CAPITAL TRUST INC
Form PRE 14A
October 15, 2012
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

# CAPITAL TRUST, INC.

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**PRELIMINARY COPY SUBJECT TO COMPLETION, DATED OCTOBER 15, 2012**

**CAPITAL TRUST, INC.**

**410 Park Avenue, 14th Floor**

**New York, New York 10022**

[ ] [ ], 2012

Dear Stockholders:

You are cordially invited to attend a special meeting of stockholders of Capital Trust, Inc., a Maryland corporation, which we refer to as Capital Trust, which will be held at 10:00 a.m., New York City time, on [ ] [ ], 2012, at the offices of Paul Hastings LLP, 75 East 55th Street, New York, New York 10022.

As previously announced, on September 27, 2012 we entered into a purchase and sale agreement, which we refer to as the Purchase Agreement, with Huskies Acquisition LLC, which we refer to as the Purchaser, an affiliate of The Blackstone Group L.P., pursuant to which, among other things, the Purchaser has agreed to purchase our investment management and special servicing business and make an equity investment in us. We are seeking our stockholders approval of three related and interdependent proposals related to the Purchase Agreement.

If the transactions contemplated by the Purchase Agreement, which we refer to as the Transactions, are completed, we will pay a special cash dividend of $2.00 per share to all holders of record of our class A common stock, par value $0.01 per share, which we refer to as our Common Stock, as of the close of business on [ ] [ ], 2012, the record date for the special meeting.

At the special meeting, you are being asked to consider and vote on proposals, which we refer to as the Proposals, to approve:

1. the Purchase Agreement, including the sale of our investment management and special servicing business, including our subsidiary, CT Investment Management Co., LLC, and related private investment fund co-investments, to the Purchaser for a purchase price of $20,629,004 and our entry into a new management agreement with an affiliate of The Blackstone Group L.P.;

2. the issuance and sale of 5,000,000 shares of our Common Stock to the Purchaser for a purchase price of $10,000,000, or $2.00 per share (these shares will not be entitled to the $2.00 per share special dividend); and

3. certain amendments to our charter contemplated by the Purchase Agreement, which provides, among other things, subject to certain exceptions, that none of The Blackstone Group L.P. or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us.

**The Proposals comprise a group of related and interdependent proposals for stockholder action. Implementation of each such Proposal is contingent upon the implementation of each of the other Proposals.** Accordingly, we will not implement any of the Proposals unless all of the Proposals are approved by our stockholders by the affirmative vote of the holders of a majority of the shares of our Common Stock outstanding and entitled to vote at the special meeting.

Following completion of the Transactions, we will remain publicly traded and listed on the New York Stock Exchange under the external management of the New CT Manager, and our existing stockholders will retain their investment in our Common Stock held by them on such date. We will retain our interest in CT Legacy REIT

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Mezz Borrower, Inc., a vehicle formed to finance certain legacy assets in connection with our March 31, 2011 comprehensive debt restructuring, our existing cash balances (as reduced to fund the expenses of the Transactions and the special dividend), our carried interest in CT Opportunity Partners I, LP, a private investment fund under our management that will be managed by the New CT Manager following consummation of the Transactions, and our interests in three collateralized debt obligations sponsored by us.

**After careful consideration, our board of directors has determined that the Transactions are advisable and in the best interests of Capital Trust. Our board of directors recommends that you vote FOR each of the Proposals.**

Only stockholders who hold shares of our Common Stock at the close of business on [ ] [ ], 2012 will be entitled to vote at the special meeting. **Whether or not you expect to attend the special meeting in person, we urge you to submit your proxy as promptly as possible (1) through the Internet, (2) by telephone or (3) by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.** If you hold your shares in street name, you should instruct your broker how to vote in accordance with your voting instruction card. If you do not submit your proxy, do not instruct your broker how to vote your shares or do not vote in person at the special meeting, it will have the same effect as a vote AGAINST each of the Proposals. If you have any questions about any of the proposals described in the accompanying proxy statement, please call MacKenzie Partners, Inc., toll-free at (800) 322-2885 or call collect at (212) 929-5500.

**You are encouraged to read carefully the accompanying proxy statement in its entirety, including the annexes and the section titled Risk Factors beginning on page 12.**

**If you have questions about any of the Proposals or need to obtain proxy cards or other information related to the proxy solicitation, you may contact MacKenzie Partners, Inc., our proxy solicitor, at the address and telephone numbers listed below.**

**MacKenzie Partners, Inc.**

**105 Madison Avenue**

**New York, New York 10016**

**Tel: (800) 322-2885 (toll free) or (212) 929-5500 (call collect)**

**Email: proxy@mackenziepartners.com**

Thank you for your cooperation and your continued support of Capital Trust.

Sincerely,

[ ]
Samuel Zell
*Chairman of the Board*

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Transactions, passed upon the merits or fairness of the Transactions or passed upon the adequacy of the disclosure in the proxy statement. Any representation to the contrary is a criminal offense.**

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**CAPITAL TRUST, INC.**

**410 Park Avenue, 14th Floor**

**New York, New York 10022**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ] [ ], 2012**

To our Stockholders:

We hereby notify you that we are holding a special meeting of stockholders of Capital Trust, Inc., a Maryland corporation, which we refer to as Capital Trust, at the offices of Paul Hastings LLP, 75 East 55th Street, New York, New York 10022, on [ ] [ ], 2012, at 10:00 a.m., New York City time, for the following purposes:

1. to consider and vote upon a proposal to approve the purchase and sale agreement, dated September 27, 2012, by and between Capital Trust and Huskies Acquisition LLC, which we refer to as the Purchaser, an affiliate of The Blackstone Group L.P., including the sale of our investment management and special servicing business, including our subsidiary, CT Investment Management Co., LLC, and our related private investment fund co-investments, to the Purchaser, for a purchase price of $20,629,004, pursuant to the terms and subject to the conditions contained in the purchase and sale agreement, and our entry into a new management agreement with an affiliate of The Blackstone Group L.P., as more fully described in the accompanying proxy statement. A copy of the purchase and sale agreement is attached to the accompanying proxy statement as Annex A, which we refer to as the Purchase Agreement, and a copy of the form management agreement is attached to the accompanying proxy statement as Annex B. We refer to this proposal as the Investment Management Business Sale Proposal;

2. to consider and vote upon a proposal to approve the issuance and sale of 5,000,000 shares of our class A common stock, par value $0.01 per share, which we refer to as our Common Stock, to the Purchaser for a purchase price of $10,000,000, or $2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, as more fully described in the accompanying proxy statement. These 5,000,000 shares will represent approximately [18.2]% of our outstanding Common Stock after such issuance based on the number of shares outstanding as of the date of this proxy statement. We refer to this proposal as the Purchaser Investment Proposal;

3. to consider and vote upon a proposal to approve certain amendments to our charter contemplated by the Purchase Agreement in the form attached to the accompanying proxy statement as Annex C, which provides, among other things, subject to certain exceptions, that none of The Blackstone Group L.P. or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us, as more fully described in the accompanying proxy statement. We refer to this proposal as the Charter Amendment Proposal; and

4. to consider and vote upon a proposal to approve the adjournment of the special meeting if necessary or appropriate to solicit additional proxies if there are insufficient votes to approve the Investment Management Business Sale Proposal, the Purchaser Investment Proposal or the Charter Amendment Proposal. We refer to this proposal as the Adjournment Proposal.

**The Investment Management Business Sale Proposal, the Purchaser Investment Proposal and the Charter Amendment Proposal, which we refer to collectively as the Proposals and each individually as a Proposal, comprise a group of related and interdependent proposals for stockholder action. Implementation of each such Proposal is contingent upon the implementation of each of the other**

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**Proposals.** Accordingly, we will not implement any of the foregoing Proposals unless all of the Proposals are approved by our stockholders. Approval of the Adjournment Proposal is not a requirement for implementation of the other Proposals.

You can vote your shares of our Common Stock if our records show that you were a stockholder as of the close of business on [ ] [ ], 2012, the record date for the special meeting of stockholders, which we refer to as the record date.

If all of the Proposals are approved by our stockholders and the transactions contemplated by the Purchase Agreement are consummated, we will pay a special cash dividend of $2.00 per share to all holders of record of our Common Stock as of the close of business on the record date. The Purchaser will not be entitled to participate in the special dividend.

All Capital Trust, Inc. stockholders are cordially invited to attend the special meeting in person. **However, to assure your representation at the special meeting, please submit your proxy as promptly as possible using one of the following methods: (1) through the Internet, (2) by telephone or (3) by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.** Any stockholder attending the special meeting may vote in person even if he or she has authorized a proxy to vote his or her shares using the Internet, telephone or proxy card.

By Order of the Board of Directors,

[ ]
Geoffrey G. Jervis
*Secretary*

[ ] [ ], 2012

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**CAPITAL TRUST, INC.**

**410 Park Avenue, 14th Floor**

**New York, New York 10022**

**PROXY STATEMENT FOR**

**SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ], 2012**

This proxy statement is being furnished by and on behalf of our board of directors in connection with the solicitation of proxies to be voted at the special meeting of stockholders, which we refer to as the special meeting. This proxy statement is first being mailed to our stockholders on or about [ ] [ ], 2012.

The date, time and place of the special meeting are:

**Date:** [ ] [ ], 2012

**Time:** 10:00 a.m., New York City time

**Place:** The law offices of Paul Hastings LLP

75 East 55th Street, New York, New York 10022

At the special meeting, stockholders will be asked to:

1. consider and vote upon a proposal to approve the purchase and sale agreement, dated September 27, 2012, by and between Capital Trust, Inc. and Huskies Acquisition LLC, which we refer to as the Purchaser, an affiliate of The Blackstone Group L.P., including the sale of our investment management and special servicing business, including our subsidiary, CT Investment Management Co., LLC, which we refer to as CTIMCO, and our related private investment fund co-investments, to the Purchaser for a purchase price of $20,629,004, pursuant to the terms and subject to the conditions contained in the purchase and sale agreement, and our entry into a new management agreement with an affiliate of The Blackstone Group L.P., which we refer to as the New CT Manager, as more fully described in this proxy statement. A copy of the purchase and sale agreement is attached to this proxy statement as Annex A, which we refer to as the Purchase Agreement, and a copy of the form management agreement is attached to the accompanying proxy statement as Annex B, which we refer to as the New Management Agreement. We refer to this proposal as the Investment Management Business Sale Proposal;

2. consider and vote upon a proposal to approve the issuance and sale of 5,000,000 shares of our class A common stock, par value $0.01 per share, which we refer to as our Common Stock, to the Purchaser for a purchase price of $10,000,000, or $2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, as more fully described in this proxy statement. These 5,000,000 shares will represent approximately [18.2]% of our outstanding Common Stock after such issuance based on the number of shares outstanding as of the date of this proxy statement. We refer to the shares to be issued to the Purchaser as the New CT Shares and this proposal as the Purchaser Investment Proposal;

3. consider and vote upon a proposal to approve certain amendments to our charter contemplated by the Purchase Agreement in the form attached to the accompanying proxy statement as Annex C, which provides, among other things, subject to certain exceptions, that none of The Blackstone Group L.P. or its affiliates (as such term is defined in the charter amendments), our directors and any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us, as more fully described in this proxy statement. We refer to this proposal as the Charter Amendment Proposal; and

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4. consider and vote upon a proposal to approve the adjournment of the special meeting if necessary or appropriate to solicit additional proxies if there are insufficient votes to approve the Investment Management Business Sale Proposal, the Purchaser Investment Proposal and the Charter Amendment Proposal. We refer to this proposal as the Adjournment Proposal.

The transactions contemplated to be consummated by the Purchase Agreement are referred to in this proxy statement as the Transactions.

If all of the Proposals are approved by our stockholders and the Transactions are completed, we will pay a special cash dividend of $2.00 per share to all holders of record of our Common Stock as of the close of business on the record date, which we refer to as the special dividend. The Purchaser will not be entitled to participate in the special dividend.

Following completion of the Transactions, we will remain publicly traded and listed on the New York Stock Exchange, which we refer to as the NYSE, under the external management of the New CT Manager, and our existing stockholders will retain their investment in our Common Stock held by them on such date. We will retain our interest in CT Legacy REIT Mezz Borrower, Inc., which we refer to as CT Legacy REIT, a vehicle formed to finance certain legacy assets that were refinanced in connection with our March 31, 2011 comprehensive debt restructuring, our existing cash balances (as reduced to fund the expenses of the Transactions and the special dividend discussed below), our carried interest in CT Opportunity Partners I, LP, which we refer to as CTOPI, a private investment fund under our management that will be managed by the New CT Manager following consummation of the Transactions, and our interests in three collateralized debt obligations, which we refer to as CDOs, sponsored by us.

**The Investment Management Business Sale Proposal, the Purchaser Investment Proposal and the Charter Amendment Proposal, which we refer to collectively as the Proposals and each individually as a Proposal, comprise a group of related and interdependent proposals for stockholder action. Implementation of each such Proposal is contingent upon the implementation of each of the other Proposals.** Accordingly, we will not implement any of the foregoing Proposals unless all of the Proposals are approved by our stockholders. Approval of the Adjournment Proposal is not a requirement for implementation of the other Proposals.

You can vote your shares of our Common Stock if our records show that you were a stockholder as of the close of business on [ ] [ ], 2012, the record date for the special meeting of stockholders, which we refer to as the record date.

Our principal offices are located at 410 Park Avenue, 14th Floor, New York, New York 10022 and our telephone number is (212) 655-0220.

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ANNEXES

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## SUMMARY TERM SHEET

*The following is a summary that highlights information contained elsewhere in this proxy statement and the annexes hereto. This summary may not contain all of the information that may be important to you. For a more complete description of the Purchase Agreement and the Transactions, we encourage you to read carefully this proxy statement, including the attached annexes, in its entirety. References herein to we, us, our, Capital Trust or the company refer to Capital Trust, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise. References herein to Blackstone refer to The Blackstone Group L.P., a Delaware limited partnership, and its subsidiaries, including the Purchaser, unless the context specifically requires otherwise.*

**The Parties**

**Huskies Acquisition LLC**

**c/o The Blackstone Group L.P.**

**345 Park Avenue**

**New York, New York 10154**

**(212) 583-5000**

Huskies Acquisition LLC is a Delaware limited liability company formed in connection with the Transactions by affiliates of Blackstone.

***About Blackstone***

Blackstone is one of the world s leading investment and advisory firms. Our alternative asset management businesses include the management of private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-end funds. The Blackstone Group also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Through its different businesses, Blackstone had total fee-earning assets under management of approximately $157.6 billion as of June 30, 2012. Blackstone is traded on the NYSE under the symbol BX, and is headquartered in New York City.

**Capital Trust, Inc.**

**410 Park Avenue**

**14th Floor**

**New York, New York 10022**

**(212) 655-0220**

Capital Trust is a real estate finance company that specializes in credit sensitive financial products. To date, our investment programs have focused on loans and securities backed by commercial real estate assets. We invest for our own account directly on our balance sheet and for third parties through a series of investment funds and managed separate accounts. From the inception of our finance business in 1997 through June 30, 2012, we have completed over $12.0 billion of commercial real estate investments. We conduct our operations as a real estate investment trust, or REIT, for federal income tax purposes. Capital Trust is traded on the NYSE under the symbol CT, and is headquartered in New York City.

**The Transactions**

Our entry into the Purchase Agreement and our agreement to consummate the Transactions represent the culmination of a review of strategic alternatives undertaken by our board of directors. The Transactions achieve

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our board s goal of maximizing stockholder value with a strategic transaction that provides a meaningful and current cash return for our stockholders and allows our stockholders to continue to participate in the recovery of our legacy assets with the benefit of ongoing asset management provided by our senior management team. Following consummation of the Transactions, we will remain publicly traded and will be externally managed by an affiliate of Blackstone, and as a result our stockholders will continue to hold an ongoing investment in Capital Trust and can benefit from any potential opportunities developed in the future.

The Purchase Agreement contemplates two principal transactions:

- the sale of our investment management and special servicing business, including the sale of CTIMCO and our private investment fund co-investments, to the Purchaser, for a purchase price of $20,629,004, which we refer to as the CT Investment Management Interests Purchase Price, pursuant to the terms and subject to the conditions contained in the Purchase Agreement and our entering into the New Management Agreement with the New CT Manager, in substantially the form attached to this proxy statement as Annex B, pursuant to which we will become externally managed by the New CT Manager, which are described in this proxy statement under Proposal 1 Investment Management Business Sale Proposal beginning on page 82; and

- the issuance and sale of 5,000,000 shares of our Common Stock to the Purchaser for a purchase price of $10,000,000, or $2.00 per share, which we refer to as the New CT Shares Purchase Price, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, which is described in this proxy statement under Proposal 2 Purchaser Investment Proposal beginning on page 85.

We refer to the sale of our investment management and special servicing business contemplated in Proposal 1 as the Investment Management Business Sale, the Purchaser s investment in our Common Stock contemplated in Proposal 2 as the Purchaser Investment and these transactions together as the Principal Transactions. We refer to the CT Investment Management Interests Purchase Price and the New CT Shares Purchase Price together as the Purchase Price.

The consummation of the Principal Transactions is subject to the satisfaction of a number of closing conditions as described under Purchase Agreement Conditions to Closing beginning on page 57. These closing conditions include the adoption of the amendments to our charter contemplated by the Purchase Agreement in substantially the form attached to this proxy statement as Annex C for which we are also seeking the approval of our stockholders at the special meeting, which amendments provide, among other things, subject to certain exceptions, that none of Blackstone or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us, as more fully described in this proxy statement under Proposal 3 Charter Amendment Proposal beginning on page 87.

Upon consummation of the Transactions, we will no longer be engaged in the investment management and special servicing businesses, but will retain our interest in CT Legacy REIT, our existing cash balances (as reduced to fund the expenses of the Transactions and the special dividend), our carried interest in CTOPI and our retained interests in three CDOs sponsored by us. We will remain publicly traded and listed on the NYSE under the external management of the New CT Manager, an affiliate of Blackstone, pursuant to the New Management Agreement, and our existing stockholders will retain their investment in our Common Stock held by them on such date subject to the dilution experienced from the issuance of 5,000,000 shares of our Common Stock to the Purchaser. Based on the [22,515,107] shares of Common Stock outstanding as of the record date for the special meeting upon the consummation of the Purchaser Investment, the Purchaser will own [18.2]% of our outstanding Common Stock.

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**Board Designation Rights**

The Purchase Agreement provides the Purchaser with the right to designate two individuals for election to our board of directors, one of whom will be appointed as chairman of our board of directors. This right will be effective upon the completion of the Transactions and for so long as certain ownership thresholds are maintained by Blackstone and its affiliates. See Purchase Agreement Covenants Board Designation Rights beginning on page 56. Upon the consummation of the Transactions, it is expected that Samuel Zell, chairman of our board of directors, will resign from our board of directors.

**Capital Trust Is Prohibited From Soliciting Others**

The Purchase Agreement contains detailed provisions that prohibit us and our subsidiaries, directors, officers, employees and representatives from, among other things, directly or indirectly, soliciting, initiating, or knowingly encouraging or inducing or taking any action which would reasonably be expected to lead to a third party making an acquisition proposal (as defined in the Purchase Agreement). The Purchase Agreement does not, however, prohibit our board of directors from considering and recommending to our stockholders an unsolicited acquisition proposal from a third party if specified conditions are met. If our board of directors changes its recommendation in favor of the Transactions, the Purchaser will be able to terminate the Purchase Agreement, and we would be required to reimburse the Purchaser for its expenses in connection with the contemplated Transactions and the Purchaser s pursuit thereof, up to a maximum of $1.5 million. For additional information regarding the non-solicitation provisions in the Purchase Agreement, see Purchase Agreement Covenants No Solicitation beginning on page 52.

**Termination of the Purchase Agreement**

The Purchase Agreement may be terminated prior to the successful completion of the Transactions:

(i) upon the mutual written consent of both us and the Purchaser;

(ii) by either us or the Purchaser, if the closing shall not have occurred on or prior to 5:00 p.m., New York time, on June 27, 2013, which we refer to as the outside date; provided, however, that a breach of the Purchase Agreement by the party seeking to terminate is not the cause of the failure of the closing to occur by such time;

(iii) by either us or the Purchaser, if any law or governmental authority prohibits the consummation of the Transactions; provided, however, that a breach of the Purchase Agreement by the party seeking to terminate is not the cause;

(iv) by either us or the Purchaser, if approval by our stockholders of the Proposals is not obtained at the special meeting;

(v) by the Purchaser, if our board of directors has changed its recommendation that our stockholders approve the Proposals or takes certain other actions that reflect a lack of support for the Transactions, in either case, prior to the special meeting; and

(vi) by either us or the Purchaser, if the other party shall have breached any representation, warranty, covenant or agreement under the Purchase Agreement, which breach cannot be or has not been cured within thirty (30) days after being given written notice thereof, and which breach would give rise to the failure of a mutual closing condition or a Purchaser/Capital Trust closing condition.

For additional information regarding the termination provisions in the Purchase Agreement, see Purchase Agreement Termination beginning on page 60.

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**Expense Reimbursement**

We have agreed to reimburse Blackstone for all fees and expenses incurred by or on behalf of Blackstone and its affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of $1.5 million under certain circumstances and if specified conditions are met in connection with a termination of the Purchase Agreement. Blackstone has agreed to reimburse us for all fees and expenses incurred after July 3, 2012 by or on behalf of us and our affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of $1.5 million in the aggregate if we terminate the Purchase Agreement due to a breach by the Purchaser of the Purchase Agreement as described under item (vi) under Termination of the Purchase Agreement above. For additional information regarding the expense reimbursement provisions in the Purchase Agreement, see Purchase Agreement Expense Reimbursement beginning on page 60.

**Effects If the Transactions Are Not Completed**

If any of the Proposals are not approved by our stockholders, or if the Transactions are not completed for any other reason, our stockholders will not receive the $2.00 per share special dividend and we will continue to operate our businesses as we have in the past. In addition, we may pursue strategic alternatives with others if the Transactions are not completed.

**Unaudited Pro Forma Financial Information**

Selected unaudited pro forma financial information giving effect to the Investment Management Business Sale, including the entry into the New Management Agreement, and the Purchaser Investment is set forth in Unaudited Pro Forma Financial Information beginning on page 24.

**Voting Agreement**

Concurrently with the execution and delivery of the Purchase Agreement, the Purchaser entered into a voting agreement with W. R. Berkley Corporation, which we refer to as W. R. Berkley, and several of its affiliates, which own in the aggregate 3,843,413 shares, or approximately [17.1]%, of our outstanding Common Stock as of the record date for the special meeting. Pursuant to the terms of the voting agreement, such stockholders agreed to, among other things, vote their respective shares of our Common Stock in favor of the Proposals and against the approval of any acquisition proposal (as defined in the Purchase Agreement). Such stockholders have also agreed not to sell or transfer their respective shares of our Common Stock, subject to certain exceptions, or to solicit any acquisition transaction. The voting agreement will terminate upon, among other things, the closing of the Investment Management Business Sale and the Purchaser Investment, consummation of the Transactions contemplated by the Purchase Agreement and a change in Capital Trust s board of directors recommendations with respect to the approval of the Proposals. For additional information on the voting agreement, please see Voting Agreement beginning on page 74.

**Letter Agreement with W. R. Berkley**

As an inducement to W. R. Berkley to enter into the voting agreement, we entered into a letter agreement with W. R. Berkley pursuant to which we agreed not to engage in certain offerings of our equity securities following the closing of the Transactions without the approval of a majority of our independent directors. The letter agreement will lapse once approval of a majority of our independent directors has been obtained with respect to the first applicable offering. For additional information on the letter agreement with W. R. Berkley, please see Voting Agreement Letter Agreement with W. R. Berkley beginning on page 75.

**Interests of Certain Persons in the Proposals**

In considering the recommendation of our board of directors, our stockholders should be aware that our largest stockholder, W. R. Berkley, the chairman of our board of directors, and certain of our executive officers

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have certain interests in the Proposals that are in addition to the interests of our stockholders generally. Our board of directors was aware of these interests and considered them in approving the Purchase Agreement and the Transactions governed thereby and recommending that our stockholders approve the Proposals. As a result of the consummation of the Transactions:

- our executive officers are expected to receive offers of employment with Blackstone upon consummation of the Transactions;
- certain incentive awards granted to our executive officers in the form of restricted stock will become 100% vested as a result of the consummation of the Transactions;
- restricted stock awards held by our executive officers that would otherwise vest in the future, if at all, will become 100% vested as a result of the consummation of the Transactions;
- annual performance-based bonuses for 2012 will be paid based on the higher of target or actual performance as a result of the consummation of the Transactions, if the Transactions are consummated before December 31, 2012;
- certain performance based incentive compensation awards held by our executive officers will be modified;
- our directors and executive officers will continue to be indemnified and covered by directors and officers insurance following consummation of the Transactions;
- CTIMCO, which will be owned by Blackstone following consummation of the Transactions, will continue to manage certain separate accounts for affiliates of W. R. Berkley; and
- a subsidiary of CTIMCO, which will be owned by Blackstone following consummation of the Transactions, will continue to manage a private fund in which an affiliate of the chairman of our board of directors is invested.

Please see Interest of Certain Persons in the Transactions beginning on page 42 for further information concerning these interests.

**Recommendation of Our Board of Directors**

Our board of directors has unanimously determined to recommend a vote in favor of approval of each of the Proposals and the Adjournment Proposal (excluding one director who could not attend the meeting at which the Transactions were approved but who subsequently confirmed his approval of the Proposals and the Transactions). Our board of directors believes that the Transactions are fair to, and in the best interests of, Capital Trust. For a discussion of the factors considered by our board of directors in reaching its decision to recommend approval of the Transactions, please see Background of the Transactions and Recommendation beginning on page 31.

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**Opinion of Capital Trust s Financial Advisor**

In connection with the Transactions, Evercore Group L.L.C., which we refer to as Evercore, delivered to a special committee of our board of directors a written opinion, dated September 27, 2012, as to the fairness, from a financial point of view and as of the date of the opinion, of the Purchase Price (as such term is defined in Opinion of Capital Trust s Financial Advisor beginning on page 76) to be received by Capital Trust in connection with the Principal Transactions. The full text of the written opinion, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex F to this proxy statement and is incorporated by reference herein in its entirety. Evercore provided its opinion to the special committee for the information and benefit of the committee in connection with its evaluation of the Principal Transactions. Evercore s opinion does not address any other aspect of the Transactions and does not constitute a recommendation to any stockholder as to how to vote in connection with the Proposals. For further information regarding Evercore s financial opinion, please see Opinion of Capital Trust s Financial Advisor beginning on page 76.

**Special Dividend**

In accordance with the Purchase Agreement, our board of directors has authorized and we have declared a special dividend of $2.00 per share, which dividend will be decreased by the aggregate per share amount of any dividends we declare or pay to our stockholders after September 27, 2012 and prior to the closing of the Transactions, payable to stockholders of record on the record date for the special meeting, [ ] [ ], 2012. Payment of the special dividend is contingent upon the consummation of the Transactions and accordingly will not be paid unless all the Proposals are approved by the required affirmative vote of holders of a majority of the shares of Common Stock outstanding and entitled to vote at the special meeting. We will pay the special dividend as soon as practicable following the closing of the Transactions. The Purchaser, in its capacity as the holder of the New CT Shares to be purchased pursuant to the Purchase Agreement, will not be entitled to participate in the special dividend, as it will not be a stockholder of record on the record date for the special meeting.

**Regulatory Matters**

The consummation of the Transactions does not require the consent or approval of any government or regulatory agency. However, the sale of CTIMCO, a Securities and Exchange Commission, which we refer to as the SEC, registered investment adviser, to the Purchaser as part of the Investment Management Business Sale requires CTIMCO to file an amendment to its current Form ADV on file with the SEC promptly following the closing of such sale to reflect changes relating to the ownership and persons in control of CTIMCO post-closing.

**Certain United States Federal Income Tax Considerations**

Our stockholders will not recognize gain or loss for federal income tax purposes as a result of the Transactions (excluding the $2.00 per share special dividend, the consequences of which are addressed under Certain United States Federal Income Tax Considerations beginning on page 90).

**Amendment of Rights Agreement**

Pursuant to the Purchase Agreement, on September 27, 2012, we entered into an amendment to our Tax Benefits Preservation Rights Agreement dated as of March 31, 2011, which we refer to as the Rights Agreement, by and between us and American Stock Transfer & Trust Company, LLC, which, among other things, exempted the Transactions from application of the triggering provisions of the Rights Agreement. For additional information on the amendment to the Rights Agreement, please see Purchase Agreement Amendment of the Tax Benefits Preservation Rights Agreement beginning on page 61.

**Registration Rights**

As a condition to the consummation of Transactions, we will upon closing of the Transactions enter into a registration rights agreement pursuant to which we will agree, upon demand, subject to certain terms and

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conditions, to register for resale under the Securities Act of 1933, as amended, which we refer to as the Securities Act, the New CT Shares sold to the Purchaser and assist in the facilitation of certain sales of such shares by Purchaser. For additional information on the registration rights agreements, please see Purchase Agreement Registration Rights Agreement beginning on page 61 and Proposal 2 Purchaser Investment Proposal beginning on page 85.

**No Appraisal Rights**

Under Maryland law, stockholders are not entitled to any dissenters appraisal rights in connection with the Transactions. Please see Risk Factors Risk Factors Related to the Transactions Our stockholders will not have the right to appraisal of their investment in our Common Stock in connection with the Transactions beginning on page 14.

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## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND VOTING

*The following are some questions that you, as a stockholder of Capital Trust, may have regarding the Proposals and the special meeting and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement because the information in this section may not provide all the information that might be important to you with respect to the Transactions and the special meeting. Additional important information is also contained in the annexes to this proxy statement.*

**Where and when will the special meeting be held?**

The date, time and place of the meeting are:

[ ] [ ], 2012

10:00 a.m. (New York City time)

The law offices of Paul Hastings LLP

75 East 55th Street

New York, New York 10022

**Why am I receiving this proxy statement?**

Our board of directors is furnishing this proxy statement to you in connection with the solicitation of proxies to be voted at the special meeting of stockholders or at any adjournments of the special meeting because our records show that you were a stockholder as of the record date.

**What Proposals will the stockholders vote on at the special meeting?**

***Proposal 1 Investment Management Business Sale Proposal.*** At the special meeting, stockholders will be asked to approve the Purchase Agreement, including the sale of our investment management and special servicing business and the sale of CTIMCO and related private investment fund co-investments, to the Purchaser, for a purchase price of $20,629,004, pursuant to the terms and subject to the conditions contained in the Purchase Agreement, and our entry into the New Management Agreement, pursuant to which we will become externally managed by the New CT Manager.

Pursuant to the Purchase Agreement, we will sell to the Purchaser our entire ownership interest in CTIMCO, through which we operate our investment management and special servicing businesses, and certain related private fund co-investments and other interests. As result of this sale, we will no longer be engaged in the investment management and special servicing businesses and upon entry into the New Management Agreement, we will no longer have our own employees and will be externally managed by the New CT Manager.

Upon consummation of the Transactions, it is expected that our executive officers and other key employees will become employed by Blackstone, and we will no longer have any employees. The day-to-day management of our business and affairs will be delegated to the New CT Manager pursuant to the terms of the New Management Agreement. We expect our former employees, who will be employed by the New CT Manager, to carry out functions similar to those carried out for us when they were employed by us, such that we will benefit from a continuity in the management of our business and affairs. There may, however, be certain conflicts between these former employees and/or the New CT Manager and us which did not exist prior to the Transactions (see Risk Factors Risk Factors Related to Capital Trust as a Result of the Externalization of Management beginning on page 14).

The Investment Management Business Sale Proposal is described more specifically herein under Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

***Proposal 2 Purchaser Investment Proposal.*** At the special meeting, our stockholders will be asked to approve the issuance and sale of 5,000,000 shares of our Common Stock (representing approximately [18.2]% of

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our outstanding Common Stock after such issuance based on the number of shares outstanding as of the date of this proxy statement) to the Purchaser for a purchase price of $10,000,000, or $2.00 per share, pursuant to the terms and subject to the conditions contained in the Purchase Agreement. These newly issued shares will not be entitled to the $2.00 per share special dividend to be paid upon consummation of the Transactions.

The Purchaser Investment Proposal is described more specifically herein under Proposal 2 Purchaser Investment Proposal beginning on page 85.

***Proposal 3 Charter Amendment Proposal.*** At the special meeting, our stockholders will be asked to approve certain amendments to our charter contemplated by the Purchase Agreement. The charter amendments provide, among other things, subject to certain exceptions, that none of Blackstone or its affiliates (as such term is defined in the charter amendments), our directors or any person our directors control shall have any duty to refrain, directly or indirectly, from engaging in business opportunities or competing with us.

The Charter Amendment Proposal is described more specifically herein under Proposal 3 Charter Amendment Proposal beginning on page 87.

***Proposal 4 Adjournment Proposal.*** At the special meeting our stockholders will be asked to approve the adjournment of the special meeting if necessary or appropriate to solicit additional proxies if there are insufficient votes to approve the Proposals.

**Are the Proposals contingent upon one another?**

Yes. All of the Proposals comprise a group of related and interdependent proposals for stockholder action. Implementation of each Proposal is contingent upon the implementation of the other Proposals. Accordingly, we will not implement any of the Proposals unless each of the Proposals is approved by our stockholders. Implementation of the Adjournment Proposal is not contingent upon the implementation of the Proposals.

**How does the board of directors recommend that I vote?**

Our board of directors recommends that our stockholders vote to approve each of the Proposals and the Adjournment Proposal.

**When are the Transactions expected to be completed?**

The parties currently expect to close the Transactions in late 2012 or early 2013.

**Who can vote?**

You can vote your shares of our Common Stock if our records show that you were the owner of the shares as of the close of business on [ ] [ ], 2012, the record date for determining the stockholders entitled to vote at the special meeting and any adjournments or postponements thereof. As of [ ] [ ], 2012, there were a total of [22,515,107] shares of our Common Stock outstanding and entitled to vote at the special meeting. You have one vote for each share of our Common Stock that you own.

**How is a quorum determined?**

We will convene the special meeting if stockholders representing the required quorum of shares of Common Stock entitled to vote either sign and return their paper proxy cards, authorize a proxy to vote electronically or telephonically or attend the meeting. A majority of the shares of Common Stock entitled to vote at the special meeting, present in person or by proxy, will constitute a quorum. If you sign and return your paper proxy card or

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authorize a proxy to vote electronically or telephonically, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated in the proxy materials. Broker non-votes (which occur when a brokerage firm has not received voting instructions from the beneficial owner on a non-routine matter, as defined by the NYSE), if any, will also be considered present for the purpose of determining whether we have a quorum.

**What vote is required to approve each of the Proposals?**

We cannot complete the Transactions unless each of the Proposals is approved by the affirmative vote of the holders of a majority of our outstanding shares of Common Stock entitled to vote on each such Proposal at the special meeting. The Adjournment Proposal must be approved by the affirmative vote of a majority of the votes cast, whether in person or by proxy, at the special meeting.

**What will happen if I abstain from voting or fail to vote?**

Your abstention or failure to submit a proxy or vote in person at the special meeting, will have the same effect as a vote AGAINST each of the Proposals. Your abstention or failure to submit a proxy or vote in person at the special meeting, will have no effect on the Adjournment Proposal.

**How do I vote?**

You may vote by proxy or in person at the special meeting.

*Voting by Proxy*. If you hold your shares as stockholder of record, you may authorize a proxy to vote your shares by mail, on the Internet or by telephone. If you submit a proxy on the Internet or by telephone, you should not return the proxy card accompanying this proxy statement.

*Voting by Mail.* You may authorize a proxy to vote your shares by mail by marking the proxy card accompanying this proxy statement, dating and signing it, and returning it in the postage-paid envelope provided. Please allow sufficient time for mailing if you decide to submit a proxy for your shares by mail.

*Vote on the Internet.* You may also authorize a proxy to vote your shares on the Internet, by going to the www.proxyvote.com website and follow the instructions. Please have your proxy card in hand when accessing the website, as it contains a 12-digit control number required to authorize your proxy.

*Vote by Telephone.* You may also authorize a proxy to vote your shares by telephone, by calling the toll-free number reflected on the proxy card. Please have your proxy card in hand when calling the toll-free number, as it contains a 12-digit control number required to authorize your proxy.

You can authorize a proxy to vote by telephone or via the Internet at any time prior to 11:59 p.m., New York City time, on [ ] [ ], 2012.

*Voting in Person*. If you hold shares as a stockholder of record and plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Alternatively, you may provide us with a signed proxy card at the special meeting before voting is closed. If you would like to vote in person, please bring proof of identification with you to the special meeting. Even if you plan to attend the special meeting, we strongly encourage you to submit a proxy for your shares in advance as described above, so your vote will be counted if you are not able to attend. If your shares are held in street name, you must bring to the special meeting a proxy from the record holder of the shares (your broker, bank or other nominee) authorizing you to vote at the special meeting. To do this, you should contact your broker, bank or other nominee as soon as possible.

**If I hold my shares in street name through my broker, will my broker vote these shares for me?**

If you hold your shares in street name, you must provide your broker, bank or other nominee with instructions in order to vote those shares. To do so, you should follow the voting instructions provided to you by

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your bank, broker or other nominee. If your bank, broker or nominee holds your shares in its name and you do not instruct it how to vote, it will not have discretion to vote on any of the Proposals or the Adjournment Proposal at the special meeting.

**Can I change my vote after I have submitted my proxy?**

Yes. If your shares are held in street name you must contact your broker, bank or other nominee to change your vote. If you are a holder of record, you can change your vote at any time before your proxy is voted at the special meeting by:

- delivering a signed written notice revoking your proxy card to the Secretary of Capital Trust at the following address: Capital Trust, Inc., 410 Park Avenue, 14th Floor, New York, New York 10022, Attention: Secretary
- signing and delivering a new, valid proxy bearing a later date;
- submitting another proxy by telephone or on the Internet by 11:59 p.m. New York City time on [ ] [ ], 2012 (your latest telephone or Internet voting instructions will be followed); or
- attending the special meeting and voting your proxy in person, although your attendance alone will not revoke your proxy.

**What should I do if I receive more than one set of voting materials for the special meeting?**

You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement and multiple proxy cards or voting instruction forms. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction form that you receive.

**What if I do not specify a choice for a matter when returning a proxy?**

If you hold your shares of record, proxies that are signed and returned without voting instructions will be voted FOR each of the Proposals and the Adjournment Proposal.

**Who pays for this proxy solicitation?**

We do. In addition to sending you these proxy materials, some of our employees may contact you by telephone, by mail or in person. None of these employees will receive any extra compensation for doing this. We have engaged Mackenzie Partners, Inc., an outside proxy solicitation firm, to solicit votes and the cost to us of engaging such a firm is estimated to be $40,000 plus reasonable out-of-pocket expenses.

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## RISK FACTORS

*In addition to the other information included in this proxy statement, including the matters addressed in the section of the proxy statement entitled Special Note Regarding Forward-Looking Information, you should carefully consider the following risks before deciding how to vote on the proposals presented at the special meeting. The risk factors related to the Transactions present risks directly related to the Transactions. We have also included risks associated with Capital Trust as a result of the externalization of our management with the New CT Manager following the consummation of the Transactions. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. The risks below also include forward-looking information, and our actual results may differ substantially from those discussed in this forward-looking information. See Special Note Regarding Forward-Looking Information beginning on page 21.*

**Risk Factors Related to the Transactions**

***The market price of our Common Stock may decline as a result of the Transactions.***

We may fail to realize all of the benefits anticipated in the Transactions or our operations may be impacted by unanticipated factors. Any of these factors could adversely affect our business and results of operations and contribute to a decrease in the price of our Common Stock. In addition, the market price of our Common Stock may decline when it begins to trade ex-dividend with respect to the special dividend.

***We will become externally managed and advised as result of the Transactions and will no longer have employees to manage our day-to-day activities.***

Upon consummation of the Transactions, we will become externally managed and advised by the New CT Manager, an affiliate of Blackstone. We will no longer have employees and all of our officers will be employees of Blackstone or its affiliates. We will have no separate facilities and will be completely reliant on the New CT Manager, which has significant discretion as to the implementation of our investment and operating policies and strategies.

Our success will depend to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the executive officers and key personnel of the New CT Manager and its affiliates. These individuals will evaluate, negotiate, execute and monitor our investments; therefore, our success will depend on their continued service with the New CT Manager and its affiliates. The departure of one or more of the executive officers or key personnel from the New CT Manager and its affiliates could have a material adverse effect on our performance.

In addition, we can offer no assurance that the New CT Manager will remain our investment manager or that we will continue to have access to the New CT Manager s officers and key personnel. The initial term of the New Management Agreement only extends until the third anniversary of the closing of the Transactions. Thereafter, the New Management Agreement will be renewable for one-year terms; provided, however, that the New CT Manager may terminate the New Management Agreement annually upon 180 days prior notice. If the New Management Agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Furthermore, we may incur certain costs in connection with a termination of the New Management Agreement. See *Termination of the New Management Agreement would be costly.* below.

***Blackstone will have the ability to influence our affairs and the outcome of matters submitted to a vote of stockholders.***

The 5,000,000 shares of our Common Stock acquired by the Purchaser upon consummation of the Transactions will represent approximately [18.2]% of our outstanding Common Stock following such issuance

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(based on the number of shares outstanding as of the date of this proxy statement). The Purchaser will also be entitled to designate two individuals for election to our board of directors, one of whom will be appointed as chairman of our board of directors. The voting power associated with this ownership along with its board designation rights will provide Blackstone the ability to influence our affairs and the outcome of matters required to be submitted to stockholders for approval.

***In the event we experience an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize our net operating losses and net capital losses against future taxable income will be limited, increasing our dividend distribution requirement for which we may not have sufficient cash flow.***

We have substantial net operating and net capital loss carry forwards which we use to offset our taxable income and thereby reduce our tax liability and/or our distribution requirements. In the event that we experience an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, which we refer to as the Internal Revenue Code, our ability to use these losses could be effectively eliminated. We would experience an ownership change if, over a rolling three-year testing period, the percentage of our Common Stock owned by one or more persons who own, directly or constructively, 5% or more of our Common Stock, which we refer to as Five-Percent Stockholders, has increased by more than 50 percentage points over the lowest percentage of our Common Stock owned by such Five-Percent Stockholders during the three-year testing period. Increased ownership by Five-Percent Stockholders can occur as a result of an issuance of stock, such as pursuant to the Purchaser Investment Proposal, as well as by regular trading activity in our Common Stock. Following the Transactions, and assuming the full cashless exercise of the warrants to purchase our Common Stock that we issued in connection with the March 2009 restructuring of our debt obligations at an assumed fair market value of our Common Stock of $4.00 per share, Five-Percent Stockholders would have experienced a net increase in their percentage ownership of our Common Stock of approximately 26 percentage points over the three-year testing period, leaving less than 25 percentage points of increased ownership by Five-Percent Stockholders until we would experience an ownership change. The issuance of our preferred stock purchase rights pursuant to our Rights Agreement deters but does not prevent such an ownership change. We have also exempted Blackstone and its affiliates from certain provisions of the Rights Agreement. See Purchase Agreement Amendment of the Tax Benefits Preservation Rights Agreement beginning on page 61. In addition, if we decide to take steps to preserve these tax benefits, our ability to raise additional capital through offerings of our Common Stock or other classes of our participating stock could be substantially constrained.

***We have agreed to exempt the Purchaser, Blackstone and their respective affiliates from certain statutory anti-takeover protections.***

Pursuant to the Purchase Agreement, our board of directors has (i) amended our bylaws to render the application of Maryland Control Share Acquisition Act inapplicable to any acquisition of Common Stock by (a) the Purchaser and its present affiliates and (b) Blackstone and its present and future affiliates and (ii) irrevocably resolved that the Maryland Business Combination Act will not apply to any business combination (as defined in the Maryland Business Combination Act) of Capital Trust with (a) the Purchaser or its present affiliates or (b) Blackstone and any of its present or future affiliates; provided, however, that the Purchaser or any of its present affiliates and Blackstone and any of its present or future affiliates, shall not enter into any business combination with Capital Trust without the prior approval of at least a majority of the directors who are not affiliates or associates of the Purchaser or Blackstone. The Maryland Control Share Acquisition Act and the Maryland Business Combination Act provide protections that are designed to deter unsolicited takeover attempts and, as a result of these exemptions, those statutory provisions will not be available to deter any transaction involving the Purchaser, Blackstone or their respective affiliates, unless the Purchase Agreement is terminated.

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***Shares eligible for sale in the near future may cause the market price for our Common Stock to decline.***

The Purchaser will own 5,000,000 shares of our Common Stock following the closing of the Transactions for which we have granted registration rights that, beginning on the first anniversary of the closing, will facilitate the resale of such shares in the public market, and any such resale would increase the number of shares of our Common Stock available for public trading. Sales of a substantial number of shares of our Common Stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our Common Stock and may also impair our ability to raise additional capital through the sale of our equity securities in the future.

***Our stockholders will not have the right to appraisal of their investment in our Common Stock in connection with the Transactions.***

There are no appraisal or dissenters rights that are available to our stockholders under Maryland law or our charter or bylaws in connection with the Transactions. As a result, our stockholders will not be able to have the fair value of their investment in our Common Stock judicially appraised and paid to them in cash in connection with the Transactions.

***The amendments to our charter reflected in the Charter Amendment Proposal contain provisions that reduce or eliminate duties of Blackstone and our directors with respect to corporate opportunities and competitive activities.***

The amendments to our charter reflected in the Charter Amendment Proposal effectively eliminate the duties of Blackstone and its affiliates (as such term is defined in the charter amendments), and our directors or any person our directors control to present to us business opportunities or to refrain from competing with us that otherwise may exist in the absence of such amended charter provisions. Under the charter amendments, Blackstone and its affiliates and our directors or any person our directors control will not be obligated to present to us opportunities unless they are expressly offered to such person in his or her capacity as a director or officer of Capital Trust and will be able to engage in competing activities without any restriction imposed as a result of Blackstone s or its affiliates status as a stockholder or Blackstone s affiliates status as officers or directors of Capital Trust.

**Risk Factors Related to Capital Trust as a Result of the Externalization of Management**

***The personnel of the New CT Manager, as our external manager, will not be required to dedicate a specific portion of their time to the management of our business.***

Except as expressly required by the New Management Agreement, neither the New CT Manager nor any other Blackstone affiliate will be obligated to dedicate any specific personnel exclusively to us, nor are they or their personnel obligated to dedicate any specific portion of their time to the management of our business. As a result, we cannot provide any assurances regarding the amount of time the New CT Manager or its affiliates will dedicate to the management of our business and the New CT Manager may have conflicts in allocating its time, resources and services among our business and any other investment vehicles and accounts the New CT Manager (or its personnel) may manage. It is expected that each of our officers following consummation of the Transactions will also be an employee of the New CT Manager or another Blackstone affiliate, who has now or will be expected to have significant responsibilities for other investment vehicles currently managed by Blackstone and its affiliates. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed. The New CT Manager and its affiliates are not restricted from entering into other investment advisory relationships or from engaging in other business activities.

***The New CT Manager manages our portfolio pursuant to very broad investment guidelines and our board of directors will not approve each investment decision made by the New CT Manager, which may result in our making riskier investments with which you may not agree and which could cause our operating results and the value of our Common Stock to decline.***

The New CT Manager will be authorized to follow very broad investment guidelines. Our board of directors will periodically review our investment guidelines and our investment portfolio but will not, and will not be

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required to, review and approve in advance all of our proposed investments. In addition, in conducting periodic reviews, our directors may rely primarily on information provided to them by the New CT Manager or its affiliates. Subject to maintaining our REIT qualification and our exemption from regulation under the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act, the New CT Manager has significant latitude within the broad investment guidelines in determining the types of investments it makes for us, which could result in investment returns that are substantially below expectations or that result in losses, which would cause our operating results and the value of our Common Stock to decline.

***The New CT Manager s fee structure may not create proper incentives or may induce the New CT Manager and its affiliates to make certain investments, including speculative investments, which increase the risk of our investment portfolio.***

We will pay the New CT Manager base management fees regardless of the performance of our portfolio. The New CT Manager s entitlement to a base management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. Because the base management fees are also based in part on our outstanding equity, the New CT Manager may also be incentivized to advance strategies that increase our equity, and there may be circumstances where increasing our equity will not optimize the returns for our stockholders. Consequently, we may be required to pay the New CT Manager base management fees in a particular quarter despite experiencing a net loss or a decline in the value of our portfolio during that quarter. In connection with the Transactions, we also entered into a letter agreement with W. R. Berkley pursuant to which we agreed not to engage in certain offerings of our equity securities following the closing of the Transactions without the approval of a majority of our independent directors. See Voting Agreement Letter Agreement with W. R. Berkley beginning on page 75.

In addition, the New CT Manager has the ability to earn incentive fees each quarter based on our excess earnings, which may create an incentive for the New CT Manager to invest in assets with higher yield potential, which are generally riskier or more speculative, or sell an asset prematurely for a gain, in an effort to increase our short-term net income and thereby increase the incentive fees to which it is entitled. If our interests and those of the New CT Manager are not aligned, the execution of our business plan and our results of operations could be adversely affected, which could materially and adversely affect our ability to make distributions to our stockholders and the market price of our Common Stock.

***We may compete with existing and future private and public investment vehicles established and/or managed by Blackstone or its affiliates, which may present various conflicts of interest that restrict our ability to pursue certain investment opportunities or take other actions that are beneficial to our business and result in decisions that are not in the best interests of our stockholders.***

Following the consummation of the Transactions, we will be subject to conflicts of interest arising out of our relationship with Blackstone, including the New CT Manager and its affiliates. Blackstone will be entitled to appoint two nominees to serve on our board of directors (one of whom will be appointed as chairman of our board of directors), and Stephen D. Plavin, who will continue as our chief executive officer and a member of our board, Geoffrey G. Jervis, who will continue as our chief financial officer, and Thomas C. Ruffing, who will continue as our chief credit officer, will be executives of Blackstone and/or one or more of its affiliates, and we will be managed by the New CT Manager, a Blackstone affiliate. There is no guarantee that the policies and procedures adopted by us, the terms and conditions of the New Management Agreement or the policies and procedures adopted by the New CT Manager, Blackstone and their affiliates, will enable us to identify, adequately address or mitigate these conflicts of interest.

Some examples of conflicts of interest that may arise following consummation of the Transactions by virtue of our relationship with the New CT Manager and Blackstone include:

*Broad and Wide-Ranging Activities*. The New CT Manager, Blackstone and their affiliates engage in a broad spectrum of activities, including a broad range of activities relating to investments in the real

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estate industry. In the ordinary course of their business activities, the New CT Manager, Blackstone and their affiliates may engage in activities where the interests of certain divisions of Blackstone and its affiliates, including the New CT Manager, or the interests of their clients may conflict with the interests of our stockholders.

*Blackstone s Policies and Procedures*. Specified policies and procedures implemented by Blackstone and its affiliates, including the New CT Manager, to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the advantages across Blackstone s and its affiliates various businesses that Blackstone expects to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different asset management, advisory and other businesses, it is subject to a number of actual and potential conflicts of interest, greater regulatory oversight and more legal and contractual restrictions than that to which it would otherwise be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (*e.g.*, information walls) that may reduce the benefits that Blackstone expects to utilize for purposes of identifying and managing its investments. For example, Blackstone may come into possession of material non-public information with respect to companies in which the New CT Manager may be considering making an investment or companies that are Blackstone s and its affiliates advisory clients. As a consequence, that information, which could be of benefit to the New CT Manager, might become restricted to those other businesses and otherwise be unavailable to the New CT Manager, and could also restrict the New CT Manager s activities. Additionally, the terms of confidentiality or other agreements with or related to companies in which any investment vehicle of Blackstone has or has considered making an investment or which is otherwise an advisory client of Blackstone and its affiliates may restrict or otherwise limit the ability of Blackstone or its affiliates, including the New CT Manager, to engage in businesses or activities competitive with such companies.

*Allocation of Investment Opportunities*. Certain inherent conflicts of interest arise from the fact that Blackstone and its affiliates, including the New CT Manager, will provide investment management and other services both to us and to other clients, including funds, client accounts, proprietary accounts and any other private or public investment vehicles that the New CT Manager, Blackstone or their affiliates currently manage or may establish, manage and/or acquire from time to time in which we will not have an interest, which we refer to collectively as the Other Accounts. The respective investment guidelines and programs of our business and the Other Accounts may or may not overlap, in whole or in part, and if there is any such overlap investment opportunities will be allocated between us and the Other Accounts in a manner which may result in fewer investment opportunities being allocated to us than would have otherwise been the case in the absence of such Other Accounts. The New CT Manager, Blackstone or their affiliates may give advice to Other Accounts which may differ from advice given to us even though their investment objectives may be the same or similar to ours. While the New CT Manager will seek to manage potential conflicts of interest in a fair and equitable manner as required pursuant to the New Management Agreement, the portfolio strategies employed by the New CT Manager, Blackstone or their affiliates in managing the Other Accounts could conflict with the strategies employed by the New CT Manager in managing our business and may adversely affect the prices and availability of the securities and instruments in which we invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for both us and the Other Accounts. The New CT Manager will have an investment allocation policy in place which will provide that investment opportunities falling within the shared investment objectives of our business and the Other Accounts will generally be allocated on a basis that the New CT Manager and applicable Blackstone affiliates determine to be fair and reasonable, taking into account a variety of factors. The New CT Manager will be entitled to amend the investment allocation policy at any time without prior notice or our consent. For additional information, see New Management Agreement Additional Activities of the New CT Manager; Allocation of Investment Opportunities; Conflicts of Interest beginning on page 71.

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Orders may be combined for all such accounts, and if any order is not filled at the same price, it may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which the New CT Manager, Blackstone or their affiliates consider appropriate.

From time to time, we and the Other Accounts may make investments at different levels of an issuer s or borrower s capital structure or otherwise in different classes of the same issuer s securities. We may make investments that are senior or junior to, or have rights and interests different from or adverse to, the investments made by Other Accounts. Such investments may conflict with the interests of such Other Accounts in related investments, and the potential for any such conflicts of interests may be heightened in the event of a default or restructuring of any such investments. We, CT Legacy REIT and CTOPI currently hold mortgage and mezzanine loans and other investments in which Blackstone affiliates have interests in the collateral securing or backing such investments. While Blackstone will seek to resolve any such conflicts in a fair and equitable manner in accordance with the investment allocation policy, such transactions shall not be required to be presented to our board of directors for approval, and there can be no assurance that any such conflicts will be resolved in our favor.

*Pursuit of Differing Strategies*. At times, the investment professionals employed by the New CT Manager and other investment vehicles affiliated with the New CT Manager and/or Blackstone may determine that an investment opportunity may be appropriate for only some of the accounts, clients, entities, funds and/or investment companies for which he or she exercises investment responsibility, or may decide that certain of the accounts, clients, entities, funds and/or investment companies should take differing positions with respect to a particular security. In these cases, the investment professionals may place separate transactions for one or more accounts, clients, entities, funds and/or investment companies which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other accounts, clients, entities, funds and/or investment companies. For example, an investment professional may determine that it would be in the interest of another account to sell a security that we hold long, potentially resulting in a decrease in the market value of the security held by us.

*Variation in Financial and Other Benefits*. A conflict of interest arises where the financial or other benefits available to the New CT Manager or its affiliates differ among the accounts, clients, entities, funds and/or investment companies that it manages. If the amount or structure of the base management fee, incentive fee and/or the New CT Manager s compensation differs among accounts, clients, entities, funds and/or investment companies (such as where certain funds or accounts pay higher base management fees, incentive fees or performance-based management fees), the New CT Manager might be motivated to help certain accounts, clients, entities, funds and/or investment companies over others. Similarly, the desire to maintain assets under management or to enhance the New CT Manager s performance record or to derive other rewards, financial or otherwise, could influence the New CT Manager in affording preferential treatment to those accounts, clients, entities, funds and/or investment companies that could most significantly benefit the New CT Manager. The New CT Manager may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor such accounts, clients, entities, funds and/or investment companies. Additionally, the New CT Manager might be motivated to favor accounts, clients, entities, funds and/or investment companies in which it has an ownership interest or in which Blackstone and/or its affiliates have ownership interests. Conversely, if an investment professional at the New CT Manager does not personally hold an investment in the fund but holds investments in other Blackstone affiliated vehicles, such investment professional s conflicts of interest with respect to us may be more acute.

*Investment Banking, Advisory and Other Relationships*. As part of its regular business, Blackstone provides a broad range of investment banking, advisory, and other services. In the regular course of its investment banking and advisory businesses, Blackstone represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and

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institutions, with respect to transactions that could give rise to investments that are suitable for us. Blackstone will be under no obligation to decline any such engagements in order to make an investment opportunity available to us. In connection with its investment banking, advisory and other businesses, Blackstone may come into possession of information that limits its ability to engage in potential transactions. Our activities may be constrained as a result of the inability of Blackstone personnel to use such information. For example, employees of Blackstone not serving as employees of the New CT Manager may be prohibited by law or contract from sharing information with members of the New CT Manager s investment team. Additionally, there may be circumstances in which one or more of certain individuals associated with Blackstone will be precluded from providing services to the New CT Manager because of certain confidential information available to those individuals or to other parts of Blackstone. In certain sell-side assignments, the seller may permit us to act as a participant in such transaction, which would raise conflicts of interest inherent in such a situation.

Blackstone has long-term relationships with a significant number of corporations and their senior management. In determining whether to invest in a particular transaction on our behalf, the New CT Manager may consider those relationships (subject to its obligations under the Management Agreement), which may result in certain transactions that the New CT Manager will not undertake on our behalf in view of such relationships.

Blackstone and its affiliates may represent creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time, the New CT Manager, Blackstone and their affiliates may serve as advisor to creditor or equity committees. This involvement, for which the New CT Manager, Blackstone and their affiliates may be compensated, may limit or preclude the flexibility that we may otherwise have to participate in restructurings.

*Service Providers*. Our service providers (including lenders, brokers, attorneys, and investment banking firms) may be sources of investment opportunities, counterparties therein or advisors with respect thereto. This may influence the New CT Manager in deciding whether to select such a service provider. In addition, in instances where multiple Blackstone businesses may be exploring a potential individual investment, certain of these service providers may choose to be engaged by other Blackstone affiliates rather than us.

*Material, Non-Public Information*. The New CT Manager or certain of its affiliates may come into possession of material non-public information with respect to an issuer. Should this occur, the New CT Manager may be restricted from buying or selling securities, derivatives or loans of the issuer on our behalf until such time as the information becomes public or is no longer deemed material. Disclosure of such information to the personnel responsible for management of our business may be on a need-to-know basis only, and we may not be free to act upon any such information. Therefore, we and/or the New CT Manager may not have access to material non-public information in the possession of Blackstone which might be relevant to an investment decision to be made by the New CT Manager on our behalf, and the New CT Manager may initiate a transaction or sell an investment which, if such information had been known to it, may not have been undertaken. Due to these restrictions, the New CT Manager may not be able to initiate a transaction on our behalf that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

*Possible Future Activities*. The New CT Manager and its affiliates may expand the range of services that they provide over time. Except as and to the extent expressly provided in the New Management Agreement, the New CT Manager and its affiliates will not be restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. The New CT Manager, Blackstone and their affiliates continue to develop relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by us. These clients may themselves represent appropriate investment opportunities for us or may compete with us for investment opportunities.

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*Transactions with Other Accounts*. From time to time, we may enter into purchase and sale transactions with Other Accounts. Such transactions will be conducted in accordance with, and subject to, the terms and conditions of the New Management Agreement and our code of business conduct and ethics, which we intend to modify upon the closing of the Transactions. See Interests of Certain Persons in the Transactions Policy on Transactions with Related Persons beginning on page 44.

*Other Affiliate Transactions*. The New CT Manager may on our behalf acquire debt issued by a borrower in which a separate equity or another debt investment has been made by Blackstone or its other affiliates. When making such investments, there may be conflicting interests. There can be no assurance that the return on our investment will be equivalent to or better than the returns obtained by Blackstone or its other affiliates.

Further conflicts could arise once we and Blackstone or its affiliates have made their respective investments. For example, if a company goes into bankruptcy or reorganization, becomes insolvent or otherwise experiences financial distress or is unable to meet its payment obligations or comply with covenants relating to securities held by us or by the Blackstone or its affiliates, Blackstone or its affiliates may have an interest that conflicts with our interests. If additional financing is necessary as a result of financial or other difficulties, it may not be in our best interests to provide such additional financing. If Blackstone or its affiliates were to lose their respective investments as a result of such difficulties, the ability of the New CT Manager to recommend actions in our best interests might be impaired.

*Restrictions Arising under the Securities Laws*. The activities of Blackstone and the New CT Manager (including, without limitation, the holding of securities positions or having one of its employees on the board of directors of a company) could result in securities law restrictions on transactions in securities held by us, affect the prices of such securities or the ability of such entities to purchase, retain or dispose of such investments, or otherwise create conflicts of interest, any of which could have an adverse impact on the performance of our business and thus the return to our stockholders.

***Termination of the New Management Agreement would be costly.***

Termination of the New Management Agreement without cause will be difficult and costly. Our independent directors will review the New CT Manager s performance annually and, following the initial three-year term, the New Management Agreement may be terminated each year upon the affirmative vote of at least two-thirds of our independent directors, based upon a determination that (i) the New CT Manager s performance is unsatisfactory and materially detrimental to us or (ii) the base management fee and incentive fee payable to the New CT Manager are not fair (provided that in this instance, the New CT Manager will be afforded the opportunity to renegotiate the management fee and incentive fees prior to termination). We are required to provide the New CT Manager with 180 days prior notice of any such termination. Additionally, upon such a termination, or if we materially breach the New Management Agreement and the New CT Manager terminates the New Management Agreement, the New Management Agreement provides that we will pay the New CT Manager a termination fee equal to three times the sum of the average annual base management fee and the average annual incentive fee earned during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. These provisions increase the cost to us of terminating the New Management Agreement and adversely affect our ability to terminate the New CT Manager without cause.

***The New CT Manager maintains a contractual as opposed to a fiduciary relationship with us. The New CT Manager s liability is limited under the New Management Agreement and we have agreed to indemnify the New CT Manager against certain liabilities.***

Pursuant to the New Management Agreement, the New CT Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. The New CT Manager maintains a

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contractual as opposed to a fiduciary relationship with us. Under the terms of the New Management Agreement, the New CT Manager and its affiliates and their respective directors, officers, employees and stockholders will not be liable to us, our directors, our stockholders or any subsidiary of ours, or their directors, officers, employees or stockholders for any acts or omissions performed in accordance with and pursuant to the New Management Agreement, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the New Management Agreement. We have agreed to indemnify the New CT Manager and its affiliates and their respective directors, officers, employees and stockholders with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts or omissions of the New CT Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed or not performed in good faith in accordance with and pursuant to the New Management Agreement. As a result, we could experience poor performance or losses for which the New CT Manager would not be liable.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This proxy statement may contain forward looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act of 1934, as amended, which we refer to as the Exchange Act, which involve certain risks and uncertainties. Forward-looking statements may describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. These forward looking statements are identified by their use of such terms and phrases as intend, goal, estimate, expect, project, projections, plans, seeks, anticipates, should, could, may, designed to, foreseeable future, believe, and scheduled expressions. Our actual results or outcomes may differ materially from those anticipated. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made. We assume no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Our actual results may differ significantly from any results expressed or implied by these forward looking statements. Some, but not all, of the factors that might cause such a difference include, but are not limited to:

- the effects of the recent dislocation in the financial markets and general economic recession upon our ability to invest and manage our investments;
- the general political, economic and competitive conditions in the United States and foreign jurisdictions where we invest;
- the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets;
- adverse changes in the real estate and real estate capital markets;
- difficulty in obtaining financing or raising capital, especially in the current constrained financial markets;
- the deterioration of performance and thereby credit quality of property securing our investments, borrowers and, in general, the risks associated with the ownership and operation of real estate that may cause cash flow deterioration to us and potentially principal losses on our investments;
- a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us;
- adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise;
- events, contemplated or otherwise, such as acts of God including hurricanes, earthquakes, and other natural disasters, acts of war and/or terrorism (such as the events of September 11, 2001) and others that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investment;
- the cost of operating our platform, including, but not limited to, the cost of operating a real estate investment platform and the cost of operating as a publicly traded company;

authoritative generally accepted accounting principles, or GAAP, or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the SEC, Internal Revenue Service, the NYSE, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business; and

the risk factors set forth above and those set forth in Item 1A of our annual report on Form 10-K for fiscal year ended December 31, 2011 set forth in Annex D and Exhibit 99.1 of our quarterly report on Form 10-Q for our fiscal quarter ended June 30, 2012 set forth in Annex E.

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## HISTORICAL AND PRO FORMA CAPITALIZATION

The following table sets forth our historical capitalization as of June 30, 2012 and a pro forma capitalization as of June 30, 2012 giving pro forma effect to the Investment Management Business Sale contemplated in Proposal 1 and the Purchaser Investment contemplated in Proposal 2. The information set forth in the table below should be read in conjunction with the unaudited pro forma financial statements and related notes included elsewhere in this proxy statement.

**Capital Trust, Inc. and Subsidiaries Pro Forma Capitalization as of June 30, 2012 (in thousands, except per share data)**

**(unaudited)**

| | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|
| | Actual | Principal Transactions | CDO De-Consolidation | Pro Forma Presentation | Notes |
| **Cash and cash equivalents** | $ 34,604 | $ 23,356 | $ | $ 57,960 | (1)(2)(3) |
| **Restricted cash** | 15,433 | | | 15,433 | (4) |
| **Debt:** | | | | | |
| Secured Notes | 8,176 | | | 8,176 | |
| Securitized debt obligations | 518,140 | | (364,509) | 153,631 | (5) |
| **Total debt** | 526,316 | | (364,509) | 161,807 | |
| **Equity:** | | | | | |
| Class A common stock, $0.01 par value | 220 | 53 | | 273 | (2)(6) |
| Restricted class A common stock, $0.01 par value | 5 | (5) | | | (6) |
| Additional paid-in capital | 597,344 | 8,104 | | 605,448 | (2)(7) |
| Accumulated other comprehensive loss | (33,679) | | 33,679 | | (5) |
| Accumulated deficit | (598,275) | (539) | 55,967 | (542,847) | (5) |
| Total Capital Trust, Inc. shareholders (deficit) equity | (34,385) | 7,613 | 89,646 | 62,874 | |
| Noncontrolling interests | 56,625 | | | 56,625 | |
| **Total equity** | 22,240 | 7,613 | 89,646 | 119,499 | |
| **Total Capitalization** | $ 548,556 | $ 7,613 | ($ 274,863) | $ 281,306 | |

(1) Assumes a purchase price for the Investment Management Business Sale of $20.3 million (the CT Investment Management Interests Purchase Price, as adjusted for information known as of the date of the proxy statement. See Purchase Agreement Adjustment to the CT Investment Management Interests Purchase Price beginning on page 46), as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82, and related transaction expenses of $6.2 million.

(2) Assumes the issuance and sale of 5,000,000 shares of our Common Stock, at a sale price of $2.00 per share, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.

(3) The pro forma balance does not reflect the contemplated special dividend of $2.00 per share, which, if the Transactions are completed, will be payable to stockholders of record of our Common Stock as of the close of business on the record date for the special meeting, which will reduce cash and cash equivalents by approximately $45.2 million, based on the number of shares outstanding as of the record date.

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(4) Restricted cash represents the cash of CT Legacy REIT, which is a majority owned, consolidated subsidiary as of June 30, 2012. See our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 attached hereto as Annex E for additional information concerning CT Legacy REIT.

(5) The pro forma balance excludes the accounts of CT CDO II and CT CDO IV, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

(6) Assumes the vesting of all 597,000 shares of restricted Common Stock and Common Stock underlying the deferred stock units, offset by 239,000 shares which will be cancelled as a result of tax withholdings on the vesting of restricted stock.

(7) Assumes offering costs of $1.4 million related to the Purchaser Investment, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma financial statements assume completion of the Investment Management Business Sale and our entry into the New Management Agreement contemplated in Proposal 1 and the Purchaser Investment contemplated in Proposal 2, in each case between us and the Purchaser or its affiliates. The pro forma financial statements are based on and should be read in conjunction with the historical consolidated financial statements of Capital Trust incorporated by reference herein and contained in Annexes D and E hereto. The following pro forma consolidated balance sheet as of June 30, 2012 assumes that each of the Investment Management Business Sale and the Purchaser Investment occurred on June 30, 2012. The following pro forma consolidated statements of operations for the year ended December 31, 2011 and the six months ended June 30, 2012 assume that the Investment Management Business Sale, including entering into of the New Management Agreement, and the Purchaser Investment occurred on January 1, 2011. The following pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have occurred if the Investment Management Business Sale, including entering into of the New Management Agreement, and the Purchaser Investment had been consummated on the dates indicated, nor is it indicative of future operating results or financial position.

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**Capital Trust, Inc. and Subsidiaries Pro Forma Consolidated Balance Sheet as of June 30, 2012 (in thousands)**

**(unaudited)**

| | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|
| | Actual | Principal Transactions | CDO De-Consolidation | Pro Forma Presentation | Notes |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 34,604 | $ 23,356 | $ | $ 57,960 | (1)(2)(3) |
| Loans receivable, net | 1,619 | | | 1,619 | |
| Equity investments in unconsolidated subsidiaries | 17,978 | (14,318) | | 3,660 | (4) |
| Deferred income taxes | 2,727 | (2,727) | | | (5) |
| Prepaid expenses and other assets | 2,207 | (1,836) | | 371 | |
| Subtotal | 59,135 | 4,475 | | 63,610 | |
| Assets of Consolidated Entities | | | | | |
| **CT Legacy REIT** | | | | | |
| Restricted cash | 15,433 | | | 15,433 | |
| Investment in CT Legacy Asset, at fair value | 90,700 | | | 90,700 | |
| Subtotal | 106,133 | | | 106,133 | |
| **Securitization Vehicles** | | | | | |
| Securities held-to-maturity | 166,630 | | (166,630) | | (6) |
| Loans receivable, net | 241,644 | | (120,653) | 120,991 | (6) |
| Accrued interest receivable and other assets | 10,695 | | (9,259) | 1,436 | (6) |
| Subtotal | 418,969 | | (296,542) | 122,427 | |
| Total assets | $ 584,237 | $ 4,475 | ($ 296,542) | $ 292,170 | |
| **Liabilities & Equity** | | | | | |
| Liabilities: | | | | | |
| Accounts payable, accrued expenses and other liabilities | $ 12,320 | ($ 3,139) | $ | $ 9,181 | |
| Secured notes | 8,176 | | | 8,176 | |
| Participations sold | 1,619 | | | 1,619 | |
| Subtotal | 22,115 | (3,139) | | 18,976 | |
| Non-Recourse Liabilities of Consolidated Entities | | | | | |
| **Securitization Vehicles** | | | | | |
| Accounts payable, accrued expenses and other liabilities | 549 | | (485) | 64 | (6) |
| Securitized debt obligations | 518,140 | | (364,509) | 153,631 | (6) |
| Interest rate hedge liabilities | 21,193 | | (21,193) | | (6) |
| Subtotal | 539,882 | | (386,187) | 153,695 | |
| Total liabilities | 561,997 | (3,139) | (386,187) | 172,671 | |

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| | Actual | Pro Forma Adjustments: Principal Transactions | Pro Forma Adjustments: CDO De-Consolidation | Pro Forma Presentation | Notes |
|---|---|---|---|---|---|
| Equity: | | | | | |
| Class A common stock, $0.01 par value | 220 | 53 | | 273 | (2)(7) |
| Restricted class A common stock, $0.01 par value | 5 | (5) | | | (7) |
| Additional paid-in capital | 597,344 | 8,104 | | 605,448 | (2)(8) |
| Accumulated other comprehensive loss | (33,679) | | 33,679 | | (6) |
| Accumulated deficit | (598,275) | (539) | 55,967 | (542,847) | (6) |
| Total Capital Trust, Inc. shareholders (deficit) equity | (34,385) | 7,613 | 89,646 | 62,874 | |
| Noncontrolling interests | 56,625 | | | 56,625 | |
| Total equity | 22,240 | 7,613 | 89,646 | 119,499 | |
| Total liabilities and equity | $ 584,237 | $ 4,474 | ($ 296,541) | $ 292,170 | |

(1) Assumes a purchase price for the Investment Management Business Sale of $20.3 million (the CT Investment Management Interests Purchase Price, as adjusted for information known as of the date of the proxy statement. See Purchase Agreement Adjustment to the CT Investment Management Interests Purchase Price beginning on page 46), as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82, and related transaction expenses of $6.2 million.

(2) Assumes the issuance and sale of 5,000,000 shares of our Common Stock, at a sale price of $2.00 per share, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.

(3) The pro forma balance sheet does not reflect the contemplated special dividend of $2.00 per share, which, if the Transactions are completed, will be payable to stockholders of record of our Common Stock as of the close of business on the record date for the special meeting, which will reduce cash and cash equivalents by approximately $45.2 million, based on the number of shares outstanding as of the record date.

(4) The pro forma balance sheet reflects the value of our retained interests in CTOPI as of June 30, 2012, assuming the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

(5) All deferred tax assets as of June 30, 2012 relate to the operations of CTIMCO.

(6) The pro forma balance sheet excludes the accounts of CT CDO II and CT CDO IV, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

(7) Assumes the vesting of all 597,000 shares of restricted Common Stock and Common Stock underlying deferred stock units, offset by 239,000 shares which will be cancelled as a result of tax withholdings on the vesting of restricted stock.

(8) Assumes offering costs of $1.4 million related to the Purchaser Investment, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85.

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**Capital Trust, Inc. and Subsidiaries**

**Pro Forma Consolidated Statement of Operations**

**Six Months Ended June 30, 2012**

**(in thousands, except share and per share data)**

**(unaudited)**

| | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|
| | Actual | Principal Transactions | CDO De-Consolidation | Pro Forma Presentation | Notes |
| Income from loans and other investments: | | | | | |
| Interest and related income | $ 21,479 | $ | ($ 11,753) | $ 9,726 | (1) |
| Less: Interest and related expenses | 28,754 | | (9,570) | 19,184 | (1) |
| Income from loans and other investments, net | (7,275) | | (2,183) | (9,458) | |
| Other revenues: | | | | | |
| Management fees from affiliates | 3,195 | (3,195) | | | |
| Servicing fees | 3,385 | (3,385) | | | |
| Total other revenues | 6,580 | (6,580) | | | |
| Other expenses: | | | | | |
| General and administrative | 9,052 | (6,444) | (158) | 2,450 | (1)(2) |
| Total other expenses | 9,052 | (6,444) | (158) | 2,450 | |
| Total other-than-temporary impairments of securities | | | | | |
| Portion of other-than-temporary impairments of securities recognized in other comprehensive income | (160) | | 160 | | (1) |
| Net impairments recognized in earnings | (160) | | 160 | | |
| Recovery of provision for loan losses | 8 | | (8) | | (1) |
| Fair value adjustment on investment in CT Legacy Assets | 7,657 | | | 7,657 | |
| Gain on deconsolidation of subsidiary | 146,380 | | | 146,380 | |
| Income from equity investments | 901 | (901) | | | |
| Income before income taxes | 145,039 | (1,037) | (1,873) | 142,129 | |
| Income tax provision | 1,066 | (765) | | 301 | |
| Net income | 143,973 | (272) | (1,873) | 141,828 | |
| Less: Net income attributable to noncontrolling interests | (75,137) | | 558 | (74,579) | (1) |
| Net income attributable to Capital Trust, Inc. | $ 68,836 | ($ 272) | ($ 1,315) | $ 67,249 | |

| | | | | |
|---|---|---|---|---|
| Per share information: | | | | |
| Net income per share of Common Stock: | | | | |
| Basic | $ 3.01 | | $ 2.38 | (3) |
| Diluted | $ 2.83 | | $ 2.26 | (3) |
| Weighted average shares of Common Stock outstanding: | | | | |
| Basic | 22,865,819 | 5,395,505 | 28,261,324 | (3) |
| Diluted | 24,353,388 | 5,395,505 | 29,748,893 | (3) |

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(1) The pro forma balance excludes the accounts of CT CDO II, CT CDO IV, and MSC 2007-XLCA, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

(2) Includes a $125,000 management fee expense which would have been paid during the period pursuant to the New Management Agreement with the New CT Manager, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

(3) Pro forma earnings per share and diluted earnings per share include the 5,000,000 shares which will be issued and sold, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85, offset by 239,000 shares which will be canceled as a result of tax withholdings on the vesting of restricted Common Stock.

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**Capital Trust, Inc. and Subsidiaries Pro Forma Consolidated Statement of Operations Year Ended December 31, 2011 (in thousands, except share and per share data) (unaudited)**

| | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|
| | Actual | Principal Transactions | CDO De-Consolidation | Pro Forma Presentation | Notes |
| Income from loans and other investments: | | | | | |
| Interest and related income | $ 117,162 | ($ 1) | ($ 51,397) | $ 65,764 | (1) |
| Less: Interest and related expenses | 96,974 | | (38,980) | 57,994 | (1) |
| Income from loans and other investments, net | 20,188 | (1) | (12,417) | 7,770 | |
| Other revenues: | | | | | |
| Management fees from affiliates | 6,618 | (6,618) | | | |
| Servicing fees | 8,497 | (8,497) | | | |
| Total other revenues | 15,115 | (15,115) | | | |
| Other expenses: | | | | | |
| General and administrative | 23,867 | (13,746) | (566) | 9,555 | (1)(2) |
| Total other expenses | 23,867 | (13,746) | (566) | 9,555 | |
| Total other-than-temporary impairments of securities | (49,309) | | 26,858 | (22,451) | (1) |
| Portion of other-than-temporary impairments of securities recognized in other comprehensive income | 1,243 | | (5,206) | (3,963) | (1) |
| Impairment of real estate held-for-sale | (1,055) | | 1,055 | | (1) |
| Net impairments recognized in earnings | (49,121) | | 22,707 | (26,414) | |
| Recovery of provision for loan losses | 19,326 | | 9,737 | 29,063 | (1) |
| Valuation allowance on loans held-for-sale | (1,456) | | | (1,456) | |
| Gain on extinguishment of debt | 271,031 | | | 271,031 | |
| Income from equity investments | 3,649 | (3,649) | | | |
| Income before income taxes | 254,865 | (5,019) | 20,593 | 270,439 | |
| Income tax provision | 2,546 | (1,121) | | 1,425 | |
| Net income | 252,319 | (3,898) | 20,593 | 269,014 | |
| Less: Net income attributable to noncontrolling interests | 5,823 | | 7,671 | 13,494 | (1) |
| Net income attributable to Capital Trust, Inc. | $ 258,142 | ($ 3,898) | $ 28,264 | $ 282,508 | |
| Per share information: | | | | | |
| Net income per share of Common Stock: | | | | | |
| Basic | $ 11.39 | | | $ 10.30 | (3) |
| Diluted | $ 10.78 | | | $ 9.84 | (3) |

| | | | | |
|---|---|---|---|---|
| Weighted average shares of Common Stock outstanding: | | | | |
| Basic | 22,660,429 | 4,761,386 | 27,421,815 | (3) |
| Diluted | 23,950,425 | 4,761,386 | 28,711,811 | (3) |

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(1) The pro forma balance excludes the accounts of CT CDO II, CT CDO IV, and MSC 2007-XLCA, which will no longer be consolidated as a result of the Investment Management Business Sale, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82.

(2) Includes a $250,000 management fee expense which would have been paid during the period pursuant to the New Management Agreement with the New CT Manager, as more fully described in Proposal 1 Investment Management Business Sale Proposal beginning on page 82. Excludes $2.8 million of estimated transaction costs, which will be recognized through net income as a result of the Transactions. Also excludes $1.2 million of non-cash compensation expense associated with the unvested portion of the 537,000 shares of restricted Common Stock outstanding as of June 30, 2012.

(3) Pro forma earnings per share and diluted earnings per share include the 5,000,000 shares which will be issued and sold, as more fully described in Proposal 2 Purchaser Investment Proposal beginning on page 85, offset by 239,000 shares which will be canceled as a result of tax withholdings on the vesting of restricted Common Stock.

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## BACKGROUND OF THE TRANSACTIONS AND RECOMMENDATION

In 2008 and 2009, the U.S. and other financial markets experienced extreme dislocations and a severe contraction in available liquidity as important segments of the credit markets froze. This disruption impacted commercial real estate markets as property owners and operators experienced distress and declining real estate values. Our business and financial condition were negatively impacted by these developments, which resulted in significant impairments to our portfolio of investments and an inability to refinance our significant maturing debt obligations. In March 2009, in the face of these maturities, we successfully negotiated an interim restructuring of substantially all of our recourse debt obligations, modifying their terms and extending their maturity until 2011.

Subsequently, our board of directors, in consultation with our management, determined that the leverage in our business when assessed with conditions in our portfolio investments was not sustainable for the long term. Under the direction of our board of directors, we proceeded to explore a permanent comprehensive restructuring that would stabilize our business. This exploration culminated in the restructuring that was completed in March 2011, leaving us free of recourse debt at our corporate parent level. The restructuring involved the contribution of substantially all of our legacy assets into a newly formed subsidiary CT Legacy REIT. CT Legacy REIT assumed all of our remaining secured recourse debt, and our former unsecured lenders converted their loans into debt and equity interests in CT Legacy REIT. The transaction required certain payments to our lenders and these payments were financed primarily by a mezzanine loan provided by a third party, which also received an equity interest in CT Legacy REIT. Following this restructuring, we retained a 52% equity interest in the common stock of CT Legacy REIT, subject to claims on the cash flows generated from our interest under agreements with certain of our former lenders and our management, allowing us to participate in the net recovery of our legacy portfolio investments. In addition, we retained 100% ownership of our investment management and special servicing business operated through our subsidiary, CTIMCO.

Following our March 2011 debt restructuring, our management explored the possibility of raising capital in order to maintain and grow our commercial real estate debt business. Our management pursued discussions with potential underwriters and sources of both public and private equity capital. At the conclusion of these efforts, our management and board of directors determined that our ability to raise capital would depend upon a material investment from existing or new sponsors.

During late 2011 and early 2012, our management, after consultation with our board of directors, expanded on its prior efforts and contacted various investment banking firms, private equity firms and strategic investors to explore opportunities for raising capital and other potential strategic alternatives. Management updated our board of directors on these efforts and discussions they had with various parties. To facilitate these discussions, we entered into confidentiality agreements with several parties, including Blackstone, and provided certain of these parties with access to non-public information concerning our business and assets. As discussions with third parties continued in early January 2012, 16 parties had preliminarily indicated an interest in pursuing a strategic transaction with the company. These parties were potentially interested in transactions that would involve a sale of all or part of our business. One party submitted a proposal outlining terms of a potential transaction that was distributed to our board of directors.

A telephonic meeting of our board of directors was convened on February 27, 2012 for our management to update our board of directors on its efforts and the strategic alternatives that were potentially available based on our management s discussions with interested third parties. During the meeting, our management described the components of value at the company, comprised of financial assets, such as our investment in CT Legacy REIT, and operating assets, such as our investment management and special servicing business. Our management cautioned the board that any effort to monetize our interest in the company s financial assets likely could only be achieved at prices that represented a substantial discount to our management s view of fair value. Our management also described how our investment management and special servicing business, while currently profitable, were facing pressure to replace diminishing assets in order to maintain or increase management and attendant fee income. Management underscored that without significant new capital, we would face declining

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revenues and eventually unprofitable operations. Our management noted that, without a solution that would raise significant capital to resume investment activities or an alternative that would address our cost structure, it would increasingly be more difficult to operate and retain Capital Trust s talented professionals. Our management suggested four alternative solutions: (i) remain public and recapitalize with a material investment from existing sponsors, (ii) remain public and raise capital with the benefit of a material investment from a new sponsor, (iii) go private with financing provided by existing sponsors, or (iv) effect a sale of the company to a public or private buyer. After considering management s presentation and information concerning potential strategic alternatives, our board of directors determined it should hold another meeting to explore further the potentially available strategic alternatives and instructed our management to provide a more detailed analysis of strategic alternatives and management s recommendations.

On March 28, 2012, our board of directors reconvened to review the strategic alternatives available to Capital Trust. Our board of directors reviewed our recent achievements: the completion of our March 2011 comprehensive debt restructuring, the growth in our special servicing business and the continued advancement of our investment management business. Our board of directors recognized that there was value in our operating platform when considering the significant qualifications and experience of our management team and the favorable reputation it had developed in the market for its origination, asset management and special servicing capabilities, and the interest in the business expressed by third parties. Our board discussed various strategic alternatives and the execution and other challenges associated with them, including a sale of Capital Trust to a public or private buyer, a business plan focused on investment management, the sale of our interest in CT Legacy REIT and the sale of our CTIMCO operated investment management and special servicing businesses as part of a management externalization transaction. Representatives of our legal counsel, Paul Hastings LLP, which we refer to as Paul Hastings, advised the board on its duties as it considered strategic alternatives. During the meeting, a consensus developed that we should more directly explore strategic alternatives involving third party capital, including a sale of all or part of our business.

During the meeting, Joshua A. Polan, a director who serves on our board of directors as a designee of W. R. Berkley, a significant stockholder which holds through its affiliates approximately [17.1]% of our outstanding Common Stock and which is an investment management client of CTIMCO, expressed W. R. Berkley s interest in participating in the strategic alternatives review process and exploring a potential strategic transaction with Capital Trust. Our board addressed the potential conflict of interest that would exist for Mr. Polan in light of W. R. Berkley s interest and concluded Mr. Polan should recuse himself from participation in board meetings during which strategic alternatives were addressed or considered. Mr. Polan then recused himself from the meeting.

During that same meeting on March 28, 2012, our board of directors concluded that we would benefit from the advice and assistance of a financial advisor and that given a transaction could involve a role for management and the interest expressed by W. R. Berkley, our board of directors should form a special committee of independent and disinterested directors to oversee the strategic alternatives review process and engage a financial advisor. Our board designated Thomas E. Dobrowski, Martin L. Edelman and Henry N. Nassau, independent and disinterested members of our board of directors, to serve on the special committee. After the meeting, W. R. Berkley entered into a confidentiality agreement with us and was provided access to non-public information.

On April 10, 2012, acting by written consent, our board of directors formally appointed Messrs. Dobrowski, Edelman and Nassau to serve as members of the special committee and established the committee s mandate. Our board delegated to the special committee, among other things, the exclusive power and authority to determine whether a sale of all or a portion of our business or some other transaction relating to a change of control was in the best interests of Capital Trust and its stockholders.

On April 10, 2012, the special committee held a meeting during which Mr. Edelman was appointed chairman of the committee. Representatives of Evercore and Paul Hastings were in attendance at this meeting. During this meeting, Mr. Edelman reviewed the multiple discussions he had had with representatives from Evercore Group L.L.C., which we refer to as Evercore, an investment banking firm under consideration for

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engagement as the committee s financial advisor, concerning Evercore s qualifications and background in strategic transactions in the real estate sector. The special committee then reviewed the previous efforts undertaken by management with potential transaction counterparties, the level of interest indicated and the status of discussions. The representatives of Evercore then shared their views and recommendations for expanding on these efforts in order to gauge the level of interest of additional parties, and proposed a general process and timetable for the special committee to consider. The representatives from Evercore then departed the meeting, and before it was adjourned, the special committee agreed to engage Evercore as its financial adviser upon satisfactory agreement on proposed fees and confirmation of the lack of any conflicting relationship with W. R. Berkley given its participation in the process. The lack of any relationship was subsequently confirmed by Evercore, and Evercore was subsequently engaged.

On April 17, 2012, the special committee held a meeting during which our management provided an update on their ongoing discussions with five interested parties engaged in discussions with management. The special committee agreed with Evercore s recommendation that it solicit the interest of additional parties. A representative from Evercore then addressed their recommendation for a formal process to determine what parties were interested in submitting proposals and their level of interest and the advantages of setting a uniform deadline for the submission of formal proposals. The committee selected May 18, 2012 as the deadline for the submission of proposals.

On April 20, 2012, at the direction of the special committee, Evercore distributed a bid process letter to the four parties that had continued to indicate an interest in pursuing a strategic transaction with Capital Trust, including W. R. Berkley, which letter outlined a process for submitting non-binding proposals for a strategic transaction. The bid process letter contemplated that the proposals could relate to an acquisition of our entire company or of only selected subsets of our assets. The letter advised the recipients that our board of directors expected that parties submitting proposals would ultimately provide their views of value (and the underlying assumptions) of all components of their bids. Consistent with the special committee s direction, the bid process letter established May 18, 2012 as the deadline for submission of proposals. The bid process letter was not provided to Blackstone, which at this stage was not an active participant in the process.

During April and May 2012, at the direction of the special committee, before and after the bid process letter was distributed, Evercore contacted multiple third parties (including five parties with which our management previously had discussions prior to the formation of the special committee) to explore whether such parties had an interest in pursuing a potential strategic transaction. In its solicitations, Evercore targeted an array of different types of potential transaction counterparties, such as REITs and other real estate owners, diversified financial institutions, commercial mortgage servicers and financial sponsors with an interest in commercial real estate, including Blackstone. Of the parties Evercore contacted on our behalf, including those previously in discussions with our management, 17 executed confidentiality agreements and had access to non-public information.

The special committee held meetings on May 8 and 9, 2012 during which it was updated on Evercore s efforts to solicit additional parties to explore a strategic transaction with us and the status of discussions with the parties that had already expressed an interest in such a transaction, including W. R. Berkley. During these meetings, which were also attended by our management and representatives of Paul Hastings and Evercore, our management reported that W. R. Berkley intended to submit a proposal prior to the deadline set in the bid process letter and that it intended to file an amendment to its Schedule 13D beneficial ownership statement on file with the SEC in order to reflect its proposal.

The special committee met again on May 14, 2012 and decided that it was advisable for the company to issue a press release announcing that it had initiated a process to review strategic alternatives. During the meeting, Paul Hastings related conversations it had with W. R. Berkley and its counsel regarding W. R. Berkley s plans to file a Schedule 13D amendment. The special committee decided that, in order to provide more time for the market to consider the company s announcement and W. R. Berkley s Schedule 13D disclosure, it would extend until May 23, 2012 the deadline for submission of proposals and instructed the representatives of Evercore in attendance at the meeting to update the parties that had been provided with the bid process letter.

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The closing price of our Common Stock on May 14, 2012 was $2.60. On May 15, 2012, we issued a press release publicly announcing the formation of the special committee and the commencement of our review of strategic alternatives.

At a meeting of the special committee held on May 22, 2012, Evercore advised the special committee of the various communications it had with additional parties that had contacted Evercore to explore participating in the process following our public announcement regarding our review of strategic alternatives. The special committee determined with advice of our management and representatives of Evercore and Paul Hastings that Evercore and our management should continue to engage with these parties, but that it was otherwise advisable to proceed as planned and not further extend the previously established May 23, 2012 deadline for the submission of proposals.

On May 22, 2012, following Evercore s communications with Blackstone, we entered into an amendment to the confidentiality agreement with Blackstone that the parties had entered into on January 18, 2012. Following the execution of the amendment, which extended the outside date for use of the confidential information, Blackstone obtained access to the available non-public information.

We received four preliminary written non-binding indications of interest on or before the May 23, 2012 deadline. Bidder 1, a publicly traded alternative asset manager, submitted a proposal to acquire all of our outstanding Common Stock in exchange for shares of the bidder valued at $79.4 million, or $3.25 per share of our Common Stock on a fully diluted basis. Bidder 2, a privately held real estate firm, proposed to purchase our entire interest in CT Legacy REIT, our entire interest in CTIMCO (including related liabilities) and the related carried and co-investment interests in CTIMCO s managed private funds and 9.9% of our Common Stock for $75 million in cash, following which we would be externally managed by CTIMCO. Bidder 3, a private equity fund manager, submitted two alternative proposals. The first alternative provided for the acquisition of all of our Common Stock for $1.80 per share in cash and the payment of a $1.45 per share special cash dividend funded from our existing cash, reflecting total cash consideration to stockholders of $3.25 per share of our Common Stock. The second alternative provided for the purchase of our entire interest in CTIMCO (on a cash free and debt free basis) and the related co-investment interests in CTIMCO s managed private funds for $20 million in cash, following which we would be externally managed by CTIMCO. W. R. Berkley, Bidder 4, proposed to purchase our entire interest in CTIMCO (including the CTOPI carried interest and the assumption of the CTOPI and CT Legacy REIT incentive compensation obligations) and the related co-investment interests in CTIMCO s managed private funds for $25 to $30 million in cash, subject to a minimum $7.5 million in tangible equity in CTIMCO (comprised almost entirely of cash), following which we would be externally managed by CTIMCO. At this point in the process, Blackstone had not submitted a proposal for a strategic transaction.

On May 24, 2012, W. R. Berkley filed its Schedule 13D amendment, which disclosed the non-binding indication of interest it submitted to us on May 23, 2012.

On May 25, 2012, a meeting of the special committee was held to review with our management and representatives of Evercore and Paul Hastings the proposals submitted by the bidders. Evercore had prepared a detailed summary of the proposals, which its representatives reviewed with the special committee during the meeting. Evercore s representatives described the financial analysis undertaken to arrive at a present value per share comparison of each proposal and provided their views on the proposals and provided an analysis of the present value of each of the proposals. Our management also provided its view on the proposals and highlighted for the special committee that the entire company acquisition proposals reflected significant discounts for financial assets underlying the company s interests in CT Legacy REIT and CTOPI incentive compensation that produced less value for stockholders in comparison to the proposals that did not require the sale of those financial assets, which we refer to as the alternative asset acquisition proposals. The special committee, Evercore s representatives and our management then discussed the potential for achieving a price level in an entire company transaction that, when considering the timing and uncertainties associated with the cash flows from the recoveries in our legacy assets and private funds, would be superior to the alternative asset acquisition proposals. Our management recommended that we continue to engage with all bidders and, as part of that engagement, that we obtain clarification from the asset acquisition proposal bidders as to their post-

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closing plans for Capital Trust and the value to be produced for stockholders in terms of immediate and long-term returns. The special committee endorsed this recommendation and instructed Evercore and our management to continue to engage with the other parties, including Blackstone, which had recently entered the formal process.

Evercore and our management continued to engage in discussions with the four bidders that had submitted bids on May 23, 2012 as well as with other parties that had signed confidentiality agreements. These discussions centered on the potential for the bidders to provide greater value to stockholders.

On June 5, 2012, the special committee held a meeting to obtain an update from Evercore s representatives and our management on the discussions with all four bidders. A representative of Paul Hastings was also in attendance at this meeting. Our management noted where it found important information lacking from bidders and reported as to how at this stage they viewed bids in terms of certainty of execution and the value to be achieved for our stockholders. The special committee determined that management and Evercore should continue to obtain clarity on the bidders plans, with the goal of selecting a bid that represented the best available alternative in terms of certainty of execution and the value produced for stockholders.

The special committee convened a meeting on June 15, 2012, which was also attended by our management and representatives of Evercore and Paul Hastings. During the meeting, our management reported on the latest discussions with the four bidders and their interest and intentions to continue to participate in the process. The special committee determined to set June 22, 2012 as the date for the submission of final round bids. On June 18, 2012, at the direction of the special committee, Evercore distributed to the four original bidders an updated bid process letter, which outlined the process for submitting final non-binding proposals for a strategic transaction by June 22, 2012.

We received updated preliminary written non-binding indications of interest reflecting final round bids from all four initial round bidders on or before June 25, 2012. Bidder 1 s proposal to acquire all of our outstanding Common Stock was revised and increased to reflect total consideration of $83.4 million, or $3.40 per share of our Common Stock on a fully diluted basis, payable 40% in cash and 60% in bidder shares. Bidder 2 s proposal to purchase our entire interest in CT Legacy REIT, our entire interest in CTIMCO (including related liabilities) and the related carried and co-investment interests in CTIMCO s managed private funds and 9.9% of our Common stock was increased to $77.5 million in cash and Bidder 2 clarified that the external management fees that would be charged to the company would be waived until the earlier of two years or until assets under management exceeded $250 million. Bidder 2 also presented an alternative proposal that provided for the purchase of the designated assets and 9.9% of our Common Stock for $70 million, no waiver of management fees and a $1.00 per share special dividend. Bidder 3 s submission reflected a single proposal pursuant to which it would acquire all of our Common Stock for $2.10 per share in cash and the payment of a $1.30 per share special cash dividend funded from our existing cash, reflecting total cash consideration to stockholders of $3.40 per share. W. R. Berkley, Bidder 4, updated its proposal to purchase our entire interest in CTIMCO (including the CTOPI carried interest and assuming the CTOPI and CT Legacy REIT incentive compensation obligations) and the related co-investment interests in CTIMCO s managed private funds for $26.75 million in cash, subject to a minimum $7.5 million in tangible equity in CTIMCO (comprised almost entirely of cash), following which we would be externally managed by CTIMCO. W. R. Berkley alternatively offered $21.75 million in a transaction on the same terms except that it would exclude an acquisition of the CTOPI carried interest and associated CTOPI incentive compensation obligation. At this point in the process, Blackstone had not submitted a proposal.

On June 26, 2012, the special committee convened a meeting during which it reviewed with our management and representatives of Evercore and Paul Hastings the final round bids submitted by the four bidders. Representatives of Evercore referred the special committee to an updated summary of the bidders proposals, which they reviewed during the meeting. Representatives of Evercore reviewed with the special committee an updated comparison of the per share consideration to be paid in each bidder s proposal and the present value calculations reflected in the analysis. Our management updated the special committee on its discussions with the bidders and advised the special committee that certain substantive discussions concerning the proposals were ongoing. Evercore and management summarized the ongoing efforts of other parties that had signed

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confidentiality agreements, including responding to an outreach from Blackstone, in an effort to determine whether such parties were in a position to advance and execute transactions on a timely basis that represented superior alternatives when compared to the proposals submitted by the four bidders.

On June 29, 2012, the special committee held a meeting during which our management and Evercore s and Paul Hastings representatives reviewed the status of discussions with the four bidders. Our management advised that it viewed the component bid proposals as superior to the whole company bid proposals as they provided superior value for our stockholders. During the June 29th meeting, our management and Evercore s representatives also advised the special committee as to the latest contact with Blackstone and the interest it expressed in pursuing a transaction. They described Blackstone s preliminary proposal, which had been outlined orally to our management as part of the process. The special committee determined that the preliminary proposal was credible and could potentially achieve superior value for our stockholders compared to the other four bidders proposals. The special committee instructed Evercore to request that Blackstone submit a formal written proposal by July 2, 2012.

On July 2, 2012, Blackstone submitted a proposal to Evercore outlining its proposed acquisition of CTIMCO and the related private fund co-investment interests (excluding the carried interest in CTOPI) for $20,000,000, an investment of $10,000,000 for 5,000,000 shares of our Common Stock and contemplating the payment of a $2.00 per share special dividend by Capital Trust to our stockholders as part of the transaction. Blackstone also requested as part of its proposal that we enter into a 21-day exclusivity period to negotiate definitive documentation for the transactions and that we reimburse Blackstone s expenses subject to an agreed cap if definitive documentation is not executed. The special committee met on July 2, 2012 to consider Blackstone s proposal. Evercore s representatives provided an analysis of the proposal and its value and our management advised the special committee as to its view that Blackstone s proposal was superior to the whole company and alternative asset acquisition proposals previously submitted by the four bidders described above. Further, given Blackstone s extensive history of completing mergers and other strategic transactions, the special committee, along with Evercore and our management, had a high degree of confidence in Blackstone s ability to execute transactions to which it committed. Our management recommended that we pursue the proposed transactions outlined in Blackstone s proposal and enter into an exclusivity agreement with Blackstone but that we not agree to Blackstone s expense reimbursement request. Paul Hastings representative provided advice with respect to the requested exclusivity agreement and the special committee authorized our management to enter into the agreement.

On July 3, 2012, we entered into an exclusivity agreement with Blackstone pursuant to which we agreed until July 24, 2012 to negotiate exclusively with Blackstone to reach mutual agreement on the definitive documentation that would govern transactions described in its proposal. On July 6, 2012, our management, Evercore, Paul Hastings and representatives of Blackstone and representatives of Blackstone s legal counsel, Simpson Thacher & Bartlett LLP, which we refer to as Simpson Thacher, met to discuss the transaction.

On July 9, 2012, Evercore received a letter from W. R. Berkley notifying it that Berkley had withdrawn its proposal. Berkley filed an amendment to its Schedule 13D on July 10, 2012 to disclose the withdrawal of its proposal.

On July 10, 2012, the special committee held a meeting during which our management provided an update on the progress made with Blackstone s due diligence and the parties efforts to prepare and negotiate definitive documentation. The special committee also received legal and other advice from representatives of Paul Hastings and Evercore as to whether to submit the transactions proposed by Blackstone for approval by our stockholders and ultimately determined that it was in the best interests of Capital Trust for the transactions to be submitted for approval by our stockholders. The committee also reached a consensus that both parties would require the written approval of certain of our private fund investors and separate account clients to the transfer of our ownership of CTIMCO as contemplated in Blackstone s proposal. We subsequently reached an understanding with Blackstone during our initial negotiations that the transactions should be submitted for stockholder approval and that

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obtaining the requisite consent from our private fund investors and separate account clients should be a closing condition and should be accomplished prior to any public announcement of the transactions. Blackstone informed us that it would require a voting support agreement from W. R. Berkley in respect of the contemplated required stockholder approval as well as an amendment to our charter that would clarify that Blackstone would not be required to refrain from engaging in business opportunities or competing with us. In subsequent discussions with representatives of W. R. Berkley, the special committee learned that W. R. Berkley would not support the Blackstone transactions as long as our executive officers were entitled to receive the cash bonuses awarded to them pursuant to the transaction bonus program that we adopted in June 2012. In response, our executive officers agreed to forego the cash bonuses due to them pursuant to the transaction bonus program.

On July 13, 2012, representatives of Paul Hastings delivered an initial draft of the Purchase Agreement and on July 19, 2012, representatives of Simpson Thacher delivered an initial draft of the New Management Agreement. Thereafter, Blackstone and Capital Trust engaged in a series of discussions to negotiate the terms and conditions of the agreements and counsel to Blackstone and Capital Trust exchanged drafts of the Purchase Agreement, the New Management Agreement and the other transaction documents and engaged in multiple discussions of the open issues, which included the expense reimbursement obligations, the closing conditions, the termination provisions and ability of our board of directors to accept a competing transaction. The special committee held meetings on July 27, 2012 and August 14, 2012 during which it obtained updates on the status of the negotiations and provided direction and guidance as to how to resolve open issues under negotiation with Blackstone.

During July and early August 2012, we prepared and distributed on a confidential basis to our private fund investors and separate account clients certain background information concerning the transactions proposed by Blackstone, and we held discussions with our investors and clients during which we discussed the transactions and responded to their questions.

On July 24, 2012, we entered into an amendment to our exclusivity agreement with Blackstone to extend the expiration date until August 31, 2012.

During August 2012, our management prepared the necessary consent documentation and proceeded to obtain certain of our private fund investors and separate account clients approval of the Transactions. In addition, on August 3, 2012, representatives of Simpson Thacher delivered a draft of the voting agreement to representatives of Paul Hastings, who subsequently delivered the draft to representatives of W. R. Berkley. These processes continued into September 2012 as the parties continued to negotiate definitive documentation, including the Purchase Agreement and the New Management Agreement.

On August 24, 2012, we entered into an amendment to our exclusivity agreement with Blackstone to extend the expiration date until September 21, 2012.

On September 18, 2012, the special committee held a meeting to obtain an update from our management and representatives of Paul Hastings on the negotiations and the status of the approval of the consents to be obtained from our private fund investors and separate account clients. At this meeting, representatives of Evercore updated the special committee on the status of its fairness analysis and our legal counsel provided an overview of the board action required to approve the Transactions. The special committee then directed management to schedule a meeting of the board of directors for September 21, 2012, which was subsequently rescheduled for September 27, 2012 to provide more time to obtain consents from W. R. Berkley and the last of our private fund investors and separate account clients required to consent to the Transactions. On September 21, 2012, we entered into an amendment to our exclusivity agreement with Blackstone to extend the expiration date until October 5, 2012. During this time, we and Blackstone, together with our respective legal advisors, worked to finalize all outstanding issues regarding the Purchase Agreement and related transactions, including the terms of the New Management Agreement. Also during this time, representatives of Simpson Thacher negotiated the terms of the voting agreement with counsel to W. R. Berkley, Willkie Farr & Gallagher LLP, which we refer to

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as Willkie Farr, and representatives of Paul Hastings negotiated with representatives of Willkie Farr the terms of a separate letter agreement concerning independent director approval of certain equity offerings that had been requested by W. R. Berkley as an additional condition to entering into the voting agreement.

On September 27, 2012, a Blackstone subsidiary, as the sole member of the Purchaser, approved the Purchase Agreement and the related transactions and actions governed thereby and authorized and directed the officers of the Purchaser to execute the Purchase Agreement on behalf of the Purchaser.

On September 27, 2012, our board of directors and special committee held a joint meeting to consider the approval of the Purchase Agreement, the New Management Agreement and transactions and actions contemplated thereby during which our legal counsel and financial advisor participated. Prior to the meeting, all of our directors were provided with final drafts of the Purchase Agreement and New Management Agreement and other materials that summarized the transaction documents. Representatives of Paul Hastings reviewed with our board of directors the terms of the Purchase Agreement and the transactions governed thereby, including, pre-closing negative operating covenants, closing conditions, termination rights, the ability to consider and/or accept competing acquisition proposals, the voting agreement, and provisions regarding the reimbursement of transaction expenses and director indemnification. Paul Hastings representatives also reviewed the terms of the New Management Agreement, including fees and the provisions intended to address conflicts of interests that may arise with Blackstone and its affiliates. During the meeting, Evercore s representatives reviewed with our board of directors its financial analysis of the purchase price to be paid to Capital Trust in connection with the two Principal Transactions and rendered to our board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion, dated September 27, 2012, to the effect that, as of that date, and based on and subject to various assumptions made, procedures followed, matters considered and qualifications and limitations set forth in such opinion, the $30,000,000 purchase price for the CT Investment Management Interests and the New CT Shares reflected in Blackstone s proposal (which purchase price was subsequently increased by Capital Trust and Blackstone to $30,629,004) is fair, from a financial point of view, to Capital Trust. Representatives of Paul Hastings and Evercore also advised the board that the management fees reflected in the New Management Agreement were consistent with publicly available market comparables reviewed by those advisors. Furthermore, they both advised the board of directors of the reduced fee contained in the New Management Agreement to account for Capital Trust s existing assets and equity that preceded Blackstone s management. Following discussion, our board of directors, among other things, unanimously (excluding a director who could not attend the meeting but who subsequently confirmed his approval of the Purchase Agreement and the Transactions):

- resolved that the transactions contemplated by the Purchase Agreement, including the Principal Transactions, are advisable and in the best interests of Capital Trust;
- approved the Purchase Agreement and the New Management Agreement and the transactions contemplated thereby; and
- recommended that our stockholders approve the Proposals.

Certain of the factors considered by our board of directors are described in greater detail below under the heading Reasons for the Transactions.

After the joint meeting of the special committee and our board of directors adjourned, the Purchase Agreement was executed later that day and subsequently in the early evening we issued a press release announcing the Purchase Agreement and the two Principal Transactions governed thereby. The closing price of our Common Stock on September 27, 2012 prior to the announcement was $3.13.

***Recommendation of Our Board of Directors***

Based on the recommendation of the special committee, our board of directors has unanimously (excluding a director who could not attend the meeting but who subsequently confirmed his approval of the Purchase

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Agreement and the Transactions) determined that the Transactions contemplated by the Purchase Agreement, including the Principal Transactions, on the terms set forth in the Purchase Agreement are advisable and in the best interests of Capital Trust and recommends that the Proposals be approved by our stockholders.

***Reasons for the Transactions***

In evaluating the Transactions, our board of directors consulted with the special committee s legal counsel and financial advisor. These consultations included, among other things, extensive discussions regarding: (a) other alternatives to the Transactions, which were informed by extensive discussions of other interested parties, (b) the duties of our board of directors under applicable law, (c) the terms and conditions of the Purchase Agreement, and (d) the historical trading prices of our Common Stock.

In evaluating the Transactions, our board of directors considered our short-term and long-term interests, as well as the best interests of Capital Trust. In particular, our board of directors considered the following factors in reaching its decisions to approve the Purchase Agreement and to recommend approval of the Transactions to our stockholders:

- our current financial condition and the challenges to raise new equity capital in light of current market conditions and our financial condition and complicated balance sheet and legacy asset investment structure;

- that the special committee, from its inception, was authorized to consider a wide range of strategic alternatives, which ensured that the special committee was authorized to pursue any strategic alternative which may maximize stockholder value for our stockholders;

- the extensiveness of our review of strategic alternative as overseen by the special committee and competitive environment in which terms of the transactions proposed by Blackstone were developed;

- our inability to take advantage of new investment opportunities for balance sheet investment because of our lack of liquidity;

- the likelihood that, in the absence of a strategic transaction, the costs incurred in continuing our operations eventually will render us unprofitable and impair our ability to retain our key employees;

- the Purchase Agreement contemplates an immediate post-closing payment of a special cash dividend of $2.00 per share for our stockholders in the form of the special dividend;

- the current and historical market prices of shares of our Common Stock, specifically the fact that the $4.00 implied per share value reflected in the Purchase Price (based on the $2.00 per share of Common Stock being paid by Blackstone and the $2.00 per share special dividend to be paid to our stockholders) is 27% higher than the one-month volume-weighted average price, or VWAP, of our Common Stock ($3.15 per share) and is 26% higher than the six-month VWAP of our Common Stock ($3.17 per share), based on the closing price of our Common Stock on September 27, 2012 (the trading day immediately preceding public announcement of the execution of the Purchase Agreement and the Transactions);

- the $4.00 per share implied per share value reflected in the Purchase Price is 54% higher than the closing price of our Common Stock ($2.60) on May 14. 2012, the last trading day prior to our announcement that we had formed the special committee to consider and explore strategic alternatives available to us;

the high probability that the Transactions would be completed based on, among other things, the terms of the Purchase Agreement, Blackstone s size, significant available financial resources and track record and our discussions with investors and clients whose consent would be required;

the terms and conditions of the Purchase Agreement, the New Management Agreement, the voting agreement and the other transaction agreements, which were reviewed by our board of directors with

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our legal counsel and independent financial advisor, and in particular the fact that such terms were the product of arm s-length negotiations between the parties, including the requirement that the Purchaser pay our expenses if the Purchase Agreement is terminated under certain circumstances, and the ability of our board of directors to change or withdraw its recommendation in favor of the Proposals if it determines that the failure to change its recommendation would be inconsistent with its duties under applicable law, subject to compliance with certain procedural requirements and payment of up to $1.5 million of Purchaser s expenses under certain circumstances;

the presentation by Evercore to our board of directors and its oral opinion, which was confirmed in writing, to our board of directors to the effect that, as of September 27, 2012, and based upon and subject to various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein, the $30,000,000 purchase price for the CT Investment Management Interests and the New CT Shares reflected in Blackstone s proposal (which purchase price was subsequently increased by Capital Trust and Blackstone to $30,629,004) is fair, from a financial point of view, to Capital Trust (see Opinion of Capital Trust s Financial Advisor beginning on page 76);

the fact that the Transactions are subject to the approval by our stockholders; and

the fact that our executive officers had not engaged in employment and compensation discussions with Blackstone, reflecting an agreement not to do so prior to the execution of the definitive documentation governing the Transactions as described under Interest of Certain Persons in the Transactions beginning on page 42;

Our board of directors also considered the following potentially negative factors in its deliberations concerning the Purchase Agreement and the Transactions:

the fact that certain provisions of the Purchase Agreement may have the effect of discouraging proposals for alternative transactions involving Capital Trust, including superior proposals. The Purchase Agreement restrictions include (i) a restriction on Capital Trust s ability to solicit proposals for alternative transactions; (ii) the requirement that our board of directors submit the Proposals for approval by our stockholders, even if it withdraws its recommendation for the Proposals; and (iii) the requirement that we pay up to $1.5 million of Purchaser s expenses in certain circumstances following the termination of the Purchase Agreement;

our chief executive officer and a member of the board of directors, Stephen D. Plavin, our chief financial officer, Geoffrey G. Jervis, and our chief credit officer, Thomas R. Ruffing, are expected to receive offers of employment from Blackstone;

the other interests of the executive officers and directors of Capital Trust in the Transactions, including the matters described under Interest of Certain Persons in the Transactions beginning on page 42 and the impact of the Proposals on Capital Trust s employees;

the Investment Management Business Sale would preclude our stockholders from having the opportunity to participate, to the extent any positive developments were to occur, in any potential future revenues and cash flow generated from such business following consummation of the sale;

the significant costs involved in connection with entering into the Purchase Agreement and completing the Transactions and the substantial time and effort of management required to consummate the Transactions and related disruptions to the operation of our business;

the restrictions on the conduct of our business prior to the completion of the Transactions, which could delay or prevent us from undertaking business opportunities that may arise pending completion of the Transactions;

Blackstone will indirectly own approximately [18.2]% of our outstanding Common Stock upon consummation of the Transactions, which will allow it to influence the outcome of matters presented to a vote of our stockholders following the closing;

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Blackstone will be entitled to designate two directors to our board of directors (one of whom will be appointed chairman of our board of directors), which will allow it to influence the outcome of matters presented to a vote of the board of directors;

the risk that conditions to the closing will not be satisfied and may not be completed in a timely manner, if at all; and

the other risks described under Risk Factors Risk Factors Related to the Transactions beginning on page 12.

The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive, but rather includes the material factors considered by our board of directors. In reaching its decision to approve the Purchase Agreement and the transactions contemplated thereby, our board of directors did not find it practicable to, and did not, quantify, rank or otherwise assign any relative weights to the factors considered. In addition, individual directors may have given different weights to different factors. Accordingly, our board of directors viewed its recommendation as being based on the totality of the information presented to and considered by it. After taking into account the factors set forth above, among others, our board of directors determined that the potential benefits of the Transactions outweighed the potential negative factors.

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## INTERESTS OF CERTAIN PERSONS IN THE TRANSACTIONS

In considering the recommendation of our board of directors with respect to the Transactions, our stockholders should be aware that our largest stockholder, W. R. Berkley, and certain of our directors and executive officers have interests in the Transactions that are different from, or in addition to, the interests of our stockholders generally. Our board of directors was aware of these interests and considered them in approving the Purchase Agreement and the Transactions governed thereby and recommending that our stockholders approve the Proposals. These interests are summarized below.

**Employment of Our Executive Officers by Blackstone after the Sale**

Stephen D. Plavin, a director and our chief executive officer; Geoffrey G. Jervis, our chief financial officer; and Thomas C. Ruffing, our chief credit officer, are expected to receive offers of employment from Blackstone. At the joint meeting of our board of directors and special committee held on September 27, 2012 where our board of directors approved the Purchase Agreement and the Transactions, our executive officers informed our board of directors that they had not engaged in employment discussions with Blackstone.

Our executive officers do not have employment agreements with us, and as previously disclosed, are not entitled to any severance payments or benefits upon a termination of employment other than under the terms of certain long-term incentive awards. As employees of Blackstone and/or its affiliates, Messrs. Plavin, Jervis and Ruffing may be or become eligible for benefits in accordance with any severance plans or policies of Blackstone and/or its affiliates.

**Vesting of Transaction Bonus Awards**

As previously disclosed on June 29, 2012, our compensation committee granted Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing transaction bonus awards of restricted stock that by their terms will become 100% vested and non-forfeitable upon the successful completion of the Transactions. These executive officers were also awarded certain cash bonuses payable upon completion of the Transactions which have been waived and will not be paid.

The below table identifies, for each of our executive officers, the number of shares of our Common Stock that will vest upon the successful completion of the Transactions. These shares of restricted stock will be entitled to receive the special dividend.

| Executive Officer | Number of Shares that Vest Upon Completion of the Transactions |
|---|---|
| Stephen D. Plavin, *Chief Executive Officer* | 125,000 |
| Geoffrey G. Jervis, *Chief Financial Officer* | 100,000 |
| Thomas C. Ruffing, *Chief Credit Officer* | 50,000 |

**Payment of 2012 Annual Bonuses**

As previously disclosed on June 29, 2012, our compensation committee approved annual bonuses opportunities for Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing for fiscal year 2012, which are based on specified performance criteria. If the Transactions are consummated on or before December 31, 2012, the annual performance-based bonus shall be determined, without pro ration, with respect to each performance measure based on the higher of Target or actual performance (with actual performance annualized in certain circumstances).

**Accelerated Vesting of Restricted Stock Awards**

Effective as of the closing of the Transactions, all unvested shares of restricted stock which would have become vested at a later date (if at all) will accelerate and become immediately vested, and such restricted shares shall be deemed 100% vested and non-forfeitable.

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The below table identifies, for each of our executive officers, the number of shares of restricted Common Stock for which vesting will accelerate upon the closing of the Transactions. These shares of restricted stock will be entitled to receive the special dividend.

| Executive Officer | Number of Shares of Restricted Stock That Vest Upon Completion of the Transactions |
|---|---|
| Stephen D. Plavin, *Chief Executive Officer* | 70,000 |
| Geoffrey G. Jervis, *Chief Financial Officer* | 50,000 |
| Thomas C. Ruffing, *Chief Credit Officer* | 30,000 |

**Modification of Certain Performance Based Awards Held by Our Executive Officers**

As part of a program designed to provide incentive compensation relating to the carried interest distributions we earn from CTOPI, our compensation committee has previously awarded long-term cash-based performance awards that represent derivative interests in such carried interest distributions. Pursuant to these awards, Stephen D. Plavin, Geoffrey G. Jervis and Thomas C. Ruffing are entitled to receive cash payments equal to 13.5%, 9.0% and 4.5%, respectively, of the carried interest distributions, if any, we receive from CTOPI. The awards are subject to vesting provisions which provide that the right to the payments vests one-third on the January 18, 2011 date of award, one-third upon the termination of the investment period of CTOPI on September 13, 2012, and one-third on the date of our receipt of the incentive management fee, provided that the holder is employed on each such vesting date. Our compensation committee has awarded performance awards covering 92.5% of the 45% CTOPI carried interest pool designated for allocation to our employees pursuant to the CTOPI related program.

As part of a program to provide incentive compensation relating to the recoveries generated by our legacy asset recovery vehicle, CT Legacy REIT, our compensation committee has previously awarded long-term cash-based performance awards that represent derivative interests in such legacy asset recoveries. The CT Legacy REIT awards provide for payments to our executive officers and certain other employees of an amount not to exceed 6.75% of the total recovery (subject to certain caps) of the net assets of CT Legacy REIT, referred to as the CT Legacy REIT recovery pool. The legacy asset recovery awards vest 25% on March 31, 2011, 25% on March 31, 2013, 25% on March 31, 2014 and the balance at the time of distribution under the program. We have entered into award agreements covering 83.5% of the 6.75% CT Legacy REIT recovery pool designated for allocation to our employees pursuant to the CT Legacy REIT related program.

The Purchase Agreement requires us to enter into amendments to the award agreements with existing participants pursuant to which the cash received by us in respect of the portions of the pools that remain unallocated or otherwise have been forfeited will be paid pro rata to the participants who have received performance awards and are otherwise entitled to the payments in accordance with the terms of their award agreements. Stephen D. Plavin, a director and our chief executive officer, Geoffrey G. Jervis, our chief financial officer, and Thomas C. Ruffing, our chief credit officer, each participate in both programs and will enter into such amendments to their award agreements.

In accordance with the Purchase Agreement, the Purchaser may instruct us to award certain employees of Blackstone assigned to its real estate division (including existing participants, including Messrs. Plavin, Jervis and Ruffing, who will become employees of Blackstone and/or its affiliates) performance awards covering the 7.5% of the 45% of the CTOPI carried interest pool and the 16.5% of the 6.75% of the CT Legacy REIT recovery pool which remain unallocated pursuant to the incentive compensation programs and the portions of such pools that have been forfeited.

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**Continued Indemnification and Insurance Coverage of Our Directors and Executive Officers**

The Purchase Agreement provides that all rights of the directors and officers of Capital Trust, each Acquired Entity (as defined under Purchase Agreement Representations and Warranties below) and each Fund Entity (as defined under Purchase Agreement Representations and Warranties below) under any indemnification arrangements for acts or omissions occurring at or prior to the closing of the Transactions shall survive the closing of the Transactions and shall not be amended or otherwise modified in any manner that would adversely affect the rights of such officers and directors.

In addition, for a period of six years from the closing of the Transactions, we are obligated to purchase and maintain either (i) a directors and officers liability insurance policy or an extended reporting period or tail policy, insuring the current or former officers or directors of Capital Trust with respect to any acts or omissions occurring at or prior to the closing and (ii) an investment fund profession and management liability policy or an extended reporting period or tail policy, insuring the current or former directors or officers of Capital Trust with respect to any acts or omissions occurring at or prior to the closing.

**Compensation of Members of the Special Committee**

Each member of the special committee is entitled to a fee of $75,000 for his service on the special committee.

**Interests of W. R. Berkley**

The New CT Manager, under Blackstone s ownership, will continue to manage certain separate accounts for affiliates of W. R. Berkley, currently our largest stockholder, following the completion of the Transactions. The consent of the account holders to the transfer of our ownership of CTIMCO to the Purchaser is a condition to closing on the Principal Transactions and such affiliates of W. R. Berkley have given their consent. The account holders will continue to pay CTIMCO management fees that are generally 0.25% per annum on invested capital following the transfer of CTIMCO to the Purchaser.

**Interests of Trusts for the Benefit of Our Chairman**

EGI-Private Equity II, L.L.C., an entity which is indirectly owned by trusts established for the benefit of the chairman of our board, Samuel Zell, owns a 3.7% limited partner interest in CTOPI. Mr. Zell is not a trustee of such trusts. The consent of the limited partners to the transfer of our ownership of CTIMCO to the Purchaser is a condition to closing on the Principal Transactions and such limited partners have given their consent. A subsidiary of CTIMCO, under Blackstone s ownership, will continue to manage CTOPI following the transfer of our ownership of CTIMCO to the Purchaser.

**Policy on Transactions with Related Persons**

In connection with and concurrent with the closing of the Transactions, we intend to amend our code of business conduct and ethics and the charter of the audit committee of our board of directors. Pursuant to these amendments, our audit committee will be required to review, but not be required to approve, on a periodic basis at regularly scheduled audit committee meetings all material related party transactions with or involving the New CT Manager and/or its affiliates, including Blackstone. This review will include a review of all services provided by affiliates of the New CT Manager to us and our subsidiaries. Consistent with these requirements, our chief financial officer will be required to report all related party transactions, arrangements or relationships with or involving the New CT Manager and/or its affiliates, including Blackstone, at regularly scheduled audit committee meeting and all individuals covered by the code of business conduct and ethics will be required to report to our chief executive officer or chief financial officer on a regular periodic basis all instances involving such potential related party transactions, arrangements or relationships, regardless of the amount involved. Our audit committee will also review, but will not be required to approve, on a quarterly basis, those transactions in which a potential conflict may be presented where Other Blackstone Funds (as defined in New Management Agreement Additional Activities of the New CT Manager; Allocation of Investment Opportunities; Conflicts of

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Interest beginning on page 71), other than Capital Trust and its subsidiaries, invest in investments in which Capital Trust and/or its subsidiaries also invest (including at a different level of an issuer s capital structure (*e.g.*, an investment by another Blackstone fund in an equity or mezzanine interest with respect to the same portfolio entity in which Capital Trust or its subsidiaries owns a debt interest or *vice versa*) or in a different tranche of fundraising with respect to an issuer in which Capital Trust or its subsidiaries has an interest).

In addition, our amended code of business conduct and ethics will require prior approval by a majority of our independent directors of any services provided by affiliates of the New CT Manager to the extent such services are not on arm s-length terms and competitive market rates in relation to terms that are then customary for agreements regarding the provision of such services to companies that have assets similar in type, quality and value to the assets of Capital Trust and its subsidiaries. Furthermore, the sale of any investment to, or acquisition of any investment from, Blackstone, any Other Blackstone Funds or any of their affiliates (but excluding portfolio companies of such Other Blackstone Funds) must be (a) on terms no less favorable to us than could have been obtained on an arm s length basis from an unrelated third party and (b) approved in advance by a majority of our independent directors.

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## PURCHASE AGREEMENT

*The following is a summary of selected material provisions of the Purchase Agreement, a copy of which is attached as Annex A to this proxy statement and incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the Purchase Agreement and not by this summary or any other information in this proxy statement. This discussion is not complete and is qualified in its entirety by reference to the complete text of the Purchase Agreement. We urge all stockholders to read the Purchase Agreement, as well as this proxy statement, carefully and in their entirety before making any decision regarding the Proposals.*

***CT Investment Management Interests Purchase***

At the closing of the transactions governed by the Purchase Agreement, which we refer to as the closing, the Purchaser will acquire from us:

- all of the issued and outstanding limited liability company interests of CTIMCO, which we refer to as the CTIMCO Interests, through which we operate our investment management and special servicing business;
- all of the issued and outstanding limited liability company interests, which we refer to as the CTOPI Co-Invest Interests, of CT OPI Investor, LLC, which we refer to as CTOPI Co-Invest, which is a limited partner in CTOPI; and
- all of the issued and outstanding limited liability company interests, which we refer to as the CTHG2 Co-Invest Interests, in CT High Grade Partners II Co-Invest, LLC, which we refer to as CTHG2 Co-Invest, which is a non-managing member of CT High Grade Partners II, LLC, which we refer to as CTHG2.

The Purchase Agreement also contemplates that CTIMCO will own all 100 outstanding shares of class A preferred stock, par value $0.001 per share, which we refer to as the CTLR Preferred Stock, of CT Legacy REIT immediately prior to the closing.

The CTIMCO Interests, the CTOPI Co-Invest Interests, the CTHG2-Co-Invest Interests and the CTLR Preferred Stock are collectively referred to in this proxy statement as the CT Investment Management Interests. As consideration for the CT Investment Management Interests, the Purchaser has agreed to pay the company aggregate consideration of $20,629,004, subject to certain adjustments.

***New CT Shares Purchase***

At the closing of the transactions governed by the Purchase Agreement, the Purchaser will purchase 5,000,000 shares of our Common Stock, which we refer to as the New CT Shares. As consideration for the New CT Shares, the Purchaser has agreed to pay the company aggregate cash consideration of $10,000,000.

***Adjustment to the CT Investment Management Interests Purchase Price***

The CT Investment Management Interests Purchase Price is subject to a five-step tangible net worth adjustment, as follows. The CT Investment Management Interests Purchase Price will be:

(i) increased or reduced by the amount, if any, by which our good faith closing date estimate of CTIMCO s tangible net worth (calculated in accordance with the Purchase Agreement) as of the close of business on the business day immediately prior to the closing date is greater or less than zero dollars;

(ii) increased by the amount of capital contributions funded by us subsequent to June 30, 2012 and prior to the closing date in respect of capital commitments made by CTOPI Co-Invest to CTOPI and by CTHG2 Co-Invest to CTHG2, which we refer to as the Co-Invest Capital Contributions;

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(iii) decreased by any distributions we receive subsequent to June 30, 2012 and prior to the closing date from CTOPI or CTHG2 in respect of CTOPI Co-Invest s interest in CTOPI or CTHG2 Co-Invest s interest in CTHG2, which we refer to as the Co-Invest Distributions;

(iv) decreased by the amounts payable in respect of all Retention Arrangements (as defined in the Purchase Agreement), and all other accrued or historic employee-related liabilities that are outstanding and unpaid immediately prior to the closing (to the extent not already taken into account in determining the tangible net worth of CTIMCO pursuant to the adjustment set forth in (i) above), which we refer to collectively as the Closing Employee Amounts; and

(v) increased by an amount equal to one half of amounts paid by us for expenses incurred in connection with certain transaction-related expenses.

Following the closing date, the parties are required to engage in a process to determine the actual closing date tangible net worth of CTIMCO, Co-Invest Capital Contributions, Co-Invest Distributions and expenses incurred in connection with certain transaction related expenses, which we refer to collectively as the Purchase Price Adjustment. If the actual closing date Purchase Price Adjustment exceeds our pre-closing estimated Purchase Price Adjustment, then the Purchaser will pay us the excess; and, if the actual closing date Purchase Price Adjustment is less than the pre-closing estimated Purchase Price Adjustment, we will pay the shortfall to the Purchaser. In both cases, the adjustment will be paid with interest at an annual rate equal to the prime lending rate of Citibank, N.A. on the date such payment was required to be made.

***Representations and Warranties***

The Purchase Agreement contains a number of customary representations and warranties made by us, subject in some cases to customary qualifications (including by information in disclosure schedules delivered together with the Purchase Agreement) relating to, among other things, the following:

entity organization, good standing and other organizational matters;

authorization, valid execution and delivery, and enforceability of the Purchase Agreement and related transaction documents;

absence of conflicts or violations under organizational documents, contracts and laws;

absence of any required governmental approvals (other than with respect to SEC clearance of this proxy statement and other customary federal and state securities laws compliance matters or other disclosed approvals);

our capital structure and equity securities;

our compliance with public reporting and other obligations under federal securities laws;

our financial statements;

absence of undisclosed liabilities;

absence of certain changes related to us and our business;

certain tax matters;

absence of legal proceedings or orders;

compliance with certain laws and permits applicable to our business;

environmental matters relating to our business and assets;

employee compensation and benefits matters;

material agreements related to us and our business;

title to our personal, real estate and leasehold assets;

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our servicing portfolio and related matters;

brokers or finders fees, and other fees with respect to the Purchase Agreement and related transactions;

absence of certain activities that would require us to register under the Investment Company Act of 1940;

certain insurance matters;

our ownership of interests in CDOs sponsored by us;

compliance with risk-adjusted capital guidelines, policies and procedures;

actions taken by us to render inapplicable to the transactions governed by the Purchase Agreement our tax benefits preservation agreement, and potentially applicable state anti-takeover statutes or regulation;

actions taken by us to increase REIT ownership limitations in our organizational documents;

our receipt of the opinion of Evercore as to the fairness to the company, from a financial point of view, of the purchase price for the CT Investment Management Interests and the New CT Shares; and

the vote required by the holders of the Common Stock to approve the transactions.

The Purchase Agreement contains a number of customary representations and warranties made by the Purchaser, subject in some cases to customary qualifications (including by information in disclosure schedules delivered together with the Purchase Agreement) relating to, among other things, the following:

entity organization, good standing and other organizational matters;

authorization, valid execution and delivery, and enforceability of the Purchase Agreement and related transaction documents;

absence of conflicts or violations under organizational documents, contracts and laws;

absence of any required governmental approvals;

absence of legal proceedings or orders;

brokers or finders fees, and other fees with respect to the Purchase Agreement and related transactions;

investment intent, including the Purchaser s status as an accredited investor as defined in Regulation D as promulgated under the Securities Act; and

the Purchaser s beneficial ownership of our Common Stock prior to the closing.

In addition, the Purchase Agreement contains a number of customary representations and warranties made by us to the Purchaser applicable to our sale of CTIMCO, CTOPI Co-Invest and CTHG2 Co-Invest, which we refer to collectively as the Acquired Entities, and CT Large Loan 2006, Inc., CTOPI and CTHG2, which we refer to collectively as the Fund Entities, subject in some cases to customary qualifications (including by information in disclosure schedules delivered together with the Purchase Agreement), relating to, among other things, the following:

entity organization, good standing, and other organizational matters;

capital structure and equity securities of each of the Acquired Entities, the Fund Entities and their respective subsidiaries;

authorization, valid execution and delivery, and enforceability of the Purchase Agreement and related transaction documents;

absence of conflicts or violations under organizational documents, contracts and laws;

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absence of undisclosed liabilities;

financial statements of each of the Acquired Entities, the Fund Entities and their respective subsidiaries;

absence of certain changes related to the Acquired Entities and the Fund Entities and their businesses;

tax matters pertaining to the Acquired Entities, the Fund Entities and their respective subsidiaries;

absence of legal proceedings or orders;

compliance with certain laws and permits applicable to the business of the Acquired Entities, the Fund Entities or their respective subsidiaries;

environmental matters relating to the Acquired Entities, the Fund Entities and their businesses;

labor and employee matters;

employee compensation and benefits matters;

intercompany accounts between us and our subsidiaries, on the one hand, and any of the Acquired Entities, the Fund Entities or their respective subsidiaries, on the other hand;

brokers or finders fees, and other fees with respect to the transactions governed by the Purchase Agreement;

absence of certain activities that would require the Acquired Entities, the Fund Entities or any of their respective subsidiaries to register under the Investment Company Act;

registration under the Investment Advisers Act, as amended, and the rules and regulations promulgated thereunder,

accuracy of information supplied in the private placement memorandum used for the offering of interest in CTOPI and in other private placement or offering memoranda of each of the other funds or CDOs sponsored or managed by us;

availability to the Purchaser of copies of annual and periodic reports and other communications furnished by the managing member and/or general partner to the members of each Fund Entity;

material agreements and servicing agreements related to the Acquired Entities, Fund Entities and their business;

absence of any real estate and leasehold assets of the Acquired Entities, Fund Entities and their respective subsidiaries;

certain insurance matters;

servicing of portfolios and related matters;

compliance with the Employment Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder;

sufficiency of the assets owned, leased and licensed by the Acquired Entities and their subsidiaries to continue their conduct of business after the closing date as such business is currently conducted;

tangible assets with respect to CTIMCO;

disclosure regarding each fund managed by Capital Trust or any of its subsidiaries; and

intellectual property and information systems matters related to the Acquired Entities, the Fund Entities and their respective subsidiaries.

Certain representations and warranties in the Purchase Agreement provide exceptions for items that are not reasonably likely to have a material adverse effect. For purposes of the Purchase Agreement, material adverse

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effect means, with respect to any person (as such term is defined in the Purchase Agreement), any change, development, effect or condition that, individually or in the aggregate with all other changes, developments, effects and conditions, (i) is, or would be reasonably be expected to be, materially adverse to the business, assets, liabilities, results of operations or condition (financial or otherwise) of such person and its subsidiaries, or (ii) will, or would reasonably be expected to, prevent or materially impair or delay the ability of such person to fulfill its obligations under the Purchase Agreement or any related transaction document. To the extent applicable to any person, any such change, development, effect or condition having the results described in the preceding sentence that results from any of the following shall not be considered when determining whether a material adverse effect has occurred:

(i) a change in law or GAAP or interpretations thereof or rules and policies of the Public Company Accounting Oversight Board that applies to such person, in each case, occurring after the date of the Purchase Agreement;

(ii) general economic, business or market conditions, general changes in the financial, credit or securities markets, including general changes in interest rates, exchange rates, stock, bond or debt prices;

(iii) economic, business or market conditions that directly or indirectly affect the commercial real estate finance industry generally;

(iv) any natural or man-made disasters or acts of war (whether or not declared), sabotage or terrorism, or armed hostilities, or any escalation or worsening thereof in each case occurring after the date of the Purchase Agreement;

(v) the entry into, public announcement or performance of the Purchase Agreement and transactions contemplated thereby or any action taken or omitted to be taken by us at the written request of the Purchaser (subject to certain exceptions);

(vi) any change in the market price or trading volume of the Common Stock or any failure to meet internal or published projections, forecasts, budgets, estimates or expectations of our revenue, earnings or other financial performance or results of operations for any period (provided, that the underlying cause of such change or failure shall not be excluded pursuant to this exception); or

(vii) any litigation arising from allegations of a breach of fiduciary duty or other violation of applicable law to the extent arising out of or relating to the Purchase Agreement or the transactions contemplated thereby;

provided, however, that the exceptions provided in items (i) (iv) above will not apply to the extent that such change, development, effect or condition disproportionately affects such person or its subsidiaries relative to the other participants in the industry in which such person and its subsidiaries operate.

***Covenants***

**Conduct of Business**

The parties have agreed that, during the period from the date of the Purchase Agreement until the closing date, subject to certain exceptions, our and our subsidiaries respective businesses will be conducted in all material respects consistent in nature, scope and magnitude with the past practices and in the ordinary course of the normal, day-to-day operations, including, as applicable, with respect to using commercially reasonable efforts to (i) preserve their business organizations intact and maintain existing relations with key customers, suppliers, distributors, employees, governmental authorities and other persons with whom we or our subsidiaries have business relationships, assets, rights and properties and (ii) preserve the REIT status of each of Capital Trust, CT OPI REIT, Inc. and CT Legacy REIT.

Without limiting the generality of the foregoing, except as expressly provided in the Purchase Agreement, as required by applicable law or, to the extent that the failure to take any such action would, based on the advice of our outside counsel, constitute a breach of the duties of the general partner, managing member, collateral

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manager or similar governing body of a Fund Entity or CDO sponsored by us, as applicable under applicable law or the organizational documents of such Fund Entity or CDO sponsored by us, as applicable (in which case we are required to notify the Purchaser in writing of our determination to take such action), from the date of the Purchase Agreement until the closing, without the prior written consent of the Purchaser, we may not (and we may not permit our subsidiaries to) take any of the following actions (each as more fully described in, and subject to the exceptions set forth in, the Purchase Agreement) including certain actions permitted to be taken in respect of the Fund Entities:

amend or propose to amend our charter or bylaws, or cause or permit any of our subsidiaries to amend or propose to amend their organizational documents;

subject to certain exceptions, declare or pay any dividend or distribution on, or redeem or repurchase, or adjust, split, combine or reclassify any of our equity or other securities;

increase the number of directors on our board of directors, to greater than eight members or change the current structure of our board of directors or enter into any agreement or arrangement relating thereto;

subject to certain exceptions, issue or agree to issue any equity securities, securities convertible into the right to purchase equity or options, warrants or other rights of any kind to acquire any equity interest or other securities issued by us or any of our subsidiaries;

enter into any amendment of any term of any of our or our subsidiaries outstanding securities or waive or modify any rights thereunder;

accelerate the vesting of any options, warrants or other rights of any kind to acquire any shares of capital stock or other equity interests (or to participate in the revenue, earnings or distributions of or from us or any of our subsidiaries) to the extent that such acceleration of vesting does not occur automatically under the terms of any such interests or plans governing such interests as in effect as of the date of the Purchase Agreement;

subject to certain exceptions, incur or assume any indebtedness for borrowed money or guarantee any such indebtedness, or enter into any swap or hedging transaction or other derivate agreements, or make any loans, capital contributions or advances to any person, other than in the ordinary course of business and consistent with past practice in excess of $250,000 in the aggregate;

sell, encumber or otherwise dispose of any of its assets in excess of $250,000, except in the ordinary course of business and consistent with past practice;

make or authorize any capital expenditures in an amount exceeding $100,000 in the aggregate;

subject to certain exceptions, acquire (including by merger) the capital stock or the assets of any other entity, in any transaction or series of related transactions for consideration in excess of $250,000 in the aggregate;

invest in another entity or entities with a value in excess of $250,000 in the aggregate;

subject to certain exceptions, increase or accelerate the timing of payment of compensation or benefits to any business employee;

loan or advance any money or other property to any business employee;

enter into any transaction, retention, change in control, or stay bonus, payment or award, or severance protection or change-in-control agreement with any business employee;

hire any business employee for a position having a total annual cash compensation opportunity of $50,000 or more, or terminate a business employee from such a position other than for cause;

subject to certain exceptions, terminate, establish, adopt, enter into, or amend any prescribed employee benefit plans or any plan, program, arrangement, practice or agreement that would be such an employee plan or CT employee plan (as defined in the Purchase Agreement) if it were in existence on the date of the Purchase Agreement;

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change any financial accounting methods, principles or practices (or change an annual accounting or period) materially affecting our and our subsidiaries consolidated assets, liabilities or results of operations, except insofar as may be required by GAAP or by applicable law;

modify, amend, terminate or waive any material right under any material agreement under the any material agreement (except for any modification or amendment to any material agreement that is beneficial to us and/or our subsidiaries) or, except in the ordinary course of business, enter into any contract of a character that would constitute a material agreement under the Purchase Agreement;

adopt a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of us or any of our subsidiaries or file, or consent by answer or otherwise to the filing against us or any of our subsidiaries of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, make any assignment for the benefit of creditors or consent to the appointment of any custodian, receiver, trustee or other officer with similar powers;

settle or compromise any pending or threatened suit, action, claim or other legal proceedings;

make or change any material election, change any material method of tax accounting, file any amended tax return, enter into any closing agreement, settle or compromise any material tax liability, surrender any right to claim a refund of taxes, or enter into any agreement or waiver extending the period for assessment or collection of any taxes;

make or change any election relating to the entity classification of any Acquired Entity for U.S. federal income tax purposes;

subject to certain exceptions, reduce or agree to reduce any investors unfunded commitments in any Fund Entity;

initiate or threaten any litigation or the institution of any proceeding against any client or any investor in any of our investment vehicles;

wind up terminate or dissolve any of our investment vehicles;

extend or otherwise modify any investment period with respect to any of our investment vehicles; or

authorize any of, or commit or agree to take any of, the foregoing actions.

**No Solicitation**

Pursuant to the Purchase Agreement, from the date of the Purchase Agreement until the earlier of the closing date or the termination of the Purchase Agreement, we and our subsidiaries may not, directly or indirectly, (i) solicit, initiate or knowingly encourage, knowingly induce or knowingly take any other action which would reasonably be expected to lead to, the making, submission or announcement of, any proposal or inquiry that constitutes, or is reasonably likely to lead to, an acquisition proposal (as defined below), (ii) enter into, continue or participate in any discussions or any negotiations regarding any proposal that constitutes, or would reasonably be expected to lead to the making, submission or announcement of, any acquisition proposal, (iii) furnish any non-public information regarding us or any of our subsidiaries in connection with or in response to an acquisition proposal, or an inquiry that would reasonably be expected to lead to the making, submission or announcement of an acquisition proposal, (iv) waive, terminate or modify or fail to enforce any provision of any standstill or similar obligation of any third party existing on the date of the Purchase Agreement, including waiving or exempting any person from any ownership restrictions under our charter or applicability of any provisions of the NOL rights agreement (or from applicability of any antitakeover statute of Maryland law), or (v) resolve or agree to do any of the foregoing. However, if we receive a written unsolicited, *bona fide* acquisition proposal after the date of the Purchase

Agreement, in circumstances not involving a breach of the Purchase Agreement, from a third party prior to obtaining stockholder approval of the Proposals that our board of directors determines in good faith, after consultation with our outside counsel, constitutes or would reasonably be

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expected to lead to a superior proposal (as defined below) then we may furnish information to such third party and participate in discussions or negotiations with such third party regarding the terms of such acquisition proposal. We are required to notify the Purchaser as promptly as practicable, and in any event within 24 hours, if we receive any written acquisition proposal, including the material terms and conditions of such acquisition proposal and the identity of the party making such acquisition proposal.

The term acquisition proposal is defined as any offer, proposal or inquiry (other than an offer, proposal or inquiry by the Purchaser or its affiliates) contemplating or otherwise relating to any acquisition transaction, which is defined as any transaction or series of related transactions involving:

(i) any merger, consolidation, share exchange, business combination, issuance of securities, direct or indirect acquisition of securities, recapitalization, tender offer, exchange offer or other similar transaction in which (a) a person or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons directly or indirectly acquires, or if consummated in accordance with its terms would acquire, beneficial or record ownership or control of securities representing 9.9% or more of the outstanding shares of any class of voting or equity securities of Capital Trust (or any parent company resulting from such transaction), or (b) Capital Trust issues securities representing 9.9% or more of the outstanding shares of any class of voting or equity securities of Capital Trust (or any parent company resulting from such transaction);

(ii) any sale, lease, assignment, license, exchange, transfer, acquisition or disposition of any rights or assets (including equity interests of any subsidiary of Capital Trust) that constitutes or accounts for (a) 15% or more of the consolidated net revenues of Capital Trust and its subsidiaries, consolidated net income of Capital Trust and its subsidiaries or consolidated book value of Capital Trust and its subsidiaries, or (b) 15% or more of the fair market value of the assets of Capital Trust and its subsidiaries;

(iii) any sale of all or substantially all of the assets or properties constituting, or the sale of control of, the investment management business conducted by Capital Trust and its subsidiaries, including any sale (whether by merger, consolidation, share exchange, business combination, issuance of securities, direct or indirect acquisition of securities, recapitalization, tender offer, exchange offer or other similar transaction) of a majority of the equity interests of CTIMCO;

(iv) any liquidation or dissolution of Capital Trust; or

(v) any combination of the foregoing.

The term superior proposal is defined as an unsolicited *bona fide* written acquisition proposal obtained after the date of Purchase Agreement in circumstances not involving a breach of the Purchase Agreement by CT for an acquisition transaction (a) of the type set forth in clause (i) above; provided, that all references to 9.9% therein shall be references to 50% ; (b) involving a majority of the assets of Capital Trust set forth on the adjusted balance sheet of Capital Trust and its subsidiaries delivered in connection with the Purchase Agreement or (c) involving (x) the acquisition (by whatever means, whether by merger, consolidation, share exchange, share or asset purchase or otherwise, as applicable) of either the CT Investment Management Interests or any sale described in clause (iii) above and (y) the purchase of newly-issued shares of Common Stock representing more than 9.9% of the outstanding Common Stock at the time of such issuance, which, in any such case described in clauses (a), (b) or (c), our board of directors determines in good faith (after consultation with its outside counsel and financial advisor) (A) to be reasonably likely to be consummated if accepted and (B) to be more favorable to our stockholders from a financial point of view than the Transactions, in each case, taking into account at the time of determination all relevant circumstances, including the various legal, financial and regulatory aspects of the proposal, all the terms and conditions of such proposal and the Purchase Agreement, any changes to the terms of the Purchase Agreement offered by the Purchaser in response to such acquisition proposal and the ability of the person making such acquisition proposal to consummate the transactions contemplated by such acquisition proposal (based upon, among other things, expectation of obtaining required approvals or any necessary financing).

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Our board of directors may not (i) fail to recommend the Proposals for approval by our stockholders (including through any failure to include the recommendation of the board of directors for approval of the Proposals in this proxy statement); (ii) withhold, withdraw, amend or modify in a manner adverse to the Purchaser, or publicly propose (whether through Capital Trust, its subsidiaries or any of its representatives) to withhold, withdraw, amend or modify in a manner adverse to the Purchaser, the recommendation of our board of directors for approval of the Proposals; (iii) in the event that an acquisition proposal is publicly announced or disclosed, fail to publicly reaffirm the recommendation of our board of directors for approval of the Proposals within ten business days after the Purchaser s written request to do so; (iv) adopt, approve or recommend, or otherwise declare advisable the adoption of, any acquisition proposal or publicly propose to adopt, approve or recommend, or otherwise declare advisable the adoption of, any acquisition proposal; or (v) resolve to take any such actions. Notwithstanding the foregoing, our board of directors may change its recommendation for approval of the Proposals (i) in response to an unsolicited *bona fide* written acquisition proposal not involving a breach of the Purchase Agreement if it determines in good faith, after consultation with its outside counsel, that the failure to do so would reasonably be expected to constitute a breach of its duties to Capital Trust or our stockholders under applicable law and our board of directors concludes in good faith, after consultation with its outside counsel and financial advisor, that such acquisition proposal constitutes a superior proposal and (ii) in response to a material development or material change in circumstances occurring or arising after the date of the Purchase Agreement with respect to us and/or our subsidiaries that was neither known to our board of directors nor reasonably foreseeable as of or prior to the date of the Purchase Agreement (and not relating to any acquisition proposal or any development or change relating to the Purchaser or any of its affiliates) if our board of directors concludes in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to constitute a breach of its duties to Capital Trust or our stockholders under applicable law; provided, that, in either case, we have engaged in good faith negotiations with the Purchaser regarding potential changes to the terms of the Purchase Agreement for at least five business days and otherwise complied with the terms and conditions of the Purchase Agreement. Even if our board of directors changes its recommendation for approval of the Proposals, we are still required to call and hold the special meeting for the purpose of approving the Proposals unless the Purchase Agreement is terminated before the special meeting.

**Preparation of Proxy Statement; Stockholders Meeting**

We have agreed to (i) prepare and file this proxy statement with the SEC; (ii) use reasonable best efforts to respond as promptly as practicable to any SEC comments related to this proxy statement; and (iii) disseminate this proxy statement and any amendments or supplements to this proxy statement to our stockholders as promptly as reasonably practicable after we are notified that the SEC has no further comments to this proxy statement. Pursuant to the Purchase Agreement, we have agreed to mail this proxy statement to our stockholders and to hold the special meeting at which our stockholders will be asked to consider and vote upon the Proposals. We are required to hold the special meeting as promptly as reasonably practicable after SEC confirms that it has no further comments on this proxy statement.

**Access**

Until the closing date, the Purchaser will have the right to reasonable access, during normal business hours and upon reasonable prior notice, to our and our subsidiaries properties, books and records and personnel, including all correspondence with investors in any fund. We may restrict the Purchaser s right to access any such documents or information to the extent that (i) any applicable law requires us to restrict or otherwise prohibit access to such documents or information or (ii) access to such documents or information would give rise to a material risk of waiving any attorney-client privilege or similar doctrine.

**Cooperation**

The parties to the Purchase Agreement have each agreed to use their respective reasonable best efforts to take all necessary actions to consummate the transactions governed by the Purchase Agreement as promptly as

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practicable, including (i) preparing and filing promptly and fully all documentation to effect all necessary registrations, notices and forms and other documents, (ii) obtaining all approvals, consents, waivers and other confirmations of all governmental authorities or third parties necessary or advisable to consummate the transactions contemplated by the Purchase Agreement, (iii) executing and delivering any additional instruments that are necessary for the consummation of the Transactions, and (iv) defending or contesting any action or other proceeding brought by a third party that would otherwise prevent or materially delay the consummation of the transactions contemplated by the Purchase Agreement.

Subject to certain exceptions, we must provide to the Purchaser and its representatives the opportunity to attend and participate in any meetings with the clients or any investors in any fund managed by us or any of our subsidiaries during the period after the date of the Purchase Agreement and prior to the closing. We will also ensure, subject to certain exceptions, that all communications to any client or fund investor relating to the Transactions shall be jointly reviewed and approved by both parties.

**Employee Matters and Employee Benefits Plans**

Employees identified by Blackstone will continue to be employed by CTIMCO or an affiliate of Blackstone after the closing.

Effective immediately following the closing, and until the earlier of December 31, 2013 or the first anniversary of the closing date, Blackstone has agreed to provide continuing employees with total compensation and benefit opportunities that are substantially comparable, in the aggregate, to those provided to similarly situated employees of Blackstone and its affiliates. Each continuing employee who becomes a participant in any benefit plan program of Blackstone or its affiliates, will be credited with all years of service with any Acquired Entity under such plans and programs for purposes of eligibility, vesting and benefit accrual (other than under a pension benefit accrual) to the extent the employee would have received credit under our corresponding plan or program, except as would result in any duplication of benefits.

Except as restricted by the insurance carriers, any welfare plan maintained by Blackstone or its affiliates in which transferring employees are eligible to participate after the closing date, will (i) waive any preexisting condition limitation or exclusion to the extent waived under the relevant Acquired Entities employee benefit plan and (ii) honor any expense incurred by the transferring employees and their covered dependents under our similar plans for purposes of satisfying any analogous out-of-pocket requirements, deductibles and co-payments.

**Insurance Matters**

Following the closing, the Purchaser will cause any Acquired Entity or Fund Entity to reasonably cooperate with us, at our expense, in pursuing coverage for any claims made by us or against us or our subsidiaries and, subject to certain conditions, reasonably cooperate to assist us, at our expense, in the defense of any claims made against any parties entitled to indemnification with respect to actions taken prior to the closing. The parties to the Purchase Agreement further agree that all rights of the officers and directors of the Purchaser, CT, each Acquired Entity and each Fund Entity under any indemnification arrangements for acts or omissions occurring at or prior to the closing shall survive the closing date and shall not be amended or otherwise modified in any manner that would adversely affect the rights of such officers and directors.

In addition, for a period of six years from the closing date of the Transactions, we are obligated to purchase and maintain either (i) a directors and officers liability insurance policy or an extended reporting period or tail policy, insuring the current or former officers or directors of Capital Trust with respect to any acts or omissions occurring at or prior to the closing and (ii) an investment fund profession and management liability policy or an extended reporting period or tail policy, insuring the current or former officers or directors of Capital Trust with respect to any acts or omissions occurring at or prior to the closing.

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**Board Designation Rights**

Effective as of the closing, the Purchaser will be entitled to designate two directors to our board of directors, one of whom, subject to the Maryland General Corporation Law, will be appointed as chairman of our board of directors. In addition, until such time as the Purchaser and its affiliates collectively beneficially own less than 50% of the New CT Shares, we will nominate for election to our board of directors two director nominees designated by the Purchaser at each annual or special meeting of our stockholders at which directors are to be elected, use our best efforts to cause the elections of such Purchaser designees and ensure that the board of directors shall be comprised of no more than eight members, unless otherwise agreed in writing by the Purchaser. In addition, subject to the rules of the NYSE, for so long as the Purchaser is entitled to nominate nominees to the board of directors, the Purchaser and/or its affiliates will be entitled to proportionate representation on each committee of our board of directors, other than our audit or compensation committees. In the event that a vacancy in our board of directors or committee of our board of directors is created at any time by the death, disability, retirement, resignation or removal of a board member designated by the Purchaser, we will use our best efforts to cause such vacancy to be filled as promptly as possible with a replacement board member designated by the Purchaser. Until the later to occur of (i) the Purchaser and its affiliates no longer having the right to designate two directors to our board of directors and (ii) affiliates of the Purchaser ceasing to manage us and our subsidiaries business, we cannot, without the prior written consent of the Purchaser, amend our charter to remove or otherwise modify the provisions of the charter that are the subject of the Charter Amendment Proposal or otherwise amend our charter or bylaws in a manner that could reasonably be expected to result in our being unable to fulfill our obligations under the Purchase Agreement or discriminate against the Purchaser or any of its affiliates, whether on the basis of its holdings in Capital Trust or otherwise.

**Special Dividend**

Concurrently with the setting of the record date for the special meeting, our board of directors will adopt resolutions with respect to the declaration of the special dividend to all holders of record of our Common Stock on the date set as the meeting record date and shall provide the notice of the dividend in accordance with applicable Law, our charter or bylaws and the rules of the NYSE, and as soon as practicable following the closing, we will pay the special dividend to all holders of record of our Common Stock on the record date. The Purchaser, in its capacity as the holder of the New CT Shares, will not be entitled to participate in the special dividend.

**Tax Matters**

We will prepare and file, or cause to be prepared and filed, all tax returns that are required to be filed by or with respect to us, any Acquired Entity, any Fund Entity and their respective subsidiaries on or before the closing date. The Purchaser will prepare and file, or cause to be prepared and filed, all tax returns that the Purchaser is required by applicable law to file by or with respect to each Acquired Entity and each of its subsidiaries after the closing. In addition, the Purchaser will pay us (a) all refunds of taxes actually received by any Acquired Entity or any of its subsidiaries after the closing date and attributable to taxes paid with respect to a taxable period ending on or prior to the closing date and (b) the portion of all refunds of taxes actually received by any Acquired Entity or any of its subsidiaries after the closing date and attributable to taxes paid by such Acquired Entity or any of its subsidiaries with respect to the portion of any straddle period ending on the closing date, in each case, net of any taxes imposed on such refund amount. Furthermore, we and the Purchaser are each responsible for 50% of any transfer tax imposed in connection with the Transactions.

We and the Purchaser have agreed to cooperate fully, as and to the extent reasonably requested by each other, in connection with the filing of tax returns and any audit, inquiry, litigation or other proceeding with respect to taxes. In addition, we and the Purchaser have agreed to certain other covenants relating to tax returns, allocation of taxes, tax sharing agreements, tax indemnification and other tax matters.

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**Additional Agreements**

The Purchase Agreement contains additional agreements between Blackstone and us relating to, among other things:

- Consultations regarding public announcements and certain confidentiality obligations;
- Delivery and maintenance of, and access to, books and records of any Acquired Entity, Fund Entity and their respective subsidiaries;
- Cost and expenses incurred in connection with the Purchase Agreement and the related transaction documents and transactions;
- Subject to certain exceptions, termination of all affiliate contracts;
- Minimizing the effect of any state anti-takeover or other similar law;
- Notification of breaches of representations and warranties or covenants;
- NYSE listing of the New CT Shares;
- Maintenance of minimum working capital; and
- Assignment or termination of the lease of our headquarters at 410 Park Avenue, New York, New York 10022.

***Closing***

The closing will occur no later than the second business day, which we refer to as the closing date, following the satisfaction or, to the extent permitted, waiver of all conditions to the obligations of the parties to consummate the Transactions, including our stockholders approval of the Proposals as described in this proxy statement.

***Conditions to Closing***

The mutual obligations of the parties to consummate the Transactions are subject to the satisfaction or waiver of the following conditions:

- Receipt of approval by our stockholders of the Proposals;
- Receipt of all necessary consents, orders, approvals and waivers of any governmental authority and the NYSE required for the consummation of the Transactions; and
- No law order or other legal restraint or prohibition by any governmental authority of competent jurisdiction shall be in effect which prohibits, makes illegal or enjoins (whether on a temporary, preliminary or permanent basis) the consummation of the Transactions.

In addition, our obligations to consummate the Transactions are subject to the satisfaction (or waiver by us) of the following conditions:

Subject to certain exceptions, the representations and warranties of the Purchaser contained in the Purchase Agreement shall be true and correct in all respects as of the date of the Purchase Agreement and as of the closing date, except that those representations and warranties which address matters only as of a particular date need only be true and correct as of such date, interpreted without giving effect to any material adverse effect or materiality qualifications, except where all failures of all such representations and warranties to be true and correct, in the aggregate, have not had, and would not reasonably be expected to have, a material adverse effect on the Purchaser;

The Purchaser shall have in all material respects complied with and performed all of the covenants and agreements required to be performed by it under the Purchase Agreement; and

We shall have received copies of certain documents and other items required to be delivered under the Purchase Agreement.

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In addition, the obligations of the Purchaser to consummate the Transactions are subject to the satisfaction (or waiver by the Purchaser) of the following conditions:

Subject to certain exceptions, the representations and warranties made by us contained in the Purchase Agreement shall be true and correct in all respects as of the date of the Purchase Agreement and as of the closing date, except that those representations and warranties which address matters only as of a particular date need only be true and correct as of such date, interpreted without giving effect to any material adverse effect or materiality qualifications, except where all failures of all such representations and warranties to be true and correct, in the aggregate, have not had, and would not reasonably be expected to have, a material adverse effect on us, the Acquired Entities or the Fund Entities;

We shall have in all material respects complied with and performed all of the covenants and agreements required to be performed by us under the Purchase Agreement;

Since the date of the Purchase Agreement, there shall not have occurred any material adverse effect on any of us, the Acquired Entities or the Fund Entities;

No Loss of Special Servicer Status (as defined in the Purchase Agreement) shall have occurred since the date of the Purchase Agreement and as of the closing date nor shall any applicable rating agency have announced (publicly or otherwise) its intention to issue, or otherwise implement, any Loss of Special Services Status;

Approval of the listing of the New CT Shares on the NYSE;

We shall have at least $5,000,000 in cash or cash equivalents as of the closing, subject to certain adjustments and exclusions; and

The Purchaser shall have received copies of certain documents and other items required to be delivered under the Purchase Agreement, including certain consents of our private fund investors and separate account clients.

***Indemnification***

**Indemnification by Capital Trust**

We have agreed that, from and after the closing, we will indemnify each of the Purchaser and its affiliates (including any Acquired Entity, Fund Entity and their respective subsidiaries and affiliates), and the past, current and future respective stockholders, equity owners, members, partners, controlling persons (if any), directors, trustees, managers, officers, employees, agents, successors, assigns and personal representatives of each of them, which we refer to collectively as the purchaser indemnitees, from and against any and all losses that any purchaser indemnitee may suffer due to:

(i) subject to certain exceptions, any inaccuracy in, or breach of, any representation or warranty made by us contained in the Purchase Agreement or any related transaction document;

(ii) subject to certain exceptions, any breach of any of our covenants or obligations contained in the Purchase Agreement or any related transaction document;

(iii) the ownership, management or operation of any Acquired Entity, any Fund Entity or any of their respective subsidiaries and the respective businesses, properties and assets of each of the foregoing or any other CT Investment Management Interests at or prior to the closing;

(iv) subject to certain adjustments, any liabilities that we should have taken into account and set forth on the estimated closing balance sheet provided by us to the Purchaser immediately prior to the closing date; and

(v) subject to certain adjustments, any claims by any transferring employees or current or former officers, directors or employees of the Acquired Entities or their respective subsidiaries relating to matters arising on or prior to the closing and any Closing Employee Amounts to the extent not taken into account in connection with the calculation of the CT Investment Management Interests Purchase Price.

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We will not be liable to any of the purchaser indemnitees, subject to certain exceptions, unless and until the losses incurred by all the purchaser indemnitees exceed, in the aggregate, $500,000, which we refer to as the deductible, in which case we will be liable for the full amount of the losses in excess of the deductible; provided, that the aggregate amount so required to be paid by us in respect of such losses may not exceed $10,000,000, which we refer to as the cap. The deductible and the cap will not apply to losses arising from (i) a breach of certain excluded representations and warranties (as described below), (ii) any claim pursuant to items (ii) (v) above or the tax indemnification provisions in the Purchase Agreement, or (iii) fraud, willful or criminal misconduct by us. In no event will we be required to pay any amounts in satisfaction of claims for indemnification in excess of an amount equal to the Purchase Price in the aggregate.

Certain representations and warranties made by us relating to, among other things, no conflicts, corporate status, authority, capitalization and broker s or finder s fees, which we refer to collectively as seller s excluded representations, will remain in full force and effect indefinitely. The representations and warranties made by us relating to, among other things, taxes and employee matters and benefit plans will remain in full force and effect until 30 days following the applicable statute of limitations with respect to the subject matter of such representations and warranties. All other representations and warranties made by us contained in the Purchase Agreement will remain in full force and effect for 18 months following the closing date.

**Indemnification by the Purchaser**

The Purchaser has agreed that, from and after the closing, it will indemnify each of us and our subsidiaries, and the past, current and future directors, trustees, managers, officers, employees, agents and successors of each of them, which we refer to collectively as the seller indemnitees, from and against any and all losses that any seller indemnitee may suffer due to:

(i) subject to certain exceptions, any inaccuracy in, or breach of, any representation or warranty of the Purchaser contained in the Purchase Agreement or any related transaction document;

(ii) subject to certain exceptions, any breach of any of the Purchaser s covenants or obligations contained in the Purchase Agreement or any related transaction document; and

(iii) subject to certain adjustments, expenses incurred in connection with certain transaction-related expenses.

The Purchaser will not be liable to any of the seller indemnitees, subject to certain exceptions, unless and until the losses incurred by all seller indemnitees exceed, in the aggregate, the deductible, in which case the Purchaser will be liable for the full amount of the losses in excess of the deductible; provided, that the aggregate amount so required to be paid by the Purchaser in respect of such losses may not exceed the cap. The deductible and the cap will not apply to losses arising from (i) a breach of a certain excluded representations and warranties (as described below), (ii) any claim made against the Purchaser pursuant to item (iii) above, or (iii) fraud, willful or criminal misconduct by the Purchaser. In no event will the Purchaser be required to pay any amounts in satisfaction of claims for indemnification in excess of an amount equal to the Purchase Price in the aggregate.

The representations and warranties of the Purchaser relating to, among other things, no conflicts, power and authority and broker s and finder s fees, which we refer to collectively as purchaser excluded representations, will remain in full force and effect indefinitely. The representations and warranties of the Purchaser relating to investment intent will remain in full force and effect until six months following the closing. All other representations and warranties of the Purchaser contained in the Purchase Agreement will remain in full force and effect for 18 months following the closing date.

**Adjustment for Insurance**

Any indemnification obligation under the Purchase Agreement for any losses will be net of any insurance proceeds actually received by the indemnified party under any insurance policy. We and the Purchaser have

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agreed that in the event that any indemnified party recovers amounts under any insurance policy, the indemnified party shall reimburse the indemnifying party an amount equal to the lesser of the amount of such insurance recovery (after deducting related costs and expenses) and the amount for which the indemnifying party was obligated to indemnify the indemnified party pursuant to the Purchase Agreement.

***Termination***

The Purchase Agreement may be terminated prior to the consummation of the closing:

(i) upon the mutual written consent of both us and the Purchaser;

(ii) by either us or the Purchaser, if the closing shall not have occurred on or prior to 5:00 p.m., New York time, on June 27, 2013, which we refer to as the outside date; provided, however, that a party shall not be permitted to terminate the Purchase Agreement if the failure to consummate the closing by the outside date is attributable to the breach by such party of any provision of the Purchase Agreement;

(iii) by either us or Blackstone, if a court of competent jurisdiction or other governmental authority of competent jurisdiction shall have issued a final, nonappealable order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Transactions; provided, however, that a party shall not be permitted to terminate the Purchase Agreement if the issuance of such final, non-appealable order, decree or ruling is attributable to the breach by such party of any provision of the Purchase Agreement;

(iv) by either us or the Purchaser, if our stockholders shall have voted on the Proposals at the special meeting and approval by our stockholders of the Proposals was not obtained;

(v) by the Purchaser, if, before the approval by the stockholders of the Proposals at the special meeting, (i) our board of directors has changed its recommendation that our stockholders approve the Proposals; (ii) we shall have failed to include in this proxy statement our board of directors recommendation that our stockholders approve the Proposals; (iii) our board of directors or any committee thereof shall have adopted, approved, endorsed or recommended any acquisition proposal; (iv) a tender or exchange offer relating to our securities shall have been commenced and we shall not have sent to our security holders, within ten business days after the commencement of such tender or exchange offer, a statement disclosing that our board of directors recommends rejection of such tender or exchange offer; or (v) we shall have materially breached our obligations relating to non-solicitation or preparation of this proxy statement under the Purchase Agreement;

(vi) by the Purchaser, if we shall have breached any representation, warranty, covenant or agreement under the Purchase Agreement, which breach cannot be or has not been cured within 30 days after the Purchaser s giving of written notice thereof, such that the closing conditions related to our representations and warranties or covenants would not be satisfied; or

(vii) by us, if the Purchaser shall have breached any representation, warranty, covenant or agreement under the Purchase Agreement, which breach cannot be or has not been cured within 30 days after our giving of written notice thereof, such that the closing conditions related to the Purchaser s representations and warranties or covenants would not be satisfied.

***Expense Reimbursement***

We have agreed to reimburse the Purchaser for all fees and expenses incurred by or on behalf of the Purchaser and its affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of $1,500,000 in the aggregate if (i) subject to certain exceptions, we or the Purchaser terminates the Purchase Agreement pursuant to the item (ii) in Termination above and within 12 months of such

termination, we or any of our subsidiaries enter into a contract with respect to an acquisition proposal or an acquisition proposal is consummated, (ii) we or the Purchaser terminate the Purchase Agreement pursuant to item

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(iv) in Termination above and either, prior to the special meeting, an acquisition proposal has been publicly announced or, within 12 months of such termination of the Purchase Agreement, we or any of our subsidiaries enter into a contract with respect to an acquisition proposal or an acquisition proposal is consummated or (iii) subject to certain exceptions, the Purchaser terminates the Purchase Agreement pursuant to items (v) or (vi) in Termination above.

The Purchaser has agreed to reimburse us for all fees and expenses incurred after July 3, 2012 by or on behalf of us and our affiliates in connection with the Transactions and the pursuit and negotiation thereof, subject to a cap of $1,500,000 in the aggregate if we terminate this agreement pursuant to item (vii) in Termination above.

***Equitable Remedies***

The parties are entitled to an injunction, specific performance or other equitable relief to specifically enforce and to prevent breaches of the Purchase Agreement in addition to any other remedy to which they are entitled at law or in equity.

***Governing Law; Jurisdiction***

The Purchase Agreement is governed by the laws of the State of Maryland with respect to matters relating to the duties of our board of directors and the laws of the State of New York with respect to all other matters, without giving effect to its conflict of laws principles. Each of the parties has consented to submit to the exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America located in the City and County of New York in the State of New York for any litigation arising out of or relating to the Purchase Agreement.

***Amendment of the Tax Benefits Preservation Rights Agreement***

We previously entered into the Rights Agreement, which is intended to deter an ownership change, as defined for purposes of Section 382 of the Internal Revenue Code, to preserve its net operating and capital losses. Pursuant to the terms of the Purchase Agreement, on September 27, 2012, we entered into an amendment to the Rights Agreement, which, among other things, renders the Rights Agreement inapplicable to the Transactions. The amendment further provides that neither Blackstone nor its affiliates will become an acquiring person (as such term is defined in the Rights Agreement) or otherwise trigger the Rights Agreement unless their percentage of ownership of Common Stock exceeds their percentage of ownership of Common Stock immediately following the closing. Based on the number of shares of Common Stock outstanding as of the date of this proxy statement, Blackstone would beneficially own [18.2]% of the Common Stock under the Rights Agreement upon the Closing. Accordingly Blackstone and its affiliates could not increase their ownership of the Common Stock above [18.2]% without triggering the Rights Agreement, unless our board of directors approved of any such increase in ownership.

***Registration Rights Agreement***

In connection with the Transactions, we will enter into a registration rights agreement with regard to the New CT Shares. Pursuant to the registration rights agreement, the Purchaser and its permitted direct and indirect transferees will have:

beginning one year after the closing, the right to require us to (i) file a shelf registration statement with respect to the New CT Shares, (ii) maintain its effectiveness, (iii) facilitate takedown offerings of the New CT Shares and (iv) assist in the facilitation of sales of such shares by Purchaser;

demand registration rights to have the New CT Shares registered for resale on up to four occasions beginning on the first anniversary of the closing date and the right to require us to assist in the

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facilitation of sales of such shares by Purchaser if we have not effected or are not diligently pursuing a shelf registration statement covering the New CT Shares or are not eligible to file a shelf registration statement or the shelf registration statement covering the New CT Shares shall cease to be effective; and

in certain circumstances, the right to piggy-back the New CT Shares in registration statements we might file in connection with any future public offering of our Common Stock or offerings of our Common Stock undertaken by us or our other stockholders.

Notwithstanding the foregoing, certain registrations and offerings are subject to cutback provisions, and we are permitted to suspend the use, from time to time, of the prospectus that is part of a registration statement (and therefore suspend sales under the registration statement) for certain specified periods.

***Explanatory Note Regarding the Purchase Agreement***

The Purchase Agreement and the summary set forth above have been included to provide all stockholders with information regarding the terms of the Purchase Agreement and are not intended to modify or supplement any factual disclosures about us in our public reports filed with the SEC. In particular, the Purchase Agreement and the foregoing summary of its terms are not intended to be, and should not be relied upon as, disclosures regarding any facts or circumstances relating to us, Blackstone, our or their subsidiaries and affiliates or any other party. The representations and warranties contained in the Purchase Agreement have been negotiated only for the purpose of the Purchase Agreement and are intended solely for the benefit of the parties thereto. In many cases, these representations, warranties and covenants are subject to limitations agreed upon by the parties and are qualified by certain supplemental disclosures provided by the parties to one another in connection with the execution of the Purchase Agreement. Furthermore, many of the representations and warranties in the Purchase Agreement are the result of a negotiated allocation of contractual risk among the parties and, taken in isolation, do not necessarily reflect facts about us, Blackstone, our or their subsidiaries and affiliates or any other party. Likewise, any references to materiality contained in the representations and warranties may not correspond to concepts of materiality applicable to investors or stockholders. Certain of these representations were accurate as of a specific date and do not purport to be accurate as of the date of this proxy statement. Finally, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, and these changes may not be fully reflected in our public disclosures.

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## NEW MANAGEMENT AGREEMENT

*The following is a summary of selected material provisions of the New Management Agreement, a copy of which is attached as Annex B to this proxy statement and incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the New Management Agreement and not by this summary or any other information in this proxy statement. This discussion is not complete and is qualified in its entirety by reference to the complete text of the New Management Agreement. We urge all stockholders to read the New Management Agreement, as well as this proxy statement, carefully and in their entirety before making any decision regarding the Proposals.*

**Engagement of New CT Manager and Management Services**

Pursuant to the New Management Agreement, we will engage the New CT Manager to serve as our investment manager and provide for the day-to-day management of our operations. The New Management Agreement will require the New CT Manager to manage our investments and our day-to-day business and affairs in conformity with our investment guidelines and other policies that are approved and monitored by our board of directors. The New CT Manager s role as manager will be under the supervision and direction of our board of directors.

The New CT Manager will be responsible for (i) the selection, the origination or purchase and the sale, of our portfolio investments, (ii) our financing activities and (iii) providing us with investment advisory services. The New CT Manager will be responsible for our day-to-day operations and will perform (or cause to be performed) such services and activities relating to our investments and business and affairs as may be appropriate, which may include, without limitation, the following:

- serving as our advisor with respect to the establishment and periodic review of our investment guidelines and other parameters for our investments, financing activities and operations, any modifications to which will be approved by a majority of our board of directors (which must include a majority of the independent directors);

- identifying, investigating, analyzing, and selecting possible investment opportunities and originating, negotiating, acquiring, consummating, monitoring, financing, retaining, selling, negotiating for prepayment, restructuring, refinancing, hypothecating, pledging or otherwise disposing of investments consistent in all material respects with our investment guidelines;

- with respect to prospective purchases, sales, exchanges or other dispositions of investments, conducting negotiations on our behalf with sellers, purchasers, and other counterparties and, if applicable, their respective agents, advisors and representatives;

- negotiating and entering into, on our behalf, repurchase agreements, interest rate or currency swap agreements, hedging arrangements, financing arrangements (including one or more credit facilities), foreign exchange transactions, derivative transactions, and other agreements and instruments required or appropriate in connection with our activities;

- engaging and supervising, on our behalf and at our expense, independent contractors, advisors, consultants, attorneys, accountants, auditors, and other service providers (which may include affiliates of the New CT Manager) that provide various services with respect to us, including, without limitation, investment banking, securities brokerage, mortgage brokerage, credit analysis, risk management services, asset management services, loan servicing, other financial, legal or accounting services, due diligence services, underwriting review services, and all other services (including transfer agent and registrar services) as may be required relating to our activities or investments (or potential investments);

- coordinating and managing operations of any joint venture or co-investment interests held by us and conducting all matters with the joint venture or co-investment partners;

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providing executive and administrative personnel, office space and office services required in rendering services to us;

administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to our management as may be agreed upon by the New CT Manager and our board of directors, including, without limitation, the collection of revenues and the payment of our debts and obligations and maintenance of appropriate computer services to perform such administrative functions;

communicating on our behalf with the holders of any of our equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders;

advising us in connection with policy decisions to be made by our board of directors;

engaging one or more subadvisors with respect to our management, including, where appropriate, affiliates of the New CT Manager;

evaluating and recommending to our board of directors hedging strategies and engaging in hedging activities on our behalf, consistent with our qualification as a REIT and with our investment guidelines;

advising us regarding the maintenance of our qualification as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Internal Revenue Code, and the Treasury Regulations thereunder and using commercially reasonable efforts to cause us to qualify for taxation as a REIT;

advising us regarding the maintenance of our exemption from regulation as an investment company under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause us to maintain such exemption from regulation as an investment company under the Investment Company Act;

furnishing reports to us regarding our activities and services performed for us by the New CT Manager and its affiliates;

monitoring the operating performance of our investments and providing periodic reports with respect thereto to our board of directors, including comparative information with respect to such operating performance and budgeted or projected operating results;

investing and reinvesting any moneys and securities of ours (including investing in short-term investments pending investment in other investments, payment of fees, costs and expenses, or payments of dividends or distributions to our stockholders and partners) and advising us as to our capital structure and capital raising;

causing us to retain a qualified independent public accounting firm and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and systems with respect to financial reporting obligations and compliance with the provisions of the Internal Revenue Code applicable to REITs and to conduct periodic compliance reviews with respect thereto;

assisting us in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

assisting us in complying with all regulatory requirements applicable to us in respect of our business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act or the Securities Act, or by the NYSE, and facilitating compliance with the Sarbanes-Oxley Act of 2002, the listing rules of the NYSE, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;

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assisting us in taking all necessary action to enable us to make required tax filings and reports, including soliciting stockholders for all information required to the extent provided by the provisions of the Internal Revenue Code and Treasury Regulations applicable to REITs;

placing, or arranging for the placement of, all orders pursuant to the New CT Manager s investment determinations for us either directly with the issuer or with a broker or dealer (including any affiliated broker or dealer);

handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which we may be involved or to which we may be subject arising out of our day-to-day activities (other than with the New CT Manager or its affiliates), subject to such reasonable limitations or parameters as may be imposed from time to time by our board of directors;

using commercially reasonable efforts to cause expenses incurred by us or on our behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by our board of directors from time to time;

advising us with respect to and structuring long-term financing vehicles for our portfolio of assets, and offering and selling securities publicly or privately in connection with any such structured financing;

serving as our advisor with respect to decisions regarding any of our financings, hedging activities or borrowings undertaken by us, including (i) assisting us in developing criteria for debt and equity financing that is specifically tailored to our investment objectives, and (ii) advising us with respect to obtaining appropriate financing for our investments (which, in accordance with applicable law and the terms and conditions of New Management Agreement and our charter and bylaws may include financing by the New CT Manager or its affiliates);

providing us with portfolio management and other related services;

arranging marketing materials and other related documentation, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our business; and

performing such other services from time to time in connection with the management of our business and affairs and our investment activities as our board of directors shall reasonably request and/or the New CT Manager shall deem appropriate under the particular circumstances.

Pursuant to the terms of the New Management Agreement, the New CT Manager may retain, for and on our behalf, such services of persons and firms described elsewhere herein as the New CT Manager deems necessary or advisable in connection with our management and operations, which may include affiliates of the New CT Manager; provided, that any such services may only be provided by affiliates of the New CT Manager to the extent (i) such services are on arm s-length terms and competitive market rates in relation to terms that are then customary for agreements regarding the provision of such services to companies that have assets similar in type, quality and value to our assets and our subsidiaries assets, or (ii) such services are approved by a majority of the independent members of our board of directors. Pursuant to the terms of the New Management Agreement, the New CT Manager will keep our board of directors reasonably informed on a periodic basis as to any services provided by affiliates of the New CT Manager not approved by a majority of the independent directors on our board of directors.

**Liability and Indemnification**

Pursuant to the New Management Agreement, the New CT Manager will assume no responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations, including as set forth in our investment guidelines. Under the terms of the New Management Agreement, the New CT

Manager and its

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affiliates, and their respective directors, officers, employees and stockholders, will not be liable to us, any subsidiary of ours, our board of directors, our stockholders or any of our subsidiary s stockholders or partners for acts or omissions performed in accordance with and pursuant to the New Management Agreement, except by reason of acts or omission constituting bad faith, willful misconduct, gross negligence or reckless disregard of their duties under the New Management Agreement. We have agreed to indemnify the New CT Manager, its affiliates, and the directors, officers, employees and stockholders of the New CT Manager and its affiliates of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys fees) in respect of or arising from any acts or omissions of such party performed in good faith under the New Management Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of such party under the New Management Agreement. In addition, the New CT Manager will not be liable for trade errors that may result from ordinary negligence, including, without limitation, errors in the investment decision making process and/or in the trade process. The New CT Manager has agreed to indemnify us, our subsidiaries and the directors, officers, employees and stockholders of us and our subsidiaries and each person, if any, controlling us, of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys fees) in respect of or arising from (i) any acts or omissions of the New CT Manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of the New CT Manager under the New Management Agreement or (ii) any claims by the New CT Manager s employees relating to the terms and conditions of their employment by the New CT Manager. Notwithstanding the foregoing, the New CT Manager, at its sole cost and expense, will maintain errors and omissions insurance coverage and other customary insurance coverage upon the execution of the New Management Agreement.

Pursuant to the New Management Agreement, any indemnified party entitled to indemnification thereunder shall first seek recovery from any other indemnity then available with respect to portfolio entities and/or any applicable insurance policies by which such indemnified party is indemnified or covered and shall obtain written consent of us or the New CT Manager (as applicable) prior to entering into any compromise or settlement which would result in an obligation of us or the New CT Manager (as applicable) to indemnify such indemnified party. Any amounts actually recovered under any applicable insurance policies or other indemnity then available will offset any amounts owed by us or the New CT Manager (as applicable) pursuant to indemnification obligations under the New Management Agreement.

**Management Team**

Pursuant to the terms of the New Management Agreement, the New CT Manager is required to provide us with a management team, including a chief executive officer and president, chief financial officer or similar positions, along with appropriate support personnel, to provide the management services to be provided by the New CT Manager to us. The New CT Manager is not obligated to dedicate any of its executives or other personnel exclusively to us. In addition, such executives and other personnel, including the management team supplied to us by the New CT Manager, are not obligated to dedicate any specific portion of their time to our business. Instead, members of our management team are required to devote such of their time to our management as necessary and appropriate, commensurate with our level of activity.

The New CT Manager is required to refrain from any action that, in its sole judgment made in good faith:

- is not in compliance with our investment guidelines,
- would adversely and materially affect our qualification as a REIT under the Internal Revenue Code or our status or our subsidiaries status as entities excluded from investment company status under the Investment Company Act, or
- would materially violate compliance and governance policies and procedures applicable to us, any law, rule or regulation of any governmental body or agency having jurisdiction over us and our subsidiaries or of any exchange on which our securities may be listed or that would otherwise not be permitted by our charter and bylaws.

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If the New CT Manager is ordered to take any action by our board of directors, the New CT Manager will promptly notify our board of directors if it is the New CT Manager s judgment that such action would adversely and materially affect such status or violate any such law, rule or regulation, or compliance and governance policies and procedures or our charter or bylaws. Neither the New CT Manager nor any of its affiliates shall be liable to us, our board of directors or our stockholders for any act or omission by the New CT Manager or any of its affiliates, except as provided in the New Management Agreement.

**Term and Termination**

The initial term of the New Management Agreement expires on the third anniversary of the closing date and will be automatically renewed for a one-year term each anniversary thereafter unless previously terminated as described below. Our independent directors will review the New CT Manager s performance and the fees that may be payable to the New CT Manager annually and, following the initial term, the New Management Agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors, based upon (1) unsatisfactory performance that is materially detrimental to us or (2) our determination that the management fee and incentive fee payable to the New CT Manager are not fair, subject to the New CT Manager s right to prevent such termination due to unfair fees by accepting a reduction of management and/or incentive fees agreed to by at least two-thirds of our independent directors. We must provide 180 days prior written notice of any such termination. Unless terminated for cause, the New CT Manager will be paid a termination fee equal to three times the sum of (i) the average annual management fee and (ii) the average annual incentive fee earned by the New CT Manager, in each case during the 24-month period immediately preceding the most recently completed calendar quarter prior to the date of termination.

We may also terminate the New Management Agreement at any time, including during the initial term, without the payment of any termination fee, with at least 30 days prior written notice from us for cause, which is defined as:

- a final judgment by any court or governmental body of competent jurisdiction not stayed or vacated within 30 days that the New CT Manager, its agents or its assignees has committed a felony or a material violation of applicable securities laws that has a material adverse effect on our business or the ability of the New CT Manager to perform its duties under the terms of the New Management Agreement,
- an order for relief in an involuntary bankruptcy case relating to the New CT Manager or the New CT Manager authorizing or filing a voluntary bankruptcy petition,
- the dissolution of the New CT Manager, or
- a determination that the New CT Manager has committed fraud against us, misappropriates or embezzles funds of ours, or has acted, or failed to act, in a manner constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties under the New Management Agreement, provided, however, that if any of such actions or omissions are caused by an employee and/or officer of the New CT Manager or one of its affiliates and the New CT Manager takes all necessary action against such person and cures the damage caused by such actions or omissions within 30 days of such determination, then the New Management Agreement shall not be terminable for cause.

The New CT Manager may assign the agreement in its entirety or delegate certain of its duties under the agreement to any of its affiliates without the approval of our independent directors if such assignment or delegation does not require our approval under the Investment Company Act.

The New CT Manager may terminate the New Management Agreement if we become required to register as an investment company under the Investment Company Act, with such termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee. The New CT Manager may

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decline to renew the New Management Agreement by providing us with 180 days written notice, in which case we would not be required to pay a termination fee. In addition, if we breach the New Management Agreement in any material respect or are otherwise unable to perform our obligations thereunder and the breach continues for a period of 30 days after written notice to us, the New CT Manager may terminate the New Management Agreement upon 60 days written notice. If the New Management Agreement is terminated by the New CT Manager upon our breach, we would be required to pay the New CT Manager the termination fee described above.

We may not assign our rights or responsibilities under the New Management Agreement without the prior written consent of the New CT Manager, except in the case of assignment to another REIT or other organization wh