397	513	Ø31	397	482	879	154	2004	40.0
Cary, North Carolina	ENC002—	476	615	Ø10	476	605	1,082	103	2004	40.0
Charlotte, North Carolina	ENC003—	410	530	Ø8	410	522	932	175	2004	40.0
Charlotte, North Carolina	ENC004—	402	520	Ø9	402	111	913	171	2004	40.0
Durham, North Carolina	ENC005—	948	1,227	Ø75	948	1,152	2,108	67	2004	40.0
Goldsboro, North Carolina	ENC006—	259	336	Ø6	259	130	589	111	2004	40.0
Greensboro, North Carolina	ENC007—	349	452	Ø28	349	124	773	135	2004	40.0

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company		Building and Improvements	Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period		Total Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Improvements			Land	Improvements			
Greenville, North Carolina	ENC008 —	640	828	050	640	778	1,418	248	2004	40.0
Hickory, North Carolina	ENC009 —	409	531	032	409	499	908	159	2004	40.0
Matthews, North Carolina	ENC010 —	965	1,249	021	965	1,228	2,191	111	2004	40.0
Raleigh, North Carolina	ENC011 —	475	615	037	475	578	1,058	84	2004	40.0
Winston-Salem, North Carolina	ENC012 —	494	638	010	494	628	1,122	210	2004	40.0
Canton, Ohio	EOH001 —	434	562	034	434	528	962	168	2004	40.0
Columbus, Ohio	EOH002 —	967	1,252	020	967	1,232	2,199	112	2004	40.0
Grove City, Ohio	EOH003 —	281	365	006	281	359	640	120	2004	40.0
Medina, Ohio	EOH004 —	393	508	030	393	478	871	152	2004	40.0
Edmond, Oklahoma	EOK001 —	431	557	009	431	548	979	184	2004	40.0
Tulsa, Oklahoma	EOK002 —	954	1,235	075	954	1,160	2,113	170	2004	40.0
Salem, Oregon	EOR002 —	393	508	008	393	500	893	167	2004	40.0
Boothwyn, Pennsylvania	EPA001 —	407	527	032	407	495	902	158	2004	40.0
Croydon, Pennsylvania	EPA002 —	421	544	033	421	511	932	163	2004	40.0
Feasterville, Pennsylvania	EPA005 —	2,340	2,824	211	2,340	2,035	5,375	540	2017	40.0
Pittsburgh, Pennsylvania	EPA003 —	409	528	008	409	520	929	174	2004	40.0
Pittsburgh, Pennsylvania	EPA004 —	407	527	008	407	519	926	174	2004	40.0
San Juan, Puerto Rico	EPR001 —	950	1,230	074	950	1,156	2,106	668	2004	40.0
Cranston, Rhode Island	ERI001 —	850	1,100	018	850	1,082	1,933	262	2004	40.0
Greenville, South Carolina	ESC002 —	332	429	026	332	403	735	129	2004	40.0
Addison, Texas	ETX001 —	1,045	1,353	082	1,045	1,271	2,314	605	2004	40.0
Arlington, Texas	ETX002 —	593	767	013	593	754	1,342	53	2004	40.0

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrance	Initial Cost to Company		Subsequent Acquisition	Gross Amount Carried at Close of Period		Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Building and Improvements		Cost Capitalized	Building and Improvements			
Conroe, Texas	ETX004 —	838	1,083	017	838,066	1,90357	2004	40.0	
Corpus Christi, Texas	ETX005 —	528	682	011	528,671	1,19225	2004	40.0	
Desota, Texas	ETX006 —	480	622	010	480,612	1,09205	2004	40.0	
Eules, Texas	ETX007 —	975	1,261	021	975,240	2,21415	2004	40.0	
Garland, Texas	ETX008 —	1,108	1,433	023	1,108,410	2,51872	2004	40.0	
Houston, Texas	ETX009 —	425	549	089	425,460	885 155	2004	40.0	
Houston, Texas	ETX010 —	518	671	040	518,631	1,14201	2004	40.0	
Houston, Texas	ETX011 —	758	981	059	758,922	1,68094	2004	40.0	
Houston, Texas	ETX013 —	375	485	08	375,477	852 160	2004	40.0	
Humble, Texas	ETX014 —	438	567	09	438,558	996 187	2004	40.0	
Lewisville, Texas	ETX017 —	561	726	044	561,682	1,24317	2004	40.0	
Midland, Texas	ETX023 —	2,360	1,082	2,023	2,360,105	5,46955	2017	40.0	
Richardson, Texas	ETX018 —	753	976	059	753,917	1,67092	2004	40.0	
San Antonio, Texas	ETX019 —	521	675	041	521,634	1,15302	2004	40.0	
Stafford, Texas	ETX020 —	634	821	013	634,808	1,44270	2004	40.0	
Waco, Texas	ETX021 —	379	491	08	379,483	862 162	2004	40.0	
Webster, Texas	ETX022 —	592	766	046	592,720	1,31229	2004	40.0	
Centreville, Virginia	EVA001 —	1,134	1,467	089	1,134,478	2,51439	2004	40.0	
Chesapeake, Virginia	EVA002 —	845	1,094	066	845,028	1,87327	2004	40.0	
Chesapeake, Virginia	EVA003 —	884	1,145	019	884,126	2,01077	2004	40.0	
Fredericksburg, Virginia	EVA004 —	953	1,233	021	953,212	2,16406	2004	40.0	
Grafton, Virginia	EVA005 —	487	632	039	487,593	1,08089	2004	40.0	
Lynchburg, Virginia	EVA006 —	425	550	09	425,541	966 181	2004	40.0	
Mechanicsville, Virginia	EVA007 —	1,151	1,490	024	1,151,466	2,61491	2004	40.0	

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company		Building and Improvements	Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period		Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
		Land	Buildings			Land	Buildings and Improvements			
Norfolk, Virginia	EVA008 —	546	707	(42)	546	665	1,211	212	2004	40.0
Richmond, Virginia	EVA010 —	819	1,061	(64)	819	997	1,816	317	2004	40.0
Richmond, Virginia	EVA011 —	958	1,240	(75)	958	1,165	2,123	371	2004	40.0
Virginia Beach, Virginia	EVA012 —	788	1,020	(17)	788	1,003	1,791	336	2004	40.0
Williamsburg, Virginia	EVA013 —	554	716	(12)	554	704	1,258	236	2004	40.0
Quincy, Washington	EWA001—(1)	1,500	6,500	—	1,500	6,500	8,000	2,681	2003	40.0
Milwaukee, Wisconsin	EWI001 —	521	673	(39)	521	634	1,155	202	2004	40.0
Wauwatosa, Wisconsin	EWI004 —	793	1,025	(17)	793	1,008	1,801	338	2004	40.0
Subtotal	\$—	\$121,616	\$235,592	\$92,237	\$121,599	\$327,846	\$449,445	\$106,871		
RETAIL:										
Scottsdale, Arizona	RAZ003 —(1)	2,625	4,875	2,849	2,625	7,724	10,349	1,655	2009	40.0
Scottsdale, Arizona	RAZ004 —(1)	2,184	4,056	(1,588)	2,184	2,468	4,652	372	2009	40.0
Scottsdale, Arizona	RAZ005 —(1)	2,657	2,666	(309)	2,657	2,357	5,014	601	2011	40.0
Colorado Springs, Colorado	RCO001 —(1)	2,631	279	5,195	2,607	5,498	8,105	1,447	2006	40.0
St. Augustine, Florida	RFL003 —(1)	3,950	—	10,285	3,908	10,327	14,235	2,899	2005	40.0
Honolulu, Hawaii	RHI001 —	3,393	21,155	(9,091)	3,393	12,064	15,457	3,223	2009	40.0
Chicago, Illinois	RIL002 —	14,934	29,675	27,871	14,934	57,546	72,480	7,817	2012	40.0
Chicago, Illinois	RIL001 —(1)	—	336	1,830	—	2,166	2,166	1,056	2010	40.0
Albuquerque, New Mexico	RNM001—(1)	1,733	—	8,728	1,705	8,756	10,461	2,580	2005	40.0
	RNY001 —(1)	731	6,073	699	711	6,792	7,503	2,286	2005	40.0

Hamburg,
New York

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company	Building and Improvements	Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period	Land	Building and Improvements	Total	Accumulated Depreciation	Date Acquired	Depreciable Life (Years)
Columbia, South Carolina	RSC001	—	2,126	948	(723)	1,337	1,014	2,351	269	2007	40.0
Anthony, Texas	RTX001	—(1)	3,538	4,215	(187)	3,514	4,052	7,566	1,193	2005	40.0
Draper, Utah	RUT001	—(1)	3,502	—	5,975	3,502	5,975	9,477	1,659	2005	40.0
Ashburn, Virginia	RVA001	—(1)	4,720	16,711	(174)	4,720	16,537	21,257	2,021	2011	40.0
Subtotal		\$—	\$48,724	\$90,989	\$51,360	\$47,797	\$143,276	\$191,073	\$29,078		
HOTEL:											
Atlanta, Georgia	HGA001	—(1)	6,378	25,514	4,465	6,378	29,979	36,357	6,554	2010	40.0
Honolulu, Hawaii	HHI001	—	17,996	17,996	(31,160)	3,419	1,413	4,832	4,531	2009	40.0
Lihue, Hawaii	HHI002	—	3,000	12,000	5,986	3,000	17,986	20,986	3,061	2009	40.0
Asbury Park, New Jersey	HNJ001	—	3,815	40,194	3,064	3,815	43,258	47,073	2,732	2016	40.0
Subtotal		\$—	\$31,189	\$95,704	\$(17,645)	\$16,612	\$92,636	\$109,248	\$16,878		
APARTMENT/RESIDENTIAL:											
Mammoth, California	ACA002	—	10,078	40,312	(49,631)	152	607	759	—	2007	0.0
Atlanta, Georgia	AGA001	—	2,963	11,850	6,912	4,345	17,380	21,725	—	2010	0.0
Jersey City, New Jersey	ANJ001	—	36,405	64,719	(100,639)	174	311	485	—	2009	0.0
Philadelphia, Pennsylvania	APA002	—	15,890	29,510	(30,922)	15,890	(1,412)	14,478	—	2012	0.0
Seattle, Washington	AWA002	—	2,342	44,478	(36,679)	2,342	7,799	10,141	—	2009	0.0
Subtotal		\$—	\$67,678	\$190,869	\$(210,959)	\$22,903	\$24,685	\$47,588	\$—		
MIXED USE:											
Glendale, Arizona	MAZ002	—(1)	10,182	52,544	45,144	10,182	97,688	107,870	16,099	2011	40.0
Riverside, California	MCA001	—	5,869	629	2	5,869	631	6,500	451	2010	40.0
Key West, Florida	MFL002	—	18,229	20,899	2,499	18,229	23,398	41,627	4,164	2014	40.0
	MFL003	—	2,507	8,155	1,129	2,507	9,284	11,791	1,824	2014	40.0

Naples,
Florida
Tampa,
Florida

MFL004	—	4,201	14,652	1,201	4,201	15,853	20,054	2,352	2014	40.0
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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

Location	Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amount Carried at Close of Period		Total	Accumulated Depreciation ⁽⁴⁾	Development Assets ⁽⁵⁾
		Land	Building and Improvements		Land	Building and Improvements			
Atlanta, Georgia	MGA001—	(1) 4,480	17,916	(16,564)	4,480	1,352	5,832	1,339	201
Subtotal	\$—	\$45,468	\$114,795	\$33,411	\$45,468	\$148,206	\$193,674	\$26,229	
Total	\$208,491	\$1,189,030	\$1,202,540	\$185,625	\$1,238,750	\$1,338,445	\$2,577,195	\$366,265	(5)

(1) Consists of properties pledged as collateral under the Company's secured credit facilities with a carrying value of \$611.3 million.

(2) Includes impairments and unit sales.

(3) These properties have land improvements which have depreciable lives of 15 to 20 years.

(4) The aggregate cost for Federal income tax purposes was approximately \$2.96 billion at December 31, 2017.

(5) Includes \$8.3 million and \$10.5 million relating to accumulated depreciation for land and development assets and real estate assets held for sale, respectively, as of December 31, 2017.

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iStar Inc.

Schedule III—Real Estate and Accumulated Depreciation (Continued)

As of December 31, 2017

(\$ in thousands)

The following table reconciles real estate from January 1, 2015 to December 31, 2017:

	2017	2016	2015
Balance at January 1	\$2,997,351	\$3,246,469	\$3,448,934
Improvements and additions	167,676	169,999	183,269
Acquisitions through foreclosure	—	40,583	14,505
Other acquisitions	5,164	30,618	—
Dispositions	(561,431)	(484,810)	(431,928)
Other	—	4,035	41,869
Impairments	(31,565)	(9,543)	(10,180)
Balance at December 31	\$2,577,195	\$2,997,351	\$3,246,469

The following table reconciles accumulated depreciation from January 1, 2015 to December 31, 2017:

	2017	2016	2015
Balance at January 1	\$(426,982)	\$(467,616)	\$(482,130)
Additions	(44,270)	(48,761)	(57,393)
Dispositions	104,987	89,395	71,907
Balance at December 31	\$(366,265)	\$(426,982)	\$(467,616)

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iStar Inc.

Schedule IV—Mortgage Loans on Real Estate

As of December 31, 2017

(\$ in thousands)

Type of Loan/Borrower	Underlying Property Type	Contractual Interest Accrual Rates	Contractual Interest Payment Rates	Effective Maturity Dates	Periodic Payment Terms ⁽¹⁾	Face Amount of Mortgages	Carrying Amount of Mortgages ⁽²⁾⁽³⁾
Senior Mortgages:							
Borrower A	Apartment/Residential	LIBOR + 5.25%	LIBOR + 5.25%	December 2019	IO	\$ —	\$ 199,000
Borrower B	Mixed Use/Mixed Collateral	LIBOR + 5.15%	LIBOR + 5.15%	July 2019	IO	107,196	107,202
Borrower C	Apartment/Residential	LIBOR + 8%	LIBOR + 8%	April 2018	IO	93,782	93,596
Borrower D ⁽⁴⁾	Hotel	LIBOR + 6%	LIBOR + 6%	July 2018	IO	86,000	86,714
Borrower E ⁽⁵⁾	Apartment/Residential	LIBOR + 7.25%	LIBOR + 7.25%	January 2019	IO	39,729	39,748
Borrower F ⁽⁶⁾	Office	LIBOR + 5.88%	LIBOR + 5.88%	August 2018	IO	30,338	30,308
Borrower G	Apartment/Residential	8.00%	8.00%	January 2024	IO	25,424	25,201
Senior mortgages individually <3%	Apartment/Residential, Retail, Mixed Use/Mixed Collateral, Office, Hotel, Other	Fixed: 5% to 9.68% Variable: LIBOR + 3% to LIBOR + 12.35%	Fixed: 6% to 9.68% Variable: LIBOR + 3% to LIBOR + 12.35%	2018 to 2024		210,457	160,865
						792,926	742,634
Subordinate Mortgages:							
Subordinate mortgages individually <3%	Hotel	Fixed: 6.8% to 14.0%	Fixed: 6.8% to 14%	2019 to 2057		9,495	9,495
						9,495	9,495
Total mortgages						\$ 802,421	\$ 752,129

(1) IO = Interest only.

(2) Amounts are presented net of asset-specific reserves of \$48.5 million on impaired loans. Impairment is measured using the estimated fair value of collateral, less costs to sell.

(3) The carrying amount of mortgages approximated the federal income tax basis.

(4) As of December 31, 2017, included a LIBOR interest rate floor of 0.18%.

(5) As of December 31, 2017, included a LIBOR interest rate floor of 0.42%.

(6) As of December 31, 2017, included a LIBOR interest rate floor of 0.25%.

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iStar Inc.

Schedule IV—Mortgage Loans on Real Estate (Continued)

As of December 31, 2017

(\$ in thousands)

Reconciliation of Mortgage Loans on Real Estate:

The following table reconciles Mortgage Loans on Real Estate from January 1, 2015 to December 31, 2017⁽¹⁾:

	2017	2016	2015
Balance at January 1	\$915,905	\$934,964	\$726,426
Additions:			
New mortgage loans	265,966	25,893	237,031
Additions under existing mortgage loans	132,703	165,275	92,887
Other ⁽²⁾	23,388	30,694	33,080
Deductions ⁽³⁾ :			
Collections of principal	(528,321)	(247,431)	(151,464)
Recovery of (provision for) loan losses	28	9,747	(6,186)
Transfers (to) from real estate and equity investments	(57,505)	(3,177)	3,261
Amortization of premium	(35)	(60)	(71)
Balance at December 31	\$752,129	\$915,905	\$934,964

(1) Balances represent the carrying value of loans, which are net of asset specific reserves.

(2) Amount includes amortization of discount, deferred interest capitalized and mark-to-market adjustments resulting from changes in foreign exchange rates.

(3) Amounts are presented net of charge-offs of \$1.2 million, \$10.1 million and \$1.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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Item 9. Changes and Disagreements with Registered Public Accounting Firm on Accounting and Financial Disclosure

Please refer to the Company's Current Report on Form 8-K filed with the SEC on November 28, 2017.

Item 9a. Controls and Procedures

Evaluation of Disclosure Controls and Procedures—The Company has established and maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company has formed a disclosure committee that is responsible for considering the materiality of information and determining the disclosure obligations of the Company on a timely basis. Both the Chief Executive Officer and the Chief Financial Officer are members of the disclosure committee.

Based upon their evaluation as of December 31, 2017, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) are effective.

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, 2017.

The Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page 45.

Changes in Internal Controls Over Financial Reporting—There have been no changes during the last fiscal quarter in the Company's internal controls identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9b. Other Information

None.

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PART III

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Item 10. Directors, Executive Officers and Corporate Governance of the Registrant

Portions of the Company's definitive proxy statement for the 2018 annual meeting of shareholders to be filed within 120 days after the close of the Company's fiscal year are incorporated herein by reference.

Item 11. Executive Compensation

Portions of the Company's definitive proxy statement for the 2018 annual meeting of shareholders to be filed within 120 days after the close of the Company's fiscal year are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Portions of the Company's definitive proxy statement for the 2018 annual meeting of shareholders to be filed within 120 days after the close of the Company's fiscal year are incorporated herein by reference.

Item 13. Certain Relationships, Related Transactions and Director Independence

Portions of the Company's definitive proxy statement for the 2018 annual meeting of shareholders to be filed within 120 days after the close of the Company's fiscal year are incorporated herein by reference.

Item 14. Principal Registered Public Accounting Firm Fees and Services

Portions of the Company's definitive proxy statement for the 2018 annual meeting of shareholders to be filed within 120 days after the close of the Company's fiscal year are incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) and (c) Financial statements and schedules—see Index to Financial Statements and Schedules included in Item 8.

(b) Exhibits—see index on following page.

INDEX TO EXHIBITS

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Exhibit Number	Document Description
3.1	<u>Restated Charter of the Company (including the Articles Supplementary for each Series of the Company's Preferred Stock).(1)</u>
3.2	<u>Amended and Restated Bylaws of the Company.(2)</u>
3.6	<u>Articles Supplementary relating to Series D Preferred Stock.(3)</u>
3.8	<u>Articles Supplementary relating to Series G Preferred Stock.(4)</u>
3.9	<u>Articles Supplementary relating to Series I Preferred Stock.(5)</u>
3.10	<u>Articles Supplementary relating to Series J Preferred Stock.(6)</u>
4.1	<u>Form of 8.00% Series D Cumulative Redeemable Preferred Stock Certificate.(3)</u>
4.3	<u>Form of 7.65% Series G Cumulative Redeemable Preferred Stock Certificate.(4)</u>
4.4	<u>Form of 7.50% Series I Cumulative Redeemable Preferred Stock Certificate.(5)</u>
4.5	<u>Form of 4.50% Series J Cumulative Convertible Perpetual Preferred Stock Certificate.(7)</u>
4.6	<u>Form of Stock Certificate for the Company's Common Stock.(8)</u>
4.13	<u>Form of Global Note, No. 2-A evidencing 5.00% Senior Notes due 2019 issued on June 13, 2014.(9)</u>
4.14	<u>Form of Global Note, No. 2-B evidencing 5.00% Senior Notes due 2019 issued on June 13, 2014.(9)</u>
4.16	<u>Base Indenture, dated as of February 5, 2001, between the Company and State Street Bank and Trust Company.(10)</u>
4.18	<u>Form of Global Note, No. 1 evidencing 6.50% Senior Notes due 2021 issued on March 29, 2016.(11)</u>
4.22	<u>Twenty-Seventh Supplemental Indenture, dated June 13, 2014, governing the 5.00% Senior Notes due 2019.(9)</u>
4.23	<u>Twenty-Eighth Supplemental Indenture, dated March 23, 2016, governing the 6.50% Senior Notes due 2021.(11)</u>
4.24	<u>Twenty-Ninth Supplemental Indenture, dated as of March 13, 2017, governing the 6.00% Senior Notes Due 2022.(12)</u>
4.25	<u>Form of Global Note, No. 1, evidencing 6.00% Senior Notes due 2022.(12)</u>
4.26	<u>Thirtieth Supplemental Indenture, dated as of September 20, 2017, governing the 4.625% Senior Notes due 2020.(13)</u>
4.27	<u>Form of Global Note, No. 1, evidencing 4.625% Senior Notes due 2020.(13)</u>
4.28	<u>Thirty-First Supplemental Indenture, dated as of September 20, 2017, governing the 5.25% Senior Notes due 2022.(13)</u>
4.29	<u>Form of Global Note, No. 1, evidencing 5.25% Senior Notes due 2022.(13)</u>
4.30	<u>Thirty-Second Supplemental Indenture, dated as of September 20, 2017, governing the 3.125% Senior Notes due 2022.(13)</u>
4.31	<u>Form of Global Note, No. 1, evidencing 3.125% Senior Notes due 2022.(13)</u>
10.2	<u>iStar Inc. 2009 Long Term Incentive Compensation Plan.(14)</u>
10.3	<u>iStar Inc. 2013 Performance Incentive Plan.(14)</u>
10.5	<u>Form of Restricted Stock Unit Award Agreement.(15)</u>
10.6	<u>Form of Restricted Stock Unit Award Agreement (Performance-Based Vesting).(16)</u>
10.7	<u>Form of Award Agreement For Investment Pool.(8)</u>
10.8	<u>Amended and Restated Credit Agreement, dated as of June 23, 2016, by the Company, the banks set forth therein and J.P. Morgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Chase Bank, N.A., Bank Of America, N.A. and Barclays Bank PLC as joint lead arrangers.(17)</u>
10.9	<u>Security Agreement, dated as of June 23, 2016, made by the Company, and the other parties thereto in favor of J.P. Morgan Chase Bank, N.A., as administrative agent.(17)</u>
10.11	<u>Amended and Restated Credit Agreement dated as of September 27, 2017, among the Company, the other parties named therein and JPMorgan Chase Bank, N.A. as administrative agent.(18)</u>
12.1*	<u>Computation of Ratio of Earnings to fixed charges and Earnings to fixed charges and preferred stock dividends.</u>

14.0	<u>iStar Inc. Code of Conduct.(19)</u>
16.1	<u>Letter from PricewaterhouseCoopers, LLP, dated November 28, 2017. (20)</u>
21.1*	<u>Subsidiaries of the Company.</u>
23.1*	<u>Consent of PricewaterhouseCoopers LLP.</u>
23.2*	<u>Consent of Gerson, Preston, Klein, Lips, Eisenberg & Gelber, P.A.</u>
31.0*	<u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act.</u>
32.0*	<u>Certifications pursuant to Section 906 of the Sarbanes-Oxley Act.</u>
99.1*	<u>Consolidated Financial Statements of Marina Palms, LLC and Subsidiaries for the years ended December 31, 2017, 2016 and 2015</u>
100*	XBRL-related documents
101	Interactive data file

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- (1) Incorporated by reference from the Company's Current Report on Form 8-K filed on December 15, 2016.
 - (2) Incorporated by reference from the Company's Current Report on Form 8-K filed on October 25, 2013.
 - (3) Incorporated by reference from the Company's Current Report on Form 8-A filed on July 8, 2003.
 - (4) Incorporated by reference from the Company's Current Report on Form 8-A filed on December 10, 2003.
 - (5) Incorporated by reference from the Company's Current Report on Form 8-A filed on February 27, 2004.
 - (6) Incorporated by reference from the Company's Current Report on Form 8-K filed on March 18, 2013.
 - (7) Incorporated by reference from the Company's Current Report on Form 8-A filed on March 18, 2013.
 - (8) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 2, 2015.
 - (9) Incorporated by reference from the Company's Current Report on Form 8-K filed on June 13, 2014.
 - (10) Incorporated by reference from the Company's Form S-3 Registration Statement filed on February 12, 2001.
 - (11) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 29, 2016.
 - (12) Incorporated by reference from the Company's Current Report on Form 8-K filed on March 13, 2017.
 - (13) Incorporated by reference from the Company's Current Report on Form 8-K filed on September 20, 2017.
 - (14) Incorporated by reference from the Company's Definitive Proxy Statement filed on April 11, 2014.
 - (15) Incorporated by reference from the Company's Current Report on Form 8-K filed on January 25, 2007.
 - (16) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 9, 2008.
 - (17) Incorporated by reference from the Company's Current Report on Form 8-K filed on June 29, 2016.
 - (18) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed on November 2, 2017.
 - (19) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 16, 2005.
 - (20) Incorporated by reference from the Company's Current Report on Form 8-K filed on November 28, 2017.

* Filed herewith.

**In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934 and otherwise is not subject to liability under these sections.

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Item 16. Form 10-K Summary
None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

iStar Inc.
Registrant

Date: February 26, 2018 /s/ JAY SUGARMAN

Jay Sugarman
Chairman of the Board of Directors and Chief
Executive Officer (principal executive officer)
iStar Inc.
Registrant

Date: February 26, 2018 /s/ GEOFFREY G. JERVIS

Geoffrey G. Jervis
Chief Financial Officer (principal financial and
accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 26, 2018 /s/ JAY SUGARMAN

Jay Sugarman
Chairman of the Board of Directors
Chief Executive Officer

Date: February 26, 2018 /s/ CLIFFORD DE SOUZA

Clifford De Souza
Director

Date: February 26, 2018 /s/ ROBERT W. HOLMAN, JR.

Robert W. Holman, Jr.
Director

Date: February 26, 2018 /s/ ROBIN JOSEPHS

Robin Josephs
Director

Date: February 26, 2018 /s/ DALE ANNE REISS

Dale Anne Reiss
Director

Date: February 26, 2018 /s/ BARRY W. RIDINGS

Barry W. Ridings
Director